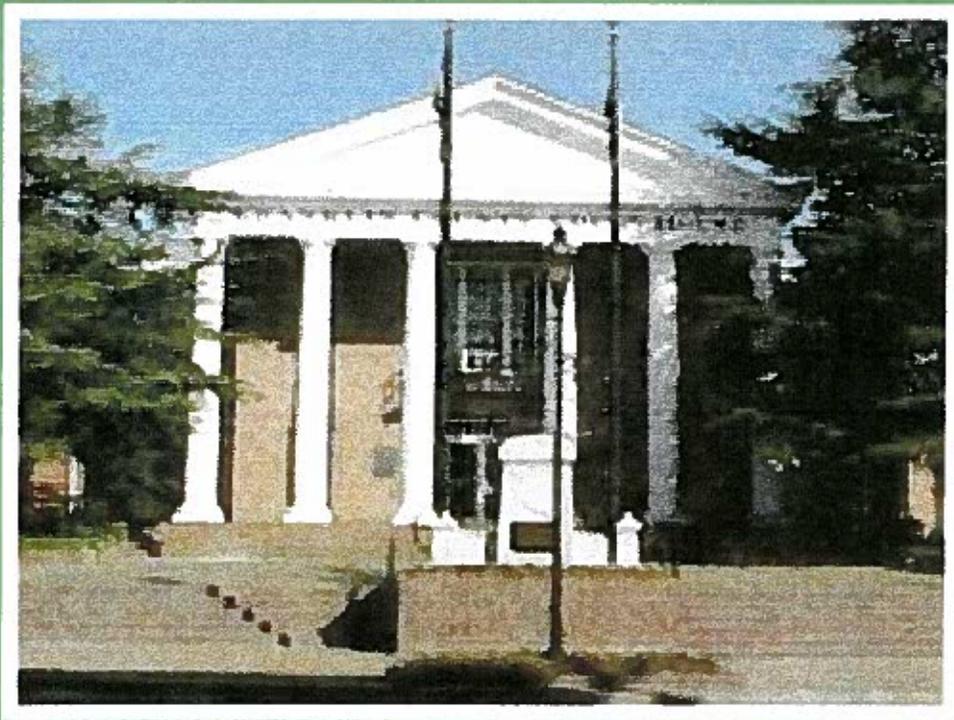


Franklin County North Carolina



**Comprehensive Annual Financial Report
For the fiscal year ended June 30, 2005**

**Prepared by:
Franklin County Finance Department**



TABLE OF CONTENTS



Franklin County, North Carolina
Table of Contents
June 30, 2005

	<u>Exhibit</u>	<u>Page</u>
Introductory Section		
Letter of Transmittal		1
Certificate of Achievement		8
Organizational Chart		9
List of County Officials		10
Financial Section		
Independent Auditor's Report		11
Management's Discussion and Analysis		13
Basic Financial Statements		
Government-wide Financial Statements		
Statement of Net Assets	1	22
Statement of Activities	2	23
Fund Financial Statements		
Balance Sheet – Governmental Funds	3	24
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	4	25
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	4	26
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	5	27
Statement of Net Assets – Proprietary Funds	6	28
Statement of Revenues, Expenditures, and Changes in Net Assets – Proprietary Funds	7	29
Statement of Cash Flows – Proprietary Funds	8	30
Statement of Fiduciary Net Assets	9	32

Franklin County, North Carolina
Table of Contents
June 30, 2005

	<u>Exhibit</u>	<u>Page</u>
Notes to the Financial Statements		33
Required Supplementary Information		
Law Enforcement Officers' Special Separation Allowance – Schedule of Funding Progress	10	63
Law Enforcement Officers' Special Separation Allowance – Schedule of Employer Contributions	11	64
Law Enforcement Officers' Special Separation Allowance – Notes to the Required Statements	11	64
Combining and Individual Fund Statements and Schedules – Governmental Funds		
Schedule of Revenues, Expenditures, and Changes in Fund Balance – General Fund – Budget and Actual	12	65
Combining Balance Sheet – Nonmajor Governmental Funds	13	72
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	14	73
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Capital Reserve Fund	15	74
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Fire District Fund	16	75
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Revaluation Fund	17	76
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Emergency System Telephone Fund	18	77
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – DEA Fund	19	78
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Solid Waste Capital Reserve Fund	20	79

Franklin County, North Carolina
Table of Contents
June 30, 2005

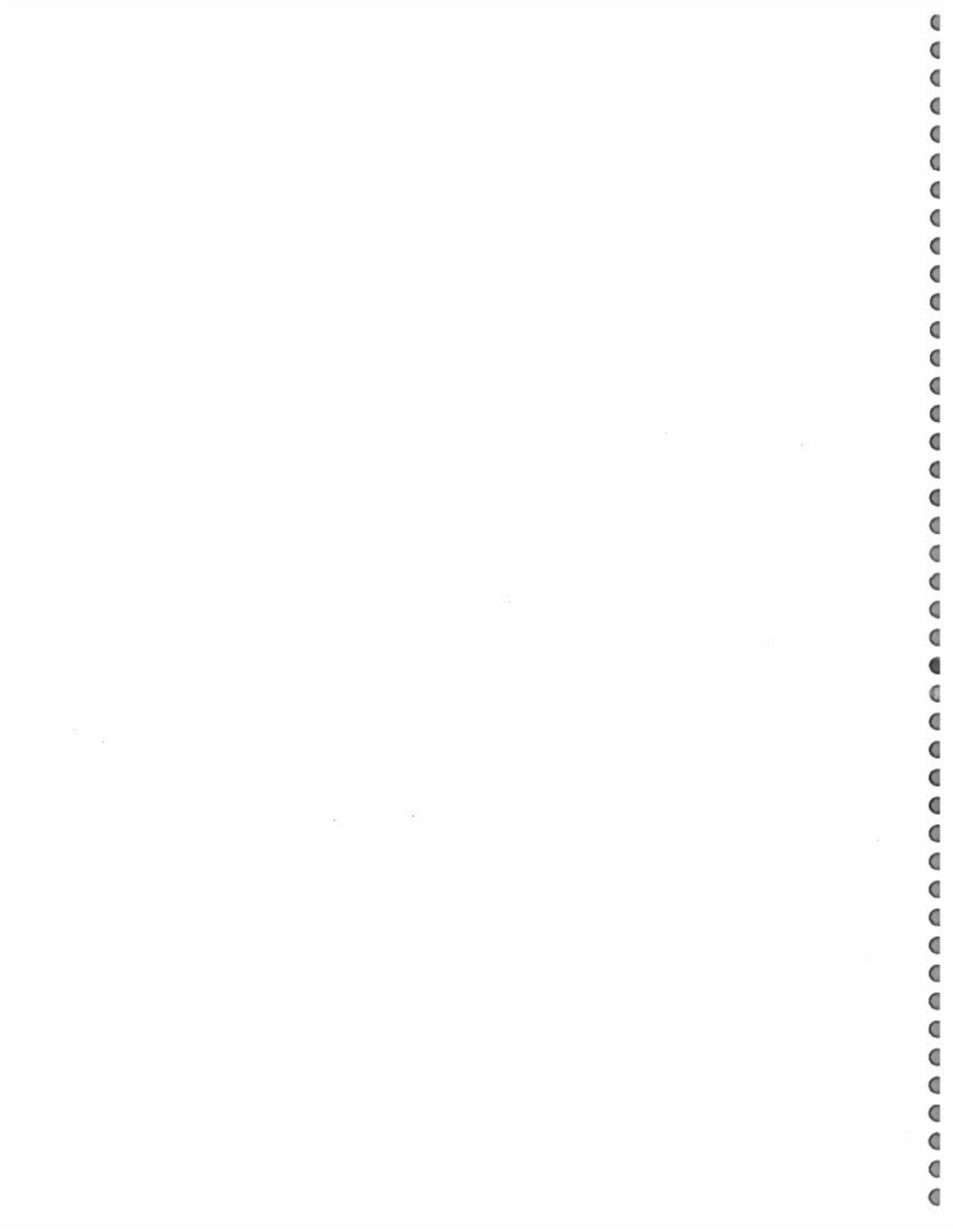
	<u>Exhibit</u>	<u>Page</u>
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Golden Leaf Foundation Project	21	80
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Community Development Fund	22	81
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Revaluation Project Fund	23	82
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – COPS Capital Project Fund	24	83
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Airport Capital Project Fund	25	84
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – School Capital Projects Fund	26	85
Proprietary Funds		
Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP) – Water and Sewer Fund	27	86
Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP) – Water and Sewer Capital Projects Fund	28	87
Internal Service Fund		
Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP) – Insurance Fund	29	88
Agency Funds		
Combining Statements of Changes in Assets and Liabilities – Agency Funds	30	89
Other Schedules		
Schedule of Ad Valorem Taxes Receivable	31	90
Analysis of Current Tax Levy – County-wide Levy	32	91
Analysis of Current Tax Levy – County-wide Levy	33	92
Ten Largest Taxpayers	34	93

Franklin County, North Carolina
Table of Contents
June 30, 2005

	<u>Exhibit</u>	<u>Page</u>
Capital Assets Used in the Operation of Governmental Funds		
Comparative Schedule by Source	35	94
Schedule by Function	36	95
Schedule of Changes by Function and Activity	37	96
Statistical Section		
General Governmental Expenditures by Function		97
General Governmental Revenues by Source		98
General Governmental Tax Revenues by Source		99
Property Tax Levies and Collections – General Fund		100
Assessed Value of Taxable Property		101
Property Tax Rates – Direct and all Overlapping Governments		102
Ten Largest Tax Payers		103
Special Assessment Billing and Collections		104
Computation of Legal Debt Margin		105
Ratio of Net General Obligation Bonded Debt to Assessed Value and Net General Obligation Bonded Debt Per Capita		106
Ratio of Annual Debt Service Expenditures for General Obligation Bonded Debt to Total General Governmental Expenditures		107
Computation of Direct and Underlying Bonded Debt – General Obligation Bonds		108
Demographic Statistics		109
Construction and Bank Deposits		110
Miscellaneous Statistics		111

Franklin County, North Carolina
Table of Contents
June 30, 2005

	<u>Exhibit</u>	<u>Page</u>
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 <i>Government Auditing Standards</i>		112
Report on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance with <i>OMB Circular A-133</i> and the State Single Audit Implementation Act		114
Report on Compliance with Requirements Applicable to Each Major State Program and Internal Control Over Compliance in Accordance with Applicable Sections of <i>OMB Circular A-133</i> and the State Single Audit Implementation Act		116
Schedule of Findings and Questioned Costs		118
Corrective Action Plan		121
Summary Schedule of Prior Year Audit Findings		122
Schedule of Expenditures of Federal and State Awards		123

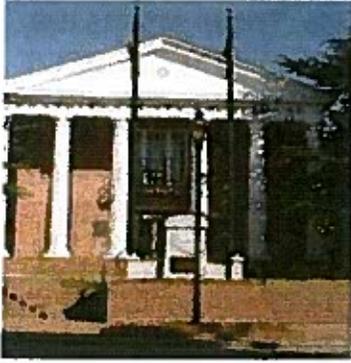




INTRODUCTORY SECTION

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, 2005

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, 2005. 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, P.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 2005 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, 2005, 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 54,181. 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. In December 2004, the Board of Commissioners expanded to a seven member board. Five members of the Board of Commissioners are elected from districts on a partisan basis and two are elected at Large. They serve staggered four-year terms. 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. 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 was completed in June 05 and both departments have occupied the additional 12,000 square feet of office space.

County Airport

During the fiscal year, the approach landing area was enhanced by a major clearing project. The grading project consisted of clearing 100 acres at the south end of the runway. In fiscal year 2005-2006, a major upgrade of the approach lighting will take place. 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.

Also during fiscal year 2004-2005, the Franklin County Airport Commission was re-established. This commission will make recommendations to the Board of Commissioners as to how the airport should operate and becoming involved in developing a capital improvement plan. They are also reviewing the daily operations of the airport and reviewing the status of the current fixed base operator.

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 new transfer station was completed in September of 2005. The County transfers 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 have begun and the County issued \$1.4 million in General Obligation Bonds in May 2005. The County plans to issue another \$10 million in G.O. Bonds in April 2006. 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. The County Commissioners and the School Board are also working together to

identify funding for a new high school to serve the Youngsville and Franklinton area at an estimated cost of \$30 million.

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, 20.7% of employment in the county is in manufacturing, 25.5% in service producing industries, 22.7% in government, 9.3% in construction and mining, and 18.9% in other non-agricultural employment. Agriculture now employs 2.9%. 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, 540, 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 29% since 1995. It is estimated that Franklin County currently has 54,181 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 has begun to address \$30 million of these needs since the county was successful with the passage of a general obligation bond issue in November 2004.

With the county's population continuing to rise, careful planning must occur to ensure that adequate real estate remains available for potential industrial prospects, adequate water and sewer facilities are present, as well as looking for additional funding streams to provide dollars needed for additional county services that will be requested with residential growth. In August 2005, The State of North Carolina passed a lottery to help with school operational needs and school construction needs. The County has also requested the NC General Assembly to allow an additional one half sales tax earmarked for school construction.

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, 2005, the County utilizes about 1.7 million 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 \$89.1 million. This provided over \$704,189 to the county in property tax revenue. They are also the county's largest water customer averaging 700,000 gallons per day at a cost of \$1,149,750 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 3.56 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, 2005, 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, BB&T, and First Citizens Bank. The government fund types recorded investment income of \$480,463 for fiscal year 2005. At June 30, 2005, the County's deposits had a carrying value of \$19,467,048 and a bank balance of \$19,467,048. 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, 2005 \$100,000 of the bank balance was covered by federal depository insurance and \$19,367,048 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 \$43,607,755. 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. Four 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 2005, there were 20 retired employees receiving a medicare supplement and 19 retirees who are receiving regular health insurance coverage. At age 65, all retirees must change over to the Medicare supplement. 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. E. 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, 2004. This was the sixth 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.

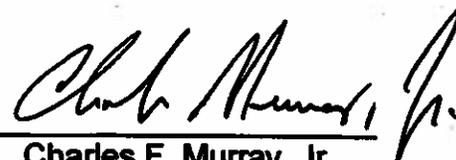
Use of the Report. The Government Finance Officers Association reports a growing awareness that the annual financial report should be management's report to its governing body, constituents, oversight bodies, resource providers, investors and creditors. We agree with this direction, and in keeping with 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.
Director of Finance

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, 2004

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

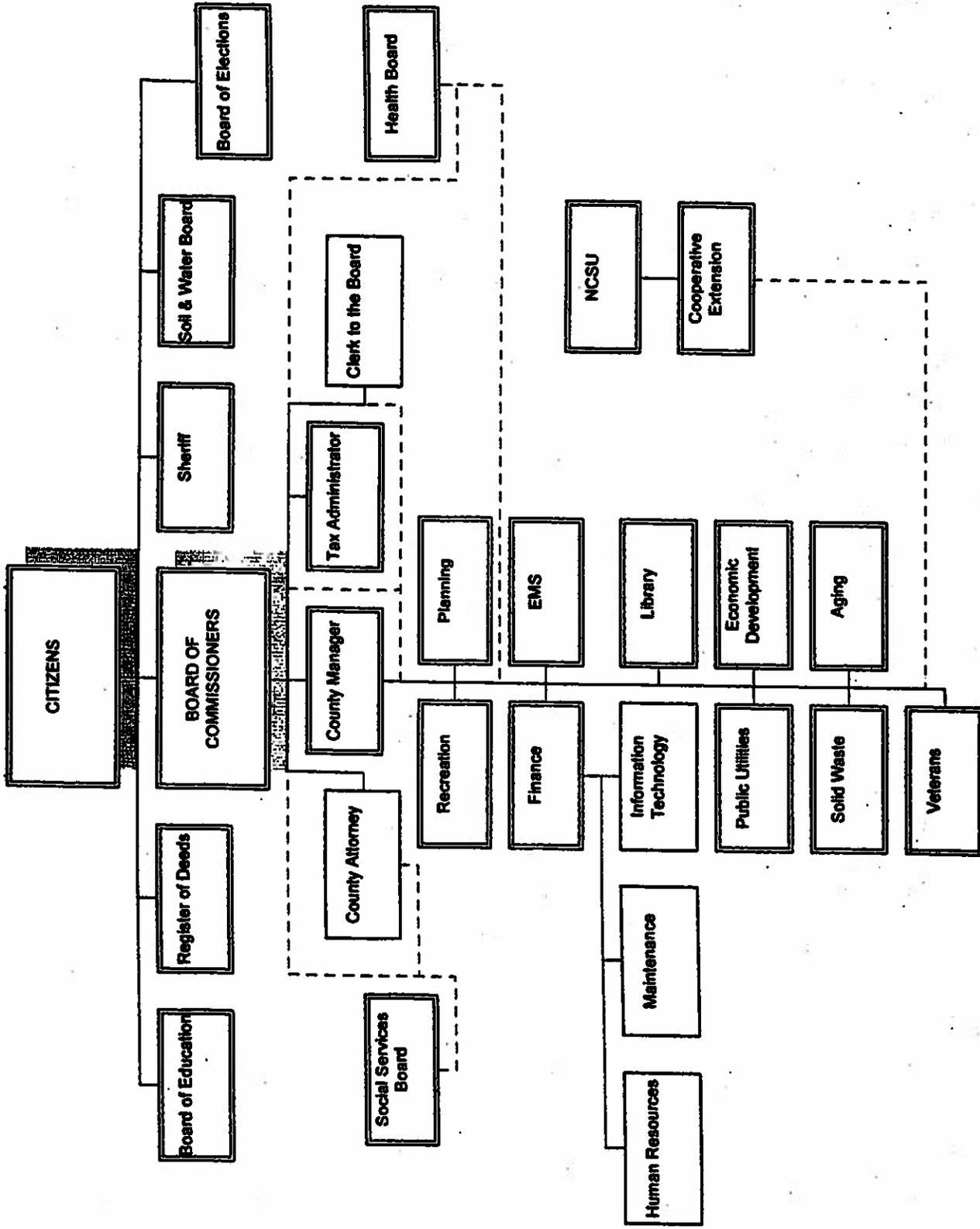


Nancy L. Zjella

President

Jeffrey R. Enos

Executive Director



Franklin County

Organization Chart
July 2005

FRANKLIN COUNTY, NORTH CAROLINA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
LIST OF COUNTY OFFICIALS
JUNE 30, 2005

BOARD OF COUNTY COMMISSIONERS

Robert L. Swanson, Chairman

Lynwood D. Buffaloe, Vice Chairman

Harry L. Foy, Jr.

