

**FRANKLIN COUNTY
COMPREHENSIVE ANNUAL
FINANCIAL REPORT
For the Fiscal Year Ended
June 30, 2017**



Prepared by the
Franklin County Finance Department

Interim Finance Director
Charles 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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January 29, 2018

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

We are pleased to present the Comprehensive Annual Financial Report for the fiscal year ended June 30, 2017. 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 *Generally Accepted Accounting Principals*, or GAAP, and have been audited by a firm of licensed Certified Public Accountants as required by state law and in accordance with generally accepted accounting standards.

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 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 following financial statements were audited by Winston, Williams, Creech, Evans, and Co., an independent firm of Certified Public Accountants. The goal of the independent audit was to provide reasonable assurance that Franklin County's financial statements for the fiscal year ended June 30, 2017 are free of material misstatement.

The independent auditing team examined and tested the evidence supporting the amounts and disclosures in the financial statements, assessed the staff's knowledge and use of accounting principles, and evaluated the county's overall financial presentation. Based on their findings, *the independent auditors concluded that there was a reasonable basis for rendering an unmodified opinion that Franklin County's financial statements for the fiscal year ended June 30, 2017 are fairly presented in conformity with GAAP.* The independent auditor's report is included as the first section of this financial report.

The independent financial audit also serves the special needs of federal grantor agencies. This requires not only the assessment of financial statements, but also an audit of internal controls and compliance with legal requirements, particularly those concerning the administration of federal and state awards, grants, and financial assistance. *The results of this single audit provided no instances of material weaknesses in the internal control structure or significant violations of applicable laws and regulations.* These special findings can be found in the compliance section of this report.

GAAP also require that we include a *Management's Discussion and Analysis (MD&A)* section, which provides an introduction, overview, and analysis of the financial statements. The County's MD&A can be found immediately following the report of the independent auditors.

Profile of the County

Located in the north-central part of North Carolina, Franklin County encompasses 494 square miles and has a population of roughly 65,061. The NC General Assembly created Franklin County from a portion of Bute County on January 29, 1779. The County is named in honor of Benjamin Franklin, who was in France at the time requesting aid during the Revolutionary War. Six municipalities make up Franklin County: the Town of Bunn, the Town of Youngsville, the Town of Franklinton, the Town of Centerville, the Town of Louisburg (county seat), and part of the Town of Wake Forest.

Franklin County has a commissioner/manager form of government in which the county is divided into five districts, and a Commissioner is elected from each district on a partisan basis. There are also two commissioners elected at large. Each commissioner serves for a staggered four-year term. The Board of Commissioners holds policy-making and legislative authority, and approves the budget. The County Manager implements policies, oversees daily operations, and selects departmental managers.

The county provides citizens with a variety of services including public safety, emergency services, health and human services, economic development, and cultural and recreational opportunities. It is also the home of two junior and technical colleges. Founded in 1787, Louisburg College is the nation's oldest junior college, and offers competitive academic four-year transfer programs in various subjects. The Vance Granville Community College satellite campus also offers several technical trade programs. The citizens of Franklin County enjoy access to cultural, leisure, and historical venues, such as various walking trails and parks, the de Hart Botanical Garden at Louisburg College, the historical Laurel Mill site, Hill Ridge and Volmer Farms, Foster Family Vineyard, and the International Whistlers Museum.

LONG-TERM PLANNING & MAJOR INITIATIVES

THE BUDGETING PROCESS: The budget is organized by fund and department, as required by NC General Statutes. Each department must submit a detailed budget request by April 1st of each year. Management considers these annual departmental requests, as well as the long-term needs of the county when making decisions about the appropriate allocation of funds. The County Manager must then present the budget proposal to the Board of Commissioners by June 1st, and the Board must hold a public hearing on the proposal and adopt a formal budget by June 30th. The Board also approves separate project ordinances for special projects that are estimated to take more than one year to complete.

Once the budget is signed by the Board of Commissioners, the County Manager has authority to transfer amounts between objects of expenditures and between departmental appropriations in the same fund without limitation and without a report to the Board of Commissioners.

MAJOR INITIATIVES: The goal of Franklin County's Management team and Board of Commissioners is to continuously improve services and respond to the County's changing needs in the most efficient way possible. The section below provides information about the major strategic initiatives we undertook over the last year that prove our ongoing commitment to the citizens of Franklin County.

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 and rescue departments in responding to fire and rescue calls, increase EMS and Sheriff Communication and other public safety agencies in the county. After further consultation with the County's engineer, the county decided to enhance coverage further for a total cost of \$10.5 million. This enhancement should provide pager service coverage 95 percent of the time in 95 percent of each fire district. The project has had problems with some of the equipment and the County reached an agreement with the vendor on this project to resolve all known issues. As of 6/30/2017, the project was 99% complete.

Town of Franklinton Utility Purchase

The County completed the purchase of the Town of Franklinton's water and sewer utility system in April of 2015. The County was able to secure water project grants from the Rural Center and CDBG for \$1,254,226 for improvements that were mostly finished at June 30th. The County also received \$2,456,980 in HUC grants for sewer rehabs in the Franklinton area. The project should be completed during the 17-18 fiscal year.

Triangle North Executive Airport

Construction of economic infrastructure improvements at the airport continue. Grading and paving of the Industrial Area Development Area Phase One was started and mostly completed during the year. The County was able to secure grants from the N.C. Department of Transportation – Division of Aviation in the amount of \$11.1 million to expand a 1000 foot runway extension. This project will begin in 2018-2019 and is expected to take 4 years to complete.

V.E. and Lydia H. Owen Recreational Park at Bull Creek

The County purchased the former Bull Creek Golf and Country Club located northeast of Louisburg in November of 2014. The property consists of approximately 167 acres and a 3,200 square-foot clubhouse and two other 4,000 square-foot buildings as well as four ponds. This purchase was made possible by the late Edgar H. Owens. Input from the public was received and Phase 1 of the master plan was developed and approved by the County Commissioners. The plan calls for an asphalt ADA accessible walking trail, gravel parking lot, a playground, combined restroom and picnic shelter, and a fishing pond with ADA dock access. In July 2017, the County secured a \$250,000 federal matching grant to help complete Phase 1.

Franklin Medical Center

On October 7, 2015, Novant Health announced the closure of Novant Franklin Medical Center effective October 16, 2015. A Settlement Agreement between Franklin County, the Town of Louisburg, Novant Health, Inc. and Louisburg Novant, LLC regarding the hospital was reached in November, 2015. On December 31, 2015, hospital ownership reverted back to Franklin County. Franklin County received \$1,630,000 (\$82,172 was dispersed to the Town of Louisburg as part of the Settlement). The County used part of the 2016-2017 budget to fund two ambulances and overtime pay for Emergency Services. At the time of this letter, the County has accepted a proposal from Duke LifePoint to reopen the emergency room of the hospital and also provide geriatric behavioral health. Duke LifePoint took over operations of the facility on 10/23/2017 and is expected to open within the next 12 months.

ECONOMIC CONDITIONS AND FINANCIAL OUTLOOK

We are proud to report that Franklin County's unemployment rate has declined for the fifth consecutive year. The unemployment rate is 4.30%, which mirrors the statewide rate, and is less than the national rate of 5%. Although the County's economy was historically dependent on agriculture and textiles, today Franklin County enjoys a diverse economic profile: 51% service industries, 21% government, 19% manufacturing, 7% construction, and 2% agriculture. Major agricultural commodities include tobacco, grain, and livestock. Franklin County is also a proud member of the thirteen-county Research Triangle Regional Partnership, which provides us with additional marketing support in connection to attracting new business prospects into the County.

The population of Franklin County has also increased steadily over the last several years. In fact, an average of 2.6 people, or one household, move into the County every day. The County issued 638 residential building permits during the last fiscal year, up from 499 permits the previous year. Much of the residential growth has occurred along the Wake County border and near one of the five major highways that run through Franklin County. Residents are within 21 miles of Raleigh, and 35 miles of Research Triangle Park. The ease of access to neighboring regions contributes to the fact that 61% of Franklin County's citizens are employed outside of the County.

County management anticipates that the residential base will continue to grow. This presents the opportunity for new industrial prospects, and for new businesses that cater to the local community. However, it also requires that we appropriately forecast the need for additional infrastructure and governmental services. In 2015, the County successfully purchased the Town of Franklinton's water and sewer system, and recently completed several treatment plant upgrades. This allowed us to improve and expand to serve more residents. The County currently purchases an average of 2.1 million gallons of water per day from the City of Henderson, and 100,000 gallons per day from the Town of Louisburg, in order to meet daily water needs. With the purchase of the Franklinton Water and Sewer System, the County has acquired a water plant that has the potential of treating 350,000 gallons of water per day. The County also treats an average of 700,000 gallons of waste water per day.

The County has also taken measures to ensure that adequate facilities and funding will continue to be available to the public school system. Franklin County funded the school system almost \$16.7 million in revenue from the County during the 16-17 fiscal year.

Franklin County's largest corporate citizen is Novozymes North America, Incorporated, with 600 employees and a current property value of \$179.4 million. During the last fiscal year, the company provided the county with over \$1.6 million in property tax revenue. Novozymes is also the County's largest Public Utilities customer, averaging 1.1 million gallons per day and \$2,325,766 in annual water sales.

Last year, Novozymes represented 3.72% of the county's tax base. Other companies ranked among the top five taxpayers include: Duke Energy (taxable value of \$58.0 million), Wake Electric (taxable value of \$46.3 million), Carolina Telephone (taxable value of \$17.4 million), and K-Flex (taxable value of \$24.5 million). These top five ranked companies generated \$2.8 million in property tax revenue, or 6.29% of Franklin County's total property tax base. Franklin County has taken measures to reduce the risk of over-reliance on these few large taxpayers, which could potentially negatively impact bond ratings available to the County.

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, 2017, provided no instances of material weaknesses in the internal control structure or significant violations of applicable laws and regulations.

CASH MANAGEMENT AND RISK MANAGEMENT

Cash Management – Franklin County follows an accounting policy in which all budgeted expenditures must equal estimated revenues. We are proud to report that, due to our diligent discretionary spending practices, the county's actual expenditures for the last fiscal year were less than budget. In fact, the County achieved a budget surplus of \$3,784,958. The County uses a central depository system to pool moneys from all funds and facilitate disbursements and investments. All depositories in excess of amounts insured by the FDIC via the pooling method are collateralized according to North Carolina General Statute 159-31. At the end of the fiscal year, \$310,224 of the bank balance was covered by federal depository insurance, and \$25,241,287 was covered by collateral held under the Pooling Method. In accordance with North Carolina General Statute 159-30, we invested temporarily idle cash in interest-bearing accounts, principally through the North Carolina Capital Management Trust, BB&T, and First Citizens Bank. The county recorded investments of \$11,694,053. At June 30, 2017, the County's deposits had a carrying value of \$25,084,916 and a bank balance of \$25,551,511.

Risk Management – The County participates in two insurance pools developed by the North Carolina Association of County Commissioners which provide coverage for general liability and worker's compensation. The limits of coverage include the following: jail and public safety officers' liability of \$2 million, vehicle liability of \$2 million, and property damage of \$86 million. The County also provides self-insured health and dental benefits administered by Blue Cross/Blue Shield. This year these three insurance coverages cost the county \$7.3 million, an increase of more than \$500,000 since last year.

In order to help lower insurance costs, reduce workplace safety risks, and promote employee wellness, the County has appointed a Safety and Wellness Officer. The Safety Officer makes periodic on-site inspections, provides employee safety and wellness educations, and makes recommendations to improve safety practices. The county has also established a safety committee that assists the Safety and Wellness Officer to implement new and existing safety measures.

PENSION AND OTHER POST EMPLOYMENT BENEFITS

The County believes that providing a competitive benefits package has helped us attract a high-caliber workforce. Franklin County participates in the state-administered Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan. We also sponsor a single-employer defined benefit pension plan, or a Separation Allowance, for law enforcement employees. Furthermore, the County also provides all employees with a Supplemental Retirement Income Plan, in which the County contributes the equivalent of 4% (5% for sworn law enforcement officers) of employee salaries. Lastly, we provide post-retirement health care benefits for retirees, either via the group health insurance plan or Medicare (for those over the age of 65). Additional information on pension and post-employment benefits can be found in the notes to the financial statements.

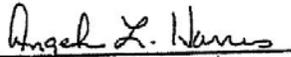
AWARDS AND OTHER INFORMATION

Awards - The Government Finance Officers Association of the United States and Canada (GFOA) has awarded an annual Certificate of Achievement for Excellence in Financial Reporting to Franklin County for the last 18 consecutive years. In order to be awarded a Certificate of Achievement, the entity must publish an efficient and well-organized financial report that satisfied both GAAP principles and legal requirements. We believe that this year's report continues to meet these requirements, as we have submitted it to the GFOA in order to continue our record of excellence.

Preparation of this report would not have been possible without the dedicated efforts of the Finance Department staff, cooperation from all the county's departments, and the auditing staff at 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. We agree with the GFOA that this annual financial report should be accessible to our governing body, constituents, oversight bodies, resource providers, investors, and creditors. Accordingly, we have made a copy of this report available to all of the county's stakeholders, as it can be found at the Franklin County Public Library, the Franklin County Chamber of Commerce, and on the county's website at www.franklincountync.us.

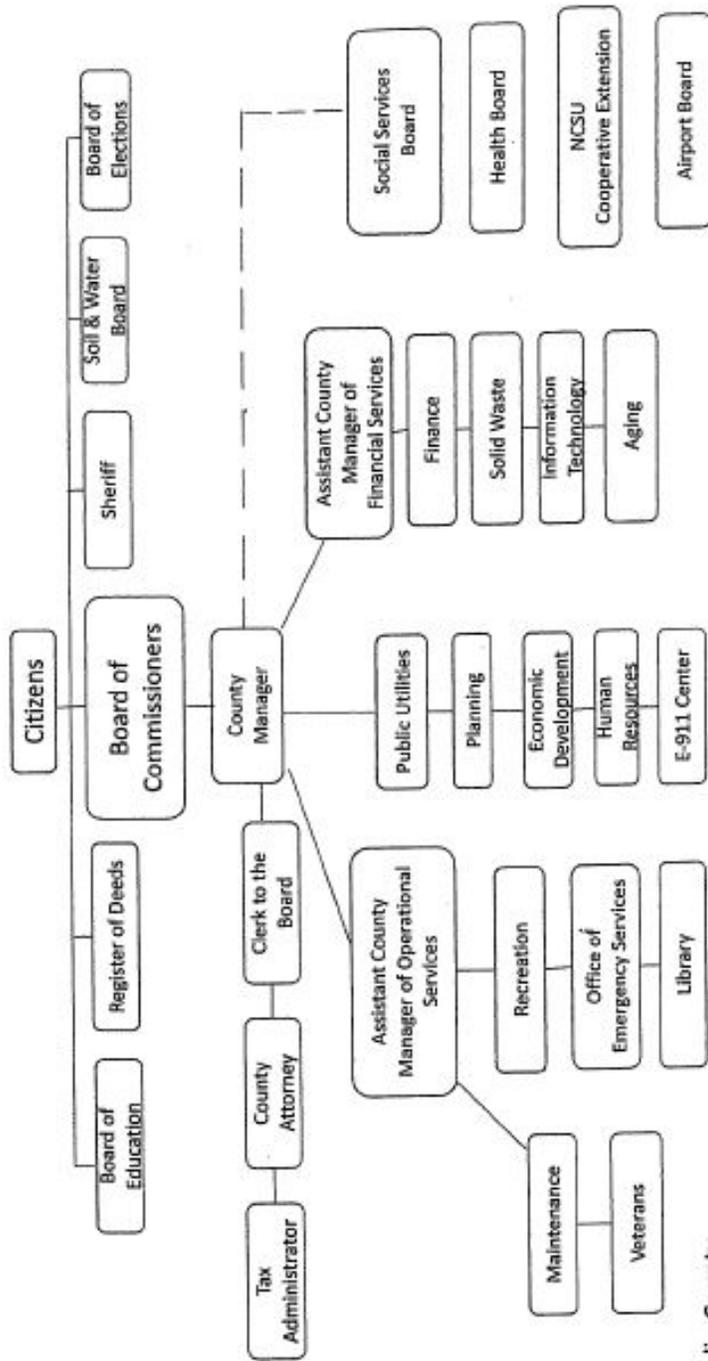
Respectfully submitted,



Angela L. Harris
County Manager



Charles F. Murray Jr.
Interim Finance Director



Franklin County
Organization Chart

**FRANKLIN COUNTY, NORTH CAROLINA
LIST OF PRINCIPAL OFFICIALS
JUNE 30, 2017**

**Board of County
Commissioners**

Cedric K. Jones, Sr., Chairperson
Sidney E. Dunston, Vice-Chairperson
James M. Speed
E. David T. Bunn
Michael Schriver
Harry L. Foy, Jr.
Shelley Dickerson

County Officials

Angela L Harris
Charles Murray, Jr.
Pete Tomlinson

County Manager
Interim Finance Director
County Attorney



Government Finance Officers Association

**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, 2016

Executive Director/CEO

FINANCIAL SECTION

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

Certified Public Accountants



America Counts on CPAs

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

Jennifer T. Reese, CPA
Curtis G. Van Horne, CPA
Tara H. Roberson, CPA

Independent Auditor's Report

To the Board of County Commissioners
Franklin County, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Franklin County, North Carolina, as of and for the year ended June 30, 2017 and the related notes to the financial statements, which collectively comprise Franklin County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of Franklin County Tourism Development Authority were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, the discretely presented

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component unit, each major fund, and the aggregate remaining fund information of Franklin County, North Carolina as of June 30, 2017, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note X to the financial statements, in 2017, the County adopted new accounting guidance, GASB 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, the Other Postemployment Benefit's Schedules of Funding Progress and Employer Contributions, the Local Government Employees' Retirement System's Schedules of the County's Proportionate Share of Net Pension Liability and County Contributions, the Register of Deed's Supplemental Pension Fund Schedule of the County's Proportionate Share of the Net Pension Asset and Schedule of County Contributions, and the Law Enforcement Officers' Special Separation Allowance Schedule of Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on Exhibits A-1 thru A-8 respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Franklin County's basic financial statements. The introductory information, combining and individual fund financial statements, budgetary schedules, other schedules, statistical section, as well as the accompanying schedule of expenditures of federal and State awards as required by Title 2 *U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* 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 fund financial statements, budgetary schedules, other schedules and the schedule of expenditures of federal and State awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures; including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion based on our audit, the procedures performed as described above, the combining and individual fund financial statements, budgetary schedules, other schedules and the schedule of expenditures of

federal and State awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory information and the statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2018 on our consideration of Franklin County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Franklin County's internal control over financial reporting and compliance.

Winston, Williams, Creech, Evans & Company, LLP

Winston, Williams, Creech, Evans & Company, LLP
Certified Public Accountants
Oxford, NC
January 29, 2018



County Of Franklin

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Office of Finance

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Franklin 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, 2017. 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

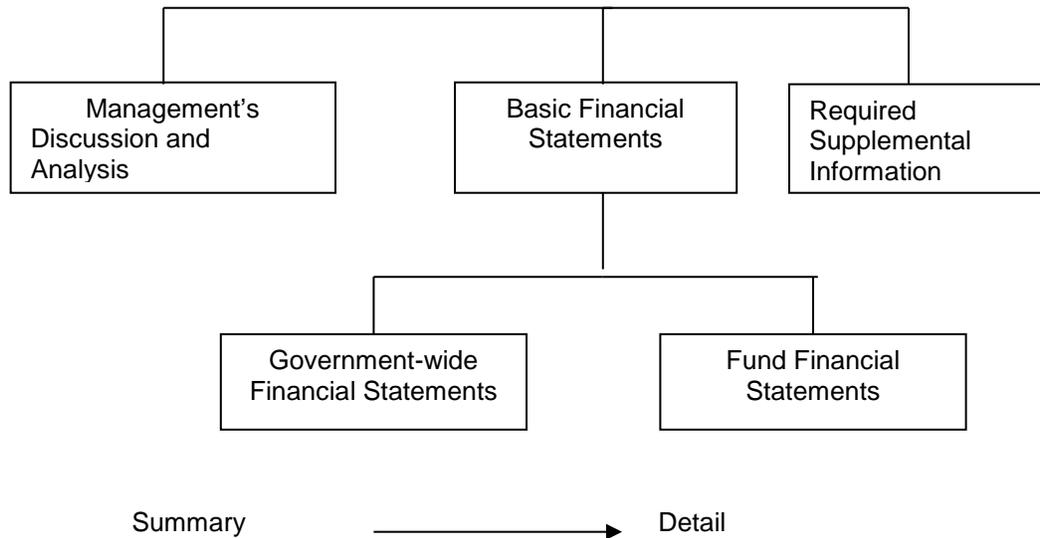
- The County's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$43.4 million. In accordance with North Carolina law, liabilities of the County include long-term debt associated with assets belonging to the Franklin County Board of Education. The amount included in liabilities related to school financing is \$52.6 million. 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 position due to this law.
- As of the close of the current fiscal year, the County's Governmental funds reported a combined ending fund balances of \$35.5 million, an increase of \$3.9 million from the previous fiscal year where the combined fund balances totaled \$31.6 million. A decrease in the amount of \$1,997,482 was in the Non-major Other Governmental Funds. The General Fund increased by \$5,899,442. Approximately 50 percent of this total amount or \$17.78 million is available for spending at the government's discretion.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$17.78 million or 21.4 percent of total general fund expenditures for the fiscal year. \$2,689,085 of the total fund balance has been designated for subsequent year expenditures.
- The County's total long-term debt decreased by \$303,654 million during the current fiscal year. The County made all debt payments 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 position and how they have changed. Net position is the difference between the total of the County's assets and deferred outflows of resources and the total liabilities and the deferred inflows of resources. Measuring net position 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 had two business-type activities reported during fiscal year 2017 for water and sewer service and also solid waste. The final category is component units. Although legally separate from the County the Franklin County Tourism Development Authority is the only component unit to the county. The County exercises control over its Board by appointing all five of its members. The Franklin County Industrial Facility and Pollution Control Financing 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 Position 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 two proprietary funds. 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 and starting July 1, 2015, the County started using an Enterprise Fund for its Solid Waste operations instead of the

General Fund. This fund is the same as the function shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

Internal Service Funds – These 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 worker’s compensation payments are recorded.

Agency Funds – These funds are used to account for assets the County holds on behalf of others. These funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the County’s own programs. The County has four agency funds.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 40-76 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 77 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as one useful indicator of a government’s financial condition. The County’s assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$43,423,810 as of June 30, 2017. The County’s net position increased by \$12.48 million for the fiscal year ended June 30, 2017. One of the largest portions, \$71,411,335, reflects the County’s net investment in capital assets (e.g. land, buildings, machinery, and equipment). Franklin County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Franklin County’s investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of Franklin County’s net position, \$10,863,695, represents resources that are subject to external restrictions on how they may be used. The remaining balance is unrestricted.

Figure 2 (below) represents comparative data for the County’s total assets, total liabilities, and net position for FYE 2017 and FYE 2016.

Figure 2

FRANKLIN COUNTY’S NET POSITION

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 42,021,226	\$ 39,727,637	\$ 6,063,242	\$ 4,212,930	\$ 48,084,468	\$ 43,940,567
Capital assets	57,479,537	56,266,488	31,344,789	31,842,853	88,824,326	88,109,341
Total assets	<u>99,500,763</u>	<u>95,994,125</u>	<u>37,408,031</u>	<u>36,055,783</u>	<u>136,908,794</u>	<u>132,049,908</u>
Deferred Outflows of Resources	6,987,047	2,219,614	457,649	111,512	7,444,696	2,331,126
Long-term liabilities outstanding	84,833,569	83,932,827	11,267,564	12,471,959	96,101,133	96,404,786
Other liabilities	2,933,838	4,259,495	1,354,279	1,390,711	4,288,117	5,650,206
Total liabilities	<u>87,767,407</u>	<u>88,192,322</u>	<u>12,621,843</u>	<u>13,862,670</u>	<u>100,389,250</u>	<u>102,054,992</u>
Deferred Inflows of Resources	517,067	1,009,355	23,363	56,106	540,430	1,065,461
Net Position:						
Net investment in capital assets	49,349,124	46,734,481	22,062,211	20,815,586	71,411,335	67,550,067
Restricted	10,863,695	13,420,202	-	-	10,863,695	13,420,202
Unrestricted	(42,009,483)	(51,142,621)	3,158,263	1,432,933	(38,851,220)	(49,709,688)
Total Net Position	<u>\$ 18,203,336</u>	<u>\$ 9,012,062</u>	<u>\$ 25,220,474</u>	<u>\$ 22,248,519</u>	<u>\$ 43,423,810</u>	<u>\$ 31,260,581</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the County exceeded its liabilities in the Governmental Activities by \$18.2 million. In the Business-type Activities, the assets exceeded its liabilities by \$25.2 million at June 30, 2017. Net position for Governmental Activities is reported in three categories: Net Investment in capital assets was \$49.35 million; Restricted was \$10.86 million and unrestricted net position was \$(42) million. Net position for Business-type Activities is reported in two categories: Net Investment in capital assets was \$22.06 million and unrestricted net position was \$3.16 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 position is restricted net position. This represents resources that are subject to external restrictions on how they may be used. The final category of net position is unrestricted net position. 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 (\$42,009,483) in unrestricted net position. Many counties in the State of North Carolina have a deficit in unrestricted net position. 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 \$59.4 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 position in Governmental Activities increased by \$9.5 million. Part of the reason is the result of the County paying principal payments on its debt. Also, the County noted the following positive operational initiatives and results:

- Great tax collection rate of 98.70 percent.
- Continued low cost of debt due to the County's bond rating.
- Conservative revenue projections - \$3,226,235 surplus over budget in the General Fund.
- Controlled departmental spending and conservative budgeting - \$2.67 million.

Figure 3
FRANKLIN COUNTY'S CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities		FY 2017	FY 2016
	FY 2017	FY 2016	FY 2017	FY 2016		
Revenues:						
Program revenues:						
Charges for services	\$ 10,706,797	\$ 9,821,571	\$ 13,642,678	\$ 12,904,468	\$ 24,349,475	\$ 22,726,039
Operating grants and contribution	13,245,719	15,245,460	-	-	13,245,719	15,245,460
Capital grants and contributions	924,757	13,645,950	978,677	1,422,261	1,903,434	15,068,211
General revenues:						
Property taxes	46,528,850	45,412,303	-	-	46,528,850	45,412,303
Other taxes	13,051,394	10,427,744	-	-	13,051,394	10,427,744
Other	281,555	263,248	96,327	61,968	377,882	325,216
Total revenues	84,739,072	94,816,276	14,717,682	14,388,697	99,456,754	109,204,973
Expenses:						
General Government	5,743,664	5,770,373	-	-	5,743,664	5,770,373
Public Safety	25,787,638	23,852,535	-	-	25,787,638	23,852,535
Economic and Physical Development	2,323,762	2,497,914	-	-	2,323,762	2,497,914
Environmental protection	-	-	-	-	-	-
Human Services	20,301,413	18,588,512	-	-	20,301,413	18,588,512
Cultral and Recreation	1,632,077	1,555,924	-	-	1,632,077	1,555,924
Education	17,388,641	15,962,006	-	-	17,388,641	15,962,006
Interest on long-term debt	2,055,199	2,293,631	-	-	2,055,199	2,293,631
Water and Sewer	-	-	11,745,727	11,406,678	11,745,727	11,406,678
Total expenses	75,232,394	70,520,895	11,745,727	11,406,678	86,978,121	81,927,573
Increase (Decrease) in net position before transfers	9,506,678	24,295,381	2,971,955	2,982,019	12,478,633	27,277,400
Transfers	-	-	-	-	-	-
Increase in net position	9,506,678	24,295,381	2,971,955	2,982,019	12,478,633	27,277,400
Net Position, July 1, previously reported	9,012,062	(13,775,078)	22,248,519	16,604,739	31,260,581	2,829,661
Restatement (See footnote X)	(315,404)	(1,508,241)	-	2,661,761	(315,404)	1,153,520
Net Position, July , 1 as restated	8,696,658	(15,283,319)	22,248,519	14,419,615	30,945,177	(863,704)
Net Position, June 30	\$ 18,203,336	\$ 9,012,062	\$ 25,220,474	\$ 22,248,519	\$ 43,423,810	\$ 31,260,581

Governmental activities: Governmental activities increased the County's net position by \$9.5 million. Property Tax Collections totaled \$46.5, \$1.336 million over budget. Sales Tax revenue was \$933,817 over budget. Public Safety expenditures increased \$1.9 million with the hiring of additional personnel, Human Services increased \$1.7 million and the Franklin County Board of Education was funded an additional \$1.427 million. The County also implemented a salary study for its employees at a cost of \$1.9 million.

