

FRANKLIN COUNTY COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended
June 30, 2010



Prepared by the
Franklin County Finance Department

Finance Director
Charles F. Murray, Jr.

County of Franklin
113 Market Street
Louisburg, NC 27549

FRANKLIN COUNTY, NORTH CAROLINA
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COUNTY OF FRANKLIN

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December 10th, 2010

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, 2010. 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 Winston, Williams, Creech, Evans and Co., 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 2010 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, 2010, 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 59,201. 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. The county's increasing population continues to place additional demands on the County to meet citizens' needs for services. The year's activities as highlighted below demonstrate the County's response to these demands and needs.

Sewer and Water Line Expansions

Ray's Creek (2.5 mile outfall extension) is near 75% completion. The project is estimated at \$2 million and the county expended \$1.25 million during fiscal year 2009-2010. East Youngsville sewer line project was completed during the fiscal year. The county expended \$358,242 this fiscal year. .

Animal Control Facility

The County completed a new animal control facility in August 2008 and it is now fully operational. The facility housing 5 staff members and can contain 100 animals per day. The total cost of the project was \$1,260,933. The County added an incinerator to the facility this year at a cost of \$80,000.

County Airport

The county completed the construction of an T-Hangar at the Franklin Regional Airport at a costs of \$724,000. The new hangar is currently full of planes and a waiting list has begun. The airport currently housing 85 planes and has gross sales of \$660,000.

School Construction

In May 2008, the County was successful in passing a GO Bond issue for \$53 million for a new high school to serve the Franklinton/Youngsville area and to provide other various renovations to other existing schools around the county. The County awarded the new high school construction contract in June 2009 for approximately \$26 million. The county issued \$14,000,000 in August 2009 and \$3.6 million in December 2009. The County issued another \$26 million in November 2010 for the remainder of the high school and other projects on the table. The County spent \$14.5 million on school projects during the fiscal year.

E911 Infrastructure Improvement Project

The County borrowed \$2.7 million in December 2008 for this project. The project is being completed to help enhance the county's paging capability to volunteer fire departments to respond to fire calls. There are 11 fire districts in the county. After further consultation with the County's engineer, the county decided to enhance coverage further for a total cost of \$9.2 million. The county plans to borrow an additional \$6.5 million in FY 2010-2011. This enhancement should provide pager service coverage 95 percent of the time in each fire district.

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, 24.6 % of employment in the county is in manufacturing, 23.8% in service producing industries, 20.2% in government, 9.9% in construction, and 19.4% in other non-agricultural employment. Agriculture now employs only 2.1%. 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.

In 2008, The N.C. Department of Commerce recently dropped Franklin County's Tier ranking from a Tier 3 status to a Tier 2 status. The law calls for the 40 most distressed counties to become

Tier 1 counties, the middle 40 counties to be designated as Tier 2 and the 20 most prosperous counties to become Tier 3 counties. Data used to determine rankings include unemployment rates, median household income, population growth and assessed property value per capita. Franklin County took a major economic hit when its top private employer “Flextronics” closed a manufacturing facility earlier this year and was one of only three counties in the state to fall in economic rankings based on state statistics. Flextronics shut down its facility in Youngsville. It employed some 480 people. Flextronics was also the County’s 5th largest taxpayer at that time paying \$128,000 in ad valorem taxes.

Tier designations determine the available amount of tax credits for job creation and business property investment in a list of eligible industries. They include manufacturing, motorsports, aircraft maintenance and repair, air courier services, warehousing, customer service call centers, research and development, electronic shopping and mail order houses, wholesale trade and information technology. All eligible companies are required to offer employees health insurance and pay at least 50 percent of the premiums, cannot owe back taxes and cannot have received a significant environmental violation notice from the state Department of Environment and Natural Resources. In Tier 2 and Tier 3 counties, companies also must meet a wage test.

Potential benefits to companies under each tier designation include:

- Tier 1 - \$12,500 tax credit per new job with a requirement to create at least five jobs, and a 7 percent tax credit for eligible business property expenditures.
- Tier 2 - \$5,000 tax credit per new job with a requirement to create at least 10 jobs, and a 5 percent tax credit for eligible business property expenditures of more than \$1 million.
- Tier 3 - \$750 tax credit per new job with a requirement to create at least 15 jobs, and a 3.5 percent tax credit for eligible business property expenditures of more than \$2 million.

The county’s largest corporate citizen is Novozymes North America, Incorporated. The company currently has 463 employees. Their current property valuation is \$124 million. This provided over \$1.08 million 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 \$1,250,000 annually. While the county is extremely fortunate to have such an excellent corporate citizen, efforts should continue to broaden the county’s tax base. Novozymes represents 3.10 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.

Long-Term Financial Planning

Franklin County’s population has increased by 37% since 1995. It is estimated that Franklin County currently has 59,201 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.

With the county’s population continuing to rise, careful planning must occur to ensure that adequate real estate remains available for potential industrial and commercial 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 changed the formula for lottery distribution to help with school operational needs and school construction needs. This change in formula resulted in a decrease for Franklin County of nearly \$600,000. The county had pledged the lottery proceeds to help service the \$53 million school bond issued authorized by the voters. The County does have a process in which to

gain additional revenue however. The Board Of County Commissioners can ask the voters of the county to approve an additional ½ cent sales tax or a land transfer tax to be imposed to help with revenue needs such as school construction projects however the BOC has not decided to initiate this process at the date of this report.

The County has three major water sources. The County can acquire up to three million gallons per day from the City of Henderson, three hundred and fifty 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, 2010, the County utilizes about 1.8 million gallons per day. The county currently has a combined 2,889, water customers. The average daily treatment of sewer is 700,000 gallons. The county has identified other potential water sources and is actively investigating those avenues.

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, 2010, provided no instances of material weaknesses in the internal control structure or significant violations of applicable laws and regulations despite the new implementation of SAS 115.

AWARDS AND OTHER INFORMATION

Independent Audit – The County is required by state statutes to have an annual independent financial audit. The accounting firm of Winston, Williams, Creech, Evans & Company, LLP. conducted the County's annual audit for the third year. 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, 2009. This was the eleventh 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 Winston, Williams, Creech, Evans & Company. Great gratitude is extended to the Board of County Commissioners for their continued support throughout the past year.

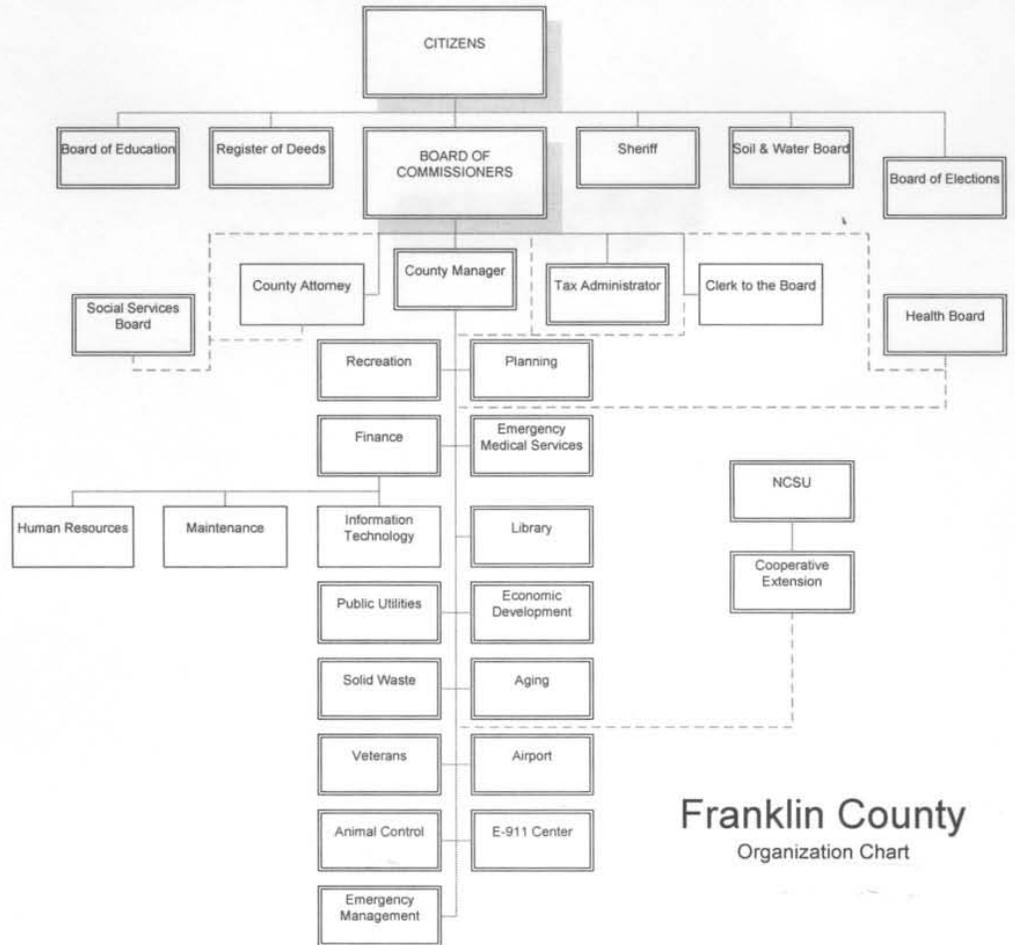
Use of the Report. The Government Finance Officers Association reports a growing awareness that the annual financial report should be management's report to its governing body, constituents, oversight bodies, resource providers, investors and creditors. We agree with this direction, and in keeping with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

Respectfully submitted,

Angela L. Harris
County Manager

Charles F. Murray, Jr.
Director of Finance



Franklin County
Organization Chart

**FRANKLIN COUNTY, NORTH CAROLINA
LIST OF PRINCIPAL OFFICIALS
JUNE 30, 2010**

**Board of County
Commissioners**

Penny McGhee, Chairperson
Sidney E. Dunston, Vice Chairperson
David T. Bunn
Sidney E. Dunston
Harry L. Foy, Jr.
Donald C. Lancaster
Robert Lee Swanson

County Officials

Angela L. Harris
Charles F. Murray, Jr.
Darnell A. Batton

County Manager
Finance Director
County Attorney

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, 2009

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



President

Executive Director

FINANCIAL SECTION

Winston, Williams, Creech, Evans, & Company, LLP

Certified Public Accountants



America Counts on CPAs

James P. Winston II, CPA
Gary L. Williams, CPA
Leonard R. Creech, CPA
Carleen P. Evans, CPA

Jennifer T. Reese, CPA
Curtis G. Van Horne, CPA
T. Peter Oke-Bello, CPA
Angela C. Perkins, CPA
Cathy E. McKinley, CPA
Thomas F. Edmunds IV, CPA

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, 2010, which collectively comprise Franklin 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 opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Franklin County, North Carolina, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2010, 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 and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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Management's Discussion and Analysis, the Law Enforcement Officers' Special Separation Allowance and the Other Postemployment Benefits' Schedules of Funding Progress and Employer Contributions are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. 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 the information and express no opinion on it.

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 introductory information, combining and individual nonmajor fund financial statements, budgetary schedules, other schedules, and the statistical 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. The combining and individual nonmajor fund financial statements, budgetary schedules, other schedules and the accompanying schedule of expenditures of federal and State awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory information and the statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Winston, Williams, Creech, Evans & Company, LLP

Winston, Williams, Creech, Evans & Company, LLP
Certified Public Accountants
December 10, 2010



County Of Franklin

113 Market Street
Louisburg, North Carolina 27549
Telephone: 919-496-3182
Fax: 919-496-2683

Office of Finance
Charles Murray, Jr.
Director

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, 2010. 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

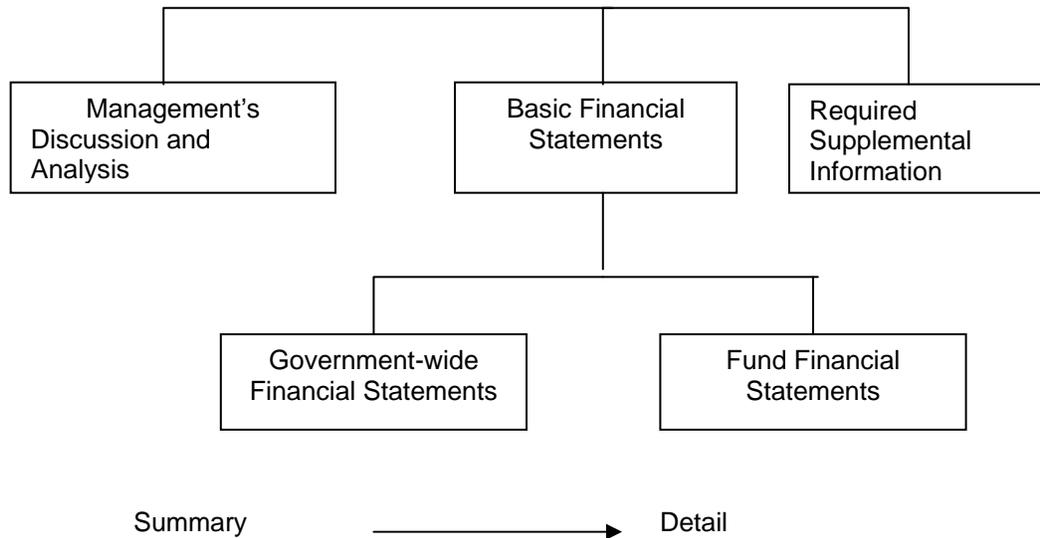
- The County's total liabilities exceeded its total assets by \$2.153 million. In accordance with North Carolina law, liabilities of the County include long-term debt associated with assets belonging to the Franklin County Board of Education. The amount included in liabilities related to school financing is \$68.052. 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 general and major governmental fund reported combined ending fund balances of \$24.3 million, an increase of only \$5.49 million from the previous fiscal year where the combined fund balances totaled \$18.8 million. The major increase was in the County's General Fund where revenues exceeded expenses by \$1.96 million. Approximately 72.5 percent of this total amount or \$17,589,538 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 \$17.6 million or 28.1 percent of total general fund expenditures for the fiscal year. Of this amount \$2.57 million has been designated for subsequent year expenditures.
- The County's total debt increased by \$11,008,224 during the current fiscal year. The County issued 17.6 million for school construction related projects. All debt payments were paid timely.
- The County's current bond rating with Moody's Investor Services is an (Aa2), Standard & Poor's rating for the County is AA-, and Fitch has rated the County as AA.

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 gauge 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 2010 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 called the Insurance Fund. Actual payments for health insurance, property and liability insurance, unemployment charges, 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 five 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 39-65 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 67 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 2009 and FYE 2010.

Figure 2

FRANKLIN COUNTY’S NET ASSETS

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 40,254,942	\$ 32,127,414	\$ 5,001,840	\$ 6,238,512	\$ 45,256,782	\$ 38,365,926
Capital assets	29,564,707	29,325,828	27,292,648	26,462,777	56,857,355	55,788,605
Total assets	<u>69,819,649</u>	<u>61,453,242</u>	<u>32,294,488</u>	<u>32,701,289</u>	<u>102,114,137</u>	<u>94,154,531</u>
Long-term liabilities outstanding	73,214,496	65,836,106	16,015,580	18,643,876	89,230,076	84,479,982
Other liabilities	13,000,038	3,018,476	2,036,631	595,020	15,036,669	3,613,496
Total liabilities	86,214,534	68,854,582	18,052,211	19,238,896	104,266,745	88,093,478
Net assets:						
Invested in capital assets, net of related debt	22,185,107	11,105,092	10,171,373	7,884,229	32,356,480	18,989,321
Unrestricted	(38,579,992)	(18,506,432)	4,070,904	5,578,164	(34,509,088)	(12,928,268)
Total net assets	<u>\$ (16,394,885)</u>	<u>\$ (7,401,340)</u>	<u>\$ 14,242,277</u>	<u>\$ 13,462,393</u>	<u>\$ (2,152,608)</u>	<u>\$ 6,061,053</u>

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The liabilities of the County exceeded its assets in the governmental funds by \$16,394,885 and in the Business-type Fund the assets exceeded its liabilities by \$14,242,277 at June 30, 2010. Net assets are reported in two categories: Invested in capital assets, net of related debt of \$32,356,480 million and unrestricted net assets of \$(34,509,088) 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 negative number of (\$34,509,088) million in unrestricted net assets. Many counties in the State of North Carolina have a deficit in unrestricted net assets. This is due primarily to the portion of the County's outstanding debt incurred for the Franklin 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 \$68.052 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 decreased by \$8,213,662 as the County issued \$17,600,000 in school construction debt. 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:

- Good tax collection rate of 96.61.
- Continued low cost of debt due to the County's bond rating.
- Continued land use planning for residential growth.
- Lottery proceeds for school debt.
- Revenue for housing federal inmates.
- Controlled departmental spending and conservative budgeting

Figure 3
FRANKLIN COUNTY'S CHANGES IN NET ASSETS

	Governmental Activities		Business-type Activities		FY 2010	FY 2009
	FY 2010	FY 2009	FY 2010	FY 2009		
Revenues:						
Program revenues:						
Charges for services	\$ 11,859,293	\$ 11,844,524	\$ 6,082,732	\$ 5,721,859	\$ 17,942,025	\$ 17,566,383
Operating grants and contributions	9,548,527	8,441,731	-	215,239	9,548,527	8,656,970
Capital grants and contributions	1,717,348	1,751,120	-	-	1,717,348	1,751,120
General revenues:						
Property taxes	37,246,830	34,714,146	-	-	37,246,830	34,714,146
Other taxes	7,326,661	9,526,281	-	-	7,326,661	9,526,281
Other	1,109,629	2,148,390	16,154	52,249	1,125,783	2,200,639
Total revenues	68,808,288	68,426,192	6,098,886	5,989,347	74,907,174	74,415,539
Expenses:						
General Government	4,888,153	5,619,743	-	-	4,888,153	5,619,743
Public Safety	18,622,921	17,287,411	-	-	18,622,921	17,287,411
Economic and Fiscal Development	5,223,772	5,734,787	-	-	5,223,772	5,734,787
Human Services	16,250,663	18,243,826	-	-	16,250,663	18,243,826
Cultural and Recreation	1,289,122	1,293,831	-	-	1,289,122	1,293,831
Education	27,490,479	16,985,160	-	-	27,490,479	16,985,160
Interest on long-term debt	3,250,515	3,002,457	-	-	3,250,515	3,002,457
Water and Sewer	-	-	6,105,211	6,222,719	6,105,211	6,222,719
Total expenses	77,015,625	68,167,215	6,105,211	6,222,719	83,120,836	74,389,934
Increase (Decrease) in net assets before transfers	(8,207,337)	258,977	(6,325)	(233,372)	(8,213,662)	25,605
Transfers	(786,208)	265,622	786,208	(265,622)	-	-
Increase in net assets	(8,993,545)	(13,986,464)	779,883	(498,994)	(8,213,662)	(14,485,458)
Net assets, July .1 as restated (See footnote X)	(7,401,340)	6,687,565	13,462,394	13,801,939	6,061,054	20,489,504
Net assets, June 30	\$ (16,394,885)	\$ (7,298,899)	\$ 14,242,277	\$ 13,302,945	\$ (2,152,608)	\$ 6,004,046

Governmental activities: Governmental activities decreased the County's net assets by \$8,993,545 due to the County issuing additional debt in the amount of \$17.6 million. Other key elements are as follows:

- Ad valorem Tax collections increased by \$2.53 million due to an increase in property valuation and a major effort to collect back taxes. Also, the General fund tax rate was increased from 82.25 cents per \$100 to 87.25 cents per \$100.
- Sales Tax revenues dropped by \$2.2 million in FY 2009-2010. This was expected with the State of NC phasing out the County's match for Medicaid payments to county clients.
- FY 2009-2010 saw the final change with how the State and County pay Medicaid expenses. The County's Medicaid cost decreased from \$1,398,444 to \$0. In FY 2009-2010, Medicaid cost became 100% State cost with no county contribution. Counties had to give up something in return. In year one, the County had to replace school ADM funds which totaled \$354,000. In year two and three, the State will benefit by taking the counties article 44 sales tax to help offset the costs of Medicaid. Some counties will see a major savings. Franklin County will see an annual minimum savings of \$500,000.
- Investment earnings increased by \$230,711. Interest rates on investments have continued to decrease to an average yield of 1.15 percent. The increase was mainly due to more dollars to invest such as school bond proceeds.

Business-type activities: The net assets in Business-type activities increased by \$779,883. Water and Sewer collections increased by \$360,873 in FY 2009-2010, mainly due to a 5% rate increase. The economy and housing slump had a major impact on new customers. Our customer growth rate was stagnant during the year. Continued conservation efforts also decrease sales as well. The county's customer base increased from 2,876 to 2,889, a small percent increase.

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 \$13,312,790 while total fund balance reached \$21,115,135. 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 21.3 percent of total General Fund expenditures, while total fund balance represents 33.8 percent.

Also in FY 2009-2010, the county's school construction capital project fund is being again identified as a major governmental fund. This fund accounts for school construction activities such as bond proceeds and capital construction expenses. At June 30th, 2010, the school construction had a fund balance of \$3,157,309. In August 2009, the county issued \$14,000,000 in GO Bonds and in December 2009 the county issued another \$3.6 million in Qualified School Construction Bonds.

At June 30, 2010, the governmental funds of the County reported a combined fund balance of \$31,129,833. The county's overall fund balance remains strong.

General Fund Budgetary Highlights

During fiscal year 2010, the County maintained a strong fund balance position 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 by \$993,601 and expenditures by \$1,112,214 or 1.80% of the total budget.

The actual operating revenues for the General Fund were higher than the budgeted amount by \$1,493,231. Sales Tax revenues were under budget by \$101,691 and Ad valorem taxes exceeded budget by \$1,310,610. The County's expenditures were \$1,451,783 less than budgeted. Human Services departments under spent their budgets by \$892,019, General Govt. activities were under budget by 240,793 and Public Safety departments were under budget by \$45,016.

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 \$4,070,904, a decrease of 1,549,611. This decrease was mainly due to spending some of the installment proceeds for water and sewer improvements and expansions.

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, 2010, totaled \$56,857,355 (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:

- \$1,044,000 in water and sewer expansions
- \$488,000 Airport Hangar
- \$414,500 in E911 Public Safety Improvements
- \$132,500 in Building Improvements
- Purchase 17 vehicles totaling \$455,000

Figure 4

Franklin County's Capital Assets (net of depreciation)

	Governmental Activities		#	Business-type Activities		Total	
	2010	2009		2010	2009	2010	2009
Land	\$ 11,937,856	\$ 12,029,124		\$ 369,456	\$ 369,456	\$ 12,307,312	\$ 12,398,580
Buildings	14,189,617	14,141,053		-	-	14,189,617	14,141,053
Gas Lines	234,853	243,094				234,853	243,094
Water Lines	140,533	144,618		14,813,706	14,300,015	14,954,239	14,444,633
Sewer Lines	-	-		10,101,200	10,357,075	10,101,200	10,357,075
Automotive equipment	946,313	979,063		18,983	32,149	965,296	1,011,212
Office and other equipment	1,975,123	1,754,863		79,531	125,975	2,054,654	1,880,838
Construction in progress	140,412	34,013		1,909,772	1,278,107	2,050,184	1,312,120
Total	<u>\$ 29,564,707</u>	<u>\$ 29,325,828</u>		<u>\$ 27,292,648</u>	<u>\$ 26,462,777</u>	<u>\$ 56,857,355</u>	<u>\$ 55,788,605</u>

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, 2010, the County had total bonded school debt outstanding of \$47,490,000, all of which is backed by the full faith and credit of the County. The County has \$19,425,375 in Certificates of Participation outstanding, \$1,980,000 outstanding in Federal and State revolving loans and \$23,657,500 in installment loans outstanding. A summary of total long-term debt is shown in Figure 5.

