

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Franklin County,
North Carolina
For the Fiscal Year Ended
June 30, 2014



Prepared by the
Franklin County Finance Department

Finance Director
Charles F. Murray, Jr.

County of Franklin
113 Market Street
Louisburg, NC 27549

FRANKLIN COUNTY, NORTH CAROLINA
TABLE OF CONTENTS
JUNE 30, 2014

INTRODUCTORY SECTION

Letter of Transmittal	2-8
Franklin County Government	9
List of Principal Officials	10
Certificate of Achievement for Excellence in Financial Reporting	11

FINANCIAL SECTION

Independent Auditor's Report	13-14
Management's Discussion and Analysis	15-23

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS:

Exhibit 1	Statements of Net Position	26
Exhibit 2	Statement of Activities	27

FUND FINANCIAL STATEMENTS:

Exhibit 3	Balance Sheet – Governmental Funds	29
Exhibit 3	Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	30
Exhibit 4	Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	31
Exhibit 4	Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	32
Exhibit 5	Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	33
Exhibit 6	Statement of Net Position - Proprietary Funds	34
Exhibit 7	Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	35
Exhibit 8	Statement of Cash Flows – Proprietary Funds	36-37
Exhibit 9	Statement of Fiduciary Net Position – Fiduciary Funds	38

NOTES TO THE FINANCIAL STATEMENTS	40-68
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FRANKLIN COUNTY, NORTH CAROLINA
TABLE OF CONTENTS
JUNE 30, 2014

REQUIRED SUPPLEMENTAL FINANCIAL DATA

Exhibit A-1	Law Enforcement Officers' Special Separation Allowance – Schedule of Funding Progress	70
Exhibit A-2	Law Enforcement Officers' Special Separation Allowance – Schedule of Employer Contributions and Notes to the Required Schedules	71
Exhibit A-3	Other Postemployment Benefits – Schedule of Funding Progress	72
Exhibit A-4	Other Postemployment Benefits – Schedule of Employer Contributions and Notes to the Required Schedules	73

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

Major Governmental Funds

Exhibit B-1	General Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	76-83
Exhibit B-2	Capital Reserve Fund – Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	84
Exhibit B-3	Revaluation Fund – Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	85
Exhibit B-4	County Building Project Fund – Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	86

Nonmajor Governmental Funds

Exhibit C-1	Combining Balance Sheet – Nonmajor Governmental Funds	88
Exhibit C-2	Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	89
Exhibit C-3	Fire District Fund – Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	90
Exhibit C-4	Emergency Telephone System Fund – Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	91
Exhibit C-5	DEA Fund – Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	92
Exhibit C-6	Golden Leaf Foundation Project Fund – Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	93
Exhibit C-7	Community Development Fund – Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	94
Exhibit C-8	Airport Capital Project Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	95

**FRANKLIN COUNTY, NORTH CAROLINA
TABLE OF CONTENTS
JUNE 30, 2014**

Exhibit C-9	School Construction Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance –Budget and Actual	96
<u>Enterprise Funds</u>		
Exhibit D-1	Water and Sewer Fund – Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP)	98
Exhibit D-2	Water and Sewer Capital Project Fund – Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP)	99
<u>Internal Service Fund</u>		
Exhibit E-1	Internal Service Fund – Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP)	101
<u>Agency Funds</u>		
Exhibit F-1	Agency Funds – Combining Statement of Changes in Assets and Liabilities	103
OTHER SCHEDULES		
Exhibit G-1	Schedule of Ad Valorem Taxes Receivable – General Fund	105
Exhibit G-2	Analysis of Current Tax Levy – County-wide Levy	106
Exhibit G-3	Secondary Market Disclosures	107
Exhibit G-4	Ten Largest Taxpayers	108
<u>STATISTICAL SECTION</u>		
<u>TABLE</u>		
1	Net Position by Components	110
2	Changes in Net Position	111-112
3	Fund Balances of Governmental Funds	113
4	Changes In Fund Balances of Governmental Funds	114-115
5	Ratio of Net General Obligation Bonded Debt to Assessed Value and Net General Obligation Bonded Debt per Capita	116
6	Ratio of Annual Debt Service Expenditures for General Obligation Bonded Debt to Total General Governmental Expenditures	117
7	Legal Debt Margin Information	118
8	Property Tax Rates – Direct and All Overlapping Governments	119
9	Assessed Value of Taxable Property	120
10	Property Tax Levies and Collections – General Fund	121
11	General Governmental Revenues by Source	122

FRANKLIN COUNTY, NORTH CAROLINA
TABLE OF CONTENTS
JUNE 30, 2014

12	Ratio of Outstanding Debt by Type	123
13	General Governmental Expenditures by Function	124
14	Computation of Direct and Underlying Debt – General Obligation Bonds	125
15	Demographic Statistics	126
16	Principal Employers	127
17	Full-Time Equivalent County Government Employees by Function /Program	128
18	Construction	129
19	Principal Taxpayers	130
20	Special Assessment Billing and Collections	131
21	Operating Indicators by Function/Program	132
22	Capital Asset Statistics by Function/Program	133
23	Other Statistical Information	134

COMPLIANCE SECTION

Report On Internal Control Over Financial Reporting And On Compliance and Other Matters Based On An Audit Of Financial Statements Performed In Accordance With <u>Government Auditing Standards</u>	136-137
Report on Compliance With Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance with OMB Circular A-133 and the State Single Audit Implementation Act	138-139
Report on Compliance With Requirements Applicable to Each Major State Program and Internal Control Over Compliance in Accordance with Applicable Sections of OMB Circular A-133 and the State Single Audit Implementation Act	140-141
Schedule of Findings and Questioned Costs	142-148
Corrective Action Plan	149-150
Summary Schedule of Prior Audit Findings	151
Schedule of Expenditures of Federal and State Awards	152-154

INTRODUCTORY SECTION



COUNTY OF FRANKLIN

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December 17, 2014

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

We are pleased to present the comprehensive annual financial report of Franklin County for the fiscal year ended June 30, 2014. State law requires that local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with general accepted accounting principles (GAAP) and audited in accordance with generally accepted accounting standards by a firm of licensed certified public accountants.

This report consists of management's representation concerning the finances of the County. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the County has established a comprehensive internal control framework that is designed to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the 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 County's financial statements contained herein have been audited by the independent certified public accounting firm of Winston, Williams, Creech, Evans and Co., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the County of Franklin for the fiscal year ended June 30, 2014 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the County of Franklin's financial statements for the fiscal year ended June 30, 2014, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the County was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal

requirements involving the administration of federal and state awards. These reports are contained in the compliance section of this report.

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

Profile of the County

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

Franklin County encompasses 494 square miles and has a population of 62,697. There are six municipalities: Town of Bunn, Town of Youngsville, Town of Franklinton, Town of Centerville, Town of Louisburg (county seat), and Town of Wake Forest. The County has a commissioner/ manager form of government. Five members of the Board of Commissioners are elected from districts on a partisan basis and two are elected at Large. They serve staggered four-year terms. Commissioners hold policy-making and legislative authority. They are also responsible for adopting the budget and appointing the County Manager. The manager is responsible for implementing policies, managing daily operations and appointing department heads.

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

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

MAJOR INITIATIVES/CHANGES

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

Sewer and Water Line Expansions

The County expended \$1,494,887 on three projects during the fiscal year: completing the cedar creek forcemain (\$195,423); upgrade to the Youngsville Pump Station (\$192,362) and upgrade to the pump station to Cedar Creek for \$1,107,103. The upgrade to the pump station to cedar creek was to deliver up to \$1.3 million gallons per day for Novozymes, the County's largest utility customer. A 10 year contract was entered into with Novozymes where the cost for the line will be reimbursed through the agreement.

Jail Construction

In FYE 2013, the County entered into a construction contract with HG Reynolds Construction to renovate the Jail Detention Facility at a total cost of \$3.55 million. The county spent \$1.71 million in FYE 2014 on the project. The renovation should be complete in February 2015.

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 \$10.7 million. This enhancement should provide pager service coverage 95 percent of the time in 95 percent of each fire district. The county has expended \$10.5 million to date on this project.

County Court House

In FYE 2014, The county entered into a construction contract with Calvin Davenport Inc. for a roof replacement, HVAC replacement, window replacement, and some cosmetic changes. The contract amount is for \$1.22 million dollars. Construction has begun and should be complete in early February 2015.

Town of Franklinton Utility Purchase

The County is currently in negotiation with the Town of Franklinton to purchase its water and sewer utility system. The Town and the County have jointly signed a Memorandum of Understanding. On December 1st, 2014, the county signed an Acquisition Purchase Agreement (APA) for the utility system and forwarded it to the Town for its consideration. At the time of the writing of this report, the county is waiting for the Town to take action on the APA. It is anticipated that there will be an April 2015 closing date to transfer the utility.

ECONOMIC CONDITION AND OUTLOOK

The economic base of the county has traditionally centered on agriculture and textiles, however recently the county has diversified greatly from this base and has attracted many new industries. Currently, 18% of employment in the county is in manufacturing, 48% in service producing industries, 22% in government, 7.9% in construction, and 17% in other non-agricultural employment. Agriculture employs 0%. Tobacco, grain and livestock are major agriculture commodities raised in the county. Currently, 62.2 percent of the County's work force commutes out of county to work. Franklin County is located only 21 miles northeast of Raleigh, the state capital of North Carolina. Five interstate highways (40, 540, 85, 95 and US 1) are easily accessible from the County. Research Triangle Park, the world's largest research complex is only 35 miles southeast of the County seat.

*** Article 3J Tax Credits ended on January 1, 2014. Therefore, the program is no longer active. In 2011 and 2012, we were a Tier 2. In 2013, Tier 3 and in 2014, Tier 2.

In 2012, The N.C. Department of Commerce increased Franklin County's Tier ranking from a Tier 2 status to a Tier 3 status recognizing the County as one of the 20 most prosperous counties in NC. The law calls for the 40 most distressed counties to become Tier 1 counties, the middle 40 counties to be designated as Tier 2 and the 20 most prosperous counties to become Tier 3 counties. Data used to determine rankings include unemployment rates, median household income, population growth and assessed property value per capita.

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

Potential benefits to companies under each tier designation include:

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

The county's largest corporate citizen is Novozymes North America, Incorporated. The company currently has 516 employees. Their current property valuation is \$154.9 million. This provided over \$1.35 million to the county in property tax revenue. They are also the county's largest water customer, averaging 700,000 gallons per day. This provides the county with \$1,469,125 annually in water sales. While the county is extremely fortunate to have such an excellent corporate citizen, efforts should continue to broaden the county's tax base. Novozymes represents 3.51 percent of the county's tax base. Over reliance on a few large taxpayers can often be viewed as a financial weakness and could hinder efforts to upgrade the county's bond rating.

Duke Energy's taxable valuation is \$55 million and Carolina Telephone's value is \$25.6 million. Wake Electric's value is \$34.1 million. Amcor Rigid Plastics USA, Inc. rounds out the top five taxpayers for the county at \$16.6 million.

Long-Term Financial Planning

It is estimated that Franklin County currently has 62,697 residents. The bulk of the growth had been in the southwestern part of the County near the Franklin Park Industrial Center, which is located adjacent to US Highway 1A north of the Town of Youngsville but has become more widespread recently. Development and population growth means increased demand for housing, other facilities and additional county provided services.

With the county's population continuing to rise, careful planning must occur to ensure that adequate real estate remains available for potential industrial and commercial prospects, adequate water and sewer facilities are present, as well as looking for additional funding streams to provide dollars needed for additional county services that will be requested with residential growth. In August 2009, The State of North Carolina changed the formula for lottery distribution to help with school operational

needs and school construction needs. This change in formula resulted in a decrease for Franklin County of nearly \$600,000. The county had pledged the lottery proceeds to help service the \$53 million school bond issued authorized by the voters. The County does have a process in which to gain additional revenue however. The Board of County Commissioners can ask the voters of the county to approve an additional ½ cent sales tax to be imposed to help with revenue needs such as school construction projects however the BOC has not decided to initiate this process at the date of this report.

The county issued 12.4 million in a COP Bond issue in March 1999 to install main water and distribution lines from the Franklin/Vance County line into the heart of Franklin County. The construction phase was completed in June 2000. The county currently purchases an average of 2.0 million gallons per day from the City of Henderson and 85,000 gallons per day from the Town of Louisburg. As of June 30th, 2014, the County utilizes about 2.1 million gallons per day of water and averages daily treatment of waste water of about 600,000 gallons per day. The water and sewer budget is approximately \$8 million.

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.

CASH MANAGEMENT AND RISK MANAGEMENT

Cash Management - The County uses a central depository system to pool monies from all funds to facilitate disbursements and investments. All depositories are collateralized according to North Carolina General Statute 159-31. Investments are made in accordance with North Carolina General Statute 159-30. Cash temporarily idle during the year was invested in interest-bearing accounts, principally with the North Carolina Capital Management Trust, BB&T, and First Citizens Bank. The governmental fund types recorded investment income of \$194,516 in 2011, \$143,458 in 2012, \$142,629 in 2013 and \$144,476 in 2014. At June 30, 2014, the County's deposits had a carrying value of \$22,608,318 and a bank balance of \$23,237,667. All County deposits are maintained with financial institutions, which collateralize deposits in excess of amounts insured by the FDIC by the Pooling Method. At June 30, 2014, \$574,242 of the bank balance was covered by federal depository insurance and \$22,663,425 was covered by collateral held under the Pooling Method.