Business-type activities: The net position in Business-type activities increased by \$2,971,955. The Water and Sewer fund accounted for the increase in net position accounting for \$3.12 million. Water collections increased \$77,582 and sewer collections increased by \$14,381. Operating expenses for the Water and Sewer increased \$339,049 because of an increase in personnel and salary study. The Solid Waste Fund had revenue and capital contributions of \$3,483,960 for the year. Operating expenses were \$3,658,116.

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, fund balance available for appropriation 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 Franklin County. At the end of the current fiscal year, Franklin County's fund balance available (unassigned) in the General Fund was \$17,783,339 while total fund balance reached \$33,726,885. The Governing Body of Franklin County has determined that the county should maintain an available fund balance of 15% of general fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the County. The County currently has an available fund balance of 22.5% of general fund expenditures, while total fund balance represents 42.7% of that same amount.

At June 30, 2017, the governmental funds of the County reported a combined fund balance of \$35,495,439. The county's overall fund balance remains strong.

General Fund Budgetary Highlights

During fiscal year 2017, 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 \$1,195,053 and expenditures by \$1,329,170.

The actual operating revenues for the General Fund were higher than the budgeted amount by \$3,226,235. Ad valorem taxes were over budget by \$1,336,649; Sales Tax revenues were over budget by \$933,817; fees and charges were over budget by \$801,659; and Restricted intergovernmental revenues were under the anticipated budget by \$98,174. The County's expenditures were \$3,074,587 less than budgeted. Human Services departments under spent their budgets by \$850,206, General Government activities were under budget by 398,966, Public Safety departments were under budget by \$893,912 and Economic and physical development was under budget by \$711,126.

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 position of the Water and Sewer Fund and Solid Waste Fund at the end of the fiscal year amounted to \$3,111,751 an increase of \$1.73 million.

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, 2017, totaled \$88,824,326 (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:

- \$1,362,635 in vehicles
- \$ 413,707 in building Improvements

Figure 4

Franklin County's Capital Assets (net of depreciation)

	Governmental		Business-type		Total	
	Activities		Activities			
	2017	2016	2017	2016	2017	2016
Land and Improvements	\$ 15,110,583	\$ 13,453,089	\$ 874,212	\$ 874,212	\$ 15,984,795	\$ 14,327,301
Buildings	23,002,560	23,698,869	-	-	23,002,560	23,698,869
Gas Lines	177,181	185,411	-	-	177,181	185,411
Plant & Distribution	111,940	116,021	28,424,577	28,197,544	28,536,517	28,313,565
Automotive equipment	1,980,704	1,167,253	205,668	230,553	2,186,372	1,397,806
Office and other equipment	3,555,579	3,404,336	846,041	857,976	4,401,620	4,262,312
Construction in progress	13,540,990	14,241,509	994,291	1,682,568	14,535,281	15,924,077
Total	\$ 57,479,537	\$ 56,266,488	\$ 31,344,789	\$ 31,842,853	\$ 88,824,326	\$ 88,109,341

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, 2017, the County's Governmental Activities had total bonded school debt outstanding of \$45,101,252 all of which is backed by the full faith and credit of the County: and \$16,383,624 in installment purchases. In the Business-Type Activities, the County had \$720,000 in outstanding in Federal and State revolving loans, \$2,053,275 in COPs and \$6,509,303 in installment loans outstanding at June 30, 2017. 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		Business-type		Total	
	Activities		Activities			
	2017	2016	2017	2016	2017	2016
General obligation bonds	\$ 45,101,252	\$ 49,587,425	\$ -	\$ -	\$ 45,101,252	\$ 49,587,425
Certificates of Participation	-	8,445,000	515,916	2,933,631	515,916	11,378,631
Installment Purchases	16,383,624	10,202,007	8,046,662	7,193,636	24,430,286	17,395,643
Revolving Loans	-	-	720,000	900,000	720,000	900,000
Other obligations	23,348,693	15,698,396	1,984,986	1,444,692	25,333,679	17,143,088
Total long-term debt	\$ 84,833,569	\$ 83,932,828	\$ 11,267,564	\$ 12,471,959	\$ 96,101,133	\$ 96,404,787

In fiscal year 2016-2017, the County's total long-term debt increased by \$1,440,741. The County's calculated OPEB responsibility was the reason the county's increase. The County did not issue any debt in FYE 16-17. The County met its obligations in a timely fashion. Ninety percent of the county's debt obligations will be paid in full in the next ten years.

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 \$295,785,797. The County has \$11,400,000 bonds authorized but un-issued at June 30th, 2017.

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 4.3 percent at June 30, 2017 which is lower when compared to last year's rate at 5.0 percent.
- Inflationary trends in the region compare very favorably to national indicators.
- State Sales Tax revenues are increasing statewide again. The County's local point of sale increased by 33.8 percent mainly due to the State allowing sales tax on services.

All of these factors were considered in preparing the County of Franklin's budget for FYE 2018.

Budget Highlights for the Fiscal Year Ending June 30, 2018

- **Governmental Activities:** The County has approved a \$78.9 million General Fund budget for FYE 2018 compared to a \$76.8 million general fund budget for fiscal year 2016-2017. Additional funds were appropriated for Education (\$1.1 million) and a three percent salary increase for employees starting January 1, 2018. The property tax rate decreased by three cents from .9250 cents per \$100 dollars of property valuation to 89.5 cents. The tax base increased 3.1%.
- **Business – type Activities:** The County water rates and sewer rates remained the same as the previous year. The budget for the Water and Sewer Fund for FYE 2018 was set at \$9,831,644 to start the year up from \$9,410,354 in FYE 2017. The Solid Waste budget was set at \$3,735,011 as compared to the budget at \$3,596,930 for FYE 2017. The Solid Waste Availability Fee and tipping fees remained the same.

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. You may also call 919-496-3182 or email the Interim Finance Director at cmurray@franklincountync.us for more information.

BASIC FINANCIAL STATEMENTS

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS**

Franklin County, North Carolina
Statement of Net Position
June 30, 2017

	Primary Government			Component Unit
	Governmental Activities	Business-type Activity	Total	Franklin County Tourism Development Authority
Assets				
Cash and cash equivalents	\$ 28,404,464	\$ 5,773,724	\$ 34,178,188	\$ 125,923
Taxes receivable (net)	1,616,901	-	1,616,901	-
Accounts receivable (net)	1,299,296	2,555,851	3,855,147	-
Due from other governments	4,110,758	634,827	4,745,585	-
Accrued interest receivable	354,213	-	354,213	-
Inventory	24,118	-	24,118	-
Prepaid items	742,052	-	742,052	-
Net pension asset	106,547	-	106,547	-
Restricted cash and cash equivalents	2,461,717	-	2,461,717	-
Internal balances	2,901,160	(2,901,160)	-	-
Capital assets:				
Land, improvements, and construction in progress	25,516,095	3,741,113	29,257,208	-
Other capital assets, net of depreciation	31,963,442	27,603,676	59,567,118	-
Total capital assets	<u>57,479,537</u>	<u>31,344,789</u>	<u>88,824,326</u>	<u>-</u>
Total assets	<u>99,500,763</u>	<u>37,408,031</u>	<u>136,908,794</u>	<u>125,923</u>
Deferred Outflows of Resources	<u>6,987,047</u>	<u>457,649</u>	<u>7,444,696</u>	<u>-</u>
Liabilities				
Accounts payable and accrued expenses	2,355,933	835,924	3,191,857	-
Customer deposits	-	481,381	481,381	-
Accrued interest payable	577,905	36,974	614,879	-
Long-term liabilities:				
Due within one year	7,449,253	1,818,964	9,268,217	-
Due in more than one year	77,384,316	9,448,600	86,832,916	-
Total long-term liabilities	<u>84,833,569</u>	<u>11,267,564</u>	<u>96,101,133</u>	<u>-</u>
Total liabilities	<u>87,767,407</u>	<u>12,621,843</u>	<u>100,389,250</u>	<u>-</u>
Deferred Inflows of Resources	<u>517,067</u>	<u>23,363</u>	<u>540,430</u>	<u>-</u>
Net Position				
Net investment in capital assets	49,349,124	22,062,211	71,411,335	-
Restricted for:				
State Statute for Stabilization	8,525,213	-	8,525,213	-
Register of Deeds	81,233	-	81,233	-
Public Safety	729,205	-	729,205	-
Economic Development	54,993	-	54,993	-
Cultural and Recreation	276,591	-	276,591	-
Human Services	308,028	-	308,028	-
Capital Reserve	888,432	-	888,432	-
Unrestricted	<u>(42,009,483)</u>	<u>3,158,263</u>	<u>(38,851,220)</u>	<u>125,923</u>
Total net position	<u>\$ 18,203,336</u>	<u>\$ 25,220,474</u>	<u>\$ 43,423,810</u>	<u>\$ 125,923</u>

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

Franklin County, North Carolina
Statement of Activities
For the Year Ended June 30, 2017

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 5,743,664	\$ 783,678	\$ 964,279	\$ -
Public safety	25,787,638	6,034,345	1,415,158	-
Economic and physical development	2,323,762	725,821	188,471	924,757
Human services	20,301,413	2,916,453	9,906,043	-
Cultural and recreation	1,632,077	246,500	171,768	-
Education	17,388,641	-	600,000	-
Interest on long-term debt	2,055,199	-	-	-
Total governmental activities	<u>75,232,394</u>	<u>10,706,797</u>	<u>13,245,719</u>	<u>924,757</u>
Business-type activity:				
Solid Waste	3,658,116	3,320,650	-	163,310
Water and Sewer Department	8,087,611	10,322,028	-	815,367
Total business-type activities	<u>11,745,727</u>	<u>13,642,678</u>	<u>-</u>	<u>978,677</u>
Total primary government	<u>\$ 86,978,121</u>	<u>\$ 24,349,475</u>	<u>\$ 13,245,719</u>	<u>\$ 1,903,434</u>
Component Unit:				
Franklin County Tourism Development Authority	<u>\$ 48,586</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

Franklin County, North Carolina
Statement of Activities
For the Year Ended June 30, 2017

Functions/Programs	Net (Expense) Revenue and Changes in Net Position			Component Unit
	Primary Government			Franklin County Tourism Development Authority
	Governmental Activities	Business-type Activity	Total	
Governmental activities:				
General government	\$ (3,995,707)	\$ -	\$ (3,995,707)	
Public safety	(18,338,135)	-	(18,338,135)	
Economic and physical development	(484,713)	-	(484,713)	
Human services	(7,478,917)	-	(7,478,917)	
Cultural and recreation	(1,213,809)	-	(1,213,809)	
Education	(16,788,641)	-	(16,788,641)	
Interest on long-term debt	(2,055,199)	-	(2,055,199)	
Total governmental activities	<u>(50,355,121)</u>	<u>-</u>	<u>(50,355,121)</u>	
Business-type activity:				
Solid Waste	-	(174,156)	(174,156)	
Water and Sewer Department	-	3,049,784	3,049,784	
Total business-type activities	<u>-</u>	<u>2,875,628</u>	<u>2,875,628</u>	
Total primary government	<u>(50,355,121)</u>	<u>2,875,628</u>	<u>(47,479,493)</u>	
Component Unit:				
Franklin County Tourism Development Authority	-	-	-	(48,586)
General revenues:				
Taxes:				
Property taxes, levied for general purposes	46,528,850	-	46,528,850	-
Local option sales tax	12,292,995	-	12,292,995	-
Other taxes and licenses	758,399	-	758,399	57,868
Investment earnings, unrestricted	87,968	41,719	129,687	-
Miscellaneous, unrestricted	193,587	54,608	248,195	-
Total general revenues and transfers	<u>59,861,799</u>	<u>96,327</u>	<u>59,958,126</u>	<u>57,868</u>
Change in net position	9,506,678	2,971,955	12,478,633	9,282
Net position, beginning	9,012,062	22,248,519	31,260,581	116,641
Restatement	(315,404)	-	(315,404)	-
Net position, beginning, restated	<u>8,696,658</u>	<u>22,248,519</u>	<u>30,945,177</u>	<u>116,641</u>
Net position, ending	<u>\$ 18,203,336</u>	<u>\$ 25,220,474</u>	<u>\$ 43,423,810</u>	<u>\$ 125,923</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, 2017

	<u>Major</u>	<u>Nonmajor</u>	<u>Total</u>
	<u>General</u>	<u>Other Governmental Funds</u>	<u>Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 25,664,301	\$ 1,057,756	\$ 26,722,057
Taxes receivable, net	1,503,198	113,703	1,616,901
Accounts receivables, net	1,266,701	32,595	1,299,296
Due from other governments	3,784,461	326,297	4,110,758
Due from other funds	3,115,159	-	3,115,159
Inventory	24,118	-	24,118
Restricted assets:			
Restricted cash	1,728,105	733,612	2,461,717
Total assets	<u>\$ 37,086,043</u>	<u>\$ 2,263,963</u>	<u>\$ 39,350,006</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable and accrued liabilities	\$ 1,683,731	\$ 214,219	\$ 1,897,950
Due to other funds	-	167,487	167,487
Total liabilities	<u>1,683,731</u>	<u>381,706</u>	<u>2,065,437</u>
Deferred Inflows of Resources	<u>1,675,427</u>	<u>113,703</u>	<u>1,789,130</u>
Fund Balances:			
Nonspendable:			
Inventories	24,118	-	24,118
Restricted:			
Stabilization by State Statute	8,166,321	358,892	8,525,213
Register of Deeds	81,233	-	81,233
Fire Protection	-	194,685	194,685
Capital Reserve	888,432	-	888,432
Public Safety	-	534,520	534,520
Cultural and Recreational	-	276,591	276,591
Human Services	-	308,028	308,028
Economic Development	-	54,993	54,993
Committed:			
Debt Service	-	208,332	208,332
Revaluation	758,440	-	758,440
Assigned:			
Subsequent year's expenditures			
General Fund	2,689,085	-	2,689,085
Cultural and Recreational	425,772	-	425,772
Economic Development	2,811,700	-	2,811,700
Public Safety	34,134	-	34,134
Human Services	64,311	-	64,311
Unassigned:			
General Fund	17,783,339	-	17,783,339
Capital Projects Funds	-	(167,487)	(167,487)
Total fund balances	<u>33,726,885</u>	<u>1,768,554</u>	<u>35,495,439</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 37,086,043</u>	<u>\$ 2,263,963</u>	

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

**Franklin County, North Carolina
Balance Sheet
Governmental Funds
June 30, 2017**

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	\$ 57,479,537
Net pension asset	106,547
Deferred charges related to advance refunding bond issued-included on the government-wide statement of net position but are not current financial resources	922,043
Contributions to the pension plan in the current fiscal year	6,057,229
Benefit payments and pension administration costs for LEOSSA	7,775
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.	1,919,964
Liabilities for deferred inflows of resources reported in the fund statements but not the government wide	1,616,901
Accrued interest on ad valorem receivable and investments is not available to pay for current-period expenditures and therefore are not recognized in the	354,213
Pension related deferrals	(344,838)
Some liabilities, including bonds payable, are not due and payable in the current year and, therefore, are not reported in the funds	<u>(85,411,474)</u>
Net position of governmental activities	<u>\$ 18,203,336</u>

Franklin County, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2017

	<u>Major</u>	<u>Nonmajor</u>	
	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues			
Ad valorem taxes	\$ 43,504,220	\$ 3,284,375	\$ 46,788,595
Local option sales taxes	12,292,995	-	12,292,995
Other taxes	377,053	345,284	722,337
Restricted intergovernmental	12,811,960	1,038,005	13,849,965
Fees, sales and charges	10,709,505	-	10,709,505
Investment earnings	87,998	-	87,998
Miscellaneous	496,162	51,290	547,452
Total revenues	<u>80,279,893</u>	<u>4,718,954</u>	<u>84,998,847</u>
Expenditures			
Current:			
General government	5,683,160	-	5,683,160
Public safety	21,205,745	3,762,592	24,968,337
Economic and physical development	2,084,451	-	2,084,451
Human services	18,189,609	605,223	18,794,832
Cultural and leisure	1,450,257	-	1,450,257
Intergovernmental:			
Education	17,102,551	-	17,102,551
Capital outlay	-	1,848,384	1,848,384
Debt service:			
Principal	14,808,883	-	14,808,883
Interest and other charges	2,469,032	-	2,469,032
Total expenditures	<u>82,993,688</u>	<u>6,216,199</u>	<u>89,209,887</u>
Revenues over (under) expenditures	<u>(2,713,795)</u>	<u>(1,497,245)</u>	<u>(4,211,040)</u>
Other financing sources (uses)			
Transfers to other funds	(99,763)	(600,000)	(699,763)
Transfers from other funds	600,000	99,763	699,763
Issuance of debt	8,113,000	-	8,113,000
Total other financing sources (uses)	<u>8,613,237</u>	<u>(500,237)</u>	<u>8,113,000</u>
Net changes in fund balances	5,899,442	(1,997,482)	3,901,960
Fund balances			
Beginning of year	27,833,576	3,766,036	31,599,612
Increase in reserve for inventory	<u>(6,133)</u>	<u>-</u>	<u>(6,133)</u>
End of year	<u>\$ 33,726,885</u>	<u>\$ 1,768,554</u>	<u>\$ 35,495,439</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, 2017

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

Net changes in fund balances - total governmental funds	\$ 3,901,960
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	1,213,049
Expenses reported on fund statements that are capitalized on government-wide statements – refunding costs	289,624
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	(218,611)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	1,571,826
Benefit payments and administration costs for LEOSSA are deferred outflows of resources on the Statement of Net Position	5,079
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 position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	6,708,383
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.	(3,878,779)
Inventory not expensed on statement of activities	(6,133)
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>(79,720)</u>
Total changes in net position of governmental activities (Exhibit 2)	<u><u>\$ 9,506,678</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, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Positive (Negative)</u>
Revenues				
Ad valorem taxes	\$ 42,192,571	\$ 42,167,571	\$ 43,504,220	\$ 1,336,649
Local option sales tax	7,892,664	8,142,664	9,076,481	933,817
Other taxes	280,300	305,300	377,053	71,753
Restricted intergovernmental	12,235,388	12,910,134	12,811,960	(98,174)
Sales and services	9,651,561	9,907,846	10,709,505	801,659
Investment earnings	30,000	30,000	87,998	57,998
Miscellaneous	359,607	373,629	496,162	122,533
Total revenues	<u>72,642,091</u>	<u>73,837,144</u>	<u>77,063,379</u>	<u>3,226,235</u>
Expenditures				
Current:				
General government	7,054,689	5,973,770	5,574,804	398,966
Public safety	20,977,410	22,099,657	21,205,745	893,912
Economic and physical development	1,800,612	2,795,577	2,084,451	711,126
Human services	19,029,477	19,039,815	18,189,609	850,206
Culture and leisure	1,432,801	1,460,248	1,450,257	9,991
Intergovernmental:				
Education	17,102,551	17,102,551	17,102,551	-
Debt service:				
Principal retirement	7,130,070	15,154,694	14,808,883	345,811
Interest and other charges	2,260,481	2,333,607	2,469,032	(135,425)
Total expenditures	<u>76,788,091</u>	<u>85,959,919</u>	<u>82,885,332</u>	<u>3,074,587</u>
Revenues under expenditures	<u>(4,146,000)</u>	<u>(12,122,775)</u>	<u>(5,821,953)</u>	<u>6,300,822</u>
Other financing sources (uses)				
Transfers to other funds	-	(230,067)	(224,763)	5,304
Transfers from other funds	4,000,000	4,000,000	4,000,000	-
Debt proceeds	-	8,097,750	8,113,000	15,250
Appropriated fund balance	146,000	255,092	-	(255,092)
Total other financing sources (uses) - net	<u>4,146,000</u>	<u>12,122,775</u>	<u>11,888,237</u>	<u>(234,538)</u>
Revenues and other financing sources under expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>6,066,284</u>	<u>\$ 6,066,284</u>
Fund balance				
Beginning of year, July 1			26,019,862	
Decrease in reserve for inventory			(6,133)	
End of year, June 30			<u>\$ 32,080,013</u>	
A legally budgeted Capital Reserve Fund and Revaluation Fund is consolidated into the General Fund for reporting purposes:				
Sales tax revenue			3,216,514	
Transfer-out to General Fund			(3,400,000)	
General government expenditures			(108,356)	
Transfer-in from General Fund			125,000	
Fund Balance, Beginning			<u>1,813,714</u>	
Fund Balance, Ending (Exhibit 4)			<u>\$ 33,726,885</u>	

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

Franklin County, North Carolina
Statement of Net Position
Proprietary Funds
June 30, 2017

	<u>Major</u>	<u>Non-Major</u>		<u>Non-Major</u>
	<u>Enterprise Fund</u>			<u>Internal</u>
	<u>Water and</u>	<u>Solid Waste</u>		<u>Service Fund</u>
	<u>Sewer Fund</u>	<u>Fund</u>	<u>Total</u>	<u>Insurance</u>
				<u>Fund</u>
Assets				
Current assets:				
Cash and cash equivalents	\$ 5,488,817	\$ 284,907	\$ 5,773,724	\$ 1,682,407
Receivables, net	2,228,479	327,372	2,555,851	-
Due from other governments	554,689	80,138	634,827	-
Security deposit	-	-	-	742,052
Total current assets	<u>8,271,985</u>	<u>692,417</u>	<u>8,964,402</u>	<u>2,424,459</u>
Noncurrent assets:				
Capital assets:				
Land, improvements, and construction in progress	3,236,357	504,756	3,741,113	-
Other capital assets, net of depreciation	26,549,972	1,053,704	27,603,676	-
Total capital assets	<u>29,786,329</u>	<u>1,558,460</u>	<u>31,344,789</u>	<u>-</u>
Total noncurrent assets	<u>29,786,329</u>	<u>1,558,460</u>	<u>31,344,789</u>	<u>-</u>
Total assets	<u>\$ 38,058,314</u>	<u>\$ 2,250,877</u>	<u>\$ 40,309,191</u>	<u>\$ 2,424,459</u>
Deferred Outflows of Resources	<u>300,586</u>	<u>157,063</u>	<u>457,649</u>	<u>-</u>
Liabilities				
Current liabilities:				
Accounts payable	\$ 533,106	\$ 222,810	\$ 755,916	\$ 457,983
Accrued payroll	50,508	29,500	80,008	-
Accrued interest expense	36,974	-	36,974	-
Customer deposits	481,381	-	481,381	-
Due to General Fund	2,947,672	-	2,947,672	-
Compensated absences	16,019	10,464	26,483	-
Revolving loans	180,000	-	180,000	-
Certificates of participation	515,916	-	515,916	-
Installment debt	1,055,615	-	1,055,615	-
Post closure liability	-	40,950	40,950	-
Total current liabilities	<u>5,817,191</u>	<u>303,724</u>	<u>6,120,915</u>	<u>457,983</u>
Noncurrent liabilities:				
Net pension liability	335,051	175,071	510,122	-
Compensated absences	48,056	31,391	79,447	-
Revolving loans	540,000	-	540,000	-
Installment debt	6,991,047	-	6,991,047	-
Other postemployment benefits	827,678	323,669	1,151,347	-
Post closure liability	-	176,637	176,637	-
Total noncurrent liabilities	<u>8,741,832</u>	<u>706,768</u>	<u>9,448,600</u>	<u>-</u>
Total liabilities	<u>14,559,023</u>	<u>1,010,492</u>	<u>15,569,515</u>	<u>457,983</u>
Deferred Inflows of Resources	<u>15,345</u>	<u>8,018</u>	<u>23,363</u>	<u>-</u>
Net Position				
Net investment in capital assets	20,503,751	1,558,460	22,062,211	-
Unrestricted	3,280,781	(169,030)	3,111,751	1,966,476
Total net position	<u>23,784,532</u>	<u>1,389,430</u>	<u>25,173,962</u>	<u>\$ 1,966,476</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			<u>46,512</u>	
Net position of business-type activities			<u>\$ 25,220,474</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 Position
Proprietary Funds
For the Year Ended June 30, 2017

	<u>Major</u>	<u>Non-Major</u>	<u>Non-Major</u>	
	<u>Water and Sewer Fund</u>	<u>Enterprise Fund Solid Waste Fund</u>	<u>Total</u>	<u>Internal Service Fund</u>
		<u>Insurance Fund</u>		
Operating revenues				
Charges for water	\$ 6,277,747	\$ -	\$ 6,277,747	\$ -
Charges for sewer	2,653,133	-	2,653,133	-
Other operating revenues	1,391,148	-	1,391,148	-
Charges for services	-	3,320,650	3,320,650	7,424,252
Miscellaneous income	22,877	31,731	54,608	42,242
Total operating revenues	<u>10,344,905</u>	<u>3,352,381</u>	<u>13,697,286</u>	<u>7,466,494</u>
Operating expenses				
Salaries and employee benefits	1,660,871	854,491	2,515,362	-
Water purchases	3,359,156	-	3,359,156	-
Other operating expenses	1,462,729	2,638,614	4,101,343	7,551,402
Depreciation	1,363,228	164,077	1,527,305	-
Total operating expenses	<u>7,845,984</u>	<u>3,657,182</u>	<u>11,503,166</u>	<u>7,551,402</u>
Operating income	<u>2,498,921</u>	<u>(304,801)</u>	<u>2,194,120</u>	<u>(84,908)</u>
Nonoperating revenues (expenses)				
Interest earnings	41,719	-	41,719	9
Interest expense	(237,382)	-	(237,382)	-
Total nonoperating revenue (expenses) - net	<u>(195,663)</u>	<u>-</u>	<u>(195,663)</u>	<u>9</u>
Income (loss) before transfers	<u>2,303,258</u>	<u>(304,801)</u>	<u>1,998,457</u>	<u>(84,899)</u>
Capital contributions	<u>815,367</u>	<u>163,310</u>	<u>978,677</u>	<u>-</u>
Change in net position	<u>3,118,625</u>	<u>(141,491)</u>	<u>2,977,134</u>	<u>(84,899)</u>
Net position				
Total net position, beginning	<u>20,665,907</u>	<u>1,530,921</u>	<u>22,196,828</u>	<u>2,051,375</u>
Total net position, ending	<u>\$ 23,784,532</u>	<u>\$ 1,389,430</u>	<u>\$ 25,173,962</u>	<u>\$ 1,966,476</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			<u>(5,179)</u>	
Change in net position of business-type activities			<u>\$ 2,971,955</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, 2017

	<u>Major</u>	<u>Non-Major</u>		<u>Non-Major</u>
	<u>Water and Sewer Fund</u>	<u>Enterprise Fund</u>		<u>Internal Service Fund</u>
		<u>Solid Waste Fund</u>	<u>Total</u>	<u>Insurance Fund</u>
Cash flows from operating activities				
Cash received from customers	\$ 10,489,319	\$ 3,216,168	\$ 13,705,487	\$ 7,466,494
Cash paid for goods and services	(4,871,852)	(2,628,210)	(7,500,062)	(7,717,630)
Cash paid to employees for services	(1,576,676)	(824,198)	(2,400,874)	-
Customer deposits received	50,058	-	50,058	-
Net cash provided by operating activities	<u>4,090,849</u>	<u>(236,240)</u>	<u>3,854,609</u>	<u>(251,136)</u>
Cash flows from capital and related financing activities				
Acquisition and construction of capital assets	(1,029,243)	-	(1,029,243)	-
Principal paid on bonds	(3,459,689)	-	(3,459,689)	-
Principal paid to General Fund	(736,918)	-	(736,918)	-
Interest paid	(237,382)	-	(237,382)	-
Capital contributions	815,367	163,310	978,677	-
Net cash used by capital and related financing activities	<u>(2,932,865)</u>	<u>163,310</u>	<u>(2,769,555)</u>	<u>-</u>
Cash flows from investing activities				
Interest on investments	41,719	-	41,719	9
Net increase in cash and cash equivalents	1,199,703	(72,930)	1,126,773	(251,127)
Cash and cash equivalents				
Beginning of year, July 1	4,289,114	357,837	4,646,951	1,933,534
End of year, June 30	<u>\$ 5,488,817</u>	<u>\$ 284,907</u>	<u>\$ 5,773,724</u>	<u>\$ 1,682,407</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, 2017

	<u>Major</u>	<u>Non-Major</u>	<u>Non-Major</u>	
	<u>Enterprise Fund</u>		<u>Internal Service Fund</u>	
	<u>Water and Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Total</u>	<u>Insurance Fund</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 2,498,921	\$ (304,801)	\$ 2,194,120	\$ (84,908)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	1,363,228	164,077	1,527,305	-
Landfill closure costs	-	(9,575)	(9,575)	-
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	60,175	(101,809)	(41,634)	-
(Increase) decrease in due from other governments	84,239	(34,404)	49,835	-
(Increase) decrease in security deposit	-	-	-	(91,263)
Increase (decrease) in accounts payable and accrued liabilities	(49,150)	19,979	(29,171)	(74,965)
Increase (decrease) in accrued interest expense	(817)	-	(817)	-
Decrease in accrued vacation pay	(14,888)	8,309	(6,579)	-
Increase in customer deposits	50,058	-	50,058	-
Increase in accrued payroll	(32,072)	(24,430)	(56,502)	-
(Increase) decrease in deferred outflows of resources-pensions	(229,631)	(116,505)	(346,136)	-
Increase in net pension liability	266,357	135,817	402,174	-
Decrease in deferred inflows of resources - pensions	(20,358)	(12,384)	(32,742)	-
Increase in other postemployment benefits	114,787	39,486	154,273	-
Total adjustments	<u>1,591,928</u>	<u>68,561</u>	<u>1,660,489</u>	<u>(166,228)</u>
Net cash provided by operating activities	<u>\$ 4,090,849</u>	<u>\$ (236,240)</u>	<u>\$ 3,854,609</u>	<u>\$ (251,136)</u>

**Franklin County, North Carolina
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2017**

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 142,354
Liabilities and Net Position	
Liabilities:	
Intergovernmental payable	\$ 15,668
Miscellaneous liabilities	126,686
	<u>142,354</u>
Net Position	\$ -

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, 2017**

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.