Jimmie R. Gupton

Raymond A. Stone

Sidney E. Dunston

Donald C. Lancaster

COUNTY OFFICIALS

Chris Coudriet.
County Manager

Charles F. Murray, Jr.
Director of Finance

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, 2005, 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, 2005, 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 October 7, 2005, 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.

Holden, Moss, Knott, Clark, Copley & Hoyle, PA
Certified Public Accountants and Consultants

October 7, 2005
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, 2005. 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

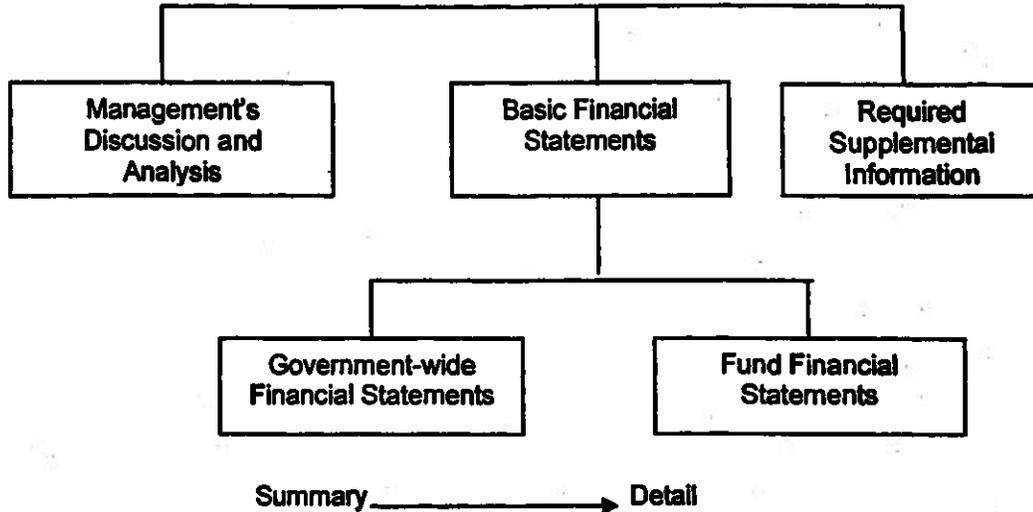
- The assets of the County exceeded its liabilities at the close of the fiscal year by \$29,778,018 (*net assets*). In accordance with North Carolina law, liabilities of the County include long-term debt associated with assets belonging to the Franklin County Board of Education. The amount included in liabilities related to school financing is \$23,462,889. 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 \$21,520,741, a nice increase from the previous fiscal year where the combined fund balances totaled \$18,535,536. Approximately 84 percent of this total amount or \$18,158,284 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 \$15,536,378 or 31 percent of total general fund expenditures for the fiscal year. Of this amount \$989,585 has been designated for subsequent year expenditures.
- The County's total debt decreased by \$47,202 during the current fiscal year. In November 2004, the county passed a \$30 million G.O. Bond for school construction needs. The County issued \$1.4 million in new General Obligation Bonds in FY 2004-2005. All debt payments were paid timely.
- The County was upgraded in May 2005 in its bond rating from Moody's Investor Services from an (A2) to an (A1) and was also upgraded by Standard & Poor's from an (A) to an (A+).

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 2005 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 of Commissioners 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 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 an enterprise fund 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 24 – 26 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 County's government-wide financial statements presented in fiscal year ending 2003 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 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 when comparing to the County's financial reports prior to FYE 2003. 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.

Figure 2 (below) represents comparative data for the County's total assets, total liabilities, and net assets for FYE 2004 and FYE 2005.

Figure 2

FRANKLIN COUNTY'S NET ASSETS

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Current and other assets	\$ 26,449,005	\$ 24,187,506	\$ 4,938,466	\$ 4,251,074	\$ 31,387,471	\$ 28,438,580
Capital assets	25,916,341	24,050,482	25,096,517	25,174,332	51,012,858	49,224,814
Total assets	52,365,346	48,237,988	30,034,983	29,425,406	82,400,329	77,663,394
Long-term liabilities outstanding	32,541,609	31,673,833	17,751,893	18,666,871	50,293,502	50,340,704
Other liabilities	1,744,008	2,512,374	584,801	415,154	2,328,809	2,927,528
Total liabilities	34,285,617	34,186,207	18,336,694	19,082,025	52,622,311	53,268,232
Net assets:						
Invested in capital assets, net of related debt	17,401,192	16,636,245	7,385,484	6,539,122	24,786,676	23,175,367
Restricted	840,076	-	-	-	840,076	-
Unrestricted	(161,539)	(2,584,464)	4,312,805	3,804,259	4,151,266	1,219,795
Total net assets	\$ 18,079,729	\$ 14,051,781	\$ 11,698,289	\$ 10,343,381	\$ 29,778,018	\$ 24,395,162

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 \$29,778,018 as of June 30, 2005. Net assets are reported in three categories: Invested in capital assets, net of related debt of \$24.8 million, restricted net assets of \$.8 million and unrestricted net assets \$4.15 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 \$4.15 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 \$23.46 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 passing of the \$30 million G.O. Bond and expected issuance of \$10 million of that in FY 2005-2006, a decrease is expected next year. 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 increasing the tax collection percentage from 96.07 to 96.74%.
- Continued low cost of debt due to the County's bond rating.
- Continued land use planning in determining future site locations for schools.
- An unanticipated increase in sales tax revenue of \$1.06 million.
- An additional \$932,000 above budget in current year tax collections.

Figure 3

FRANKLIN COUNTY'S CHANGES IN NET ASSETS

	Governmental		Business-type		Total	
	Activities		Activities			
Revenues:	FY 2005	FY 2004	FY 2005	FY 2004	FY 2005	FY 2004
Program revenues:						
Charges for services	\$ 8,808,248	\$ 7,915,564	\$ 4,227,757	\$ 3,546,357	\$ 13,036,005	\$ 11,461,921
Operating grants and contributions	7,485,903	7,146,407	-	-	7,485,903	7,146,407
Capital grants and contributions	620,758	997,852	540,400	1,709,599	1,161,158	2,707,451
General revenues:						
Property taxes	27,545,182	26,764,950	-	-	27,545,182	26,764,950
Other taxes	9,434,955	8,379,344	-	-	9,434,955	8,379,344
Other	1,147,866	990,926	37,881	25,943	1,185,747	1,016,869
Total revenues	<u>55,042,912</u>	<u>52,195,043</u>	<u>4,806,038</u>	<u>5,281,899</u>	<u>59,848,950</u>	<u>57,476,942</u>
Expenses:						
General Government	5,686,247	3,781,013	-	-	5,686,247	3,781,013
Public Safety	11,462,533	10,496,309	-	-	11,462,533	10,496,309
Economic and Fiscal Development	3,212,065	5,468,254	-	-	3,212,065	5,468,254
Human Services	15,821,501	15,021,264	-	-	15,821,501	15,021,264
Cultural and Recreation	1,087,237	1,209,559	-	-	1,087,237	1,209,559
Education	11,202,659	10,004,326	-	-	11,202,659	10,004,326
Interest on long-term debt	1,146,215	1,588,798	-	-	1,146,215	1,588,798
Water and Sewer	-	-	4,792,247	4,681,936	4,792,247	4,681,936
Total expenses	<u>49,618,457</u>	<u>47,569,523</u>	<u>4,792,247</u>	<u>4,681,936</u>	<u>54,410,704</u>	<u>52,251,459</u>
Increase(Decrease) in net assets before transfers	5,424,455	4,625,520	13,791	599,963	5,438,246	5,225,483
Transfers	<u>(1,341,117)</u>	<u>(1,372,873)</u>	<u>1,341,117</u>	<u>1,372,873</u>	<u>-</u>	<u>-</u>
Increase in net assets	<u>4,083,338</u>	<u>3,252,647</u>	<u>1,354,908</u>	<u>1,972,836</u>	<u>5,438,246</u>	<u>5,225,483</u>
Net assets, July, 1 as restated (See footnote ii.C.)	<u>13,996,391</u>	<u>10,743,744</u>	<u>10,343,381</u>	<u>8,370,545</u>	<u>24,339,772</u>	<u>19,114,289</u>
Net assets, June 30	<u>\$ 18,079,729</u>	<u>\$ 13,996,391</u>	<u>\$ 11,698,289</u>	<u>\$ 10,343,381</u>	<u>\$ 29,778,018</u>	<u>\$ 24,339,772</u>

Governmental activities: Governmental activities increased the County's net assets by \$4,083,338 or 29.17 percent. Key elements are as follows:

- Ad valorem Tax collections increased by \$780,232. There was a decrease in the General fund tax rate from 99.95 to 79.0 cents per \$100 of valuation due to property revaluation.

- Sales Tax revenue increased by \$1,055,611 due to what appears to be a recovery of North Carolina economy. Sales Tax collections were up 10 percent State wide and the County itself experienced a 14 percent growth.
- Sales and Services increased by \$892,684. Solid Waste and Sheriff and Jail fees made up the majority of the increase.

Business-type activities: The net assets in Business-type activities increased by \$3.25 million. A 9 million sewer treatment expansion was completed during the year and Charges for services increased by \$681,400. The county's customer base increased by 629 or 40.5 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 undesignated fund balance of the General Fund was \$13,921,756, while total fund balance reached \$17,422,075. 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 undesignated fund balance represents 27.7 percent of total General Fund expenditures, while total fund balance represents 34.7 percent.

At June 30, 2005, the governmental funds of the County reported a combined fund balance of \$21,520,741, a \$2.99 million increase from last year. As you can see, the county had a very successful year financially.

General Fund Budgetary Highlights:

During fiscal year 2005, the County increased its fund balance significantly and finished 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 \$1,728,289 or 3.28% of the total budget. \$1,500,000 was appropriated during the year for the construction of a new solid waste transfer facility and some renovations to the Human Services Building.

The actual operating revenues for the General Fund were higher than the budgeted amount by \$2,347,873. Sales Tax revenues exceeded budget by \$1,053,617 and Ad valorem taxes exceeded budget by \$1,183,771. The County's expenditures were \$2,799,494 less than budgeted. The solid waste transfer station was not completed during the year and 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 \$4,312,805. This increase of 508,546 was due to the debt being lowered as payments were made. The County's water and sewer customer base continues to increase as 629 new customers were added during the year. This represents a 40.5 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, 2005, totaled \$51,012,858 (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 included:

- The completion of an upgrade of the County's Waste Water Treatment Plant from 1 million gallons per day to 3 million gallons per day.
- Purchased twelve new vehicles for various departments.
- Purchased one new ambulances for the Emergencies Services Department.

Figure 4

FRANKLIN COUNTY'S CAPITAL ASSETS (net of depreciation)

	Governmental		Business-type		Total	
	Activities		Activities			
	2005	2004	2005	2004	2005	2004
Land	\$ 9,200,516	\$ 9,039,164	\$ 332,206	\$ 116,478	\$ 9,532,722	\$ 9,155,642
Buildings	12,776,958	12,386,291	-	-	12,776,958	12,386,291
Gas Lines	276,034	284,264	-	-	276,034	284,264
Water Lines	160,950	-	9,995,953	10,295,954	10,156,903	10,295,954
Sewer Lines	-	-	14,030,751	7,590,280	14,030,751	7,590,280
Automotive equipment	922,078	950,092	79,680	53,941	1,001,758	1,004,033
Office and other equipment	1,067,325	1,286,396	171,162	246,161	1,238,487	1,532,557
Construction in progress	1,512,480	167,130	486,765	6,871,518	1,999,245	7,038,648
Total	\$ 25,916,341	\$ 24,113,337	\$ 25,096,517	\$ 25,174,332	\$ 51,012,858	\$ 49,287,669

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, 2005, the County had total bonded school debt outstanding of \$14,600,000, all of which is backed by the full faith and credit of the County. The County has \$26,560,589 in Certificates Of Participation outstanding, \$2,880,000 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.

Figure 5

General Obligation, Capital Leases and Installment Notes Payable

	Activities		Activities		Total	
	2005	2004	2005	2004	2005	2004
General obligation bonds	\$ 14,600,000	\$ 13,875,000	\$ -	\$ -	\$ 14,600,000	\$ 13,875,000
Certificates of Participation	11,729,556	12,752,958	14,831,033	15,575,210	26,560,589	28,328,168
Installment Purchases	5,110,544	3,937,202	-	-	5,110,544	3,937,202
Revolving Loans	-	-	2,880,000	3,060,000	2,880,000	3,060,000
Other obligations	1,101,509	1,108,673	40,860	31,661	1,142,369	1,140,334
Total long-term debt	\$ 32,541,609	\$ 31,673,833	\$ 17,751,893	\$ 18,666,871	\$ 50,293,502	\$ 50,340,704

In fiscal year 2004-2005, the County's total debt basically remained unchanged as new debt was issued and old debts were paid. The County issued additional debt during fiscal year 2005 in the amount \$1,400,000 to add additions at Terrell Lane Middle School. The County met all of its obligations in a timely fashion.

The County's most recent bond ratings, received in connection with a refunding issue in March, are shown below:

Moody's Investor Services	A1
Standard & Poor's	A+

This increase in 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 \$216,857,549. The County has \$28,600,000 bonds authorized but un-issued at June 30, 2005. It is anticipated the County will issue \$10,000,000 during FY 2005-2006.

Additional information regarding the County's long-term debt can be found in Note II.7.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for Franklin County was 3.8 percent at June 30, 2005 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.
- Sales Tax revenues are increasing state wide and the County's tax base continues to grow t almost 5% annually.

All of these factors were considered in preparing the County of Franklin's budget for FY 2006.

Budget Highlights for the Fiscal Year Ending June 30, 2006

- **Governmental Activities:** The County has approved a \$54.5 million general fund budget for fiscal year 2005-2006. This represents a \$1.45 million or 2.75 percent increase over the previous fiscal year. The property tax rate remained at 79 cents per \$100 dollars of property valuation.
- Budgeted expenditures for education continue to increase. The County budgeted \$14,370,379 for education in fiscal year 2006, an increase of \$ \$1,053,379 over the previous year. Also, the County has committed to enhancing the E911 system by adding a simulcast system which will allow communicators to dispatch all needed emergency more efficiently.
- **Business – type Activities:** The County increased its' water and sewer rates by 50 percent during the 2005-2006 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. With the increases in rates implemented in the past two years, the transfer of general fund monies has been cut significantly.

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.