Risk Management – The County participates in two insurance pools developed by the North Carolina Association of County Commissioners. The pool provides coverage for general liability and worker's compensation. The limits of coverage include the following: jail and public safety officers' liability \$2,000,000, vehicle liability \$2,000,000 and property damage \$153.9 million. The county is self-insured for health and dental benefits for its employees and the plan is administered by Blue Cross/Blue Shield. The county expends roughly \$7.05 million annually for these three insurance coverages.

Also the county has a safety officer. The safety officer reviews accidents, makes periodic on-site inspections, makes recommendations to improve safety practices and provides employee safety education. The county has an established safety committee that consists of a representative from

each county office building. The safety committee meets to review accidents, perform safety inspections and discuss potential corrections to safety related issues.

PENSION AND OTHER POST EMPLOYMENT BENEFITS

The County of Franklin sponsors a single-employer defined benefit pension plan for its public safety employees (Separation Allowance). Each year, an independent actuary calculates the amount of the annual contribution that the County of Franklin may make to the pension plan to ensure the plan will be able to fully meet its obligations to retired employees on a timely basis. The County also chooses to fund the Law Enforcement Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis. The County currently has 73 active members. One retiree is receiving benefits under this requirement.

The County of Franklin also contributes to the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. This plan includes 489 participants. The rate of contribution is determined each year by an actuarially determined rate. The County of Franklin has no obligation in connection with employee benefits offered through this plan beyond its annual contribution to the LGERS.

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

The County of Franklin also provides post retirement health care benefits for certain retirees. As of the end of FY 2014, there were 44 retired employees receiving a Medicare supplement and 30 retirees who are receiving regular health insurance coverage. At age 65, all retirees must change over to the Medicare supplement. These benefits are financed on a pay as you go basis, and GAAP does not require governments to report a liability in the financial statements in connection with an employer's obligation to provide these benefits. The county currently has 510 eligible plan participants with 74 of these receiving a benefit.

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

AWARDS AND OTHER INFORMATION

Independent Audit – The County is required by state statutes to have an annual independent financial audit. The accounting firm of Winston, Williams, Creech, Evans & Company, LLP. conducted the County's annual audit for the fourth year. In addition to meeting the requirements set forth in state statutes, the audit was also designed to comply with the requirements of the Single Audit Act of 1996 and related OMB circular A-133 and the State Single Audit Implementation Act. The auditor's report on the general-purpose financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the compliance section.

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

Awards - The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Franklin County, North Carolina for its comprehensive annual financial report for the fiscal year ended June 30, 2013. The county has received this prestigious award for 15 consecutive years. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

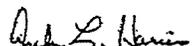
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Preparation of this report would not have been possible without the dedicated efforts of the Finance Department's staff and the cooperation and dedication of other county departments and the auditing staff of Winston, Williams, Creech, Evans & Company. Great gratitude is extended to the Board of County Commissioners for their continued support throughout the past year.

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

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

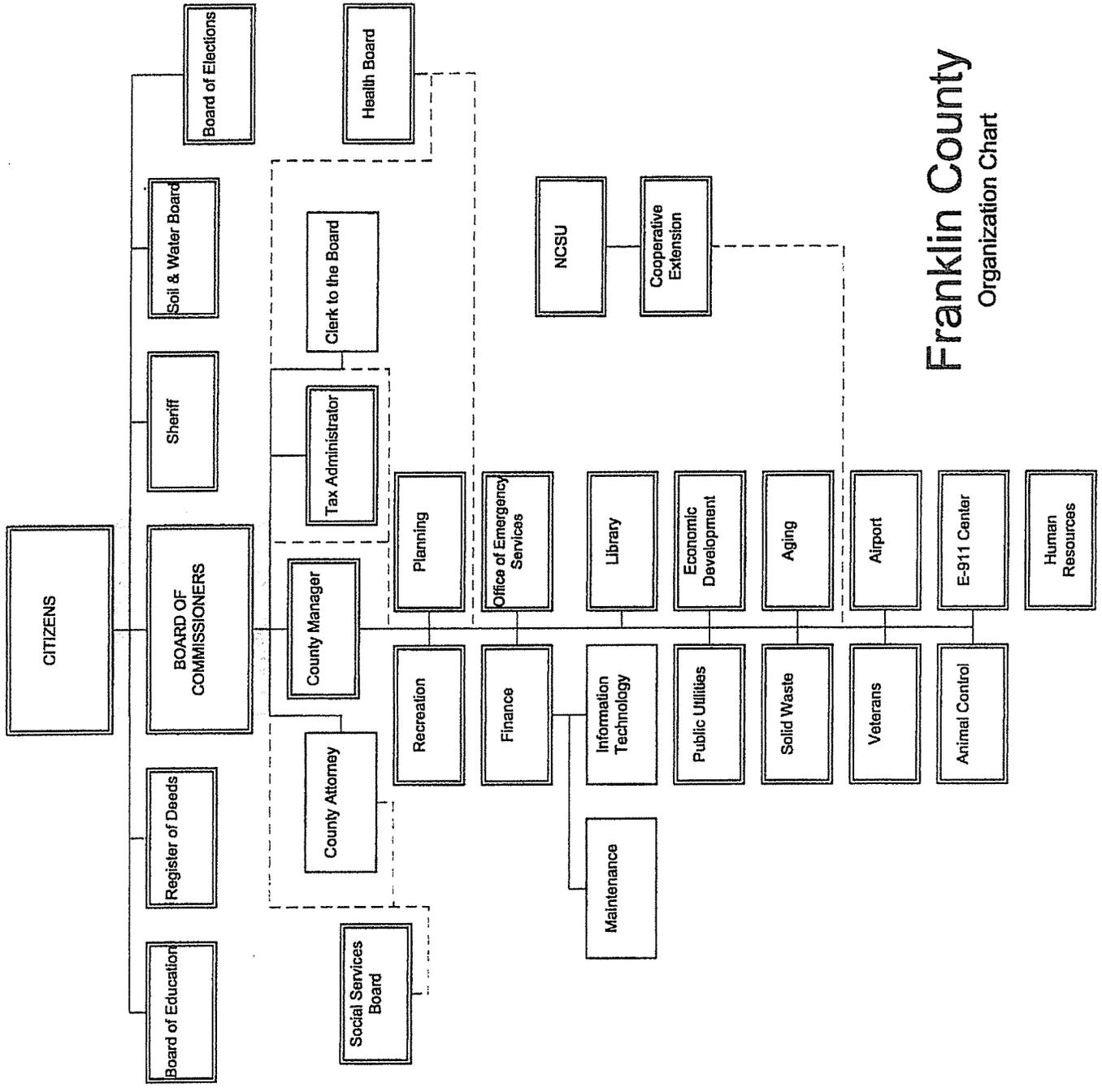
Respectfully submitted,



Angela L. Harris
County Manager



Charles F. Murray, Jr.
Director of Finance



Franklin County

Organization Chart

**FRANKLIN COUNTY, NORTH CAROLINA
LIST OF PRINCIPAL OFFICIALS
JUNE 30, 2014**

**Board of County
Commissioners**

Sidney E. Dunston, Chairperson
E. Shane Mitchell, Vice Chairperson
David T. Bunn
Harry L. Foy, Jr.
Cedric K. Jones, Sr
John M. May
Donald C. Lancaster

County Officials

Angela L Harris
Charles F. Murray, Jr.
Pete Tomlinson

County Manager
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, 2013

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
Cathy E. McKinley, CPA
Tara H. Roberson, CPA
K. Jamison Crampton, 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, 2014 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 TDA 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 component unit, each major fund, and the aggregate remaining fund information of Franklin County as of June 30, 2014, 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.

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www.wwcecpa.com



Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, and the Law Enforcement Officers' and Other Postemployment Benefit's Special Separation Allowance Schedules of Funding Progress and Employer Contributions 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 the 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 U.S. Office of Management and Budget Circular A-133, *Audits of States and Local Governments and Non-Profit Organizations* and the State Single Audit Implementation Act are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual 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 December 17, 2014 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
December 17, 2014



County Of Franklin

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Office of Finance
Charles Murray, Jr.
Director

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, 2014. 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

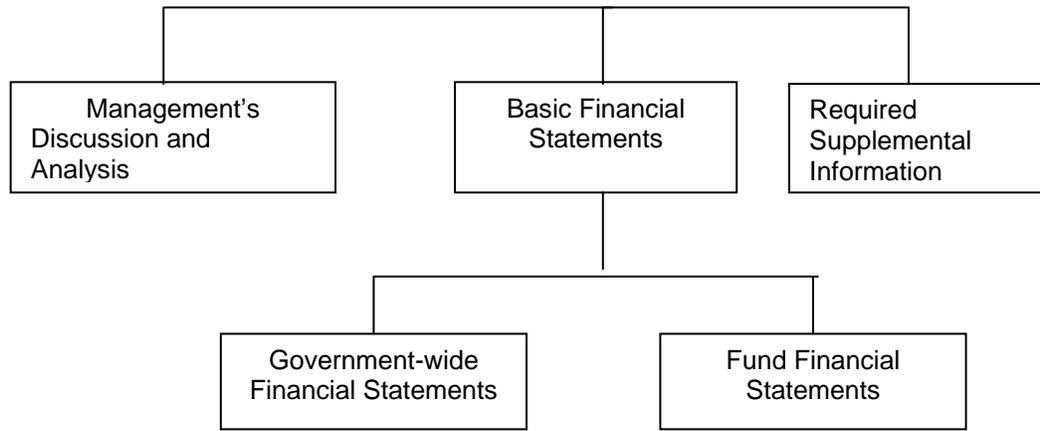
- The County's liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources by \$1.45 million. In accordance with North Carolina law, liabilities of the County include long-term debt associated with assets belonging to the Franklin County Board of Education. The amount included in liabilities related to school financing is \$69.8 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 general and major governmental fund reported combined ending fund balances of \$25.6 million, a decrease of \$900,000 from the previous fiscal year where the combined fund balances totaled \$26.5 million. The major decrease was in the County Building Capital Fund and the General Fund. The General Fund decreased by \$696,951. Approximately 34.5 percent of this total amount or \$8.8 million is available for spending at the government's discretion.
- At the end of the current fiscal year, fund balance available for appropriation for the General Fund was \$8.8 million or 12.24 percent of total general fund expenditures for the fiscal year. Of this amount \$3.46 million has been designated for subsequent year expenditures.
- The County's total debt decreased by \$5.0 million during the current fiscal year. The County made all debt payments paid timely and no new debt was issued.
- 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



Summary → Detail

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 only business-type activity reported during fiscal year 2014 is for water and sewer service. The final category is component units. Although legally separate from the County, the Franklin County Industrial Facility and Pollution Control Financing Authority is the County's and the Franklin County TDA are the only component units to the county. The County exercises control over its Board by appointing all five of its members. The Authority had no financial transactions or account balances; therefore, it is not presented in the government-wide combined financial statements.

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

Fund Financial Statements

The fund financial statements provide a more detailed look at the County's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the County's budget ordinance. All of the funds of the County can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the County's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called modified accrual accounting which provides a current financial resources focus. In modified accrual accounting, revenues are recognized when they become available and expenditures are reported when the obligations were incurred. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the County's programs. The relationship between government activities (reported in the Statement of Net 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 one proprietary fund. The County uses an Enterprise Fund to report the same functions presented as business-type activities in the government-wide financial statements. The County uses an enterprise fund to account for its water and sewer activity. This fund is the same as the function shown in the business-type activities in the Statement of Net 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 workers compensation payments are recorded.

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

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 41-68 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 70 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 liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources by \$1,453,204 as of June 30, 2014. The County’s net position increased by \$7.3 million for the fiscal year ended June 30, 2014. One of the largest portions \$48,764,056 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, \$10,485,680, 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 2013 and FYE 2014.