Discretely Presented Component Units

Franklin County Tourism Development Authority

The Franklin County Tourism Development Authority (the "Tourism Development Authority") was created by State Statute 2005-233 and Senate Bill 369 on December 19, 2005 by the Franklin County Board of Commissioners. The Tourism Development Authority was formed to promote the development of Franklin County travel, tourism and conventions through advertising and promotions. The Tourism Development Authority is governed by a nine-member Board of Directors, seven of whom are appointed by the Franklin County Board of Commissioners. The remaining two members consist of the Franklin County finance officer and the Franklin County economic development director. Of the seven members appointed by the Board of Commissioners, three must be actively affiliated with collecting the occupancy tax in businesses and the remaining four must be involved in cultural, educational, and/or hospitality industries. The Tourism Development Authority, which has a June 30 year-end, is presented as if it were a governmental fund. Complete financial statements may be obtained at the following address:

Franklin County Tourism Development Authority
113 Market Street
Louisburg, NC 27549

Franklin County Industrial Facility and Pollution Control Financing Authority

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 position and the statement of activities display information about the primary government net position (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. However, some interfund services provided and used are not eliminated in the process of consolidation. These statements distinguish between the *governmental* and *business-type activities* of the County.

**FRANKLIN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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 activities 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 of which is displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds. Franklin County has two enterprise funds and one internal service fund, both of which are major funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating 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. The Capital Reserve Fund and Tax Revaluation Fund is a legally budgeted fund under North Carolina General Statutes; however, for statement presentation in accordance with GASB Statement No. 54 it is consolidated in the General Fund.

The County reports the following major enterprise fund:

Water and Sewer Fund – This fund is used to account for the operations of the water and sewer 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 Motor Vehicle Interest Fund, which accounts for the taxes collected and paid to municipalities; and the Jail Fund, which accounts for the revenues and expenditures of activity funds belonging to inmates during their period of incarceration.

**FRANKLIN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Non-major Funds. The County maintains eleven legally budgeted funds. The Fire District Fund, Emergency Telephone System Fund, DEA Fund, Community Development Fund and Hospital Fund are reported as non-major special revenue funds. The Airport Projects Fund, School Construction Fund, and Capital Building Project Fund are reported as capital projects funds. The Capital Reserve Fund and Revaluation Fund are consolidated in the General Fund in accordance with GASB statement No. 54. The Solid Waste Fund is the only enterprise fund that is a non-major fund.

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating 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 non-operating 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 for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. As of September 1, 2013, 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, the State of North Carolina is responsible for billing and collecting the property taxes on all registered motor vehicles on behalf of all municipalities and special tax districts. Property

**FRANKLIN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

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. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. 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 position 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 general revenues.

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, Capital Reserve Fund, Revaluation Fund, three of the special revenue funds (Fire District Fund, DEA Fund, Hospital Fund, and the Emergency Telephone System Fund), the Insurance Fund (an internal service fund), the Water and Sewer Fund and the Solid Waste Fund. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for all of the Capital Projects Funds, one of the special revenue funds, (the Community Development 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 functional 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 has authority to transfer amounts between objects of expenditures and between departmental appropriations in the same fund without limitation and without a report to the Board of Commissioners.

D. Assets, Liabilities, Deferred Inflows and Outflows, and Fund Equity

1. Deposits and Investments

All deposits of the County are made in board-designated official depositories and are secured as required by G.S. 159-31. The County may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the County may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law [G.S. 159-30(c)] authorizes the County to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT).

**FRANKLIN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

The majority of the County’s investments are carried at fair value. Non-participating interest earning contracts are accounted for at cost. The NC Capital Management Trust Government Portfolio, a SEC-registered 2a-7 external investment pool, is measured at amortized cost, 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 and the County Building Project 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. Money restricted for the Register of Deeds and Capital Reserve in the General Fund are also presented as restricted assets.

Franklin County Restricted Cash

Governmental Activities		
General Fund	Tax Revaluation funds	\$ 758,440
General Fund	Register of Deeds funds	81,233
General Fund	School Capital Reserve funds	888,432
County Building Fund	Unexpended debt funds	384,165
School Construction Fund	Unexpended debt funds	349,447
Total		<u>\$ 2,461,717</u>

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, 2016. 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

The inventory of the County is valued at cost (first-in, first-out), which approximates market. The County’s General Fund inventory consists of aviation fuel that is recorded as expenditures when purchased.

**FRANKLIN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

7. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to July 1, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after July 1, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. 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 after 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. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The County has three items that meet this criterion – refunding costs, pension related deferrals and contributions made to the pension plan in the current fiscal year. In addition to liabilities, the statement of financial position can also report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The County has only three items that meet the criterion for this category – prepaid taxes, special assessments receivable, and other pension related deferrals.

9. 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 on the statements of net position.

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

**FRANKLIN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

10. 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. An expense and a liability for compensated absences and the salary-related payments are recorded as leave is earned in the County's government-wide and proprietary fund.

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 accruals for sick leave have been made.

11. Net Position/Fund Balances

Net Position

Net position in government-wide and proprietary fund financial statements is classified as net investment in capital assets, restricted; and unrestricted. Restricted net position represents 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, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

Nonspendable Fund Balance-This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Inventories-portion of fund balance that is not an available resource because it represents the year-end balance of ending inventories, which are not spendable resources.

Restricted Fund Balance-This classification includes revenue sources that are restricted to specific purposes externally imposed by creditors or imposed by law.

Restricted for Stabilization by State Statute-portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].

Restricted for Register of Deeds-portion of fund balance that is restricted by revenue source to pay for the computer equipment and imaging technology for the Register of Deeds office.

Restricted for Fire Protection-portion of fund balance that is restricted by revenue source for fire protection expenditures.

Restricted for Capital Reserve-portion of fund balance that can only be used for School Capital per G.S. 159-18-22.

Restricted for Public Safety-portion of fund balance that can only be used for the purposes of the Emergency Telephone System Fund and DEA Fund.

**FRANKLIN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Restricted for Cultural and Recreational-portion of fund balance that can only be used for the purposes of cultural and recreational expenditures.

Restricted for Human Services-portion of fund balance that can only be used for the purposes of human services.

Restricted for Economic Development-portion of fund balance that can only be used for the purposes of Community Development and Airport Projects.

Committed Fund Balance-Portion of fund balance that can only be used for specific purpose imposed by majority vote of Franklin County's Board of Commissioners (highest level of decision-making authority). Any changes or removal of specific purposes requires passage of a resolution by the Board of Commissioners.

Committed for Debt Service-portion of fund balance that can only be used for Debt Service.

Committed for Revaluation-portion of fund balance that can only be used for Revaluation.

Assigned Fund Balance-portion of fund balance that Franklin County governing board has budgeted or fund balance set aside for specific purposes by the governing board or finance officer.

Assigned for Subsequent year's expenditures-portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation.

Assigned for Cultural and Recreational-portion of fund balance that has been assigned by the board for cultural and recreational.

Assigned for Economic Development-portion of fund balance that has been assigned by the board for economic development.

Assigned for Public Safety-portion of fund balance that has been assigned by the board for public safety.

Assigned for Human Services-portion of fund balance that has been assigned by the board for human services.

Unassigned Fund Balance-Portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds. The General Fund is the only governmental fund that reports a positive unassigned fund balance. Other governmental funds will only report an unassigned fund balance if their expenditures exceed the amounts that are restricted, committed or assigned for specific purposes which will cause a negative unassigned fund balance.

Franklin County has a stated minimum fund balance goal for the General Fund which instructs management to conduct the business of the County in such a manner that available fund balance is at least equal to or greater than 15% of budgeted expenditures. Any portion of the General Fund balance in excess of 15% of budgeted expenditures may be appropriated for one-time expenditures and may not be used for any purpose that would obligate the County in a future budget.

**FRANKLIN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

12. Defined Benefit Pension Plans

The County participates in two cost-sharing, multiple-employer, defined benefit pension plans that are administered by the State; the Local Governmental Employees' Retirement System (LGERs) and the Registers of Deeds' Supplemental Pension Fund (RODSPF) (collectively, the "state-administered defined benefit pension plans"). For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net positions of the state-administered defined benefit pension plans and additions to/deductions from the state-administered defined benefit pension plans' fiduciary net positions have been determined on the same basis as they are reported by the state-administered defined benefit pension plans. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The County's employer contributions are recognized when due and the County has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the state-administered defined benefit pension plans. Investments are reported at fair value.

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 position.

The governmental fund balance sheet includes reconciliation between total fund balance for the governmental funds and net position for governmental activities as reported in the government-wide statement of net position. The net adjustment of \$ (17,292,103) 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)	\$ 83,804,908
Less accumulated depreciation	<u>(26,325,371)</u>
Net capital assets	57,479,537
 Net pension asset	 106,547
 Deferred charges related to advance refunding bond issued-included on the government-wide statement of net position but are not current financial resources	 922,043
 Contributions to the pension plan in the current fiscal year	 6,057,229
 Benefit payments and pension administration costs for LEOSSA	 7,775
 Accrued interest receivable less the amount claimed as unearned revenue in the government-wide statements as these funds are unavailable in the fund statements	 354,213
 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 position	 1,966,476

**FRANKLIN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Internal payable representing charges in excess of cost to business-type activities – current year	(46,512)
Deferred inflows of resources for taxes and special assessments receivable	1,616,901
Pension related deferrals	(344,838)
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, premiums, leases, and installment financing	(61,484,876)
Compensated absences	(1,680,043)
Other postemployment benefits	(13,805,778)
Net pension liability-LGERS	(6,714,095)
Net pension liability-LEO	(1,148,777)
Accrued interest payable	<u>(577,905)</u>
Total adjustment	<u>\$ (17,292,103)</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 reconciliation between net changes in fund balances for the governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. The total adjustment of \$5,604,718 is comprised of the following:

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 3,740,265
Cost of disposed capital asset not recorded in the fund statements	(4,020)
Depreciation expense, the allocation of those assets over their useful lives, that is recorded on the statement of activities but not in the fund statements	(2,523,196)
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 position	(8,113,000)
Principal payments on debt owed are recorded as a use of funds on the fund statements but again affect only the statement of net position in the government-wide statements	14,821,383
Expenses reported on fund statements that are capitalized on government-wide statements – refunding costs	289,624
Inventory not expensed on the statement of activities	(6,133)

**FRANKLIN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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 position of the internal service funds	(84,899)
Less: Profit from charges to business-type activities	<u>5,179</u>
Net adjustment	(79,720)

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	1,571,826
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Benefit payments and administration costs for LEOSSA are deferred outflows of resources on the Statement of Net Position	5,079
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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)	157,685
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(81,973)
Other postemployment benefits are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(1,919,652)
County's portion of collective pension expense	(1,960,190)
Amortization of refunding costs	(74,649)

Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements

Increase in deferred inflows of resources-taxes receivable-at end of year	(200,109)
Increase in accrued interest receivable for taxes at end of year	(59,636)
Amortization of bond premium	41,173
Increase in accrued interest receivable for year	<u>(39)</u>
Total adjustment	<u>\$ 5,604,718</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 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.

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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.

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, 2017, the County's deposits had a carrying amount of \$25,084,916 and a bank balance of \$25,551,511. Of the bank balance, \$310,224 was covered by federal depository insurance and \$25,241,287 in interest bearing deposits were covered by collateral held under the Pooling Method.

At June 30, 2017, Franklin County had \$3,290 cash on hand.

At June 30, 2017, the Tourism Development Authority had a carrying amount of \$125,923. This balance is held in trust by Franklin County.

2. Investments

As June 30, 2017, the County's investment balances were as follows:

<u>Investment</u>	<u>Valuation Measurement Method</u>	<u>Fair Value</u>	<u>6-12 months</u>
NC Capital Management Trust- Government Portfolio	Amortized Cost	\$ 11,694,053	N/A

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets.

Level of fair value hierarchy - Level 1: Debt securities valued using directly observable, quoted prices (unadjusted) in active markets for identical assets. Level Two debt securities are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

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 Government Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2017. The County's policy on investments 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

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taxes that could become due if present use-value eligibility is lost. These amounts have not been recorded in the financial statements.

<u>Year Levied</u>	<u>Tax</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 3,402,357	\$ 1,139,789	\$ 4,542,146
2015	3,420,500	838,022	4,258,522
2016	3,621,538	561,338	4,182,876
2017	<u>3,628,794</u>	<u>235,872</u>	<u>3,864,666</u>
Total	<u>\$ 14,073,189</u>	<u>\$ 2,775,021</u>	<u>\$ 16,848,210</u>

4. Receivables

Receivables at the government-wide level at June 30, 2017 were as follows:

	<u>Accounts</u>	<u>Ad Valorem Taxes & Related Accrued Interest</u>	<u>Due from Other Governments</u>	<u>Total</u>
Governmental Activities:				
General	\$ 6,564,650	\$ 2,008,411	\$ 3,784,461	\$ 12,357,522
Other Governmental	<u>32,595</u>	<u>113,703</u>	<u>326,297</u>	<u>472,595</u>
Total receivables	6,597,245	2,122,114	4,110,758	12,830,117
Allowance for doubtful accounts	<u>(5,297,949)</u>	<u>(151,000)</u>	<u>-</u>	<u>(5,448,949)</u>
Total – governmental activities	<u>\$ 1,299,296</u>	<u>\$ 1,971,114</u>	<u>\$ 4,110,758</u>	<u>\$ 7,381,168</u>
Business-type Activities:				
Solid Waste	\$ 392,841	\$ -	\$ 80,138	\$ 472,979
Water and Sewer	2,376,475	-	554,689	2,931,164
Allowance for doubtful accounts	<u>(213,465)</u>	<u>-</u>	<u>-</u>	<u>(213,465)</u>
Total – business-type activities	<u>\$ 2,555,851</u>	<u>\$ -</u>	<u>\$ 634,827</u>	<u>\$ 3,190,678</u>

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

Local option sales tax	\$ 2,038,669
Child Care	251,117
Social Services	892,742
DMV Collections	511,549
Sales tax refund	324,738
Medicaid Hold Harmless	47,891
Miscellaneous	<u>678,879</u>
Total	<u>\$ 4,745,585</u>

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5. Capital Assets

Primary Government

Capital asset activity for the year ended June 30, 2017 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental-type activities:				
Capital assets not being depreciated:				
Land	\$ 11,975,105	\$ -	\$ -	\$ 11,975,105
Construction in process	<u>14,241,509</u>	<u>1,562,294</u>	<u>(2,262,813)</u>	<u>13,540,990</u>
Total capital assets not being depreciated	<u>26,216,614</u>	<u>1,562,294</u>	<u>(2,262,813)</u>	<u>25,516,095</u>
Capital assets being depreciated:				
Buildings	35,752,396	321,442	-	36,073,838
Waterlines	163,228	-	-	163,228
Gas lines	411,481	-	-	411,481
Land Improvements	2,847,822	1,799,885	-	4,647,707
Equipment	8,783,573	933,803	-	9,717,376
Vehicles	<u>6,179,286</u>	<u>1,385,654</u>	<u>(289,757)</u>	<u>7,275,183</u>
Total capital assets being depreciated	<u>54,137,786</u>	<u>4,440,784</u>	<u>(289,757)</u>	<u>58,288,813</u>
Less accumulated depreciation for:				
Buildings	12,053,527	1,017,751	-	13,071,278
Waterlines	47,207	4,081	-	51,288
Gas lines	226,070	8,230	-	234,300
Land Improvements	1,369,838	142,391	-	1,512,229
Equipment	5,379,237	782,560	-	6,161,797
Vehicles	<u>5,012,033</u>	<u>568,183</u>	<u>(285,737)</u>	<u>5,294,479</u>
Total accumulated depreciation	<u>24,087,912</u>	<u>\$ 2,523,196</u>	<u>\$ (285,737)</u>	<u>26,325,371</u>
Total capital assets being depreciated, net	<u>30,049,874</u>			<u>31,963,442</u>
Governmental-type activities capital assets, net	<u>\$ 56,266,488</u>			<u>\$ 57,479,537</u>
Business-type activities:				
Franklin County Solid Waste Fund				
Capital assets not being depreciated:				
Land	\$ 504,756	\$ -	\$ -	\$ 504,756
Total capital assets not being depreciated	<u>504,756</u>	<u>-</u>	<u>-</u>	<u>504,756</u>
Capital assets being depreciated:				
Plant and distribution systems	1,770,065	-	-	1,770,065
Furniture and maintenance equipment	1,177,668	-	-	1,177,668
Vehicles	<u>248,268</u>	<u>-</u>	<u>-</u>	<u>248,268</u>
Total capital assets being depreciated	<u>3,196,001</u>	<u>-</u>	<u>-</u>	<u>3,196,001</u>
Less accumulated depreciation for:				
Plant and distribution systems	899,344	86,866	-	986,210
Furniture and maintenance equipment	888,663	52,841	-	941,504
Vehicles	<u>190,213</u>	<u>24,370</u>	<u>-</u>	<u>214,583</u>
Total accumulated depreciation	<u>1,978,220</u>	<u>\$ 164,077</u>	<u>\$ -</u>	<u>2,142,297</u>
Total capital assets being depreciated, net	<u>1,217,781</u>			<u>1,053,704</u>
Solid waste capital assets, net	<u>\$ 1,722,537</u>			<u>\$ 1,558,460</u>

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	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Franklin County Water & Sewer Fund				
Capital assets not being depreciated:				
Land	\$ 369,456	\$ -	\$ -	\$ 369,456
Construction in progress	<u>1,682,567</u>	<u>628,775</u>	<u>(1,317,051)</u>	<u>994,291</u>
Total capital assets not being depreciated	<u>2,052,023</u>	<u>628,775</u>	<u>(1,317,051)</u>	<u>1,363,747</u>
Capital assets being depreciated:				
Plant and distribution systems	42,195,968	1,517,810	-	43,713,778
Furniture and maintenance equipment	1,483,735	150,534	-	1,634,269
Vehicles	<u>553,806</u>	<u>49,176</u>	<u>-</u>	<u>602,982</u>
Total capital assets being depreciated	<u>44,233,509</u>	<u>1,717,520</u>	<u>-</u>	<u>45,951,029</u>
Less accumulated depreciation for:				
Plant and distribution systems	14,886,779	1,186,277	-	16,073,056
Furniture and maintenance equipment	897,132	127,260	-	1,024,392
Vehicles	<u>381,308</u>	<u>49,691</u>	<u>-</u>	<u>430,999</u>
Total accumulated depreciation	<u>16,165,219</u>	<u>\$ 1,363,228</u>	<u>\$ -</u>	<u>17,528,447</u>
Total capital assets being depreciated, net	<u>28,068,290</u>			<u>28,422,582</u>
Water sewer capital assets, net	<u>30,120,313</u>			<u>29,786,329</u>
Business-type activities capital assets, net	<u>\$ 31,842,851</u>			<u>\$ 31,344,789</u>

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

General Government	\$ 249,326
Public Safety	965,566
Economic and Physical Development	210,138
Human Services	957,798
Cultural and Recreational	<u>140,368</u>
Total Depreciation Expense	<u>\$ 2,523,196</u>

Construction and Other Commitments

At June 30, 2017, the County was obligated under construction projects as follows:

<u>Project</u>	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
Franklin Sewer Project Phase II	\$ 151,361	\$ 1,011,260

B. Liabilities

1. Payables

Payables at the government-wide level at June 30, 2017 were as follows:

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	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Total</u>
Governmental Activities:			
General	\$ 1,157,726	\$ 983,988	\$ 2,141,714
Other Governmental	<u>214,219</u>	<u>-</u>	<u>214,219</u>
Total - governmental activities	<u>\$ 1,371,945</u>	<u>\$ 983,988</u>	<u>\$ 2,355,933</u>
Business-type Activity:			
Solid Waste Fund	\$ 222,810	\$ 29,500	\$ 252,310
Water and Sewer Fund	<u>533,106</u>	<u>50,508</u>	<u>583,614</u>
Total – business-type activities	<u>\$ 755,916</u>	<u>\$ 80,008</u>	<u>\$ 835,924</u>

2. Pension Plan and Other Postemployment Obligations

a. Local Governmental Employee’s Retirement System

Plan Description. The County is a participating employer in 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 membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. 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, by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member’s average final compensation times the member’s years of creditable service. A member’s average final compensation is calculated as the average of a member’s four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor’s Alternate Benefit for life or a return of the member’s contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of

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creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. County employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The County's contractually required contribution rate for the year ended June 30, 2017, was 8.00% of compensation for law enforcement officers and 7.37% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the County were \$1,691,227 for the year ended June 30, 2017.

Refunds of Contributions – County employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60 day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the County reported a liability of \$7,224,216 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension liability was based on a projection of the County's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2017, the County's proportion was .34%, which was an decrease of .007% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2017, the County recognized pension expense of \$2,010,662. At June 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual experience	\$ 135,731	\$ 253,145
Changes of assumptions	494,794	-
Net difference between projected and actual earnings on pension plan investments	3,994,082	-
Changes in proportion and differences between County contributions and proportionate share of contributions	165,283	77,725
County contributions subsequent to the measurement date	1,691,227	-
Total	<u>\$ 6,481,117</u>	<u>\$ 330,770</u>

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\$1,691,227 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2018	\$ 716,573
2019	716,632
2020	1,895,612
2021	1,130,211

Actuarial Assumptions. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 7.75 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	100%	

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The information above is based on 30 year expectations developed with the consulting actuary for the 2016 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County’s proportionate share of the net pension asset to changes in the discount rate. The following presents the County’s proportionate share of the net pension asset calculated using the discount rate of 7.25 percent, as well as what the County’s proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	<u>1% Decrease</u> <u>(6.25%)</u>	<u>Discount</u> <u>Rate (7.25%)</u>	<u>1% Increase</u> <u>(8.25%)</u>
County’s proportionate share of the net pension liability (asset)	\$17,146,435	\$7,224,216	\$(1,063,559)

Pension plan fiduciary net position. Detailed information about the pension plan’s fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

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 under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. 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.

All full-time County law enforcement officers are covered by the Separation Allowance. At December 31, 2015, the Separation Allowance’s membership consisted of:

Retirees receiving benefits		1
Terminated plan members entitled to but not yet receiving benefits		-
Active plan members		<u>76</u>
	Total	<u>77</u>

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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. Benefits are recognized when due and payable in accordance with the terms of the plan.

The Separation Allowance has no assets accumulated in a trust that meets the criteria which are outlined in GASB Statement 73.

3. Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2015 valuation. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.86 percent

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2016.

Mortality rates are based on the RP-2000 Mortality tables with adjustments for mortality improvements based on Scale AA.

4. Contributions

The County is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions by employees. The County’s obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The County paid \$10,619 as benefits came due for the reporting period.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the County reported a total pension liability of \$1,148,777. The total pension liability was measured as of December 31, 2016 based on a December 31, 2015 actuarial valuation. The total pension liability was rolled forward to December 31, 2016 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2017, the County recognized pension expense of \$118,135.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	27,997
County benefit payments and plan administrative expense made subsequent to the measurement date	7,775	-
Total	<u>\$ 7,775</u>	<u>\$ 27,997</u>

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\$7,775 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2018	\$ 4,810
2019	4,810
2020	4,810
2021	4,810
2022	4,810
Thereafter	3,947

\$7,775 paid as benefits came due and \$0 of administrative expenses subsequent to the measurement date are reported as deferred outflows of resources.

Sensitivity of the County's total pension liability to changes in the discount rate. The following presents the County's total pension liability calculated using the discount rate of 3.86 percent, as well as what the County's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.86 percent) or 1-percentage-point higher (4.86 percent) than the current rate:

	1% Decrease (2.86%)	Discount Rate (3.86%)	1% Increase (4.86%)
Total pension liability	\$ 1,266,212	\$ 1,148,777	\$ 1,043,118

**Schedule of Changes in Total pension Liability
Law Enforcement Officer's Special Separation Allowance**

	2017
Beginning balance	\$ 1,069,258
Service Cost	84,962
Interest on the total pension liability	37,983
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	-
Changes of assumptions or other inputs	(32,807)
Benefit payments	(10,619)
Other changes	-
Ending balance of the total pension liability	<u>\$ 1,148,777</u>

The plan currently uses mortality tables that vary by age, and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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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, 2017 were \$226,894, which consisted of \$176,807 from the County and \$50,087 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 (RODSPF), a noncontributory, cost-sharing, multiple-employer, defined benefit plan administered by the North Carolina Department of State Treasurer. RODSPF provides 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. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. 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, by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. An individual’s benefits for the year are calculated as a share of accumulated contributions available for benefits for that year, subject to certain statutory limits. An individual’s eligibility is based on at least 10 years of service as a register of deeds with the individual’s share increasing with years of service. Because of the statutory limits noted above, not all contributions available for benefits are distributed.

Contributions. Benefits and administrative expenses are funded by investment income and 1.5% of the receipts collected by each County Commission under Article 1 of Chapter 161 of the North Carolina General Statutes. The statutory contribution currently has no relationship to the actuary’s required contribution. The actuarially determined contribution this year and for the foreseeable future is zero. Registers of Deeds do not contribute. Contribution provisions are established by General Statute 161-50 and may be amended only by the North Carolina General Assembly. Contributions to the pension plan from the County were \$5,079 for the year ended June 30, 2017.

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Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the County reported an asset of \$106,547 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2016. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension asset was based on the County's share of contributions to the pension plan, relative to contributions to the pension plan of all participating RODSPF employers. At June 30, 2017, the County's proportion was .57%, which was an increase of .043% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2017, the County recognized pension expense of \$3,103. At June 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual experience	\$ 114	\$ 1,379
Changes in assumptions	28,386	-
Net difference between projected and actual earnings on pension plan investments	182	-
Changes in proportion and differences between County contributions and proportionate share of contributions	-	7,956
County contributions subsequent to the measurement date	<u>5,079</u>	<u>-</u>
Total	<u>\$ 33,761</u>	<u>\$ 9,335</u>

\$5,079 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2018	\$ 7,739
2019	8,959
2020	3,838
2021	(1,193)

Actuarial Assumptions. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.5 to 7.75 percent, including inflation and productivity factor
Investment rate of return	3.75 percent, net of pension plan investment expense, including inflation

**FRANKLIN COUNTY, NORTH CAROLINA
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The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The adopted asset allocation policy for the RODSPF is 100% in the fixed income asset class. The best estimate of arithmetic real rate of return for the fixed income asset class as of June 30, 2016 is 1.4%:

The information above is based on 30 year expectations developed with the consulting actuary for the 2016 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.05%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 5.75%. The projection of cash flows used to determine the discount rate assumed that contributions from employers will be made at statutorily required rates. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's proportionate share of the net pension asset to changes in the discount rate. The following presents the County's proportionate share of the net pension asset calculated using the discount rate of 3.75 percent, as well as what the County's proportionate share of the net pension asset would be if it were calculated using a discount rate that is 1-percentage-point lower (2.75 percent) or 1-percentage-point higher (4.75 percent) than the current rate:

	<u>1% Decrease</u> <u>(2.75%)</u>	<u>Discount</u> <u>Rate (3.75%)</u>	<u>1% Increase</u> <u>(4.75%)</u>
County's proportionate share of the net pension liability (asset)	\$ (85,911)	\$ (106,547)	\$ (123,883)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

**FRANKLIN COUNTY, NORTH CAROLINA
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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, 2007, 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 June 30, 2016, the date of the latest actuarial valuation:

	<u>General Employees</u>	<u>Law Enforcement Employees</u>
Retirees and dependents receiving benefits	81	9
Active plans members	<u>406</u>	<u>68</u>
Total	<u>487</u>	<u>77</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 15.36% of annual covered payroll. For the current year, the County contributed \$325,608 or 1.72% of covered payroll. The County is self-insured for healthcare coverage. The County's required contributions, under a Board resolution, for employees not engaged in law enforcement and for law enforcement officers represented 1.54% and 0.17% of covered payroll, respectively. There were no contributions made by employees, except for dependent coverage in the amount of \$62,556. The County's obligation to contribute to HCB Plan is established and may be amended by the Board of Commissioners.