Figure 5

Franklin County's General Obligation, Capital Leases and Installment Notes Payable

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
General obligation bonds	\$ 47,490,000	\$ 31,730,000	\$ -	\$ -	\$ 47,490,000	\$ 31,730,000
Certificates of Participation	12,675,000	13,385,000	6,750,375	7,328,248	19,425,375	20,713,248
Installment Purchases	15,266,600	17,851,103	8,390,900	9,090,300	23,657,500	26,941,403
Revolving Loans	-	-	1,980,000	2,160,000	1,980,000	2,160,000
Other obligations	4,069,304	2,870,003	183,771	118,715	4,253,075	2,988,718
Total long-term debt	<u>\$ 79,500,904</u>	<u>\$ 65,836,106</u>	<u>\$ 17,305,046</u>	<u>\$ 18,697,263</u>	<u>\$ 96,805,950</u>	<u>\$ 84,533,369</u>

In fiscal year 2009-10, the County's total debt increased by \$12,272,581 mainly due to the county issuing \$17.6 in G. O. Bonds. The County met all of its obligations in a timely fashion. In May 2008, the County voters approved a \$53,000,000 school bond. The County issued \$14,000,000 of these bonds in August 2009 and \$3.6 million in December 2009. The county issued \$24,000,000 in November 2010.

The County's most recent bond ratings are shown below:

Moody's Investor Services	Aa2
Standard & Poor's	AA-
FITCH Rating Agency	AA

This stability of the county's bond rating is a clear indication of the sound financial condition of The County. The County was upgraded by Standard and Poor's in August 2009. This achievement helps keep interest costs low on the County's outstanding debt.

The State of North Carolina limits the amount of 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 \$209,590,000. The County has \$35,400,000 bonds authorized but un-issued at August 2010.

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

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for Franklin County was 9.9 percent at June 30, 2010 which is higher when compared to last year's rate at 9.8 percent.
- Inflationary trends in the region compare very favorably to national indicators.
- State Sales Tax revenues are decreasing statewide. The County's local point of sale remains stable. The County's tax base continued to grow at almost 4.7 percent.

All of these factors were considered in preparing the County of Franklin's budget for FYE 2011.

Budget Highlights for the Fiscal Year Ending June 30, 2011

- **Governmental Activities:** The County has approved a \$68.5 million General Fund budget for FYE 2011 compared to a \$63.6 million general fund budget for fiscal year 2009-2010. This represents a \$3 million or 5 percent decrease over the previous fiscal year. The property tax rate remained the same at .8725 cents per \$100 dollars of property valuation. Currently, Franklin County has the third highest property tax rate in the state, but the county will soon complete revaluation and the tax rate should decrease.
- The county added 29 new positions at a cost of \$1.2 million. Public Safety increased by \$2.1 million, Education by \$1.8 million, and Human Services by \$1.15 million.
- **Business – type Activities:** The County increased its water and sewer rates by 10%. With a low fund balance level in the water/sewer enterprise fund, the County's General Fund is transferring \$235,000 to balance the fund, much less than the \$786,000 in the previous year. The county started in the water and sewer business in October 1996.

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. This report can also be found online at www.franklincountync.us under the Finance tab.

BASIC FINANCIAL STATEMENTS

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS**

Franklin County, North Carolina
Statement of Net Assets
June 30, 2010

	Governmental Activities	Business-type Activity	Total
Assets			
Cash and cash equivalents	\$ 24,208,437	\$ 4,068,262	\$ 28,276,699
Taxes receivable (net)	2,589,262	-	2,589,262
Accounts receivable (net)	651,638	666,795	1,318,433
Due from other governments	3,114,466	43,593	3,158,059
Accrued interest receivable	512,689	-	512,689
Inventory	20,403	-	20,403
Restricted cash and cash equivalents	9,159,933	221,304	9,381,237
Internal balances	(1,886)	1,886	-
Capital assets:			
Land, improvements, and construction in progress	10,830,185	2,279,228	13,109,413
Other capital assets, net of depreciation	18,734,522	25,013,420	43,747,942
Total capital assets	29,564,707	27,292,648	56,857,355
 Total assets	 69,819,649	 32,294,488	 102,114,137
Liabilities			
Accounts payable and accrued expenses	5,111,353	467,937	5,579,290
Unearned revenue	622,173	-	622,173
Customer deposits	-	237,760	237,760
Accrued interest payable	980,104	41,468	1,021,572
Long-term liabilities:			
Due within one year	6,286,408	1,289,466	7,575,874
Due in more than one year	73,214,496	16,015,580	89,230,076
 Total liabilities	 86,214,534	 18,052,211	 104,266,745
Net Assets			
Invested in capital assets, net of related debt	22,185,107	10,171,373	32,356,480
Unrestricted	(38,579,992)	4,070,904	(34,509,088)
 Total net assets	 \$ (16,394,885)	 \$ 14,242,277	 \$ (2,152,608)

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, 2010**

<u>Functions/Programs</u>	<u>Program Revenues</u>				<u>Net (Expense) Revenue and Changes in Net Assets</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activity</u>	<u>Total</u>
Governmental activities:							
General government	\$ 4,888,153	\$ 854,040	\$ 675	\$ -	\$ (4,033,438)	\$ -	\$ (4,033,438)
Public safety	18,622,921	3,697,253	846,431	-	(14,079,237)	-	(14,079,237)
Economic and physical development	5,223,772	3,430,203	349,284	817,348	(626,937)	-	(626,937)
Human services	16,250,663	3,810,360	7,812,032	-	(4,628,271)	-	(4,628,271)
Cultural and recreation	1,289,122	67,437	140,105	-	(1,081,580)	-	(1,081,580)
Education	27,490,479	-	400,000	900,000	(26,190,479)	-	(26,190,479)
Interest on long-term debt	3,250,515	-	-	-	(3,250,515)	-	(3,250,515)
Total governmental activities	<u>77,015,625</u>	<u>11,859,293</u>	<u>9,548,527</u>	<u>1,717,348</u>	<u>(53,890,457)</u>	<u>-</u>	<u>(53,890,457)</u>
Business-type activity:							
Water and Sewer Department	6,105,211	6,082,732	-	-	-	(22,479)	(22,479)
	<u>\$ 83,120,836</u>	<u>\$ 17,942,025</u>	<u>\$ 9,548,527</u>	<u>\$ 1,717,348</u>	<u>(53,890,457)</u>	<u>(22,479)</u>	<u>(53,912,936)</u>
General revenues:							
Taxes:							
Property taxes, levied for general purposes					37,246,830	-	37,246,830
Local option sales tax					7,326,661	-	7,326,661
Other taxes and licenses					2,612	-	2,612
Unrestricted intergovernmental					297,050	-	297,050
Investment earnings, unrestricted					762,901	13,689	776,590
Miscellaneous, unrestricted					47,066	2,465	49,531
Transfers					(786,208)	786,208	-
Total general revenues and transfers					<u>44,896,912</u>	<u>802,362</u>	<u>45,699,274</u>
Change in net assets					(8,993,545)	779,883	(8,213,662)
Net assets - July 1, 2009, as restated					(7,401,340)	13,462,394	6,061,054
Net assets - June 30, 2010					<u>\$ (16,394,885)</u>	<u>\$ 14,242,277</u>	<u>\$ (2,152,608)</u>

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

**FUND
FINANCIAL STATEMENTS**

Franklin County, North Carolina
Balance Sheet
Governmental Funds
June 30, 2010

	<u>Major</u>	<u>Major</u>	<u>Nonmajor</u>	<u>Total</u>
	<u>General</u>	<u>School Construction Fund</u>	<u>Other Governmental Funds</u>	<u>Governmental Funds</u>
Assets				
Cash and cash equivalents	\$ 20,176,315	\$ -	\$ 3,775,036	\$ 23,951,351
Taxes receivable, net	2,426,914	-	162,348	2,589,262
Accounts receivables, net	591,957	-	37,501	629,458
Due from other funds	281,379	-	-	281,379
Due from other governments	2,583,884	142,076	388,506	3,114,466
Inventory	20,403	-	-	20,403
Restricted assets:				
Restricted cash for debt service	-	6,429,881	2,730,052	9,159,933
Total assets	<u>\$ 26,080,852</u>	<u>\$ 6,571,957</u>	<u>\$ 7,093,443</u>	<u>\$ 39,746,252</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable and accrued liabilities	\$ 1,921,059	\$ 3,120,732	\$ 69,277	\$ 5,111,068
Due to other funds	-	293,916	-	293,916
Deferred revenue	3,044,658	-	166,777	3,211,435
Total liabilities	<u>4,965,717</u>	<u>3,414,648</u>	<u>236,054</u>	<u>8,616,419</u>
Fund Balances:				
Reserved by State statute	3,457,220	142,076	426,007	4,025,303
Reserved for inventory	20,403	-	-	20,403
Reserved for debt service	-	3,015,233	2,730,052	5,745,285
Reserved for register of deeds	47,974	-	-	47,974
Unreserved:				
Designated for subsequent year's expenditure				
General fund	2,572,649	-	-	2,572,649
Special revenue funds	-	-	930,330	930,330
Board designated for Soil and Water.	4,206	-	-	4,206
Board designated for Cooperative Extension	48,184	-	-	48,184
Board designated for EMS	214,467	-	-	214,467
Board designated for Parks and Recreation	304,876	-	-	304,876
Board designated for Adequate Public Facilities	692,971	-	-	692,971
Board designated for Occupancy Tax	90,108	-	-	90,108
Board designated for Airport	43,003	-	-	43,003
Board designated for NOVO	306,284	-	-	306,284
Undesignated	13,312,790	-	-	13,312,790
Unreserved, undesignated, reported in nonmajor:				
Special revenue funds	-	-	1,640,996	1,640,996
Capital projects funds	-	-	1,130,004	1,130,004
Total fund balances	<u>21,115,135</u>	<u>3,157,309</u>	<u>6,857,389</u>	<u>31,129,833</u>
Total liabilities and fund balances	<u>\$ 26,080,852</u>	<u>\$ 6,571,957</u>	<u>\$ 7,093,443</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 29,564,707

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. 289,632

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds: 2,589,262

Accrued interest on Ad Valorem receivable and investments is not available to pay for current-period expenditures and therefore are not recognized in the funds: 512,689

Some liabilities, including bonds payable, are not due and payable in the current year and, therefore, are not reported in the funds (80,481,008)

Net assets of governmental activities \$ (16,394,885)

Franklin County, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2010

	<u>Major</u>	<u>Major</u>	<u>Nonmajor</u>	<u>Total</u>
	<u>General Fund</u>	<u>School Construction Fund</u>	<u>Other Governmental Funds</u>	<u>Governmental Funds</u>
Revenues				
Ad valorem taxes	\$ 35,201,707	\$ -	\$ 2,181,368	\$ 37,383,075
Local option sales taxes	5,070,674	-	2,255,987	7,326,661
Other taxes and licenses	2,612	-	450,013	452,625
Unrestricted intergovernmental	436,869	-	-	436,869
Restricted intergovernmental	9,623,194	-	866,178	10,489,372
Permits and fees	1,425,010	-	-	1,425,010
Sales and services	10,305,981	-	-	10,305,981
Investment earnings	422,294	421,738	9,837	853,869
Miscellaneous	338,766	-	1,150	339,916
Total revenues	<u>62,827,107</u>	<u>421,738</u>	<u>5,764,533</u>	<u>69,013,378</u>
Expenditures				
Current:				
General government	4,505,565	-	79,920	4,585,485
Public safety	15,300,697	-	2,854,792	18,155,489
Economic and physical development	4,425,310	-	462,981	4,888,291
Human services	15,933,092	-	-	15,933,092
Cultural and recreational	1,148,243	-	-	1,148,243
Intergovernmental:				
Education	13,007,248	-	-	13,007,248
Capital outlay	-	14,483,231	656,908	15,140,139
Debt service:				
Principal	5,134,503	-	-	5,134,503
Interest and other charges	3,064,894	13,850	-	3,078,744
Total expenditures	<u>62,519,552</u>	<u>14,497,081</u>	<u>4,054,601</u>	<u>81,071,234</u>
Revenues over (under) expenditures	<u>307,555</u>	<u>(14,075,343)</u>	<u>1,709,932</u>	<u>(12,057,856)</u>
Other financing sources (uses)				
Transfers to other funds	(1,243,574)	-	(2,900,000)	(4,143,574)
Transfers from other funds	2,900,000	-	457,366	3,357,366
Issuance of debt	-	17,600,000	-	17,600,000
Total other financing sources (uses) - net	<u>1,656,426</u>	<u>17,600,000</u>	<u>(2,442,634)</u>	<u>16,813,792</u>
Net changes in fund balances	1,963,981	3,524,657	(732,702)	4,755,936
Fund balances				
Beginning of year, July 1	19,153,170	(367,348)	7,590,091	26,375,913
Increase in reserve for inventory	<u>(2,016)</u>	<u>-</u>	<u>-</u>	<u>(2,016)</u>
End of year, June 30	<u>\$ 21,115,135</u>	<u>\$ 3,157,309</u>	<u>\$ 6,857,389</u>	<u>\$ 31,129,833</u>

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

Franklin County, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2010

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

Net changes in fund balances - total governmental funds	\$ 4,755,936
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period	238,879
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	(227,562)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(12,465,497)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(1,371,072)
Inventory not expensed on statement of activities	(2,016)
Internal service funds are used by management to charge the costs of health insurance to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities	<u>77,788</u>
Total changes in net assets of governmental activities (Exhibit 2)	<u><u>\$ (8,993,544)</u></u>

Franklin County, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual - General Fund
For the Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Positive (Negative)</u>
Revenues				
Ad valorem taxes	\$ 33,263,263	\$ 33,891,097	\$ 35,201,707	\$ 1,310,610
Local option sales tax	5,172,365	5,172,365	5,070,674	(101,691)
Other taxes and licenses	-	1,500	2,612	1,112
Unrestricted intergovernmental	707,500	558,800	436,869	(121,931)
Restricted intergovernmental	9,277,041	9,856,762	9,623,194	(233,568)
Permits and fees	-	1,134,718	1,425,010	290,292
Sales and services	11,273,232	10,096,288	10,305,981	209,693
Investment earnings	350,000	350,000	422,294	72,294
Miscellaneous	296,874	272,346	338,766	66,420
Total revenues	<u>60,340,275</u>	<u>61,333,876</u>	<u>62,827,107</u>	<u>1,493,231</u>
Expenditures				
Current:				
General government	4,389,582	4,746,358	4,505,565	240,793
Public safety	16,138,368	15,345,713	15,300,697	45,016
Economic and physical development	4,863,097	4,658,485	4,425,310	233,175
Human services	16,485,807	16,825,111	15,933,092	892,019
Cultural and recreational	1,371,839	1,188,078	1,148,243	39,835
Intergovernmental:				
Education	13,007,248	13,007,248	13,007,248	-
Debt service:				
Principal retirement	5,134,503	5,134,503	5,134,503	-
Interest and other charges	1,468,677	3,065,839	3,064,894	945
Total expenditures	<u>62,859,121</u>	<u>63,971,335</u>	<u>62,519,552</u>	<u>1,451,783</u>
Revenues under expenditures	<u>(2,518,846)</u>	<u>(2,637,459)</u>	<u>307,555</u>	<u>2,945,014</u>
Other financing sources (uses)				
Transfers to other funds	(786,208)	(1,336,520)	(1,243,574)	92,946
Transfers from other funds	2,955,000	2,955,000	2,900,000	(55,000)
Bonds issued	-	-	-	-
Bonds refinanced	-	-	-	-
Appropriated fund balance	350,054	1,018,979	-	(1,018,979)
Total other financing sources (uses) - net	<u>2,518,846</u>	<u>2,637,459</u>	<u>1,656,426</u>	<u>(981,033)</u>
Revenues and other financing sources under expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>1,963,981</u>	<u>\$ 1,963,981</u>
Fund balance				
Beginning of year, July 1			19,153,170	
Decrease in reserve for inventory			<u>(2,016)</u>	
End of year, June 30			<u>\$ 21,115,135</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, 2010

	<u>Major</u>	<u>Major</u>
	<u>Enterprise</u>	<u>Internal</u>
	<u>Fund</u>	<u>Service</u>
	<u>Water and</u>	<u>Insurance</u>
	<u>Sewer Fund</u>	<u>Fund</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 4,068,262	\$ 269,623
Receivables, net	666,795	-
Due from other governments	43,593	22,180
Reserved cash	221,304	-
Total current assets	<u>4,999,954</u>	<u>291,803</u>
Noncurrent assets:		
Capital assets:		
Land, improvements, and construction in progress	2,279,228	-
Other capital assets, net of depreciation	25,013,420	-
Total capital assets	<u>27,292,648</u>	<u>-</u>
Total noncurrent assets	<u>27,292,648</u>	<u>-</u>
Total assets	<u>\$ 32,292,602</u>	<u>\$ 291,803</u>
Liabilities		
Current liabilities:		
Accounts payable	\$ 429,704	\$ 285
Accrued payroll	38,233	-
Accrued interest expense	41,468	-
Customer deposits	237,760	-
Compensated absences	12,875	-
Revolving loans	180,000	-
Certificates of participation	592,191	-
Installment Debt	504,400	-
Total current liabilities	<u>2,036,631</u>	<u>285</u>
Noncurrent liabilities:		
Compensated absences	38,624	-
Revolving loans	1,800,000	-
Certificates of participation	6,158,184	-
Installment debt	7,886,500	-
Other postemployment benefits	132,272	-
Total noncurrent liabilities	<u>16,015,580</u>	<u>285</u>
Total liabilities	<u>18,052,211</u>	<u>285</u>
Net Assets		
Invested in capital assets, net of related debt	10,171,373	-
Unrestricted	4,069,018	291,518
Total net assets	<u>14,240,391</u>	<u>\$ 291,518</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	<u>1,886</u>	
Net assets of business-type activities	<u>\$ 14,242,277</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, 2010

	<u>Major</u>	<u>Major</u>
	<u>Enterprise Fund</u>	<u>Internal Service</u>
	<u>Water and Sewer</u>	<u>Fund</u>
	<u>Fund</u>	<u>Insurance Fund</u>
Operating revenues		
Charges for water	\$ 4,229,728	\$ -
Charges for sewer	1,339,485	-
Other operating revenues	513,519	-
Charges for services	-	6,480,526
Total operating revenues	<u>6,082,732</u>	<u>6,480,526</u>
Operating expenses		
Internal Service fund expenses	-	6,423,382
<u>Water Department</u>		
Salaries and employee benefits	501,346	-
Water purchases	3,000,052	-
Other operating expenses	306,551	-
Depreciation	602,531	-
Total water department	<u>4,410,480</u>	<u>-</u>
<u>Sewer Department</u>		
Salaries and employee benefits	395,583	-
Other operating expenses	374,979	-
Depreciation	255,051	-
Total sewer department	<u>1,025,613</u>	<u>-</u>
Total operating expenses	<u>5,436,093</u>	<u>6,423,382</u>
Operating income	<u>646,639</u>	<u>57,144</u>
Nonoperating revenues (expenses)		
Interest earnings	13,689	350
Miscellaneous income	2,465	22,180
Interest expense	(671,004)	-
Total nonoperating revenue (expenses) - net	<u>(654,850)</u>	<u>22,530</u>
Income (loss) before transfers	<u>(8,211)</u>	<u>79,674</u>
Capital contributions	<u>-</u>	<u>-</u>
Transfers		
Transfer from General fund	<u>786,208</u>	<u>-</u>
Change in net assets	<u>777,997</u>	<u>79,674</u>
Net assets		
Beginning of year, July 1, restated		<u>211,844</u>
End of year, June 30		<u>\$ 291,518</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	<u>1,886</u>	
Change in net assets of business-type activities	<u>\$ 779,883</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, 2010

	<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	\$ 5,910,894	\$ 6,501,184
Cash paid for goods and services	(3,498,822)	(6,464,727)
Cash paid to employees for services	(828,370)	-
Customer deposits received	19,270	-
Net cash provided by operating activities	<u>1,602,972</u>	<u>36,457</u>
Cash flows from noncapital financing activities		
Transfers in	<u>786,208</u>	<u>-</u>
Cash flows from capital and related financing activities		
Decrease in reserved cash	1,935,851	-
Acquisition and construction of capital assets	(1,687,453)	-
Principal paid on bonds	(1,457,273)	-
Interest paid on bonds	(671,004)	-
Miscellaneous income	2,465	22,180
Net cash used by capital and related financing activities	<u>(1,877,414)</u>	<u>22,180</u>
Cash flows from investing activities		
Interest on investments	<u>13,689</u>	<u>350</u>
Net increase in cash and cash equivalents	525,455	58,987
Cash and cash equivalents		
Beginning of year, July 1	<u>3,542,807</u>	<u>210,636</u>
End of year, June 30	<u>\$ 4,068,262</u>	<u>\$ 269,623</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, 2010**

	<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>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 646,639	\$ 57,144
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	857,582	-
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(171,838)	(20,658)
Increase (decrease) in accounts payable and accrued liabilities	183,643	(29)
Increase (decrease) in accrued interest expense	(883)	
Decrease in accrued vacation pay	(1,888)	-
Increase in customer deposits	19,270	-
Increase in accrued payroll	3,503	-
Increase in other postemployment benefits	66,944	-
Total adjustments	<u>956,333</u>	<u>(20,687)</u>
Net cash provided by operating activities	<u>\$ 1,602,972</u>	<u>\$ 36,457</u>

**Franklin County, North Carolina
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2010**

	Agency Funds
Assets	
Cash and cash equivalents	\$ 70,424
Liabilities and Net Assets	
Liabilities:	
Intergovernmental payable - State of North Carolina	\$ 3,624
Miscellaneous liabilities	66,800
	70,424
Net Assets	\$ -

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

**NOTES TO THE BASIC FINANCIAL
STATEMENTS**

**FRANKLIN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

I. Summary of Significant Accounting Policies

The accounting policies of Franklin County 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 seven-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, a legally separate entity for which the County is financially accountable.

Franklin County Industrial Facility and Pollution Control Financing Authority exist to issue and service revenue bond debt of private businesses for economic development purposes. The Authority is governed by a seven-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. 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 different 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. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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

**FRANKLIN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

essentially equal values. Nonoperating revenues, such as subsidies result from non-exchange transactions. Other non-operating items such as investment earnings are ancillary activities.

The County reports the following major governmental funds:

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

School Construction Fund – This fund is used to account for school construction projects financed by the County.

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 the accumulation and allocation of costs associated with the County’s self-insured group health insured program.

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 the following 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; the three percent interest on the first month of delinquent motor vehicle taxes that the County is required to remit to the North Carolina Department of Motor Vehicles; and the Jail Fund, which accounts for the revenues and expenditures of activity funds belonging to inmates during their period of incarceration.

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

**FRANKLIN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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.

The County considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem property taxes are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, 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 registered motor vehicles, 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 2009 through February 2010 apply to the fiscal year ended June 30, 2010. Uncollected taxes that were billed during this period are shown as a receivable on these financial statements.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the County are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

All governmental 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
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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, five of the special revenue funds (Capital Reserve Fund, Fire District Fund, DEA Fund, COPS 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, two of the special revenue funds, (the Community Development 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 to transfer unlimited funds between departments of the same fund. The County Manager is also authorized to transfer up to \$10,000 between funds, but must report this to the Board during the next meeting.

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).

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.

2. Cash and Cash Equivalents

The County pools moneys from several funds, except for 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 School Construction Fund, County Building Project Fund, and the Water and Sewer fund are classified as restricted assets because their use is completely restricted to the purpose for which the bonds were originally issued. For purposes of the cash flow statement, restricted assets are excluded from cash and cash equivalents.

**FRANKLIN COUNTY, NORTH CAROLINA
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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, 2009. As allowed by state law, the county has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the County's general fund, ad valorem tax revenues are reported net of such discounts.

5. Allowances for Doubtful Accounts

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

6. Inventories

Inventory is valued at the lower of cost, on a first-in, first-out basis, or market. The County's General Fund inventory consists of aviation fuel that is recorded as expenditures when purchased.

7. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. Minimum capitalization costs are as follows: \$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.

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	15-30
Furniture and equipment	5-40
Vehicles	5
Computer equipment & software	3-5
Water lines	15-40

8. Long-term Obligations

In the government-wide financial statements and in the proprietary fund types 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.