Figure 2

FRANKLIN COUNTY’S NET POSITION

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 34,748,982	\$ 33,782,654	\$ 5,595,100	\$ 5,910,693	\$ 40,344,082	\$ 39,693,347
Capital assets	39,813,458	38,480,445	27,186,103	26,448,069	66,999,561	64,928,514
Total assets	<u>74,562,440</u>	<u>72,263,099</u>	<u>32,781,203</u>	<u>32,358,762</u>	<u>107,343,643</u>	<u>104,621,861</u>
Long-term liabilities outstanding	90,419,233	94,163,713	12,135,081	13,406,630	102,554,314	107,570,343
Other liabilities	4,662,564	4,266,723	1,003,500	727,657	5,666,064	4,994,380
Total liabilities	<u>95,081,797</u>	<u>98,430,436</u>	<u>13,138,581</u>	<u>14,134,287</u>	<u>108,220,378</u>	<u>112,564,723</u>
Deferred Inflows of Resources	576,469	849,254	-	-	576,469	849,254
Net Position:						
Net investment in capital assets	33,141,451	30,485,649	15,622,605	13,508,654	48,764,056	43,994,303
Restricted	10,485,680	4,809,599	-	-	10,485,680	4,809,599
Unrestricted	(64,722,957)	(62,311,839)	4,020,017	4,715,821	(60,702,940)	(57,596,018)
Total Net Position	<u>\$ (21,095,826)</u>	<u>\$ (27,016,591)</u>	<u>\$ 19,642,622</u>	<u>\$ 18,224,475</u>	<u>\$ (1,453,204)</u>	<u>\$ (8,792,116)</u>

As noted earlier, net position may serve over time as one useful indicator of a government’s financial condition. The liabilities of the County exceeded its assets in the Governmental Activities by \$21 million. In the Business-type Activities, the assets exceeded its liabilities by \$19.64 million at June 30, 2014. Net position for Governmental Activities is reported in three categories: Net Investment in capital assets was \$33.1 million; Restricted was \$10.5 million and unrestricted net position was \$(64,722,957). Net position for Business type Activities is reported in two categories: Net Investment in capital assets was \$15.6 million and unrestricted net position was \$4.0 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 (\$60,702,940) 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 \$69.8 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 \$6.0 million as the County paid principal payments on its debt. Also the county noted the following positive operational initiatives and results:

- Great tax collection rate of 97.95 percent.
- Continued low cost of debt due to the County's bond rating
- Conservative revenue projections - \$606,525 surplus over budget
- Lottery proceeds reserved for school debt - \$900,000.
- Revenue for housing federal inmates - \$1.23 million.
- Controlled departmental spending and conservative budgeting - \$2.26 million.

Figure 3
FRANKLIN COUNTY'S CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities		Total	
	FY 2014	FY 2013	FY 2014	FY 2013	FY 2014	FY 2013
Revenues:						
Program revenues:						
Charges for services	\$ 10,945,575	\$ 11,889,989	\$ 8,538,074	\$ 8,863,609	\$ 19,483,649	\$ 20,753,598
Operating grants and contributions	11,852,730	10,949,922	-	-	11,852,730	10,949,922
Capital grants and contributions	423,335	516,634	-	298,969	423,335	815,603
General revenues:						
Property taxes	41,298,278	38,983,743	-	-	41,298,278	38,983,743
Other taxes	8,953,833	8,461,911	-	-	8,953,833	8,461,911
Other	287,596	336,590	951	295	288,547	336,885
Total revenues	<u>73,761,347</u>	<u>71,138,789</u>	<u>8,539,025</u>	<u>9,162,873</u>	<u>82,300,372</u>	<u>80,301,662</u>
Expenses:						
General Government	4,598,900	4,674,158	-	-	4,598,900	4,674,158
Public Safety	21,505,522	20,017,277	-	-	21,505,522	20,017,277
Economic and Fiscal Development	5,524,498	5,648,305	-	-	5,524,498	5,648,305
Human Services	17,850,805	17,708,407	-	-	17,850,805	17,708,407
Cultural and Recreation	1,598,599	1,429,624	-	-	1,598,599	1,429,624
Education	14,613,120	13,775,500	-	-	14,613,120	13,775,500
Interest on long-term debt	2,991,751	3,261,900	-	-	2,991,751	3,261,900
Water and Sewer	-	-	6,620,881	6,386,886	6,620,881	6,386,886
Total expenses	<u>68,683,195</u>	<u>66,515,171</u>	<u>6,620,881</u>	<u>6,386,886</u>	<u>75,304,076</u>	<u>72,902,057</u>
Increase (Decrease) in net position before transfers	5,078,152	4,623,618	1,918,144	2,775,987	6,996,296	7,399,605
Transfers	499,997	400,000	(499,997)	(400,000)	-	-
Increase in net position	<u>5,578,149</u>	<u>5,023,618</u>	<u>1,418,147</u>	<u>2,375,987</u>	<u>6,996,296</u>	<u>7,399,605</u>
Net Position, July 1, previously reported	(27,016,591)	(31,965,109)	18,224,475	15,848,488	(8,792,116)	(16,116,621)
Restatement (See footnote IX)	342,616	(75,100)	-	-	342,616	(75,100)
Net Position, July 1 as restated	<u>(26,673,975)</u>	<u>(32,040,209)</u>	<u>18,224,475</u>	<u>15,848,488</u>	<u>(8,449,500)</u>	<u>(16,191,721)</u>
Net Position, June 30	<u>\$ (21,095,826)</u>	<u>\$ (27,016,591)</u>	<u>\$ 19,642,622</u>	<u>\$ 18,224,475</u>	<u>\$ (1,453,204)</u>	<u>\$ (8,792,116)</u>

Governmental activities: Governmental activities increased the County's net position by 5.92 million due to ad valorem tax collections increasing by \$2.58 million, sales tax revenues increasing by \$502,112 or a 7.0% increase, and County's fees and charges decreasing by \$989,373 or a 8% decrease. The County departmental expenditures were \$2.26 million below budget due to conservative spending.

Business-type activities: The net position in Business-type activities increased by \$1,418,147. Water and Sewer collections decreased by \$325,535 a decrease of 4%, due to a decrease in the county's water and sewer rate. The county's water customers increased by 288 customers during the fiscal year. The county currently has 3,983 water customers. This represents an 8 percent increase in customer base. The county's water consumption was 2,000,000 gallons per day.

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 in the General Fund was \$8,832,006 while total fund balance reached \$20,933,433. 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 12.2% of general fund expenditures, while total fund balance represents 29.0% of that same amount. The county has not experienced a tax increase since 2009.

At June 30, 2014, the governmental funds of the County reported a combined fund balance of \$26,543,805. The county's overall fund balance remains strong.

General Fund Budgetary Highlights

During fiscal year 2014, 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 \$427,728 and expenditures by \$651,539.

The actual operating revenues for the General Fund were higher than the budgeted amount by \$255,006. Sales Tax revenues were over budget by \$407,517; fees and charges were down by \$493,028; and Ad valorem taxes exceeded the anticipated budget by \$269,642. The County's expenditures were \$2,491,730 less than budgeted. Human Services departments under spent their budgets by \$719,199, General Government activities were under budget by 472,236 and Public Safety departments were under budget by \$545,091.

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 at the end of the fiscal year amounted to \$3,951,152, an increase of \$1.4 million. This increase was mainly due to the payment of debt. Total revenues increased by \$324,879 while expenditures increased by only \$279,448.

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, 2014, totaled \$66,999,561 (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:

- \$1.1 million in water and sewer expansions
- \$1.7 million Jail Improvements
- \$93,150 in Court House Improvements

Figure 4

Franklin County's Capital Assets (net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
	\$	\$	\$	\$	\$	\$
Land and Improvements	13,571,003	13,552,169	369,456	369,456	13,940,459	13,921,625
Buildings	11,751,572	12,315,993	-	-	11,751,572	12,315,993
Gas Lines	201,889	210,130	-	-	201,889	210,130
Water Lines	124,193	128,278	25,490,932	25,770,828	25,615,125	25,899,106
Sewer Lines	-	-	-	-	-	-
Automotive equipment	1,256,728	899,697	48,138	67,390	1,304,866	967,087
Office and other equipment	1,453,856	1,479,827	170,474	90,395	1,624,330	1,570,222
Construction in progress	11,454,217	9,894,351	1,107,103	150,000	12,561,320	10,044,351
Total	\$ 39,813,458	\$ 38,480,445	\$ 27,186,103	\$ 26,448,069	\$ 66,999,561	\$ 64,928,514

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, 2014, the County's Governmental Activities had total bonded school debt outstanding of \$57,035,000 all of which is backed by the full faith and credit of the County: \$9,855,000 in Certificates of Participation outstanding, and \$12,711,606 in installment purchases. In the Business type Activities, the County had \$1,260,000 in outstanding in Federal and State revolving loans, \$4,279,271 in COPs and \$6,024,227 in installment loans outstanding at June 30, 2014. A summary of total long-term debt is shown in Figure 5.

Figure 5

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

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
General obligation bonds	\$ 57,035,000	\$ 60,985,000	\$ -	\$ -	\$ 57,035,000	\$ 60,985,000
Certificates of Participation	9,855,000	10,560,000	4,279,271	4,923,882	14,134,271	15,483,882
Installment Purchases	12,711,606	13,408,110	6,024,227	6,575,533	18,735,833	19,983,643
Revolving Loans	-	-	1,260,000	1,440,000	1,260,000	1,440,000
Other obligations	10,817,627	9,210,603	571,583	467,215	11,389,210	9,677,818
Total long-term debt	<u>\$ 90,419,233</u>	<u>\$ 94,163,713</u>	<u>\$ 12,135,081</u>	<u>\$ 13,406,630</u>	<u>\$ 102,554,314</u>	<u>\$ 107,570,343</u>

In fiscal year 2013-14, the County's total debt decreased by \$5.0 million. The County met all of its obligations in a timely fashion. In May 2008, the County voters approved a \$53,000,000 school bond. The County has \$11.4 million that can be issued in the next seven years if needed. At this time, all projects are complete with no additional debt transaction required. The Board of Education has identified over \$12 million is needed building projects. The County plans to ask for an extension of three years on the school bonds.

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 \$261,581,020. The County has \$11,400,000 bonds authorized but un-issued at November 2014.

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 5.70 percent at June 30, 2014 which is lower when compared to last year's rate at 7.60 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 9 percent.

All of these factors were considered in preparing the County of Franklin's budget for FYE 2015.

Budget Highlights for the Fiscal Year Ending June 30, 2015

- **Governmental Activities:** The County has approved a \$73.4 million General Fund budget for FYE 2015 compared to a \$73.8 million general fund budget for fiscal year 2013-2014. This represents a stable budget with a 400,000 decrease in expenditures. The property tax rate remained the same at .8725 cents per \$100 dollars of property valuation. The tax base increased about 2.7%.
- The county reduced staff by four positions during the budget process. County employees received a 2% increase to be effective January 1st, 2015. The County has appropriated \$1.1 million for capital expenditures.
- **Business – type Activities:** The County water rates and sewer rates remained the same as the previous year. The budget increased \$400,000 million due to anticipated growth in water purchases. The county started in the water and sewer business in October 1996.

Requests for Information

This report is designed to provide an overview of the County's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the County of Franklin, Director of Finance, 113 Market Street, Louisburg NC 27549. This report can also be found online at www.franklincountync.us under the Finance tab. You may also call 919-496-3182 or email the 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, 2014

	Primary Government			Component Unit
	Governmental Activities	Business-type Activity	Total	Franklin County Tourism Development Authority
Assets				
Cash and cash equivalents	\$ 19,988,649	\$ 4,315,135	\$ 24,303,784	\$ 111,701
Taxes receivable (net)	1,996,454	-	1,996,454	-
Accounts receivable (net)	825,418	1,135,778	1,961,196	-
Due from other governments	4,350,927	75,322	4,426,249	-
Accrued interest receivable	388,628	-	388,628	-
Inventory	60,806	-	60,806	-
Security deposit	362,200	-	362,200	-
Restricted cash and cash equivalents	6,844,765	-	6,844,765	-
Internal balances	(68,865)	68,865	-	-
Capital assets:				
Land, improvements, and construction	23,100,605	1,476,559	24,577,164	-
Other capital assets, net of depreciation	16,712,853	25,709,544	42,422,397	-
Total capital assets	<u>39,813,458</u>	<u>27,186,103</u>	<u>66,999,561</u>	<u>-</u>
Total assets	<u>74,562,440</u>	<u>32,781,203</u>	<u>107,343,643</u>	<u>111,701</u>
Liabilities				
Accounts payable and accrued expenses	3,034,504	637,030	3,671,534	-
Customer deposits	-	333,815	333,815	-
Accrued interest payable	969,289	32,655	1,001,944	-
Long-term liabilities:				
Due within one year	7,559,312	1,443,960	9,003,272	-
Due in more than one year	83,518,692	10,691,121	94,209,813	-
Total long-term liabilities	<u>91,078,004</u>	<u>12,135,081</u>	<u>103,213,085</u>	<u>-</u>
Total liabilities	<u>95,081,797</u>	<u>13,138,581</u>	<u>108,220,378</u>	<u>-</u>
Deferred Inflows of Resources	<u>576,469</u>	<u>-</u>	<u>576,469</u>	<u>-</u>
Net Position				
Net investment in capital assets	33,141,451	15,622,605	48,764,056	-
Restricted for:				
State Statute for Stabilization	5,422,674	-	5,422,674	-
Register of Deeds	68,535	-	68,535	-
Public Safety	4,302,536	-	4,302,536	-
General Government	-	-	-	-
Cultural and Recreational	658,428	-	658,428	-
Economic Development	33,507	-	33,507	-
Unrestricted	<u>(64,722,957)</u>	<u>4,020,017</u>	<u>(60,702,940)</u>	<u>111,701</u>
Total net position	<u>\$ (21,095,826)</u>	<u>\$ 19,642,622</u>	<u>\$ (1,453,204)</u>	<u>\$ 111,701</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, 2014**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit Franklin County Tourism Development Authority
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activity	Total	
Governmental activities:								
General government	\$ 4,598,900	\$ 578,784	\$ 564,109	\$ -	\$ (3,456,007)	\$ -	\$ (3,456,007)	
Public safety	21,505,522	4,861,574	504,034	-	(16,139,914)	-	(16,139,914)	
Economic and physical development	5,524,498	3,284,600	153,544	423,335	(1,663,019)	-	(1,663,019)	
Human services	17,850,805	2,148,552	9,584,392	-	(6,117,861)	-	(6,117,861)	
Cultural and recreation	1,598,599	72,065	146,651	-	(1,379,883)	-	(1,379,883)	
Education	14,613,120	-	900,000	-	(13,713,120)	-	(13,713,120)	
Interest on long-term debt	2,991,751	-	-	-	(2,991,751)	-	(2,991,751)	
Total governmental activities	68,683,195	10,945,575	11,852,730	423,335	(45,461,555)	-	(45,461,555)	
Business-type activity:								
Water and Sewer Department	6,620,881	8,538,074	-	-	-	1,917,193	1,917,193	
Total primary government	\$ 75,304,076	\$ 19,483,649	\$ 11,852,730	\$ 423,335	(45,461,555)	1,917,193	(43,544,362)	
Component Unit:								
Franklin County Tourism Development Authority	\$ 42,663	\$ -	\$ -	\$ -	-	-	-	(42,663)
General revenues:								
Taxes:								
Property taxes, levied for general purposes					41,298,278	-	41,298,278	-
Local option sales tax					8,146,600	-	8,146,600	-
Other taxes and licenses					807,233	-	807,233	49,133
Investment earnings, unrestricted					120,977	-	120,977	-
Miscellaneous, unrestricted					166,619	951	167,570	-
Transfers					499,997	(499,997)	-	-
Total general revenues and transfers					51,039,704	(499,046)	50,540,658	49,133
Change in net position					5,578,149	1,418,147	6,996,296	6,470
Net position, beginning, previously reported					(27,016,591)	18,224,475	(8,792,116)	105,231
Restatement					342,616	-	342,616	-
Net position, beginning, restated					(26,673,975)	18,224,475	(8,449,500)	105,231
Net position, ending					\$ (21,095,826)	\$ 19,642,622	\$ (1,453,204)	\$ 111,701