Summary of Significant Accounting Policies: Postemployment expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. No funds are set aside to pay benefits and 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 current year, the amount actually contributed to the plan, and changes in the County's net OPEB for the healthcare benefits:

Annual required contribution	\$ 2,376,504
Interest on net OPEB obligation	515,328
Adjustment to annual required contribution	<u>492,298</u>
Annual OPEB cost (expense)	2,399,534
Contributions made	<u>325,608</u>
Increase in net OPEB obligation	2,073,926
Net OPEB obligation, beginning of year	<u>12,883,200</u>
Net OPEB obligation, end of year	<u>\$ 14,957,126</u>

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The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the HCB Plan, and the net OPEB obligation for 2017 were as follows:

<u>For the Year Ended June 30,</u>	<u>Three Year Trend Information</u>		
	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Contribution</u>
2017	\$ 2,399,534	13.60%	\$ 14,957,126
2016	2,326,709	13.30%	12,883,200
2015	2,118,486	20.70%	10,865,992

Funded Status and Funding Progress. As of June 30, 2016, 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 \$29,654,291. The covered payroll (annual payroll of active employees covered by the plan) was \$18,974,045 and the ratio of the UAAL to the covered payroll was 156.3 percent.

In the June 30, 2016 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 3.00 percent inflation assumption. The medical cost trend rate varied between 7.75 and 5.00 percent for pre-Medicare and 5.75 and 5.00 percent for post-Medicare. 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 June 30, 2016 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 months salary in a row during the 24 months prior to the employee's death, but the benefit will be a minimum of \$25,000 and will not exceed \$50,000. Because all death benefit payments are made from the Death Benefit Plan and not by the County, the County does not determine the number of eligible participants. The County has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The County considers these contributions to be immaterial.

3. Closure and Postclosure Care Costs – Solid Waste Landfill Facility

State and federal laws and regulations require the County to place a final cover on its Solid Waste Landfill Facility when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The Franklin County landfill closed in 1994. The \$217,587 reported as accrued landfill closure liability at June 30, 2017 represents the latest estimate for costs remaining.

The County has met the requirements of a local government financial test that helps determine if a unit is financially able to meet closure and postclosure care requirements. The County budgets annually for postclosure

**FRANKLIN COUNTY, NORTH CAROLINA
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care. In the event a natural occurrence, inflation or any other unforeseen event occurs, the County would appropriate funds from the Solid Waste fund balance and/or increase charges to future solid waste customers.

4. Deferred Outflows and Inflows of Resources

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pensions – difference between expected and actual experience		
LGERS	\$ 135,731	\$ 253,145
Register of Deeds	114	1,379
Changes of assumptions		
LGERS	494,794	-
Register of Deeds	28,386	-
LEOSSA	-	27,997
Pensions – difference between projected and actual investment earnings		
LGERS	3,994,082	-
Register of Deeds	182	-
Pensions-change in proportion and difference between employer contributions and proportionate share of contributions		
LGERS	165,283	77,725
Register of Deeds	-	7,956
Contributions to pension plan in 2016-2017 fiscal year		
LGERS	1,691,227	-
Register of Deeds	5,079	-
Benefit payments/administration costs paid subsequent to the measurement date (LEOSSA)	7,775	-
Charge on refunding of debt	922,043	-
Prepaid taxes not yet earned (General Fund)	-	151,270
Deferred homeowner’s monies (General Fund)	-	20,958
Taxes receivable, net (General Fund)	-	1,503,198
Special Revenue Fund	-	113,703
Total	<u>\$ 7,444,696</u>	<u>\$ 2,157,331</u>

5. 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 one self-funded risk-financing pools administered by the North Carolina Association of County Commissioners (NCACC). Through these pools, the County obtains property coverage equal to replacement cost values of owned property subject to a limit of \$125.5 million for any one occurrence, general, auto, professional, and employment practices liability coverage of \$2 million per occurrence, auto physical damage coverage for owned autos at actual cash value, crime coverage of \$250,000 per occurrence, and workers’ compensation coverage up to the statutory limits. The pools are audited annually by certified public accountants, and the audited financial statements are available to the County upon request. Both of the pools are reinsured through a multi-state public entity captive for single occurrence losses in excess of \$500,000 retention up to a \$2 million limit for liability coverage, and \$1,750,000 of each loss in excess of a \$250,000 per occurrence retention for property, auto physical damage. For workers compensation there is a per occurrence retention of \$750,000. The County provides employee health and dental benefits through a self-insured plan provided by NCACC. Claims are administered and paid directly from the plan by DIC. Specific stop-loss is set at \$60,000 per individual health insurance claim with an unlimited lifetime

**FRANKLIN COUNTY, NORTH CAROLINA
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maximum. Aggregate stop-loss is set at the level of 125% with a minimum aggregate attachment point of \$6,516,502 and a contract period maximum of \$1,000,000.

In 1998, the County's group medical coverage went from fully insured to self-insured which is administered by an outside provider. The County also provides self-insured dental to its employees and dependents. There is no limit for in-network services and a \$1,000,000 lifetime limit for out-of-network services for each covered employee/dependent's medical costs. The cost of providing medical coverage to participating employees and dependents is charged to benefiting funds as premiums. These premiums are an estimate of expected average claims per individual.

The County has flood insurance with a \$25,000 deductible subject to a \$10 million annual aggregate for property not located in a special hazard zone for flooding.

In accordance with G.S. 159-29, the County's employees who have access to \$100 or more of the County's funds at any given time 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 who 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.

6. Commitments

At June 30, 2017, the County was obligated under an operating lease for office space as follows:

Beginning January 1, 2010 through December 31, 2016 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, 2017 was \$38,438.

Various other properties in Franklin County with a total rental expense for the year ended June 30, 2017 of \$78,552.

At June 30, 2017, the County leased vehicles and equipment with total rental expense of \$12,600.

At June 30, 2017, 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 \$360 to \$1,900 per year. All leases expired June 30, 2017 with options to extend for an additional year. Options were exercised on all of the leases at June 30, 2017. Rent expense for the year ended June 30, 2017 was \$8,751.

At June 30, 2017, the County was obligated under various operating leases for office equipment as follows:

Total lease expense for the year ended June 30, 2017 was \$301,170.

Total operating lease expense for the year ended June 30, 2017, was \$439,511.

Future lease payments total for the years ending June 30:

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	<u>Total</u>
2017	\$ 288,088
2018	149,306
2019	<u>38,037</u>
Total	<u>\$ 475,431</u>

At June 30, 2017, the County was obligated under a commitment as follows:

The County has made and entered into an agreement in January 2017 with Upper Piedmont to transport certain solid waste from the transfer station to a permitted landfill, Upper Piedmont.

At June 30, 2017, the County was obligated to purchase water from two 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 \$4.38 per thousand gallons. The obligation ends September 20, 2017.

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 \$4.16 per thousand gallons. The obligation ends July 1, 2036.

6. Contingent Liabilities

At June 30, 2017, the County was a defendant to various lawsuits. In the opinion of the County's management and the County attorney, the ultimate effect of these legal matters will not have a material adverse effect on the County's financial position.

7. Long-Term Obligations

a. Installment Purchases

Serviced by the County's General Fund:

In December 2011, the County entered an installment contact with Bank of America to refinance old debt in the amount of \$2,038,480. A principal payment of \$290,883 plus interest at 1.81% is due each year in monthly installments until 2018. Principal and interest payments are appropriated when due. \$ 438,624

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

In December 2011, the County entered into an installment obligation to upgrade the County's E-911 paging system and undergo new debt in the amount of \$6,600,000. A principal amount of \$330,000, plus interest at 2.24% is due in January and July of each year until 2022. Principal and interest payments are appropriated when due. 3,300,000

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. 952,000

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In March 2015, the County entered into an installment obligation to finance the purchase of land and courthouse renovation. A principal payment of \$92,500, plus interest at 2.5% is due March and September of each year until March 2025. Principal and interest are appropriated when due.	1,480,000
In July 2014, the County entered into an installment agreement for \$300,000 to finance food service equipment. It requires payments monthly in the amount of \$12,500 for two years.	-
In December 2013, the County entered into an installment contract to finance the jail renovations in the amount of \$3,000,000. A principal payment of \$300,000, plus interest at 2.38% is due annually for ten years beginning December 2014.	2,100,000
In December 2016, the County entered into an installment financing agreement to refund the Series 2007 COPs in the amount of \$9,828,000. Of this amount, \$8,113,000 of the total debt is included in the Governmental Activities. A principal payment of \$1,018,000 to \$755,000, plus interest of 1.89% is due March and September of each year until 2027.	<u>8,113,000</u>
Total installment obligation debt	<u>\$ 16,383,624</u>

Serviced by the County's Water and Sewer Fund:

\$ 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.	\$ 3,975,000
\$ 1,299,520 In December 2011, the County entered into an installment agreement to refinance old debt and issue new debt. A principal amount of \$185,974 plus interest at 1.81% is due at year in monthly installments. Principal and interest are appropriated each year until 2018.	276,662
\$ 2,600,000 On April 15, 2015, the County entered into an installment agreement to finance water and sewer improvements. Payments are due on April and October each year in the amount of \$130,000, plus interest of 2.6%.	2,080,000
\$ 1,715,000 In December 2016, the County entered into an installment agreement to refund the Series 2007 COPs. The total debt was for \$9,828,000, of which \$1,715,000 belonged to the business-type activities. Payments are due in March and September each year in the amount of \$1,108,000-\$755,000, plus interest of 1.89%.	<u>1,715,000</u>
Total installment obligation debt	<u>\$ 8,046,662</u>

b. 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, 2017 is comprised of the following:

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Serviced by the County's General Fund:

\$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%	\$ -
\$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%	-
\$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%	10,300,000
\$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%	1,920,000
\$24,000,000 2010B School Bonds, issued 11/9/2010, with interest semiannually on April 1 and October 1 and principal due on April 1 through 2030, interest payable at 2.0%-4.0%	15,700,000
\$1,604,000 2015A Refunding Bonds, issued 04/07/16, with interest semiannually on April 1 and October 1 and principal due on April 1 through 2019, interest payable at 1.34%.	413,000
\$16,401,000 2015B Refunding Bonds, issued 04/07/16, with interest semiannually on February 1 and August 1 and principal due on August 1 through 2027, interest payable at 2.31%.	<u>16,233,000</u>
Total General Obligation Indebtedness	<u>\$ 44,566,000</u>

Certificates of Participation:

\$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%	<u>\$ -</u>
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Serviced by the County's Water and Sewer Fund:

Revolving Loans:

\$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%.	\$ 300,000
\$2,100,000 2000 State Revolving Loan, issued 2/19/00 with interest due semiannually on November 1 and May 1 and principal of \$105,000 due May 1 through 2021, interest at 2.6%.	<u>420,000</u>
Total Revolving Loans	<u>\$ 720,000</u>

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%.	\$ -
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**FRANKLIN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

\$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%. 515,916

Total Certificates of Participation \$ 515,916

On June 30, 2017, Franklin County had a legal debt margin of \$295,785,797.

Debt Related to Capital Activities - Of the total Governmental Activities debt listed, only \$8,130,413 relates to assets the County holds title. Unspent restricted cash related to this debt amount to \$733,612.

8. Changes in Long-Term Debt

The following is a summary of changes in general long-term debt for the year ended June 30, 2017:

	Balance <u>July 1, 2016</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>June 30, 2017</u>	Current <u>Portion</u>
Governmental Activities:					
General obligation bonds	\$ 49,011,000	\$ -	\$ (4,445,000)	\$ 44,566,000	\$ 4,275,000
Plus: Premiums on issuance	<u>576,425</u>	-	<u>(41,173)</u>	<u>535,252</u>	-
Total general obligation bonds	49,587,425	-	(4,486,173)	45,101,252	4,275,000
Certificates of participation	8,445,000	-	(8,445,000)	-	-
Installment purchases	10,202,007	8,113,000	(1,931,383)	16,383,624	2,754,242
Compensated absences	1,598,070	1,680,043	(1,598,070)	1,680,043	420,011
Net pension liability (LGRS)	1,449,727	5,264,368	-	6,714,095	-
Total pension liability (LEOSSA)	1,069,258	79,519	-	1,148,777	-
Other postemployment benefits	<u>11,886,125</u>	<u>1,919,653</u>	-	<u>13,805,778</u>	-
Total	<u>\$ 84,237,612</u>	<u>\$ 17,056,583</u>	<u>\$ (16,460,626)</u>	<u>\$ 84,833,569</u>	<u>\$ 7,449,253</u>
Business-type Activities:					
Revolving loans	\$ 900,000	\$ -	\$ (180,000)	\$ 720,000	\$ 180,000
Certificates of participation	2,933,631	-	(2,417,715)	515,916	515,916
Installment purchases	7,193,636	1,715,000	(861,974)	8,046,662	1,055,615
Landfill Post-closure Costs	227,162	-	(9,575)	217,587	40,950
Compensated absences	112,509	105,930	(112,509)	105,930	26,483
Net pension liability (LGRS)	107,946	402,175	-	510,121	-
Other postemployment benefits	<u>997,074</u>	<u>154,274</u>	-	<u>1,151,348</u>	-
Total	<u>\$ 12,471,958</u>	<u>\$ 2,377,379</u>	<u>\$ (3,581,773)</u>	<u>\$ 11,267,564</u>	<u>\$ 1,818,964</u>

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).

**FRANKLIN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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>
2018	\$ 4,275,000	\$ 1,358,346	\$ 2,754,242	\$ 320,091
2019	4,135,000	1,229,450	2,593,892	264,260
2020	4,013,000	1,100,006	1,948,211	217,149
2021	3,888,000	972,440	1,927,574	175,695
2022	3,961,000	849,475	1,906,111	134,478
2023-2027	18,755,000	2,555,772	4,630,355	264,409
2028-2030	<u>5,539,000</u>	<u>355,753</u>	<u>623,239</u>	<u>5,890</u>
	<u>\$ 44,566,000</u>	<u>\$ 8,421,242</u>	<u>\$ 16,383,624</u>	<u>\$ 1,381,972</u>

<u>Year Ending June 30,</u>	<u>Total Debt Due</u>	
	<u>Principal</u>	<u>Interest</u>
2018	\$ 7,029,242	\$ 1,678,437
2019	6,728,892	1,493,710
2020	5,961,211	1,317,155
2021	5,815,574	1,148,135
2022	5,867,111	983,953
2023-2026	23,385,355	2,820,181
2027-2030	<u>6,162,239</u>	<u>361,643</u>
	<u>\$ 60,949,624</u>	<u>\$ 9,803,214</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>
2018	\$ 180,000	\$ 18,720	\$ 515,916	\$ 9,899
2019	180,000	14,040	-	-
2020	180,000	9,360	-	-
2021	<u>180,000</u>	<u>4,680</u>	<u>-</u>	<u>-</u>
	<u>\$ 720,000</u>	<u>\$ 46,800</u>	<u>\$ 515,916</u>	<u>\$ 9,899</u>

<u>Year Ending June 30,</u>	<u>Installment Purchases</u>		<u>Total Debt Due</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 1,055,615	\$ 203,172	\$ 1,751,533	\$ 231,791
2019	973,536	177,244	1,153,536	191,284
2020	898,789	153,475	1,078,789	162,835
2021	909,426	129,713	1,089,426	134,393
2022	923,889	105,625	923,889	105,625
2023-2027	3,153,645	177,991	3,153,645	177,991
2028-2029	<u>131,762</u>	<u>1,245</u>	<u>131,761</u>	<u>1,245</u>
	<u>\$ 8,046,662</u>	<u>\$ 948,465</u>	<u>\$ 9,282,579</u>	<u>\$ 1,005,164</u>

**FRANKLIN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

C. Interfund Balances and Activity

Due to/from other funds at June 30, 2017 consists of the following:

Due to General Fund from the Airport Projects Fund to supplement cash until grant proceeds are received	\$ 167,487
Due to General Fund from Water and Sewer Fund to repay borrowed funding	<u>2,947,672</u>
Total due to/from other funds	<u>\$ 3,115,159</u>

Transfers to/from other funds at June 30, 2017 consists of the following:

From the General Fund to the Fire District Fund for mutual aid funding	\$ 40,700
From the General Fund to the Revaluation Fund to accumulate reserves for the revaluation of real property	125,000
From the General Fund to the Emergency Telephone System Fund to provide funding for expenditures not approved by PSAP board	12,393
From the General Fund to the Airport Fund to supplement funding	46,670
From the Golden Leaf Foundation Project Fund to the General Fund to close out the project	600,000
From the Capital Reserve Fund to the General Fund for the payment of debt service	<u>3,400,000</u>
Total transfers to/from other funds	<u>\$ 4,224,763</u>

D. Net Investment in Capital Assets

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Net capital assets	\$ 57,479,537	\$ 31,344,789
Capital debt calculation:		
Total debt, gross	60,949,624	9,282,578
Less:		
School debt for assets to which the county does not hold title	<u>(52,819,211)</u>	<u>-</u>
Total capital debt	<u>8,130,413</u>	<u>9,282,578</u>
Net investment in capital assets	<u>\$ 49,349,124</u>	<u>\$ 22,062,211</u>

F. Fund Balance

Franklin County has a revenue spending policy that provides a policy for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-County funds, County funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the County.

The following schedule provides management and citizens with information on the portion of the General Fund balance that is available for appropriation:

**FRANKLIN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Total fund balance-General Fund	\$ 33,726,885
Less:	
Inventories	24,118
Stabilization by State Statute	8,166,321
Appropriated fund balance in 2018 budget	2,689,085
Register of Deeds	81,233
Capital Reserve	888,432
Revaluation	758,440
Cultural and Recreational	425,772
Economic Development	2,811,700
Public Safety	34,134
Human Services	64,311
Working Capital/Fund Balance Goal	12,928,498
Remaining Fund Balance	\$ 4,854,841

Franklin County has a stated minimum fund balance goal for the General Fund which instructs management to conduct the business of the County in such a manner that available fund balance is at least equal to or greater than 15% of budgeted expenditures. Any portion of the General Fund balance in excess of 15% of budgeted expenditures may be appropriated for one-time expenditures and may not be used for any purpose that would obligate the County in a future budget.

IV. Joint Ventures

Franklin County participates with Alamance, Cabarrus, Caswell, Chatham, Davidson, Granville, Halifax, Orange, Person, Rowan, Stanly, Union, Vance, and Warren counties in an Area Authority and Managed Care Organization operated by Cardinal Innovations Healthcare Solutions. Each participating government appoints representation on the Oversight Board and has representation on the Board of Directors of Cardinal Innovations. The County contributed \$116,616 to the Area Mental Health during the fiscal year ended June 30, 2017. The County does not retain an equity interest in the program. Complete financial statements for Cardinal Innovations Health Care Solutions may be obtained from their administrative offices located at 4855 Milestone Avenue, Kannapolis, NC 28081.

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, and Warren. 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 \$43,397 to K.A.R.T.S. during the fiscal year ended June 30, 2017. 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, 2017. 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

**FRANKLIN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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 \$369,168 and \$20,000 to the community college for operating and capital purposes, respectively, during the fiscal year ended June 30, 2017. 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, 2017. 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.

V. 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 \$31,704 to the Council during the fiscal year ended June 30, 2017.

VI. 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, 2017, the County reported these local option sales taxes within its Capital Reserve Fund. The County expended the restricted portion of these taxes for public school capital outlays and retirement of public school debt.

VII. 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	\$ 221,038	\$ (32)
Women, Infants and Children	855,711	-
Medicaid	51,758,598	27,316,262
NC Health Choice	1,327,531	4,845
Adoption Assistance	346,732	88,412
State/County Special Assistance for Adults	-	420,763
Foster Care	179,586	61,758
Adoption Subsidy	-	201,988
SFHF Maximization	-	68,630
State Foster Home	-	59,989
Total	<u>\$ 54,689,196</u>	<u>\$ 28,222,615</u>

**FRANKLIN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

VIII. 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.

IX. Significant Effects of Subsequent Events

The County has evaluated events and transactions that occurred between June 30, 2017 and January 29, 2018, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements. In November 2017, the County issued 11.4 million in general obligation bonds and the County conducted an advanced refunding in the amount of 9.8 million. The County saved \$960,000 in the advance refunding. There were no other events that occurred during this time that were deemed to be significant enough to be disclosed.

X. Change in Accounting Principles/Restatement

The County implemented Governmental Accounting Standards Board (GASB) No. Statement 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, in the fiscal year ending June 30, 2017. The implementation of the statement required the County to record beginning total pension liability and the effects on net position of benefit payments and administrative expenses paid by the County to the Law Enforcement Officers' Special Separation Allowance during the measurement period. As a result, net position for the governmental activities decreased \$315,404.

REQUIRED SUPPLEMENTAL FINANCIAL DATA

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

- Schedule of Funding Progress for the Other Postemployment Benefits
- Schedule of Employer Contributions for the Other Postemployment Benefits
- Schedule of County's Proportionate Share of the Net Pension Liability (Asset) for the Local Governmental Employees' Retirement System
- Schedule of County Contributions for the Local Governmental Employees' Retirement System
- Schedule of County's Proportionate Share of the Net Pension Liability (Asset) for the Register of Deeds' Supplemental Pension Fund
- Schedule of County Contributions for the Register of Deeds' Supplemental Pension Fund
- Schedule of Changes in Total Pension Liability – Law Enforcement Officers' Special Separation Allowance
- Schedule of Total Pension Liability as a Percentage of Covered Payroll – Law Enforcement Officers' Special Separation Allowance

**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%
12/31/2010	-	18,433,153	18,433,153	0.00%	17,432,740	105.7%
12/31/2012	-	19,875,012	19,875,012	0.00%	15,473,009	128.4%
12/31/2014	-	21,483,637	21,483,637	0.00%	17,413,828	123.4%
6/30/2016	\$ -	\$ 29,654,291	\$ 29,654,291	0.00%	\$ 18,974,045	156.30%

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

Year ended June 30	Annual Required Contribution	Percentage Contributed
2012	\$ 2,121,356	12.05%
2013	2,184,997	17.69%
2014	2,040,839	26.80%
2015	2,102,064	20.90%
2016	2,307,285	13.41%
2017	\$ 2,376,504	13.70%

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	6/30/2016
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay, closed
Remaining amortization period	30 years
Asset valuation method	Market value of assets
Actuarial assumptions:	
Investment rate of return	4.00%
Medical cost trend	
Pre-Medicare trend rate	7.75% - 5.00%
Post-Medicare trend rate	5.75%-5.00%
Year of Ultimate trend rate	2022
Includes inflation at	3.00%

Franklin County, North Carolina
Schedule of County's Proportionate Share of the Net Pension Liability (Asset)
Local Governmental Employees' Retirement System
Last Four Fiscal Years

	2017	2016	2015	2014
County's proportion of the net pension liability (asset)	0.340%	0.347%	0.330%	0.311%
County's proportionate share of the net pension liability (asset)	\$ 7,224,216	\$ 1,557,674	\$ (1,947,695)	\$ 3,754,771
County's covered-employee payroll	\$ 20,070,696	\$ 17,479,751	\$ 18,563,002	\$ 17,391,748
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	35.99%	8.91%	-10.49%	21.59%
Plan fiduciary net position as a percentage of the total pension liability	91.47%	98.09%	102.64%	94.35%

*The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

Information included above is intended to include ten years; however, only the years above have information available. Additional years will be included as information becomes available.

Franklin County, North Carolina
Schedule of County Contributions
Local Governmental Employees' Retirement System
Last Four Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 1,691,227	\$ 1,370,323	\$ 1,246,137	\$ 1,322,657
Contributions in relation to the contractually required contribution	1,691,227	1,370,323	1,246,137	1,322,657
Contribution deficiency (excess)	-	-	-	-
County's covered-employee payroll	\$ 22,577,989	\$20,070,696	\$ 17,479,751	\$18,620,474
Contributions as a percentage of covered-employee payroll	7.49%	6.83%	7.13%	7.10%

Information included above is intended to include ten years; however, only the years above have information available. Additional years will be included as information becomes available.

Franklin County, North Carolina
Schedule of County's Proportionate Share of the Net Pension Liability (Asset)
Register of Deeds' Supplemental Pension Fund
Last Four Fiscal Years

	2017	2016	2015	2014
County's proportion of the net pension liability (asset)	0.570%	0.527%	0.522%	0.502%
County's proportionate share of the net pension liability (asset)	\$ (106,547)	\$ (122,069)	\$ (118,378)	\$(107,127)
County's covered-employee payroll	60,165	59,406	57,472	55,637
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-177.09%	-205.48%	-205.98%	-67.19%
Plan fiduciary net position as a percentage of the total pension liability	160.17%	197.29%	193.88%	190.50%

*The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

Information included above is intended to include ten years; however, only the years above have information available. Additional years will be included as information becomes available.

Franklin County, North Carolina
Schedule of County Contributions
Register of Deeds' Supplemental Pension Fund
Last Four Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 5,079	\$ 4,656	\$ 3,587	\$ 4,892
Contributions in relation to the contractually required contribution	<u>5,079</u>	<u>4,656</u>	<u>3,587</u>	<u>4,892</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
County's covered-employee payroll	\$ 66,539	\$ 60,165	\$ 59,406	\$ 57,472
Contributions as a percentage of covered-employee payroll	7.63%	7.74%	6.04%	2.67%

Information included above is intended to include ten years; however, only the years above have information available. Additional years will be included as information becomes available.

Franklin County, North Carolina
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
Required Supplementary Information

	2017
Beginning Balance	\$ 1,069,258
Service Cost	84,962
Interest on the total pension liability	37,983
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	-
Changes of assumptions or other inputs	(32,807)
Benefit payments	(10,619)
Other changes	-
Ending balance of the total pension liability	\$ 1,148,777

The amounts presented for each fiscal year were determined as of the prior fiscal year ending December 31.

Information included above is intended to include ten years; however, only the years above have information available. Additional years will be included as information becomes available.

Franklin County, North Carolina
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcements Officers' Special Separation Allowance
Required Supplementary Information

	2017
Total pension liability	\$1,148,777
Covered payroll	3,363,393
Total pension liability as a percentage of covered payroll	34.16%

Notes to the schedules:

Granville County has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 73 to pay related benefits.

Information included above is intended to include ten years; however, only the years above have information available. Additional years will be included as information becomes available.

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.