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

9. Compensated Absences

The vacation policies of the County 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 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.

10. Net Assets/Fund Balances

Net Assets

Net assets in government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net assets represent constraints on resources that are either a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or b) 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 for inventories – portion of fund balance not available for appropriation because it represents the year-end balance of ending inventories, which are not expendable, available resource.

Reserved by State statute - portion of fund balance, in addition for reserves for inventories, which is not available for appropriation under State law [G.S. 159-8(a)]. This amount is usually comprised of accounts receivable and interfund receivables, 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.

Reserved for Register of Deeds – portion of fund balance constituting the Automation Enhancement and Preservation Fund, funded by 10% of the fees collected and maintained by the Register of Deeds' office. The

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funds are available for appropriation but are legally restricted for computer and imaging technology in the Register of Deeds.

Unreserved

Designated for Soil and Water - portion of fund balance which has been designated by the Board for soil and water protection.

Designated for Cooperative Extension – portion of fund balance which has been designated by the Board for 4-H activities.

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

Designated for Parks and Recreation – portion of fund balance designated by the Board for parks and recreation.

Designate for Adequate Public Facility Ordinance - portion of fund balance designated by the Board for school facilities improvement.

Designated for Occupancy Tax - portion of fund balance designated by the Board for tourism activities.

Designated for Airport – portion of fund balance designated by the Board for airport expenses.

Designated for NOVO – portion of fund balance designated by the Board for an incentive promised to Novozymes.

Designated for subsequent year’s expenditures – portion of total fund balance available for appropriation that has been designated for the adopted 2010-2011 budget ordinances.

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

E. Reconciliation of Government-Wide and Fund Financial Statements

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

The governmental fund balance sheet includes a reconciliation between fund balance-total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. The net adjustment of \$ (47,524,718) consists of several elements as follows:

Description	Amount
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column)	\$ 47,333,053
Less Accumulated Depreciation	<u>(17,768,346)</u>
Net capital assets	<u>29,564,707</u>

**FRANKLIN COUNTY, NORTH CAROLINA
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Accrued interest receivable less the amount claimed as unearned revenue in the government-wide statements as these funds are not available and therefore deferred in the fund statements	512,689
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	291,518
Internal payable representing charges in excess of cost to business-type activities – current year	(1,886)
Liabilities for revenue deferred but earned and therefore recorded in the fund statements but not the government-wide	2,589,262
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not recorded in the fund statements:	
Bonds, leases, and installment financing	(75,431,600)
Compensated absences	(1,162,568)
Other postemployment benefits	(2,569,940)
Net pension obligation	(336,796)
Accrued interest payable	<u>(980,104)</u>
Total adjustment	<u>\$ (47,524,718)</u>

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

The government fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances-total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. There are several elements of that total adjustment of \$ (13,749,480) as follows:

<u>Description</u>	<u>Amount</u>
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 1,712,822
Depreciation expense, the allocation of those assets over their useful lives, that is recorded on the statement of activities but not in the fund statements	(1,473,943)
New debt issued during the year is recorded as a source of funds on the fund statements; it has no effect on the statement of activities – it affects only the government-wide statement of net assets	(17,600,000)

**FRANKLIN COUNTY, NORTH CAROLINA
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Principal payments on debt owed are recorded as a use of funds on the fund statements but again affect only the statement of net assets in the government-wide statements	5,134,503
Inventory not expensed on the statement of activities	(2,016)
Internal service funds are used by management to charge the costs of health insurance to individual funds. The net revenue of certain activities of internal service fund is reported with governmental activities	
Change in net assets of the internal service funds	79,674
Less: Profit from charges to business-type activities	<u>(1,886)</u>
Net adjustment	<u>77,788</u>
Expenses reported in the statement of activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements	
Difference in interest expense between fund statements (modified accrual) and government-wide statements (full accrual)	(171,771)
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	32,170
Net pension obligation is accrued in the government-wide statements but not in the fund statements because they do not use current resources	(54,139)
Other postemployment benefits are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(1,177,332)
Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements	
Reversal of deferred tax revenue recorded at 7-1-09	(2,699,686)
Recording of tax receipts deferred in the fund statements as of 6-30-10	2,589,262
Increase in accrued taxes receivable for year ended 6-30-10	(25,821)
Increase in accrued interest receivable for year ended 6-30-10	<u>(91,317)</u>
Total adjustment	<u>\$(13,749,480)</u>

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

**FRANKLIN COUNTY, NORTH CAROLINA
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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 under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The County has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The County complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

The State treasurer enforces standards of minimum capitalization for all pooling method financial institutions. The County relies on the State Treasurer to monitor those financial institutions. The County complies with the provisions of G. S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2010, the County's deposits had a carrying amount of \$25,971,337 and a bank balance of \$26,955,538. Of the bank balance, \$604,990 was covered by federal depository insurance and \$26,350,548 in interest bearing deposits was covered by collateral held under the Pooling Method.

At June 30, 2010, Franklin County had \$3,560 cash on hand.

2. Investments

At June 30, 2010, the County's investment balances were as follows:

	<u>Fair Value</u>	<u>6-12 months</u>
NC Capital Management Trust:	\$ 11,753,463	\$ 11,753,463

Credit Risk – The County limits investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. 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, 2010. The County's policy on investment is that only investments allowed by North Carolina General Statutes are allowed.

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.

**FRANKLIN COUNTY, NORTH CAROLINA
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<u>Year Levied</u>	<u>Tax</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 3,107,332	\$ 885,590	\$ 3,992,922
2008	3,105,336	566,724	3,672,060
2009	3,125,860	250,069	3,375,929
2010	<u>3,293,622</u>	<u>-</u>	<u>3,293,622</u>
Total	<u>\$12,632,150</u>	<u>\$ 1,702,383</u>	<u>\$14,334,533</u>

4. Receivables

Receivables at the government-wide level at June 30, 2010 were as follows:

	<u>Accounts</u>	<u>Ad Valorem Taxes & Related Interest</u>	<u>Special Assessments</u>	<u>Due from Other Governments</u>	<u>Total</u>
Governmental Activities:					
General	\$ 1,088,025	\$ 3,090,603	\$ 411	\$ 2,583,884	\$ 6,762,923
School Construction	-	-	-	142,076	142,076
Other Governmental	<u>37,501</u>	<u>162,348</u>	<u>-</u>	<u>388,506</u>	<u>588,355</u>
Total receivables	1,125,526	3,252,951	411	3,114,466	7,493,354
Allowance for doubtful accounts	<u>(474,299)</u>	<u>(151,000)</u>	<u>-</u>	<u>-</u>	<u>(625,299)</u>
Total – governmental activities	<u>\$ 651,227</u>	<u>\$ 3,101,951</u>	<u>\$ 411</u>	<u>\$ 3,114,466</u>	<u>\$ 6,868,055</u>
Amounts not scheduled for collection during the subsequent year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 411</u>	<u>\$ -</u>	<u>\$ 411</u>
Business-type Activities:					
Water and Sewer	\$ 757,582	\$ -	\$ -	\$ 43,593	\$ 801,175
Allowance for doubtful accounts	<u>(90,787)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(90,787)</u>
Total – business-type activity	<u>\$ 666,795</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 43,593</u>	<u>\$ 710,388</u>

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

Local option sales tax	\$ 1,130,770
Child Care	237,238
Social Services	264,658
State Health Grants	561,598
Sales tax refund	331,148
Jail Reimbursement	124,362
Miscellaneous	<u>464,692</u>
Total	<u>\$ 3,114,466</u>

5. Capital Assets

Capital asset activity for the year ended June 30, 2010 was as follows:

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	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental-type activities:				
Capital assets not being depreciated:				
Land	\$ 10,689,773	\$ -	\$ -	\$ 10,689,773
Construction in process	<u>34,013</u>	<u>106,399</u>	<u>-</u>	<u>140,412</u>
Total capital assets not being depreciated	<u>10,723,786</u>	<u>106,399</u>	<u>-</u>	<u>10,830,185</u>
Capital assets being depreciated:				
Buildings	22,572,305	682,957	-	23,255,262
Waterlines	163,228	-	-	163,228
Gas lines	411,481	-	-	411,481
Land Improvements	1,821,194	-	-	1,821,194
Equipment	5,127,161	592,770	-	5,719,931
Vehicles	<u>4,814,692</u>	<u>330,696</u>	<u>13,616</u>	<u>5,131,772</u>
Total capital assets being depreciated	<u>34,910,061</u>	<u>1,606,423</u>	<u>13,616</u>	<u>36,502,868</u>
Less accumulated depreciation for:				
Buildings	8,431,252	634,393	-	9,065,645
Waterlines	18,610	4,085	-	22,695
Gas lines	168,387	8,241	-	176,628
Land Improvements	481,843	91,268	-	573,111
Equipment	3,372,298	372,510	-	3,744,808
Vehicles	<u>3,835,629</u>	<u>363,446</u>	<u>13,616</u>	<u>4,185,459</u>
Total accumulated depreciation	<u>16,308,019</u>	<u>\$ 1,473,943</u>	<u>\$ 13,616</u>	<u>17,768,346</u>
Total capital assets being depreciated, net	<u>18,602,042</u>			<u>18,734,522</u>
Governmental-type activities capital assets, net	<u>\$ 29,325,828</u>			<u>\$ 29,564,707</u>
Business-type activities:				
Franklin County Water & Sewer Fund				
Capital assets not being depreciated:				
Land	\$ 369,456	\$ -	\$ -	\$ 369,456
Construction in progress	<u>1,278,107</u>	<u>1,675,593</u>	<u>1,043,928</u>	<u>1,909,772</u>
Total capital assets not being depreciated	<u>1,647,563</u>	<u>1,675,593</u>	<u>1,043,928</u>	<u>2,279,228</u>
Capital assets being depreciated:				
Plant and distribution systems	32,973,295	1,055,788	-	34,029,083
Furniture and maintenance equipment	677,509	-	-	677,509
Vehicles	<u>316,939</u>	<u>-</u>	<u>-</u>	<u>316,939</u>
Total capital assets being depreciated	<u>33,967,743</u>	<u>1,055,788</u>	<u>-</u>	<u>35,023,531</u>
Less accumulated depreciation for:				
Plant and distribution systems	8,316,205	797,972	-	9,114,177
Furniture and maintenance equipment	551,534	46,444	-	597,978
Vehicles	<u>284,790</u>	<u>13,166</u>	<u>-</u>	<u>297,956</u>
Total accumulated depreciation	<u>9,152,529</u>	<u>\$ 857,582</u>	<u>\$ -</u>	<u>10,010,111</u>
Total capital assets being depreciated, net	<u>24,815,214</u>			<u>25,013,420</u>
Business-type activities capital assets, net	<u>\$ 26,462,777</u>			<u>\$ 27,292,648</u>

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

General Government	\$ 212,719
Public Safety	731,397
Economic and Physical Development	265,849
Human Services	155,081
Cultural and Recreational	<u>108,897</u>
Total depreciation expense	<u>\$ 1,473,943</u>

Construction and Other Commitments

At June 30, 2010, the County was obligated under a construction project:

<u>Project</u>	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
Ray's Creek Sewer Interceptor	\$ 1,102,398	\$ 85,569

B. Liabilities

1. Payables

Payables at the government-wide level at June 30, 2010 were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Total</u>
Governmental Activities:			
General	\$ 910,907	\$ 1,010,437	\$ 1,921,344
School Construction	3,120,732	-	3,120,732
Other Governmental	<u>69,277</u>	<u>-</u>	<u>69,277</u>
Total - governmental activities	<u>\$ 4,100,916</u>	<u>\$ 1,010,437</u>	<u>\$ 5,111,353</u>
Business-type Activity:			
Water and Sewer Fund	<u>\$ 429,704</u>	<u>\$ 38,233</u>	<u>\$ 467,937</u>

2. Pension Plan and Other Postemployment Obligations

a. Local Governmental Employee's Retirement System

Plan Description – Franklin County 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. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

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 4.93% and 4.86% respectively, of annual covered payroll. The contribution requirements of members and of Franklin County are established and may be amended

**FRANKLIN COUNTY, NORTH CAROLINA
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by the North Carolina General Assembly. The County's contributions to LGERS for the years ended June 30, 2010, 2009, and 2008 were \$829,584, \$852,286, and \$819,470, 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

1. Plan Description

Franklin County administers a public employee retirement system (the *Separation Allowance*), a single-employer defined benefit pension plan that provides retirement benefits to the County's qualified sworn law enforcement officers. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. A separate audited pension plan report is not available.

All full-time County law enforcement officers are covered by the Separation Allowance. At December 31, 2009, the Separation Allowance's membership consisted of:

Retirees receiving benefits	-
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>65</u>
Total	<u>65</u>

2. Summary of Significant Accounting Policies

Basis of Accounting – 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 of accounting.

Method Used to Value Investments – No funds are set aside to pay benefits and administrative costs. These expenditures are paid as they come due.

3. Contributions

The County is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. The County's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions by employees.

The annual required contribution for the current year was determined as part of the December 31, 2009 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumption included (a) 5.00% investment rate of return (net of administrative expenses) and (b) projected salary increases of 4.5% – 12.3% 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, 2009 was 21 years.

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

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Annual required contribution	\$ 51,452
Interest on net pension obligation	20,493
Adjustment to annual required contribution	<u>(17,806)</u>
Annual pension cost	54,139
Contribution made	<u>-</u>
Increase in net pension obligation	54,139
Net pension obligation at beginning of year	<u>282,657</u>
Net pension obligation at end of year	<u>\$ 336,796</u>

For Year Ended	Three Year Trend Information		Net Pension
	Annual Pension Cost	Percentage of APC	
<u>June 30</u>	<u>(APC)</u>	<u>Contributed</u>	<u>Obligation</u>
2008	\$ 39,959	51.62%	\$ 256,327
2009	46,955	43.93%	282,627
2010	\$ 54,139	0.00%	\$ 336,796

4. Funded Status and Funding Progress

As of December 31, 2009, the most recent actuarial valuation date, the plan was 0 percent funded. The actuarial liability for benefits was \$336,796, and the actuarial value of assets was 0, resulting in an unfunded actuarial accrued liability (UALL) of \$484,211. The covered payroll (annual payroll of active employees covered by the plan) was \$2,521,006 and the ratio of the UALL to the covered payroll was 19.21%.

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

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. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State’s CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

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, 2010 were \$145,921, which consisted of \$118,884 from the County and \$27,037 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

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State Treasurer. The Fund provides supplemental pension benefits to any eligible county register of deeds who is retired under the Local Government Employees' Retirement System (LGERS) or an equivalent locally sponsored plan. Article 3 of G.S. Chapter 161 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Registers of Deeds' Supplemental Pension Fund 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 the Registers of Deeds' Supplemental Pension Fund. 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 – On a monthly basis, the County remits to the Department of State Treasurer an amount equal to one and one-half percent (1.5%) of the monthly receipts collected pursuant to Article 1 of G.S. 161. Immediately following January 1 of each year, the Department of State Treasurer divides ninety-three percent (93%) of the amount in the Fund at the end of the preceding calendar year into equal shares to be disbursed as monthly benefits. The remaining seven percent (7%) of the Fund's assets may be used by the State Treasurer in administering the Fund. For the fiscal year ended June 30, 2010, the County's required and actual contributions were \$3,873.

e. Other Postemployment Benefits

Plan Description: According to a County resolution, the County administers a single-employee defined benefit Healthcare Benefit Plan (the HCB Plan). This plan provides postemployment healthcare benefits to retirees of the County, provided they participate in the North Carolina Local Government Employees Retirement System (System) and have at least ten years of creditable service with the County. Prior to July 1, 2006, employees qualified for similar level benefits after five years creditable service with the County. The County pays the full cost of coverage for these benefits through private insurers. Also, the County's retirees can purchase coverage for their dependents at the County's group rates. The Board of Commissioners may amend the benefit provisions. A separate report was not issued for the plan.

Membership of the HCB Plan consisted of the following at December 31, 2008, the date of the latest actuarial valuation:

	<u>General Employees</u>	<u>Law Enforcement Employees</u>
Retirees and dependents receiving benefits	51	-
Terminated plan members entitled to but not yet receiving benefits	-	-
Active plans members	<u>451</u>	<u>60</u>
Total	<u>502</u>	<u>60</u>

Funding Policy: The County pays the full cost of coverage for the healthcare benefits paid to qualified retirees under a County resolution that can be amended by the Board. The County's members pay for dependent coverage. The County has chosen to fund the healthcare benefit on a pay as you go basis.

The current ARC rate is 8.25% of annual covered payroll. For the current year, the County contributed \$190,057 or 1.09% of covered payroll. The County obtains healthcare coverage through private insurers. The County's required contributions, under a Board resolution, for employees not engaged in law enforcement and for law enforcement officers represented 7.11% and 1.14% of covered payroll, respectively. There were no contributions made by employees, except for dependent coverage in the amount of \$1,187,875. The County's obligation to contribute to HCB Plan as established may be amended by the Board of Commissioners.

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

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

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

Annual required contribution	\$ 1,434,333
Interest on net OPEB obligation	-
Adjustment to annual required contribution	<u>-</u>
Annual OPEB cost (expense)	1,434,333
Contributions made	<u>190,057</u>
Increase in net OPEB obligation	1,244,276
Net OPEB obligation, beginning of year	<u>1,457,936</u>
Net OPEB obligation, end of year	<u>\$ 2,702,212</u>

The Count's annual OPEB cost, the percentage of annual OPEB cost contributed to the HCB Plan, and the net OPEB obligation for 2010 were as follows:

For the Year End <u>June 30,</u>	Annual <u>OPEB Cost</u>	Percentage of Annual <u>OPEB Cost Contributed</u>	Net OPEB <u>Contribution</u>
2009	\$ 1,633,188	10.73%	\$ 1,457,936
2010	1,434,333	13.25%	2,702,212

Funded Status and Funding Progress. As of December 31, 2008, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$13,799,415. The covered payroll (annual payroll of active employees covered by the plan) was \$17,382,283 and the ratio of the UAAL to the covered payroll was 79.4 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continued revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

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In the December 31, 2008 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date. The rate included a 3.75 percent inflation assumption. The medical cost trend rate varied between 10.50 and 5.00 percent. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five year period. The UAAL is being amortized as a level percentage of projected unit credit on a level percent of pay, open basis. The remaining amortization period at December 31, 2008 was thirty years.

f. Other Employment Benefits

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 month's salary in a row during the 24 months prior to the employee's death, but the benefit will be a minimum of \$25,000 and will not exceed \$50,000. All death benefit payments are made from the Death Benefit Plan. The County has no liability beyond the payment of monthly contributions.

For the fiscal year ended June 30, 2010, the County made contributions to the State for death benefits of \$22,166. 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.

3. Deferred/Unearned Revenues

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

	<u>Deferred Revenue</u>	<u>Unearned Revenue</u>
Prepaid taxes not yet earned		
General Fund	\$ 295,370	\$ 295,370
Special Revenue Fund	4,429	4,429
Taxes receivable, net		
General Fund	2,426,914	-
Special Revenue Fund	162,348	-
Special assessments receivable		
General Fund	411	411
Home Owners Fund	321,963	321,963
Total	<u>\$ 3,211,435</u>	<u>\$ 622,173</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 two 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

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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, worker's 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 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 \$400,000 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 120% of expected claims. The pool is reinsured through commercial carrier for individual losses in excess of \$1,000,000.

The County is self-insured for workers' compensation with Compensation Claims Solutions as its administrator. The County has a \$400,000 stop-loss insurance policy with an insurance company.

The County has not obtained flood insurance this year due to the fact that the County does not have any capital assets in a flood plain.

In accordance with G.S. 159-29, the County's employees that have access to \$100 or more at any given time of the County's funds are performance bonded through a commercial surety bond. The Finance Officer and tax collector are each individually bonded for \$250,000 each. The remaining employees that have access to funds are bonded under a blanket bond for \$250,000.

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

5. Commitments

At June 30, 2010, the County was obligated under an operating lease for office space as follows:

Beginning January 1, 1999 through December 31, 2010 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, 2010 was \$38,438.

Various other properties in Franklin County with a total rental expense for the year ended June 30, 2010 of \$67,050.

At June 30, 2010, the County leased a vehicle with total rental expense of \$7,182.

At June 30, 2010, the County was obligated under operating leases for land as follows:

Nine parcels of land were rented for trash dumping and recycling centers ranging from \$300 to \$1,500 per year. All leases expired June 30, 2010 with options to extend for an additional year. Options were exercised on all of the leases at June 30, 2010. Rent expense for the year ended June 30, 2010 was \$9,770.

At June 30, 2010, the County was obligated under various operating leases for office equipment as follows:

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Various agreements expiring from July 2010 to April 2010. Total lease expense for the year ended June 30, 2010 was \$104,062.

Total operating lease expense for the year ended June 30, 2010, was \$226,502.

Future lease payments total:

For Year	
<u>Ending June 30,</u>	
2011	\$ 87,859
2012	68,640
2013	68,640
2014	68,640
2015	<u>61,440</u>
Total	<u>\$ 355,219</u>

At June 30, 2010, the County was obligated under a commitment as follows:

The County has made and entered into an agreement in November, 2007, with Waste Industries, Inc. to transport certain solid waste from the transfer station to a permitted landfill. This agreement goes into effect 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 \$38.90 per ton (annual increase based on increase in CPI)

At June 30, 2010, 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 \$3.10 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 3.52 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 \$4.50 per thousand dollars. The obligation ends March 8, 2022.

6. Contingent Liabilities

At June 30, 2010, 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

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<p>In January 1997, the County entered an installment purchase contact with CP&L in the amount of \$225,000 to purchase certain real estate. The obligation is payable by a down payment of \$20,000 in July 1997 and fourteen annual installments of principal and interest at 4% in the amount of \$19,407 beginning July 1999. Principal and interest payments are appropriated when due.</p>	\$ 18,661
<p>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.</p>	1,600,000
<p>On April 7, 2008, the County entered into an installment purchase agreement to purchase Emergency Medical Services equipment in the amount of \$304,707. A principal amount of \$68,487 plus interest at 4.02% is on April 7 for each of the next five years. Principal and interest payments are appropriated when due.</p>	65,839
<p>On December 12, 2008, the County entered into an installment obligation to improve the County's E911 paging system and undergo new debt in the amount of \$2,726,000. A principal amount of \$272,600 plus interest at 3.58% is due each year in monthly installments until 2019. Principal and interest are appropriated when due.</p>	2,317,100
<p>On June 22, 2010, the County entered into an installment obligation to refinance old debt and issue new debt in the amount of \$12,179,000. A principal payment of \$1,789,000 to \$474,000, plus interest between 3.31% and 3.970% is due June and December of each year until 2025. Principal and interest are appropriated when due.</p>	10,390,000
<p>In September 2004, the County entered into an installment contract to finance the construction of a solid waste transfer station and office renovation at the Human Services Building. The obligation is due in ten separate annual payments beginning September 2010. Interest is 3.85%. Principal and interest payments are appropriated when due.</p>	<u>875,000</u>
<p>Total installment obligation debt</p>	<u>\$ 15,266,600</u>

c. General Obligation Indebtedness

All general obligation bonds serviced by the County's General Fund are collateralized by the full faith, credit, and taxing power of the County. 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, 2010 is comprised of the following:

Serviced by the County's General Fund:

<p>\$1,400,000 2005 School Bonds, issued 6/1/05, with interest and principal annually on April 1 of \$100,000 plus interest through 2019, interest payable at 3.0-3.8%.</p>	\$ 900,000
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<p>\$5,550,000 2005 Refinancing School Bonds, issued 6/1/05, with interest semiannually on August 1 and April 1 and principal due on April 1 of \$220,000-\$550,000 through 2018, interest payable at 2.75-3.50%.</p>	3,790,000
<p>\$20,000,000 2006 School Bonds, issued 8/1/07, with interest semiannually on August 1 and February 1 and principal on August 1 of \$1,000,000 through 2026, interest payable at 4.0-5.0%</p>	17,000,000
<p>\$8,600,000 2007 School Bonds, issued 8/14/2007, with interest semiannually on August 1 and February 1 and principal on February 1 of \$200,000 through 2028, interest at 4.125-6.125%</p>	8,200,000
<p>\$14,000,000 2009 School Bonds, issued 9/10/2009, with interest semiannually on March 1 and September 1 and principal on March 1 of \$500,000- \$900,000 through 2029, interest at 3.0-4.0%</p>	14,000,000
<p>\$3,600,000 2010A Qualified School Construction Bonds, issued 1/5/2010, with interest and principal due annually on December 15; principal of \$240,000 through 2024, interest at 2.17%</p>	<u>3,600,000</u>
<p>Total General Obligation Indebtedness</p>	<u>\$ 47,490,000</u>

Certificates of Participation:

<p>\$14,095,000 2007 Franklin County Animal Control and School Certificates of Participation with interest due semiannually on September 1 through 2028, interest at 4% to 5%</p>	<u>\$ 12,675,000</u>
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Serviced by the County's Water and Sewer Fund:

Installment Obligations

<p>\$ 1,974,000 On December 12, 2008, the County entered into an installment obligation to expand the County's Sewer Infrastructure. A principal amount of \$197,400 plus interest at 3.58% is due each year in monthly installments. Principal and interest are appropriated each year until 2019.</p>	\$ 1,677,900
<p>\$ 7,215,000 On June 22, 2010, the County entered into an installment obligation to refinance old debt and issue new debt. A principal amount of \$320,000 to \$600,000 plus interest between 3.31% and 3.970% is due June and December of each year until 2025.</p>	<u>6,713,000</u>
<p>Total installment obligations</p>	<u>\$ 8,390,900</u>

Revolving Loans:

<p>\$1,500,000 2000 Federal Revolving Loan, issued 2/19/00 with interest due semiannually on November 1 and May 1 and principal of \$75,000 due May 1 through 2021, interest at 2.6%.</p>	\$ 825,000
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\$2,100,000 2000 State Revolving Loan, issued 2/169/00 with interest due semiannually on November 1 and May 1 and principal of \$105,000 due May 1 through 2021, interest at 2.6%. 1,155,000

Total Revolving Loans \$ 1,980,000

Certificates of Participation:

\$3,155,000 2008 Franklin County Water and Sewer Certificates of Participation, issued June, 2008, with interest and principal annually on September 1 through 2027, interest at 4% to 5%. \$ 2,835,000

\$6,500,000 2004 Franklin County Water and Sewer Certificates of Participation, issued 5/15/03, with interest semiannually on December 1 and January 1 and principal due on June 1 through 2018, interest at 3.17% to 4.5%. 3,915,375

Total Certificates of Participation \$ 6,750,375

On June 30, 2010, Franklin County had a legal debt margin of \$209,590,000.