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, 2014

	<u>Major</u>		<u>Nonmajor</u>	<u>Total</u>
	<u>General</u>	<u>County Building Project Fund</u>	<u>Other Governmental Funds</u>	
Assets				
Cash and cash equivalents	\$ 17,322,813	\$ -	\$ 493,757	\$ 17,816,570
Taxes receivable, net	1,858,594	-	137,860	1,996,454
Accounts receivables, net	796,264	-	29,154	825,418
Due from other governments	3,884,210	96,211	370,506	4,350,927
Due from other funds	246,329	-	-	246,329
Inventory	60,806	-	-	60,806
Restricted assets:				
Restricted cash	1,394,954	4,355,388	1,094,423	6,844,765
Total assets	\$ 25,563,970	\$ 4,451,599	\$ 2,125,700	\$ 32,141,269
Liabilities and Fund Balances				
Liabilities:				
Accounts payable and accrued liabilities	\$ 2,195,474	\$ 508,836	\$ 73,902	\$ 2,778,212
Due to other funds	-	-	246,329	246,329
Total liabilities	2,195,474	508,836	320,231	3,024,541
Deferred Inflows of Resources	2,435,063	-	137,860	2,572,923
Fund Balances:				
Nonspendable:				
Inventories	60,806	-	-	60,806
Restricted:				
Stabilization by State Statute	4,926,803	96,211	399,660	5,422,674
Register of Deeds	68,535	-	-	68,535
Fire Protection	-	-	98,506	98,506
Capital Reserve	658,428	-	-	658,428
Public Safety	-	3,846,552	357,478	4,204,030
Economic Development	-	-	33,507	33,507
Committed:				
Debt Service	-	-	1,025,062	1,025,062
Revaluation	667,991	-	-	667,991
Assigned:				
Subsequent year's expenditures				
General Fund	3,457,658	-	-	3,457,658
Cultural and Recreational	179,606	-	-	179,606
Economic Development	2,081,600	-	-	2,081,600
Unassigned:				
General Fund	8,832,006	-	-	8,832,006
Special Revenue Funds	-	-	(99,966)	(99,966)
Capital Projects Funds	-	-	(146,638)	(146,638)
Total fund balances	20,933,433	3,942,763	1,667,609	26,543,805
Total liabilities, deferred inflows of resources, and fund balances	\$ 25,563,970	\$ 4,451,599	\$ 2,125,700	

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

**Franklin County, North Carolina
Balance Sheet
Governmental Funds
June 30, 2014**

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.	39,813,458
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.	2,209,122
Liabilities for deferred inflows of resources reported in the fund statements but not the government wide	1,996,454
Accrued interest on Ad Valorem receivable and investments is not available to pay for current-period expenditures and therefore are not recognized in the funds:	388,628
Some liabilities, including bonds payable, are not due and payable in the current year and, therefore, are not reported in the funds	<u>(92,047,293)</u>
Net position of governmental activities	<u><u>\$ (21,095,826)</u></u>

Franklin County, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2014

	<u>Major</u>		<u>Nonmajor</u>	<u>Total</u>
	<u>General Fund</u>	<u>County Building Project Fund</u>	<u>Other Governmental Funds</u>	
Revenues				
Ad valorem taxes	\$ 38,515,846	\$ -	\$ 2,939,424	\$ 41,455,270
Local option sales taxes	8,146,600	-	-	8,146,600
Other taxes	671,590	-	349,847	1,021,437
Restricted intergovernmental	11,329,350	-	433,549	11,762,899
Fees, sales and charges	10,994,928	-	-	10,994,928
Investment earnings	137,372	160	6,944	144,476
Miscellaneous	417,558	-	-	417,558
Total revenues	<u>70,213,244</u>	<u>160</u>	<u>3,729,764</u>	<u>73,943,168</u>
Expenditures				
Current:				
General government	4,364,374	-	-	4,364,374
Public safety	17,854,951	-	3,294,197	21,149,148
Economic and physical development	5,251,544	-	174,354	5,425,898
Human services	17,409,472	-	-	17,409,472
Cultural and recreational	1,419,908	-	-	1,419,908
Intergovernmental:				
Education	14,613,120	-	-	14,613,120
Capital outlay	-	1,758,432	228,023	1,986,455
Debt service:				
Principal	8,127,550	-	-	8,127,550
Interest and other charges	3,101,575	-	-	3,101,575
Total expenditures	<u>72,142,494</u>	<u>1,758,432</u>	<u>3,696,574</u>	<u>77,597,500</u>
Revenues over (under) expenditures	<u>(1,929,250)</u>	<u>(1,758,272)</u>	<u>33,190</u>	<u>(3,654,332)</u>
Other financing sources (uses)				
Transfers to other funds	(487,108)	-	(600,000)	(1,087,108)
Transfers from other funds	1,124,997	418,000	44,108	1,587,105
Issuance of debt	-	3,000,000	-	3,000,000
Total other financing sources (uses)	<u>637,889</u>	<u>3,418,000</u>	<u>(555,892)</u>	<u>3,499,997</u>
Net changes in fund balances	(1,291,361)	1,659,728	(522,702)	(154,335)
Fund balances				
Beginning of year	21,213,203	2,283,035	2,833,302	26,329,540
Restatement	985,607	-	(642,991)	342,616
Beginning of year, as restated	22,198,810	2,283,035	2,190,311	26,672,156
Increase in reserve for inventory	25,984	-	-	25,984
End of year	<u>\$ 20,933,433</u>	<u>\$ 3,942,763</u>	<u>\$ 1,667,609</u>	<u>\$ 26,543,805</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, 2014

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

Net changes in fund balances - total governmental funds	\$ (154,335)
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	1,334,343
Cost of disposed capital asset not recorded in fund statements	(1,330)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	(139,317)
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.	5,351,504
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(1,538,374)
Inventory not expensed on statement of activities	25,984
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>699,674</u>
Total changes in net position of governmental activities (Exhibit 2)	<u>\$ 5,578,149</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, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Positive (Negative)</u>
Revenues				
Ad valorem taxes	\$ 37,267,704	\$ 38,246,204	\$ 38,515,846	\$ 269,642
Local option sales tax	5,176,098	5,176,098	5,583,615	407,517
Other taxes	1,494,050	759,650	671,590	(88,060)
Restricted intergovernmental	11,175,131	11,095,254	11,329,350	234,096
Sales and services	11,370,956	11,487,956	10,994,928	(493,028)
Investment earnings	195,000	195,000	137,372	(57,628)
Miscellaneous	288,586	435,091	417,558	(17,533)
Total revenues	<u>66,967,525</u>	<u>67,395,253</u>	<u>67,650,259</u>	<u>255,006</u>
Expenditures				
Current:				
General government	5,268,201	4,836,610	4,364,374	472,236
Public safety	17,852,471	18,400,042	17,854,951	545,091
Economic and physical development	5,238,586	5,482,634	5,251,544	231,090
Human services	17,986,503	18,128,671	17,409,472	719,199
Cultural and recreational	1,260,758	1,421,164	1,419,908	1,256
Intergovernmental:				
Education	14,594,566	14,669,441	14,613,120	56,321
Debt service:				
Principal retirement	8,127,550	8,127,550	8,127,550	-
Interest and other charges	3,399,044	3,313,106	3,101,575	211,531
Total expenditures	<u>73,727,679</u>	<u>74,379,218</u>	<u>72,142,494</u>	<u>2,236,724</u>
Revenues under expenditures	<u>(6,760,154)</u>	<u>(6,983,965)</u>	<u>(4,492,235)</u>	<u>2,491,730</u>
Other financing sources (uses)				
Transfers to other funds	(65,700)	(487,108)	(487,108)	-
Transfers from other funds	3,600,000	3,600,000	3,599,997	(3)
Appropriated fund balance	3,225,854	3,871,073	-	(3,871,073)
Total other financing sources (uses) - net	<u>6,760,154</u>	<u>6,983,965</u>	<u>3,112,889</u>	<u>(3,871,076)</u>
Revenues and other financing sources under expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>(1,379,346)</u>	<u>\$ (1,379,346)</u>
Fund balance				
Beginning of year, July 1			20,617,760	
Restatement			342,616	
Beginning of year, July 1, as restated			<u>20,960,376</u>	
Decrease in reserve for inventory			25,984	
End of year, June 30			<u>\$ 19,607,014</u>	
A legally budgeted Capital Reserve Fund and Revaluation Fund is consolidated into the General Fund for reporting purposes:				
Sales tax revenue			2,562,985	
Investment earnings			-	
Transfer-out to General Fund			(2,500,000)	
Transfer-in from General Fund			<u>25,000</u>	
Fund Balance, Beginning			595,443	
Restatement to include Revaluation Fund			<u>642,991</u>	
Fund Balance, Beginning, as restated			<u>1,238,434</u>	
Fund Balance, Ending (Exhibit 4)			<u>\$ 20,933,433</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, 2014

	Major Enterprise Fund Water and Sewer Fund	Major Internal Service Fund Insurance Fund
Assets		
Current assets:		
Cash and cash equivalents	\$ 4,315,135	\$ 2,172,079
Receivables, net	1,135,778	-
Due from other governments	75,322	-
Security deposit	-	362,200
Total current assets	<u>5,526,235</u>	<u>2,534,279</u>
Noncurrent assets:		
Capital assets:		
Land, improvements, and construction in progress	1,476,559	-
Other capital assets, net of depreciation	25,709,544	-
Total capital assets	<u>27,186,103</u>	<u>-</u>
Total noncurrent assets	<u>27,186,103</u>	<u>-</u>
Total assets	<u>\$ 32,712,338</u>	<u>\$ 2,534,279</u>
Liabilities		
Current liabilities:		
Accounts payable	\$ 583,923	\$ 256,292
Accrued payroll	53,107	-
Accrued interest expense	32,655	-
Customer deposits	333,815	-
Compensated absences	15,080	-
Revolving loans	180,000	-
Certificates of participation	663,262	-
Installment debt	585,618	-
Total current liabilities	<u>2,447,460</u>	<u>256,292</u>
Noncurrent liabilities:		
Compensated absences	45,241	-
Revolving loans	1,080,000	-
Certificates of participation	3,616,009	-
Installment debt	5,438,609	-
Other postemployment benefits	511,262	-
Total noncurrent liabilities	<u>10,691,121</u>	<u>256,292</u>
Total liabilities	<u>13,138,581</u>	<u>256,292</u>
Net Position		
Net investment in capital assets	15,622,605	-
Unrestricted	3,951,152	2,277,987
Total net position	<u>19,573,757</u>	<u>\$ 2,277,987</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	<u>68,865</u>	
Net position of business-type activities	<u>\$ 19,642,622</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, 2014