Franklin County, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2017
(With Comparative Totals for the Year Ended June 30, 2016)

	2017		Variance Positive (Negative)	2016
	Budget	Actual		Actual
Revenues:				
Ad valorem taxes:				
Current year taxes	\$ 41,947,571	\$ 42,967,720	\$ 1,020,149	\$ 41,388,934
Delinquent taxes	605,000	649,794	44,794	644,514
Tax discounts and refunds	(385,000)	(113,294)	271,706	(40,650)
Total	<u>42,167,571</u>	<u>43,504,220</u>	<u>1,336,649</u>	<u>41,992,798</u>
Sales tax revenue	<u>8,142,664</u>	<u>9,076,481</u>	<u>933,817</u>	<u>6,782,205</u>
Other Tax Revenues				
Tax penalties and interest	280,000	373,783	93,783	335,845
Tax levies, foreclosures, etc.	25,300	3,270	(22,030)	9,098
Total	<u>305,300</u>	<u>377,053</u>	<u>71,753</u>	<u>344,943</u>
Restricted intergovernmental:				
Federal and State grants	12,052,134	11,943,026	(109,108)	12,417,314
Beer and wine taxes	245,000	252,720	7,720	241,716
ABC Rehab tax	13,000	16,214	3,214	15,499
Lottery proceeds	600,000	600,000	-	600,000
Total	<u>12,910,134</u>	<u>12,811,960</u>	<u>(98,174)</u>	<u>13,274,529</u>
Fees, sales and charges:				
Court facility fees	71,760	66,031	(5,729)	63,647
Building permits	50,000	93,727	43,727	108,589
Inspection fees	800,102	1,074,579	274,477	815,201
Register of deeds fees	500,000	680,172	180,172	628,122
Recreation reserve fees	-	166,024	166,024	24,587
Rents and concessions	60,925	66,370	5,445	64,541
Health fees	2,640,537	2,496,629	(143,908)	2,039,844
Social services fees	436,389	356,151	(80,238)	378,092
Aging services	60,000	63,673	3,673	64,118
Airport	770,000	725,841	(44,159)	718,978
Sheriff and jail fees	2,117,583	2,290,742	173,159	2,544,763
Library fees and donations	44,000	38,170	(5,830)	43,440
Ambulance and rescue squad fees	2,215,000	2,367,563	152,563	2,172,307
Recreation	39,550	42,306	2,756	40,438
Other	102,000	181,527	79,527	117,760
Total	<u>9,907,846</u>	<u>10,709,505</u>	<u>801,659</u>	<u>9,824,427</u>
Investment earnings	<u>30,000</u>	<u>87,998</u>	<u>57,998</u>	<u>50,045</u>
Miscellaneous:				
Donations and private grants	186,629	190,198	3,569	169,878
Other miscellaneous	187,000	305,964	118,964	210,917
Total	<u>373,629</u>	<u>496,162</u>	<u>122,533</u>	<u>380,795</u>
Total revenues	<u>73,837,144</u>	<u>77,063,379</u>	<u>3,226,235</u>	<u>72,649,742</u>

Franklin County, North Carolina
 General Fund
 Schedule of Revenues, Expenditures, and
 Changes in Fund Balances - Budget and Actual
 For the Year Ended June 30, 2017
 (With Comparative Totals for the Year Ended June 30, 2016)

	2017		Variance Positive (Negative)	2016
	Budget	Actual		Actual
Expenditures:				
General government:				
Governing body:				
Salaries and employee benefits		206,454		199,235
Other operating expenditures		59,643		66,391
Insurance other than property		2,575		2,575
Capital outlay		1,072		-
Total	278,689	269,744	8,945	268,201
County Manager:				
Salaries and employee benefits		355,126		345,012
Other operating expenditures		30,198		33,796
Capital outlay		1,449		-
Total	402,152	386,773	15,379	378,808
Finance:				
Salaries and employee benefits		393,309		371,219
Other operating expenditures		47,577		40,596
Capital outlay		4,883		200
Total	476,745	445,769	30,976	412,015
Human Resources:				
Salaries and employee benefits		287,496		210,727
Other operating expenditures		59,330		54,816
Capital outlay		5,317		12,973
Total	369,119	352,143	16,976	278,516
Board of Elections:				
Salaries and employee benefits		237,537		216,209
Other operating expenditures		155,906		235,482
Capital outlay		121,021		44,995
Total	535,747	514,464	21,283	496,686
Register of Deeds:				
Salaries and employee benefits		256,261		245,921
Other operating expenditures		73,219		133,514
Capital outlay		-		382
Total	331,385	329,480	1,905	379,817

Franklin County, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2017
(With Comparative Totals for the Year Ended June 30, 2016)

	2017		Variance Positive (Negative)	2016
	Budget	Actual		Actual
Tax Assessor:				
Salaries and employee benefits		478,522		453,866
Other operating expenditures		149,097		137,393
Capital outlay		22,720		2,325
Total	689,289	650,339	38,950	593,584
Tax Collector:				
Salaries and employee benefits		322,360		316,583
Other operating expenditures		104,338		94,549
Capital outlay		2,382		676
Total	465,747	429,080	36,667	411,808
Maintenance:				
Salaries and employee benefits		665,314		547,171
Other operating expenditures		313,396		297,352
Capital outlay		70,158		40,900
Total	1,087,282	1,048,868	38,414	885,423
Central Services:				
Other operating expenditures	227,068	212,013	15,055	176,762
Court:				
Operating expenditures		78,161		95,871
Capital outlay		-		1,788
Total	117,550	78,161	39,389	97,659
Capital improvement:				
Capital outlay	525,000	413,707	111,293	574,234
Information technology services:				
Salaries and employee benefits		258,238		201,277
Other operating expenditures		90,897		91,559
Capital outlay		47,509		46,525
Total	410,997	396,644	14,353	339,361
Legal and professional:				
Legal and professional	57,000	47,619	9,381	69,370
Total general government	5,973,770	5,574,804	398,966	5,362,244
Public safety:				
Planning:				
Salaries and employee benefits		399,001		401,902
Other operating expenditures		73,742		68,684
Capital outlay		-		6,095
Total	498,689	472,743	25,946	476,681
Inspections:				
Salaries and employee benefits		498,333		478,176
Other operating expenditures		62,479		50,177
Capital outlay		48,666		3,904
Total	637,522	609,478	28,044	532,257

Franklin County, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2017
(With Comparative Totals for the Year Ended June 30, 2016)

	2017		Variance Positive (Negative)	2016
	Budget	Actual		Actual
GIS Mapper Service:				
Salaries and employee benefits		188,543		182,136
Other operating expenditures		33,751		36,499
Capital outlay		3,966		1,241
Total	250,724	226,260	24,464	219,876
Central Services:				
Other operating expenditures	599,014	202,283	396,731	200,949
Sheriff:				
Salaries and employee benefits		5,306,146		4,859,580
Other operating expenditures		1,480,972		1,373,547
Capital outlay		480,136		393,435
Total	7,364,661	7,267,254	97,407	6,626,562
Communications:				
Salaries and employee benefits		1,167,668		1,032,032
Other operating expenditures		229,705		160,890
Capital outlay		3,026		19,935
Total	1,445,972	1,400,399	45,573	1,212,857
Jail:				
Salaries and employee benefits		2,268,736		2,068,572
Other operating expenditures		1,459,407		1,367,393
Capital outlay		20,911		25,626
Total	3,790,736	3,749,054	41,682	3,461,591
Jail-meal operations:				
Other operating expenditures	517,660	489,482	28,178	593,472
Fire protection:				
Forest fire control service	97,775	85,799	11,976	83,388
Rescue and ambulance services:				
Salaries and employee benefits		4,240,837		3,903,957
Other operating expenditures		789,130		793,915
Capital outlay		694,213		159,705
Total	5,848,333	5,724,180	124,153	4,857,577
Emergency management services:				
Salaries and employee benefits		209,886		188,106
Other operating expenditures		72,075		51,982
Capital outlay		6,000		1,265
Total	321,087	287,961	33,126	241,353
Rescue squad contributions:				
Rescue units	118,400	118,400	-	127,001

Franklin County, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2017
(With Comparative Totals for the Year Ended June 30, 2016)

	2017		Variance Positive (Negative)	2016
	Budget	Actual		Actual
Animal control:				
Salaries and employee benefits		372,300		332,124
Other operating expenditures		136,576		117,771
Capital outlay		63,576		10,768
Total	609,084	572,452	36,632	460,663
Total public safety	22,099,657	21,205,745	893,912	19,094,227
Economic and physical development:				
Economic development:				
Salaries and employee benefits		277,632		292,643
Other operating expenditures		96,715		101,569
Company incentives		471,765		633,015
Total	1,392,288	846,112	546,176	1,027,227
Central services:				
Other operating expenditures	12,640	12,640	-	12,640
Cooperative extension services:				
Salaries and employee benefits		26,552		14,045
Other operating expenditures		278,276		230,958
Capital outlay		859		1,018
Total	358,515	305,687	52,828	246,021
Soil and water conservation:				
Salaries and employee benefits		221,698		207,021
Other operating expenditures		20,238		19,424
Total	275,287	272,848	2,439	226,445
Airport operations:				
Salaries and employee benefits		201,333		192,497
Other operating expenditures		136,173		132,153
Fuel purchases		308,875		314,868
Capital outlay		783		9,199
Total	756,847	647,164	109,683	648,717
Total economic & physical development	2,795,577	2,084,451	711,126	2,161,050

Franklin County, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2017
(With Comparative Totals for the Year Ended June 30, 2016)

	2017		Variance Positive (Negative)	2016
	Budget	Actual		Actual
Human services:				
Central services:				
Other operating expenditures	294,039	294,038	1	284,874
Health:				
Administration:				
Salaries and employee benefits		644,633		600,076
Other operating expenditures		140,719		132,046
Capital outlay		51,558		7,928
Total	898,120	836,910	61,210	740,050
Clinical health:				
Salaries and employee benefits		1,858,974		1,843,191
Contractual services		12,286		11,590
Other operating expenditures		1,094,302		959,649
Capital outlay		24,764		55,676
Total	3,122,201	2,990,326	131,875	2,870,106
WIC				
Salaries		227,824		221,986
Other operating expenditures		28,921		20,260
Capital outlay		1,142		-
	278,787	257,887	20,900	242,246
Home health:				
Salaries and employee benefits		405,258		438,941
Other operating expenditures		248,990		288,046
Capital outlay		1,716		2,798
Total	826,809	655,964	170,845	729,785
Veterans services:				
Salaries and employee benefits		68,042		65,745
Other operating expenditures		11,673		12,677
Total	83,020	79,715	3,305	78,422
Social services:				
Administration:				
Salaries and employee benefits		5,655,695		5,444,363
Other operating expenditures		481,249		489,797
Professional services		181,180		227,072
Capital outlay		184,539		37,063
Total	6,601,539	6,502,663	98,876	6,198,295
Social services programs:				
Medicaid	109,713	83,646	26,067	215,354
Special assistance	411,303	421,273	(9,970)	410,600
Foster care	796,043	667,708	128,335	732,671
Crisis intervention	468,340	467,219	1,121	546,373
General assistance	20,000	15,938	4,062	19,461
Day care	2,875,398	2,775,296	100,102	2,661,662
Other assistance	554,212	471,374	82,838	493,348
Total	5,235,009	4,902,454	332,555	5,079,469

Franklin County, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2017
(With Comparative Totals for the Year Ended June 30, 2016)

	2017		Variance Positive (Negative)	2016
	Budget	Actual		Actual
DSS Child support:				
Salaries and employee benefits		570,600		546,520
Other operating expenditures		106,352		108,183
Total	690,912	676,952	13,960	654,703
Aging:				
Salaries and employee benefits		512,172		488,336
Other operating expenditures		473,628		460,793
Capital outlay		6,900		25,369
Total	1,009,379	992,700	16,679	974,498
Total human services	19,039,815	18,189,609	850,206	17,852,448
Cultural and leisure:				
Recreation:				
Salaries and employee benefits		294,224		264,353
Other operating expenditures		192,662		176,175
Capital outlay		40,156		24,245
Total	541,072	527,042	14,030	464,773
Central Services:				
Other operating expenditures	14,400	14,400	-	14,400
Library:				
Salaries and employee benefits		703,677		677,154
Other operating expenditures		104,289		105,196
Books, magazines & telecommunications		94,394		89,183
Capital outlay		6,455		12,844
Total	904,776	908,815	(4,039)	884,377
Total culture and leisure	1,460,248	1,450,257	9,991	1,363,550
Education:				
Education allocations:				
Public schools - current		15,265,283		14,472,841
Public schools - capital outlay		1,448,100		1,099,998
Community colleges - current		369,168		369,168
Community colleges - capital outlay		20,000		20,000
Total education	17,102,551	17,102,551	-	15,962,007
Debt service:				
Principal retirement		14,808,883		8,483,550
Interest and fees		2,469,032		3,053,308
Total debt service	17,488,301	17,277,915	210,386	11,536,858
Total expenditures	85,959,919	82,885,332	3,074,587	73,332,384
Revenues over (under) expenditures	(12,122,775)	(5,821,953)	6,300,822	(682,642)

Franklin County, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2017
(With Comparative Totals for the Year Ended June 30, 2016)

	2017		Variance Positive (Negative)	2016
	Budget	Actual		Actual
Other financing sources (uses)				
Transfers to other funds:				
Fire District Fund	(40,700)	(40,700)	-	(40,700)
Revaluation Fund	(125,000)	(125,000)	-	(75,000)
Emergency Telephone System Fund	(12,393)	(12,393)	-	-
Solid Waste Fund	(5,004)	-	5,004	-
Airport Fund	(46,970)	(46,670)	300	(16,670)
Total transfers out	<u>(230,067)</u>	<u>(224,763)</u>	<u>5,304</u>	<u>(132,370)</u>
Transfers from other funds:				
Capital Reserve Fund	3,400,000	3,400,000	-	2,900,000
Golden Leaf Foundation Project Fund	600,000	600,000	-	33,507
Total transfers in	<u>4,000,000</u>	<u>4,000,000</u>	<u>-</u>	<u>2,933,507</u>
Payment to escrow agent-refunding bonds	-	-	-	(16,338,537)
Loan proceeds	8,097,750	8,113,000	15,250	18,005,000
Total other financing sources (uses) - net	<u>11,867,683</u>	<u>11,888,237</u>	<u>20,554</u>	<u>4,467,600</u>
Revenues and other financing sources over (under) expenditures and other financing uses	(255,092)	6,066,284	6,321,376	3,784,958
Appropriated fund balance	<u>255,092</u>	<u>-</u>	<u>(255,092)</u>	<u>-</u>
Revenues, other financing sources and appropriated fund balance over (under) expenditures and other uses	<u>\$ -</u>	6,066,284	<u>\$ 6,066,284</u>	3,784,958
Fund balances				
Beginning of year, July 1		26,019,862		23,253,806
Restatement		<u>-</u>		<u>(1,008,459)</u>
Beginning of year, July 1, as restated		26,019,862		22,245,347
Increase (decrease) in reserve for inventory		<u>(6,133)</u>		<u>(10,443)</u>
End of year, June 30		<u>\$ 32,080,013</u>		<u>\$ 26,019,862</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, 2017
 (With Comparative Totals for the Year Ended June 30, 2016)

	2017		Variance Positive (Negative)	2016
	Budget	Actual		Actual
Revenues				
Sales tax revenue	\$ 3,400,000	\$ 3,216,514	\$ (183,486)	\$ 3,056,024
Expenditures				
Education	-	-	-	-
Other financing sources (uses)				
Transfer to General Fund	(3,400,000)	(3,400,000)	-	(2,900,000)
Revenues and other financing sources under expenditures and uses	<u>\$ -</u>	(183,486)	<u>\$ (183,486)</u>	156,024
Fund balance				
Beginning of year, July 1		1,071,918		915,894
End of year, June 30		<u>\$ 888,432</u>		<u>\$ 1,071,918</u>

Franklin County, North Carolina
Revaluation Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2017
(With Comparative Totals for the Year Ended June 30, 2016)

	2017		Variance Positive (Negative)	2016
	Budget	Actual		Actual
Revenues				
Interest earnings	\$ -	\$ -	\$ -	\$ -
Expenditures				
General government				
Appraisal	200,000	108,356	91,644	26,195
Other financing sources				
Transfer from General Fund	125,000	125,000	-	75,000
Appropriated fund balance	75,000	-	(75,000)	-
Total revenues and other financing sources over expenditures	<u>\$ -</u>	16,644	<u>\$ 16,644</u>	48,805
Fund balance				
Beginning of year, July 1		741,796		692,991
End of year, June 30		<u>\$ 758,440</u>		<u>\$ 741,796</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.

- **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.
- **Community Development Fund:** This fund accounts for Community Development Block Grant funds.
- **Hospital Fund:** This fund accounts for the money associated with the hospital.

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.
- **School Construction Fund:** This capital projects fund accounts for the construction of school buildings within the County.
- **County Building Project Fund:** This fund accounts for renovation of the County buildings.

Franklin County, North Carolina
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2017

	Special Revenue Funds					
	Fire District Fund	Emergency Telephone System Fund	DEA Fund	Community Development Fund	Hospital Fund	Total Nonmajor Special Revenue Funds
Assets						
Cash and cash equivalents	\$ 219,513	\$ 430,430	\$ 5,056	\$ 54,993	\$ 347,764	\$ 1,057,756
Accounts receivable, net	3,821	28,774	-	-	-	32,595
Taxes receivable, net	113,703	-	-	-	-	113,703
Due from other governments	35,696	4,601	1,503	-	109,070	150,870
Restricted assets:						
Restricted cash	-	-	-	-	-	-
Total assets	<u>\$ 372,733</u>	<u>\$ 463,805</u>	<u>\$ 6,559</u>	<u>\$ 54,993</u>	<u>\$ 456,834</u>	<u>\$ 1,354,924</u>
Liabilities and Fund Balances						
Liabilities:						
Accounts payable and accrued liabilities	\$ 24,828	\$ 2,316	\$ -	\$ -	\$ 39,736	\$ 66,880
Due to General Fund	-	-	-	-	-	-
Total liabilities	<u>24,828</u>	<u>2,316</u>	<u>-</u>	<u>-</u>	<u>39,736</u>	<u>66,880</u>
Deferred Inflows of Resources	<u>113,703</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>113,703</u>
Fund balances:						
Restricted:						
Stabilization by State Statute	39,517	33,375	1,503	-	109,070	183,465
Fire Protection	194,685	-	-	-	-	194,685
Public Safety	-	428,114	5,056	-	-	433,170
Culture and Recreation	-	-	-	-	-	-
Human Services	-	-	-	-	308,028	308,028
Economic Development	-	-	-	54,993	-	54,993
Committed:						
Debt Service	-	-	-	-	-	-
Unassigned:	-	-	-	-	-	-
Total fund balances	<u>234,202</u>	<u>461,489</u>	<u>6,559</u>	<u>54,993</u>	<u>417,098</u>	<u>1,174,341</u>
Total liabilities, deferred inflows or resources, and fund balances	<u>\$ 372,733</u>	<u>\$ 463,805</u>	<u>\$ 6,559</u>	<u>\$ 54,993</u>	<u>\$ 456,834</u>	<u>\$ 1,354,924</u>

Exhibit C-1

Capital Projects Funds				
Airport Projects Fund	School Construction Fund	County Building Project Fund	Total Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 1,057,756
-	-	-	-	32,595
-	-	-	-	113,703
175,427	-	-	175,427	326,297
-	349,447	384,165	733,612	733,612
<u>\$ 175,427</u>	<u>\$ 349,447</u>	<u>\$ 384,165</u>	<u>\$ 909,039</u>	<u>\$ 2,263,963</u>
\$ -	\$ 141,115	\$ 6,224	\$ 147,339	\$ 214,219
167,487	-	-	167,487	167,487
<u>167,487</u>	<u>141,115</u>	<u>6,224</u>	<u>314,826</u>	<u>381,706</u>
-	-	-	-	113,703
175,427	-	-	175,427	358,892
-	-	-	-	194,685
-	-	101,350	101,350	534,520
-	-	276,591	276,591	276,591
-	-	-	-	308,028
-	-	-	-	54,993
-	208,332	-	208,332	208,332
(167,487)	-	-	(167,487)	(167,487)
<u>7,940</u>	<u>208,332</u>	<u>377,941</u>	<u>594,213</u>	<u>1,768,554</u>
<u>\$ 175,427</u>	<u>\$ 349,447</u>	<u>\$ 384,165</u>	<u>\$ 909,039</u>	<u>\$ 2,263,963</u>

Franklin County, North Carolina
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2017

	Special Revenue Funds					Total Nonmajor Special Revenue Funds
	Fire District Fund	Emergency Telephone System Fund	DEA Fund	Community Development Fund	Hospital Fund	
Revenues						
Ad valorem taxes	\$ 3,284,375	\$ -	\$ -	\$ -	\$ -	\$ 3,284,375
Other taxes and licenses	-	345,284	-	-	-	345,284
Restricted intergovernmental	-	-	13,248	-	100,000	113,248
Miscellaneous	-	-	-	-	51,290	51,290
Total revenues	<u>3,284,375</u>	<u>345,284</u>	<u>13,248</u>	<u>-</u>	<u>151,290</u>	<u>3,794,197</u>
Expenditures						
Current:						
Public safety	3,372,408	370,484	19,700	-	-	3,762,592
Human services	-	-	-	-	605,223	605,223
Capital outlay	-	-	-	-	-	-
Total expenditures	<u>3,372,408</u>	<u>370,484</u>	<u>19,700</u>	<u>-</u>	<u>605,223</u>	<u>4,367,815</u>
Revenues over (under) expenditures	<u>(88,033)</u>	<u>(25,200)</u>	<u>(6,452)</u>	<u>-</u>	<u>(453,933)</u>	<u>(573,618)</u>
Other financing sources (uses)						
Transfers from other funds	40,700	12,393	-	-	-	53,093
Transfers to other funds	-	-	-	-	(600,000)	(600,000)
Total other financing sources (uses) - net	<u>40,700</u>	<u>12,393</u>	<u>-</u>	<u>-</u>	<u>(600,000)</u>	<u>53,093</u>
Net changes in fund balances	<u>(47,333)</u>	<u>(12,807)</u>	<u>(6,452)</u>	<u>-</u>	<u>(1,053,933)</u>	<u>(1,120,525)</u>
Fund balances						
Beginning of year, July 1	281,535	474,296	13,011	54,993	1,471,031	2,294,866
End of year, June 30	<u>\$ 234,202</u>	<u>\$ 461,489</u>	<u>\$ 6,559</u>	<u>\$ 54,993</u>	<u>\$ 417,098</u>	<u>\$ 1,174,341</u>

Capital Projects Funds				
Airport Projects Fund	School Construction Fund	County Building Project Fund	Total Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 3,284,375
-	-	-	-	345,284
924,757	-	-	924,757	1,038,005
-	-	-	-	51,290
<u>924,757</u>	<u>-</u>	<u>-</u>	<u>924,757</u>	<u>4,718,954</u>
-	-	-	-	3,762,592
-	-	-	-	605,223
890,743	286,090	671,551	1,848,384	1,848,384
<u>890,743</u>	<u>286,090</u>	<u>671,551</u>	<u>1,848,384</u>	<u>6,216,199</u>
34,014	(286,090)	(671,551)	(923,627)	(1,497,245)
46,670	-	-	46,670	99,763
-	-	-	-	(600,000)
<u>46,670</u>	<u>-</u>	<u>-</u>	<u>46,670</u>	<u>(500,237)</u>
80,684	(286,090)	(671,551)	(876,957)	(1,997,482)
(72,744)	494,422	1,049,492	1,471,170	3,766,036
<u>\$ 7,940</u>	<u>\$ 208,332</u>	<u>\$ 377,941</u>	<u>\$ 594,213</u>	<u>\$ 1,768,554</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, 2017
(With Comparative Totals for the Year Ended June 30, 2016)

	2017		Variance Positive (Negative)	2016
	Budget	Actual		Actual
Revenues				
Ad valorem taxes	\$ 3,446,059	\$ 3,284,375	\$ (161,684)	\$ 3,402,980
Expenditures				
Public safety				
Central Fire District	251,242	251,242	-	230,000
Epsom Fire District	100,000	100,000	-	92,500
Gold Sand Fire District	61,000	61,000	-	61,000
Justice Fire District	130,350	130,350	-	120,000
Kittrell Fire District	1,000	1,000	-	1,000
Pilot Fire District	224,277	224,277	-	219,343
White Level Fire District	87,000	87,000	-	87,000
Brassfield Fire District	-	-	-	198
Mitchiners Crossroads Fire District	142,500	142,500	-	142,500
Hopkins Fire District	20,500	16,148	4,352	18,285
Franklinton Fire District	240,824	240,824	-	226,233
Youngsville Fire District	1,540,866	1,430,867	109,999	1,444,903
Bunn Fire District	626,000	626,000	-	567,000
Castalia Fire District	1,200	1,200	-	1,200
Centerville Fire District	60,000	60,000	-	60,000
Total expenditures	<u>3,486,759</u>	<u>3,372,408</u>	<u>114,351</u>	<u>3,271,162</u>
Revenues under expenditures	<u>(40,700)</u>	<u>(88,033)</u>	<u>(47,333)</u>	<u>131,818</u>
Other financing sources				
Transfer from General Fund	<u>40,700</u>	<u>40,700</u>	<u>-</u>	<u>40,700</u>
Revenues and other sources under expenditures	<u>\$ -</u>	<u>(47,333)</u>	<u>\$ (47,333)</u>	<u>172,518</u>
Fund balances				
Beginning of year, July 1		<u>281,535</u>		<u>109,017</u>
End of year, June 30		<u>\$ 234,202</u>		<u>\$ 281,535</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, 2017
(With Comparative Totals for the Year Ended June 30, 2016)

	2017		Variance Positive (Negative)	2016
	Budget	Actual		Actual
Revenues				
Other taxes and licenses				
E911 fees	\$ 393,027	\$ 345,284	\$ (47,743)	\$ 393,028
Interest earnings	-	-	-	312
Total revenues	<u>393,027</u>	<u>345,284</u>	<u>(47,743)</u>	<u>393,340</u>
Expenditures				
Public safety - E911				
Operating expenses	256,336	365,976	(109,640)	233,731
Capital outlay	136,691	4,508	132,183	28,341
Total expenditures	<u>393,027</u>	<u>370,484</u>	<u>22,543</u>	<u>262,072</u>
Revenues over (under) expenditures	<u>-</u>	<u>(25,200)</u>	<u>(25,200)</u>	<u>131,268</u>
Other financing sources (uses)				
Transfer from other funds				
County Building Projects Fund	(125,000)	-	125,000	-
General Fund	-	12,393	12,393	-
Appropriated fund balance	125,000	-	(125,000)	-
Total	<u>-</u>	<u>12,393</u>	<u>12,393</u>	<u>-</u>
Revenues and appropriated fund balance and other sources over expenditures and other uses	<u>\$ -</u>	<u>(12,807)</u>	<u>\$ (12,807)</u>	<u>131,268</u>
Fund balances				
Beginning of year, July 1		<u>474,296</u>		<u>343,028</u>
End of year, June 30		<u>\$ 461,489</u>		<u>\$ 474,296</u>

Fund Balance agrees to Balance on the PSAP Revenue-Expenditure Report.