Debt Related to Capital Assets

Of the total Governmental Activities debt above, \$7,379,600 relates to assets still held by the County. Restricted cash related to this debt amounts to \$9,381,237.

8. Changes in Long-Term Debt

The following is a summary of changes in general long-term debt for the year ended June 30, 2010:

Governmental Activities:

	Balance <u>July 1, 2009</u>	Prior Year <u>Adjustment</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>June 30, 2010</u>	Current <u>Portion</u>
General obligation bonds	\$ 31,730,000	\$ -	\$ 17,600,000	\$ 1,840,000	\$ 47,490,000	\$ 2,575,000
Certificates of participation	13,385,000	-	-	710,000	12,675,000	710,000
Installment purchases	17,851,103	-	-	2,854,503	15,266,600	2,710,766
Compensated absences	1,194,738	-	1,162,568	1,194,738	1,162,568	290,642
Net pension obligation	282,657	-	54,139	-	336,796	-
Other postemployment benefits	1,506,170	(113,562)	1,177,332	-	2,569,940	-
Total	<u>\$ 65,949,668</u>	<u>\$ (113,562)</u>	<u>\$ 19,994,039</u>	<u>\$ 6,599,241</u>	<u>\$ 79,500,904</u>	<u>\$ 6,286,408</u>

Business-type Activities:

	Balance <u>July 1, 2009</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>June 30, 2010</u>	Current <u>Portion</u>
By purpose:					
Revolving loans	\$ 2,160,000	\$ -	\$ 180,000	\$ 1,980,000	\$ 180,000
Certificates of participation	7,328,248	-	577,873	6,750,375	592,191
Installment purchases	9,090,300	-	699,400	8,390,900	504,400
Compensated absences	53,387	51,499	53,387	51,499	12,875
Other postemployment benefits	65,328	66,944	-	132,272	-
Total	<u>\$ 18,697,263</u>	<u>\$ 118,443</u>	<u>\$ 1,510,660</u>	<u>\$ 17,305,046</u>	<u>\$ 1,289,466</u>

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In prior years, the general fund has liquidated compensation absences. The net pension obligation has not been liquidated in prior years. Compensated absences are all current since employees could use all of their accumulated leave within one year.

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>Installment Purchases</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 2,575,000	\$ 1,849,690	\$ 2,710,766	\$ 560,167
2012	2,570,000	1,755,004	2,680,267	457,737
2013	2,560,000	1,664,572	2,734,267	356,725
2014	2,550,000	1,570,063	2,794,266	253,758
2015	2,890,000	1,470,005	4,347,034	360,440
2016-2020	14,045,000	5,610,388	-	-
2021-2025	13,350,000	2,957,495	-	-
2026-2028	<u>6,950,000</u>	<u>554,875</u>	-	-
	<u>\$ 47,490,000</u>	<u>\$ 17,432,092</u>	<u>\$ 15,266,600</u>	<u>\$ 1,988,827</u>

<u>Year Ending June 30,</u>	<u>Certificates of Participation</u>		<u>Total Debt Due</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 710,000	\$ 573,750	\$ 5,995,766	\$ 2,983,607
2012	705,000	545,274	5,955,267	2,758,015
2013	700,000	516,473	5,994,267	2,537,770
2014	705,000	487,143	6,049,266	2,310,964
2015	705,000	457,533	7,942,034	2,287,978
2016-2020	3,520,000	1,826,079	17,565,000	7,436,467
2021-2025	3,525,000	966,875	16,875,000	3,924,370
2026-2028	<u>2,105,000</u>	<u>157,625</u>	<u>9,055,000</u>	<u>712,500</u>
	<u>\$ 12,675,000</u>	<u>\$ 5,530,752</u>	<u>\$ 75,431,600</u>	<u>\$ 24,951,671</u>

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>
2011	\$ 180,000	\$ 51,480	\$ 592,191	\$ 269,577
2012	180,000	46,800	608,577	246,751
2013	180,000	42,120	625,725	226,043
2014	180,000	37,440	644,610	197,478
2015	180,000	32,760	663,262	172,106
2016-2020	900,000	93,600	2,376,010	496,038
2021-2025	180,000	4,680	775,000	213,125
2026-2028	-	-	<u>465,000</u>	<u>34,875</u>
	<u>\$ 1,980,000</u>	<u>\$ 308,880</u>	<u>\$ 6,750,375</u>	<u>\$ 1,855,993</u>

**FRANKLIN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

<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>
2011	\$ 721,400	\$ 323,337	\$ 1,493,591	\$ 644,394
2012	526,400	295,466	1,314,977	589,017
2013	537,400	275,338	1,343,125	543,501
2014	545,400	254,773	1,370,010	489,691
2015	579,400	233,890	1,422,662	438,756
2016-2020	2,854,900	830,138	6,130,910	1,419,776
2021-2025	2,626,000	321,291	3,581,000	539,096
2026-2028	-	-	465,000	34,875
	<u>\$ 8,390,900</u>	<u>\$ 2,534,233</u>	<u>\$ 17,121,275</u>	<u>\$ 4,699,106</u>

C. Interfund Activity

Transfers to/from other funds:

From the General Fund to the Fire District Fund for mutual aid funding	\$ 40,700
From the General fund to the Airport Capital Project Fund to supplement other funding sources	16,666
From the General fund to the County Building Fund for Pilot Park Project	250,000
From the General Fund to the Revaluation Project Fund to accumulate reserves for the revaluation of real property	150,000
From the General Fund to the Water and Sewer Fund to supplement the fund for debt payments	786,208
From the Capital Reserve Fund to the General Fund for the payment of debt service	<u>2,900,000</u>
Total transfers to/from other funds	<u>\$ 4,143,574</u>

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 \$148,000 to the Area Mental Health during the fiscal year ended June 30, 2010. 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, 2010. 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 \$23,531 to K.A.R.T.S. during the fiscal year ended June 30, 2010. The participating governments do not have any equity interest in the joint venture, so no equity interest has been reflected in the

**FRANKLIN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

financial statements at June 30, 2010. 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 \$291,000 and \$15,035 to the community college for operating and capital purposes, respectively, during the fiscal year ended June 30, 2010. 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, 2010. 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.

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 \$20,848 to the Council during the fiscal year ended June 30, 2010.

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, 2010, 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 that 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	\$ 263,274	\$ (78)
Women, Infants and Children	941,487	-
Medicaid	47,849,503	16,852,779
Food Stamp Program	12,893,418	-
Energy Assistance	394,627	-
Adoption Assistance	251,050	51,999

**FRANKLIN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>Federal</u>	<u>State</u>
State/County Special Assistance for Adults	-	515,016
Chafee Foster Care Independence	1,126	-
Foster Care	110,090	29,580
Adoption Subsidy	-	236,107
SFHF Maximization	-	38,692
Foster Care At Risk Maximization	-	8,544
State Foster Home	-	88,667
Foster Care Special Provision	-	5,710
	<u>\$ 62,704,575</u>	<u>\$ 17,827,016</u>

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.

VIII. Significant Effects of Subsequent Events

In October 2010, the County issued \$24,000,000 in general obligation bonds for school construction. In November 2010, the Franklin County Board of Commissioners voted unanimously to return all APSO fees collected due to a court ruling stating the County cannot legally charge this fee without special legislation by the General Assembly.

IX. Restatement of Beginning Net Assets/Beginning Fund Balances

During the 09-10 audit, various items were found that had not been booked in the past appropriately. These items involved accrued interest on investments, accrued interest on debt, and the OPEB obligation. These items are material to the financial statements so it was deemed necessary to book an adjustment that would cause a restatement of beginning net assets and beginning fund balance.

The beginning balance would have changed as follows:

	Governmental Activities <u>Net Assets</u>	Business-type Activities <u>Net Assets</u>
Balance, July 1, 2009	\$ (6,865,059)	\$ 13,504,744
Change due to:		
Accrued interest income on investments	158,490	-
Accrued interest expense on investments	(808,333)	(42,351)
OPEB misstatement	<u>113,562</u>	<u>-</u>
Balance, July 1, 2009, as restated	<u>\$ (7,401,340)</u>	<u>\$ 13,462,393</u>

REQUIRED SUPPLEMENTAL FINANCIAL DATA

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 Required Schedules for the Law Enforcement Officers' Special Separation Allowance
- Schedule of Funding Progress for the Other Postemployment Benefits
- Schedule of Employer Contributions for the Other Postemployment Benefits
- Notes to the Required Schedules for the Other Postemployment Benefits

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
12/31/2003	\$ -	\$ 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%
12/31/2005	-	259,794	259,794	0.00%	1,541,884	16.85%
12/31/2006	-	252,547	252,547	0.00%	1,697,594	14.88%
12/31/2007	-	299,326	299,326	0.00%	2,089,098	14.33%
12/31/2008	-	332,424	332,424	0.00%	2,394,423	13.88%
12/31/2009	\$ -	\$ 484,211	\$ 484,211	0.00%	\$ 2,521,006	19.21%

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

Year ended June 30	Annual Required Contribution	Percentage Contributed
2007	\$ 37,943	71.75%
2008	39,959	51.62%
2009	46,955	43.93%
2010	54,139	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. Additional information as of the latest actuarial valuation follows.

Valuation date	12/31/2009
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	21 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	5.00%
Projected salary increases	4.5-12.3%
Includes inflation at	3.75%
Cost-of-living adjustments	N/A

**Franklin County, North Carolina
Other Postemployment Benefits
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
12/31/2007	\$ -	\$ 14,287,207	\$ 14,287,207	0.00%	\$ 15,460,221	92.4%
12/31/2008	\$ -	\$ 13,799,415	\$ 13,799,415	0.00%	\$ 17,382,283	79.4%

**Franklin County, North Carolina
Other Postemployment Benefits
Required Supplementary Information
Schedule of Employer Contributions**

Year ended June 30	Annual Required Contribution	Percentage Contributed
2009	\$ 1,633,188	10.73%
2010	\$ 1,434,333	13.25%

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	12/31/2008
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay, open
Remaining amortization period	30 years
Asset valuation method	Market value of assets
Actuarial assumptions:	
Investment rate of return	4.00%
Medical cost trend	10.50% - 5.00%
Includes inflation at	3.75%
Cost-of-living adjustments	n/a

COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES

MAJOR GOVERNMENTAL FUNDS

- **General Fund:** This fund is used to account for all financial resources traditionally associated with government that are not required legally or by sound financial management to be accounted for in other funds.
- **School Construction Fund:** This capital projects 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, 2010
(With Comparative Totals for the Year Ended June 30, 2009)

	2010		Variance Positive (Negative)	2009
	Budget	Actual		Actual
Revenues:				
Ad valorem taxes:				
Taxes		\$ 34,893,264		\$ 31,989,461
Penalties and interest		308,443		308,210
Total	\$ 33,891,097	35,201,707	\$ 1,310,610	32,297,671
Local option sales taxes:				
Sales taxes	5,172,365	5,070,674	(101,691)	6,942,417
Other taxes and licenses:				
Privilege licenses	1,500	2,612	1,112	2,460
Unrestricted intergovernmental:				
Gasoline tax refund	-	-		5
State DWI fees	5,500	6,211		5,659
Beer and wine tax	215,000	70,157		214,604
White goods tax	21,300	18,720		22,532
Occupancy tax	60,000	55,345		64,280
Franchise fees	145,000	171,548		164,334
Tire disposal fees	66,000	64,039		76,206
Solid waste tax rebate	46,000	50,849		-
Hold Harmless	-	-		4,957
Total	558,800	436,869	(121,931)	552,577
Restricted intergovernmental:				
Federal and State grants	8,422,262	8,210,208		8,213,320
Lottery proceeds	900,000	900,000		400,000
Court facility fees	120,000	99,911		114,152
ABC bottles taxes	14,500	13,075		12,795
School ADM Funds	400,000	400,000		800,000
Total	9,856,762	9,623,194	(233,568)	9,540,267
Permits and fees:				
Building permits	55,000	41,824		55,956
Inspection and planning fees	599,718	664,478		488,621
Register of Deeds fees	480,000	442,861		454,362
Adequate facilities fees	-	267,747		123,162
Recreation reserve Fees	-	8,100		74,875
Total	1,134,718	1,425,010	290,292	1,196,976
Sales and services:				
Rents, concessions, and fees	30,000	38,450		42,779
Health fees	3,384,423	3,339,103		3,507,505
Social services	411,245	373,109		417,546
Aging services	86,997	98,148		109,316
Airport	740,913	687,526		617,269
Sheriff and jail fees	2,264,000	1,678,369		2,381,851
Library fees and donations	30,000	35,790		32,123
Solid waste fees	1,838,000	2,016,515		1,961,186
Ambulance and rescue squad fees	1,140,425	1,870,938		1,617,790
Recreation	27,000	23,547		24,294
Other	143,285	144,486		124,421
Total	10,096,288	10,305,981	209,693	10,836,080
Investment earnings	350,000	422,294	72,294	493,557
Miscellaneous:				
Donations and private grants	220,771	292,172		140,853
Insurance proceeds	15,000	8,089		52,209
Special assessments	-	618		477
Other	36,575	37,887		112,720
Total	272,346	338,766	66,420	306,259
Total revenues	61,333,876	62,827,107	1,493,231	62,168,264

Franklin County, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2010
(With Comparative Totals for the Year Ended June 30, 2009)

	2010		Variance Positive (Negative)	2009
	Budget	Actual		Actual
Expenditures:				
General government:				
Governing body:				
Salaries and employee benefits		203,432		205,238
Other operating expenditures		61,323		65,959
Insurance other than property		2,575		2,341
Total	275,616	267,330	8,286	273,538
Administration:				
Salaries and employee benefits		247,253		245,116
Other operating expenditures		45,815		40,074
Legal and professional		42,053		51,351
Total	349,379	335,121	14,258	336,541
Elections:				
Salaries and employee benefits		195,660		204,836
Other operating expenditures		129,388		105,866
Capital outlay		1,122		-
Total	294,708	326,170	(31,462)	310,702
Finance:				
Salaries and employee benefits		294,841		295,572
Other operating expenditures		43,606		47,254
Total	342,996	338,447	4,549	342,826
Taxes:				
Salaries and employee benefits		661,623		702,748
Other operating expenditures		365,897		425,405
Capital outlay		7,452		-
Total	1,213,498	1,034,972	178,526	1,128,153
Register of Deeds:				
Salaries and employee benefits		262,590		266,064
Other operating expenditures		65,544		88,927
Capital outlay		3,755		16,570
Total	345,001	331,889	13,112	371,561
Public buildings:				
Salaries and employee benefits		481,015		503,352
Other operating expenditures		312,732		331,461
Capital outlay		195,630		84,815
Total	987,116	989,377	(2,261)	919,628
Court facilities:				
Operating expenditures	72,152	72,438	(286)	76,617
Information technology services:				
Salaries and employee benefits		118,605		118,841
Other operating expenditures		24,146		44,123
Capital outlay		2,236		-
Total	148,780	144,987	3,793	162,964
GIS Mapping:				
Salaries and employee benefits		119,353		153,430
Other operating expenditures		44,341		36,036
Total	200,622	163,694	36,928	189,466
Other general government	516,490	501,140	15,350	443,995
Total general government	4,746,358	4,505,565	240,793	4,555,991

Franklin County, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2010
(With Comparative Totals for the Year Ended June 30, 2009)

	2010		Variance Positive (Negative)	2009
	Budget	Actual		Actual
Public safety:				
Sheriff and communications:				
Salaries and employee benefits		3,761,826		3,654,822
Other operating expenditures		1,362,395		1,095,096
Capital outlay		342,772		295,970
Total	5,291,344	5,466,993	(175,649)	5,045,888
Communications				
Salaries and employee benefits		832,448		719,903
Other operating expenditures		124,713		114,965
Total	957,163	957,161	2	834,868
Jail:				
Salaries and employee benefits		1,703,531		1,666,638
Other operating expenditures		1,143,085		948,426
Capital outlay		20,914		78,486
Total	2,807,563	2,867,530	(59,967)	2,693,550
Jail nutrition:				
Salaries and employee benefits		-		65,799
Other operating expenditures		417,586		369,406
Total	484,201	417,586	66,615	435,205
Medical examiner:				
Contracted services	22,000	27,573	(5,573)	20,800
Emergency management:				
Salaries and employee benefits		202,017		233,507
Other operating expenditures		44,392		64,130
Capital outlay		-		34,980
Total	246,311	246,409	(98)	332,617
Fire:				
Forest fire control service	93,620	70,690	22,930	80,516
Code enforcement:				
Salaries and employee benefits		457,972		463,043
Other operating expenditures		39,036		51,479
Total	557,166	497,008	60,158	514,522
Rescue units:				
Salaries and employee benefits		3,039,206		2,916,205
Rescue units		393,499		714,357
Other operating expenditures		562,060		527,018
Capital outlay		-		12,206
Total	4,004,551	3,994,765	9,786	4,169,786
Animal control:				
Salaries and employee benefits		239,319		237,622
Other operating expenditures		99,076		95,314
Capital outlay		-		13,093
Total	339,580	338,395	1,185	346,029
Planning:				
Salaries and employee benefits		320,655		342,739
Other operating expenditures		76,521		117,417
Total	457,863	397,176	60,687	460,156
Community-based alternatives:				
Salaries and employee benefits		15,330		108,604
Other operating expenditures		4,081		21,827
Total	84,351	19,411	64,940	130,431
Total public safety	15,345,713	15,300,697	45,016	15,064,368

Franklin County, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2010
(With Comparative Totals for the Year Ended June 30, 2009)

	2010		Variance Positive (Negative)	2009
	Budget	Actual		Actual
Economic and physical development:				
Agricultural extension:				
Salaries and employee benefits		7,911		7,418
Other operating expenditures		288,265		286,091
Total	345,774	296,176	49,598	293,509
Soil and water conservation:				
Salaries and employee benefits		217,703		215,760
Other operating expenditures		18,789		24,155
Total	240,826	236,492	4,334	239,915
Industrial development:				
Salaries and employee benefits		231,047		232,777
Other operating expenditures		197,055		103,590
Company incentives		16,632		136,314
Total	556,871	444,734	112,137	472,681
Airport:				
Salaries and employee benefits		143,623		129,174
Other operating expenditures		177,706		206,191
Fuel purchases		359,623		320,547
Total	697,969	680,952	17,017	655,912
Landfill:				
Salaries and employee benefits		606,416		624,919
Waste disposal contract		1,246,993		1,310,283
Other operating expenditures		911,654		859,159
Capital outlay		1,893		28,524
Total	2,817,045	2,766,956	50,089	2,822,885
Total economic & physical development	4,658,485	4,425,310	233,175	4,484,902
Human services:				
Health:				
Administration:				
Salaries and employee benefits		677,230		688,673
Other operating expenditures		96,364		136,089
Total	763,749	773,594	(9,845)	824,762
Health clinic:				
Salaries and employee benefits		1,769,620		1,828,374
Contractual services		20,420		19,559
Other operating expenditures		975,687		677,693
Capital outlay		19,606		-
Total	2,821,075	2,785,333	35,742	2,525,626
Home health:				
Salaries and employee benefits		459,358		621,760
Other operating expenditures		489,822		398,138
Total	991,986	949,180	42,806	1,019,898
Dental health:				
Salaries and employee benefits		365,343		343,817
Other operating expenditures		126,197		144,498
Total	510,200	491,540	18,660	488,315
Total health	5,087,010	4,999,647	87,363	4,858,601
Social services:				
Administration:				
Salaries and employee benefits		4,475,257		4,505,783
Other operating expenditures		513,653		490,361
Professional services		110,849		103,689
Capital outlay		13,564		17,597
Total	5,222,797	5,113,323	109,474	5,117,430

Franklin County, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2010
(With Comparative Totals for the Year Ended June 30, 2009)

	2010		Variance Positive (Negative)	2009
	Budget	Actual		Actual
Medicaid program:				
Assistance payments	200,000	177,904	22,096	1,581,669
Special assistance program:				
Assistance payments	540,000	515,016	24,984	527,118
Work First:				
Assistance payments	-	-	-	17,998
Foster care:				
Assistance payments	678,620	538,763	139,857	603,082
Crisis intervention:				
Assistance payments	306,131	305,964	167	329,045
General assistance program:				
Assistance payments	20,000	19,848	152	19,693
Day Care program:				
Assistance payments	2,779,460	2,411,241	368,219	2,478,502
Other assistance:				
Assistance payments	574,899	512,696	62,203	485,861
Total social services	10,321,907	9,594,755	727,152	11,160,398
Aging program:				
Salaries and employee benefits		651,022		717,204
Other operating expenditures		451,427		440,199
Total	1,175,206	1,102,449	72,757	1,157,403
Mental health administration:				
Contracted services	148,000	148,000	-	155,757
Veterans service office:				
Salaries and employee benefits		73,038		90,562
Other operating expenditures		15,203		13,380
Total	92,988	88,241	4,747	103,942
Total human services	16,825,111	15,933,092	892,019	17,436,101
Cultural and recreational:				
Arts and Recreation:				
Salaries and employee benefits		171,468		169,620
Other operating expenditures		239,693		258,181
Total	461,955	411,161	50,794	427,801
Libraries:				
Salaries and employee benefits		520,960		550,132
Other operating expenditures		99,723		102,789
Books, magazines & telecommunications		105,036		106,324
Capital outlay		11,363		158,985
Total	726,123	737,082	(10,959)	918,230
Total culture and recreation	1,188,078	1,148,243	39,835	1,346,031
Education:				
Public schools - current		11,525,433		11,641,872
Public schools - capital outlay		1,175,780		1,238,716
Community colleges - current		291,000		300,000
Community colleges - capital outlay		15,035		15,498
Total education	13,007,248	13,007,248	-	13,196,086
Debt service:				
Principal retirement		5,134,503		4,920,907
Interest and fees		3,064,894		3,004,725
Total debt service	8,200,342	8,199,397	945	7,925,632
Total expenditures	63,971,335	62,519,552	1,451,783	64,009,111
Revenues over (under) expenditures	(2,637,459)	307,555	2,945,014	(1,840,847)