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BASIC FINANCIAL STATEMENTS



Franklin County, North Carolina
Statement of Net Assets
June 30, 2005

	Governmental Activities	Business-type Activity	Total
Assets			
Cash and cash equivalents	\$ 20,005,363	\$ 4,495,124	\$ 24,500,487
Receivables (net)	2,505,119	416,282	2,921,401
Due from other governments	2,665,916	27,060	2,692,976
Restricted cash and cash equivalents	840,076	-	840,076
Other assets	432,531	-	432,531
Capital assets:			
Land, improvements, and construction in progress	9,241,447	818,971	10,060,418
Other capital assets, net of depreciation	16,674,894	24,277,546	40,952,440
Total capital assets	<u>25,916,341</u>	<u>25,096,517</u>	<u>51,012,858</u>
Total assets	<u>52,365,346</u>	<u>30,034,983</u>	<u>82,400,329</u>
Liabilities			
Accounts payable and accrued expenses	1,396,082	502,261	1,898,343
Unearned revenue	347,926	-	347,926
Customer deposits	-	82,540	82,540
Long-term liabilities:			
Due within one year	4,057,460	995,348	5,052,808
Due in more than one year	28,484,149	16,756,545	45,240,694
Total liabilities	<u>34,285,617</u>	<u>18,336,694</u>	<u>52,622,311</u>
Net Assets			
Invested in capital assets, net of related debt	17,401,192	7,385,484	24,786,676
Restricted net assets	840,076	-	840,076
Unrestricted	(161,539)	4,312,805	4,151,266
Total net assets	<u>\$ 18,079,729</u>	<u>\$ 11,698,289</u>	<u>\$ 29,778,018</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, 2005

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	\$ 5,886,247	\$ 653,782	\$ 100,872	\$ -	\$ (4,731,783)	\$ -	\$ (4,731,783)
Public safety	11,462,533	3,056,930	383,747	-	(9,021,856)	-	(6,021,856)
Economic and physical development	3,212,085	1,245,584	394,598	412,021	(1,159,882)	-	(1,159,882)
Human services	15,821,501	3,603,385	6,078,882	-	(6,138,434)	-	(6,138,434)
Cultural and recreation	1,087,237	48,557	128,204	-	(910,478)	-	(910,478)
Education	11,202,659	-	400,000	208,737	(10,593,922)	-	(10,593,922)
Interest on long-term debt	1,148,215	-	-	-	(1,148,215)	-	(1,148,215)
Total governmental activities	49,816,457	9,809,246	7,485,903	620,768	(32,703,548)	-	(32,703,548)
Business-type activity:							
Water and Sewer Department	4,792,247	4,227,757	-	540,400	-	(24,090)	(24,090)
Total business-type activity	4,792,247	4,227,757	-	540,400	-	(24,090)	(24,090)
Total	\$ 54,410,704	\$ 13,036,005	\$ 7,485,903	\$ 1,161,168	(32,703,548)	(24,090)	(32,727,638)
General revenues:							
Taxes:							
Property taxes, levied for general purpose					27,545,182		27,545,182
Local option sales tax					9,434,955		9,434,955
Investment earnings, unrestricted					464,709	37,861	502,570
Miscellaneous, unrestricted					683,157		683,157
Transfers:							
Net transfers to Water and Sewer Fund from General Fund					(1,341,117)	1,341,117	-
Total general revenues and transfers					36,776,866	1,378,998	38,155,864
Change in net assets					4,053,339	1,354,908	5,408,247
Net assets - July 1, 2004, as restated					13,996,381	10,343,381	24,339,762
Net assets - June 30, 2005					\$ 18,079,720	\$ 11,688,289	\$ 29,768,009

Franklin County, North Carolina
Balance Sheet
Governmental Funds
June 30, 2005

	Major	Nonmajor	Total Governmental Funds
	General	Other Governmental Funds	
Assets			
Cash and cash equivalents	\$ 16,899,388	\$ 2,567,660	\$ 19,467,048
Receivables, net	2,062,050	147,370	2,209,420
Due from other governments	1,958,945	706,971	2,665,916
Restricted assets:			
Debt service reserve	-	840,076	840,076
Total assets	\$ 20,920,383	\$ 4,262,077	\$ 25,182,460
Liabilities and Fund Balances			
Liabilities:			
Accounts payable and accrued liabilities	\$ 1,363,007	\$ 30,404	\$ 1,393,411
Deferred revenue	2,135,301	133,007	2,268,308
Total liabilities	3,498,308	163,411	3,661,719
Fund Balances:			
Reserved by State statute	1,885,697	636,684	2,522,381
Reserved for			
Debt service	-	840,076	840,076
Unreserved:			
Designated for subsequent year's expenditure	2,040,397		
General fund	989,585		989,585
Reported in nonmajor special revenue funds	-	74,101	74,101
Board designated for Cooperative Extension	27,940		27,940
Board designated for EMS	422,126		422,126
Board designated for Recreation	174,971		174,971
Undesignated	13,021,766		13,921,756
Unreserved, reported in nonmajor:	12,870,944		
Special revenue funds	-	1,668,419	1,668,419
Capital projects funds	-	879,386	879,386
Total fund balances	17,422,075	4,098,666	21,520,741
Total liabilities and fund balances	\$ 20,920,383	\$ 4,262,077	

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.	25,916,341
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.	535,645
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	1,920,382
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	295,698
Some expenditures that will benefit future periods have been deferred in the government-wide funds	432,531
Some liabilities, including bonds payable, are not due and payable in the current year and, therefore, are not reported in the funds	(32,541,609)
Net assets of governmental activities	\$ 18,079,729

Franklin County, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2005

	<u>Major</u>	<u>Nonmajor</u>	
	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues			
Ad valorem taxes	\$ 25,976,161	\$ 1,632,276	\$ 27,608,437
Local option sales taxes	7,367,417	2,067,538	9,434,955
Other taxes and licenses	2,704	262,071	264,775
Unrestricted intergovernmental	272,333	-	272,333
Restricted intergovernmental	6,563,659	1,012,996	7,576,655
Permits and fees	1,528,965	-	1,528,965
Sales and services	7,528,753	-	7,528,753
Investment earnings	435,419	45,044	480,463
Miscellaneous	386,031	38,995	425,026
Total revenues	<u>50,061,442</u>	<u>5,058,920</u>	<u>55,120,362</u>
Expenditures			
Current:			
General government	4,411,047	-	4,411,047
Public safety	8,952,396	1,957,079	10,909,475
Economic and physical development	5,329,771	268,963	5,598,734
Human services	16,292,325	-	16,292,325
Cultural and recreational	1,015,483	-	1,015,483
Intergovernmental:			
Education	10,391,917	810,742	11,202,659
Capital outlay	-	445,671	445,671
Debt service:			
Principal	2,319,243	189,355	2,508,598
Interest and other charges	1,497,613	5,245	1,502,858
Total expenditures	<u>50,209,795</u>	<u>3,677,055</u>	<u>53,886,850</u>
Revenues over (under) expenditures	<u>(148,353)</u>	<u>1,381,865</u>	<u>1,233,512</u>
Other financing sources (uses)			
Transfers to other funds	(1,473,483)	(3,597,041)	(5,070,524)
Transfers from other funds	3,596,933	132,474	3,729,407
Sale of capital assets	35,150	-	35,150
Proceeds from long-term debt	1,750,000	1,400,000	3,150,000
Proceeds of refunding debt	5,550,000	-	5,550,000
Payment to refunded debt escrow agent	(5,586,950)	-	(5,586,950)
Total other financing sources (uses) - net	<u>3,871,650</u>	<u>(2,064,567)</u>	<u>1,807,083</u>
Net changes in fund balances	<u>3,723,297</u>	<u>(682,702)</u>	<u>3,040,595</u>
Fund balances			
Beginning of year, July, 1, as restated	<u>13,698,778</u>	<u>4,781,368</u>	<u>18,480,146</u>
End of year, June 30	<u>\$ 17,422,075</u>	<u>\$ 4,098,666</u>	<u>\$ 21,520,741</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 Balances
Governmental Funds
For the Year Ended June 30, 2005

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

Net changes in funds balances - total governmental funds	\$ 3,040,595
Government 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.	3,005,830
The allocation of the cost of assets over the life of the asset through depreciation is not a current financial use in the funds; therefore depreciation expense is not recorded in these statements.	(1,139,971)
Assessments 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 prior period.	(49,345)
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.	2,575,060
The net issuance of long-term debt creates current financial resources which are recognized in the governmental funds. This transaction has no impact on net assets.	(3,450,000)
The net loss of internal service activity is reported in the government-wide statements.	(275,271)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported in governmental funds:	
Compensated absences accrued	10,189
Retirement expenses accrued	(3,025)
Ad Valorem tax revenues in the statement of revenues that do not provide current financial resources are not reported as revenues in the funds.	(63,255)
Costs associated with the refinancing of bonds have been deferred	432,531
Total changes in net assets of governmental activities	\$ 4,083,338

Franklin County, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual - General Fund
For the Year Ended June 30, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Positive (Negative)</u>
Revenues				
Ad valorem taxes	\$ 24,585,990	\$ 24,792,390	\$ 25,976,161	\$ 1,183,771
Local option sales tax	6,313,800	6,313,800	7,367,417	1,053,617
Other taxes and licenses	1,000	1,000	2,704	1,704
Unrestricted intergovernmental	90,500	90,500	272,333	181,833
Restricted intergovernmental	6,348,088	7,126,855	6,563,659	(563,196)
Permits and fees	1,216,330	1,216,330	1,528,965	312,635
Sales and services	7,557,907	7,651,821	7,528,753	(123,068)
Investment earnings	200,000	200,000	435,419	235,419
Miscellaneous	144,843	320,873	386,031	65,158
Total revenues	<u>46,458,458</u>	<u>47,713,569</u>	<u>50,061,442</u>	<u>2,347,873</u>
Expenditures				
Current:				
General government	3,292,223	4,772,497	4,411,047	361,450
Public safety	9,972,558	9,397,538	8,952,396	445,142
Economic and physical development	5,256,736	8,174,213	5,329,771	844,442
Human services	17,204,011	17,044,790	16,292,325	752,465
Cultural and recreational	1,191,202	1,180,921	1,015,483	165,438
Intergovernmental:				
Education	10,391,917	10,391,917	10,391,917	-
Debt service:				
Principal retirement	2,495,578	2,457,578	2,319,243	138,335
Interest and other charges	1,551,835	1,589,835	1,497,613	92,222
Total expenditures	<u>51,356,060</u>	<u>53,009,289</u>	<u>50,209,795</u>	<u>2,799,494</u>
Revenues under expenditures	<u>(4,897,602)</u>	<u>(5,295,720)</u>	<u>(148,353)</u>	<u>5,147,367</u>
Other financing sources (uses)				
Transfers to other funds	(1,398,483)	(1,473,483)	(1,473,483)	-
Loan proceeds	1,750,000	1,750,000	1,750,000	-
Proceeds of refunding debt	-	5,328,524	5,550,000	221,476
Proceeds from refunded debt escrow agent	-	(5,250,000)	(5,586,950)	(336,950)
Transfers from other funds	3,556,500	3,556,500	3,596,933	40,433
Sale of capital assets	-	35,000	35,150	150
Total other financing sources (uses) - net	<u>3,908,017</u>	<u>3,946,541</u>	<u>3,871,650</u>	<u>(74,891)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ (989,585)</u>	<u>\$ (1,349,179)</u>	<u>3,723,297</u>	<u>\$ 5,072,476</u>
Fund balance				
Beginning of year, July 1			<u>13,696,778</u>	
End of year, June 30			<u>\$ 17,422,075</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, 2005

	<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>
Assets		
Current assets:		
Cash and cash equivalents	\$ 4,495,124	\$ 538,316
Receivables, net	416,282	-
Due from other governments	27,060	-
Total current assets	<u>4,938,466</u>	<u>538,316</u>
Noncurrent assets:		
Capital assets:		
Land, improvements, and construction in progress	818,971	-
Other capital assets, net of depreciation	24,277,546	-
Total capital assets	<u>25,096,517</u>	<u>-</u>
Total noncurrent assets	<u>25,096,517</u>	<u>-</u>
Total assets	<u>30,034,983</u>	<u>538,316</u>
Liabilities		
Current liabilities:		
Accounts payable	479,761	2,671
Accrued payroll	22,500	-
Customer deposits	82,540	-
Compensated absences	40,860	-
General obligation bonds payable	954,488	-
Total current liabilities	<u>1,580,149</u>	<u>2,671</u>
Noncurrent liabilities:		
General obligation bonds payable	16,756,545	-
Total liabilities	<u>18,336,694</u>	<u>2,671</u>
Net Assets		
Invested in capital assets, net of related debt	7,385,484	-
Unrestricted	4,312,805	535,645
Total net assets	<u>\$ 11,698,289</u>	<u>\$ 535,645</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 Funds
For the Year Ended June 30, 2005

	<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	\$ 2,927,847	\$ -
Charges for sewer	875,243	-
Charges for services	-	3,077,969
Water and sewer taps	277,054	-
Miscellaneous	147,613	-
Total operating revenues	<u>4,227,757</u>	<u>3,077,969</u>
Operating expenses		
Salaries and employee benefits	644,282	-
Water purchases	2,102,124	-
Contracted services	106,237	-
Other operating expenses	502,997	3,364,352
Depreciation	740,087	-
Total operating expenses	<u>4,095,727</u>	<u>3,364,352</u>
Operating income (loss)	<u>132,030</u>	<u>(286,383)</u>
Nonoperating revenues (expenses)		
Interest earnings	37,881	11,112
Interest expense	(696,520)	-
Total nonoperating revenue (expenses) - net	<u>(658,639)</u>	<u>11,112</u>
Capital contributions		
EDA grant	540,400	-
Income (loss) before transfers	<u>13,791</u>	<u>(275,271)</u>
Transfers		
Transfer from General Fund	1,341,117	-
Change in net assets	<u>1,354,908</u>	<u>(275,271)</u>
Net assets		
Beginning of year, July 1	<u>10,343,381</u>	<u>810,916</u>
End of year, June 30	<u>\$ 11,698,289</u>	<u>\$ 535,645</u>

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

Franklin County, North Carolina
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2005

	<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	\$ 4,292,935	\$ 3,077,969
Cash paid for goods and services	(2,541,410)	(3,576,510)
Cash paid to employees for services	(654,944)	-
Customer deposits received	19,560	-
Customer deposits returned	-	-
Net cash provided (used) by operating activities	<u>1,116,141</u>	<u>(498,541)</u>
Cash flows from noncapital financing activities		
Transfers in	1,341,117	-
Transfer out	-	-
Net cash provided by noncapital financing activities	<u>1,341,117</u>	<u>-</u>
Cash flows from capital and related financing activities		
Acquisition and construction of capital assets	(662,272)	-
Principal paid on bonds	(924,177)	-
Issuance of long-term debt	-	-
Interest paid on bonds	(696,520)	-
Capital contributions - federal grant	540,400	-
Net cash provided by capital and related financing activities	<u>(1,742,569)</u>	<u>-</u>
Cash flows from investing activities		
Interest on investments	<u>37,881</u>	<u>11,112</u>
Net increase in cash and cash equivalents	752,570	(487,429)
Cash and cash equivalents		
Beginning of year, July 1	<u>3,742,554</u>	<u>1,025,745</u>
End of year, June 30	<u>\$ 4,495,124</u>	<u>\$ 538,316</u>

(continued)

Franklin County, North Carolina
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2005

	<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)	\$ 132,030	\$ (286,383)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	740,087	-
Changes in assets and liabilities:		
Decrease in accounts receivable	65,178	-
Increase (decrease) in accounts payable and accrued liabilities	169,948	(212,158)
Decrease in accrued payroll	(19,861)	-
Increase in customer deposits	19,560	-
Increase in accrued vacation pay	9,199	-
Total adjustments	<u>984,111</u>	<u>(212,158)</u>
Net cash provided (used) by operating activities	<u>\$ 1,116,141</u>	<u>\$ (498,541)</u>

Franklin County, North Carolina
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2005

	Agency Funds
Assets	
Cash and cash equivalents	\$ 53,452
Liabilities and Net Assets	
Liabilities:	
Miscellaneous liabilities	53,452
Net Assets	\$ -

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NOTES TO THE FINANCIAL STATEMENTS



Franklin County, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2005

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 who 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. Interfund transactions provided and used are not eliminated in the process of consolidation. 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, 2005

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 and one internal service fund, both of which are major funds.

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 major 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, 2005

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, 2005

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 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 2004 through February 2005 apply to the fiscal year ended June 30, 2005. 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, 2005 because they are intended to finance the County's operations during the 2005 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, 2005

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. 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, 2005

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 market 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, 2005.

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, 2005

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. 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.

8. 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.

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

Franklin County, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2005

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.

9. 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, grantors, contributors, or laws or regulations of other governments or imposed by law through State statute.

Fund Balances

In the governmental fund financial statements, reservations or restrictions of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

State law [G.S. 159-13(b)(16)] restricts the appropriation of fund balance to an amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances and deferred revenues arising from cash receipts as those amounts stand at the close of the fiscal year preceding the budget year.

The governmental fund types classify fund balances as follows:

Reserved

Reserved by State statute - portion of fund balance, 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 Debt Service – portion of fund balance, which is available for appropriation under State law only for the Debt Service.

Unreserved

Designated for Cooperative Extension – portion of fund balance, which has been designated by the Board for Cooperative Extension.

Franklin County, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2005

Designated for Emergency Medical Services – portion of fund balance, which has been designated by the Board for Emergency Medical Services.

Designated for Recreation – portion of fund balance, which has been designated by the Board for Recreation.

Designated for subsequent year's expenditures- portion of total fund balance available for appropriation that has been designated for the adopted 2005-2006 budget ordinance.

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 Treasurer 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, 2005, the County's deposits had a carrying amount of \$22,737,036 and a bank balance of \$25,394,018. Of the bank balance, \$631,333 was covered by federal depository insurance and \$24,762,685 in interest bearing deposits was covered by collateral held under the Pooling Method.