Franklin County, North Carolina
DEA Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2017
(With Comparative Totals for the Year Ended June 30, 2016)

	2017		Variance Positive (Negative)	2016
	Budget	Actual		Actual
Revenues				
Restricted intergovernmental	\$ 12,500	\$ 13,248	\$ 748	\$ 19,742
Miscellaneous income	-	-	-	109
Total revenues	<u>12,500</u>	<u>13,248</u>	<u>748</u>	<u>19,851</u>
Expenditures				
Public safety				
Operating expenses	<u>22,500</u>	<u>19,700</u>	<u>2,800</u>	<u>81,958</u>
Revenues over expenditures	<u>(10,000)</u>	<u>(6,452)</u>	<u>3,548</u>	<u>(62,107)</u>
Appropriated fund balance	<u>10,000</u>	<u>-</u>	<u>(10,000)</u>	<u>-</u>
Revenues and appropriated fund balance over expenditures	<u>\$ -</u>	<u>(6,452)</u>	<u>\$ (6,452)</u>	<u>(62,107)</u>
Fund balances				
Beginning of year, July 1		<u>13,011</u>		<u>75,118</u>
End of year, June 30		<u>\$ 6,559</u>		<u>\$ 13,011</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, 2017

	Project Author- ization	Actual		Total to Date	Variance Positive (Negative)
		Prior Years	Current Year		
Revenues					
Restricted intergovernmental					
CDBG Grant 11-D-2447	\$ 400,000	\$ 379,503	\$ -	\$ 379,503	\$ (20,497)
NC Housing Funds	170,000	108,544	-	108,544	(61,456)
Total revenues	<u>570,000</u>	<u>488,047</u>	<u>-</u>	<u>488,047</u>	<u>(81,953)</u>
Expenditures					
Economic and physical development					
CDBG Grant 11-D-2447	400,000	391,115	-	391,115	8,885
NC Housing Funds	170,000	98,882	-	98,882	71,118
Total expenditures	<u>570,000</u>	<u>489,997</u>	<u>-</u>	<u>489,997</u>	<u>80,003</u>
Revenues under expenditures	<u>-</u>	<u>(1,950)</u>	<u>-</u>	<u>(1,950)</u>	<u>(1,950)</u>
Other financing sources					
Transfer from General Fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ (1,950)</u>	<u>-</u>	<u>\$ (1,950)</u>	<u>\$ (1,950)</u>
Fund balance					
Beginning of year, July 1			<u>54,993</u>		
End of year, June 30			<u>\$ 54,993</u>		

Franklin County, North Carolina
Hospital Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and for the Year Ended June 30, 2017

	2017		Variance Positive (Negative)	2016
	Budget	Actual		Actual
Revenues				
Restricted intergovernmental				
Contributions	\$ -	\$ 100,000	\$ 100,000	\$ 1,630,000
Miscellaneous	-	51,290	51,290	7,382
Total revenues	<u>-</u>	<u>151,290</u>	<u>151,290</u>	<u>1,637,382</u>
Expenditures				
Human Services	688,000	605,223	82,777	166,351
Revenues over expenditures	<u>(688,000)</u>	<u>(453,933)</u>	<u>234,067</u>	<u>1,471,031</u>
Other financing sources				
Transfers to other funds				
General Fund	(600,000)	(600,000)	-	(33,507)
Fund balance appropriated	1,288,000	-	(1,288,000)	-
	<u>688,000</u>	<u>(600,000)</u>	<u>(1,288,000)</u>	<u>(33,507)</u>
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>(1,053,933)</u>	<u>\$ (1,053,933)</u>	<u>1,437,524</u>
Fund balance				
Beginning of year, July 1		<u>1,471,031</u>		<u>33,507</u>
End of year, June 30		<u>\$ 417,098</u>		<u>\$ 1,471,031</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, 2017

	Project Author- ization	Actual		Total to Date	Variance Positive (Negative)
		Prior Years	Current Year		
Revenues					
Restricted intergovernmental:					
NCDOT project 36237.31.13.1	\$ 870,605	\$ -	\$ 924,757	\$ 924,757	\$ 54,152
Total revenues	<u>870,605</u>	<u>-</u>	<u>924,757</u>	<u>924,757</u>	<u>54,152</u>
Expenditures					
Capital outlay:					
Project No. 36237.31.13.1	966,666	-	890,743	890,743	75,923
Total expenditures	<u>966,666</u>	<u>-</u>	<u>890,743</u>	<u>890,743</u>	<u>75,923</u>
Revenues under expenditures	<u>(96,061)</u>	<u>-</u>	<u>34,014</u>	<u>34,014</u>	<u>130,075</u>
Other financing sources					
Transfer from General fund	46,666	-	46,670	46,670	4
Appropriated fund balance	49,395	-	-	-	(49,395)
Total	<u>96,061</u>	<u>-</u>	<u>46,670</u>	<u>46,670</u>	<u>(49,391)</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>80,684</u>	<u>\$ 80,684</u>	<u>\$ 80,684</u>
Fund balance					
Beginning of year, July 1			<u>(72,744)</u>		
End of year, June 30			<u>\$ 7,940</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, 2017

	Project Author- ization	Actual		Total to Date	Variance Positive (Negative)
		Prior Year	Current Year		
Revenues					
Interest earnings	\$ 12,500	\$ -	\$ -	\$ -	\$ (12,500)
Miscellaneous	125,000	-	-	-	\$ (125,000)
Sales tax refund	137,500	-	-	-	(137,500)
Expenditures					
Bond issuance costs		-	-	-	
Construction		-	286,090	286,090	
Total expenditures	11,537,500	-	286,090	286,090	11,251,410
Total revenues over (under) expenditures	(11,400,000)	-	(286,090)	(286,090)	(11,388,910)
Other financing sources					
Issuance of debt	11,400,000	-	-	-	(11,400,000)
Total other sources	11,400,000	-	-	-	(11,400,000)
Revenues and other financing sources over (under) expenditures	\$ -	\$ -	(286,090)	\$ (286,090)	\$ (286,090)
Fund balance					
Beginning of year, July 1			494,422		
End of year, June 30			\$ 208,332		

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, 2017

	Project Author- ization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues					
Intergovernmental revenues	\$ 963,770	\$ 534,541	\$ -	\$ 534,541	\$ (429,229)
Interest earnings	95,000	13,501	-	13,501	(81,499)
Total revenues	<u>1,058,770</u>	<u>548,042</u>	<u>-</u>	<u>548,042</u>	<u>(510,728)</u>
Expenditures					
Construction					
E911 Facility	10,107,812	8,885,147	682,791	9,567,938	539,874
Owens Park Project	963,770	683,179	4,000	687,179	276,591
Jail Renovation	3,861,789	3,820,619	(15,240)	3,805,379	56,410
Courthouse Renovation	1,526,196	1,526,196	-	1,526,196	-
Total	<u>16,459,567</u>	<u>14,915,141</u>	<u>671,551</u>	<u>15,586,692</u>	<u>872,875</u>
Total revenues over (under) expenditures	<u>(15,400,797)</u>	<u>(14,367,099)</u>	<u>(671,551)</u>	<u>(15,038,650)</u>	<u>362,147</u>
Other financing sources					
Issuance of debt	13,977,272	13,506,000	-	13,506,000	(471,272)
Appropriated fund balance	147,000	-	-	-	(147,000)
Transfer from other funds					
Emergency Telephone System Fund	-	891,483	-	891,483	-
General Fund	-	2,536,595	-	2,536,595	-
Total transfers	<u>1,276,525</u>	<u>3,428,078</u>	<u>-</u>	<u>3,428,078</u>	<u>2,151,553</u>
Total other sources	<u>15,400,797</u>	<u>16,934,078</u>	<u>-</u>	<u>16,934,078</u>	<u>1,533,281</u>
Total revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 2,566,979</u>	<u>(671,551)</u>	<u>\$ 1,895,428</u>	<u>\$ 1,895,428</u>
Fund balance					
Beginning of year, July 1			<u>1,049,492</u>		
End of year, June 30			<u>\$ 377,941</u>		

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.
- **Solid Waste Fund:** This fund is used to account for the operations of the County's solid waste activities.

Franklin County, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2017

	2017		Variance Positive (Negative)	2016
	Budget	Actual		Actual
Revenues				
Operating revenues				
Water fees	\$ 6,051,060	\$ 6,277,747	\$ 226,687	\$ 6,058,678
Sewer fees	2,648,064	2,653,133	5,069	2,584,625
Other charges for services	711,230	1,391,148	679,918	998,171
Total	<u>9,410,354</u>	<u>10,322,028</u>	<u>911,674</u>	<u>9,641,474</u>
Nonoperating revenues:				
Interest earnings	-	41,702	41,702	43,948
Miscellaneous revenues	8,490	22,877	14,387	-
Total	<u>8,490</u>	<u>64,579</u>	<u>56,089</u>	<u>43,948</u>
Total revenues	<u>9,418,844</u>	<u>10,386,607</u>	<u>967,763</u>	<u>9,685,422</u>
Expenditures - Water Dept				
Salaries and employee benefits	1,151,368	1,110,282	41,086	868,817
Water purchases	3,327,240	3,359,156	(31,916)	3,268,127
Other operating expenditures	1,227,393	843,396	383,997	1,273,028
Capital outlay	18,000	49,397	(31,397)	58,102
Debt service:				
Interest and other charges	148,714	146,413	2,301	171,846
Debt principal	596,000	856,000	(260,000)	579,000
Total expenditures - Water	<u>6,468,715</u>	<u>6,364,644</u>	<u>104,071</u>	<u>6,218,920</u>
Expenditures - Sewer Dept				
Salaries and employee benefits	452,913	434,323	18,590	393,283
Other operating expenditures	1,180,755	633,840	546,915	710,091
Capital outlay	313,090	336,563	(23,473)	243,534
Debt service:				
Interest and other charges	125,931	90,969	34,962	148,022
Debt principal	2,607,690	2,603,689	4,001	868,353
Total expenditures - Sewer	<u>4,680,379</u>	<u>4,099,384</u>	<u>580,995</u>	<u>2,363,283</u>
Total expenditures	<u>11,149,094</u>	<u>10,464,028</u>	<u>685,066</u>	<u>8,582,203</u>
Revenues under expenditures	<u>(1,730,250)</u>	<u>(77,421)</u>	<u>1,652,829</u>	<u>1,103,219</u>
Other Financing Sources (Uses)				
Debt proceeds	1,730,250	1,715,000	15,250	-
Appropriated fund balance	-	-	-	-
Total	<u>1,730,250</u>	<u>1,715,000</u>	<u>15,250</u>	<u>-</u>
Revenues and appropriated fund balance under expenditures	<u>\$ -</u>	<u>\$ 1,637,579</u>	<u>\$ 1,637,579</u>	<u>\$ 1,103,219</u>
Reconciliation from budgetary basis (modified accrual) to full accrual				
Revenues and other financing sources over expenditures	\$	1,637,579		\$ 1,103,219
Reconciling items				
Debt proceeds		(1,715,000)		-
Debt payments		3,459,689		1,707,353
Depreciation		(1,363,228)		(1,298,221)
Capital outlay		400,468		302,012
Decrease in net pension asset		-		(102,838)
Increase in deferred outflows of resources - pensions		229,631		(5,188)
Increase in net pension liability		(266,357)		(68,693)
Decrease in deferred inflows of resources - pensions		20,358		214,939
Decrease in accrued vacation pay		14,888		(20,913)
Increase in other postemployment benefits		(114,787)		(96,974)
Restricted intergovernmental revenue from				
Water and Sewer Capital Projects Fund		815,367		1,251,862
Miscellaneous income from Water and Sewer Capital Projects Fund		-		-
Investment earnings from Water and Sewer Capital Projects Fund		17		-
Total		<u>1,481,046</u>		<u>1,883,339</u>
Change in net position		<u>\$ 3,118,625</u>		<u>\$ 2,986,558</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, 2017

	Project Author - ization	Actual			Variance Positive (Negative)
		Prior Year	Current Year	Total to Date	
Revenues					
Restricted intergovernmental:					
Federal grants					
CDBG grant	\$ -	\$ 430,976	\$ -	\$ 430,976	\$ 430,976
State grants					
HUC grant E-HUC-W-15-0004	1,879,380	-	496,277	496,277	(1,383,103)
HUC grant E-HUC-W-14-0002	577,600	147,568	319,090	466,658	(110,942)
IDF funds	1,807,000	-	-	-	(1,807,000)
Rural Center grant	-	823,250	-	823,250	823,250
Investment earnings	-	-	17	17	17
Total revenues	<u>4,263,980</u>	<u>1,401,794</u>	<u>815,384</u>	<u>2,217,178</u>	<u>(2,046,802)</u>
Expenditures					
Construction					
Franklinton Water Projects	-	1,317,051	-	1,317,051	(1,317,051)
Franklin sewer HUC grant phase 1	577,600	278,277	281,271	559,548	18,052
Franklin sewer HUC grant phase 2	1,879,380	87,240	306,167	393,407	1,485,973
East Youngsville extension	1,807,000	-	-	-	1,807,000
Youngsville sewer upgrades	1,910,000	-	-	-	1,910,000
Franklin regional pump station	60,000	-	12,000	12,000	48,000
Franklin sewer rehab phase II	-	-	19,173	19,173	(19,173)
Ray's Creek	-	-	10,164	10,164	(10,164)
Total expenditures	<u>6,233,980</u>	<u>1,682,568</u>	<u>628,775</u>	<u>2,311,343</u>	<u>3,922,637</u>
Revenues under expenditures	<u>(1,970,000)</u>	<u>(280,774)</u>	<u>186,609</u>	<u>(94,165)</u>	<u>5,798,472</u>
Other financing sources (uses)					
Appropriated fund balance	60,000	-	-	-	(60,000)
Proceeds from debt	1,910,000	-	-	-	(1,910,000)
Total other financing sources (uses) - net	<u>1,970,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,970,000)</u>
Revenues, appropriated fund balance, and other financing sources over expenditures and uses	<u>\$ -</u>	<u>\$ (280,774)</u>	<u>\$ 186,609</u>	<u>\$ (94,165)</u>	<u>\$ (94,165)</u>

Franklin County, North Carolina
Solid Waste Fund
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2017

	2017		Variance Positive (Negative)	2016
	Budget	Actual		Actual
Revenues				
Operating revenues				
Solid waste revenue	\$ 2,015,106	\$ 2,064,587	\$ 49,481	\$ 2,044,306
Landfill fees	1,300,000	1,256,063	(43,937)	1,218,688
Total	<u>3,315,106</u>	<u>3,320,650</u>	<u>5,544</u>	<u>3,262,994</u>
Nonoperating revenues:				
Operating grants	143,000	163,310	20,310	170,399
Interest earnings	-	-	-	187
Miscellaneous revenues	21,190	31,731	10,541	17,833
Total	<u>164,190</u>	<u>195,041</u>	<u>30,851</u>	<u>188,419</u>
Total revenues	<u>3,479,296</u>	<u>3,515,691</u>	<u>36,395</u>	<u>3,451,413</u>
Expenditures				
Salaries and employee benefits	777,344	799,768	(22,424)	794,601
Other operating expenditures	2,754,240	2,581,076	173,164	2,439,769
Capital outlay	70,350	67,113	3,237	92,510
Total expenditures	<u>3,601,934</u>	<u>3,447,957</u>	<u>153,977</u>	<u>3,326,880</u>
Revenues under expenditures	<u>(122,638)</u>	<u>67,734</u>	<u>190,372</u>	<u>124,533</u>
Other Financing Sources (Uses)				
Transfer from (to) Other Funds				
General Fund	5,004	-	5,004	-
Appropriated Fund Balance	117,634	-	117,634	-
Total	<u>122,638</u>	<u>-</u>	<u>122,638</u>	<u>-</u>
Revenues and appropriated fund balance under expenditures	<u>\$ -</u>	<u>\$ 67,734</u>	<u>\$ 67,734</u>	<u>\$ 124,533</u>
Reconciliation from budgetary basis (modified accrual) to full accrual				
Revenues and other financing sources over expenditures		\$ 67,734		\$ 124,533
Reconciling items				
Depreciation		(164,077)		(172,865)
Capital outlay		-		92,160
Decrease in net pension asset		-		(49,082)
Increase in deferred outflows of resources - pensions		116,505		6,135
Increase in net pension liability		(135,817)		(39,254)
Decrease in deferred inflows of resources - pensions		12,384		92,907
Decrease in accrued vacation pay		(8,309)		(5,608)
Increase in other postemployment benefits		(39,486)		(34,582)
Increase in landfill closure		9,575		8,336
Total		<u>(209,225)</u>		<u>(101,853)</u>
Change in net position		<u>\$ (141,491)</u>		<u>\$ 22,680</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, 2017
(With Comparative Totals for the Year Ended June 30, 2016)

	2017		Variance Positive (Negative)	2016
	Budget	Actual		Actual
Revenues				
Contributions from employees	\$ 1,100,000	\$ 1,125,206	\$ 25,206	\$ 730,123
Contribution from General Fund	5,793,318	5,930,856	137,538	6,127,016
Contributions from Water & Sewer Fund	175,000	281,588	106,588	266,984
Contributions from Solid Waste Fund	125,000	80,802	(44,198)	123,065
Contributions from Hospital Fund	-	5,800	5,800	-
Interest earnings	-	9	9	11
Miscellaneous	30,000	42,242	12,242	18,994
Total revenues	7,223,318	7,466,503	243,185	7,266,193
Expenditures				
Health insurance	6,900,000	6,870,992	29,008	7,071,905
Property and liability insurance	300,000	257,537	42,463	288,420
Workers' compensation insurance	425,000	373,506	51,494	359,887
Unemployment claims	100,000	49,367	50,633	23,497
Total expenditures	7,725,000	7,551,402	173,598	7,743,709
Revenues over (under) expenditures	(501,682)	(84,899)	416,783	(477,516)
Appropriated fund balance	501,682	-	(501,682)	-
Revenues and appropriated fund balance over (under) expenditures	\$ -	(84,899)	\$ (84,899)	(477,516)
Fund balances				
Beginning of year, July 1		2,051,375		2,528,891
End of year, June 30		\$ 1,966,476		\$ 2,051,375
Reconciliation from financial plan basis (modified accrual) to full accrual:				
Total revenues		\$ 7,466,503		\$ 7,266,193
Total expenditures		7,551,402		7,743,709
Change in net position		\$ (84,899)		\$ (477,516)

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.
- **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, 2017

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
Social Services				
Assets				
Cash and cash equivalents	\$ 63,563	\$ 237,056	\$ 241,489	\$ 59,130
Liabilities				
Miscellaneous liabilities	\$ 63,563	\$ 237,056	\$ 241,489	\$ 59,130
Fines and Forfeitures				
Assets				
Cash and cash equivalents	\$ 12,145	\$ 215,401	\$ 211,878	\$ 15,668
Liabilities				
Intergovernmental payable	\$ 12,145	\$ 215,401	\$ 211,878	\$ 15,668
Motor Vehicle Tax				
Assets				
Cash and cash equivalents	\$ -	\$ 2,420,400	\$ 2,420,400	\$ -
Liabilities				
Miscellaneous liabilities	\$ -	\$ 2,420,400	\$ 2,420,400	\$ -
Jail Fund				
Assets				
Cash and cash equivalents	\$ 45,859	\$ 444,293	\$ 422,596	\$ 67,556
Liabilities				
Miscellaneous liabilities	\$ 45,859	\$ 444,293	\$ 422,596	\$ 67,556
Totals - All Agency Funds				
Assets				
Cash and cash equivalents	\$ 121,567	\$ 3,317,150	\$ 3,296,363	\$ 142,354
Liabilities				
Miscellaneous liabilities	\$ 109,422	\$ 3,101,749	\$ 3,084,485	\$ 126,686
Intergovernmental payable	12,145	215,401	211,878	15,668
Total liabilities	\$ 121,567	\$ 3,317,150	\$ 3,296,363	\$ 142,354

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
 Analysis of Current Tax Levy
 County-wide Levy
 For the Year Ended June 30, 2017

	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	\$ 3,994,380,298	0.9250	\$ 36,948,018	\$ 36,948,018	\$ -
Motor vehicles taxed at current year's rate	548,676,649	0.9250	5,075,259	-	5,075,259
Total	<u>4,543,056,947</u>		<u>42,023,277</u>	<u>36,948,018</u>	<u>5,075,259</u>
Discoveries	183,293,730	0.9250	1,695,467	1,695,429	38
Abatements	<u>(17,384,000)</u>	0.9250	<u>(160,802)</u>	<u>(160,802)</u>	<u>-</u>
Total	<u>\$ 4,708,966,677</u>		43,557,942	38,482,645	5,075,297
Less uncollected taxes at June 30, 2017			566,036	561,698	4,338
Current year's taxes collected			<u>\$ 42,991,906</u>	<u>\$ 37,920,947</u>	<u>\$ 5,070,959</u>
Current levy collection percentage			<u>98.70%</u>	<u>98.54%</u>	<u>99.91%</u>

**Franklin County, North Carolina
Analysis of Current Tax Levy
County-wide Levy
For the Year Ended June 30, 2017**

Secondary Market Disclosures:

Assessed Valuation:		
Assessment Ratio ¹		100%
Real Property	\$	4,274,852,284
Personal Property		284,875,953
Public Service Companies ²		149,238,440
Total Assessed Valuation	\$	4,708,966,677
 Tax Rate per \$100		 0.925
 Levy (includes discoveries, releases and abatements) ³	 \$	 43,557,942

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, 2017:

Fire Protection Districts	\$	3,284,215
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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, 2017**

Taxpayer	Type of Business	Assessed Valuation	Percentage of Total Assessed Valuation
Novozymes North America Inc.	Manufacturing	\$ 179,409,074	3.81%
Duke Energy Progress, Inc.	Utility	58,027,126	1.23%
Wake Electric Membership Corporation	Utility	46,318,816	0.98%
K-Flex USA LLC	Manufacturing	24,486,470	0.52%
Carolina Telephone	Utility	17,416,190	0.37%
Palziv North America	Manufacturing	16,553,379	0.35%
Amcor Rigid Plastics LLC	Manufacturing	15,805,359	0.34%
Public Service Co. of NC, Inc.	Utility	12,739,871	0.27%
Southern Lithoplate	Manufacturing	11,596,220	0.25%
Noda LLC	Manufacturing	9,890,970	0.21%
Total		<u>\$ 392,243,475</u>	<u>8.33%</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 Position by Component, Changes in Net Position, 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.

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

	Fiscal Year Ended				
	2017	2016	2015	2014	2013
Governmental activities					
Net investment in capital assets	\$ 49,349,124	\$ 46,734,481	\$ 33,798,587	\$ 33,141,451	\$ 30,485,649
Restricted	10,863,695	13,420,202	12,618,500	10,485,680	4,809,599
Unrestricted	(42,009,483)	(51,142,621)	(60,192,165)	(64,722,957)	(62,311,839)
Total governmental activities net position	<u>\$ 18,203,336</u>	<u>\$ 9,012,062</u>	<u>\$ (13,775,078)</u>	<u>\$ (21,095,826)</u>	<u>\$ (27,016,591)</u>
Business-type activities					
Net investment in capital assets	\$ 22,062,211	\$ 20,815,587	\$ 16,926,449	\$ 15,622,605	\$ 13,508,654
Unrestricted	3,158,263	1,432,932	(321,710)	4,020,017	4,715,821
Total business-type activities net position	<u>\$ 25,220,474</u>	<u>\$ 22,248,519</u>	<u>\$ 16,604,739</u>	<u>\$ 19,642,622</u>	<u>\$ 18,224,475</u>
Primary government					
Net investment in capital assets	\$ 71,411,335	\$ 67,550,068	\$ 50,725,036	\$ 48,764,056	\$ 43,994,303
Restricted	10,863,695	13,420,202	12,618,500	10,485,680	4,809,599
Unrestricted	(38,851,220)	(49,709,689)	(60,513,875)	(60,702,940)	(57,596,018)
Total primary government net position	<u>\$ 43,423,810</u>	<u>\$ 31,260,581</u>	<u>\$ 2,829,661</u>	<u>\$ (1,453,204)</u>	<u>\$ (8,792,116)</u>

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

Table 1

Fiscal Year Ended				
2012	2011	2010	2009	2008
\$ 26,677,972	\$ 25,866,534	\$ 22,185,107	\$ 11,105,092	\$ 22,829,989
3,912,076	6,029,114	-	-	-
(62,555,157)	(66,760,973)	(38,579,992)	(17,970,151)	(30,128,888)
<u>\$ (31,965,109)</u>	<u>\$ (34,865,325)</u>	<u>\$ (16,394,885)</u>	<u>\$ (6,865,059)</u>	<u>\$ (7,298,899)</u>
\$ 12,421,870	\$ 11,252,930	\$ 10,171,373	\$ 7,884,229	\$ 7,639,425
3,426,618	3,731,203	4,070,904	5,620,515	6,098,885
<u>\$ 15,848,488</u>	<u>\$ 14,984,133</u>	<u>\$ 14,242,277</u>	<u>\$ 13,504,744</u>	<u>\$ 13,738,310</u>
\$ 39,099,842	\$ 37,119,464	\$ 32,356,480	\$ 18,989,321	\$ 30,469,414
3,912,076	6,029,114	-	-	-
(59,128,539)	(63,029,770)	(34,509,088)	(12,349,636)	(24,030,003)
<u>\$ (16,116,621)</u>	<u>\$ (19,881,192)</u>	<u>\$ (2,152,608)</u>	<u>\$ 6,639,685</u>	<u>\$ 6,439,411</u>

Franklin County, North Carolina
Changes in Net Position
Last Ten Fiscal Years

	Fiscal Year Ended				
	2017	2016	2015	2014	2013
Expenses					
Governmental Activities					
General government	\$ 5,743,664	\$ 5,770,373	\$ 4,683,881	\$ 4,598,900	\$ 4,674,158
Public Safety	25,787,638	23,852,535	21,980,004	21,505,522	20,017,277
Economic and physical development	2,323,762	2,497,914	5,445,839	5,524,498	5,648,305
Environmental protection	-	-	235,498	-	-
Human services	20,301,413	18,588,512	17,901,400	17,850,805	17,708,407
Cultural and recreation	1,632,077	1,555,924	1,445,953	1,598,599	1,429,624
Education	17,388,641	15,962,006	15,838,646	14,613,120	13,775,500
Interest on long-term debt	2,055,199	2,293,631	2,962,772	2,991,751	3,261,900
Total governmental activities expenses	<u>75,232,394</u>	<u>70,520,895</u>	<u>70,493,993</u>	<u>68,683,195</u>	<u>66,515,171</u>
Business-type activities					
Solid Waste	3,658,116	3,434,463	-	-	-
Water and Sewer	8,087,611	7,972,215	7,254,705	6,620,881	6,386,886
Total business-type activities expense	<u>11,745,727</u>	<u>11,406,678</u>	<u>7,254,705</u>	<u>6,620,881</u>	<u>6,386,886</u>
Total primary government expenses	<u>86,978,121</u>	<u>81,927,573</u>	<u>77,748,698</u>	<u>75,304,076</u>	<u>72,902,057</u>
Program Revenues					
Governmental activities:					
Charges for services:					
General government	783,678	745,315	534,892	578,784	595,586
Public Safety	6,034,345	5,766,759	4,931,717	4,861,574	4,389,896
Economic and physical development	725,821	718,978	3,318,708	3,284,600	3,239,731
Human services	2,916,453	2,482,054	1,798,633	2,148,552	3,574,833
Cultural and recreation	246,500	108,465	131,376	72,065	89,943
Operating grants and contributions	13,245,719	15,245,460	12,742,188	11,852,730	10,949,922
Capital Grants and Contributions	924,757	13,645,950	431,926	423,335	516,634
Total governmental activities program revenues	<u>24,877,273</u>	<u>38,712,981</u>	<u>23,889,440</u>	<u>23,221,640</u>	<u>23,356,545</u>
Business-type activities:					
Charges for services:					
Solid waste	3,320,650	3,262,994	-	-	-
Water and sewer	10,322,028	9,641,474	9,248,628	8,538,074	8,863,609
Operating grants and contributions	-	-	-	-	-
Capital Grants and Contributions	978,677	1,422,261	149,932	-	298,969
Total business-type activities program revenues	<u>14,621,355</u>	<u>14,326,729</u>	<u>9,398,560</u>	<u>8,538,074</u>	<u>9,162,578</u>
Total primary government program revenues	<u>39,498,628</u>	<u>53,039,710</u>	<u>33,288,000</u>	<u>31,759,714</u>	<u>32,519,123</u>

Table 2
(cont.)