Franklin County, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2010
(With Comparative Totals for the Year Ended June 30, 2009)

	2010		Variance Positive (Negative)	2009
	Budget	Actual		Actual
Other financing sources (uses)				
Transfers to other funds:				
Fire District Fund	(40,700)	(40,700)	-	(40,700)
Water and Sewer Fund	(786,208)	(786,208)	-	-
Revaluation Fund	(150,000)	(150,000)	-	(155,000)
County Building Fund	(250,000)	(250,000)	-	(250,000)
Airport Fund	(109,612)	(16,666)	92,946	(16,666)
Total transfers out	<u>(1,336,520)</u>	<u>(1,243,574)</u>	<u>92,946</u>	<u>(462,366)</u>
Transfers from other funds:				
Capital Reserve Fund	2,900,000	2,900,000	-	2,900,000
Water and Sewer Capital Projects Fund	-	-	-	194
COPS Capital Project Fund	55,000	-	(55,000)	38,199
Total transfers in	<u>2,955,000</u>	<u>2,900,000</u>	<u>(55,000)</u>	<u>2,938,393</u>
Refunding bonds issued	-	-	-	12,179,000
Bonds paid off	-	-	-	<u>(11,867,417)</u>
Total other financing sources (uses) - net	<u>1,618,480</u>	<u>1,656,426</u>	<u>37,946</u>	<u>2,787,610</u>
Revenues and other financing sources over (under) expenditures and other financing uses	(1,018,979)	1,963,981	2,982,960	946,763
Appropriated fund balance	<u>1,018,979</u>	<u>-</u>	<u>(1,018,979)</u>	<u>-</u>
Revenues, other financing sources and appropriated fund balance over (under) expenditures and other uses	<u>\$ -</u>	1,963,981	<u>\$ 1,963,981</u>	946,763
Fund balances				
Beginning of year, July 1		19,153,170		18,246,432
Increase (decrease) in reserve for inventory		<u>(2,016)</u>		<u>(40,025)</u>
End of year, June 30		<u>\$ 21,115,135</u>		<u>\$ 19,153,170</u>

Franklin County, North Carolina
School Construction Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and for the Year Ended June 30, 2010

	Project Author- ization	Actual		Total to Date	Variance Positive (Negative)
		Prior Year	Current Year		
Revenues					
Restricted intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -
Interest earnings	1,481,930	12,536	421,738	434,274	(1,047,656)
Total revenues	1,481,930	12,536	421,738	434,274	(1,047,656)
Expenditures					
Bond issuance costs		-	13,850	13,850	
Construction		3,178,284	14,483,231	17,661,515	
Total revenues	53,281,930	3,178,284	14,497,081	17,675,365	35,606,565
Other financing sources					
Sales tax refund	800,000	-	-	-	(800,000)
Issuance of debt	51,000,000	-	17,600,000	17,600,000	(33,400,000)
Total other sources	51,800,000	-	17,600,000	17,600,000	(34,200,000)
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ (3,165,748)</u>	3,524,657	<u>\$ 358,909</u>	<u>\$ 358,909</u>
Fund balance					
Beginning of year, July 1			(367,348)		
End of year, June 30			<u>\$ 3,157,309</u>		

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

- **Capital Reserve Fund:** This fund is used 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.
- **Emergency Telephone System Fund:** This fund is used to account for the 911 revenues collected by the telephone industry to fund the emergency 911 system.
- **DEA Fund:** This fund accounts for money received for drug control purposes.
- **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.
- **COPS Fund:** This fund accounts for expenses financed by certificates of participation.

Capital Project Funds

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

- **Airport Projects Fund:** This fund accounts for the construction at the Franklin County Airport.
- **County Building Project Fund:** This fund accounts for renovation of the Human Services Building.
- **Revaluation Fund:** This fund is used to account for expenditures for the sexennial revaluation of real property.

Franklin County, North Carolina
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2010

	Special Revenue Funds												
	Capital Reserve Fund	Fire District Fund	Emergency Telephone System Fund	DEA Fund	Golden Leaf Foundation Fund	Community Development Fund	COPS Fund	Total Nonmajor Special Revenue Funds	Airport Projects Fund	County Building Project Fund	Revaluation Project Fund	Total Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Assets													
Cash and cash equivalents	\$ 100,973	\$ 130,358	\$ 1,414,104	\$ 21,276	\$ 32,850	\$ 46,441	\$ 838,132	\$ 2,584,134	\$ 152,636	\$ 487,032	\$ 551,234	\$ 1,190,902	\$ 3,775,036
Accounts receivable, net	-	-	37,501	-	-	-	-	37,501	-	-	-	-	37,501
Taxes receivable, net	-	162,348	-	-	-	-	-	162,348	-	-	-	-	162,348
Due from other governments	365,554	-	18,028	163	-	-	-	383,745	166	4,595	-	4,761	388,506
Restricted assets:													
Cash reserved for debt service	-	-	-	-	-	-	-	-	-	2,730,052	-	2,730,052	2,730,052
Total assets	<u>\$ 466,527</u>	<u>\$ 292,706</u>	<u>\$ 1,469,633</u>	<u>\$ 21,439</u>	<u>\$ 32,850</u>	<u>\$ 46,441</u>	<u>\$ 838,132</u>	<u>\$ 3,167,728</u>	<u>\$ 152,802</u>	<u>\$ 3,221,679</u>	<u>\$ 551,234</u>	<u>\$ 3,925,715</u>	<u>\$ 7,093,443</u>
Liabilities and Fund Balances													
Liabilities:													
Accounts payable and accrued liabilities	\$ -	\$ 5,300	\$ -	\$ -	\$ -	\$ 3,079	\$ -	\$ 8,379	\$ -	\$ 60,898	\$ -	\$ 60,898	\$ 69,277
Deferred revenue	-	166,777	-	-	-	-	-	166,777	-	-	-	-	166,777
Total liabilities	<u>-</u>	<u>172,077</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,079</u>	<u>-</u>	<u>175,156</u>	<u>-</u>	<u>60,898</u>	<u>-</u>	<u>60,898</u>	<u>236,054</u>
Fund balances:													
Reserved by State statute	365,554	-	55,529	163	-	-	-	421,246	166	4,595	-	4,761	426,007
Reserved for debt service	-	-	-	-	-	-	-	-	-	2,730,052	-	2,730,052	2,730,052
Unreserved:													
Designated for subsequent year's expenditure	-	-	92,198	-	-	-	838,132	930,330	-	-	-	-	930,330
Undesignated	100,973	120,629	1,321,906	21,276	32,850	43,362	-	1,640,996	152,636	426,134	551,234	1,130,004	2,771,000
Total fund balances	<u>466,527</u>	<u>120,629</u>	<u>1,469,633</u>	<u>21,439</u>	<u>32,850</u>	<u>43,362</u>	<u>838,132</u>	<u>2,992,572</u>	<u>152,802</u>	<u>3,160,781</u>	<u>551,234</u>	<u>3,864,817</u>	<u>6,857,389</u>
Total liabilities and fund balances	<u>\$ 466,527</u>	<u>\$ 292,706</u>	<u>\$ 1,469,633</u>	<u>\$ 21,439</u>	<u>\$ 32,850</u>	<u>\$ 46,441</u>	<u>\$ 838,132</u>	<u>\$ 3,167,728</u>	<u>\$ 152,802</u>	<u>\$ 3,221,679</u>	<u>\$ 551,234</u>	<u>\$ 3,925,715</u>	<u>\$ 7,093,443</u>

Franklin County, North Carolina
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds
 June 30, 2010

	Special Revenue Funds												
	Capital Reserve Fund	Fire District Fund	Emergency Telephone System Fund	DEA Fund	Golden Leaf Foundation Fund	Community Development Fund	COPS Capital Projects Fund	Total Nonmajor Special Revenue Funds	Airport Projects Fund	County Building Project Fund	Revaluation Project Fund	Total Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues													
Ad valorem taxes	\$ -	\$ 2,181,368	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,181,368	\$ -	\$ -	\$ -	\$ -	\$ 2,181,368
Local option sales taxes	2,255,987	-	-	-	-	-	-	2,255,987	-	-	-	-	2,255,987
Other taxes and licenses	-	-	450,013	-	-	-	-	450,013	-	-	-	-	450,013
Restricted intergovernmental	-	24,000	-	48,830	9,343	459,723	-	541,896	324,282	-	-	324,282	866,178
Investment earnings	1,034	216	2,310	6	-	-	838	4,404	232	4,511	690	5,433	9,837
Miscellaneous	-	-	-	-	-	-	-	-	1,150	-	-	1,150	1,150
Total revenues	<u>2,257,021</u>	<u>2,205,584</u>	<u>452,323</u>	<u>48,836</u>	<u>9,343</u>	<u>459,723</u>	<u>838</u>	<u>5,433,668</u>	<u>325,664</u>	<u>4,511</u>	<u>690</u>	<u>330,865</u>	<u>5,764,533</u>
Expenditures													
Current:													
General Government	-	-	-	-	-	-	-	-	-	-	79,920	79,920	79,920
Public safety	-	2,203,175	597,679	53,938	-	-	-	2,854,792	-	-	-	-	2,854,792
Economic and physical development	-	-	-	-	-	462,981	-	462,981	-	-	-	-	462,981
Education	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	487,559	169,349	-	656,908	656,908
Total expenditures	<u>-</u>	<u>2,203,175</u>	<u>597,679</u>	<u>53,938</u>	<u>-</u>	<u>462,981</u>	<u>-</u>	<u>3,317,773</u>	<u>487,559</u>	<u>169,349</u>	<u>79,920</u>	<u>736,828</u>	<u>4,054,601</u>
Revenues over (under) expenditures	<u>2,257,021</u>	<u>2,409</u>	<u>(145,356)</u>	<u>(5,102)</u>	<u>9,343</u>	<u>(3,258)</u>	<u>838</u>	<u>2,115,895</u>	<u>(161,895)</u>	<u>(164,838)</u>	<u>(79,230)</u>	<u>(405,963)</u>	<u>1,709,932</u>
Other financing sources (uses)													
Debt issued	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers from other funds	-	40,700	-	-	-	-	-	40,700	16,666	250,000	150,000	416,666	457,366
Transfers to other funds	(2,900,000)	-	-	-	-	-	-	(2,900,000)	-	-	-	-	(2,900,000)
Total other financing sources (uses) - net	<u>(2,900,000)</u>	<u>40,700</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,859,300)</u>	<u>16,666</u>	<u>250,000</u>	<u>150,000</u>	<u>416,666</u>	<u>(2,442,634)</u>
Net changes in fund balances	<u>(642,979)</u>	<u>43,109</u>	<u>(145,356)</u>	<u>(5,102)</u>	<u>9,343</u>	<u>(3,258)</u>	<u>838</u>	<u>(743,405)</u>	<u>(145,229)</u>	<u>85,162</u>	<u>70,770</u>	<u>10,703</u>	<u>(732,702)</u>
Fund balances													
Beginning of year, July 1	<u>1,109,506</u>	<u>77,520</u>	<u>1,614,989</u>	<u>26,541</u>	<u>23,507</u>	<u>46,620</u>	<u>837,294</u>	<u>3,735,977</u>	<u>298,031</u>	<u>3,075,619</u>	<u>480,464</u>	<u>3,854,114</u>	<u>7,590,091</u>
End of year, June 30	<u>\$ 466,527</u>	<u>\$ 120,629</u>	<u>\$ 1,469,633</u>	<u>\$ 21,439</u>	<u>\$ 32,850</u>	<u>\$ 43,362</u>	<u>\$ 838,132</u>	<u>\$ 2,992,572</u>	<u>\$ 152,802</u>	<u>\$ 3,160,781</u>	<u>\$ 551,234</u>	<u>\$ 3,864,817</u>	<u>\$ 6,857,389</u>

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, 2010
(With Comparative Totals for the Year Ended June 30, 2009)

	2010		Variance Positive (Negative)	2009
	Budget	Actual		Actual
Revenues				
Restricted intergovernmental	\$ 2,500,000	\$ 2,255,987	\$ (244,013)	\$ 2,583,863
Interest earnings	-	1,034	1,034	-
Total revenues	<u>2,500,000</u>	<u>2,257,021</u>	<u>(242,979)</u>	<u>2,583,863</u>
Expenditures				
Education	-	-	-	-
Other financing sources (uses)				
Transfer from General Fund	-	-	-	-
Transfer to General Fund	(2,900,000)	(2,900,000)	-	(2,900,000)
Appropriated fund balance	400,000	-	(400,000)	-
Total other financing sources (uses) - net	<u>(2,500,000)</u>	<u>(2,900,000)</u>	<u>(400,000)</u>	<u>(2,900,000)</u>
Revenues and other financing sources under expenditures and uses	<u>\$ -</u>	(642,979)	<u>\$ (642,979)</u>	(316,137)
Fund balance				
Beginning of year, July 1		<u>1,109,506</u>		<u>1,425,643</u>
End of year, June 30		<u>\$ 466,527</u>		<u>\$ 1,109,506</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, 2010
(With Comparative Totals for the Year Ended June 30, 2009)

	2010		Variance Positive (Negative)	2009
	Budget	Actual		Actual
Revenues				
Ad valorem taxes	\$ 2,167,175	\$ 2,181,368	\$ 14,193	\$ 2,105,578
Restricted intergovernmental revenue				
Grant revenue	24,000	24,000	-	-
Interest Income	-	216	216	-
	<u>2,191,175</u>	<u>2,205,584</u>	<u>14,409</u>	<u>2,105,578</u>
Expenditures				
Public safety				
Central Fire District	172,000	172,000	-	168,080
Epsom Fire District	85,000	78,381	6,619	77,980
Gold Sand Fire District	53,500	51,127	2,373	50,000
Justice Fire District	112,500	104,254	8,246	81,433
Kittrell Fire District	1,000	1,000	-	1,200
Pilot Fire District	166,103	166,103	-	153,483
White Level Fire District	70,000	64,377	5,623	69,477
Brassfield Fire District	5,600	5,600	-	5,632
Mitchiners Crossroads Fire District	119,800	119,800	-	115,200
Hopkins Fire District	10,100	8,716	1,384	8,675
Franklinton Fire District	209,254	209,254	-	205,423
Youngsville Fire District	848,068	848,068	-	828,068
Bunn Fire District	318,750	318,750	-	323,331
Castalia Fire District	1,200	1,200	-	1,200
Centerville Fire District	59,000	54,545	4,455	53,581
Total expenditures	<u>2,231,875</u>	<u>2,203,175</u>	<u>28,700</u>	<u>2,142,763</u>
Revenues under expenditures	<u>(40,700)</u>	<u>2,409</u>	<u>43,109</u>	<u>(37,185)</u>
Other financing sources				
Transfer from General fund	40,700	40,700	-	40,700
Revenues and other sources under expenditures	<u>\$ -</u>	<u>43,109</u>	<u>\$ 43,109</u>	<u>3,515</u>
Fund balances				
Beginning of year, July 1		<u>77,520</u>		<u>74,005</u>
End of year, June 30		<u>\$ 120,629</u>		<u>\$ 77,520</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, 2010
(With Comparative Totals for the Year Ended June 30, 2009)

	2010		Variance Positive (Negative)	2009
	Budget	Actual		Actual
Revenues				
Other taxes and licenses				
E911 fees	\$ -	\$ 450,013	\$ 450,013	\$ 563,385
Restricted intergovernmental:				
Wireless communications	-	-	-	-
Interest earnings	380,027	2,310	(377,717)	-
Total revenues	<u>380,027</u>	<u>452,323</u>	<u>72,296</u>	<u>563,385</u>
Expenditures				
Public safety - E911				
Operating expenses	130,422	142,664	(12,242)	102,725
Capital outlay	2,895	-	2,895	1,520
Total	<u>133,317</u>	<u>142,664</u>	<u>(9,347)</u>	<u>104,245</u>
Public safety - wireless communications				
Operating expenses	16,560	20,424	(3,864)	15,180
Capital outlay	630,150	434,591	195,559	-
Total	<u>646,710</u>	<u>455,015</u>	<u>191,695</u>	<u>15,180</u>
Total expenditures	<u>780,027</u>	<u>597,679</u>	<u>182,348</u>	<u>119,425</u>
Revenues over (under) expenditures	<u>(400,000)</u>	<u>(145,356)</u>	<u>254,644</u>	<u>443,960</u>
Appropriated fund balance	<u>400,000</u>	<u>-</u>	<u>(400,000)</u>	<u>-</u>
Revenues and appropriated fund balance over expenditures	<u>\$ -</u>	<u>(145,356)</u>	<u>\$ (145,356)</u>	<u>443,960</u>
Fund balances				
Beginning of year, July 1		<u>1,614,989</u>		<u>1,171,029</u>
End of year, June 30		<u>\$ 1,469,633</u>		<u>\$ 1,614,989</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, 2010
(With Comparative Totals for the Year Ended June 30, 2009)

	2010		Variance Positive (Negative)	2009
	Budget	Actual		Actual
Revenues				
Restricted intergovernmental	\$ 55,000	\$ 48,830	\$ (6,170)	\$ 9,196
Interest income	-	6	6	-
Total revenues	<u>55,000</u>	<u>48,836</u>	<u>(6,164)</u>	<u>9,196</u>
Expenditures				
Public safety				
Operating expenses	<u>62,000</u>	<u>53,938</u>	<u>8,062</u>	<u>30,092</u>
Revenues over expenditures	<u>(7,000)</u>	<u>(5,102)</u>	<u>1,898</u>	<u>(20,896)</u>
Appropriated fund balance	<u>7,000</u>	<u>-</u>	<u>(7,000)</u>	<u>-</u>
Revenues and appropriated fund balance over expenditures	<u>\$ -</u>	<u>(5,102)</u>	<u>\$ (5,102)</u>	<u>(20,896)</u>
Fund balances				
Beginning of year, July 1		<u>26,541</u>		<u>47,437</u>
End of year, June 30		<u>\$ 21,439</u>		<u>\$ 26,541</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, 2010**

	Project Author- ization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues					
Restricted intergovernmental					
Golden Leaf Foundation	\$ 1,975,000	\$ 809,693	\$ 9,343	\$ 819,036	\$ (1,155,964)
State grants	-	21,251	-	21,251	21,251
Interest earnings	-	2,256	-	2,256	2,256
Total revenues	<u>1,975,000</u>	<u>833,200</u>	<u>9,343</u>	<u>842,543</u>	<u>(1,132,457)</u>
Expenditures					
Education	<u>1,975,000</u>	<u>809,693</u>	<u>-</u>	<u>809,693</u>	<u>1,165,307</u>
Revenues over expenditures	<u>-</u>	<u>23,507</u>	<u>9,343</u>	<u>32,850</u>	<u>32,850</u>
Other financing sources					
Transfers from other funds	<u>-</u>	<u>133,946</u>	<u>-</u>	<u>133,946</u>	<u>133,946</u>
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ 157,453</u>	<u>9,343</u>	<u>\$ 166,796</u>	<u>\$ 166,796</u>
Fund balance					
Beginning of year, July 1			<u>23,507</u>		
End of year, June 30			<u>\$ 32,850</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, 2010

	Project Author- ization	Actual		Total to Date	Variance Positive (Negative)
		Prior Years	Current Year		
Revenues					
Restricted intergovernmental					
CDBG Agreement 06-C-1616	\$ 1,100,000	\$ 430,371	459,723	\$ 890,094	\$ (209,906)
Clean Water Trust Fund 2008-810	45,000	45,000	-	45,000	-
Interest	-	949	-	949	949
Repayment of land sale - CDBG	-	3,204	-	3,204	3,204
Louisburg contribution	5,000	-	-	-	(5,000)
Total revenues	<u>1,150,000</u>	<u>479,524</u>	<u>459,723</u>	<u>939,247</u>	<u>(210,753)</u>
Expenditures					
Scattered Site	1,200,000	503,182	462,981	966,163	233,837
Clean Water Project	-	4,000	-	4,000	(4,000)
Total expenditures	<u>1,200,000</u>	<u>507,182</u>	<u>462,981</u>	<u>970,163</u>	<u>229,837</u>
Revenues under expenditures	<u>(50,000)</u>	<u>(27,658)</u>	<u>(3,258)</u>	<u>(30,916)</u>	<u>19,084</u>
Other financing sources					
Transfer from General fund	<u>50,000</u>	<u>45,000</u>	<u>-</u>	<u>45,000</u>	<u>(5,000)</u>
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ 17,342</u>	<u>(3,258)</u>	<u>\$ 14,084</u>	<u>\$ 14,084</u>
Fund balance					
Beginning of year, July 1			<u>46,620</u>		
End of year, June 30			<u>\$ 43,362</u>		

Franklin County, North Carolina
COPS Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and for the Year Ended June 30, 2010

	2010		Variance Positive (Negative)	2009
	Budget	Actual		Actual
Revenues				
Investment earnings	\$ 100,000	\$ 838	\$ (99,162)	\$ 16,048
Other financing uses				
Transfer to General fund	(100,000)	-	100,000	(38,199)
Revenues over uses	<u>\$ -</u>	838	<u>\$ 838</u>	(22,151)
Fund balance				
Beginning of year, July 1		837,294		859,445
End of year, June 30		<u>\$ 838,132</u>		<u>\$ 837,294</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, 2010

	Project Author- ization	Actual		Total to Date	Variance Positive (Negative)
		Prior Years	Current Year		
Revenues					
Restricted intergovernmental:					
Project No. 36237.31.9.1 Federal	\$ 282,512	\$ 52,671	\$ 324,282	\$ 376,953	\$ 94,441
Miscellaneous	-	-	1,150	1,150	1,150
Interest income	-	15,286	232	15,518	15,518
Total revenues	<u>282,512</u>	<u>67,957</u>	<u>325,664</u>	<u>393,621</u>	<u>111,109</u>
Expenditures					
Capital outlay:					
Project No. 36237.31.9.1 Federal	500,000	195	487,559	487,754	12,246
County Funded Projects	25,000	2,104	-	2,104	22,896
Total expenditures	<u>525,000</u>	<u>2,299</u>	<u>487,559</u>	<u>489,858</u>	<u>35,142</u>
Revenues under expenditures	<u>(242,488)</u>	<u>65,658</u>	<u>(161,895)</u>	<u>(96,237)</u>	<u>146,251</u>
Other financing sources					
Transfer from General fund	-	26,831	16,666	43,497	43,497
Appropriated fund balance	242,488	-	-	-	(242,488)
Total	<u>242,488</u>	<u>26,831</u>	<u>16,666</u>	<u>43,497</u>	<u>(198,991)</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 92,489</u>	<u>(145,229)</u>	<u>\$ (52,740)</u>	<u>\$ (52,740)</u>
Fund balance					
Beginning of year, July 1			<u>298,031</u>		
End of year, June 30			<u>\$ 152,802</u>		

Franklin County, North Carolina
County Building Project Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and for the Year Ended June 30, 2010

	Project Author- ization	Actual		Total to Date	Variance Positive (Negative)
		Prior Year	Current Year		
Revenues					
Intergovernmental revenues	\$ 500,000	\$ -	\$ -	\$ -	\$ (500,000)
Interest earnings	-	69,867	4,511	74,378	74,378
Total revenues	500,000	69,867	4,511	74,378	(425,622)
Expenditures					
Construction					
Animal Control Facility	1,350,000	1,260,933	62,950	1,323,883	26,117
Pilot Lions Park	1,000,000	28,871	100,455	129,326	870,674
E911 Facility	2,700,000	5,142	5,944	11,086	2,688,914
Total	5,050,000	1,294,946	169,349	1,464,295	3,585,705
Other financing sources					
Issuance of debt	4,050,000	4,006,000	-	4,006,000	(44,000)
Transfer from General fund	500,000	904,825	250,000	1,154,825	654,825
Total other sources	4,550,000	4,910,825	250,000	5,160,825	610,825
Total revenues and other financing sources over (under) expenditures	\$ -	\$ 3,685,746	85,162	\$ 3,770,908	\$ 3,770,908
Fund balance					
Beginning of year, July 1			3,075,619		
End of year, June 30			\$ 3,160,781		

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, 2010

	Project Author- ization	Actual		Total to Date	Variance Positive (Negative)
		Prior Year	Current Year		
Revenues					
Interest earnings	\$ -	\$ 18,425	\$ 690	\$ 19,115	\$ 19,115
Expenditures					
Appraisal	708,000	418,185	79,920	498,105	209,895
Other financing sources					
Transfer from General fund	108,000	279,503	150,000	429,503	321,503
Transfer from Special Revenue Fund	-	600,721	-	600,721	600,721
Total other sources	108,000	880,224	150,000	1,030,224	922,224
Appropriated fund balance	600,000	-	-	-	(600,000)
Total revenues and other financing sources over expenditures	\$ -	\$ 480,464	70,770	\$ 551,234	\$ 551,234
Fund balance					
Beginning of year, July 1			480,464		
End of year, June 30			\$ 551,234		

ENTERPRISE FUND

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the government's council is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; where the government's council has decided that the periodic determination of net income is appropriate for accountability purposes.