	<u>Major</u>	<u>Major</u>
	<u>Enterprise Fund</u>	<u>Internal Service</u>
	<u>Water and Sewer</u>	<u>Fund</u>
	<u>Fund</u>	<u>Insurance Fund</u>
Operating revenues		
Charges for water	\$ 5,126,935	\$ -
Charges for sewer	2,660,350	-
Other operating revenues	750,789	-
Charges for services	-	7,082,733
Miscellaneous income	951	24,014
Total operating revenues	<u>8,539,025</u>	<u>7,106,747</u>
Operating expenses		
Internal Service fund expenses	-	6,380,190
Water Department		
Salaries and employee benefits	717,113	-
Water purchases	3,014,743	-
Other operating expenses	434,900	-
Depreciation	768,572	-
Total water department	<u>4,935,328</u>	<u>-</u>
Sewer Department		
Salaries and employee benefits	435,750	-
Other operating expenses	558,755	-
Depreciation	247,045	-
Total sewer department	<u>1,241,550</u>	<u>-</u>
Total operating expenses	<u>6,176,878</u>	<u>6,380,190</u>
Operating income	<u>2,362,147</u>	<u>726,557</u>
Nonoperating revenues (expenses)		
Interest earnings	-	-
Interest expense	(470,886)	-
Total nonoperating revenue (expenses) - net	<u>(470,886)</u>	<u>-</u>
Income (loss) before transfers	<u>1,891,261</u>	<u>726,557</u>
Capital contributions	<u>-</u>	<u>-</u>
Transfers		
Transfer to General fund	(499,997)	-
Change in net position	<u>1,391,264</u>	<u>726,557</u>
Net position		
Total net position, beginning	<u>18,182,493</u>	<u>1,551,430</u>
Total net position, ending	<u>19,573,757</u>	<u>\$ 2,277,987</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	<u>26,883</u>	
Change in net position of business-type activities	<u>\$ 1,418,147</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, 2014**

	<u>Major</u>	<u>Major</u>
	<u>Enterprise Fund</u>	<u>Internal Service Fund</u>
	<u>Water and Sewer Fund</u>	<u>Insurance Fund</u>
Cash flows from operating activities		
Cash received from customers	\$ 8,416,178	\$ 7,106,747
Cash paid for goods and services	(3,757,303)	(6,275,437)
Cash paid to employees for services	(1,046,942)	-
Customer deposits received	23,195	-
Net cash provided by operating activities	<u>3,635,128</u>	<u>831,310</u>
Cash flows from noncapital financing activities		
Transfers in	<u>(499,997)</u>	<u>-</u>
Cash flows from capital and related financing activities		
Acquisition and construction of capital assets	(1,753,652)	-
Principal paid on bonds	(1,375,916)	-
Interest paid	<u>(470,886)</u>	<u>-</u>
Net cash used by capital and related financing activities	<u>(3,600,454)</u>	<u>-</u>
Net increase in cash and cash equivalents	(465,323)	831,310
Cash and cash equivalents		
Beginning of year, July 1	<u>4,780,458</u>	<u>1,340,769</u>
End of year, June 30	<u>\$ 4,315,135</u>	<u>\$ 2,172,079</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, 2014

	<u>Major</u>	<u>Major</u>
	<u>Enterprise Fund</u>	<u>Internal Service Fund</u>
	<u>Water and Sewer Fund</u>	<u>Insurance Fund</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 2,362,147	\$ 726,557
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	1,015,617	-
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(122,847)	-
(Increase) decrease in security deposit	-	84,700
Increase (decrease) in accounts payable and accrued liabilities	252,216	20,053
Increase (decrease) in accrued interest expense	(1,121)	-
Decrease in accrued vacation pay	937	-
Increase in customer deposits	23,195	-
Increase in accrued payroll	1,552	-
Increase in other postemployment benefits	103,432	-
Total adjustments	<u>1,272,981</u>	<u>104,753</u>
Net cash provided by operating activities	<u>\$ 3,635,128</u>	<u>\$ 831,310</u>

**Franklin County, North Carolina
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2014**

	Agency Funds
Assets	
Cash and cash equivalents	\$ 313,459
Liabilities and Net Position	
Liabilities:	
Intergovernmental payable	\$ 204,433
Miscellaneous liabilities	109,026
	313,459
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, 2014**

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 established 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 exists 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. 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.

**FRANKLIN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. 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 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.

County Building Fund – This is the fund that accounts for the projects for renovation of the County's buildings.

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 Tax Fund, which accounts for funds that are billed and collected by the county for various municipalities and special districts within the County but that are not revenues to the County; the State Vehicle Interest Fund, which accounts for the three percent interest remitted to the state; 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, 2014**

Non-major Funds. The County maintains nine legally budgeted funds. The Fire District Fund, Emergency Telephone System Fund, DEA Fund, Golden Leaf Foundation Fund, and Community Development Fund are reported as non-major special revenue funds. The Airport Projects Fund and the School Construction 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.

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 taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are

**FRANKLIN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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. 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, and the Emergency Telephone System Fund), the Insurance Fund (an internal service fund), and the Water and Sewer Fund. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for all of the Capital Projects Funds, two of the special revenue funds, (the Community Development Fund and the Golden Leaf Foundation Fund), and the Water and Sewer Capital Project.

All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for the general fund, at the departmental level for the special revenue and enterprise funds, and at the object level for the Capital Projects Funds. The balances in the Capital Reserve Fund will be appropriated when transferred to a capital projects fund in accordance with the project ordinance adopted for the reserve fund. The County Manager is authorized to transfer unlimited funds between departments of the same fund.

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).

The County's investments are carried at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value.

**FRANKLIN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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	\$ 667,991
General Fund	Register of Deeds funds	68,535
General Fund	School Capital Reserve funds	658,428
County Building Fund	Unexpended debt funds	4,355,388
School Construction Fund	Unexpended debt funds	<u>1,094,423</u>
Total		<u>\$ 6,844,765</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, 2013. 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.

7. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. Minimum capitalization costs are as follows: \$50,000 for buildings and building improvements; and \$5,000 for equipment, vehicles, and furniture. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

**FRANKLIN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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 no items that meet this criterion.

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 two items that meet the criterion for this category – prepaid taxes and special assessments receivable.

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.

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.

**FRANKLIN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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.

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.

**FRANKLIN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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 in not already classified in restricted or committed. The governing body approves the appropriation; however the budget ordinance authorizes the manager to modify the appropriations by resource or appropriation within funds up to \$100,000.

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.

Unassigned Fund Balance-Portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

Franklin County has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-city funds, and 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's in the best interest of the County.

Franklin County has a stated minimum fund balance policy 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.

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 \$ (47,639,631) 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)	\$ 63,080,432
Less Accumulated Depreciation	<u>(23,266,974)</u>
Net capital assets	39,813,458
 Accrued interest receivable less the amount claimed as unearned revenue in the government-wide statements as these funds are unavailable in the fund statements	 388,628

**FRANKLIN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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	2,277,987
Internal payable representing charges in excess of cost to business-type activities – current year	(68,865)
Liabilities for deferred inflows of resources reported in the fund statements but not the government-wide	1,996,454
Liabilities for premiums related to bonds issued-included on government-wide state of net position but not the fund statements	(658,771)
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not recorded in the fund statements:	
Bonds, leases, and installment financing	(79,601,606)
Compensated absences	(1,527,047)
Other postemployment benefits	(8,675,585)
Net pension obligation	(614,995)
Accrued interest payable	(969,289)
Total adjustment	<u>\$ (47,639,631)</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 \$5,732,484 is comprised of the following:

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 2,897,729
Cost of disposed capital asset not recorded in fund statements	(1,330)
Depreciation expense, the allocation of those assets over their useful lives, that is recorded on the statement of activities but not in the fund statements	(1,563,386)
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	(3,000,000)
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	8,351,504

**FRANKLIN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Inventory not expensed on the statement of activities	25,984
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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	726,557
Less: Profit from charges to business-type activities	<u>(26,883)</u>
Net adjustment	699,674

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)	68,650
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(148,820)
Net pension obligation is accrued in the government-wide statements but not in the fund statements because they do not use current resources	(54,023)
Other postemployment benefits are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(1,404,181)

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

Reversal of deferred tax revenue recorded at 7-1-13	(2,150,623)
Recording of tax receipts deferred in the fund statements as of 6-30-14	1,996,454
Increase in accrued taxes receivable for year ended 6-30-14	(2,823)
Amortization of bond premium	41,174
Increase in accrued interest receivable for year ended 6-30-14	<u>(23,499)</u>
Total adjustment	<u>\$ 5,732,484</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. 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

**FRANKLIN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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, 2014, the County's deposits had a carrying amount of \$22,608,318 and a bank balance of \$23,237,667. Of the bank balance, \$574,242 was covered by federal depository insurance and \$22,663,425 in interest bearing deposits were covered by collateral held under the Pooling Method.

At June 30, 2014, Franklin County had \$3,220 cash on hand.

At June 30, 2014, the Tourism Development Authority had a carrying amount of \$111,701 and a bank balance of \$111,701. This balance is held in trust by Franklin County.

2. Investments

As June 30, 2014, the County's investment balances were as follows:

	<u>Fair Value</u>	<u>6-12 months</u>
NC Capital Management Trust	\$ 8,850,470	\$ 8,850,470

Credit Risk – The County limits investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The County's investment in the NC Capital Management Trust Cash Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2014. 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 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>
2011	\$ 3,389,890	\$ 1,135,613	\$ 4,525,503
2012	3,380,342	828,184	4,208,526
2013	3,423,201	530,596	3,953,797
2014	<u>3,408,017</u>	<u>-</u>	<u>3,408,017</u>
Total	<u>\$ 13,601,450</u>	<u>\$ 2,494,393</u>	<u>\$ 16,095,843</u>

4. Receivables

Receivables at the government-wide level at June 30, 2014 were as follows:

**FRANKLIN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Accounts</u>	Ad Valorem Taxes & Related <u>Accrued Interest</u>	<u>Due from Other Governments</u>	<u>Total</u>
Governmental Activities:				
General	\$ 3,298,298	\$ 2,398,222	\$ 3,884,210	\$ 9,580,730
Other Governmental	<u>29,154</u>	<u>137,860</u>	<u>466,717</u>	<u>633,731</u>
Total receivables	3,327,452	2,536,082	4,350,927	10,214,461
Allowance for doubtful accounts	<u>(2,502,034)</u>	<u>(151,000)</u>	<u>-</u>	<u>(2,653,034)</u>
Total – governmental activities	<u>\$ 825,418</u>	<u>\$ 2,385,082</u>	<u>\$ 4,350,927</u>	<u>\$ 7,561,427</u>
Business-type Activities:				
Water and Sewer	\$ 1,248,357	\$ -	\$ 75,322	\$ 1,323,679
Allowance for doubtful accounts	<u>(112,579)</u>	<u>-</u>	<u>-</u>	<u>(112,579)</u>
Total – business-type activity	<u>\$ 1,135,778</u>	<u>\$ -</u>	<u>\$ 75,322</u>	<u>\$ 1,211,100</u>

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

Local option sales tax	\$ 1,485,255
Child Care	225,167
Social Services	679,283
DMV Collections	385,728
EMS Medicaid Cost Settlement	310,759
Sales tax refund	352,677
Medicaid Hold Harmless	152,568
CDBG receivable	154,591
DOT receivable	201,558
Miscellaneous	<u>478,663</u>
Total	<u>\$ 4,426,249</u>

5. Capital Assets

Primary Government

Capital asset activity for the year ended June 30, 2014 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	\$ 11,646,388	\$ -	\$ -	\$ 11,646,388
Construction in process	<u>9,894,351</u>	<u>1,758,431</u>	<u>198,565</u>	<u>11,454,217</u>
Total capital assets not being depreciated	<u>21,540,739</u>	<u>1,758,431</u>	<u>198,565</u>	<u>23,100,605</u>
Capital assets being depreciated:				
Buildings	23,280,437	51,419	-	23,331,856
Waterlines	163,228	-	-	163,228
Gas lines	411,481	-	-	411,481
Land Improvements	2,847,822	167,000	-	3,014,822
Equipment	6,456,437	343,693	-	6,800,130
Vehicles	<u>5,554,810</u>	<u>775,751</u>	<u>72,251</u>	<u>6,258,310</u>
Total capital assets being depreciated	<u>38,714,215</u>	<u>1,337,863</u>	<u>72,251</u>	<u>39,979,827</u>

**FRANKLIN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Less accumulated depreciation for:				
Buildings	10,964,444	615,841	-	11,580,285
Waterlines	34,950	4,085	-	39,035
Gas lines	201,351	8,241	-	209,592
Land Improvements	942,041	148,166	-	1,090,207
Equipment	4,976,610	369,664	-	5,346,274
Vehicles	<u>4,655,113</u>	<u>417,389</u>	<u>70,921</u>	<u>5,001,582</u>
Total accumulated depreciation	<u>21,774,509</u>	<u>\$ 1,563,386</u>	<u>\$ 70,921</u>	<u>23,266,974</u>
Total capital assets being depreciated, net	<u>16,939,706</u>			<u>16,712,853</u>
Governmental –type activities capital assets, net	<u>\$ 38,480,445</u>			<u>\$ 39,813,458</u>
 Business-type activities:				
Franklin County Water & Sewer Fund				
Capital assets not being depreciated:				
Land	\$ 369,456	\$ -	\$ -	\$ 369,456
Construction in progress	<u>150,000</u>	<u>1,107,103</u>	<u>150,000</u>	<u>1,107,103</u>
Total capital assets not being depreciated	<u>519,456</u>	<u>1,107,103</u>	<u>150,000</u>	<u>1,476,559</u>
Capital assets being depreciated:				
Plant and distribution systems	37,439,964	680,690	-	38,120,654
Furniture and maintenance equipment	805,065	115,859	-	920,924
Vehicles	<u>409,991</u>	<u>-</u>	<u>-</u>	<u>409,991</u>
Total capital assets being depreciated	<u>38,655,020</u>	<u>646,549</u>	<u>-</u>	<u>39,451,569</u>
Less accumulated depreciation for:				
Plant and distribution systems	11,669,137	960,585	-	12,629,722
Furniture and maintenance equipment	714,670	35,780	-	750,450
Vehicles	<u>342,601</u>	<u>19,252</u>	<u>-</u>	<u>361,853</u>
Total accumulated depreciation	<u>12,726,407</u>	<u>\$ 1,015,617</u>	<u>\$ -</u>	<u>13,742,025</u>
Total capital assets being depreciated, net	<u>25,928,613</u>			<u>25,709,544</u>
Business-type activities capital assets, net	<u>\$ 26,448,069</u>			<u>\$ 27,186,103</u>