		Fiscal Year Ended							
		2012	2011	2010	2009	2008			
\$	4,508,753	\$	4,481,582	\$	4,888,153	\$	5,619,743	\$	4,325,531
	19,033,872		20,782,813		18,622,921		17,287,411		17,700,123
	5,666,603		5,859,582		5,223,772		5,734,787		5,694,167
	-		-		-		-		-
	17,260,614		17,258,277		16,250,663		18,243,826		18,321,190
	1,364,329		1,271,427		1,289,122		1,293,831		1,728,413
	16,132,388		35,878,008		27,490,479		16,985,160		32,065,518
	3,492,294		3,406,691		3,250,515		3,002,457		2,508,273
	<u>67,458,853</u>		<u>88,938,380</u>		<u>77,015,625</u>		<u>68,167,215</u>		<u>82,343,215</u>
	-		-		-		-		-
	6,123,230		6,035,793		6,105,211		6,222,719		5,944,894
	<u>6,123,230</u>		<u>6,035,793</u>		<u>6,105,211</u>		<u>6,222,719</u>		<u>5,944,894</u>
	<u>73,582,083</u>		<u>94,974,173</u>		<u>83,120,836</u>		<u>74,389,934</u>		<u>88,288,109</u>
	541,585		554,148		854,040		318,880		374,128
	4,948,255		4,037,262		3,697,253		4,658,370		2,290,945
	3,311,918		3,095,018		3,430,203		2,701,616		2,709,670
	3,684,215		4,017,056		3,810,360		4,034,367		3,644,913
	77,204		135,234		67,437		131,291		30,394
	10,818,184		11,617,566		9,548,527		8,441,731		10,347,360
	278,754		2,261,375		1,717,348		1,751,120		1,279,853
	<u>23,660,115</u>		<u>25,717,659</u>		<u>23,125,168</u>		<u>22,037,375</u>		<u>20,677,263</u>
	-		-		-		-		-
	7,340,277		6,306,080		6,082,732		5,721,859		5,841,469
	-		-		-		215,239		-
	87,562		228,185		-		-		40,000
	<u>7,427,839</u>		<u>6,534,265</u>		<u>6,082,732</u>		<u>5,937,098</u>		<u>5,881,469</u>
	<u>31,087,954</u>		<u>32,251,924</u>		<u>29,207,900</u>		<u>27,974,473</u>		<u>26,558,732</u>

Franklin County, North Carolina
Changes in Net Position
Last Ten Fiscal Years

	Fiscal Year Ended				
	2017	2016	2015	2014	2013
Net (Expense)/Revenue					
Governmental activities	\$ (50,355,121)	\$ (31,807,914)	\$ (46,604,553)	\$ (45,461,555)	\$ (43,158,626)
Business-type activities	2,875,628	2,920,051	2,143,855	1,917,193	2,775,692
Total primary government net expense	(47,479,493)	(28,887,863)	(44,460,698)	(43,544,362)	(40,382,934)
General Revenues and Other Changes in Net Position					
Governmental activities					
Taxes:					
Property Taxes	46,528,850	45,412,303	41,208,557	41,298,278	38,983,743
Sales Taxes	12,292,995	9,838,229	9,605,109	8,953,833	8,461,911
Investment Earnings	87,968	44,840	28,065	120,977	125,310
Miscellaneous - Unrestricted	951,986	807,923	181,287	166,619	211,280
Transfers	-	-	-	499,997	400,000
Total government activities	59,861,799	56,103,295	51,023,018	51,039,704	48,182,244
Business-type activities:					
Investment earnings/Misc.	96,327	61,968	41,269	951	295
Transfers	-	-	-	(499,997)	(400,000)
Total business-type activities	96,327	61,968	41,269	(499,046)	(399,705)
Total primary government	59,958,126	56,165,263	51,064,287	50,540,658	47,782,539
Change in Net Position					
Governmental activities	9,506,678	24,295,381	4,418,465	5,578,149	5,023,618
Business-type activities	2,971,955	2,982,019	2,185,124	1,418,147	2,375,987
Total primary government	\$ 12,478,633	\$ 27,277,400	\$ 6,603,589	\$ 6,996,296	\$ 7,399,605

Table 2

Fiscal Year Ended				
2012	2011	2010	2009	2008
(43,798,738)	(63,220,721)	(53,890,457)	(46,129,840)	(61,665,952)
1,304,609	498,472	(22,479)	(285,621)	(63,425)
(42,494,129)	(62,722,249)	(53,912,936)	(46,415,461)	(61,729,377)
37,807,234	37,416,033	37,246,830	34,714,146	33,151,702
8,286,210	7,317,661	7,326,661	9,526,281	11,207,755
144,169	178,881	762,901	532,190	1,741,188
20,726	72,989	346,728	1,616,200	1,313,221
440,615	(235,283)	(786,208)	194	265,622
46,698,954	44,750,281	44,896,912	46,389,011	47,679,488
360	8,101	16,154	52,249	265,418
(440,615)	235,283	786,208	(194)	(265,622)
(440,255)	243,384	802,362	52,055	(204)
46,258,699	44,993,665	45,699,274	46,441,066	47,679,284
2,900,216	(18,470,440)	(8,993,545)	259,171	(13,986,464)
864,354	741,856	779,883	(233,566)	(63,629)
\$ 3,764,570	\$ (17,728,584)	\$ (8,213,662)	\$ 25,605	\$ (14,050,093)

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

	Fiscal Year Ended				
	2017	2016	2015	2014	2013
General Fund					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved - restricted	-	-	-	-	-
Unreserved - Undesignated	-	-	-	-	-
Nonspendable	24,118	30,251	40,694	60,806	-
Restricted	9,135,986	9,714,647	10,775,010	5,653,766	8,085,472
Assigned	6,025,002 *	1,800,632 *	2,887,299	5,718,864	5,579,298
Committed	758,440	741,796	692,991	667,991	-
Unassigned	17,783,339 **	15,546,250 *	10,466,697	8,832,006	12,664,770
Total general fund	\$ 33,726,885	\$ 27,833,576	\$ 24,862,691	\$ 20,933,433	\$ 26,329,540
All other Governmental Funds					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:					
Special revenue funds	-	-	-	-	-
Capital projects funds	-	-	-	-	-
Restricted	1,727,709 ***	3,705,555 *	1,843,490	4,831,914	622,702
Committed	208,332	494,422	494,422	1,025,062	3,211,250
Assigned	-	-	-	-	1,332,413
Unassigned	(167,487)	(433,941)	(15,605)	(246,604)	(50,028)
Total all other governmental funds	\$ 1,768,554	\$ 3,766,036	\$ 2,322,307	\$ 5,610,372	\$ 5,116,337

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

Fiscal years 2008 through 2010 are presented in the Pre-GASB 54 format while fiscal years 2011 through 2017 are presented in the GASB 54 format.

Table 3

Fiscal Year Ended					
2012	2011	2010	2009	2008	
\$ -	\$ -	\$ 3,525,597	\$ 3,124,757	\$ 2,481,839	
-	-	4,276,748	2,459,288	4,308,826	
-	-	13,312,790	13,569,126	11,455,767	
27,220	17,145	-	-	-	
4,874,037	3,752,353	-	-	-	
3,863,440	4,966,049	-	-	-	
-	-	-	-	-	
13,201,066	12,757,375	-	-	-	
<u>\$ 21,965,763</u>	<u>\$ 21,492,922</u>	<u>\$ 21,115,135</u>	<u>\$ 19,153,171</u>	<u>\$ 18,246,432</u>	
\$ -	\$ -	\$ 6,313,368	\$ 3,661,522	\$ 4,699,959	
-	-	2,571,326	2,449,207	2,290,957	
-	-	1,130,004	1,112,012	1,386,415	
955,510	2,276,761	-	-	-	
3,248,775	2,121,012	-	-	-	
2,156,735	4,624,788	-	-	-	
(330,823)	(603,060)	-	-	-	
<u>\$ 6,030,197</u>	<u>\$ 8,419,501</u>	<u>\$ 10,014,698</u>	<u>\$ 7,222,741</u>	<u>\$ 8,377,331</u>	

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

	Fiscal Year Ended				
	2017	2016	2015	2014	2013
Revenues					
Ad Valorem Taxes	\$ 46,788,595	\$ 45,395,778	\$ 41,224,213	\$ 41,455,270	\$ 38,841,282
Sales Tax	12,292,995	9,838,229	8,903,735	8,146,600	7,644,488
Other taxes and licenses	722,337	737,971	896,393	1,021,437	942,946
Unrestricted Intergovernmental	-	-	-	-	-
Restricted Intergovernmental	13,849,965	15,369,151	12,704,197	11,762,899	10,987,782
Permits and Fees	-	-	-	-	-
Sales and service	10,709,505	9,824,427	10,666,244	10,994,928	11,984,301
Investment Earnings	87,998	50,357	28,210	144,476	142,629
Other revenues	547,452	388,285	505,267	417,558	479,556
Total revenues	<u>84,998,847</u>	<u>81,604,198</u>	<u>74,928,259</u>	<u>73,943,168</u>	<u>71,022,984</u>
Expenditures					
General government	5,683,160	5,388,439	4,480,127	4,364,374	4,426,858
Public Safety	24,968,337	22,709,419	21,937,502	21,149,148	19,065,915
Economic and Physical development	2,084,451	2,230,098	6,654,528	5,425,898	5,449,774
Human Services	18,794,832	18,018,799	17,668,892	17,409,472	17,001,115
Cultural and recreation	1,450,257	1,363,550	1,287,267	1,419,908	1,219,006
Education	17,102,551	15,962,006	15,908,006	14,613,120	13,775,500
Capital outlay	1,848,384	627,976	4,270,243	1,986,455	693,883
Debt service:					
Principal	14,808,883	8,883,550	7,177,550	8,127,550	8,072,550
Interest and other fees	2,469,032	2,653,308	3,037,428	3,101,575	3,392,405
Total Expenditures	<u>89,209,887</u>	<u>77,837,145</u>	<u>82,421,543</u>	<u>77,597,500</u>	<u>73,097,006</u>
Excess of revenues over (under) expenditures	<u>(4,211,040)</u>	<u>3,767,053</u>	<u>(7,493,284)</u>	<u>(3,654,332)</u>	<u>(2,074,022)</u>
Other Financing Sources (Uses)					
Transfers to other funds	(699,763)	(90,877)	(765,700)	(1,087,108)	(932,366)
Transfers from other funds	699,763	90,877	1,675,700	1,587,105	1,332,366
Sale of capital assets	-	-	-	-	-
Inc.(Dec) in reserve for inventory	-	-	-	-	-
Proceeds from long-term debt	8,113,000	-	2,150,000	3,000,000	-
Proceeds of refunded debt	-	18,005,000	-	-	-
Payment to refunded debt escrow	-	(16,338,537)	-	-	-
Total other financing sources (uses)	<u>8,113,000</u>	<u>1,666,463</u>	<u>3,060,000</u>	<u>3,499,997</u>	<u>400,000</u>
Net changes in fund balance	<u>\$ 3,901,960</u>	<u>\$ 5,433,516</u>	<u>\$ (4,433,284)</u>	<u>\$ (154,335)</u>	<u>\$ (1,674,022)</u>
Debt service as a percentage of noncapital expenditures	20.22%	15.13%	13.22%	15.03%	16.08%

Table 4

Fiscal Year Ended				
2012	2011	2010	2009	2008
\$ 38,329,055	\$ 37,536,902	\$ 37,383,075	\$ 34,403,249	\$ 32,680,351
7,358,931	6,446,864	7,326,661	9,526,281	11,207,755
1,006,100	1,114,672	452,625	565,845	299,491
-	-	436,869	552,577	637,646
10,616,499	13,278,682	10,489,372	10,066,937	9,360,249
-	-	1,425,010	1,196,976	2,268,394
12,607,499	11,860,295	10,305,981	10,836,080	9,097,445
143,458	200,150	853,869	532,190	1,739,204
358,755	319,977	339,916	306,259	120,879
<u>70,420,297</u>	<u>70,757,542</u>	<u>69,013,378</u>	<u>67,986,394</u>	<u>67,411,414</u>
4,107,482	4,079,502	4,585,485	4,822,336	4,947,681
18,371,117	20,273,574	18,155,489	16,896,492	16,989,641
5,487,835	5,743,666	4,888,291	5,419,791	5,397,420
16,549,400	17,011,497	15,933,092	17,436,101	18,410,690
1,179,430	1,156,108	1,148,243	1,346,031	1,625,597
13,368,084	13,240,333	13,007,248	13,196,086	13,061,750
9,572,995	25,660,883	15,140,139	4,189,528	19,902,241
9,272,608	5,995,766	5,134,503	4,920,907	3,837,682
3,516,979	3,377,959	3,078,744	3,004,725	2,508,273
<u>81,425,930</u>	<u>96,539,288</u>	<u>81,071,234</u>	<u>71,231,997</u>	<u>86,680,975</u>
<u>(11,005,633)</u>	<u>(25,781,746)</u>	<u>(12,057,856)</u>	<u>(3,245,603)</u>	<u>(19,269,561)</u>
(1,932,619)	(1,280,781)	(4,143,574)	(3,400,565)	(3,926,247)
2,373,234	1,045,498	3,357,366	3,400,759	4,191,869
-	-	-	-	245,728
-	(3,259)	(2,016)	(40,025)	-
8,638,480	24,802,878	17,600,000	-	8,600,000
-	-	-	14,905,000	-
-	-	-	(11,867,417)	-
<u>9,079,095</u>	<u>24,564,336</u>	<u>16,811,776</u>	<u>2,997,752</u>	<u>9,111,350</u>
<u>\$ (1,926,538)</u>	<u>\$ (1,217,410)</u>	<u>\$ 4,753,920</u>	<u>\$ (247,851)</u>	<u>\$ (10,158,211)</u>
17.40%	10.12%	10.35%	11.82%	9.50%

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 Fiscal 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
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
2011	4,041,492,878	69,697,292	1.7245%	60,619	1,149.76
2012	4,123,952,206	65,686,118	1.5928%	61,651	1,065.45
2013	4,210,387,188	61,684,945	1.4651%	61,633	1,000.84
2014	4,407,282,825	57,693,772	1.3091%	62,697	920.20
2015	4,403,456,577	53,362,598	1.2118%	63,848	835.78
2016	4,549,053,063	49,587,425	1.0901%	64,220	772.15
2017	\$ 4,708,966,677	\$ 45,101,252	0.9578%	65,061	693.21

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 Fiscal 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
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%
2011	2,575,000	2,141,930	4,716,930	96,539,288	4.89%
2012	3,970,000	2,506,035	6,476,035	81,425,930	7.95%
2013	3,960,000	2,387,603	6,347,603	73,097,006	8.68%
2014	3,950,000	2,251,095	6,201,095	77,597,500	7.99%
2015	4,290,000	2,123,037	6,413,037	82,421,543	7.78%
**2016	21,739,000	1,736,722	23,475,722	77,837,146	30.16%
2017	\$ 4,445,000	\$ 1,512,413	\$ 5,957,413	\$ 89,209,887	6.68%

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

** In FY 2015-2016, the county refunded \$18.005 million in GO Bonds

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

	Fiscal Year Ended			
	2017	2016	2015	2014
Assessed Value of Taxable Property	\$ 4,708,966,677	\$ 4,549,053,063	\$ 4,403,456,577	\$ 4,407,282,825
	8.00%	8.00%	8.00%	8.00%
Debt Limit - 8 Percent of Assessed Value	<u>376,717,334</u>	<u>363,924,245</u>	<u>352,276,526</u>	<u>352,582,626</u>
Gross debt				
Total bonded debt	45,101,252	49,587,425	53,362,598	57,035,000
Authorized and unissued bonds	11,400,000	11,400,000	11,400,000	11,400,000
Lease financing agreements*	24,430,285	18,647,007	21,691,556	22,566,606
Gross Debt	<u>80,931,537</u>	<u>79,634,432</u>	<u>86,454,154</u>	<u>91,001,606</u>
Total net debt applicable to limit	<u>80,931,537</u>	<u>79,634,432</u>	<u>86,454,154</u>	<u>91,001,606</u>
Legal Debt Margin	<u>\$ 295,785,797</u>	<u>\$ 284,289,813</u>	<u>\$ 265,822,372</u>	<u>\$ 261,581,020</u>
Total net debt applicable to the limit as a percentage of debt limit	21.48%	21.88%	24.54%	25.81%

* In 2015, County only displays general fund debt as utility system is self supporting.

Table 7

Fiscal Year Ended					
2013	2012	2011	2010	2009	2008
\$ 4,210,387,188	\$ 4,123,952,206	\$ 4,041,492,878	\$ 4,005,269,997	\$ 3,921,071,975	\$ 3,785,255,683
8.00%	8.00%	8.00%	8.00%	8.00%	8.00%
336,830,975	329,916,176	323,319,430	320,421,600	313,685,758	302,820,455
60,985,000	64,945,000	68,915,000	47,490,000	31,730,000	38,800,000
11,400,000	11,400,000	11,400,000	35,400,000	53,000,000	53,000,000
23,968,110	27,856,705	24,520,833	27,941,600	31,236,102	28,389,423
96,353,110	104,201,705	104,835,833	110,831,600	115,966,102	120,189,423
96,353,110	104,201,705	104,835,833	110,831,600	115,966,102	120,189,423
\$ 240,477,865	\$ 225,714,471	\$ 218,483,597	\$ 209,590,000	\$ 197,719,656	\$ 182,631,032
28.61%	31.58%	32.42%	34.59%	36.97%	39.69%

Table 8

**Franklin County, North Carolina
Property Tax Rates - Direct and Overlapping
Last Ten Fiscal Years**

	Fiscal Year Ended									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
County Direct Rates*										
County-wide Rate	0.9250	0.9250	0.8725	0.8725	0.8725	0.8725	0.8725	0.8725	0.8225	0.8225
Municipality Rates										
Town of Bunn	0.6900	0.6900	0.6900	0.6900	0.6900	0.6900	0.6900	0.6900	0.6900	0.6900
Town of Franklinton	0.7200	0.7200	0.7200	0.6800	0.7000	0.7000	0.6800	0.6800	0.6800	0.6800
Town of Louisburg	0.5150	0.5350	0.5350	0.5350	0.5350	0.5350	0.5350	0.5350	0.5350	0.4850
Town of Youngsville	0.6600	0.6100	0.6100	0.5900	0.5900	0.5900	0.5900	0.5700	0.5400	0.5400
City of Wake Forest	0.5200	0.5200	0.5200	0.5100	0.5100	0.5100	0.5100	0.5100	0.5100	0.5500

*All taxable property is subject to the county-wide tax.

Note:

All tax rates are expressed in dollars of tax per \$100 of assessed valuation.

Source: Franklin County Tax Office

Table 9

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

Fiscal Year Ended June 30	Real Property	Personal Property	Public Service Company Property	Total Assessed Value	County Tax Rate	Estimated Actual Taxable Value
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
2011	3,237,222,509	678,256,348	126,014,021	4,041,492,878	0.8725	35,262,025
2012	3,300,224,161	696,072,343	127,655,702	4,123,952,206	0.8725	35,981,483
2013	3,744,041,388	336,646,861	129,698,939	4,210,387,188	0.8725	36,735,628
2014	3,377,787,188	894,126,237	135,369,400	4,407,282,825	0.8725	38,453,543
2015	3,424,183,002	846,511,805	131,360,729	4,402,055,536	0.8725	38,407,935
2016	3,485,395,152	924,550,647	139,104,264	4,549,050,063	0.9250	42,078,713
2017	\$ 4,274,852,284	\$ 284,875,953	\$ 149,238,440	\$ 4,708,966,677	0.9250	\$ 43,557,942

Table 10

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

Fiscal Year Ended June 30	Total Tax Levy	Current Tax Collections	% 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
2008	\$ 30,961,515	\$ 29,829,374	96.34%	1,061,799	\$ 30,891,173	99.77%	\$ 70,342	0.23%
2009	32,209,611	30,897,685	95.93%	1,241,325	32,139,010	99.78%	70,601	0.22%
2010	34,914,376	33,729,914	96.61%	1,117,369	34,847,283	99.81%	67,093	0.19%
2011	35,262,025	34,231,511	97.08%	948,332	35,179,843	93.72%	82,182	6.28%
2012	35,981,483	35,113,228	97.59%	774,246	35,887,474	94.84%	94,009	5.16%
2013	36,735,628	35,765,603	97.36%	850,689	36,616,292	94.60%	119,336	5.40%
2014	38,453,543	37,664,398	97.95%	646,523	38,310,921	95.21%	142,622	4.79%
2015	38,420,159	37,747,518	98.25%	523,906	38,271,424	95.28%	148,735	4.72%
2016	42,078,741	41,472,514	98.56%	-	41,472,514	98.56%	240,043	0.57%

Franklin County, North Carolina
General Governmental Revenues by Source
Last Ten Fiscal 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
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	37,383,075	7,326,661	452,625	10,926,241	1,425,010	10,305,981	853,869	339,916	69,013,378
2011	37,536,902	6,446,864	1,114,672	13,278,681	1,186,029	10,674,266	200,151	319,977	70,757,542
2012	38,329,055	7,358,931	1,006,100	10,616,499	1,515,085	11,092,414	143,458	358,755	70,420,297
2013	38,841,282	7,644,488	942,946	10,987,782	1,825,000	10,159,301	142,629	479,556	71,022,984
2014	41,455,270	8,146,600	1,021,437	11,762,899	-	10,994,928	144,476	417,558	73,943,168
2015	41,224,213	8,903,735	896,393	12,704,197	-	10,666,244	28,210	505,267	74,928,259
2016	45,395,778	9,838,229	737,971	15,369,151	-	9,824,427	50,357	388,285	81,604,198
2017	\$ 46,788,595	\$ 12,292,995	\$ 722,337	\$ 13,849,965	\$ -	\$ 10,709,505	\$ 87,998	\$ 547,452	\$ 84,998,847

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

Sales Tax has been reduced due to the State taking Article 44 for Medicaid payments

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

Fiscal Year	Governmental Activities			Business-type Activities			Total Primary Government
	General Obligation Bonds	Installment Financings	Certificates of Participation	Revolving Loans	Installment Financings	Certificates of Participation	
2008	\$ 38,800,000	\$ 3,602,169	\$ 22,447,254	\$ 2,340,000	\$ -	\$ 15,572,547	\$ 80,421,970
2009	31,730,000	17,851,103	13,384,999	2,160,000	9,090,300	7,328,248	79,384,650
2010	47,490,000	15,266,600	12,675,000	1,980,000	8,390,900	6,750,375	90,572,875
2011	68,915,000	12,555,833	11,965,000	1,800,000	7,669,500	6,158,184	107,263,517
2012	65,727,292	16,596,705	11,260,000	1,620,000	7,118,533	5,549,606	106,252,136
2013	61,726,118	13,408,110	10,560,000	1,440,000	6,575,533	4,923,882	97,193,643
2014	57,693,772	12,711,606	9,855,000	1,260,000	7,284,225	4,279,272	91,823,875
2015	53,362,598	12,541,556	9,150,000	1,080,000	9,118,610	3,616,009	87,788,773
2016	49,587,425	10,202,007	8,445,000	900,000	7,193,636	2,933,631	79,261,699

Table 12

Per Capita Income	Personal Income	Percentage of Personal Income	Population	Debt Per Capita
\$ 26,419	\$ 1,464,955,000	5.4897%	56,470	\$ 1,424
26,419	1,579,458,000	5.0261%	57,332	1,385
21,664	1,282,530,464	7.0620%	59,201	1,530
29,228	1,756,250,000	6.1075%	60,619	1,769
29,071	1,768,529,000	6.0079%	61,651	1,723
29,670	1,814,052,000	5.3578%	61,633	1,577
31,063	1,909,608,000	4.8085%	62,697	1,465
31,826	2,000,599,000	4.3881%	63,848	1,375
31,852	2,045,535,440	3.8749%	64,220	1,234

Franklin County, North Carolina
General Governmental Expenditures by Function
Last Ten Fiscal 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
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
2011	4,079,502	20,273,574	-	5,743,666	17,011,497	1,156,108	13,240,333	25,660,883	9,373,725	96,539,288
2012	4,107,482	18,371,117	-	5,487,835	16,549,400	1,179,430	13,368,084	9,572,995	12,789,587	81,425,930
2013	4,426,858	19,065,915	-	5,449,774	17,001,115	1,219,006	13,775,500	693,883	11,464,955	73,097,006
2014	4,364,374	21,149,148	-	5,425,898	17,409,472	1,419,908	14,613,120	1,986,455	11,229,125	77,597,500
2015	4,480,127	21,937,502	-	6,654,528	17,668,892	1,287,267	15,908,006	4,270,243	10,214,978	82,421,543
2016	5,388,439	22,709,419	-	2,230,098	18,018,799	1,363,550	15,962,006	627,976	11,536,858	77,837,145
2017	\$ 5,683,160	\$ 24,968,337	\$ -	\$ 2,084,451	\$ 18,794,832	\$ 1,450,257	\$ 17,102,551	\$ 1,848,384	\$ 17,277,915	\$ 89,209,887

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

Table 14

Franklin County, North Carolina
Computation of Direct and Underlying Debt
General Obligation Bonds
Fiscal Year ended June 30, 2017

	<u>Net General Obligation Bonded debt</u>	<u>Other Debt</u>	<u>Percent Applicable To County</u>	<u>Amount Applicable To County</u>
Direct:				
Franklin County	\$ 45,101,252	\$ 18,063,666	100.00%	\$ 63,164,918
Underlying:				
Town of Louisburg	-		0.00%	-
Town of Bunn	8,000		100.00%	-
Town of Youngsville	-		0.00%	-
Town of Franklinton	-		100.00%	-
Subtotal	<u>8,000</u>			<u>-</u>
Totals	<u>\$ 45,109,252</u>			<u>\$ 63,164,918</u>

Note: There is no general obligation debt in any other fund. Franklin County is not fiscally responsible for the underlying debt of the Town of Bunn or Town of Franklinton. There is no overlapping debt.

Source: Finance offices for Town of Louisburg, Town of Bunn, Town of Youngsville, and Town of Franklinton

Table 15

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

Fiscal Year Ended June 30	Population	Personal Income	Per Capita Income	Median Age	Education Level in Years of Schooling	School Enrollment	Unemployment Rate
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%
2011	60,619	1,756,250,000	29,228	38.00	N/A	8,599	10.10%
2012	61,651	1,768,529,000	29,071	38.00	N/A	8,683	9.30%
2013	61,633	1,814,052,000	29,670	38.00	N/A	8,796	7.60%
2014	62,697	1,909,608,000	31,063	38.00	N/A	8,756	5.70%
2015	63,848	2,000,599,000	31,826	38.00	N/A	8,652	5.40%
2016	64,220	2,045,535,440	31,852	40.00	N/A	8,570	5.00%
2017	65,061	\$ 2,072,518,155	\$ 31,855	40.00	N/A	8,216	4.30%

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 Ten Years Ago**

Employer	Fiscal Year Ending 2017			Fiscal Year Ending 2008		
	Employees	Rank	% of Total Employment	Employees	Rank	% of Total Employment
Novozymes North America	600	1	5.10%	435	1	3.82%
Century Link	400	2	3.40%	371	2	3.26%
Wal-Mart	205	3	1.74%	140	8	1.23%
Food Lion LLC	214	4	1.82%	205	5	1.80%
K-Flex USA	195	5	1.66%	225	4	1.98%
Eaton Corporation	184	6	1.56%	N/A	N/A	N/A
Palziv North America	157	7	1.33%	N/A	N/A	N/A
Amcor Rigid Plastics	150	8	1.27%	N/A	N/A	N/A
Captive-Aire Systems	131	9	1.11%	130	9	1.14%
Trulite Glass & Aluminum Solutions	131	10	1.11%	N/A	N/A	N/A
Franklin Regional	N/A	N/A	N/A	315	3	2.77%
The Hon Company	N/A	N/A	N/A	200	6	1.76%
Alcan Packaging	N/A	N/A	N/A	182	7	1.60%
Southern Lithoplate	N/A	N/A	N/A	130	10	1.14%
Total	2,367		20.12%	2,333		20.50%

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									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General Government:										
Manager\Administration	5	5	5	5	5	5	5	6	4	4
Information Technology	3	3	3	3	3	3	3	3	2	2
Elections	3	3	3	3	3	3	3	3	3	3
Finance Office	5	5	5	5	5	5	5	5	5	5
Tax Assessor	8	8	8	8	9	9	9	9	9	9
Tax Collector	5	5	5.5	5.5	6	6	5	6	5	5
Register of Deeds	5	4	4	4	4	4	4	5	5	5
Planning	5	5	5	5	5	5	5	5	5	7
Public Buildings-Maintenance	12	12	12	12	12	12	12	12	12	12
Public Safety:										
Inspections	7	7	6	6	6	6	6	8	8	9
GIS	3	3	3	3	3	3	3	3	3	3
Sheriff's Department	80	74	74	74	67	67	59	70	64	63
Communications - E911	21	20	18	18	17	17	17	18	17	17
Jail Operations	38	38	36	35	35	35	33	35	33	41
Emergency Medical Services	81	67	67	67	48	48	54	58	54	59
Emergency Management	3	3	3	3	3	3	3	3	4	4
Animal Control	7	6	6	6	5	5	5	5	5	5
Economic and physical development:										
Solid Waste-Landfill	6	6	6	6	6	6	6	6	6	6
Soil and Water Conservation	3	3	3.5	3.5	4	4	4	4	4	4
Airport Operations	3	3	3	3	3	3	3	3	3	3
Cooperative Extension	2	0	0	0	0	0	3	0	3	3
Economic Development	3	3	3	3	3	3	3	3	3	3
Human Services:										
Health Department	53	52	51	51	58	58	59	63	59	66
Social Services	93	92	101	102	101	101	97	99	91	93
Aging Department	8	8	7	7	7	7	9	11	11	11
Veterans Services	1	1	1	1	1	1	1	1	2	2
Cultural and recreation:										
Library	10	9	9	9	9	9	9	9	9	8
Recreation	5	5	4	4	4	3	3	3	3	3
Water and Sewer Department	30	27	19	18	17	17	16	16	16	18
Total Full-Time Positions	508	477	471	470	449	448	444	472	448	473

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 Fiscal Years**

Fiscal Year Ended June 30	Residential		Commercial		Total Value
	Number of Permits	Value	Number of Permits	Value	
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
2011	308	25,409,475	52	7,515,455	32,924,930
2012	245	31,207,903	32	13,189,120	44,397,023
2013	334	40,863,520	31	49,314,386	90,177,906
2014	284	38,185,847	41	6,417,889	44,603,736
2015	354	27,362,527	29	10,980,666	38,343,193
2016	499	69,309,377	48	10,977,039	80,286,416
2017	598	\$ 86,977,852	55	\$ 22,086,450	\$ 109,064,302

SOURCE: Franklin County Planning Department

Table 19

**Franklin County, North Carolina
Principal Taxpayers
Current Year and Ten Years Ago
For Fiscal Year Ended 2017**

Taxpayer	2017				2008			
	Rank	Assessed Valuation	Percentage of Total Assessed Valuation	Property Taxes Paid	Rank	Assessed Valuation	Percentage of Total Assessed Valuation	Property Taxes Paid
Novozymes North America	1	\$ 179,409,074	3.81%	\$ 1,659,534	1	\$ 102,031,987	2.70%	\$ 839,213
Duke Energy	2	58,027,126	1.23%	536,751	2	49,500,850	1.31%	407,144
Wake Electric	3	46,318,816	0.98%	428,449	4	27,163,797	0.72%	223,422
K-Flex USA	4	24,486,470	0.52%	226,500	-	-	-	-
Carolina Telephone	5	17,416,190	0.37%	161,100	3	35,352,977	0.93%	290,778
Amcor Pharmaceutical	6	15,805,359	0.34%	146,200	-	-	-	-
Public Service Company	7	12,739,871	0.27%	117,844	-	-	-	-
Palziv	8	12,164,406	0.26%	112,521	-	-	-	-
Southern Lithoplate	9	11,596,220	0.25%	107,265	-	-	-	-
NDOA LLC	10	9,890,970	0.21%	91,491	-	-	-	-
Den Mark Construction	-	-	-	-	5	16,980,025	0.45%	139,661
Franklin Regional	-	-	-	-	6	13,016,918	0.34%	107,064
Olde Liberty Club	-	-	-	-	7	12,330,867	0.33%	101,421
Harold G. Bagwell	-	-	-	-	8	10,059,457	0.27%	82,739
Flextronics	-	-	-	-	9	9,246,274	0.24%	76,051
Sirchie Finger Print Labs	-	-	-	-	10	9,155,905	0.24%	75,307
Totals		<u>\$ 387,854,502</u>	<u>8.24%</u>	<u>\$ 3,587,654</u>	Totals	<u>\$ 284,839,057</u>	<u>7.52%</u>	<u>\$ 2,342,800</u>

Source: Franklin County Tax Office

Table 20

**Franklin County, North Carolina
Special Assessment Billing and Collections
General Fund
Last Ten Fiscal Years**

Fiscal Year Ended June 30	Special Assessment Billings		Special Assessment Collections	
2008	\$	-	\$	1,860
2009		-		477
2010		-		-
2011		-		-
2012		-		-
2013		-		-
2014		-		-
2015		-		-
2016		-		-
2017	\$	-	\$	-

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

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

Function/Program	Fiscal Year Ended				
	2017	2016	2015	2014	2013
General Government:					
Registered voters	43,156	43,040	40,455	40,407	39,622
New Residential Building Permits	441	499	190	284	245
Land parcels	39,475	38,909	38,748	38,748	38,522
Tax bills mailed	54,224	44,591	43,897	43,348	99,007
Marriage licensed issued		317	357	326	311
Public Safety:					
Physical arrests	884	2,148	2,077	2,627	2,696
Ave monthly jail inmate count	183	182	156	168	155
E 911 emergency calls received	70,044	71,514	71,330	19,846	67,756
EMS/Rescue calls made		8,316	5,331	5,245	4,948
Economic and physical development:					
Tons of trash handled at landfill	37,918	38,020	34,180	31,942	31,500
Aircraft based at county airport		125	125	123	110
Human services:					
Number of medicaid eligibles	9,865	14,454	11,801	12,671	11,701
Number of Food Stamp eligibles	9,465	10,112	11,112	11,461	11,355
Number of hospitals	-	-	1	1	1
Number of patient beds	-	-	2	2	70
Cultural and Recreation					
Number of public libraries	4	4	4	4	4
Number of volumes	112,640	106,972	103,262	143,569	105,000
Number of parks and ball fields	4	4	4	4	4
Water and Sewer:					
Number of customers - water	5,843	5,593	5,332	3,983	3,189
Average daily consumption (gals)	2,384,323	1,900,000	2,100,000	2,000,000	2,058,000
Miles of water lines	165	192	192	162	161
Miles of sewer lines	66	80	80	62	47

Sources: Board of Elections, Social Services, Water Department, other county departments.
Note: Franklin County became the FBO for the airport in April 2006.