- **Water and Sewer Fund:** This fund is used to account for the operations of the County's water and sewer activities.
- **Water and Sewer Project Fund:** This fund accounts for construction of water and sewer capital assets within the County.

Franklin County, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2010

	2010		Variance Positive (Negative)	2009
	Budget	Actual		Actual
Revenues				
Operating revenues				
Water fees	\$ 4,300,000	\$ 4,229,728	\$ (70,272)	\$ 3,986,083
Sewer fees	1,400,000	1,339,485	(60,515)	1,274,065
Other charges for services	479,100	513,519	34,419	461,711
Total	<u>6,179,100</u>	<u>6,082,732</u>	<u>(96,368)</u>	<u>5,721,859</u>
Nonoperating revenues:				
Interest earnings	-	4,095	4,095	158
Miscellaneous revenues	-	2,465	2,465	-
Total	<u>-</u>	<u>6,560</u>	<u>6,560</u>	<u>158</u>
Total revenues	<u>6,179,100</u>	<u>6,089,292</u>	<u>(89,808)</u>	<u>5,722,017</u>
Expenditures - Water Dept				
Salaries and employee benefits	442,357	471,089	(28,732)	563,927
Water purchases	3,225,450	3,000,052	225,398	2,833,153
Other operating expenditures	368,500	306,551	61,949	371,901
Capital outlay	-	11,860	(11,860)	14,377
Debt service:				
Interest and other charges	309,483	301,623	7,860	428,877
Debt principal	475,000	487,000	(12,000)	460,000
Total expenditures - Water	<u>4,820,790</u>	<u>4,578,175</u>	<u>242,615</u>	<u>4,672,235</u>
Expenditures - Sewer Dept				
Salaries and employee benefits	366,265	363,764	2,501	293,097
Other operating expenditures	427,900	371,558	56,342	429,216
Capital outlay	10,000	3,421	6,579	81,082
Debt service:				
Interest and other charges	371,862	369,381	2,481	381,906
Debt principal	968,491	970,273	(1,782)	847,999
Total expenditures - Sewer	<u>2,144,518</u>	<u>2,078,397</u>	<u>66,121</u>	<u>2,033,300</u>
Total expenditures	<u>6,965,308</u>	<u>6,656,572</u>	<u>308,736</u>	<u>6,705,535</u>
Revenues under expenditures	<u>(786,208)</u>	<u>(567,280)</u>	<u>218,928</u>	<u>(983,518)</u>
Other Financing Sources (Uses)				
Transfer from Other Funds				
General Fund	786,208	786,208	-	-
Appropriated fund balance	-	-	-	-
Total	<u>786,208</u>	<u>786,208</u>	<u>-</u>	<u>-</u>
Revenues and appropriated fund balance under expenditures				
	<u>\$ -</u>	<u>\$ 218,928</u>	<u>\$ 218,928</u>	<u>\$ (983,518)</u>
Reconciliation from budgetary basis (modified accrual) to full accrual				
Revenues and other financing sources over expenditures		\$ 218,928		\$ (983,518)
Dept payments		1,457,273		1,307,999
Depreciation		(857,582)		(852,625)
Capital outlay		11,860		91,598
Decrease in accrued vacation pay		4,868		1,172
Increase in other postemployment benefits		(66,944)		(65,328)
Water and Sewer Fund full accrual		<u>768,403</u>		<u>(500,702)</u>
Water and Sewer Capital Project Fund full accrual		<u>9,594</u>		<u>267,136</u>
Change in net assets		<u>\$ 777,997</u>		<u>\$ (233,566)</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, 2010

	Project Author - ization	Actual		Total to Date	Variance Positive (Negative)
		Prior Year	Current Year		
Revenues					
Restricted intergovernmental:					
Federal grants	\$ -	\$ 959,599	\$ -	\$ 959,599	\$ 959,599
State grants	465,120	1,365,239	-	1,365,239	900,119
Investment earnings	12,000	266,134	9,594	275,728	263,728
Total revenues	<u>477,120</u>	<u>2,590,972</u>	<u>9,594</u>	<u>2,600,566</u>	<u>2,123,446</u>
Expenditures					
Construction	<u>7,615,029</u>	<u>9,233,577</u>	<u>1,675,593</u>	<u>10,909,170</u>	<u>(3,294,141)</u>
Revenues under expenditures	<u>(7,137,909)</u>	<u>(6,642,605)</u>	<u>(1,665,999)</u>	<u>(8,308,604)</u>	<u>(1,170,695)</u>
Other financing sources (uses)					
Transfer from General fund	419,917	505,294	-	505,294	85,377
Transfer to General fund	(2,000)	(913)	-	(913)	1,087
Transfer from Water and Sewer fund	600,000	600,000	-	600,000	-
Transfer to Water and Sewer fund	-	(167,909)	-	(167,909)	(167,909)
Proceeds from debt	<u>5,262,150</u>	<u>8,474,000</u>	<u>-</u>	<u>8,474,000</u>	<u>3,211,850</u>
Total other financing sources (uses) - net	<u>6,280,067</u>	<u>9,410,472</u>	<u>-</u>	<u>9,410,472</u>	<u>3,130,405</u>
Appropriated fund balance	<u>857,842</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(857,842)</u>
Revenues, appropriated fund balance, and other financing sources over expenditures and uses	<u>\$ -</u>	<u>\$ 2,767,867</u>	<u>\$ (1,665,999)</u>	<u>\$ 1,101,868</u>	<u>\$ 1,101,868</u>
Reconciliation from budgetary basis (modified accrual) to full accrual					
Revenues and other sources over expenditures and other uses			\$ (1,665,999)		
Capital outlay			<u>1,675,593</u>		
Change in net assets			<u>\$ 9,594</u>		

INTERNAL SERVICE FUNDS

Internal Service funds are used to account for the financing of goods and services provided by one department or other departments of the County.

- **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, 2010
(With Comparative Totals for the Year Ended June 30, 2009)

	2010		Variance Positive (Negative)	2009
	Budget	Actual		Actual
Revenues				
Contributions from employees	\$ 6,423,384	\$ 6,480,526	\$ 57,142	\$ 5,554,808
Interest earnings	-	350	350	62
Miscellaneous	-	22,180	22,180	-
Total revenues	6,423,384	6,503,056	79,672	5,554,870
Expenditures				
Health insurance	5,443,384	5,468,310	(24,926)	4,825,754
Property and liability insurance	380,000	331,714	48,286	358,098
Workers' compensation insurance	500,000	579,620	(79,620)	201,705
Unemployment claims	100,000	43,738	56,262	72,953
Total expenditures	6,423,384	6,423,382	2	5,458,510
Revenues over (under) expenditures	-	79,674	79,674	96,360
Appropriated fund balance	-	-	-	-
Revenues and appropriated fund balance over (under) expenditures	\$ -	79,674	\$ 79,674	96,360
Fund balances				
Beginning of year, July 1		211,844		115,484
End of year, June 30		\$ 291,518		\$ 211,844
Reconciliation from financial plan basis (modified accrual) to full accrual:				
Total revenues		\$ 6,503,056		
Total expenditures		6,423,382		
Change in net assets		\$ 79,674		

AGENCY FUNDS

Agency funds are used to account for assets held by the County as an agent for individuals, private organizations, other governments and/or other funds.

- **Social Services Fund:** This fund is used to account for the receipts and disbursements made by the County on behalf of individuals for whom the County serves as or is, in fact, their legal guardian or custodian.
- **Fines and Forfeitures Fund:** This fund is used to account 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 is used to account for the proceeds of the Ad Valorem taxes that are collected by the County on behalf of municipalities within the County.
- **State Vehicle Interest Fund:** This fund is used to account for the interest penalties on vehicle Ad Valorem taxes that are collected by the County on behalf of the State.
- **Jail Fund:** This fund is used to account for the 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, 2010**

	Balance July 1, 2009	Additions	Deductions	Balance June 30, 2010
Social Services				
Assets				
Cash and cash equivalents	\$ 67,867	\$ 293,306	\$ 302,762	\$ 58,411
Liabilities				
Miscellaneous liabilities	\$ 67,867	\$ 293,306	\$ 302,762	\$ 58,411
Fines and Forfeitures				
Assets				
Cash and cash equivalents	\$ -	\$ 301,229	\$ 301,229	\$ -
Liabilities				
Intergovernmental payable	\$ -	\$ 301,229	\$ 301,229	\$ -
Motor Vehicle Tax				
Assets				
Cash and cash equivalents	\$ -	\$ 2,440,589	\$ 2,440,589	\$ -
Liabilities				
Miscellaneous liabilities	\$ -	\$ 2,440,589	\$ 2,440,589	\$ -
State Vehicle Interest				
Assets				
Cash and cash equivalents	\$ 2,268	\$ 39,331	\$ 37,975	\$ 3,624
Liabilities				
Intergovernmental payable	\$ 2,268	\$ 39,331	\$ 37,975	\$ 3,624
Jail Fund				
Assets				
Cash and cash equivalents	\$ 8,378	\$ 158,976	\$ 158,965	\$ 8,389
Liabilities				
Miscellaneous liabilities	\$ 8,378	\$ 158,976	\$ 158,965	\$ 8,389
Totals - All Agency Funds				
Assets				
Cash and cash equivalents	\$ 78,513	\$ 3,233,431	\$ 3,241,520	\$ 70,424
Liabilities				
Miscellaneous liabilities	\$ 76,245	\$ 2,892,871	\$ 2,902,316	\$ 66,800
Intergovernmental payable	2,268	340,560	339,204	3,624
Total liabilities	\$ 78,513	\$ 3,233,431	\$ 3,241,520	\$ 70,424

OTHER SCHEDULES

This schedule contains additional information required on property taxes.

- Schedule of Ad Valorem Taxes Receivable
- Analysis of Current Tax Levy
- Secondary Market Disclosures
- Ten Largest Taxpayers

**Franklin County, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
For the Year Ended June 30, 2010**

Fiscal Year	Uncollected Balance June 30, 2009	Additions	Collections And Credits	Uncollected Balance June 30, 2010
2009-2010	\$ -	\$ 35,172,521	\$ 33,988,059	\$ 1,184,462
2008-2009	1,311,926	-	953,299	358,627
2007-2008	458,044	-	99,416	358,628
2006-2007	170,168	-	32,317	137,851
2005-2006	119,215	-	17,090	102,125
2004-2005	91,147	-	6,701	84,446
2003-2004	91,509	-	4,772	86,737
2002-2003	89,884	-	3,250	86,634
2001-2002	73,467	-	2,806	70,661
2000-2001	57,990	-	1,551	56,439
1999-2000	43,813	-	43,813	-
	<u>\$ 2,507,163</u>	<u>\$ 35,172,521</u>	<u>\$ 35,153,074</u>	<u>2,526,610</u>
				51,304
				<u>(151,000)</u>
				<u>\$ 2,426,914</u>
				Reconciliation with revenues
				Ad valorem taxes - General Fund
				<u>\$ 35,201,707</u>
				Reconciling items:
				Amounts written off for 1999-2000 levy
				42,862
				Interest collected
				(308,443)
				Discounts and adjustments
				<u>216,948</u>
				Total reconciling items
				<u>(48,633)</u>
				Total collections and credits
				<u>\$ 35,153,074</u>

Franklin County, North Carolina
 Analysis of Current Tax Levy
 County - wide Levy
 For the Year Ended June 30, 2010

	County - wide			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy					
Property taxed at current year's rate	\$ 3,513,063,867	0.008725	\$ 30,651,485	\$ 30,651,485	\$ -
Motor vehicles taxed at current year's rate	238,566,418	0.008725	2,081,492	-	2,081,492
Motor vehicles taxed at prior year's rate	142,218,967	0.008225	1,169,751	-	1,169,751
Total	<u>3,893,849,252</u>		<u>33,902,728</u>	<u>30,651,485</u>	<u>3,251,243</u>
Discoveries	141,007,564	0.008725	1,269,793	1,230,291	39,502
Abatements	<u>(29,586,819)</u>	0.008725	<u>(258,145)</u>	<u>(204,550)</u>	<u>(53,595)</u>
Total	<u>\$ 4,005,269,997</u>		34,914,376	31,677,226	3,237,150
Less, uncollected taxes at June 30, 2010			<u>1,184,462</u>	<u>709,397</u>	<u>475,065</u>
Current year's taxes collected			<u>\$ 33,729,914</u>	<u>\$ 30,967,829</u>	<u>\$ 2,762,085</u>
Current levy collection percentage			<u>96.61%</u>	<u>97.76%</u>	<u>85.32%</u>

**Franklin County, North Carolina
Analysis of Current Tax Levy
County - wide Levy
For the Year Ended June 30, 2010**

Secondary Market Disclosures:

Assessed Valuation:

Assessment Ratio ¹	100 %
Real Property	\$ 3,188,474,920
Personal Property	687,014,839
Public Service Companies ²	129,780,238
Total Assessed Valuation	\$ 4,005,269,997
 Tax Rate per \$100	 0.8725
 Levy (includes discoveries, releases and abatements) ³	 \$ 34,914,376

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, 2009:

Fire Protection Districts	\$ 1,943,135
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¹ Percentage of appraised value has been established by statute.

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

³ The levy includes interest and penalties.

**Franklin County, North Carolina
Ten Largest Taxpayers
For the Year Ended June 30, 2010**

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
Novo Nordisk	Manufacturing	\$ 124,013,060	3.03%
Progress Energy	Utility	50,135,204	1.22%
Carolina Telephone	Utility	35,975,079	0.88%
Wake Electric Membership Corporation	Utility	29,528,636	0.72%
Southern Lithoplate	Manufacturing	13,653,822	0.33%
Olde Liberty Club. Inc	Manufacturing	13,551,556	0.33%
Louisburg HMA	Hospital	12,597,692	0.31%
Harold G. Bagwell	Manufacturing	10,059,457	0.25%
Sirchie Acquisition Ompany, LLC	Manufacturing	8,626,188	0.21%
Fayard Enterprises LLC	Airport Operations	8,069,711	0.20%
Total		<u>\$ 306,210,405</u>	<u>7.48%</u>

STATISTICAL SECTION

Financial Trends

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time. They provided statistical information on Net Assets by Component, Changes in Net Assets, fund balance history, and changes to fund balance.

Revenue Capacity

These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax. They provide statistical information on General Government revenues, assessed value of taxable property, property tax rates, principal taxpayers, and property tax levies.

Debt Capacity

These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future. They provide statistical information on debt related items such as: ratios of outstanding debt, ratio of annual debt service, computation of direct and underlying bonded debt, legal debt margin and special assessments.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place. They provide ten years of statistical information on demographics and principal employees.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs. They provide ten years of statistical operational information on the county's employees by function, operating indicators by function, capital assets by function, and other statistical information.

Table 1

Franklin County, North Carolina
Net Assets by Component
(accrual basis of accounting)
Last Five Fiscal Years

	Fiscal Year Ended				
	2010	2009	2008	2007	2006
Governmental activities					
Invested in capital assets, net of related debt	\$ 22,185,107	\$ 11,105,092	\$ 22,829,989	\$ 24,016,990	\$ 21,679,627
Unrestricted	(38,579,992)	(17,970,151)	(30,128,888)	(17,329,425)	891,761
Total governmental activities net assets	<u>\$ (16,394,885)</u>	<u>\$ (6,865,059)</u>	<u>\$ (7,298,899)</u>	<u>\$ 6,687,565</u>	<u>\$ 22,571,388</u>
Business-type activities					
Invested in capital assets, net of related debt	\$ 10,171,373	\$ 7,884,229	\$ 7,639,425	\$ 10,041,448	\$ 9,680,354
Unrestricted	4,070,904	5,620,515	6,098,885	3,760,491	2,690,478
Total business-type activities net assets	<u>\$ 14,242,277</u>	<u>\$ 13,504,744</u>	<u>\$ 13,738,310</u>	<u>\$ 13,801,939</u>	<u>\$ 12,370,832</u>
Primary government					
Invested in capital assets, net of related debt	\$ 32,356,480	\$ 18,989,321	\$ 30,469,414	\$ 34,058,438	\$ 31,359,981
Unrestricted	(34,509,088)	(12,349,636)	(24,030,003)	(13,568,934)	3,582,239
Total primary government net assets	<u>\$ (2,152,608)</u>	<u>\$ 6,639,685</u>	<u>\$ 6,439,411</u>	<u>\$ 20,489,504</u>	<u>\$ 34,942,220</u>

Note: School Construction complete in 2007. School asset reverted back to school.

Note: The county began to report accrual information when it implemented GASB Statement 34 in fiscal year 2004.

Note: The county began in FY 2005-2006 compiling the above information.

Table 2

Franklin County, North Carolina
Changes in Net Assets
Last six fiscal years

	Fiscal Year Ended					
	2010	2009	2008	2007	2006	2005
Expenses						
Governmental Activities						
General government	\$ 4,888,153	\$ 5,619,743	\$ 4,325,531	\$ 7,154,891	\$ 3,772,123	\$ 5,686,247
Public Safety	18,622,921	17,287,411	17,700,123	14,440,777	12,328,799	11,462,533
Economic and physical development	5,223,772	5,734,787	5,694,167	2,627,867	3,107,944	3,212,065
Human services	16,250,663	18,243,826	18,321,190	18,251,014	17,358,323	15,821,501
Cultural and recreation	1,289,122	1,293,831	1,728,413	1,383,297	1,275,730	1,087,237
Education	27,490,479	16,985,160	32,065,518	12,209,081	13,617,183	11,202,659
Interest on long-term debt	3,250,515	3,002,457	2,508,273	1,697,224	1,351,352	1,146,215
Total governmental activities expenses	<u>77,015,625</u>	<u>68,167,215</u>	<u>82,343,215</u>	<u>57,764,151</u>	<u>52,811,454</u>	<u>49,618,457</u>
Business-type activities						
Water and Sewer Department	6,105,211	6,222,719	5,944,894	5,679,134	5,341,717	4,792,247
Total business-type activities expense	<u>6,105,211</u>	<u>6,222,719</u>	<u>5,944,894</u>	<u>5,679,134</u>	<u>5,341,717</u>	<u>4,792,247</u>
Total primary government expenses	<u>83,120,836</u>	<u>74,389,934</u>	<u>88,288,109</u>	<u>63,443,285</u>	<u>58,153,171</u>	<u>54,410,704</u>
Program Revenues						
Governmental activities:						
Charges for services:						
General government	854,040	318,880	374,128	690,055	765,073	853,792
Public Safety	3,697,253	4,658,370	2,290,945	3,669,494	2,005,405	3,056,930
Economic and physical development	3,430,203	2,701,616	2,709,670	2,509,345	1,227,746	1,245,584
Human services	3,810,360	4,034,367	3,644,913	4,369,288	4,902,180	3,603,385
Cultural and recreation	67,437	131,291	30,394	70,066	54,551	48,557
Operating grants and contributions	9,548,527	8,441,731	10,347,360	6,490,849	6,805,749	7,485,903
Capital Grants and Contributions	1,717,348	1,751,120	1,279,853	1,257,057	1,443,355	620,758
Total governmental activities program revenues	<u>23,125,168</u>	<u>22,037,375</u>	<u>20,677,263</u>	<u>19,056,154</u>	<u>17,204,059</u>	<u>16,914,909</u>
Business-type activities:						
Charges for services:						
Water and sewer	6,082,732	5,721,859	5,841,469	6,280,308	5,040,245	4,227,757
Operating grants and contributions	-	215,239	-	-	-	-
Capital Grants and Contributions	-	-	40,000	400,000	-	540,400
Total business-type activities program revenues	<u>6,082,732</u>	<u>5,937,098</u>	<u>5,881,469</u>	<u>6,680,308</u>	<u>5,040,245</u>	<u>4,768,157</u>
Total primary government program revenues	<u>29,207,900</u>	<u>27,974,473</u>	<u>26,558,732</u>	<u>25,736,462</u>	<u>22,244,304</u>	<u>21,683,066</u>

Table 2 (cont.)

Franklin County, North Carolina
Changes in Net Assets
Last six fiscal years

	Fiscal Year Ended					
	2010	2009	2008	2007	2006	2005
Net (Expense)/Revenue						
Governmental activities	(53,890,457)	(46,129,840)	(61,665,952)	(38,707,997)	(35,607,395)	(32,703,548)
Business-type activities	(22,479)	(285,621)	(63,425)	1,001,174	(301,472)	(24,090)
Total primary government net expense	(53,912,936)	(46,415,461)	(61,729,377)	(37,706,823)	(35,908,867)	(32,727,638)
General Revenues and Other Changes in Net Assets						
Governmental activities						
Taxes:						
Property Taxes	37,246,830	34,714,146	33,151,702	30,083,554	28,883,215	27,545,182
Sales Taxes	7,326,661	9,526,281	11,207,755	11,152,255	10,102,630	9,434,955
Investment Earnings	762,901	532,190	1,741,188	2,170,710	1,002,338	464,709
Miscellaneous - Unrestricted	346,728	1,616,200	1,313,221	1,513,097	1,460,931	683,157
Transfers	(786,208)	194	265,622	(298,492)	(915,272)	(1,341,117)
Total government activities	44,896,912	46,389,011	47,679,488	44,621,124	40,533,842	36,786,886
Business-type activities:						
Investment earnings/Misc.	16,154	52,249	265,418	131,441	58,743	37,881
Transfers	786,208	(194)	(265,622)	298,492	915,272	1,341,117
Total business-type activities	802,362	52,055	(204)	429,933	974,015	1,378,998
Total primary government	45,699,274	46,441,066	47,679,284	45,051,057	41,507,857	38,165,884
Change in Net Assets						
Governmental activities	(8,993,545)	259,171	(13,986,464)	5,913,127	4,926,447	4,083,338
Business-type activities	779,883	(233,566)	(63,629)	1,431,107	672,543	1,354,908
Total primary government	\$ (8,213,662)	\$ 25,605	\$ (14,050,093)	\$ 7,344,234	\$ 5,598,990	\$ 5,438,246

Note: The county began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003-2004. Information not available for fiscal years before FYE 2004-2005

Table 3

Franklin County, North Carolina
Fund Balances of Governmental Funds
Last Ten years

	Fiscal Year Ended									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
General Fund										
Reserved	\$ 3,525,597	\$ 3,124,757	\$ 2,481,839	\$ 4,106,149	\$ 3,319,202	\$ 1,885,697	\$ 2,340,493	\$ 2,997,313	\$ 2,588,169	\$ 2,143,097
Unreserved - restricted	4,276,748	2,459,288	4,308,826	2,760,430	3,413,413	2,665,434	1,324,861	1,520,050	2,500,640	1,811,761
Unreserved - Undesignated	13,312,790	13,569,126	11,455,767	11,730,851	12,164,678	12,870,944	10,033,424	8,988,585	7,173,874	7,745,970
Total general fund	<u>\$ 21,115,135</u>	<u>\$ 19,153,171</u>	<u>\$ 18,246,432</u>	<u>\$ 18,597,430</u>	<u>\$ 18,897,293</u>	<u>\$ 17,422,075</u>	<u>\$ 13,698,778</u>	<u>\$ 13,505,948</u>	<u>\$ 12,262,683</u>	<u>\$ 11,700,828</u>
All other Governmental Funds										
Reserved	\$ 6,313,368	\$ 3,661,522	\$ 4,699,959	\$ 2,925,146	\$ 1,359,771	\$ 1,476,760	\$ 1,368,317	\$ 1,760,634	\$ 1,766,715	\$ 742,878
Unreserved, reported in:										
Special revenue funds	2,571,326	2,449,207	2,290,957	2,120,902	1,836,870	879,386	3,169,569	2,796,099	2,407,477	2,142,119
Capital projects funds	1,130,004	1,112,012	1,386,415	13,107,522	(543,129)	1,740,520	298,872	529,217	178,569	4,648,142
Total all other governmental funds	<u>\$ 10,014,698</u>	<u>\$ 7,222,741</u>	<u>\$ 8,377,331</u>	<u>\$ 18,153,570</u>	<u>\$ 2,653,512</u>	<u>\$ 4,096,666</u>	<u>\$ 4,836,758</u>	<u>\$ 5,085,950</u>	<u>\$ 4,352,761</u>	<u>\$ 7,533,139</u>

Note: Fund Balance in Capital Projects Fund is due to unspent Bond Proceeds.