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

General Government	\$ 209,482
Public Safety	758,136
Economic and Physical Development	287,086
Human Services	156,991
Cultural and Recreational	<u>151,690</u>
Total depreciation expense	<u>\$ 1,563,386</u>

Construction and Other Commitments

At June 30, 2014, the County was obligated under construction projects as follows:

<u>Project</u>	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
E911 Project	\$ 9,500,000	\$ 850,000
Jail Renovation	1,830,000	1,720,000
Courthouse Renovation	\$ 93,150	\$ 1,130,000

**FRANKLIN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

B. Liabilities

1. Payables

Payables at the government-wide level at June 30, 2014 were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Total</u>
Governmental Activities:			
General	\$ 789,452	\$ 1,662,314	\$ 2,451,766
Other Governmental	<u>582,738</u>	<u>-</u>	<u>582,738</u>
Total - governmental activities	<u>\$ 1,372,190</u>	<u>\$ 1,662,314</u>	<u>\$ 3,034,504</u>
Business-type Activity:			
Water and Sewer Fund	<u>\$ 583,923</u>	<u>\$ 53,107</u>	<u>\$ 637,030</u>

2. Pension Plan and Other Postemployment Obligations

a. Local Governmental Employee's Retirement System

Plan Description – Franklin County contributes to the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy – Plan members are required to contribute six percent of their annual covered salary. The County is required to contribute at an actuarially determined rate. For the County, the current rate for employees not engaged in law enforcement and for law enforcement officers is 7.07 and 7.28% respectively, of annual covered payroll. The contribution requirements of members and of Franklin County are established and may be amended by the North Carolina General Assembly. The County's contributions to LGERS for the years ended June 30, 2014, 2013, and 2012 were \$1,322,592, \$1,172,943, and \$1,169,638, respectively. The contributions made by the County and the plan members equaled the required contributions for each year.

b. Law Enforcement Officers' Special Separation Allowance

1. Plan Description

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

**FRANKLIN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

All full-time County law enforcement officers are covered by the Separation Allowance. At December 31, 2013, 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>73</u>
Total	<u>74</u>

2. Summary of Significant Accounting Policies

Basis of Accounting – The County has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting.

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

3. Contributions

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

The annual required contribution for the current year was determined as part of the December 31, 2013 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumption included (a) 5.00% investment rate of return (net of administrative expenses) and (b) projected salary increases of 4.25 % – 7.85% per year. Both (a) and (b) included an inflation component of 3.00%. The assumptions did not include postretirement benefit increases. The actuarial value of assets was determined using the market value of investments. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2013 was 17 years.

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

Annual required contribution	\$ 82,302
Interest on net pension obligation	28,049
Adjustment to annual required contribution	<u>(45,704)</u>
Annual pension cost	64,647
Contributions made	<u>10,624</u>
Increase in net pension obligation	54,023
Net pension obligation at beginning of year	<u>560,972</u>
Net pension obligation at end of year	<u>\$ 614,995</u>

Three Year Trend Information

For Year Ended	Annual Pension	Percentage of APC	Net Pension
<u>June 30</u>	<u>Cost (APC)</u>	<u>Contributed</u>	<u>Obligation</u>
2012	\$ 75,329	0.00%	\$ 484,592
2013	76,380	0.00%	560,972
2014	\$ 64,647	16.43%	\$ 614,995

**FRANKLIN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

4. Funded Status and Funding Progress

As of December 31, 2013, the most recent actuarial valuation date, the plan was 0 percent funded. The actuarial accrued liability for benefits was \$602,852, and the actuarial value of assets was 0, resulting in an unfunded actuarial accrued liability (UALL) of \$602,852. The covered payroll (annual payroll of active employees covered by the plan) was \$2,825,377 and the ratio of the UAAL to the covered payroll was 21.34%.

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

c. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description – The County contributes to the Supplemental Retirement Income Plan (Plan), a defined contributions pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the County. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State’s CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy – Article 12E of G.S. Chapter 143 requires the County to contribute each month an amount equal to five percent of each officer’s salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2014 were \$211,883, which consisted of \$171,185 from the County and \$40,698 from the law enforcement officers.

d. Registers of Deeds’ Supplemental Pension Fund

Plan Description. Franklin County also contributes to the Registers of Deeds’ Supplemental Pension Fund (Fund), a noncontributory, defined contribution plan administered by the North Carolina Department of State Treasurer. The Fund provides supplemental pension benefits to any eligible county register of deeds who is retired under the Local Government Employees’ Retirement System (LGERS) or an equivalent locally sponsored plan. Article 3 of G.S. Chapter 161 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Registers of Deeds’ Supplemental Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State’s CAFR includes financial statements and required supplementary information for the Registers of Deeds’ Supplemental Pension Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy – On a monthly basis, the County remits to the Department of State Treasurer an amount equal to one and one-half percent (1.5%) of the monthly receipts collected pursuant to Article 3 of G.S. 161. Immediately following January 1 of each year, the Department of State Treasurer divides ninety-three percent (93%) of the amount in the Fund at the end of the preceding calendar year into equal shares to be disbursed as monthly benefits. The remaining seven percent (7%) of the Fund’s assets may be used by the State Treasurer in administering the Fund. For the fiscal year ended June 30, 2014, the County’s required and actual contributions were \$4,892.

**FRANKLIN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

e. Other Postemployment Benefits

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

Membership of the HCB Plan consisted of the following at December 31, 2012, the date of the latest actuarial valuation:

	<u>General Employees</u>	<u>Law Enforcement Employees</u>
Retirees and dependents receiving benefits	73	1
Terminated plan members entitled to but not yet receiving benefits	-	-
Active plans members	<u>356</u>	<u>59</u>
Total	<u>430</u>	<u>59</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 13.19% of annual covered payroll. For the current year, the County contributed \$546,954 or 3.54% 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 7.6% and .59% of covered payroll, respectively. There were no contributions made by employees, except for dependent coverage in the amount of \$7,078. 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:

**FRANKLIN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Annual required contribution	\$ 2,040,839
Interest on net OPEB obligation	307,169
Adjustment to annual required contribution	<u>293,442</u>
Annual OPEB cost (expense)	2,054,566
Contributions made	<u>546,954</u>
Increase in net OPEB obligation	1,507,612
Net OPEB obligation, beginning of year	<u>7,679,235</u>
Net OPEB obligation, end of year	<u>\$ 9,186,847</u>

The Count's annual OPEB cost, the percentage of annual OPEB cost contributed to the HCB Plan, and the net OPEB obligation for 2014 were as follows:

<u>For the Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Contribution</u>
2014	\$ 2,054,566	26.60%	\$ 9,186,847
2013	2,195,491	17.60%	7,679,235
2012	\$ 2,128,502	12.01%	\$ 5,870,273

Funded Status and Funding Progress. As of December 31, 2012, 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 \$19,875,012. The covered payroll (annual payroll of active employees covered by the plan) was \$15,473,009 and the ratio of the UAAL to the covered payroll was 128.4 percent.

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

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

In the December 31, 2012 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 8.50 and 5.00 percent for pre-medicare and 6.25 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 December 31, 2012 was thirty years.

**FRANKLIN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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.

For the fiscal year ended June 30, 2014, the County did not make contributions to the State for death benefits.

For the fiscal year ended June 30, 2014 the County made contributions to the State for death benefits of \$0. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 0.00% and 0.00% of covered payroll respectively.

Due to a surplus in the death benefit, a decision was made by the State to temporarily stop employer contributions to the LGERS Death Benefit Plan beginning July 1, 2012. A temporary relief period based on the number of years the employer has contributed as of December 31, 2010 was established as follows:

<u>No. Years Contributing</u>	<u>Years Relief</u>	<u>FY Contributions Resume</u>
Less than 10	1	2014
10-20	2	2015
20 or more	3	2016

The period of reprieve is determined separately for law enforcement officers. Franklin County will have a three year reprieve because it has been contributing for more than 20 years. Contributions will resume in the fiscal year beginning July 1, 2015.

3. Deferred Outflows and Inflows of Resources

	<u>Unavailable Revenue</u>	<u>Unearned Revenue</u>
Prepaid taxes not yet earned		
General Fund	\$ 236,265	\$ 236,265
Taxes receivable, net		
General Fund	1,858,594	-
Special Revenue Fund	137,860	-
Home Owners Fund	135,771	135,771
Education Fines and Forfeitures	<u>204,433</u>	<u>204,433</u>
Total	<u>\$ 2,572,923</u>	<u>\$ 576,469</u>

4. Risk Management

The County is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County participates in one self-funded risk-financing pools administered by the North Carolina Association of County Commissioners. Through these pools,

**FRANKLIN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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 Dogwood Insurance Company. Claims are administered and paid directly from the plan by DIC. Specific stop-loss is set at \$100,000 per individual health insurance claim with an unlimited lifetime 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 not obtained flood insurance this year due to the fact that the County does not have any capital assets in a flood plain.

In accordance with G.S. 159-29, the County's employees that have access to \$100 or more 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.

5. Commitments

At June 30, 2014, 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, 2014 was \$38,438.

Various other properties in Franklin County with a total rental expense for the year ended June 30, 2014 of \$69,840.

At June 30, 2014, the County leased vehicles and equipment with total rental expense of \$44,874.

At June 30, 2014, 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 \$2,000 per year. All leases expired June 30, 2014 with options to extend for an additional year. Options were

**FRANKLIN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

exercised on all of the leases at June 30, 2014. Rent expense for the year ended June 30, 2014 was \$10,950.

At June 30, 2014, the County was obligated under various operating leases for office equipment as follows:

Total lease expense for the year ended June 30, 2014 was \$88,983.

Total operating lease expense for the year ended June 30, 2014, was \$253,085.

Future lease payments total for the years ending June 30:

	<u>Total</u>
2015	\$ 109,354
2016	49,521
2017+	<u>84,283</u>
Total	<u>\$ 243,158</u>

At June 30, 2014, the County was obligated under a commitment as follows:

The County has made and entered into an agreement in November, 2007, with Waste Industries, Inc. to transport certain solid waste from the transfer station to a permitted landfill. This agreement ended on June 30th, 2014. The County began a 5 year relationship with Upper Piedmont on July 1, 2014 at 39.93 per ton.

At June 30, 2014, 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, 2015.

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 \$4.10 per thousand gallons. The obligation ends July 1, 2036.

6. Contingent Liabilities

In FY 12-13, a lawsuit was filed against the County by the former airport Fixed Base Operator (FBO) alleging breach of contract by the County. The lawsuit seeks damages in excess of \$4,000,000 for airport improvements as well as loss of income. At June 30, 2014, no accrual had been established as it was not possible to estimate the probable loss or range of loss because this matter had not advanced to a stage where we could make any such estimate. However, if the County is not successful in defending the lawsuit, a payment in excess of \$4,000,000 could reduce the County's available fund balance near the 8% requirement by the NC Local Government Commission. Mediation is scheduled for January 2015. The County believes the allegations are without merit and intend to defend this action vigorously. The County is a defendant in various other legal proceedings. In the opinion of the County's management and the County attorney, the resolution of those other proceedings 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:

**FRANKLIN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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. \$ 1,311,273

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. 533,333

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. 5,280,000

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. 2,412,000

In September 2004, the County entered into an installment contract to finance the construction of a solid waste transfer station and office renovation at the Human Services Building. The obligation is due in ten separate annual payments beginning September 2010. Interest is 3.85%. Principal and interest payments are appropriated when due. 175,000

In July 2012, the County entered into an installment contract to finance the purchase of land for the airport in the amount of \$335,931. A principal payment of \$111,977 is due annually for three years. Interest is due at the end of the loan at a rate of 4%. -

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. 3,000,000

Total installment obligation debt \$ 12,711,606

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. \$ 5,172,000

\$ 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. 834,584

\$ 52,000 In February 2012, the County entered into an installment agreement to finance the purchase of excavator. A payment in the amount of \$8,940.17 is due semiannually through February 2015. 17,643

Total installment obligation debt \$ 6,024,227

**FRANKLIN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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, 2014 is comprised of the following:

Serviced by the County's General Fund:

\$1,400,000 2005 School Bonds, issued 6/1/05, with interest and principal annually on April 1 of \$100,000 plus interest through 2019, interest payable at 3.0-3.8%.	\$ 500,000
\$5,550,000 2005 Refinancing School Bonds, issued 6/1/05, with interest semiannually on August 1 and April 1 and principal due on April 1 of \$220,000-\$550,000 through 2018, interest payable at 2.75-3.50%.	1,695,000
\$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%	13,000,000
\$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%	7,400,000
\$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%	12,000,000
\$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%	2,640,000
\$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%	<u>19,800,000</u>
Total General Obligation Indebtedness	<u>\$ 57,035,000</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>\$ 9,855,000</u>
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**FRANKLIN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Serviced by the County's Water and Sewer Fund:

Revolving Loans:

<p>\$1,500,000 2000 Federal Revolving Loan, issued 2/19/00 with interest due semiannually on November 1 and May 1 and principal of \$75,000 due May 1 through 2021, interest at 2.6%.</p>	\$ 525,000
<p>\$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%.</p>	735,000
<p>Total Revolving Loans</p>	<u>\$ 1,260,000</u>

Certificates of Participation:

<p>\$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%.</p>	\$ 2,195,000
<p>\$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%.</p>	2,084,271
<p>Total Certificates of Participation</p>	<u>\$ 4,279,271</u>

On June 30, 2014, Franklin County had a legal debt margin of \$261,581,020.