At June 30, 2005, Franklin County had \$2,990 cash on hand.

Franklin County, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2005

2. Investments

At June 30, 2005, the County's investment balances were as follows:

	<u>Fair Value</u>
NC Capital Management Trust:	\$ 3,866,002

Credit Risk – The County's investment in the NC Capital Management Trust Cash Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2005.

Concentration of Credit Risk – The County places no limit on the amount that the County may invest in any one issuer. All of the County's investments are with the NC Capital Management Trust Cash Portfolio.

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>
2002	\$ 2,039,099	\$ 517,064	\$ 2,556,163
2003	2,049,492	323,331	2,372,823
2004	3,093,228	190,044	3,283,272
2005	<u>3,157,373</u>	-	<u>3,157,373</u>
Total	<u>\$10,339,192</u>	<u>\$ 1,030,439</u>	<u>\$11,369,631</u>

Franklin County, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2005

4. Receivables

Accounts receivable at the individual fund level at June 30, 2005 were as follows:

	<u>Accounts</u>	<u>Taxes and Related Accrued Interest</u>	<u>Special Assessments</u>	<u>Total</u>
Governmental Activities:				
General	\$ 267,986	\$ 1,860,167	\$ 100,117	\$ 2,228,270
Other Governmental	<u>32,273</u>	<u>115,097</u>	<u>-</u>	<u>147,370</u>
Total receivables	300,259	1,975,264	100,117	2,375,640
Allowance for doubtful accounts	<u>(11,220)</u>	<u>(155,000)</u>	<u>-</u>	<u>(166,220)</u>
Total – governmental activities	<u>\$ 289,039</u>	<u>\$ 1,820,264</u>	<u>\$ 100,117</u>	<u>\$ 2,209,420</u>
Amounts not scheduled for collection during the subsequent year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 100,117</u>	<u>\$ 100,117</u>
Business-type Activities:				
Water and Sewer	\$ 438,282	\$ -	\$ -	\$ 438,282
Allowance for doubtful accounts	<u>(22,000)</u>	<u>-</u>	<u>-</u>	<u>(22,000)</u>
Total – business-type activity	<u>\$ 416,282</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 416,282</u>

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

Local option sales tax	1,549,835
State Child Care grant	170,935
State Social Services grants	220,362
State CDBG	153,587
Sales tax refund	184,279
Airport Grant	193,124
Miscellaneous	193,794
Total	<u>\$ 2,665,916</u>

Franklin County, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2005

5. Capital Assets

Capital asset activity for the year ended June 30, 2005 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	\$ 7,424,002	\$ 304,965	\$ -	\$ 7,728,967
Construction in process	<u>167,130</u>	<u>2,572,678</u>	<u>1,227,328</u>	<u>1,512,480</u>
Total capital assets not being depreciated	<u>7,591,132</u>	<u>2,877,643</u>	<u>1,227,328</u>	<u>9,241,447</u>
Capital assets being depreciated:				
Buildings	18,179,059	806,135	-	18,985,194
Waterlines	-	163,228	-	163,228
Gas lines	411,481	-	-	411,481
Land Improvements	1,615,162	-	-	1,615,162
Equipment	2,796,586	57,605	-	2,854,191
Vehicles	<u>3,654,285</u>	<u>328,547</u>	<u>236,725</u>	<u>3,746,107</u>
Total capital assets being depreciated	<u>26,656,573</u>	<u>1,355,515</u>	<u>236,725</u>	<u>27,775,363</u>
Less accumulated depreciation for:				
Buildings	5,792,768	415,468	-	6,208,236
Waterlines	-	2,278	-	2,278
Gas lines	127,217	8,230	-	135,447
Land Improvements	62,855	80,758	-	143,613
Equipment	1,510,190	276,676	-	1,786,866
Vehicles	<u>2,704,193</u>	<u>356,561</u>	<u>236,725</u>	<u>2,824,029</u>
Total accumulated depreciation	<u>10,197,223</u>	<u>1,139,971</u>	<u>236,725</u>	<u>11,100,469</u>
Total capital assets being depreciated, net	<u>16,459,350</u>	<u>215,544</u>	<u>-</u>	<u>16,674,894</u>
Governmental –type activities capital assets, net	<u>\$ 24,050,482</u>	<u>\$ 3,093,187</u>	<u>\$ 1,227,328</u>	<u>\$ 25,916,341</u>
Business-type activities:				
Franklin County Water & Sewer Fund				
Capital assets not being depreciated:				
Land	\$ 116,478	\$ 215,728	\$ -	\$ 332,206
Construction in progress	<u>6,871,518</u>	<u>642,282</u>	<u>7,027,035</u>	<u>486,765</u>
Total capital assets not being depreciated	<u>6,987,996</u>	<u>858,010</u>	<u>7,027,035</u>	<u>818,971</u>
Capital assets being depreciated:				
Plant and distribution systems	22,261,776	6,797,468	-	29,059,244
Furniture and maintenance equipment	503,034	19,990	-	523,024
Vehicles	<u>246,161</u>	<u>13,839</u>	<u>-</u>	<u>260,000</u>
Total capital assets being depreciated	<u>23,010,971</u>	<u>6,831,297</u>	<u>-</u>	<u>29,842,268</u>
Less accumulated depreciation for:				
Plant and distribution systems	4,375,543	656,997	-	5,032,540
Furniture and maintenance equipment	307,547	44,315	-	351,862
Vehicles	<u>141,545</u>	<u>38,775</u>	<u>-</u>	<u>180,320</u>
Total accumulated depreciation	<u>4,824,635</u>	<u>740,087</u>	<u>-</u>	<u>5,564,722</u>
Total capital assets being depreciated, net	<u>18,186,336</u>	<u>6,091,210</u>	<u>-</u>	<u>24,277,546</u>
Business-type activities capital assets, net	<u>\$ 25,174,332</u>	<u>\$ 6,949,220</u>	<u>\$ 7,027,035</u>	<u>\$ 25,096,517</u>

Franklin County, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2005

Depreciation Expense

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

General Government	\$ 151,971
Public Safety	569,168
Economic and Physical Development	176,604
Human Services	126,432
Cultural and Recreational	<u>115,796</u>
Total depreciation expense	<u>\$ 1,139,971</u>

Construction and Other Commitments

At June 30, 2005, the County was obligated under construction projects:

<u>Project</u>	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
Sewer Project	\$ 1,573,566	\$ 256,604
Human Services Building	663,031	16,086
Industrial Road Paving Project	457,864	607
Solid Waste Transfer Station	<u>1,118,618</u>	<u>202,679</u>
	<u>\$ 3,813,079</u>	<u>\$ 475,976</u>

B. Liabilities

1. Payables

Payables at the government-wide level at June 30, 2005 were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Total</u>
Governmental Activities:			
General	\$ 765,806	\$ 599,872	\$ 1,365,678
Other Governmental	<u>30,404</u>	<u>-</u>	<u>30,404</u>
Total - governmental activities	<u>\$ 796,210</u>	<u>\$ 599,872</u>	<u>\$ 1,396,082</u>
Business-type Activity:			
Water and Sewer Fund	<u>\$ 479,761</u>	<u>\$ 22,500</u>	<u>\$ 502,261</u>

Franklin County, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2005

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, 2005, 2004, and 2003 were \$546,437, \$548,175, and \$654,463, respectively. The contributions made by the County and the plan members equaled the required contributions for each year.

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.

Franklin County, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2005

The Separation Allowance covers all full-time County law enforcement officers. At December 31, 2004, the Separation Allowance's membership consisted of:

Retirees receiving benefits	4
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	<u>40</u>
Total	<u>44</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 \$38,852, or 2.67% of annual covered payroll. There were no contributions made by employees. The County's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings.

The annual required contribution for the current year was determined as part of the December 31, 2004 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumption included (a) 7.25% 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 unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2004 was 27 years.

Franklin County, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2005

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	\$ 38,438
Interest on net pension obligation	15,202
Adjustment to annual required contribution	<u>(11,763)</u>
Annual pension cost	41,877
Contributions made	<u>(38,852)</u>
Increase (decrease) in net pension obligation	3,025
Net pension obligation beginning of year	<u>209,684</u>
Net pension obligation end of year	<u>\$ 212,709</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>
2003	\$ 36,556	50.89%	\$ 205,781
2004	38,074	89.75%	209,684
2005	41,877	92.78%	212,709

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, 2005 were \$92,696, which consisted of \$72,783 from the County and \$19,913 from the law enforcement officers.

d. Registers of Deeds' 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

Franklin County, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2005

to any eligible county register of deeds that 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, 2005, the County's required and actual contributions were \$17,275.

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 39 retirees are eligible for postretirement health benefits. For the fiscal year ended June 30, 2005, the County made payments for postretirement health benefit premiums of \$157,141. 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 and not by the County, the County does not determine the number of eligible participants.

Franklin County, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2005

For the fiscal year ended June 30, 2005, the County made contributions to the State for death benefits of \$17,203. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 0.13% 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:

	<u>Deferred Revenue</u>	<u>Unearned Revenue</u>
Prepaid taxes not yet earned		
General Fund	\$ 330,016	\$ 330,016
Special Revenue Fund	17,910	17,910
Taxes receivable, net		
General Fund	1,705,168	-
Special Revenue Fund	115,097	-
Special assessments receivable		
General Fund	<u>100,117</u>	<u>-</u>
Total	<u>\$ 2,268,308</u>	<u>\$ 347,926</u>

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 three self-funded risk-financing pools administered by the North Carolina Association of County Commissioners. Through these pools, the County obtains property coverage equal to replacement cost values of owned property subject to a limit of \$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, workers' compensation coverage up to the statutory limits, and health and dental insurance for County employees. The pools are audited annually by certified public accountants, and the audited financial statements are available to the County upon request. Two of the pools are

Franklin County, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2005

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 physical damage, and crime coverage, and 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 pool is reinsured through commercial carrier for individual losses in excess of \$100,000.

The County carries flood insurance through the National Flood Insurance Plan (NFIP). Because the County is in an area of the State that has been mapped and designated an "A" area (an area close to a river, lake or stream) by the Federal Emergency Management Agency, the County is eligible to purchase coverage of \$500,000 per structure through the NFIP. The County also is eligible to and has purchased commercial flood insurance for another \$3,500,000 of coverage per structure.

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, 2005, the County was obligated under an operating lease for office space as follows:

Beginning January 1, 1999 through December 31, 2006 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, 2005 was \$38,438.

At June 30, 2005, 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, 2005 with options to extend for an additional year. Options were exercised on all of the leases at June 30, 2005. Rent expense for the year ended June 30, 2005 was \$6,170.

At June 30, 2005, the County was obligated under various operating leases for a vehicle and office equipment as follows:

Various agreements expiring from July 2005 to April 2009. Total lease expense for the year ended June 30, 2005 was \$52,064

Franklin County, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2005

Future lease payments total:

<u>For Year</u> <u>Ending June 30,</u>	
2006	\$ 79,340
2007	50,236
2008	28,203
2009	1,150
Total	<u>\$ 158,929</u>

At June 30, 2005, 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, 2005, 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. Based on average consumption, the current rate is 3.49 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.

Franklin County, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2005

6. Contingent Liabilities

At June 30, 2005, the County was a defendant to various lawsuits or threatened 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 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 contract 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 2005. 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 2004. Interest is at 1.99%. Principal and interest payments are appropriated when due.

Franklin County, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2005

In September 2004, the County entered into an installment contract to finance the construction of a solid waste transfer station. The obligation is due in ten separate annual payments beginning September 2005. Interest is 3.85%. 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, 2005 is comprised of the following individual issues:

Serviced by the County's General Fund:

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 \$500,000 through 2007, interest payable at 5.3%.	\$ 1,000,000
\$1,400,000 2005 School Bonds with interest and principal annually on April 1 of \$100,000 plus interest through 2019, interest payable at 3.0-3.8%.	1,400,000
\$5,550,000 2005 Refinancing School Bonds with interest semiannually on August 1 and April 1 and principal due on April 1 of \$80,000-\$550,000 through 2018, interest payable at 2.65-3.50%.	5,550,000
\$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%.	6,650,000
	<u>\$ 14,600,000</u>

Franklin County, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2005

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 and principal due on June 1 through 2014, interest at 3.1% to 4.75%. \$ 5,929,556

\$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%. 5,800,000
\$ 11,729,556

Serviced by the County's Water and Sewer Fund:

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%. \$ 1,200,000

\$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%. 1,680,000
\$ 2,880,000

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%. \$ 1,110,000

\$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%. 7,875,000

\$6,500,000 2004 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%. 5,846,033
\$ 14,831,033

On June 30, 2005, Franklin County had a legal debt margin of \$188,257,649.

Franklin County, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2005

Debt Related to Capital Assets

Of the total Governmental Activities debt above, \$9,078,720 relates to assets still held by the County

Defeased Debt

On September 18, 2004, Franklin County issued general obligation bonds of \$5.55 million with an interest rate of 3.25% to 4.0% to advance refund general obligation debt with an interest rate of 5.7% to 5.4%. The general obligation bonds are due with interest semiannually on October 1 and April 1 and principal on April 1 through 2018. The refunding debt was issued at par and, after paying issuance costs of \$78,524 the net proceeds were \$5.68 million. The net proceeds from the issuance of the refunding bonds were used to purchase U. S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the refunded bonds are called through 2018. The advance refunding met the requirements of an in-substance defeasance and the debt was removed from the County's government-wide financial statements.

As a result of the advance refunding, the County increased its total debt service requirements by \$300,000, still resulting in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$378,099.

The amount of defeased debt at June 30, 2005, is \$5,550,000.

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, 2005:

Governmental Activities:

	<u>Balance</u> <u>July 1, 2004</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2005</u>	<u>Current</u> <u>Portion</u>
General obligation bonds	\$ 13,875,000	\$ 6,950,000	\$ 6,225,000	\$ 14,600,000	\$ 1,155,000
Certificates of participation	12,752,958	-	1,023,402	11,729,556	1,075,280
Installment purchases	3,937,202	1,750,000	576,658	5,110,544	725,671
Compensated absences	898,989	888,800	898,989	888,800	888,800
Net pension obligation	<u>209,684</u>	<u>212,709</u>	<u>209,684</u>	<u>212,709</u>	<u>212,709</u>
Total	<u>\$ 31,673,833</u>	<u>\$ 9,801,509</u>	<u>\$ 8,933,733</u>	<u>\$ 32,541,609</u>	<u>\$ 4,057,460</u>

Franklin County, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2005

Business-type Activities:

By purpose:					
Revolving loans	\$ 3,060,000	\$ -	\$ 180,000	\$ 2,880,000	\$ 180,000
Certificates of participation	15,575,210	-	744,177	14,831,033	774,488
Compensated absences	<u>31,661</u>	<u>40,860</u>	<u>31,661</u>	<u>40,860</u>	<u>40,860</u>
Total	<u>\$ 18,666,871</u>	<u>\$ 40,860</u>	<u>\$ 955,838</u>	<u>\$ 17,751,893</u>	<u>\$ 995,348</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>
2006	\$ 1,155,000	\$ 566,206	\$ 1,075,280	\$ 561,103
2007	1,120,000	553,118	1,118,594	510,989
2008	1,125,000	499,967	1,183,420	458,203
2009	1,120,000	453,117	1,234,838	402,242
2010	1,115,000	406,467	1,292,934	343,008
2011-2015	5,470,000	1,359,613	5,824,490	704,494
2016-2020	<u>3,495,000</u>	<u>327,943</u>	-	-
	<u>\$ 14,600,000</u>	<u>\$ 4,166,431</u>	<u>\$ 11,729,556</u>	<u>\$ 2,980,039</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>
2006	\$ 725,671	\$ 216,188	\$ 2,955,951	\$ 1,343,497
2007	498,475	192,008	2,737,069	1,256,115
2008	457,617	169,590	2,766,037	1,127,760
2009	458,256	149,387	2,813,094	1,004,746
2010	458,920	129,159	2,866,854	878,634
2011-2015	2,244,938	343,772	13,539,428	2,407,879
2016-2020	<u>266,667</u>	<u>9,620</u>	<u>3,761,667</u>	<u>337,563</u>
	<u>\$ 5,110,544</u>	<u>\$ 1,209,724</u>	<u>\$ 31,440,100</u>	<u>\$ 8,356,194</u>

Franklin County, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2005

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>
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	180,000	56,160	906,088	509,507
2011-2015	900,000	210,600	4,214,365	2,002,350
2016-2020	900,000	93,600	3,711,010	1,100,793
2021-2025	180,000	4,680	2,715,000	421,000
	<u>\$ 2,880,000</u>	<u>\$ 636,480</u>	<u>\$ 14,831,033</u>	<u>\$ 6,409,320</u>

<u>Year Ending June 30,</u>	<u>Total Debt Due</u>	
	<u>Principal</u>	<u>Interest</u>
2006	\$ 954,488	\$ 713,960
2007	984,324	682,844
2008	1,014,673	644,981
2009	1,051,085	605,325
2010	1,086,088	565,667
2011-2015	5,114,365	2,212,950
2016-2020	4,611,010	1,194,393
2021-2025	2,895,000	425,680
	<u>\$ 17,711,033</u>	<u>\$ 7,045,800</u>

10. Conduit Debt Obligations

Franklin County Industrial Facility and Pollution Control Authority has issued industrial revenue bonds to provide financial assistance to private businesses for economic development purposes. These bonds are secured by the properties financed as well as letters of credit and are payable solely from payments received from the private businesses involved. Ownership of the acquired facilities is in the name of the private business served by the bond issuance. Neither the County, the Authority, the State, nor any political subdivision thereof is obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2005, there was one series of industrial revenue bonds outstanding, with an aggregate principal amount payable of \$1,615,000.