Table 4

Franklin County, North Carolina
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years

	Fiscal Year Ended									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Revenues										
Taxes	\$ 37,383,075	\$ 34,403,249	\$ 32,680,351	\$ 30,126,452	\$ 28,870,947	\$ 27,608,437	\$ 26,414,550	\$ 25,266,653	\$ 22,964,733	\$ 20,097,374
Sales Tax	7,326,661	9,526,281	11,207,755	11,152,255	10,102,630	9,434,955	8,379,344	6,954,074	6,345,460	6,311,134
Other taxes and licenses	452,625	565,845	299,491	289,430	299,512	264,775	273,067	261,224	269,212	250,749
Unrestricted Intergovernmental	436,869	552,577	637,646	348,831	302,293	272,333	309,898	255,169	659,512	1,100,522
Restricted Intergovernmental	10,489,372	10,066,937	9,360,249	7,905,708	8,159,323	7,576,655	7,347,755	8,875,627	11,399,115	10,005,999
Permits and Fees	1,425,010	1,196,976	2,268,394	2,154,766	1,804,380	1,528,965	1,312,113	1,212,207	1,026,251	980,898
Sales and service	10,305,981	10,836,080	9,097,445	9,431,137	7,547,553	7,528,753	7,163,442	7,069,189	6,200,518	5,233,026
Investment Earnings	853,869	532,190	1,739,204	2,143,720	979,838	480,463	257,474	357,237	569,923	1,209,803
Other revenues	339,916	306,259	120,879	172,869	603,775	425,026	415,691	246,941	260,530	486,074
Total revenues	69,013,378	67,986,394	67,411,414	63,725,168	58,670,251	55,120,362	51,873,334	50,498,321	49,695,254	45,675,579
Expenditures										
General government	4,585,485	4,822,336	4,947,681	6,887,064	3,808,263	4,411,047	3,936,179	3,425,795	2,661,002	2,892,083
Public Safety	18,155,489	16,896,492	16,989,641	14,136,087	12,517,803	10,909,475	10,932,115	10,042,570	9,027,151	9,101,312
Economic and Physical development	4,888,291	5,419,791	5,397,420	5,128,599	4,896,599	5,598,734	5,295,621	4,297,477	1,790,994	822,495
Human Services	15,933,092	17,436,101	18,410,690	17,937,867	17,415,333	16,292,325	15,305,034	14,631,324	14,454,618	13,973,949
Cultural and recreation	1,148,243	1,346,031	1,625,597	1,286,120	1,198,617	1,015,483	1,126,094	1,015,441	1,724,629	973,244
Education	13,007,248	13,196,086	13,061,750	12,209,081	13,617,183	11,202,659	10,004,326	11,305,139	7,381,815	6,948,736
Capital outlay	15,140,139	4,189,528	19,902,241	20,280,156	392,655	445,671	582,658	349,022	9,890,303	6,620,167
Debt service:										
Principal	5,134,503	4,920,907	3,837,682	2,738,778	2,888,782	2,508,598	2,605,200	2,591,256	2,562,902	2,274,615
Interest and other fees	3,078,744	3,004,725	2,508,273	1,697,224	1,351,352	1,502,858	1,588,798	1,702,372	1,825,453	1,740,010
Total Expenditures	81,071,234	71,231,997	86,680,975	82,300,976	58,086,587	53,886,850	51,376,025	49,360,396	51,318,867	45,346,611
Excess of revenues over (under) expenditures	(12,057,856)	(3,245,603)	(19,269,561)	(18,575,808)	583,664	1,233,512	497,309	1,137,925	(1,623,613)	328,968

Table 4 (cont.)

Franklin County, North Carolina
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years

	Fiscal Year Ended									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Other Financing Sources (Uses)										
Transfers to other funds	(4,143,574)	(3,400,565)	(3,926,247)	(3,124,502)	(3,953,044)	(5,070,524)	(3,680,370)	(4,372,737)	(4,505,060)	(3,678,783)
Transfers from other funds	3,357,366	3,400,759	4,191,869	2,826,010	3,037,772	3,729,407	2,307,497	3,372,930	3,505,060	2,456,288
Sale of capital assets	-	-	245,728	5,000	-	35,150	177,172	2,397	5,090	142,238
Inc.\(Dec) in reserve for inventory	(2,016)	(40,025)	-	(25,495)	56,965	-	-	-	-	-
Proceeds from long-term debt	17,600,000	14,905,000	8,600,000	34,095,000	304,707	3,150,000	642,000	-	-	4,000,000
Proceeds of refunded debt	-	(11,867,417)	-	-	-	5,550,000	-	-	-	-
Payment to refunded debt escrow	-	-	-	-	-	(5,586,950)	-	-	-	-
Total other financing sources (uses)	16,811,776	2,997,752	9,111,350	33,776,013	(553,600)	1,807,083	(553,701)	(997,410)	(994,910)	2,919,743
Net changes in fund balance	\$ 4,753,920	\$ (247,851)	\$ (10,158,211)	\$ 15,200,205	\$ 30,064	\$ 3,040,595	\$ (56,392)	\$ 140,515	\$ (2,618,523)	\$ 3,248,711
Debt service as a percentage of noncapital expenditures	12.46%	11.82%	9.50%	7.15%	7.35%	7.51%	8.26%	8.76%	10.59%	10.37%

Table 5

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
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
2006	3,388,554,430	13,445,000	0.3968%	55,449	242.48
2007	3,553,765,823	32,235,000	0.9071%	55,886	576.80
2008	3,785,255,683	38,800,000	1.0250%	56,470	687.09
2009	3,921,071,975	31,730,000	0.8092%	57,332	553.44
2010	\$ 4,005,269,997	\$ 47,490,000	1.1857%	59,201	802.18

Source: NC Office of State Planning.
Franklin County Tax Assessor's Office

Table 6

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
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%
2006	1,115,000	611,492	1,726,492	58,086,587	2.97%
2007	1,120,000	553,118	1,673,118	82,300,976	2.03%
2008	2,125,000	1,508,880	3,633,880	86,680,975	4.19%
*2009	7,070,000	1,703,571	8,773,571	71,231,997	12.32%
2010	\$ 1,840,000	\$ 1,560,593	\$ 3,400,593	\$ 81,071,234	4.19%

Note: Includes General, Special Revenue and Capital Projects.

Does not include COP Debt. expended in the school construction fund

* In FY 2008-2009, the county refunded \$5.8 million in GO Bonds

Table 7

Franklin County, North Carolina
 Legal Debt Margin Information
 Last Ten Years

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Assessed Value of Taxable Property	\$ 4,005,269,997	\$ 3,921,071,975	\$ 3,785,255,683	\$ 3,553,765,823	\$ 3,388,554,430	\$ 3,103,720,609	\$ 2,505,635,618	\$ 2,372,622,790	\$ 2,279,050,498	\$ 2,153,377,354
	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%
Debt Limit - 8 Percent of Assessed Value	<u>320,421,600</u>	<u>313,685,758</u>	<u>302,820,455</u>	<u>284,301,266</u>	<u>271,084,354</u>	<u>248,297,649</u>	<u>200,450,849</u>	<u>189,809,823</u>	<u>182,324,040</u>	<u>172,270,188</u>
Gross debt										
Total bonded debt	47,490,000	31,730,000	38,800,000	32,325,000	13,445,000	14,600,000	13,875,000	14,850,000	15,825,000	16,800,000
Authorized and unissued bonds	35,400,000	53,000,000	53,000,000	8,600,000	28,600,000	28,600,000	-	-	-	-
Lease financing agreements	27,941,600	31,236,102	28,389,423	27,762,105	15,343,228	16,840,000	16,690,160	17,711,099	19,327,355	20,915,257
Gross Debt	<u>110,831,600</u>	<u>115,966,102</u>	<u>120,189,423</u>	<u>68,687,105</u>	<u>57,388,228</u>	<u>60,040,000</u>	<u>30,565,160</u>	<u>32,561,099</u>	<u>35,152,355</u>	<u>37,715,257</u>
Total net debt applicable to limit	<u>110,831,600</u>	<u>115,966,102</u>	<u>120,189,423</u>	<u>68,687,105</u>	<u>57,388,228</u>	<u>60,040,000</u>	<u>30,565,160</u>	<u>32,561,099</u>	<u>35,152,355</u>	<u>37,715,257</u>
Legal Debt Margin	<u>\$ 209,590,000</u>	<u>\$ 197,719,656</u>	<u>\$ 182,631,032</u>	<u>\$ 215,614,161</u>	<u>\$ 213,696,126</u>	<u>\$ 188,257,649</u>	<u>\$ 169,885,689</u>	<u>\$ 157,248,724</u>	<u>\$ 147,171,685</u>	<u>\$ 134,554,931</u>
Total net debt applicable to the limit as a percentage of debt limit	34.59%	36.97%	39.69%	24.16%	21.17%	24.18%	15.25%	17.15%	19.28%	21.89%

Table 8

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
2001	0.7600	0.6400	0.5150	0.6600	0.8800	N/A
2002	0.7600	0.6800	0.5250	0.6600	0.9450	N/A
2003	0.7600	0.6800	0.5250	0.6600	0.9995	N/A
2004	0.6900	0.6800	0.4850	0.5600	0.9995	0.5400
2005	0.6900	0.6800	0.4850	0.5600	0.7900	0.5400
2006	0.6900	0.6800	0.4850	0.5600	0.7900	0.5400
2007	0.6900	0.6800	0.4850	0.5600	0.7900	0.5400
2008	0.6900	0.6800	0.4850	0.5400	0.8225	0.5500
2009	0.6900	0.6800	0.5350	0.5400	0.8225	0.5100
2010	0.6900	0.6800	0.5350	0.5700	0.8725	0.5100

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 into Franklin County in 2003.

Source: Franklin County Tax Office

Table 9

**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	County Tax Rate	Revenue Generated
2001	\$ 1,670,944,146	\$ 402,272,197	\$ 80,161,011	\$ 2,153,377,354	0.8800	\$ 18,949,721
2002	1,737,762,751	451,096,588	90,191,159	2,279,050,498	0.9450	21,537,027
2003	1,840,115,056	458,722,309	73,785,425	2,372,622,790	0.9995	23,714,365
2004	1,924,008,866	508,064,402	73,562,350	2,505,635,618	0.9995	25,043,828
2005	2,510,945,604	499,925,053	92,849,952	3,103,720,609	0.7900	24,519,393
2006	2,573,038,787	719,423,960	96,091,683	3,388,554,430	0.7900	26,769,580
2007	2,902,730,621	531,693,579	119,341,623	3,553,765,823	0.7900	28,074,750
2008	3,086,546,778	552,724,295	123,678,987	3,762,950,060	0.8225	30,950,264
2009	3,194,138,237	595,944,194	130,989,544	3,921,071,975	0.8225	32,250,817
2010	\$ 3,188,474,920	\$ 687,014,839	\$ 129,780,238	\$ 4,005,269,997	0.8725	\$ 34,945,981

Table 10

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

Fiscal Year Ended June 30	Total Tax Levy	Current Tax Levy	% of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Ratio of Total Tax Collections To Tax Levy	Outstanding Delinquent Taxes	Ratio of Delinquent Taxes to Tax Levy
2001	\$ 20,099,929	\$ 18,921,664	95.10%	\$ 633,257	\$ 19,554,921	97.29%	\$ 1,474,335	7.34%
2002	23,041,108	21,566,773	95.70%	823,596	22,390,369	97.18%	650,739	2.82%
2003	25,294,585	23,725,840	95.70%	834,749	24,560,589	97.10%	733,996	2.90%
2004	26,812,621	25,044,383	96.06%	878,243	25,922,626	96.68%	889,995	3.32%
2005	27,545,220	25,667,255	96.74%	933,346	26,600,601	96.57%	944,619	3.43%
2006	28,502,647	26,738,015	96.88%	850,441	26,738,015	93.81%	1,764,632	6.19%
2007	29,633,368	27,868,736	97.10%	884,048	27,944,872	94.30%	1,688,496	5.70%
2008	32,650,011	30,961,515	96.34%	681,402	30,510,776	93.45%	2,139,235	6.55%
2009	34,523,515	32,209,611	95.93%	1,001,978	32,016,352	92.74%	2,507,163	7.26%
2010	\$ 37,679,684	\$ 35,172,521	96.61%	\$ 1,165,015	\$ 35,153,074	93.29%	\$ 2,526,610	6.71%

Table 11

**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
2001	#####	\$ 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
2006	28,870,947	10,102,630	299,512	8,461,616	1,804,380	7,547,553	979,838	603,775	58,670,251
2007	30,126,452	11,152,255	289,430	8,254,539	2,154,766	9,431,137	2,143,720	172,869	63,725,168
2008	32,680,351	11,207,755	299,491	9,997,895	2,268,394	9,097,445	1,739,204	120,879	67,411,414
2009	34,403,249	9,526,281	565,845	10,619,514	1,196,976	10,836,080	532,190	306,259	67,986,394
2010	#####	\$ 7,326,661	\$ 452,625	\$ 10,926,241	\$ 1,425,010	\$ 10,305,981	\$ 853,869	\$ 339,916	\$ 69,013,378

Notes: Includes General, Special Revenue, and Capital Projects Fund.
 In January 2003, The county implemented an additional 1/2 cent sales tax.
 Sales Tax has been reduced due to the State taking Article 44 for Medicaid payments

Table 12

**Franklin County, North Carolina
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years**

Fiscal Year	Governmental Activities			Business-type Activities			Total Primary Government	Per Capita Income	Personal Income	Percentage of Personal Income	Population	Debt Per Capita
	General Obligation Bonds	Installment Financings	Certificates of Participation	General Obligation Bonds	Installment Financings	Certificates of Participation						
2001	\$ 16,800,000	\$ 4,805,124	\$ 16,110,166	-	\$ 3,600,000	\$ 10,505,000	\$ 51,820,290	\$ 20,932	\$ 995,211,940	5.2070%	47,545	\$ 1,090
2002	15,825,000	4,317,850	15,009,505	-	3,420,000	10,145,000	48,717,355	23,276	1,136,287,768	4.2874%	48,818	998
2003	14,850,000	3,820,256	13,890,843	-	3,240,000	9,770,000	45,571,099	23,276	1,188,914,804	3.8330%	51,079	892
2004	13,875,000	3,937,202	12,752,958	-	3,060,000	15,575,210	49,200,370	24,043	1,270,792,765	3.8716%	52,855	931
2005	14,600,000	5,110,544	11,729,556	-	2,880,000	14,831,033	49,151,133	24,264	1,314,647,784	3.7387%	54,181	907
2006	13,445,000	4,384,873	10,654,276	-	2,700,000	14,056,515	45,240,664	25,191	1,396,815,759	3.2388%	55,449	816
2007	32,325,000	4,131,424	23,630,681	-	2,520,000	16,407,221	79,014,326	25,890	1,414,126,000	5.5875%	55,886	1,414
2008	38,800,000	3,602,169	22,447,254	-	2,340,000	15,572,547	82,761,970	26,419	1,464,955,000	5.6495%	56,470	1,466
2009	31,730,000	17,851,103	13,384,999	-	11,250,300	7,328,248	81,544,650	26,419	1,579,458,000	5.1628%	57,332	1,422
2010	\$ 47,490,000	\$ 15,266,600	\$ 12,675,000	-	\$10,370,900	\$ 6,750,375	\$ 92,552,875	\$ 21,664	\$ 1,282,530,464	7.2164%	59,201	\$ 1,563

Table 13

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

Fiscal Year Ended June 30	General Government	Public Safety	Transportation	Economic and Physical Development	Human Services	Cultural & Recreation	Education	Capital Outlay	Debt Service	Total
2001	\$ 2,892,083	\$ 9,101,312	\$ 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	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	-	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	-	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	-	5,841,195	16,292,325	1,015,483	11,202,659	445,671	4,011,456	53,886,850
2006	3,808,263	12,517,803	-	4,896,599	17,415,333	1,198,617	13,617,183	392,655	4,240,134	58,086,587
2007	6,887,064	14,136,087	-	5,128,599	17,937,867	1,286,120	12,209,081	20,280,156	4,436,002	82,300,976
2008	4,947,681	16,989,641	-	5,397,420	18,410,690	1,625,597	13,061,750	19,902,241	6,345,955	86,680,975
2009	4,822,336	16,896,492	-	5,419,791	17,436,101	1,346,031	13,196,086	4,189,528	7,925,632	71,231,997
2010	\$ 4,585,485	\$ 18,155,489	\$ -	\$ 4,888,291	\$ 15,933,092	\$ 1,148,243	\$ 13,007,248	\$ 15,140,139	\$ 8,213,247	\$ 81,071,234

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.

Table 14

**Franklin County, North Carolina
Computation of Direct and Underlying Debt
General Obligation Bonds
Fiscal Year ended June 30, 2010**

	<u>Net General Obligation Bonded debt</u>	<u>Percent Applicable To County</u>	<u>Amount Applicable To County</u>
Direct:			
Franklin County	\$ 47,490,000	100.00%	\$ 47,490,000
Underlying:			
Town of Louisburg	-	0.00%	-
Town of Bunn	55,000	0.00%	-
Town of Youngsville	-	0.00%	-
Town of Franklinton	<u>950,000</u>	0.00%	<u>-</u>
Totals	<u>\$ 48,495,000</u>		<u>\$ 47,490,000</u>

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

Table 15

**Franklin County, North Carolina
Demographic Statistics
Last Ten Years**

Fiscal Year Ended June 30	Population	Personal Income	Per Capita Income	Median Age	Education Level in Years of Schooling	School Enrollment	Unemployment Rate
2001	\$ 48,522	\$ 995,211,940	\$ 20,932	35.94	N/A	7,623	3.80%
2002	48,818	1,136,287,768	23,276	36.06	N/A	7,685	6.60%
2003	51,079	1,188,914,804	23,276	36.15	N/A	7,943	5.90%
2004	52,855	1,270,792,765	24,043	36.26	N/A	7,914	3.80%
2005	54,181	1,314,647,784	24,264	36.36	N/A	8,066	4.90%
2006	55,449	1,396,815,759	25,191	36.10	N/A	7,865	4.10%
2007	55,886	1,414,126,000	25,890	35.80	N/A	8,300	4.80%
2008	56,470	1,464,955,000	26,419	35.80	N/A	8,296	7.00%
2009	57,332	1,579,458,000	27,685	38.00	N/A	8,458	10.40%
2010	\$ 59,201	\$1,282,530,464	\$ 21,664	38.00	N/A	8,437	9.90%

SOURCE: 1) Office of State Planning.
2) US Department of Commerce, Bureau of Economic Analysis
3) In 2005-2006, the school system discontinued their pre-k program.

Table 16

**County of Franklin NC
Principal Employers
Current Year and Nine Years Ago**

Employer	Fiscal Year Ending 2010			Fiscal Year Ending 2001		
	Employees	Rank	% of Total Employment	Employees	Rank	% of Total Employment
Novozymes North America	463	1	3.97%	N/A	N/A	N/A
Embarq	371	2	3.18%	N/A	N/A	N/A
Franklin Regional	315	3	2.70%	N/A	N/A	N/A
K-Flex	225	4	1.93%	N/A	N/A	N/A
Food Lion LLC	205	5	1.76%	N/A	N/A	N/A
Hon Company	150	6	1.29%	N/A	N/A	N/A
Alcan Packaging	182	7	1.56%	N/A	N/A	N/A
Wal-Mart	320	8	2.74%	N/A	N/A	N/A
Captive-Aire Systems	130	9	1.11%	N/A	N/A	N/A
Southern Lithoplate	130	10	1.11%	N/A	N/A	N/A
Total	2,491		21.34%			

Note: Total jobs available in 2010 was 11,672

Source: Economic Development Department

Table 17

County of Franklin NC
Full-Time Equivalent County Government Employees by Function/Program
Last Ten Years

	Fiscal Year Ended									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
General Government:										
Manager\Administration	6	4	4	3	3	3	3	2	2	N/A
Information Technology	3	2	2	2	1	-	-	-	-	N/A
Elections	3	3	3	3	3	3	3	2	2	N/A
Finance Office	5	5	5	6	5	5	5	5	5	N/A
Tax Assessor	9	9	9	9	9	9	9	9	9	N/A
Tax Collector	6	5	5	5	5	5	5	4	4	N/A
Register of Deeds	5	5	5	5	5	5	5	5	5	N/A
Planning	5	5	7	7	6	6	6	8	8	N/A
Public Buildings-Maintenance	12	12	12	12	12	13	13	13	13	N/A
Public Safety:										
Inspections	8	8	9	9	9	9	9	8	6	N/A
GIS	3	3	3	3	3	3	3	3	3	N/A
Sheriff's Department	70	64	63	61	47	45	44	41	41	N/A
Communications - E911	18	17	17	14	12	12	12	11	10	N/A
Jail Operations	35	33	41	40	38	35	31	35	35	N/A
Emergency Medical Services	58	54	59	46	37	29	30	30	30	N/A
Emergency Management	3	4	4	4	3	3	3	3	3	N/A
Animal Control	5	5	5	5	5	4	4	4	3	N/A
Economic and physical development:										
Solid Waste-Landfill	6	6	6	6	6	6	6	6	6	N/A
Soil and Water Conservation	4	4	4	4	4	4	4	3	3	N/A
Airport Operations	3	3	3	1	1	-	-	-	-	N/A
Cooperative Extension	0	3	3	3	1	2	3	2	2	N/A
Economic Development	3	3	3	3	3	2	2	2	2	N/A
Human Services:										
Health Department	63	59	66	70	73	73	74	76	79	N/A
Social Services	99	91	93	92	89	87	87	108	108	N/A
Aging Department	11	11	11	11	11	9	9	10	10	N/A
Veterans Services	1	2	2	2	2	1	1	1	1	N/A
Cultural and recreation:										
Library	9	9	8	8	8	8	8	8	8	N/A
Recreation	3	3	3	4	5	5	5	5	5	N/A
Water and Sewer Department	<u>16</u>	<u>16</u>	<u>18</u>	<u>18</u>	<u>17</u>	<u>17</u>	<u>16</u>	<u>17</u>	<u>17</u>	N/A
Total Full-Time Positions	<u>472</u>	<u>448</u>	<u>473</u>	<u>456</u>	<u>423</u>	<u>403</u>	<u>400</u>	<u>421</u>	<u>420</u>	

Notes: All full-time employees are scheduled to work 2,080 hours in a given year.