Debt Related to Capital Activities - Of the total Governmental Activities debt listed, only \$10,661,273 relates to assets the County holds title. Unspent restricted cash related to this debt amount to \$4,355,388.

8. Changes in Long-Term Debt

The following is a summary of changes in general long-term debt for the year ended June 30, 2014:

	Balance <u>July 1, 2013</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>June 30, 2014</u>	Current <u>Portion</u>
Governmental Activities:					
General obligation bonds	\$ 60,985,000	\$ -	\$ 3,950,000	\$ 57,035,000	\$ 4,290,000
Plus: Premiums on issuance	<u>699,945</u>	-	<u>41,174</u>	<u>658,771</u>	-
Total general obligation bonds	61,684,945	-	3,991,174	57,693,771	4,290,000
Certificates of participation	10,560,000	-	705,000	9,855,000	705,000
Installment purchases	13,408,110	3,000,000	3,696,504	12,711,606	2,182,550
Compensated absences	1,378,227	1,527,047	1,378,227	1,527,047	381,762
Net pension obligation	560,972	54,023	-	614,995	-
Other postemployment benefits	<u>7,271,404</u>	<u>1,404,181</u>	-	<u>8,675,585</u>	-
Total	<u>\$ 94,863,658</u>	<u>\$ 5,985,251</u>	<u>\$ 9,770,905</u>	<u>\$ 91,078,004</u>	<u>\$ 7,559,312</u>

**FRANKLIN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2014</u>	<u>Current</u> <u>Portion</u>
Business-type Activities:					
Revolving loans	\$ 1,440,000	\$ -	\$ 180,000	\$ 1,260,000	\$ 180,000
Certificates of participation	4,923,882	-	644,610	4,279,271	663,262
Installment purchases	6,575,533	-	551,306	6,024,227	585,618
Compensated absences	59,384	60,321	59,384	60,321	15,080
Other postemployment benefits	407,831	103,431	-	511,262	-
Total	<u>\$ 13,406,630</u>	<u>\$ 163,752</u>	<u>\$ 1,671,922</u>	<u>\$ 12,135,081</u>	<u>\$ 1,443,960</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).

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>
2015	\$ 4,290,000	\$ 2,123,037	\$ 2,182,550	\$ 343,601
2016	4,385,000	1,979,204	2,004,550	251,638
2017	4,270,000	1,820,688	1,733,883	197,134
2018	4,110,000	1,656,273	1,728,883	151,971
2019	3,990,000	1,497,037	1,581,741	107,765
2020-2024	19,300,000	5,221,504	2,880,000	163,286
2025-2029	15,515,000	1,729,146	600,000	21,420
2030	1,175,000	41,125	-	-
	<u>\$ 57,035,000</u>	<u>\$ 16,068,013</u>	<u>\$ 12,711,606</u>	<u>\$ 1,236,816</u>

<u>Year Ending June 30,</u>	<u>Certificates of Participation</u>		<u>Total Debt Due</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 705,000	\$ 457,533	\$ 7,177,550	\$ 2,924,171
2016	705,000	427,746	7,094,550	2,658,588
2017	705,000	397,608	6,708,883	2,415,430
2018	700,000	367,225	6,538,883	2,175,469
2019	705,000	334,375	6,276,741	1,939,177
2020-2024	3,525,000	1,319,375	25,705,000	6,704,165
2025-2029	2,810,000	438,624	18,925,000	2,189,190
2030	-	-	1,175,000	41,125
	<u>\$ 9,855,000</u>	<u>\$ 3,742,486</u>	<u>\$ 79,601,606</u>	<u>\$ 21,047,316</u>

**FRANKLIN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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>
2015	\$ 180,000	\$ 32,760	\$ 663,262	\$ 172,106
2016	180,000	28,080	682,378	146,230
2017	180,000	23,400	702,715	119,054
2018	180,000	18,720	675,916	91,129
2019	180,000	14,040	160,000	73,750
2020-2024	360,000	14,040	775,000	251,875
2025-2029	-	-	620,000	62,000
	<u>\$ 1,260,000</u>	<u>\$ 131,040</u>	<u>\$ 4,279,271</u>	<u>\$ 916,144</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>
2015	\$ 585,618	\$ 219,173	\$ 1,428,880	\$ 424,039
2016	584,974	200,430	1,447,352	374,740
2017	601,974	181,198	1,484,689	323,652
2018	617,974	161,317	1,473,890	271,166
2019	538,687	141,150	878,687	228,940
2020-2024	2,525,000	421,534	3,660,000	687,449
2025-2029	570,000	22,629	1,190,000	84,629
	<u>\$ 6,024,227</u>	<u>\$ 1,347,431</u>	<u>\$ 11,563,498</u>	<u>\$ 2,394,615</u>

C. Interfund Balances and Activity

Due to/from other funds at June 30, 2014 consists of the following:

Due to General Fund from the Airport Projects Fund to supplement cash until grant proceeds are received	\$ 146,638
Due to General Fund from the Community Development Fund to supplement cash until grant proceeds are received	<u>99,691</u>
Total due to/from other funds	<u>\$ 246,329</u>

Transfers to/from other funds at June 30, 2014 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 Emergency Telephone System Fund to compensate for disallowed expenses	3,408
From the General Fund to the Revaluation Fund to accumulate reserves for the revaluation of real property	25,000
From the General Fund to the County Building Project Fund to supplement funding for jail project	418,000
From the School Construction Fund to the General Fund for debt service	600,000
From the Water and Sewer Fund to the General Fund to repay borrowed funds	499,997
From the Capital Reserve Fund to the General Fund for the payment of debt service	<u>2,500,000</u>
Total transfers to/from other funds	<u>\$ 4,087,105</u>

**FRANKLIN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

III. 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:

Total fund balance-General Fund	\$ 20,933,433
Less:	
Inventories	60,806
Stabilization by State Statute	4,926,803
Appropriated fund balance in 2015 budget	3,457,658
Register of Deeds	68,535
Capital Reserve	658,428
Revaluation	667,991
Cultural and Recreational	179,606
Economic Development	2,081,600
Working Capital/Fund Balance Policy	11,229,949
Remaining Fund Balance	\$ (2,397,943)

Franklin County has a stated minimum fund balance policy 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 \$116,620 to the Area Mental Health during the fiscal year ended June 30, 2014. 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

**FRANKLIN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

contributed \$34,299 to K.A.R.T.S. during the fiscal year ended June 30, 2014. 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, 2014. Complete financial statements for K.A.R.T.S. can be obtained from their administrative offices at 943 W. Andrews Avenue, Henderson, N.C. 27536.

The County, in conjunction with the State of North Carolina, Vance County, Granville County, Warren County, Vance County Board of Education, and Warren County Board of Education, participates in a joint venture to operate the Vance Granville Community College. The State, Vance County, Granville County, Vance County Board of Education, and Granville County Board of Education appoint the twelve voting members of the board of trustees. Franklin County appoints a nonvoting member of the board of trustees. The president of the community college's student government serves as an ex officio nonvoting member of the community college's board of trustees. The community college is included as a component unit of the State. The County has the basic responsibility for providing funding for the facilities of the community college and also provides some financial support for the community college's operations. The County has an ongoing financial responsibility for the community college because of the statutory responsibilities to provide funding for the community college's facilities. The County contributed \$330,000 and \$20,000 to the community college for operating and capital purposes, respectively, during the fiscal year ended June 30, 2014. 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, 2014. 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 \$25,793 to the Council during the fiscal year ended June 30, 2014.

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, 2014, 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.

VIII. Benefit Payments Issued by the State

The amounts listed below were paid directly to individual recipients by the State from federal and State moneys. County personnel are involved with certain functions, primarily eligibility determinations that cause benefit payments to be issued by the State. These amounts disclose this additional aid to County recipients that do not appear in the basic financial statements because they are not revenues and expenditures of the County.

**FRANKLIN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Federal</u>	<u>State</u>
Temporary Assistance to Needy Families	\$ 263,615	\$ (72)
Women, Infants and Children	939,543	-
Medicaid	47,354,270	26,079,566
Adoption Assistance	323,605	84,895
State/County Special Assistance for Adults	-	428,766
Independent Living	1,748	-
Foster Care	168,557	60,651
Adoption Subsidy	-	251,842
SFHF Maximization	-	72,860
State Foster Home	-	73,002
	<u>\$ 49,051,338</u>	<u>\$ 27,051,510</u>

IX. Summary Disclosure of Significant Commitments and Contingencies

Federal and State Assisted Programs

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

X. Significant Effects of Subsequent Events

The County has evaluated events and transactions that occurred between June 30, 2014 and December 17, 2014, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements. Currently, the County is seeking to borrow \$1,200,000 for Courthouse Renovations and \$3,200,000 for a utility acquisition.

XI. Restatement

During the 13-14 audit, various items were found that required adjustment to the financial statements. These items involved the accrual of a DSS administrative payment, removal of the TDA fund balance due to a separate audit being required, and inclusion of the Revaluation Fund in the General Fund instead of as a separate fund.

The beginning balance would have changed as follows:

	Governmental Activities <u>Net Position</u>	General Fund <u>Fund Balance</u>
Balance, July 1, 2013	\$ (27,016,591)	\$ 21,213,203
Change due to:		
DSS Accrual	447,847	447,847
TDA Fund Balance	(105,231)	(105,231)
Revaluation Fund Balance	-	642,991
Total	342,616	985,607
Balance, July 1, 2013, as restated	<u>\$ (26,673,975)</u>	<u>\$ 22,198,810</u>

REQUIRED SUPPLEMENTAL FINANCIAL DATA

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

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

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Liability (AAL) Accrued Projected Unit Credit	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
12/31/2008	\$ -	\$ 332,424	\$ 332,424	0.00%	\$ 2,394,423	13.88%
12/31/2009	-	484,211	484,211	0.00%	2,521,006	19.21%
12/31/2010	-	520,500	520,500	0.00%	2,665,138	19.53%
12/31/2011	-	539,070	539,070	0.00%	2,630,655	20.49%
12/31/2012	-	520,814	520,814	0.00%	2,656,002	19.61%
12/31/2013	\$ -	\$ 602,852	\$ 602,852	0.00%	\$ 2,825,377	21.34%

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

Year ended June 30	Annual Required Contribution	Percentage Contributed
2009	\$ 44,571	46.27%
2010	51,452	0.00%
2011	73,658	0.00%
2012	79,281	0.00%
2013	82,307	0.00%
2014	\$ 82,302	12.91%

Notes to the Required Schedules:

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

Valuation date	12/31/2013
Actuarial cost method	Projected unit credit
Amortization method	Level dollar closed
Remaining amortization period	17 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	5.00%
Projected salary increases	4.25-7.85%
Includes inflation at	3.00%
Cost-of-living adjustments	N/A

**Franklin County, North Carolina
Other Postemployment Benefits
Required Supplementary Information
Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial 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%

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

Year ended June 30	Annual Required Contribution	Percentage Contributed
2010	\$ 1,434,333	13.25%
2011	1,488,120	13.28%
2012	2,121,356	12.05%
2013	2,184,997	17.69%
2014	\$ 2,040,839	26.80%

Notes to the Required Schedules:

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

Valuation date	12/31/2012
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay, open
Remaining amortization period	30 years
Asset valuation method	Market value of assets
Actuarial assumptions:	
Investment rate of return	4.00%
Medical cost trend	
Pre-Medicare trend rate	8.50% - 5.00%
Post-Medicare trend rate	6.25%-5.00%
Year of Ultimate trend rate	2018
Includes inflation at	3.00%

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.
- **County Building Project Fund:** This fund accounts for renovation of the County buildings.