C. Restatement of Fund Balance

The beginning fund balance of a the Solid Waste Capital Reserve Fund has been restated to reflect the write-off of receivables that should have been removed in a prior year when the other assets in the fund were transferred to the General Fund.

Franklin County, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2005

	<u>Fund Balance</u>	<u>Net Assets</u>
Fund Balance/Net Assets as stated June 30, 2004	\$ 1,389,194	\$ 14,051,781
Receivable	55,390	55,390
Fund Balance/Net Assets as restated, June 30, 2004	\$ 1,333,804	\$ 13,996,391

The change has no impact on current operations.

D. Interfund Activity

Transfers to/from other funds:

From the General Fund to the Water and Sewer Fund to supplement other funding sources	\$ 1,341,117
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	75,000
From the Capital Reserve Fund to the General Fund for the payment of debt service	2,250,000
From the COPS Capital Project Fund to the General Fund for the payment of debt service	13,130
From the Revaluation Project Fund to the General Fund for the closing of the fund	1,333,803
From the Solid Waste Capital Reserve Fund to the Revaluation Fund for the closing of the project	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, 2005. The participating governments do not have any equity interest in

Franklin County, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2005

the joint venture, so no equity interest has been reflected in the financial statements at June 30, 2005. 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.

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. Federal, State and local grants and users' fees provide general support of K.A.R.T.S. 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 \$16,647 to K.A.R.T.S. during the fiscal year ended June 30, 2005. 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, 2005. 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 \$217,921 and \$15,000 to the community college for operating and capital purposes, respectively, during the fiscal year ended June 30, 2005. 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, 2005. 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, 2005

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 \$21,245 to the Council during the fiscal year ended June 30, 2005.

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, 2005, 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. 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 basic financial statements because they are not revenues and expenditures of the County.

	<u>Federal</u>	<u>State</u>
Temporary Assistance to Needy Families	\$ 454,728	\$ -
Medicaid	32,987,427	15,646,563
Food Stamp Program	5,199,487	-
Energy Assistance	118,177	-
Adoption Assistance	137,967	39,959
State/County Special Assistance for Adults	-	450,861
Title IV – E Foster Care	49,320	9,199
Special Supplemental Nutrition program for Women, Infants, And Children	<u>727,960</u>	<u>-</u>
	<u>\$ 39,675,066</u>	<u>\$ 16,146,582</u>

Franklin County, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2005

VII. Summary Disclosure of Significant Commitments and Contingencies

Federal and State Assisted Programs

The County has received proceeds from several federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant moneys to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant moneys.

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
12/31/1994	\$ -	\$ 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%
12/31/2004	-	360,564	360,564	0.00%	1,464,050	24.63%

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

<u>Year ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
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%
2005	38,852	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	12/31/2004
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	26 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, 2005
(With Comparative Totals For the Year Ended June 30, 2004)

	2005		Variance Positive (Negative)	2004
	Budget	Actual		Actual
Revenues:				
Ad valorem taxes:				
Taxes		\$ 25,650,071		\$ 24,553,684
Penalties and interest		328,090		301,596
Total	\$ 24,782,390	25,978,161	\$ 1,183,771	24,855,280
Local option sales taxes:				
Article 39 one percent		3,116,367		2,008,143
Article 40 one-half of one percent		1,812,971		1,845,065
Article 42 one-half of one percent		917,510		1,835,926
Article 44		1,720,569		1,161,395
Total	6,313,900	7,367,417	1,053,617	6,468,529
Other taxes and licenses:				
Privilege licenses	1,000	2,704	1,704	2,448
Unrestricted intergovernmental:				
Gasoline tax refund	45,000	20,343		58,677
State DWI fees	5,500	7,220		9,167
Beer and wine tax	-	195,000		186,425
Tire disposal fees	40,000	49,770		55,629
Total	90,500	272,333	181,833	309,898
Restricted intergovernmental:				
Federal and State grants	7,010,855	6,444,077		5,880,205
Court facility fees	105,500	107,445		119,979
ABC bottles taxes	10,500	12,137		10,971
Total	7,126,855	6,563,659	(563,196)	6,011,155
Permits and fees:				
Building permits	100,000	176,454		72,204
Inspection fees	568,330	660,773		624,529
Register of Deeds fees	550,000	691,738		615,380
Total	1,218,330	1,528,965	312,635	1,312,113
Sales and services:				
Rents, concessions, and fees	111,189	116,357		149,675
Health fees	3,746,934	3,593,627		3,279,069
Social services	355,533	419,044		384,112
Aging services	93,283	99,504		159,842
Sheriff and Jail fees	980,700	859,272		939,792
Library fees and donations	26,300	26,952		28,408
Solid waste fees	1,341,590	988,507		1,249,511
Ambulance and rescue squad fees	731,500	1,188,727		880,423
Recreation	49,695	26,405		-
Other	215,117	210,358		134,810
Total	7,651,821	7,528,753	(123,068)	7,163,442
Investment earnings	200,000	435,419	235,419	249,954
Miscellaneous:				
Donations and private grants	6,000	8,280		197,608
Insurance proceeds	49,373	48,883		28,066
Special assessments	44,000	49,345		66,983
Other	221,500	279,523		124,999
Total	320,873	386,031	65,158	415,636
Total revenues	47,713,589	50,061,442	2,347,873	46,788,455

(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, 2005
(With Comparative Totals for the Year Ended June 30, 2004)

	2005		Variance Positive (Negative)	2004
	Budget	Actual		Actual
Expenditures:				
General government:				
Governing body:				
Salaries and employee benefits		\$ 79,813		\$ 71,007
Other operating expenditures		61,079		42,850
Insurance other than property		6,400		3,000
Total	\$ 149,076	147,292	\$ 1,783	116,857
Administration:				
Salaries and employee benefits		170,433		223,017
Other operating expenditures		47,192		121,658
Legal and professional		29,771		148,171
Total	346,610	247,396	99,214	492,846
Elections:				
Salaries and employee benefits		156,328		140,167
Other operating expenditures		136,667		70,266
Total	321,649	292,995	28,654	210,433
Finance:				
Salaries and employee benefits		243,179		227,775
Other operating expenditures		47,302		66,437
Total	294,668	290,481	4,087	284,212
Taxes:				
Salaries and employee benefits		691,023		760,343
Other operating expenditures		330,946		165,339
Total	951,711	821,969	29,742	915,682
Register of Deeds:				
Salaries and employee benefits		213,509		211,678
Other operating expenditures		97,046		201,366
Debt service		66,463		-
Capital outlay		-		156,360
Total	375,577	377,018	(1,441)	569,464
Public buildings:				
Salaries and employee benefits		413,370		436,969
Other operating expenditures		273,593		274,889
Land and building purchases		806,530		-
Capital outlay		-		66,066
Total	1,627,578	1,492,493	135,085	781,924
Court facilities:				
Operating expenditures	67,480	66,731	749	65,765
GIS Mapping:				
Salaries and employee benefits		136,736		134,954
Other operating expenditures		62,653		45,586
Capital outlay		7,041		-
Total	226,014	206,430	19,584	180,540
Other general government				
	412,235	368,242	43,993	-
Total general government	4,772,497	4,411,047	361,450	3,617,723

Franklin County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2005
(With Comparative Totals for the Year Ended June 30, 2004)

	2005		Variance Positive (Negative)	2004
	Budget	Actual		Actual
Public safety:				
Sheriff and communications:				
Salaries and employee benefits		\$ 2,152,273		\$ 2,183,625
Other operating expenditures		617,033		604,065
Capital outlay		198,471		159,397
Total	\$ 3,061,352	2,967,777	\$ 113,575	2,946,987
Jail:				
Salaries and employee benefits		1,131,627		1,074,363
Other operating expenditures		637,948		548,311
Capital outlay		15,999		20,920
Total	1,855,477	1,785,472	70,005	1,643,284
Jail nutrition:				
Salaries and employee benefits		184,998		180,211
Other operating expenditures		312,382		331,031
Total	528,121	477,388	50,733	491,242
Medical examiner:				
Contracted services	15,000	14,825	175	8,825
Emergency management:				
Salaries and employee benefits		183,732		154,040
Other operating expenditures		128,702		-
Capital outlay		36,848		208,535
Total	395,128	317,982	77,148	362,575
Fire:				
Forest fire control service	85,867	72,116	13,751	78,191
Code enforcement:				
Salaries and employee benefits		428,058		406,487
Other operating expenditures		40,197		49,255
Capital outlay		5,437		28,738
Total	542,563	473,692	68,901	482,478
Emergency communications:				
Salaries and employee benefits		486,724		489,822
Other operating expenditures		49,336		30,271
Capital outlay		-		63,563
Total	585,641	536,060	49,581	573,656
Rescue units:				
Salaries and employee benefits		1,397,571		1,354,538
Rescue units		498,898		557,347
Other operating expenditures		83,552		188,094
Capital outlay		75,585		-
Total	2,059,679	2,055,416	4,263	2,097,979
Animal control:				
Salaries and employee benefits		180,235		150,130
Other operating expenditures		43,814		9,672
Capital outlay		-		28,828
Total	199,702	204,049	(4,347)	188,628
Community-based alternatives:				
Salaries and employee benefits		42,068		41,656
Other operating expenditures		6,151		6,363
Total	48,978	48,219	759	48,039
Total public safety	8,397,536	8,952,396	445,142	8,921,884

Franklin County, North Carolina
General Fund
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2005
(With Comparative Totals for the Year Ended June 30, 2004)

	2005		Variance Positive (Negative)	2004
	Budget	Actual		Actual
Economic and physical development:				
Agricultural extension:				
Salaries and employee benefits		\$ 44,277		\$ 50,684
Other operating expenditures		285,444		242,142
Total	\$ 342,655	309,721	\$ 32,934	292,826
Soil and water conservation:				
Salaries and employee benefits		175,731		176,167
Other operating expenditures		8,190		16,799
Total	202,852	183,861	18,971	192,966
Nutrient management:				
Salaries and employee benefits		-		6,628
Other operating expenditures		-		52
Total	-	-	-	6,880
Industrial development:				
Salaries and employee benefits		125,380		121,450
Other operating expenditures		233,496		115,700
Capital outlay		162,928		360,623
Total	685,297	521,804	163,493	597,773
Planning:				
Salaries and employee benefits		308,438		299,648
Other operating expenditures		54,985		32,486
Capital outlay		-		-
Total	370,473	363,423	7,050	332,134
Airport:				
Operating expenditures		49,834		22,330
Contracted services		-		20,000
Total	52,535	49,834	2,701	42,330
Landfill:				
Salaries and employee benefits		520,999		529,598
Waste disposal contract		1,461,633		-
Other operating expenditures		700,787		2,392,638
Capital outlay		1,217,689		350,000
Total	4,520,401	3,901,108	619,293	3,272,236
Total economic & physical development	6,174,213	5,329,771	844,442	4,737,145
Human services:				
Health:				
Administration:				
Salaries and employee benefits		612,736		592,956
Contractual services		10,522		-
Other operating expenditures		122,624		154,005
Capital outlay		-		34,368
Total	798,311	745,782	52,529	781,327
Health clinic:				
Salaries and employee benefits		1,411,179		1,475,155
Contractual services		25,534		334,958
Other operating expenditures		783,348		284,551
Capital outlay		13,500		20,051
Total	2,394,175	2,233,561	160,614	2,114,715

Franklin County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2005
(With Comparative Totals for the Year Ended June 30, 2004)

	2005		Variance Positive (Negative)	2004
	Budget	Actual		Actual
Home health:				
Salaries and employee benefits		\$ 875,355		\$ 828,521
Contractual services		16,700		185,314
Other operating expenditures		570,876		932,225
Capital outlay		-		11,533
Total	\$ 1,466,497	1,462,931	\$ 3,566	1,337,593
Dental health:				
Salaries and employee benefits		168,043		176,662
Other operating expenditures		347,333		308,332
Total	656,940	515,376	141,564	484,994
Total health	5,315,923	4,957,650	358,273	4,718,629
Social services:				
Administration:				
Salaries and employee benefits		3,569,777		3,591,468
Other operating expenditures		546,949		532,325
Professional services		73,672		-
Capital outlay		16,853		16,388
Total	4,230,398	4,207,151	23,237	4,140,181
Medicaid program:				
Assistance payments	2,880,000	2,774,132	105,868	2,232,008
Special assistance program:				
Assistance payments	515,000	451,011	63,989	478,102
Work First:				
Assistance payments	81,040	53,938	27,102	38,687
Foster care:				
Assistance payments	507,805	499,610	8,195	485,292
Crisis intervention:				
Assistance payments	148,548	144,181	2,367	111,769
General assistance program:				
Assistance payments	20,000	19,997	3	-
Day Care program:				
Assistance payments	1,937,529	1,822,776	114,753	1,787,530
Other assistance:				
Assistance payments	135,240	124,782	10,458	128,133
Chore services:				
Other operating expenditures	36,763	27,850	8,933	28,314
Total social services	10,490,333	10,125,408	364,925	9,410,016
Aging program:				
Salaries and employee benefits		565,398		574,188
Contracted services		249,411		170,660
Other operating expenditures		189,297		209,158
Total	1,029,420	1,004,106	25,314	954,006

Franklin County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2005
(With Comparative Totals for the Year Ended June 30, 2004)

	2005		Variance Positive (Negative)	2004
	Budget	Actual		Actual
Mental health administration:				
Contracted services	\$ 144,017	\$ 144,017	\$ -	\$ 144,017
Veterans service office:				
Salaries and employee benefits		48,884		54,384
Other operating expenditures		12,280		6,822
Total	65,097	61,144	3,953	61,216
Other local organizations:				
Direct payments	-	-	-	17,160
Total human services	17,044,790	16,282,325	762,465	15,305,034
Cultural and recreational:				
Arts and Recreation:				
Salaries and employee benefits		197,888		233,323
Other operating expenditures		128,391		248,118
Capital outlay		47,000		21,401
Total	482,152	371,279	110,873	502,842
Libraries:				
Salaries and employee benefits		352,554		444,259
Other operating expenditures		217,913		86,781
Books, magazines & telecommunications		73,737		82,232
Total	698,789	644,204	54,585	623,252
Other cultural and recreational	-	-	-	-
Total culture and recreation	1,180,921	1,015,483	165,438	1,126,094
Education:				
Public schools - current	-	8,957,998		8,164,500
Public schools - capital outlay	-	1,201,000		1,200,559
Community colleges - current	-	217,921		207,584
Community colleges - capital outlay	-	15,000		15,000
Total education	10,391,917	10,391,917	-	9,587,683
Debt service:				
Principal retirement		2,319,243		2,480,253
Interest and fees		1,497,613		1,583,613
Total debt service	4,047,413	3,816,856	230,557	4,064,066
Total expenditures	53,009,289	50,208,795	2,799,494	47,359,589
Revenues under expenditures	(5,285,720)	(148,353)	6,147,367	(571,144)

Franklin County, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2005
(With Comparative Totals For the Year Ended June 30, 2004)

	2005		Variance Favorable (Unfavorable)	2004
	Budget	Actual		Actual
Other financing sources (uses)				
Transfers to other funds:				
Fire District Fund	(40,700)	(40,700)		(40,700)
Revaluation Project Fund	(75,000)	(75,000)		(200,000)
Airport Capital Project Fund	(18,887)	(18,887)		(18,887)
Water and Sewer Fund	(1,341,116)	(1,341,116)		(1,372,961)
Total transfers out	(1,473,483)	(1,473,483)	-	(1,630,328)
Transfers from other funds:				
Capital Reserve Fund	2,250,000	2,250,000		1,900,000
Solid Waste Capital Reserve Fund	1,300,000	1,333,803		-
Schools Capital Project Fund	-	-		138,964
Water and Sewer Capital Projects Fund	-	-		88
COPS Capital Project Fund	8,500	13,130		11,078
Total transfers in	3,558,500	3,596,933	40,433	2,050,130
Loan proceeds	1,750,000	1,750,000	-	167,000
Proceeds of refunded debt	5,250,000	5,550,000	300,000	-
Payment to refunded debt escrow agent	(5,250,000)	(5,586,950)	(336,950)	-
Sale of capital assets	35,000	35,150	150	177,172
Total other financing sources (uses) - net	3,688,017	3,671,650	3,683	783,974
Revenues and other financing sources over (under) expenditures and other financing uses	(1,427,703)	3,723,297	5,151,000	192,830
Appropriated fund balance	1,427,703	-	(1,427,703)	-
Revenues, other financing sources and appropriated fund balance over expenditures and other uses	\$ -	3,723,297	\$ 3,723,297	192,830
Fund balances				
Beginning of year, July 1		13,698,778		13,505,948
End of year, June 30		\$ 17,422,075		\$ 13,688,778