Source: Franklin County Finance Office

Table 18

**Franklin County, North Carolina
Construction
Last Ten Years**

Fiscal Year Ended June 30	Residential		Commercial		Total Value
	Number of Permits	Value	Number of Permits	Value	
2001	1,179	\$ 50,293,710	63	\$ 14,549,655	\$ 64,843,365
2002	936	69,326,133	58	9,058,159	78,384,292
2003	821	65,037,663	79	7,113,535	72,151,198
2004	681	67,272,867	42	16,454,470	83,727,337
2005	780	85,505,266	51	17,400,616	102,905,882
2006	732	97,858,914	72	23,711,653	121,570,567
2007	811	113,445,908	65	19,132,011	132,577,919
2008	638	68,670,110	93	37,916,101	106,586,211
2009	566	35,798,506	69	16,211,335	52,009,841
2010	785	\$ 46,949,529	75	\$ 46,944,565	\$ 93,894,094

SOURCE: Franklin County Planning Department

Table 19

**Franklin County, North Carolina
Principal Taxpayers
Current Year and Nine Years Ago
For Fiscal Year Ended 2010**

Taxpayer	Rank	2010 Assessed Valuation	Percentage of Total Assessed Valuation	Property Taxes Paid	Rank	2001 Assessed Valuation	Percentage of Total Assessed Valuation	Property Taxes Paid
Novo Nordisk	1	\$ 124,013,060	3.10%	\$ 1,020,007	1	\$ 112,792,133	5.24%	\$ 924,895
Progress Energy	2	50,135,204	1.25%	412,362	3	19,036,003	0.88%	156,095
Carolina Telephone	3	35,975,079	0.90%	295,895	2	36,039,881	1.67%	295,527
Wake Electric	4	29,528,636	0.74%	242,873	4	16,674,669	0.77%	136,732
Southern Lithoplate	5	13,653,822	0.34%	112,303		-	-	-
Olde Liberty Club	6	13,551,556	0.34%	111,462		-	-	-
Franklin Regional	7	12,597,692	0.31%	103,616	6	8,284,446	0.38%	67,932
Harold G. Bagwell	8	10,059,457	0.25%	82,739	7	7,454,255	0.35%	61,125
Sirchie Finger Print Lab, Inc.	9	8,626,188	0.22%	70,950		-	-	-
Fayard Enterprises LLC	10	8,069,711	0.20%	66,373	10	5,584,972	0.26%	45,797
HON Company			0.00%	-	5	10,809,290	0.50%	88,636
NOMACO			0.00%	-	8	6,977,937	0.32%	57,219
Boston Gear			0.00%	-	9	6,053,255	0.28%	49,637
Joyner Manufacturing			0.00%	-		-	-	-
Totals		<u>\$ 306,210,405</u>	<u>7.65%</u>	<u>\$ 2,518,581</u>	Totals	<u>\$ 229,706,841</u>	<u>10.67%</u>	<u>\$ 1,883,596</u>

Source: Franklin County Tax Office

Table 20

**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
2001	\$ 88,257	\$ 38,725
2002	-	54,558
2003	-	55,543
2004	-	66,963
2005	-	61,519
2006	-	61,252
2007	-	42,076
2008	-	1,860
2009	-	477
2010	\$ -	\$ -

Note: Franklin County completed paving of streets for the North Raleigh Farms and Inglewood subdivisions. All assessments were paid in full as of 6/30/2010

Table 21

**Franklin County, North Carolina
Operating Indicators by Function/Program
Last Ten Fiscal Years**

<u>Function/Program</u>	<u>Fiscal Year Ended</u>									
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
General Government:										
Registered voters	36,326	36,454	34,478	31,500	31,201	30,188	30,119	27,119	26,294	25,842
New Residential Building Permits	785	936	507	794	743	780	715	754	935	N/A
Land parcels	39,650	39,500	39,451	39,039	38,291	37,247	36,347	36,856	35,153	34,464
Tax bills mailed	122,215	121,100	120,800	118,875	117,746	111,082	106,082	100,295	95,112	89,391
Marriage licensed issued	307	324	344	320	331	335	314	291	331	310
Public Safety:										
Physical arrests	425	N/A	360	360	284	324	350	356	237	N/A
Ave monthly jail inmate count	150	160	125	125	101	112	114	91	107	96
E 911 emergency calls received	62,563	60,353	60,741	49,876	43,234	37,234	32,357	34,034	N/A	N/A
EMS/Rescue calls made	6,397	5,891	6,283	6,231	N/A	N/A	N/A	N/A	N/A	N/A
Economic and physical development:										
Tons of trash handled at landfill	31,256	29,802	34,323	34,059	35,649	38,893	42,813	43,587	38,129	35,462
Aircraft based at county airport	85	78	79	85	57	N/A	N/A	N/A	N/A	N/A
Human services:										
Number of medicaid eligibles	10,026	9,311	8,928	8,465	8,493	7,930	7,426	7,361	6,981	6,466
Number of Food Stamp eligibles	8,815	7,788	6,202	5,888	5,817	5,252	4,782	4,338	4,237	3,360
Number of hospitals	1	1	1	1	1	1	1	1	1	1
Number of patient beds	70	70	85	85	85	N/A	N/A	N/A	N/A	N/A
Cultural and Recreation										
Number of public libraries	4	4	4	4	4	4	4	4	4	4
Number of volumes	89,563	107,615	107,615	107,615	109,133	105,288	105,033	100,820	99,583	91,401
Number of parks and ball fields	4	3	3	3	3	3	3	2	2	2
Water and Sewer:										
Number of customers - water	2,894	2,889	2,689	2,613	2,564	2,183	1,554	1,324	1,015	604
Average daily consumption (gals)	1,785,000	1,800,000	1,689,000	2,039,587	1,678,219	1,653,962	1,613,562	1,316,775	1,350,000	1,134,452
Miles of water lines	161	160	153	146	137	135	128	120	120	90
Miles of sewer lines	46	45	37	32	31	30	29	25	42	24

Sources: Board of Elections, Social Services, Water Department, other county departments.

Note: Franklin County became the FBO for the airport in April 2006.

Table 22

Franklin County, North Carolina
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

Function/Program	Fiscal Year Ended										
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	
General Government:											
County office buildings	3	3	3	3	3	3	3	3	3	3	N/A
Vehicles	2	2	2	2	1	1	1	1	1	1	N/A
Public Safety:											
Stations	5	5	5	4	4	4	4	4	4	4	N/A
Vehicles	75	70	70	62	59	57	57	56	56	56	N/A
Economic and Physical Development:											
Vehicles	2	2	2	2	1	1	1	1	1	1	N/A
Buildings	1	1	1	1	-	-	-	-	-	-	N/A
Cultural and Recreation											
Acreage	90	78	78	78	78	78	78	78	78	78	N/A
Playgrounds	4	3	3	2	2	2	2	2	2	2	N/A
Baseball fields	4	3	3	3	3	3	3	3	3	3	N/A
Softball fields	3	2	2	2	2	2	2	2	2	2	N/A
Football fields	1	1	1	1	1	1	1	1	1	1	N/A
Parks buildings	1	1	1	1	1	1	1	1	1	1	N/A
Library buildings	4	4	4	4	4	4	4	4	4	4	N/A
Vehicles	6	6	6	6	5	5	5	5	5	5	N/A
Water and Sewer											
Water mains (miles)	160	160	152	146	137	135	128	120	120	120	90
Fire hydrants	175	175	150	115	105	105	105	105	105	105	N/A
Elevated tanks	3	3	3	3	3	3	3	3	3	3	N/A
Storage capacity (gallons)	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	300,000	N/A
Sewer mains (miles)	45	45	37	32	31	30	29	25	24	24	24
Treatment capacity (gallons)	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	1,000,000	1,000,000	1,000,000	1,000,000	N/A

Source: Franklin County Finance Office

Table 23

**Franklin County, North Carolina
Other Statistical Information
June 30, 2010**

Date of establishment	1,779
Form of government	Commissioner/Manager
Employees:	
Full-time, regular	472
Part-time, regular	95
Franklin County facilities and services	
Sheriff protection	
Number of stations	2
Number of deputies and officers	60
Number of patrol units	6
Inspections	
Residential Building permits issued	785
Cultural and recreational	
Number of libraries	4
Number of volumes	105,500
Water and Sewer	
Number of customers	2,906
Average daily consumption (in gallons)	587
Miles of water mains	160
Miles of sanitary sewers	45
Facilities and services not included in the primary government	
Hospitals	
Number of hospitals	1
Number of patient beds	85
Facilities and services not included in the reporting entity	
Education	
Number of school systems	2
Number of community colleges	1
Number of junior colleges	1
Recreation	
Golf Courses	3
Swimming Pools - All Private	5

COMPLIANCE SECTION

Winston, Williams, Creech, Evans, & Company, LLP

Certified Public Accountants



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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 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, 2010, which collectively comprises Franklin County's basic financial statements, and have issued our report thereon dated December 10, 2010. 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.

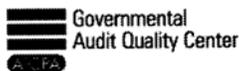
Internal Control over Financial Reporting

In planning and performing our audit, we considered Franklin County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Franklin County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Franklin County's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as we discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies in internal control over financial reporting [10-1]. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As a 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 *Governmental Auditing Standards*.

The County's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the County's response and, accordingly, we express no opinion on it.

We noted certain matters that we reported to management of Franklin County in a separate letter dated December 10, 2010.

This report is intended solely for the information and use of the audit committee, management, others within the entity, members of the Board 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.

Winston, Williams, Creech, Evans & Company, LLP

Winston, Williams, Creech, Evans & Company, LLP
Certified Public Accountants
December 10, 2010

Winston, Williams, Creech, Evans, & Company, LLP

Certified Public Accountants



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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 Board of County Commissioners
Franklin County, North Carolina

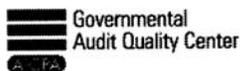
Compliance

We have audited the Franklin County, North Carolina, compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of Franklin County's major federal programs for the year ended June 30, 2010. 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

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Internal Control over Compliance

Management of Franklin County is responsible for establishing and maintaining effective internal control over compliance with the 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 to determine the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We noted certain matters that we reported to management of Franklin County in a separate letter dated December 10, 2010.

This report is intended solely for the information and use of the audit committee, management, others within the entity, members of the Board 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.

Winston, Williams, Creech, Evans & Company, LLP

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Certified Public Accountants
December 10, 2010

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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 Board of County Commissioners
Franklin County, North Carolina

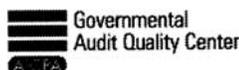
Compliance

We have audited the Franklin County, North Carolina, compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of its major State programs for the year ended June 30, 2010. 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 Franklin County's compliance with those requirements.

In our opinion, Franklin County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2010.

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Internal Control over Compliance

Management of Franklin County is responsible for establishing and maintaining effective internal control over compliance with the 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 the requirements that could have a direct and material effect on a major State program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance with applicable sections of OMB Circular A-133 and the State Single Audit Implementation Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a State program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a State program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the audit committee, management, others within the entity, members of the Board 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.

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Certified Public Accountants
December 10, 2010

**Franklin County, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2010**

I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified?	___ Yes	_X_ No
Significant Deficiency(s) identified that are not considered to be material weaknesses	_X_ Yes	___ None reported
Noncompliance material to financial statements noted	___ Yes	_X_ No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?	___ Yes	_X_ No
Significant Deficiency(s) identified that are not considered to be material weaknesses	___ Yes	_X_ None reported

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	___ Yes	_X_ No
--	---------	--------

Identification of major federal programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
93.778	Medical Assistance Program
93.558	Temporary Assistance for Needy Families (TANF)
93.568	Low-Income Home Energy Assistance
10.551, 10.561	Food and Nutrition Services Cluster

Dollar threshold used to distinguish between Type A and Type B Programs:	\$	2,050,207
--	----	-----------

Auditee qualified as low-risk auditee?	___ Yes	_X_ No
--	---------	--------

Franklin County, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2010

State Awards

Internal Control Over Major Programs:

Material weakness(es) identified? ___Yes X No

Significant Deficiency(s) identified that are not
considered to be material weaknesses ___Yes X No

Type of auditors' report issued on compliance for major state program: Unqualified

Any audit findings disclosed that are required to be reported
in accordance with section 510(a) of Circular A-133? ___Yes X No

Identification of major state Programs:

Program Name
Medical Assistance
State/County Special Assistance

II. Financial Statement Findings

10-1 Restatement of Beginning Net Assets

SIGNIFICANT DEFICIENCY

Criteria: Liabilities material to the financial statements should be recorded in the period in which they become material.

Condition: A material amount of interest expense should be recorded as an accrual at yearend.

Effect: Net assets could be misstated.

Cause: Significant debt changes led to the discovery that interest accruals not previously booked had become material.

Recommendation: Change in financial conditions should be monitored more closely for possible financial statement impact.

Views of responsible officials: The County agrees with this finding.

III Federal Awards Findings and Questioned Costs

None reported.

IV State Award Findings and Questioned Costs

None reported.

Franklin County, North Carolina
Corrective Action Plan
For the Fiscal Year Ended June 30, 2010

II. Financial Statement Findings

SIGNIFICANT DEFICIENCY

10-1 Restatement of Beginning Net Assets

Name of Contact Person: Charles F. Murray, Jr.

Corrective Action: The County will monitor interest accruals annually at year-end and verify that they are recorded appropriately.

Proposed Completion Date: June 30, 2011

III. Federal Awards Findings and Questioned Costs

None reported.

IV. State Award Findings and Questioned Costs

None reported.

Franklin County, North Carolina
Schedule of Prior Year Audit Findings
For the Fiscal Year Ended June 30, 2010

Finding: 09-1

Status: Ad valorem taxes are now being properly stated. The County has now achieved a better understanding of the new tax software.

Finding: 09-2

Status: Notification of transportation rights documentation was found in the files reviewed. The County has followed up on their previous error and taken appropriate action.

Franklin County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2010

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal. (Direct & Pass-through) Expenditures	State Expenditures
Federal Awards:				
<u>U.S. Dept. of Agriculture</u>				
<u>Food and Nutrition Service</u>				
Passed-through the N.C. Dept. of Health and Human Services:				
Division of Social Services:				
Administration:				
Food Stamp Cluster:				
Food Stamp Program - Noncash	10.551		\$ 12,893,418	\$ -
ARRA - Food Stamps Administration	10.561		65,189	-
State Administrative Matching Grants for the Food Stamp Program	10.561		<u>536,832</u>	<u>-</u>
Total Food Stamp Cluster			<u>13,495,439</u>	<u>-</u>
Passed-through the N.C. Dept. of Health and Human Services:				
Division of Public Health:				
Special Supplemental Nutrition Program for Women, Infants, & Children	10.557		277,792	-
AGRI-SFP Food Program Meal	10.559		380	-
Direct Benefit Payments:				
Special Supplemental Nutrition Program for Women, Infants, & Children	10.557		941,487	-
Passed-through the Kerr-Tar Council of Governments:				
Nutrition Program for the Elderly	10.570		<u>22,164</u>	<u>-</u>
Total U.S. Dept. of Agriculture			<u>14,737,262</u>	<u>-</u>
<u>U.S. Dept. of Housing and Urban Development</u>				
Passed-through the N.C. Dept. of Commerce:				
Community Development Block Grant, Small Cities	14.228	06-C-1616	<u>459,724</u>	<u>-</u>
<u>U.S. Dept. of Justice</u>				
Office of Community Oriented Policing Services				
Community Relations Service	16.200		128,090	-
Bureau of Justice Assistance				
Passed-through the NC Dept. of Crime Control and Public Safety:				
Bulletproof Vest Partnership Program	16.607		6,713	-
State Criminal Alien Assistance Program	16.606		<u>9,169</u>	<u>-</u>
Total US Department of Justice			<u>143,972</u>	<u>-</u>
<u>U.S. Dept. of Transportation</u>				
<u>Federal Aviation Administration</u>				
Passed-through the N.C. Dept. of Transportation:				
State Block Grant Program	20.106		<u>324,282</u>	<u>-</u>
<u>U.S. Election Assistance Commission</u>				
Passed-Through State Board of Elections				
Help America Vote Act	90.401		<u>24,194</u>	<u>-</u>
<u>U.S. Dept. of Health and Human Services</u>				
<u>Administration on Aging</u>				
<u>Division of Social Services</u>				
Passed-through the Kerr-Tar Council of Governments:				
Aging Cluster:				
Special Programs for the Aging - Title III F Health Promotion	93.043		4,238	271
Special Programs for the Aging - Title III B Grants for Supportative Services	93.044		86,791	165,332
Special Programs for the Aging - Title III C Nutrition Services	93.045		92,121	34,879
ARRA - Nutrition Services	93.705		6,409	409
ARRA - Nutrition Services	93.707		13,018	832
Family Caregiver Support	93.052		<u>11,154</u>	<u>712</u>
Total Aging Cluster			<u>213,731</u>	<u>202,435</u>
<u>Administration for Children and Families</u>				
Passed through the NC State Board of Elections				
Voting access for individuals with disabilities	93.617		675	-
Passed-through the N.C. Dept. Of Health and Human Services				
Division of Public Health				
Temporary Assistance for Needy Families	93.558		5,989	-

Franklin County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2010

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal. (Direct & Pass-through) Expenditures	State Expenditures
Division of Social Services:				
Foster Care and Adoption Cluster:				
Title IV-E Foster Care	93.658		199,631	20,724
Foster Care - Direct Benefits Payments	93.658		110,090	29,580
Adoption Assistance - Administration	93.659		3,436	-
Adoption Assistance - Direct Benefits Payments	93.659		251,050	51,999
Total Foster Care and Adoption Cluster			564,207	102,303
Temporary Assistance for Needy Families:				
Administration	93.558		678,036	-
Direct Benefits Payments	93.558		263,274	(78)
Low-Income Home Energy Assistance Block Grant:				
Administration	93.568		357,011	-
Direct Benefits Payments	93.568		394,627	-
Promoting Safe and Stable Families	93.556		2,562	-
Family Support Payments to States	93.560		(1,287)	(353)
Child Welfare Services	93.645		18,433	6,300
Social Services Block Grant	93.667		195,652	57,139
Chafee Foster Care Independence Program	93.674		16,600	4,150
Chafee Foster Care Independence Program - Direct	93.674		1,126	-
Subsidized Child Care Cluster (note 4):				
<u>Child Care Development Cluster</u>				
Division of Social Services				
Child Care Development - Administration	93.596		108,494	-
Division of Child Development:				
Child Care and Development Fund - Discretionary	93.575		789,765	-
Child Care and Development Fund - Mandatory	93.596		232,524	-
Child Care and Development Fund - Match	93.596		385,406	207,023
Total Child Care Fund Cluster			1,516,189	207,023
Social Services Block Grant	93.667		15,173	-
Temporary Assistance for Needy Families	93.558		252,416	-
Smart Start			-	51,294
State Appropriations			-	111,407
More at Four State Funding			-	-
TANF-MOE			-	249,309
Total Subsidized Child Care Cluster			1,783,778	619,033
<u>Center for Medicare and Medicaid Assistance</u>				
Passed-through the N.C. Dept. of Health and Human Services:				
Division of Medical Assistance:				
Medical Assistance Program - Direct Benefits Payments	93.778		47,849,503	16,852,779
Division of Social Services:				
Medical Assistance Program - Administration	93.778		868,811	32,796
Childrens Health Insurance Program	93.767		45,743	2,734
<u>Office of Population Affairs</u>				
Passed-through the N.C. Dept. of Health and Human Services:				
Division of Public Health:				
Family Planning Services	93.217		41,378	-
<u>Center for Disease Control and Prevention</u>				
Passed through the NC Department of Health and Human Services				
Division of Public Health				
Immunization Cluster				
Immunization Program	93.268		22,032	-
ARRA- Immunization Program	93.712		9,926	-
Total Immunization Cluster			31,958	-
Investigations and Technical Assistance	93.283		149,079	-
Health and Health Services Block Grant	93.991		14,034	-
<u>Health Resources and Services Administration</u>				
Passed-through the N.C. Dept. of Health and Human Services:				
Division of Public Health:				
Maternal and Child Health Services Block Grant	93.994		148,173	-
Total U.S. Dept. of Health and Human Services			53,643,093	17,879,238

Franklin County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2010

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal. (Direct & Pass-through) Expenditures	State Expenditures
<u>U.S. Dept. of Homeland Security</u>				
Emergency Food and Shelter	97.024		31,250	-
ARRA - Emergency Food and Shelter	97.114		7,329	-
Passed-through the N.C. Dept. of Crimes Control : and Public Safety				
Division of Emergency Management Emergency Management Performance	97.042		34,752	-
Total U. S. Dept. of Homeland Security			73,331	-
Noncash Federal Programs				
<u>US Department of Agriculture</u>				
Office of Food and Nutrition Service Passed through the NC Department of Agriculture Food Commodities	10.569		8,693	-
<u>Enviornmental Protection Agency</u>				
Office of Water Passed-through the N. C. Dept. of Envirnment and Natural Resources Clean Water Revolving Fund	66.458		900,000	1,260,000
<u>U.S. Election Assistance Commission</u>				
Passed-through the N.C. Board of Elections : Help America Vote Act	90.401		5,700	
Total federal awards			70,320,251	19,139,238
State Awards:				
<u>NC Department of Agriculture</u>				
NC Agricultural Development and Farmland Preservation Trust Fund			-	20,338
<u>NC Department of Administration</u>				
Veterans Service Program			-	4,000
<u>NC Dept. of Cultural Resources</u>				
State Library of North Carolina: State Aid to Public Libraries			-	113,077
<u>NC Dept. of Health and Human Services</u>				
Division of Social Services:				
State/County Special Assistance Domiciliary Care				
Direct Benefits Payments			-	515,016
Adoption Subsidy - Direct			-	236,107
SFHF Maximization - Direct			-	38,692
Foster Care At Risk Maximization - Direct			-	8,544
State Foster Home - Direct			-	88,667
Foster Care Special Provision - Direct			-	5,710
Energy Neighbors			-	10,072
Program Integrity			-	3,170
Special Assistance Adult Care <60			-	(434)
Special Assistance Adult Care 60+			-	1,253
Smart Start			-	27,057
Total Division of Social Service			-	933,854
Division of Public Health:				
General			-	100,193
Rural Health Grant			-	175,000
Communicable Disease			-	4,342
Tuberculosis			-	14,184
AIDS			-	500
Women's Preventive Health			-	4,599
Risk Reduction/Health Promotion			-	5,162
TB Medical Services			-	1,034
LHD Smokefree Law			-	845
Preparedness and Response			-	41,674
Total Division of Public Health			-	347,533

Franklin County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2010

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal. (Direct & Pass-through) Expenditures	State Expenditures
Division of Aging: Passed-through the Kerr-Tar Council of Governments Senior Center Development			-	25,306
Total Division of Aging			-	25,306
Total N. C. Department of Health and Human Services			-	1,306,693
<u>N.C. Dept. of Transportation</u>				
Elderly and Disabled Transportation Assistance Program			-	80,164
Work First			-	17,607
Road Construction			-	24,000
Rural General Public Program			-	94,317
Total N.C. Dept. of Transportation			-	216,088
<u>N.C. Dept. of Environment and Natural Resources</u>				
Division of Environmental Health Environmental Health Services			-	5,500
Flood/Lodging Fee Collection			-	5,167
Division of Soil and Water Conservation Soil Technician Grant			-	69,814
Division of Parks and Recreation PPA Off Waste Red Trust Fund			-	65
			-	80,546
<u>N.C. Dept. of Juvenile Justice and Delinquency Prevention</u>				
JCPC Grant			-	136,991
<u>N.C. Dept. of Public Instruction</u>				
Public School Building Capital Fund			-	400,000
NC Education Lottery			-	900,000
Total Public School Building Capital Fund			-	1,300,000
Total State awards			-	3,177,733
Total federal and State awards			\$ 70,320,251	\$ 22,316,971

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. Loans Outstanding

Franklin County had the following loan balances outstanding at June 30, 2010. These loan balances are also included in the federal expenditures presented in the schedule.

	CFDA #	Amount Outstanding
Capitalization Grants for Clean Water State Revolving Funds	66.458	\$ 1,980,000

3. The following are clustered 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.