Table 21

Fiscal Year Ended				
2012	2011	2010	2009	2008
40,275	36,326	36,326	36,454	34,478
245	785	785	936	507
38,522	39,650	39,650	39,500	39,451
99,007	122,215	122,215	121,100	120,800
303	307	307	324	344
2,021	425	425	N/A	360
160	150	150	160	125
67,756	62,563	62,563	60,353	60,741
4,700	6,397	6,397	5,891	6,283
31,186	31,256	31,256	29,802	34,323
102	85	85	78	79
11,701	10,026	10,026	9,311	8,928
11,355	8,815	8,815	7,788	6,202
1	1	1	1	1
70	70	70	70	85
4	4	4	4	4
105,000	89,563	89,563	107,615	107,615
4	4	4	3	3
3,189	2,894	2,894	2,889	2,689
2,058,000	1,785,000	1,785,000	1,800,000	1,689,000
161	161	161	160	153
47	46	46	45	37

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

Function/Program	Fiscal Year Ended				
	2017	2016	2015	2014	2013
General Government:					
County office buildings	3	3	3	3	3
Vehicles	3	3	3	3	3
Public Safety:					
Stations	5	5	5	5	5
Vehicles	120	110	84	74	74
Economic and Physical Development:					
Vehicles	2	2	2	2	2
Buildings	1	1	1	1	1
Cultural and Recreation					
Acreage	220	220	90	90	90
Playgrounds	4	4	4	4	4
Baseball fields	4	4	4	4	4
Softball fields	3	3	3	3	3
Football fields	1	1	1	1	1
Parks buildings	1	1	1	1	1
Library buildings	4	4	4	4	4
Vehicles	4	4	6	6	6
Water and Sewer					
Water mains (miles)	195	165	192	162	160
Fire hydrants*	1000	1000	1000	175	175
Elevated tanks	6	6	6	3	3
Storage capacity (gallons)	1,290,000	1,290,000	1,250,000	1,000,000	1,000,000
Sewer mains (miles)	50	62	80	362	47
Treatment capacity (gallons)	3,000,000	4,000,000	3,000,000	3,000,000	3,000,000

* Increase due to Franklinton purchase
Source: Franklin County Finance Office

Table 22

Fiscal Year Ended				
2012	2011	2010	2009	2008
3	3	3	3	3
2	2	2	2	2
5	5	5	5	5
72	75	75	70	70
2	2	2	2	2
1	1	1	1	1
90	90	90	78	78
4	4	4	3	3
4	4	4	3	3
3	3	3	2	2
1	1	1	1	1
1	1	1	1	1
4	4	4	4	4
6	6	6	6	6
160	160	160	160	152
175	175	175	175	150
3	3	3	3	3
1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
45	45	45	45	37
3,000,000	3,000,000	3,000,000	3,000,000	3,000,000

Table 23

Franklin County, North Carolina
Other Statistical Information
June 30, 2017

Date of establishment	1,779
Form of government	Commissioner/Manager
Employees:	
Full-time, regular	550
Part-time, regular	227
Franklin County facilities and services	
Sheriff protection	
Number of stations	5
Number of deputies and officers	101
Number of patrol units	36
Inspections	
Residential Building permits issued	598
Cultural and recreational	
Number of libraries	4
Number of volumes	106,972
Water and Sewer	
Number of customers	6,050
Average daily consumption (in gallons)	2,300,000
Miles of water mains	195
Miles of sanitary sewers	82
Facilities and services not included in the primary government	
Hospitals	
Number of hospitals	-
Number of patient beds	-
Facilities and services not included in the reporting entity	
Education	
Number of school systems	3
Number of community colleges	1
Number of junior colleges	1
Recreation	
Golf Courses	2
Swimming Pools - All Private	5

COMPLIANCE SECTION

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

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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*

Independent Auditor's Report

To The Board of County Commissioners
Franklin County, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Franklin County, North Carolina as of and for the year ended June 30, 2017 and the related notes to the financial statements, which collectively comprises Franklin County's basic financial statements, and have issued our report thereon dated January 29, 2018. The financial statements of Franklin County Tourism Development Authority were not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Franklin County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

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. 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.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any

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deficiencies in internal control that we consider material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Franklin County's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Winston, Williams, Creech, Evans & Company, LLP

Winston, Williams, Creech, Evans & Company, LLP
Certified Public Accountants
Oxford, NC
January 29, 2018

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

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Report On Compliance with Requirements Applicable To Each Major Federal Program and Internal Control over Compliance; In Accordance With OMB Uniform Guidance and the State Single Audit Implementation Act

Independent Auditor's Report

To the Board of County Commissioners
Franklin County, North Carolina

Report on Compliance for Each Major Federal Program

We have audited Franklin County, North Carolina's compliance with the types of compliance requirements described in the OMB *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, 2017. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Franklin County's major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the State Single Audit Implementation Act. Those standards, OMB Uniform Guidance, 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.

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We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Franklin County's compliance.

Opinion on Medical Assistance Program

In our opinion, Franklin County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Medical Assistance Program for the year ended June 30, 2017.

Report on Internal Control over Compliance

Management of Franklin County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Franklin County's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Uniform Guidance, 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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 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. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 17-1 and 17-2 to be a significant deficiency.

Franklin County's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and the corrective action plan. Franklin County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Winston, Williams, Creech, Evans & Company, LLP

Winston, Williams, Creech, Evans & Company, LLP
Certified Public Accountants
Oxford, NC
January 29, 2018

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

Certified Public Accountants



America Counts on CPAs

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

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Curtis G. Van Horne, CPA
Tara H. Roberson, CPA

Report On Compliance with Requirements Applicable To Each Major State Program and Internal Control over Compliance; In Accordance With OMB Uniform Guidance and the State Single Audit Implementation Act

Independent Auditor's Report

To the Board of County Commissioners
Franklin County, North Carolina

Report on Compliance for Each Major State Program

We have audited 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 Franklin County's major state programs for the year ended June 30, 2017. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Franklin County's major State programs based on our audit of the types of compliance requirements referred to above. 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 Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, Uniform Guidance, 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 on compliance for each major State program. However, our audit does not provide a legal determination on Franklin County's compliance.

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Opinion on the Medical Assistance Program

In our opinion, Franklin County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Medical Assistance Program for the year ended June 30, 2017.

Report on Internal Control over Compliance

Management of Franklin County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Franklin County's internal control over compliance with the types of requirements that could have a direct and material effect on a major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with OMB Uniform Guidance, 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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 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 state program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance as described in the accompanying schedule of findings and questioned costs as items 17-1 and 17-2 to be significant deficiencies.

Franklin County's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs and the corrective action plan. Franklin County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Winston, Williams, Creech, Evans & Company, LLP

Winston, Williams, Creech, Evans & Company, LLP
Certified Public Accountants
Oxford, NC
January 29, 2018

**FRANKLIN COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Section I. Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance to GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ___ Yes X No
- Significant Deficiency(s) identified? ___ Yes X None reported

Noncompliance material to financial statements noted? X Yes X No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? ___ Yes X No
- Significant Deficiency(s) identified? X Yes ___ None reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? X Yes ___ No

Identification of major federal programs:

<u>CFDA#</u>	<u>Program Name</u>
93.778	Medical Assistance Program

Dollar threshold used to distinguish between Type A and Type B Programs \$ 1,881,879

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, 2017**

State Awards

Internal control over major State programs:

- Material weakness(es) identified? ___ Yes X No

- Significant Deficiency(s) identified that are not considered to be material weaknesses X Yes ___ None reported

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

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

Identification of major State programs:

Program Name
Medical Assistance

Section II – Financial Statement Findings

None noted.

Section III – Federal Award Findings and Questioned Costs

**US Department of Health and Human Services
Centers for Medicare and Medicaid Services**

Passed-through the N.C. Dept. of Health and Human Services Division of Medical Assistance
Program Name: Medical Assistance Program
CFDA #: 93.778

Finding: 17-1

SIGNIFICANT DEFICIENCY

Income Verification and Budget Calculations for Eligibility

Criteria: Case files should contain income verification such as pay stubs, wage verification form, award letters for benefits, etc. Income verification should first look to open cases in other program areas first and utilize that information unless there is an indication of conflicting earnings data with other sources (i.e. online verifications with Employment Security Commission, Social Security, etc). Earned income is converted to a monthly amount for comparison to income limits for assistance. Unearned income must also be verified. On-line Verifications (OLV) are required to be run at every certification and recertification and any hits documented and determined whether they are included in budget/eligibility determination. If income is deemed to be non-countable for purposes of determining eligibility, the case file should contain documentation of that determination. Total monthly income from a completed budget is then compared to and must be lower than the State provided maintenance amount for the respective Medicaid program.

Condition: There were four cases that did not calculate income correctly or had errors regarding the budget calculations.

**FRANKLIN COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Questioned Costs: There are no questioned costs.

Context: Out of 109 Medicaid files tested and a total of 153 certifications / recertifications income and budgeting errors were found in the adult Medicaid files we tested. Out of 104 adult Medicaid files were reviewed and a total of 144 certifications/recertifications one case used the incorrect amount of social security in determining income, one budget did not count earned income correctly for the budget, one case contained an error in two separate certifications in which child support was calculated incorrectly as it used 1 month instead of a three month average, and one case had an error in two separate certifications in which fair share was not verified and documented correctly.

Effect: Cases did not have a correct budget calculation for Medicaid eligibility. It is possible that these errors could lead to incorrectly approving or denying an applicant benefits. Benefits can be paid on behalf of ineligible applicants.

Cause: Ineffective budget review process, ineffective review that information entered into evidence in NCFast was captured correctly on the Eligibility Determination screen, and incomplete documentation.

Recommendation: Files should be reviewed internally to ensure proper documentation is in place for eligibility. NCFast should be reviewed to determine that information gathered during the review is properly input into the system and that system driven calculations are utilizing the available information. Workers should be retrained on what files should contain, what constitutes income for each program, the acceptable deductions from income, and the importance of complete and accurate record keeping should be stressed.

Views of responsible officials and planned corrective actions: The County disagrees with the two errors noted with regards to paying their fair share. Section 2261 of the manual states that full income level is used if the individual purchases food separately. The fact that the Medicaid recipient is receiving food stamps satisfies the requirement of purchasing food separately. For the other items noted above, the Medicaid (MA) supervisor has reviewed all above with staff to ensure future accuracy. The Quality Assurance (QA) supervisor will conduct second party reviews for accuracy. The QA supervisor utilizes a comprehensive tool provided by DMA and identifies any problems with the MA supervisor. The QA supervisor reviews a minimum of 136 MA cases quarterly. The MA supervisor ensures that any corrections are made immediately, and training to any issues is completed.

**US Department of Health and Human Services
Centers for Medicare and Medicaid Services**

Passed-through the N.C. Dept. of Health and Human Services Division of Medical Assistance

Program Name: Medical Assistance Program

CFDA #: 93.778

Finding 17-2

SIGNIFICANT DEFICENCY

Liquid Assets and Reserve Calculations for Eligibility

Criteria: Case records should contain verification that liquid assets were verified and whether countable or non-countable for purposes for determining eligibility. The countable reserves are then compared to and must be below the State-provided reserve limits for the particular Medicaid program.

Condition: Eight files contained fourteen errors with the calculation of liquid asset reserves.

Questioned Costs: There are no questioned costs.

Context: Liquid assets are required to be verified in adult Medicaid cases. Out of a total of 104 adult Medicaid files a total of 144 certifications/recertifications were reviewed, eight of those files

**FRANKLIN COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

included thirteen certifications/recertifications that contained an error with the calculation of liquid assets. Two certifications included a life insurance policy that was not owned by the applicant, two certifications did not enter the cash surrender value of life insurance policies into evidence, six certifications/recertifications excluded a vehicle from total resources without a proper rebuttal in the records, two certifications contained an OVS / OLV that did not return complete results (i.e. timed out, inconclusive, etc) and no additional procedures were done for those items, one certification used a bank confirmation instead of the AVS returned value, and one certification did not run an OVS / OLV on the spouse.

Effect: Case did not calculate liquid assets correctly. It is possible that these errors could lead to incorrectly approving or denying an applicant benefits. Benefits could be paid on behalf of ineligible applicants.

Cause: Improper application of the rules for reserves and ineffective review processes.

Recommendation: Files should be reviewed internally to ensure proper documentation is in place for eligibility. Workers should be retrained on what files should contain and the importance of complete and accurate record keeping stressed. Workers should be retrained on the rules for reserve calculations.

Views of responsible officials and planned corrective actions: The County disagrees with the use of the bank confirmation instead of the AVS returned value, and the error for not running an OVS / OLV on the spouse since that spouse is undocumented and does not have a social security number. For the other items noted above, the Medicaid (MA) supervisor has reviewed all above with staff to ensure future accuracy. The Quality Assurance (QA) supervisor will conduct second party reviews for accuracy. The QA supervisor utilizes a comprehensive tool provided by DMA and identifies any problems with the MA supervisor. The QA supervisors review a minimum of 136 MA cases quarterly. The MA supervisor ensures that any corrections are made immediately, and training to any issues is completed.

Section IV – State Award Findings and Questioned Costs

See Findings 17-1 and 17-2

**FRANKLIN COUNTY, NORTH CAROLINA
CORRECTIVE ACTION PLAN
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Section II – Financial Statement Findings

None noted.

Section III – Federal Award Findings and Questioned Costs

Finding: 17-1

Name of Contact Person: Nicki Perry, Amanda Murphy, Debbie Scott, Kathy Moss

Corrective Action: Supervisor has expressed the importance of correct calculations within MA budgets. Supervisor has reviewed policy with staff to ensure future accuracy.

MA supervisor has reviewed all errors that the County agrees to with staff to ensure future accuracy. The QA supervisor will conduct second party reviews for accuracy. The QA supervisor utilizes a comprehensive tool provided by DMA and identifies any problems with the MA supervisor. The QA supervisor reviews a minimum of 136 MA cases quarterly. The MA supervisor ensures that any corrections are made immediately, and training to any issues is completed.

Proposed Completion Date: June 30, 2018

Finding: 17-2

Name of Contact Person: Nicki Perry, Amanda Murphy, Debbie Scott, Kathy Moss

Corrective Action: Supervisor has reviewed with staff the importance of liquid asset calculations on all cases. Supervisor has reviewed policy of countable and non-countable resources with staff.

MA supervisor has reviewed all above with staff to ensure future accuracy. The QA supervisor will conduct second party reviews for accuracy. The QA supervisor utilizes a comprehensive tool provided by DMA and identifies any problems with the MA supervisor. The QA supervisor reviews a minimum of 136 MA cases quarterly. The MA supervisor ensures that any corrections are made immediately, and training to any issues is completed.

Proposed Completion Date: June 30, 2018

Section IV – State Award Findings and Questioned Costs

See Findings 17-1 and 17-2

**FRANKLIN COUNTY, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Finding: 15-3

Status: Corrected.

Finding: 15-4

Status: Corrected.

Finding: 16-1

Status: Corrected

Finding: 16-2

Status: See finding 17-1.

Finding: 16-3

Status: See finding 17-2.

Franklin County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2017

Grantor/Pass-through Grantor/Program Title	Federal CFDA 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:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	\$ 685,145	\$ -
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	260,035	-
Direct Benefit Payments:			
Special Supplemental Nutrition Program for Women, Infants, & Children	10.557	855,711	-
Total U.S. Dept. of Agriculture		<u>1,800,891</u>	<u>-</u>
<u>U.S. Dept. of Justice</u>			
<u>Bureau of Justice Assistance</u>			
Bulletproof Vest Partnership Program	16.607	6,580	-
<u>U.S. Dept. of Transportation</u>			
<u>Federal Aviation Administration</u>			
Passed-through the N.C. Dept. of Transportation:			
Airport Improvement Program	20.106	555,757	369,000
<u>U.S. Dept. of Cultural Resources</u>			
Passed-through the N.C. Dept. of Cultural and Natural Resources			
State Library of NC			
Institute of Museum and Library Services	45.310	1,205	-
<u>U.S. Dept. of Health and Human Services</u>			
<u>Administration for Community Living</u>			
Passed-through the Kerr-Tar Council of Governments:			
National Family Caregiver Support, Title III, Part E	93.052	7,912	527
Aging Cluster:			
Special Programs for the Aging - Title III F			
Special Programs for the Aging-Title III, Part B-Grants for Supportive Services and Senior	93.044	55,532	3,267
Special Programs for the Aging-Title III, Part C-Nutrition Services	93.045	127,249	7,486
Nutrition Services Incentive Program	93.053	13,601	-
Total Aging Cluster		<u>196,382</u>	<u>10,753</u>
Social Services Block Grant - In Home Services	93.667	20,199	577
<u>Administration for Children and Families</u>			
Passed-through the N.C. Dept. Of Health and Human Services, Division of Social Services:			
Temporary Assistance for Needy Families	93.558	7,981	-
Temporary Assistance for Needy Families (TANF)	93.558	609,261	-
Direct Benefits Payments	93.558	221,037	(32)
Total TANF Cluster		<u>838,279</u>	<u>(32)</u>
Foster Care and Adoption Cluster:			
Foster Care-Title IV-E	93.658	210,314	21,279
Adoption Assistance - Administration	93.659	4,019	-
Foster Care-Title IV-E - Direct Benefits Payments	93.658	179,586	61,758
Adoption Assistance - Direct Benefits Payments	93.659	346,732	88,412
Total Foster Care and Adoption Cluster		<u>740,651</u>	<u>171,449</u>
Refugee and Entrant Assistance - Cash and Medical Payments	93.566	17,872	-
Low-Income Home Energy Assistance:			
Administration	93.568	504,792	-
Stephanie Tubbs Jones Child Welfare Services Program	93.645	20,267	-
Social Services Block Grant	93.667	266,044	57,080
Child Support Enforcement	93.563	600,378	(5)
Chafee Foster Care Independence Program	93.674	12,477	3,119
Total Division of Social Services		<u>3,000,760</u>	<u>231,611</u>

Franklin County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2017

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Federal. (Direct & Pass-through) Expenditures	State Expenditures
Division of Child Development: Subsidized Child Care Cluster <u>Child Care Development Fund Cluster:</u>			
Division of Social Services: Child Care Development Fund-Administration	93.596	106,542	-
Division of Child Development: Child Care and Development Block Grant	93.575	944,810	-
Child Care and Development Fund - Mandatory	93.596	354,188	-
Child Care and Development Fund - Match	93.596	310,397	98,082
Total Child Care Development Fund Cluster		1,715,937	98,082
Temporary Assistance for Needy Families	93.558	295,473	-
Foster Care Title IV-E	93.658	30,199	15,066
Smart Start		-	190
State Appropriations		-	367,263
TANF-Maintenance of Effort		-	259,023
Total Subsidized Child Care Cluster		2,041,609	739,624
<u>Centers for Medicare and Medicaid Services</u>			
Passed-through the N.C. Dept. of Health and Human Services, Division of Medical Assistance:			
Direct Benefit Payments:			
Medical Assistance Program	93.778	51,758,598	27,316,262
Passed-through the N.C. Dept. of Health and Human Services, Division of Social Services:			
Administration:			
Medical Assistance Program	93.778	1,673,563	6,188
Total Medical Assistance Program		53,432,161	27,322,450
Passed-through the N.C. Dept. of Health and Human Services, Division of Medical Assistance:			
Direct Benefit Payments:			
Children's Health Insurance Program	93.767	1,327,531	4,845
Passed-through the N.C. Dept. of Health and Human Services, Division of Social Services:			
Administration:			
Children's Health Insurance Program	93.767	50,106	62
Total Children's Health Insurance Program		1,377,637	4,907
Passed-through the N.C. Dept of Insurance, Division of SHIIP:			
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluation	93.779	3,057	-
<u>Office of Population Affairs</u>			
Passed-through the N.C. Dept. of Health and Human Services:			
Family Planning Services	93.217	35,641	-
<u>Centers for Disease Control and Prevention</u>			
Passed through the N.C. Dept. of Health and Human Services, Division of Public Health:			
Hospital Preparedness Program (HPP) and Public Health Emergency			
Preparedness (PHEP) Aligned Cooperative Agreements	93.074	34,539	-
Project Grants and Coop. Agreements for Tuberculosis			
Control Programs	93.116	50	-
Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	93.758	26,707	-
HIV Prevention Activities-Health Department Based	93.940	2,300	-
Preventive Health Services-Sexually Transmitted Diseases			
Control Grants	93.977	988	-
Immunization Grants	93.268	6,222	-
PPHF Capacity Building Assistance to Strengthen Public Health Immunization			
Infrastructure and Performance	93.539	8,810	-
Total Centers for Disease Control and Prevention		79,616	-
<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 to the States	93.994	75,788	56,847
Total U.S. Dept. of Health and Human Services		60,270,762	28,367,296

Franklin County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2017

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Federal. (Direct & Pass-through) Expenditures	State Expenditures
<u>U.S. Dept. of Homeland Security</u>			
Passed-through N.C. Dept. of Public Safety:			
Emergency Management Operations Tier II Grant		-	1,000
Homeland Security Grant	97.067	10,691	-
Pre-Disaster Mitigation Grant	97.047	44,825	-
Emergency Management Performance Grant	97.042	38,583	-
		<u>62,729,294</u>	<u>28,737,296</u>
State Awards:			
<u>NC Department of Agriculture</u>			
Division of Soil and Water Conservation			
Soil & Water Grants		-	26,711
<u>N.C. Dept. of Administration</u>			
Veteran Service Program			
		-	2,130
<u>N.C. Dept. of Cultural and Natural Resources</u>			
Division of State Library			
State Aid to Public Libraries		-	114,546
<u>N.C. Dept. of Health and Human Services</u>			
Division of Aging and Adult Services:			
State Appropriation - Home Delivered Meals, Access & In-Home Services		-	238,028
State Appropriation - Senior Center General Purpose		-	21,136
Total Division of Aging and Adult Services		-	<u>259,164</u>
Division of Social Services:			
State/County Special Assistance for Adults - Direct Benefit Payments		-	420,763
Adoption Subsidy - Direct		-	201,988
SFHF Maximization - Direct		-	68,630
State Foster Home - Direct		-	59,989
Energy Neighbors		-	9,239
Program Integrity		-	49
Child Welfare/CPS		-	29,785
Smart Start		-	21,687
Total Division of Social Service		-	<u>812,130</u>
Division of Public Health:			
HMHC-Family Planning		-	1,963
Maternal Health (HMHC)		-	4,205
HIV/STD State		-	100
HIV/STD SSBG Aid		-	400
Sexually Transmitted Diseases		-	457
Food and Lodging Fees		-	4,030
Tuberculosis		-	14,184
General Aid to Counties		-	87,775
Public Health Nursing		-	150
General Communicable Disease Control		-	4,342
Child Health		-	3,417
Women's Health Service Fund		-	5,048
TM Medical Services		-	1,034
School Nurse Funding Initiative		-	150,000
Total Division of Public Health		-	<u>277,105</u>
Total N.C. Dept. of Health and Human Services		-	<u>1,348,149</u>

Franklin County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2017

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Federal. (Direct & Pass-through) Expenditures	State Expenditures
<u>N.C. Dept. of Transportation</u>			
Rural Operating Assistance Program (ROAP) Cluster:			
ROAP Work First		-	15,806
ROAP Elderly and Disabled Transportation Assistance Program		-	63,619
ROAP Rural General Public Program		-	87,349
Total Rural Operating Assistance Program (ROAP) Cluster		-	166,774
Total N.C. Dept. of Transportation		-	166,774
<u>N.C. Dept. of Environmental Quality</u>			
Division of Soil and Water Conservation			
DWM Electronics Mgt. Program		-	5,990
Total N.C. Dept. of Environmental Quality		-	5,990
<u>N.C. Dept. of Public Safety</u>			
JCPC Grant		-	136,836
<u>N.C. Dept. of Public Instruction</u>			
Public School Building Capital Fund		-	600,000
<u>N.C. Dept. of Commerce</u>			
Palziv Building Reuse Grant		-	125,000
High Unit Cost Grant			
Water Infrastructure Grant		-	815,366
Total N.C. Dept. of Commerce		-	940,366
Total State awards		-	3,341,752
Total Federal and State awards		\$ 62,729,294	\$ 32,079,048

Franklin County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2017

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 (SEFSA) includes the federal and State grant activity of Franklin County, North Carolina, under the programs of the federal government and the State of North Carolina for the year ended June 30, 2017. The information in this SEFSA is presented in accordance with the requirements of Title 2 *US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of Franklin County, it is not intended to and does not present the financial position, changes in net position or cash flows of Franklin County.

2. Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Franklin County has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

3. Cluster of Programs

The following are clustered by the N.C. Department of Health and Human Services and are treated separately for State audit requirement purposes: Subsidized Child Care and Foster Care and Adoption.