Franklin County, North Carolina
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2005

	Capital Reserve Fund		Firm District Fund		Revaluation Fund		Emergency Telephone System Fund		DEA Fund		Solid Waste Capital Reserve Fund		Golden Leaf Foundation Fund		Community Development Fund		Rehabilitation Project Fund		Total Nonmajor Special Revenue Funds		COPS Capital Projects Fund		Airport Projects Fund		2005 GO School Bonds Construction Fund		Total Nonmajor Governmental Funds		
Assets																													
Cash and cash equivalents	\$ 400,795	\$ 173,876	\$ -	\$ 693,837	\$ 21,897	\$ -	\$ 71,210	\$ (102,658)	\$ 454,143	\$ 1,065,000	\$ -	\$ 86,234	\$ 819,423	\$ 904,857	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,133	\$ 26,271	\$ 26,271	\$ 200,000	\$ 819,423	\$ 819,423	\$ 819,423	\$ 2,697,690	\$ 2,697,690	
Accounts receivable, net	-	-	-	32,273	-	-	-	-	-	32,273	-	-	-	-	-	-	-	-	-	115,067	133,007	-	-	-	-	-	32,273	32,273	
Taxes receivable, net	349,383	115,067	-	-	640	-	-	183,007	-	606,363	-	-	-	-	-	-	-	-	-	-	200,000	-	-	-	-	-	115,067	115,067	
Due from other governments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	704,871	704,871
Restricted assets:																													
Cash reserved for debt service	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total assets	\$ 750,178	\$ 288,773	\$ -	\$ 699,643	\$ 22,897	\$ -	\$ 71,210	\$ 61,664	\$ 454,143	\$ 2,318,738	\$ 840,078	\$ 285,643	\$ 819,423	\$ 1,645,241	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 984,140	\$ 26,271	\$ 26,271	\$ 200,000	\$ 819,423	\$ 819,423	\$ 840,078	\$ 4,282,677	\$ 4,282,677	
Liabilities and Fund Balances																													
Liabilities:																													
Accounts payable and accrued liabilities	\$ -	\$ 133,007	\$ -	\$ 1,115	\$ 3,000	\$ -	\$ -	\$ 28	\$ -	\$ 5,133	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,133	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30,404	\$ 30,404	
Deferred revenue	-	133,007	-	-	3,892	-	-	28	-	133,007	-	-	-	-	-	-	-	-	-	133,007	-	-	-	-	-	-	133,007	133,007	
Total liabilities	-	266,014	-	1,115	6,892	-	-	56	-	138,140	-	-	-	-	-	-	-	-	-	138,140	-	-	-	-	-	-	166,411	166,411	
Fund balances:																													
Reserved by State statute	340,383	-	21	34,706	940	-	-	61,008	-	436,078	-	200,000	-	640,078	-	-	-	-	-	436,078	-	-	200,000	-	-	-	638,984	638,984	
Reserved for debt service	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	640,078	640,078
Unreserved	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Designated for subsequent year's expenditure	-	-	-	74,101	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	74,101	74,101
Undesignated	400,795	165,746	-	699,511	17,007	-	71,210	61,008	454,143	1,068,418	840,078	86,234	819,423	840,078	-	-	-	-	454,143	1,068,418	-	-	86,234	-	-	794,182	794,182	2,647,835	2,647,835
Total fund balances	\$ 750,178	\$ 288,773	\$ -	\$ 699,643	\$ 22,897	\$ -	\$ 71,210	\$ 61,664	\$ 454,143	\$ 2,318,738	\$ 840,078	\$ 285,643	\$ 819,423	\$ 1,645,241	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 984,140	\$ 26,271	\$ 26,271	\$ 200,000	\$ 819,423	\$ 819,423	\$ 840,078	\$ 4,282,677	\$ 4,282,677	

Forsyth County, North Carolina
 Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds
 June 30, 2008

	Special Revenue Funds										Capital Projects Funds				Total Nonmajor Governmental Funds
	Capital Reserve Fund	Fire District Fund	Revaluation Fund	Emergency Telephone Service Fund	DEA Fund	Ball Waste Capital Reserve Fund	Golden Leaf Foundation Fund	Community Development Fund	Revaluation Project Fund	Total Nonmajor Special Revenue Funds	COPB Capital Projects Fund	Almost Projects Fund	2005 GO School Bonds Construction Fund	Total Nonmajor Capital Projects Funds	
Revenues															
Ad valorem taxes		\$ 1,632,278								\$ 1,632,278				\$ 1,632,278	
Local option sales taxes				262,071						2,097,538				2,097,538	
Other taxes and licenses				138,298	24,691					262,071				262,071	
Restricted intergovernmental				38,985			253,118			407,982		162,963		1,912,948	
Miscellaneous				17,451						38,985				38,985	
Investment earnings				499,789	28,971		1,824			22,718	18,784	3,853		45,044	
Total revenues		1,632,278		499,789	28,971		253,118		8,495	4,451,858	18,784	418,974	185,824	6,059,920	
Expenditures															
Contract															
General government															
Public safety		1,724,361		267,318						1,991,679				1,991,679	
Public works and physical development					25,400					268,963				268,963	
Education															
Debt service															
Interest															
Principal															
Capital outlay															
Total expenditures		1,724,361		401,818	28,462		253,952			2,429,592		801,482		3,677,855	
Revenues over (under) expenditures		(92,083)		37,871	3,471		(18,834)		8,495	2,021,859	18,784	(382,508)		1,281,865	
Other financing sources (uses)															
Proceeds from long-term debt															
Transfers from other funds		40,700							76,107	116,807		14,867		1,400,000	
Transfers to other funds				(107)						(8,583,911)				(132,474)	
Total other financing sources (uses)		40,700		(107)					76,107	(8,467,104)		14,867		(8,597,944)	
Net changes in fund balances		(112,452)		37,871	3,471		(18,049)		83,602	(1,445,245)	2,021	(13,639)	704,182	(7,396,079)	
Fund balances															
Beginning of year, July 1, as restated		932,638		659,557	15,378		98,874		300,641	3,645,044	637,432	299,872		1,136,324	
End of year, June 30		719,178		697,428	18,847		51,029		454,143	2,179,809	640,079	285,842	704,182	\$ 1,629,070	
		\$ 185,709		\$ 697,428	\$ 18,847		\$ 51,029		\$ 454,143	\$ 2,179,809	\$ 640,079	\$ 285,842	\$ 704,182	\$ 4,098,098	

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, 2005
(With Comparative Totals For the Year Ended June 30, 2004)

	<u>2005</u>		Variance Positive (Negative)	<u>2004</u>
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Revenues				
Local option sales tax	\$ 2,250,000	\$ 2,067,538	\$ (182,462)	\$ 1,910,815
Other financing uses				
Transfer to General Fund	<u>2,250,000</u>	<u>2,250,000</u>	<u>-</u>	<u>(1,900,000)</u>
Revenues over (under) other financing uses	<u>\$ -</u>	<u>(182,462)</u>	<u>\$ (182,462)</u>	<u>10,815</u>
Fund balances				
Beginning of year, July 1		<u>932,638</u>		<u>921,823</u>
End of year, June 30		<u>\$ 750,176</u>		<u>\$ 932,638</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, 2005
(With Comparative Totals For the Year Ended June 30, 2004)

	2005		Variance Positive (Negative)	2004
	Budget	Actual		Actual
Revenues				
Ad valorem taxes	\$ 1,683,661	\$ 1,632,276	\$ (51,385)	\$ 1,559,270
Expenditures				
Public safety				
Central Franklin Fire District	152,500	152,500	-	152,000
Epsom Fire District	69,000	69,000	-	61,000
Gold Sand Fire District	45,000	45,000	-	45,000
Justice Fire District	65,075	65,075	-	65,075
Kittrell Fire District	1,000	1,000	-	1,000
Pilot Fire District	128,000	128,000	-	119,000
White Level Fire District	61,500	61,500	-	60,000
Brassfield Fire District	6,000	6,000	-	6,700
Mitchiners Crossroads Fire District	105,000	105,000	-	94,900
Hopkins Fire District	7,170	7,170	-	6,780
Franklinton Fire District	173,340	173,340	-	163,370
Youngsville Fire District	575,576	575,576	-	508,000
Bunn Fire District	288,500	288,500	-	263,935
Castalia Fire District	1,200	1,200	-	1,200
Centerville Fire District	45,500	45,500	-	41,820
Total expenditures	<u>1,724,361</u>	<u>1,724,361</u>	<u>-</u>	<u>1,589,780</u>
Revenues under expenditures	<u>(40,700)</u>	<u>(92,085)</u>	<u>(51,385)</u>	<u>(30,510)</u>
Other financing sources				
Transfer from General Fund	<u>40,700</u>	<u>40,700</u>	<u>-</u>	<u>40,700</u>
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>(51,385)</u>	<u>\$ (51,385)</u>	<u>10,190</u>
Fund balances				
Beginning of year, July 1		<u>207,151</u>		<u>196,961</u>
End of year, June 30		<u>\$ 155,766</u>		<u>\$ 207,151</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, 2005
(With Comparative Totals For the Year Ended June 30, 2004)

	<u>2005</u>		<u>Variance Positive (Negative)</u>	<u>2004</u>
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Other financing uses				
Transfer to other fund	\$ (108)	\$ (107)	\$ 1	\$ -
Appropriated fund balance	<u>108</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of other uses	<u>\$ -</u>	<u>(107)</u>	<u>\$ 1</u>	<u>-</u>
Fund balances				
Beginning of year, July 1		<u>107</u>		<u>107</u>
End of year, June 30		<u>\$ -</u>		<u>\$ 107</u>

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, 2005
(With Comparative Totals For the Year Ended June 30, 2004)

	2005		Variance Positive (Negative)	2004
	Budget	Actual		Actual
Revenues				
Other taxes and licenses				
E911 fees	\$ 250,000	\$ 262,071	\$ 12,071	\$ 270,619
Restricted intergovernmental:				
Wireless communications	85,000	126,296	41,296	96,799
Insurance proceeds	48,525	38,995	(9,530)	-
Interest earnings	1,500	12,427	10,927	-
Total revenues	<u>385,025</u>	<u>439,789</u>	<u>54,764</u>	<u>367,418</u>
Expenditures				
Public safety - E911				
Operating expenses	190,525	183,380	7,145	118,120
Debt service:				
Interest	5,245	5,245	-	4,985
Principal	189,356	189,355	1	124,947
Capital outlay	37,000	11,969	25,031	275,498
Total	<u>422,126</u>	<u>389,949</u>	<u>32,177</u>	<u>523,550</u>
Public safety - wireless communications				
Operating expenses	37,000	11,969	25,031	26,833
Total expenditures	<u>459,126</u>	<u>401,918</u>	<u>57,208</u>	<u>550,383</u>
Revenues over (under) expenditures	<u>(74,101)</u>	<u>37,871</u>	<u>111,972</u>	<u>(182,965)</u>
Other financing sources				
Proceeds from long term debt	-	-	-	475,000
Appropriated fund balance	74,101	-	(74,101)	-
Revenues and other sources over expenditures	<u>\$ -</u>	<u>37,871</u>	<u>\$ 37,871</u>	<u>292,035</u>
Fund balances				
Beginning of year, July 1		<u>659,557</u>		<u>367,522</u>
End of year, June 30		<u>\$ 697,428</u>		<u>\$ 659,557</u>

Franklin County, North Carolina
DEA Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2005
(With Comparative Totals For the Year Ended June 30, 2004)

	<u>2005</u>		Variance Positive (Negative)	<u>2004</u>
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Revenues				
Restricted Intergovernmental	\$ 25,500	\$ 28,581	\$ 3,081	\$ 17,575
Interest Income	-	290	290	-
Total revenues	<u>25,500</u>	<u>28,871</u>	<u>3,371</u>	<u>17,575</u>
Expenditures				
Public safety				
Operating expenses	<u>25,500</u>	<u>25,400</u>	-	<u>2,711</u>
Revenues over expenditures	<u>\$ -</u>	<u>3,471</u>	<u>\$ 3,371</u>	<u>14,864</u>
Fund balances				
Beginning of year, July 1		<u>15,376</u>		<u>512</u>
End of year, June 30		<u>\$ 18,847</u>		<u>\$ 15,376</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, 2005
(With Comparative Totals For the Year Ended June 30, 2004)

	2005			2004, as restated
	Budget	Actual	Variance Positive (Negative)	Actual
Expenditures	\$ -	\$ -	\$ -	\$ -
Other financing uses				
Transfer to other fund	(1,333,804)	(1,333,804)	-	-
Appropriated fund balance	1,333,804	-	(1,333,804)	-
Excess of expenditures and other uses	<u>\$ -</u>	(1,333,804)	<u>\$ (1,333,804)</u>	-
Fund balances				
Beginning of year, July 1		1,333,804		1,333,804
End of year, June 30		<u>\$ -</u>		<u>\$ 1,333,804</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, 2005

	Project Author- ization	Actual		Total to Date	Variance Positive (Negative)
		Prior Year	Current Year		
Revenues					
Restricted intergovernmental					
Golden Leaf Foundation	\$ 1,975,000	\$ 809,693	\$ -	\$ 809,693	\$(1,165,307)
State grants	-	21,251	-	21,251	21,251
Contributions	-	-	-	-	-
Federal grants	-	-	-	-	-
Interest earnings	-	-	1,504	1,504	1,504
Total	<u>1,975,000</u>	<u>830,944</u>	<u>1,504</u>	<u>832,448</u>	<u>(1,142,552)</u>
Expenditures					
Education	<u>2,108,946</u>	<u>751,948</u>	<u>9,290</u>	<u>761,238</u>	<u>1,347,708</u>
Revenues over (under) expenditures	<u>(133,946)</u>	<u>78,996</u>	<u>(7,786)</u>	<u>71,210</u>	<u>205,156</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>\$ 212,942</u>	<u>(7,786)</u>	<u>\$ 205,156</u>	<u>\$ 205,156</u>
Fund balance					
Beginning of year, July 1			<u>78,996</u>		
End of year, June 30			<u>\$ 71,210</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, 2005

	Project Author- ization	Actual		Total to Date	Variance Positive (Negative)
		Prior Years	Current Year		
Revenues					
Restricted intergovernmental					
CDBG 01-C-0951	\$ 400,000	\$ 400	\$ -	\$ 400	\$ (399,600)
CDBG 02-C-0951	700,000	210,877	257,051	467,928	(232,072)
CDBG 05-C-0951	400,000	-	-	-	(400,000)
NC Housing Finance	300,000	258,252	(3,936)	254,316	(45,684)
Total revenues	<u>1,800,000</u>	<u>469,529</u>	<u>253,115</u>	<u>722,644</u>	<u>(1,077,356)</u>
Expenditures					
Economic and physical development					
CDBG 02-C-0951	400,000	399,250	750	400,000	-
CDBG 03-C-0951	700,000	204,049	263,911	467,960	232,040
CDBG 05-C-0951	400,000	-	4,302	4,302	395,698
NC Housing Finance	315,000	214,086	-	214,086	100,914
Total expenditures	<u>1,815,000</u>	<u>817,385</u>	<u>268,963</u>	<u>1,086,348</u>	<u>728,652</u>
Revenues under expenditures	<u>(15,000)</u>	<u>(347,856)</u>	<u>(15,848)</u>	<u>(363,704)</u>	<u>(1,806,008)</u>
Other financing sources					
Transfer from General Fund	<u>15,000</u>	<u>15,000</u>	<u>-</u>	<u>15,000</u>	<u>-</u>
Revenues and other financing sources under expenditures	<u>\$ -</u>	<u>\$ (332,856)</u>	<u>(15,848)</u>	<u>\$ (348,704)</u>	<u>\$ (1,806,008)</u>
Fund balance					
Beginning of year, July 1			<u>66,874</u>		
End of year, June 30			<u>\$ 51,026</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, 2005

	Project Author- ization	Actual		Total to Date	Variance Positive (Negative)
		Prior Year	Current Year		
Revenues					
Miscellaneous revenues	\$ -	\$ 397	\$ -	\$ 397	\$ 397
Interest income	-	-	8,495	8,495	8,495
Total revenues	-	397	8,495	8,892	8,892
Expenditures					
Appraisal services	836,500	771,310	-	771,310	65,190
Revenues over (under) expenditures	(836,500)	(770,913)	8,495	(762,418)	74,082
Other financing sources					
Transfer from General Fund	422,500	350,000	75,107	425,107	2,607
Transfer from Special Revenue Fund	414,000	-	-	-	(414,000)
Total other financing sources	836,500	350,000	75,107	425,107	(411,393)
Revenues and other financing sources over (under) expenditures	\$ -	\$ (420,913)	83,602	\$ (337,311)	\$ (337,311)
Fund balance					
Beginning of year, July 1			350,541		
End of year, June 30			\$ 434,143		

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, 2005

	Project Author- ization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues					
Investment earnings	\$ -	\$ 19,199	\$ 15,754	\$ 34,953	\$ 34,953
Other financing uses					
Transfer to General Fund	(30,000)	(19,224)	(13,130)	(32,354)	(2,354)
Revenues over (under) uses	(30,000)	(25)	2,624	2,599	32,599
Appropriated fund balance	30,000	-	-	-	(30,000)
Revenues and appropriated fund balance over (under) uses	<u>\$ -</u>	<u>\$ (25)</u>	2,624	<u>\$ 2,599</u>	<u>\$ 2,599</u>
Fund balance					
Beginning of year, July 1			<u>837,452</u>		
End of year, June 30			<u>\$ 840,076</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, 2005

	Project Author- ization	Actual		Total to Date	Variance Positive (Negative)
		Prior Years	Current Year		
Revenues					
Restricted intergovernmental:					
Federal grant	\$ 464,546	\$ 99,343	\$ 78,602	\$ 177,945	\$ (286,601)
State grant	610,236	128,392	333,419	461,811	(348,425)
Interest income	-	-	3,953	3,953	3,953
Total revenues	<u>1,274,782</u>	<u>227,735</u>	<u>415,974</u>	<u>643,709</u>	<u>(631,073)</u>
Expenditures					
Capital outlay:					
Project No. 36244.43.6.1	300,000	15,988	15,643	31,631	268,369
Project No. 36237.31.5.1	182,829	5,636	25,414	31,050	151,779
Project No. 36237.31.4.1	166,667	104,745	61,922	166,667	-
Project No. 36244.43.5.2	300,000	-	258,342	258,342	41,658
Project No. 36237.31.6.1	166,667	-	-	-	166,667
Project No. 36244.43.7.1	44,707	-	-	-	44,707
Project No. 36244.43.5.1	255,555	171,205	84,350	255,555	-
Total expenditures	<u>1,416,425</u>	<u>297,574</u>	<u>445,671</u>	<u>743,245</u>	<u>673,180</u>
Revenues under expenditures	<u>(141,643)</u>	<u>(69,839)</u>	<u>(29,697)</u>	<u>(99,536)</u>	<u>42,107</u>
Other financing sources					
Transfer from General Fund	<u>141,643</u>	<u>124,976</u>	<u>16,667</u>	<u>141,643</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 55,137</u>	<u>(13,030)</u>	<u>\$ 42,107</u>	<u>\$ 42,107</u>
Fund balance					
Beginning of year, July 1			<u>298,872</u>		
End of year, June 30			<u>\$ 285,842</u>		

Franklin County, North Carolina
2005 GO School Bond Construction Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and for the Year Ended June 30, 2005

	Project Author- ization	Actual		Total to Date	Variance Positive (Negative)
		Prior Year	Current Year		
Revenues					
Restricted intergovernmental	\$ 192,983	\$ -	\$ 192,983	\$ 192,983	\$ -
Interest Income	-	-	2,621	2,621	2,621
Total revenues	<u>192,983</u>	<u>-</u>	<u>195,604</u>	<u>195,604</u>	<u>2,621</u>
Expenditures					
Bond issuance costs	-	-	44,344	44,344	(44,344)
Construction	1,592,983	-	757,108	757,108	835,875
Total expenditures	<u>1,592,983</u>	<u>-</u>	<u>801,452</u>	<u>801,452</u>	<u>791,531</u>
Revenues under expenditures	<u>(1,400,000)</u>	<u>-</u>	<u>(605,848)</u>	<u>(605,848)</u>	<u>794,152</u>
Other financing sources					
Bond proceeds	1,400,000	-	1,400,000	1,400,000	-
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>794,152</u>	<u>\$ 794,152</u>	<u>\$ 794,152</u>
Fund balance					
Beginning of year, July 1			-		
End of year, June 30			<u>\$ 794,152</u>		

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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, 2005
(With Comparative Totals For the Year Ended June 30, 2004)

	#		2005		Variance Positive (Negative)	2004	
	Budget	Actual	Budget	Actual		Actual	
Revenues							
Operating revenues							
Water and sewer charges	\$ 3,595,063	\$ 3,803,090	\$ 208,027	\$ 3,281,939			
Other charges for services	330,920	424,667	93,747	264,418			
	<u>3,925,983</u>	<u>4,227,757</u>	<u>301,774</u>	<u>3,546,357</u>			
Nonoperating revenues:							
Interest earnings	5,000	37,440	32,440	-			
Total revenues	<u>3,930,983</u>	<u>4,265,197</u>	<u>334,214</u>	<u>3,546,357</u>			
Other financing sources							
Transfers from other funds:							
General Fund	1,341,116	1,341,117	1	1,372,961			
Expenditures							
Salaries and employee benefits	743,118	635,083	108,035	740,048			
Water purchases	2,150,000	2,102,124	47,876	1,979,004			
Other operating expenditures	684,860	555,802	129,058	441,293			
Capital outlay	19,990	19,990	-	200,456			
Debt service:							
Interest and other charges	750,853	749,952	901	803,937			
Debt principal	923,278	924,177	(899)	874,790			
Total expenditures	<u>5,272,099</u>	<u>4,987,128</u>	<u>284,971</u>	<u>5,039,528</u>			
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ 619,186</u>	<u>\$ 819,186</u>	<u>\$ (120,210)</u>			
Reconciliation from budgetary basis (modified accrual) to full accrual							
Revenues and other financing sources over expenditures		\$ 619,186					
Debt service payment		924,177					
Depreciation		(740,087)					
Capital outlay		19,990					
Increase in accrued vacation pay		(9,199)					
		<u>814,067</u>					
Water and Sewer Capital Project Fund full accrual		<u>540,841</u>					
Change in net assets		<u>\$ 1,354,908</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, 2005

	Project Author - ization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues					
Restricted Intergovernmental:					
Federal grants	\$ 1,500,000	\$ 959,599	\$ 540,400	\$ 1,499,999	\$ (1)
State grants	1,150,000	1,150,000	-	1,150,000	-
Investment earnings	-	25,941	441	26,382	26,382
Total revenues	<u>2,650,000</u>	<u>2,135,540</u>	<u>540,841</u>	<u>2,676,381</u>	<u>26,381</u>
Expenditures					
Construction	9,150,000	5,324,598	642,282	5,966,880	3,183,120
Revenues under expenditures	<u>(6,500,000)</u>	<u>(3,189,058)</u>	<u>(101,441)</u>	<u>(3,290,499)</u>	<u>3,209,501</u>
Other financing sources					
Proceeds from debt	6,500,000	6,500,000	-	6,500,000	-
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>\$ 3,310,942</u>	<u>\$ (101,441)</u>	<u>\$ 3,209,501</u>	<u>\$ 3,209,501</u>
Reconciliation from budgetary basis (modified accrual) to full accrual					
Revenues and other sources under expenditures and issuance of long-term debt			\$ (101,441)		
Capital outlay			642,282		
			<u>\$ 540,841</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, 2005
(With Comparative Totals For the Year Ended June 30, 2004)

	2005		Variance Positive (Negative)	2004
	Budget	Actual		Actual
Revenues				
Contributions from employees	\$ 3,107,703	\$ 3,077,969	\$ (29,734)	\$ 3,760,240
Interest earnings	-	11,112	11,112	25
Total revenues	3,107,703	3,089,081	(18,622)	3,760,265
Expenditures				
Health insurance	2,847,703	2,666,036	181,667	2,352,570
Property and liability insurance	380,000	378,498	1,502	357,022
Worker's compensation insurance	380,000	319,818	60,182	239,757
Total expenditures	3,607,703	3,364,352	243,351	2,949,349
Revenues over (under) expenditures	(500,000)	(275,271)	224,729	810,916
Appropriated fund balance	500,000	-	(500,000)	-
Revenues and appropriated fund balance over (under) expenses	\$ -	(275,271)	\$ (275,271)	\$ 810,916
Fund balances				
Beginning of year, July 1		810,916		
End of year, June 30		\$ 535,645		
Reconciliation from financial plan basis (modified accrual) to full accrual:				
Total revenues		\$ 3,089,081		
Total expenditures		3,364,352		
Change in net assets		\$ (275,271)		

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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, 2005

	Balance July 1, 2004	Additions	Deductions	Balance June 30, 2005
Social Services				
Assets				
Cash and cash equivalents	\$ 44,514	\$ 190,148	\$ 166,976	\$ 47,686
Liabilities				
Miscellaneous liabilities	\$ 44,514	\$ 190,148	\$ 186,976	\$ 47,686
Fines and Forfeitures				
Assets				
Cash and cash equivalents	\$ -	\$ 348,574	\$ 348,574	\$ -
Liabilities				
Intergovernmental payable	\$ -	\$ 348,574	\$ 348,574	\$ -
Motor Vehicle Tax				
Assets				
Cash and cash equivalents	\$ -	\$ 1,913,791	\$ 1,913,791	\$ -
Liabilities				
Miscellaneous liabilities	\$ -	\$ 1,913,791	\$ 1,913,791	\$ -
Jail Fund				
Assets				
Cash and cash equivalents	\$ 4,850	\$ 114,789	\$ 113,873	\$ 5,766
Liabilities				
Miscellaneous liabilities	\$ 4,850	\$ 114,789	\$ 113,873	\$ 5,766
Totals - All Agency Funds				
Assets				
Cash and cash equivalents	\$ 49,364	\$ 2,567,302	\$ 2,563,214	\$ 53,452
Liabilities				
Miscellaneous liabilities	\$ 49,364	\$ 2,216,728	\$ 2,214,640	\$ 53,452
Intergovernmental payable	-	348,574	348,574	-
Total liabilities	\$ 49,364	\$ 2,567,302	\$ 2,563,214	\$ 53,452

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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, 2005

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2004</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2005</u>
2004-2005	\$ -	\$ 25,667,255	\$ 24,831,503	\$ 835,752
2003-2004	987,970	-	717,866	270,104
2002-2003	330,733	-	96,627	234,106
2001-2002	185,052	-	53,493	131,559
2000-2001	115,393	-	26,402	88,991
1999-2000	71,564	-	7,934	63,630
1998-1999	62,072	-	5,071	57,001
1997-1998	58,739	-	4,753	53,986
1996-1997	31,323	-	2,413	28,910
1995-1996	17,048	-	716	16,332
1994-1995	16,071	-	18,071	-
	<u>\$ 1,877,965</u>	<u>\$ 25,667,255</u>	<u>\$ 25,764,849</u>	<u>1,760,371</u>
				Plus: uncollected 2004-2005 ad valorem taxes receivable on annually registered vehicles
				36,858
				Less: allowance for uncollectible accounts:
				<u>(155,000)</u>
				Ad valorem taxes receivable - net:
				<u>\$ 1,662,029</u>
				Reconciliation with revenues
				Ad valorem taxes - General Fund
				<u>\$ 25,976,161</u>
				Reconciling items:
				Amounts written off for 1994-1995 levy
				17,303
				Interest collected
				(263,399)
				Discounts and adjustments
				<u>34,784</u>
				Total reconciling items
				<u>(211,312)</u>
				Total collections and credits
				<u>\$ 25,764,849</u>

Franklin County, North Carolina
Analysis of Current Tax Levy
County - wide Levy
For the Year Ended June 30, 2005

	<u>County - wide</u>			<u>Total Levy</u>	
	<u>Property Valuation</u>	<u>Rate</u>	<u>Amount of Levy</u>	<u>Property excluding Registered Motor Vehicles</u>	<u>Registered Motor Vehicles</u>
Original levy					
Property taxed at current year's rate	\$ 2,750,990,254	0.790000%	\$ 21,732,823	\$ 21,732,823	\$ -
Motor vehicles taxed at current year's rate	208,020,000	0.790000%	1,627,558	-	1,627,558
Motor vehicles taxed at prior year's rate	146,710,355	0.999500%	1,466,370	-	1,466,370
Penalties	-		35,669	35,669	-
Total	<u>3,103,720,609</u>		<u>24,862,420</u>	<u>21,768,492</u>	<u>3,093,928</u>
Discoveries					
Current year taxes	-		919,409	885,088	34,321
Prior year taxes	-		64,602	64,602	-
Penalties	-		3,107	3,107	-
Abatements and releases	-		(182,283)	(100,030)	(82,253)
Total	<u>\$ 3,103,720,609</u>		<u>25,667,255</u>	<u>22,621,259</u>	<u>3,045,996</u>
Less, uncollected taxes at June 30, 2005			<u>835,752</u>	<u>433,808</u>	<u>401,973</u>
Current year's taxes collected			<u>\$ 24,831,503</u>	<u>\$ 22,187,451</u>	<u>\$ 2,644,023</u>
Current levy collection percentage			<u>96.74%</u>	<u>98.08%</u>	<u>88.80%</u>

**Franklin County, North Carolina
Analysis of Current Tax Levy
County - wide Levy
For the Year Ended June 30, 2005**

Secondary Market Disclosures:

Assessed Valuation:		
Assessment Ratio¹		100 %
Real Property	\$ 2,510,945,604	
Personal Property	499,925,053	
Public Service Companies²	92,849,952	
Total Assessed Valuation	<u>\$ 3,103,720,609</u>	

Tax Rate per \$100 0.79

Levy (includes discoveries, releases and abatements)³ \$ 25,600,017

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, 2005:

Fire Protection Districts	\$ 1,563,891
----------------------------------	---------------------

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, 2005

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
Novo Nordisk	Manufacturing	\$ 89,104,846	2.87%
Carolina Telephone	Utility	35,990,504	1.16%
Progress Energy	Utility	24,654,007	0.79%
Wake Electric Membership Corporation	Utility	23,488,804	0.76%
NDOA LLC	Manufacturing	12,669,967	0.41%
Flextronics	Manufacturing	14,605,594	0.47%
Louisburg HMA	Hospital	11,604,045	0.37%
Harold G. Bagwell	Manufacturing	10,059,457	0.32%
Sirchie Finger Print Labs	Manufacturing	9,158,565	0.30%
Wheaton USA, Inc.	Manufacturing	8,966,399	0.29%
Total		<u>\$ 240,302,188</u>	<u>7.74%</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, 2005 and 2004

	<u>Balance</u> <u>June 30, 2005</u>	<u>Balance</u> <u>June 30, 2004</u>
Governmental funds capital assets		
Land	\$ 7,728,967	\$ 9,039,164
Land improvements	1,615,162	-
Buildings	18,985,194	18,179,059
Equipment	2,841,941	2,796,586
Vehicles	3,758,357	3,654,285
Waterlines	163,228	
Gas lines	411,481	411,481
Construction-in-progress	1,512,480	167,130
	<u>-</u>	<u>-</u>
Total governmental funds capital assets	<u>\$ 37,016,810</u>	<u>\$ 34,247,705</u>
Investments in governmental funds capital assets by source		
General fund	\$ 6,886,505	\$ 5,462,750
Special revenue funds	2,488,828	2,488,828
Capital projects funds	25,723,641	25,723,641
Donations	1,917,836	572,486
	<u>-</u>	<u>-</u>
Total governmental funds capital assets	<u>\$ 37,016,810</u>	<u>\$ 34,247,705</u>

Franklin County, North Carolina
 Capital Assets Used in the Operation of Governmental Funds
 Schedule by Function
 For the Year ended June 30, 2005

	Land	Land Improvements	Buildings & Improvements	Equipment	Vehicles	Gas Lines	Waterlines	Construction In Progress	Total
General Government	\$ 556,634	\$ -	\$ 4,147,104	\$ 617,081	\$ 126,528	\$ -	\$ -	\$ -	\$ 5,447,327
Public Safety	263,684	-	7,699,642	1,119,206	2,746,081	-	-	-	11,828,593
Economic and Physical Development	6,428,601	850,734	2,379,984	635,701	121,782	411,481	163,228	1,470,866	12,462,377
Human Services	124,443	-	2,851,484	284,468	668,796	-	-	41,614	3,970,805
Cultural and Recreation	355,625	764,428	1,906,980	197,755	82,920	-	-	-	3,307,708
	<u>\$ 7,728,967</u>	<u>\$ 1,615,162</u>	<u>\$ 19,985,194</u>	<u>\$ 2,854,191</u>	<u>\$ 3,746,107</u>	<u>\$ 411,481</u>	<u>\$ 163,228</u>	<u>\$ 1,512,480</u>	<u>\$ 37,016,810</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, 2005

<u>Function and Activity</u>	<u>Governmental Funds Capital Assets June 30, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Governmental Funds Capital Assets June 30, 2005</u>
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	181,390	-	-	161,390
Tax	126,008	-	-	126,008
Other - unclassified	4,795,251	19,593	35,016	4,779,828
	<u>5,462,750</u>	<u>19,593</u>	<u>35,016</u>	<u>5,447,327</u>
Public Safety				
Sheriff	10,077,367	206,625	105,101	10,178,891
Emergency medical services	1,394,631	98,222	34,065	1,458,788
Animal Control	16,695	-	-	18,695
Code enforcement	147,481	-	-	147,481
	<u>11,636,174</u>	<u>304,847</u>	<u>139,166</u>	<u>11,801,855</u>
Economic and Physical Development				
Airport	8,771,854	641,867	-	9,413,721
Soil and conservation	46,838	-	-	46,838
Industrial development	421,746	163,228	-	584,974
Planning	61,357	-	-	61,357
Solid waste	1,274,687	1,274,669	167,130	2,382,228
	<u>10,576,482</u>	<u>2,079,764</u>	<u>167,130</u>	<u>12,489,116</u>
Human Services				
Social services	2,607,783	682,777	19,401	3,271,159
Health	659,606	32,000	43,142	648,464
Aging	44,203	6,979	-	51,182
	<u>3,311,592</u>	<u>721,756</u>	<u>62,543</u>	<u>3,970,805</u>
Cultural and Recreational				
Library	1,323,361	-	-	1,323,361
Recreational	1,937,346	47,000	-	1,984,346
	<u>3,260,707</u>	<u>47,000</u>	<u>-</u>	<u>3,307,707</u>
	<u>\$ 34,247,705</u>	<u>\$ 3,172,960</u>	<u>\$ 403,855</u>	<u>\$ 37,016,810</u>

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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
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
2005	4,168,586	10,909,475	0	0	5,841,195	16,292,325	1,015,483	11,202,659	445,871	4,011,456	\$53,886,850

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
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
2005	27,608,437	9,434,955	264,775	7,848,988	1,528,965	7,528,753	480,463	425,026	\$55,120,362

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
1996	\$15,827,132	\$4,648,947	\$ -	\$ -	\$9,622	\$20,485,701
1997	15,171,985	4,987,479	-	-	8,848	\$20,168,312
1998	16,607,214	5,413,717	-	-	6,886	\$22,027,817
1999	17,239,195	5,824,348	-	-	10,098	\$23,073,641
2000	18,913,984	6,217,906	-	-	9,706	\$25,141,596
2001	20,097,374	6,311,134	-	-	9,690	\$26,418,198
2002	22,964,733	6,345,460	-	-	13,509	\$29,323,702
2003	25,108,908	6,954,074	55,839	18,969	11,395	\$32,149,185
2004	26,414,550	8,379,334	101,712	58,677	10,971	\$34,965,244
2005	27,608,437	9,434,955	75,393	-	12,137	\$37,130,922

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		Ratio of Outstanding Delinquent Taxes		Ratio of Delinquent Taxes to Tax Levy	
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%								
2005	27,545,220	25,667,255	96.74%	933,346	25,764,849	93.54%	1,780,371	6.46%								

**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
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
2005	2,510,945,604	499,925,053	92,849,952	\$3,103,720,609

**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
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
2005	0.6900	0.6800	0.4850	0.5600	0.7900	0.5400	3.2050

Note: All tax rates are expressed in dollars of tax per \$100 of assessed valuation. The tax rate was adjusted in 1999 and 2005 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 2005

Taxpayer	Type of Business	2004 Assessed Valuation	Percentage of Total Assessed Valuation
NOVO NORDISK	MANUFACTURER	\$89,104,846	3.56%
CAROLINA TELEPHONE	UTILITY	35,990,504	1.44%
PROGRESS ENERGY	UTILITY	24,654,007	0.98%
WAKE ELECTRIC	UTILITY	23,488,804	0.94%
NODA LLC	MANUFACTURER	12,669,967	0.51%
FLEXTRONICS INTERNATIONAL	MANUFACTURER	14,605,594	0.58%
FRANKLIN REGIONAL	HOSPITAL	11,604,045	0.46%
HAROLD G. BAGWELL	REAL ESTATE	10,059,457	0.40%
SIRCHIE FINGER PRINT	MANUFACTURER	9,158,565	0.37%
WHEATON USA	MANUFACTURER	8,966,399	0.36%
	Totals	\$240,302,188	9.59%

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
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
2005	-	61,519

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, 2005

Assessed Value of Taxable Property	3,103,720,609
	8.00%
Debt Limit - 8 Percent of Assessed Value	<u>\$248,297,649</u>
Gross debt	
Total bonded debt	14,600,000
Authorized and unissued bonds	28,600,000
Lease financing agreements	16,840,000
Gross Debt	<u>\$60,040,000</u>
Total Amount of Applicable debt	<u>\$60,040,000</u>
Legal Debt Margin	<u><u>\$188,257,649</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
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	2,279,050,498	15,825,000	0.6944%	48,818	324.16
2003	2,372,672,790	14,850,000	0.6259%	51,079	290.73
2004	2,505,635,618	13,875,000	0.5538%	52,855	262.51
2005	3,103,720,609	14,600,000	0.4704%	54,181	269.47

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
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%
2005	975,000	688,250	1,663,250	53,886,850	3.09%

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, 2005

	Net General Obligation Bonded debt	Percent Applicable To County	Amount Applicable To County
	<hr/>	<hr/>	<hr/>
Direct:			
Franklin County	\$14,600,000	100.00%	\$14,600,000
Underlying:			
Town of Louisburg	-	100.00%	-
Town of Bunn	-	100.00%	-
Town of Youngsville	-	100.00%	-
Town of Franklinton	-	100.00%	-
	<hr/>		<hr/>
Totals	<u>\$14,600,000</u>		<u>\$14,600,000</u>

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
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%
2005	54,181	24,264	8,066	4.90%

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	
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
2005	780	85,505,266	51	17,400,616	636	6,643,495	\$109,549,377

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

Franklin County, North Carolina
 Miscellaneous Statistics
 June 30, 2005

Date of establishment		1779
Form of government	Commissioner/Manager	
Employees:		
Full-time, regular		410
Part-time, regular		43
Franklin County facilities and services		
Sheriff protection		
Number of stations		1
Number of deputies and officers		41
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		2,183
Average daily consumption (in gallons)		1,613,562
Miles of water mains		141
Miles of sanitary sewers		32
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

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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, 2005, which collectively comprises Franklin County's basic financial statements, and have issued our report thereon dated October 7, 2005. 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 opinions 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 over financial reporting 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*. We noted certain other matters that we reported to management in a separate letter dated October 7, 2005.

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.

Holden, Moss, Knott, Clark, Copley & Hayle, PA
Certified Public Accountants and Consultants

October 7, 2005
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, 2005. 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, 2005.

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 compliance 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.

Holden, Moss, Knott, Clark, Copley & Houle, PA
Certified Public Accountants and Consultants

October 7, 2005
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, 2005. 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, 2005.

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 compliance 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.

Holden, Mass. Knott, Clark, Copley & Hoyle, PA
Certified Public Accountants and Consultants

October 7, 2005
Henderson, North Carolina

Franklin County, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2005

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 Xno
- Reportable condition(s) identified
that are not considered to be
material weaknesses ___yes Xnone reported

Noncompliance material to financial
statements noted ___yes Xno

Federal Awards

Internal control over federal programs:

- Material weakness(es) identified? ___yes Xno
- Reportable condition(s) identified
that are not considered to be
material weaknesses ___yes Xnone reported

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

Any audit findings disclosed that are
required to be reported in accordance
with Section 510(a) of Circular A-133 ___yes Xno

Identification of major federal programs:

<u>CFDA#</u>	<u>Program Name</u>
93.568	Low Income Home Energy Assistance
93.778	Title XIX – Medicaid

Dollar threshold used to distinguish between type A and type B programs: \$1,349,733.

Auditee qualified as low-risk auditee? Xyes ___no

Franklin County, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2005

I. Summary of Auditor's Results (Continued)

State Awards

Internal control over major State programs:

- 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 major State programs: **Unqualified**

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

Identification of major State programs:

Program Name
Public School Building Capital Fund
State Aid to Airports

The other major State programs for Franklin County is the Medical Assistance Program, which is a State match on a federal program. Therefore, this program has been included in the list of major federal programs above.

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, 2005

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, 2005**

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, 2005**

None.

Franklin County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2005

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
Federal Awards:					
U.S. Dept. of Agriculture					
Food and Nutrition Service					
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Social Services:					
Administration:					
Food Stamp Cluster:					
Food Stamp Program - Direct Benefit Payment	10.551		\$ 5,199,487	\$ -	\$ -
Food Stamp Incentive Program	10.551		11,295	-	-
State Administrative Matching Grants for the Food Stamp Program	10.561		404,376	-	405,375
Total Food Stamp Cluster			5,615,148	-	405,375
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		172,776	-	-
Direct Benefit Payments:					
Special Supplemental Nutrition Program for Women, Infants, & Children	10.557		727,960	-	-
Passed-through the Kern-Tar Council of Governments:					
Nutrition Program for the Elderly	10.570		35,759	-	-
Total U.S. Dept. of Agriculture			6,551,643	-	-
U.S. Dept. of Commerce					
Direct Program:					
Grants for Public Works & Economic Development	11.300	04-01-04987	540,400	-	-
U.S. Dept. of Housing and Urban Development					
Passed-through the N.C. Dept. of Commerce:					
Community Development Block Grant, Small Cities	14.228	02-C-0961	750	-	-
Community Development Block Grant, Small Cities	14.228	03-C-0951	263,911	-	-
Community Development Block Grant, Small Cities	14.228	00-E-0757	4,302	-	-
Total U.S. Dept. of Housing and Urban Development			268,963	-	-
U.S. Dept. of Justice					
Bureau of Justice Administration					
Direct Program:					
Local Law Enforcement Block Grant	15.592		8,500	-	-
U.S. Dept. of Transportation					
Federal Aviation Administration					
Passed-through the N.C. Dept. of Transportation:					
State Block Grant Program	20.106	36237.31.4.1	61,922	-	-
State Block Grant Program	20.106	36237.31.5.1	25,414	-	-
Total U.S. Dept. of Transportation			87,336	-	-
U.S. Dept. of Health and Human Services					
Administration on Aging					
Division of Aging and Adult Services					
Passed-through the Kern-Tar Council of Governments:					
Aging Cluster:					
Preventive Health	93.043		7,487	479	-
Special Programs for the Aging - Title III B Health Promotion	93.044		76,676	160,331	-
Special Programs for the Aging - Title III C Nutrition Services	93.045		65,805	47,558	-
Family Caregiver Support	93.052		3,760	240	-
Total Aging Cluster			155,738	209,608	-
Administration for Children and Families					
Passed-through the N.C. Dept. Of Health and Human Services					
Division of Social Services:					
Foster Care and Adoption Cluster (Note 4):					
Foster Care - Administration	93.658		148,754	25,118	113,505
Foster Care - Direct Benefits Payments	93.658		49,320	9,199	21,354
Adoption Assistance - Direct Benefits Payments	93.659		137,967	39,959	39,959
Total Foster Care and Adoption (Note 4)			336,041	74,276	174,818
Work First/Temporary Assistance for Needy Families:					
Administration	93.558		512,893	-	448,048
Direct Benefits Payments	93.558		454,728	-	150
Low-Income Home Energy Assistance Block Grant:					
Administration	93.568		143,710	23	-
Direct Benefits Payments	93.568		118,177	-	-
Childcare Development Fund - Administration					
Child Welfare Services	93.645		75,742	-	-
Permanency Planning - Families for Kids			24,625	8,208	-
Social Services Block Grant	93.667		227,286	42,887	73,993
Independent Living Grant	93.674		22,498	5,624	-

**Franklin County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2005**

<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>
Division of Child Development:					
Subsidized Child Care Fund Cluster (Note 4)					
Division of Child Development					
Child Care and Development Fund - Discretionary	93.575		641,908	-	-
Child Care and Development Fund - Mandatory	93.596		284,116	-	-
Child Care and Development Fund - Match	93.596		156,326	89,829	-
Total Child Care Development Cluster			1,082,351	89,829	-
Social Services Block Grant	93.687		15,808	-	-
Temporary Assistance for Needy Families	93.558		180,481	-	-
Smart Start			-	9,430	-
State Appropriations			-	80,964	-
TANF-MOE			-	270,561	-
Total Subsidized Child Care Cluster (Note 4)			1,278,621	450,784	-
Centers for Medicare and Medicaid Services					
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Medical Assistance:					
Direct Benefits - Medical Assistance Program	93.778		32,987,427	15,646,563	2,685,946
Division of Social Services:					
Medical Assistance Program - Administration	93.778		704,583	36,368	686,749
State Children's Insurance Program-NC Health Choice	93.767		44,413	3,082	12,188
Centers for Disease Control					
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Public Health:					
Bio-terrorism Grant	93.283		77,704	-	-
Cooperative Agreements for State-Based Comprehensive					
Breast & Cervical Cancer Early Detection Programs	93.919		5,000	-	-
Preventive Health and Health Services Block Grant	93.991		15,366	-	-
Health Resources and Services Administration					
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Public Health:					
Immunization Grants	93.288		16,126	-	-
Temporary Assistance for Needy Families	93.558		5,969	-	-
NC Heart disease and Stroke Prevention Program	93.945		500	-	-
Maternal and Child Health Services Block Grant	93.994		210,111	-	-
Total U.S. Dept. of Health and Human Services			37,417,078	16,476,463	4,061,673
U.S. Dept. of Homeland Security					
Passed-through the N.C. Department of Crime Control and Public Safety:					
State Homeland Security Grant Program	97.004	2004-GE-T4-0014	91,243	-	-
Direct Program:					
Emergency Food And Shelter	97.024	23-6398-00-2	25,937	-	-
			117,180	-	-
Total federal awards			44,991,100	16,476,463	4,061,673

Franklin County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2005

<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>
State Awards:					
<u>N.C. Dept. of Cultural Resources</u>					
State Library of North Carolina:					
Internet Access			-	3,855	-
State Aid to Public Libraries			-	115,124	-
			-	118,779	-
<u>N.C. Dept. of Health and Human Services</u>					
Division of Social Services:					
State/County Special Assistance for Adults:					
Direct Benefits Payments			-	450,881	450,881
State Foster Care - Direct Benefits Program			-	177,208	100,989
Energy Assistance - Direct Benefit Payments			-	14,721	-
State Aid to Counties			-	42,127	-
AFDC Incentive Program			-	319	-
TANF Incentive Program			-	2,183	-
Smart Start			-	42,082	-
Total Division of Social Service			-	729,511	551,830
Division of Public Health:					
General			-	24,775	-
Public Health Nurse Training			-	1,200	-
Communicable Disease			-	4,342	-
Tuberculosis			-	14,184	-
AIDS			-	800	-
Maternal Care Coordinator			-	7,800	-
Women's Preventive Health			-	23,788	-
Adolescent Health Project			-	33,336	-
Risk Reduction/Health Promotion			-	8,490	-
TB Medical Services			-	1,034	-
Total Division of Public Health			-	117,119	-
Division of Aging:					
Passed-through the Kern-Tar Council of Governments					
Senior Center Outreach			-	1,353	-
Senior Center Development			-	35,482	-
Total Division of Aging			-	36,835	-
Total N. C. Department of Health and Human Services			-	883,485	551,830
<u>N.C. Dept. of Administration</u>					
Veteran Services Officer					
			-	2,000	-
<u>N.C. Dept. of Transportation</u>					
State Airport Grant		36244.43.8.1	-	14,079	1,564
State Airport Grant		36244.43.5.2	-	232,608	25,834
State Airport Grant		36244.43.5.1	-	75,915	8,436
Total State Airport Grant			-	322,602	35,833
Rural Operating Assistance Program (ROAP):					
Elderly and Disabled Transportation Assistance Program		36220.8.1.1	-	47,071	-
Work First Transitional - Employment		36238.2.1.1	-	6,216	-
Rural General Public Program		36228.16.1.1	-	32,218	-
Total N.C. Dept. of Transportation			-	408,005	35,833
<u>N.C. Dept. of Crime Control and Public Safety</u>					
EM Performance Grant					
		035-1-04-15B-AD-87.	-	30,285	-
<u>N.C. Dept. of Juvenile Justice and Delinquency</u>					
Juvenile Crime Council Program					
		6,355,028.00	-	172,808	-
<u>N.C. Dept. of Public Instruction</u>					
Public School Building Capital Fund					
			-	592,983	-
Total State awards			-	2,208,308	587,863
Total federal and State awards			\$ 44,991,100	\$ 18,684,789	\$ 4,849,636

Franklin County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2005

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

1. 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, and the State Single Audit Implementation Act. 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.

2. Subrecipients

Of the federal and State expenditures presented in the schedule, Franklin County provided State awards to a subrecipients as follows:

	<u>Federal</u> <u>Expenditures</u>	<u>State</u> <u>Expenditures</u>
Public School Building Capital Fund	\$	\$ 562,963

3 The following clusters by the NC Departments of Health and Human Services and are treated separately for State audit requirement purposes: Subsidized Child Care and Foster Care and Adoption,

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