Franklin County, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2014
(With Comparative Totals for the Year Ended June 30, 2013)

	2014		Variance Positive (Negative)	2013
	Budget	Actual		Actual
Revenues:				
Ad valorem taxes:				
Current year taxes	\$ 37,447,704	\$ 37,889,425	\$ 441,721	\$ 35,583,806
Delinquent taxes	1,020,000	837,615	(182,385)	730,049
Tax discounts and refunds	(221,500)	(211,194)	10,306	(38,149)
Total	38,246,204	38,515,846	269,642	36,275,706
Sales tax revenue	5,176,098	5,583,615	407,517	5,146,653
Other Tax Revenues				
Tax penalties and interest	410,000	354,263	(55,737)	377,223
Tax levies, foreclosures, etc.	60,050	7,275	(52,775)	8,263
Beer and wine taxes	230,600	234,017	3,417	216,442
Privilege licenses	1,500	2,847	1,347	3,336
Vehicle rental tax	1,500	10,524	9,024	3,053
ABC Rehab tax	13,500	13,531	31	13,526
Occupancy tax	42,500	49,133	6,633	44,476
Total	759,650	671,590	(88,060)	666,319
Restricted intergovernmental:				
Federal and State grants	10,195,254	10,429,350	234,096	10,557,969
Lottery proceeds	900,000	900,000	-	900,000
Total	11,095,254	11,329,350	234,096	11,457,969
Fees, sales and charges:				
Franchise fees	171,500	149,174	(22,326)	164,620
Court facility fees	75,000	70,331	(4,669)	75,597
Building permits	70,000	45,530	(24,470)	37,314
Inspection fees	562,000	699,405	137,405	570,428
Mobile home project-owner's contribution	-	1,443	1,443	-
Register of deeds fees	450,000	480,004	30,004	482,184
Adequate facilities fees	-	-	-	-
Recreation reserve fees	-	833	833	25,553
Rents and concessions	-	-	-	-
Health fees	2,304,557	1,890,254	(414,303)	2,029,449
Social services fees	264,696	145,251	(119,445)	266,872
Aging services	58,800	66,118	7,318	63,991
Airport	890,000	872,920	(17,080)	867,380
Sheriff and jail fees	1,885,041	2,101,154	216,113	1,893,049
Library fees and donations	40,000	39,095	(905)	36,834
Solid waste fees	2,507,900	2,411,680	(96,220)	2,372,351
Ambulance and rescue squad fees	2,055,000	1,852,504	(202,496)	1,873,261
Recreation	32,750	32,137	(613)	27,556
Other	120,712	137,095	16,383	77,131
Total	11,487,956	10,994,928	(493,028)	10,863,570

Franklin County, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2014
(With Comparative Totals for the Year Ended June 30, 2013)

	2014		Variance Positive (Negative)	2013
	Budget	Actual		Actual
Investment earnings	195,000	137,372	(57,628)	140,745
Miscellaneous:				
Donations and private grants	118,622	149,789	31,167	131,768
Other miscellaneous	316,469	267,769	(48,700)	363,221
Total	435,091	417,558	(17,533)	494,989
Total revenues	67,395,253	67,650,259	255,006	65,045,951
Expenditures:				
General government:				
Governing body:				
Salaries and employee benefits		195,644		215,935
Other operating expenditures		75,293		67,326
Insurance other than property		2,575		2,575
Capital outlay		1,036		2,785
Total	270,923	274,548	(3,625)	288,621
County Manager:				
Salaries and employee benefits		225,103		199,559
Other operating expenditures		23,960		31,530
Capital outlay		19,773		869
Total	335,747	268,836	66,911	231,958
Finance:				
Salaries and employee benefits		326,922		311,043
Other operating expenditures		32,393		46,220
Capital outlay		1,664		574
Total	404,909	360,979	43,930	357,837
Human Resources:				
Salaries and employee benefits		190,665		132,410
Other operating expenditures		24,379		39,338
Capital outlay		2,422		16,352
Total	219,060	217,466	1,594	188,100
Board of Elections:				
Salaries and employee benefits		211,891		191,069
Other operating expenditures		165,455		150,633
Capital outlay		2,504		892
Total	378,855	379,850	(995)	342,594
Register of Deeds:				
Salaries and employee benefits		236,163		236,026
Other operating expenditures		71,573		105,148
Total	315,995	307,736	8,259	341,174

Franklin County, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2014
(With Comparative Totals for the Year Ended June 30, 2013)

	2014		Variance Positive (Negative)	2013
	Budget	Actual		Actual
Tax Assessor:				
Salaries and employee benefits		455,083		442,367
Other operating expenditures		145,968		155,526
Capital outlay		2,052		2,880
Total	731,597	603,103	128,494	600,773
Tax Collector:				
Salaries and employee benefits		344,417		313,950
Other operating expenditures		96,543		114,166
Capital outlay		1,651		4,000
Total	513,548	442,611	70,937	432,116
Maintenance:				
Salaries and employee benefits		550,080		507,747
Other operating expenditures		321,893		317,832
Capital outlay		58,664		19,227
Total	941,780	930,637	11,143	844,806
Central Services:				
Other operating expenditures	132,293	118,403	13,890	201,774
Court:				
Operating expenditures		71,013		71,045
Capital outlay		1,010		1,859
Total	76,115	72,023	4,092	72,904
Capital improvement:				
Capital outlay	155,000	82,411	72,589	210,170
Information technology services:				
Salaries and employee benefits		190,828		179,117
Other operating expenditures		43,800		45,849
Capital outlay		31,591		30,429
Total	285,588	266,219	19,369	255,395
Legal and professional:				
Legal and professional	75,200	39,552	35,648	40,502
Total general government	4,836,610	4,364,374	472,236	4,408,724
Public safety:				
Planning:				
Salaries and employee benefits		347,095		342,563
Other operating expenditures		122,613		20,017
Capital outlay		657		936
Total	492,390	470,365	22,025	363,516
Inspections:				
Salaries and employee benefits		440,273		419,239
Other operating expenditures		55,925		52,295
Capital outlay		21,913		3,743
Total	532,818	518,111	14,707	475,277

Franklin County, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2014
(With Comparative Totals for the Year Ended June 30, 2013)

	2014		Variance Positive (Negative)	2013
	Budget	Actual		Actual
GIS Mapper Service:				
Salaries and employee benefits		177,846		166,063
Other operating expenditures		36,194		38,183
Capital outlay		8,150		3,000
Total	236,807	222,190	14,617	207,246
Central Services:				
Other operating expenditures	196,500	178,539	17,961	166,821
Sheriff:				
Salaries and employee benefits		4,466,777		4,064,630
Other operating expenditures		1,237,355		1,266,092
Capital outlay		302,156		387,720
Total	6,171,547	6,006,288	165,259	5,718,442
Communications:				
Salaries and employee benefits		984,727		932,890
Other operating expenditures		140,954		144,015
Capital outlay		-		2,598
Total	1,144,155	1,125,681	18,474	1,079,503
Jail:				
Salaries and employee benefits		1,848,598		1,683,329
Other operating expenditures		1,209,042		1,112,237
Capital outlay		16,935		15,208
Total	3,094,265	3,074,575	19,690	2,810,774
Jail-meal operations:				
Salaries and employee benefits		5,533		-
Other operating expenditures		430,831		435,313
Total	443,470	436,364	7,106	435,313
Fire protection:				
Forest fire control service	100,598	76,203	24,395	96,159
Rescue and ambulance services:				
Salaries and employee benefits		3,759,868		3,175,174
Other operating expenditures		600,852		573,011
Capital outlay		516,031		230,131
Total	5,112,165	4,876,751	235,414	3,978,316
Emergency management services:				
Salaries and employee benefits		195,854		168,382
Other operating expenditures		39,054		27,348
Capital outlay		497		-
Total	251,016	235,405	15,611	195,730
Rescue squad contributions:				
Rescue units	143,200	143,201	(1)	248,000

Franklin County, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2014
(With Comparative Totals for the Year Ended June 30, 2013)

	2014		Variance Positive (Negative)	2013
	Budget	Actual		Actual
Animal control:				
Salaries and employee benefits		314,318		272,249
Other operating expenditures		131,932		112,190
Capital outlay		45,028		-
Total	481,111	491,278	(10,167)	384,439
Total public safety	18,400,042	17,854,951	545,091	16,159,536
Economic and physical development:				
Economic development:				
Salaries and employee benefits		269,731		250,216
Other operating expenditures		85,909		83,364
Company incentives		21,596		458,338
Capital outlay		1,288		2,315
Total	571,503	378,524	192,979	794,233
Central services:				
Other operating expenditures	72,640	12,640	60,000	47,669
Cooperative extension services:				
Salaries and employee benefits		5,742		6,065
Other operating expenditures		267,082		241,170
Capital outlay		1,419		1,880
Total	325,056	274,243	50,813	249,115
Soil and water conservation:				
Salaries and employee benefits		246,823		237,718
Other operating expenditures		20,554		20,320
Total	269,635	267,377	2,258	258,038
Solid waste:				
Salaries and employee benefits		764,723		715,470
Waste disposal contract		1,489,858		1,468,380
Other operating expenditures		911,963		874,301
Capital outlay		196,248		172,280
Total	3,324,405	3,362,792	(38,387)	3,230,431
Airport operations:				
Salaries and employee benefits		193,495		176,860
Other operating expenditures		190,393		173,990
Fuel purchases		521,253		510,433
Capital outlay		1,694		1,660
Total	919,395	906,835	12,560	862,943
Tourism development authority				
Other operating expenditures	-	49,133	(49,133)	-
Total economic & physical development	5,482,634	5,251,544	231,090	5,442,429

Franklin County, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2014
(With Comparative Totals for the Year Ended June 30, 2013)

	2014		Variance Positive (Negative)	2013
	Budget	Actual		Actual
Human services:				
Central services:				
Other operating expenditures	305,076	303,196	1,880	266,232
Health:				
Administration:				
Salaries and employee benefits		612,663		599,602
Other operating expenditures		100,761		101,566
Capital outlay		-		4,309
Total	752,102	713,424	38,678	705,477
Clinical health:				
Salaries and employee benefits		2,102,229		2,055,508
Contractual services		12,685		10,712
Other operating expenditures		851,618		965,627
Capital outlay		9,705		24,737
Total	3,178,809	2,976,237	202,572	3,056,584
Dental health:				
Salaries and employee benefits		154,292		139,855
Other operating expenditures		289,934		221,692
Capital outlay		500		-
Total	444,785	444,726	59	361,547
WIC				
Other operating expenditures	-	109	(109)	-
Home health:				
Salaries and employee benefits		545,144		501,500
Other operating expenditures		359,745		439,960
Capital outlay		1,581		6,678
Total	1,037,111	906,470	130,641	948,138
Veterans services:				
Salaries and employee benefits		66,747		64,406
Other operating expenditures		12,869		12,825
Capital outlay		-		-
Total	83,872	79,616	4,256	77,231
Social services:				
Administration:				
Salaries and employee benefits		5,071,274		4,815,479
Other operating expenditures		532,551		530,478
Professional services		126,627		170,288
Capital outlay		33,012		12,980
Total	5,972,670	5,763,464	209,206	5,529,225
Social services programs:				
Medicaid	229,955	221,778	8,177	228,878
Special assistance	491,658	428,766	62,892	461,559
Foster care	574,108	645,968	(71,860)	505,292
Crisis intervention	517,405	537,418	(20,013)	469,695
General assistance	20,000	19,954	46	17,001
Day care	2,221,245	2,243,243	(21,998)	2,249,188
Other assistance	559,587	475,189	84,398	469,399
Total	4,613,958	4,572,316	41,642	4,401,012

Franklin County, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2014
(With Comparative Totals for the Year Ended June 30, 2013)

	2014		Variance Positive (Negative)	2013
	Budget	Actual		Actual
DSS Child support:				
Salaries and employee benefits		522,122		509,816
Other operating expenditures		154,211		174,189
Capital outlay		580		2,613
Total	740,293	676,913	63,380	686,618
Aging:				
Salaries and employee benefits		474,372		445,607
Other operating expenditures		496,804		522,219
Capital outlay		1,825		1,225
Total	999,995	973,001	26,994	969,051
Total human services	18,128,671	17,409,472	719,199	17,001,115
Cultural and leisure:				
Salaries and employee benefits		214,526		207,804
Other operating expenditures		343,353		176,989
Capital outlay		13,759		495
Total	581,804	571,638	10,166	385,288
Central Services:				
Other operating expenditures	13,040	13,040	-	13,440
Library:				
Salaries and employee benefits		630,813		578,834
Other operating expenditures		88,174		99,295
Books, magazines & telecommunications		101,383		115,170
Capital outlay		14,860		26,979
Total	826,320	835,230	(8,910)	820,278
Total culture and recreation	1,421,164	1,419,908	1,256	1,219,006
Education:				
Education allocations:				
Public schools - current		13,094,566		12,350,000
Public schools - capital outlay		1,100,001		1,100,000
Community colleges - current		330,000		310,000
Community colleges - capital outlay		88,553		15,500
Total education	14,669,441	14,613,120	56,321	13,775,500
Debt service:				
Principal retirement		8,127,550		8,072,550
Interest and fees		3,101,575		3,392,405
Total debt service	11,440,656	11,229,125	211,531	11,464,955
Total expenditures	74,379,218	72,142,494	2,236,724	69,471,265
Revenues over (under) expenditures	(6,983,965)	(4,492,235)	2,491,730	(4,425,314)

Franklin County, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2014
(With Comparative Totals for the Year Ended June 30, 2013)

	2014		Variance Positive (Negative)	2013
	Budget	Actual		Actual
Other financing sources (uses)				
Transfers to other funds:				
Fire District Fund	(40,700)	(40,700)	-	(40,700)
County Building Project Fund	(418,000)	(418,000)	-	-
Revaluation Fund	(25,000)	(25,000)	-	(25,000)
Emergency Telephone System Fund	(3,408)	(3,408)	-	-
Airport Fund	-	-	-	(16,666)
Total transfers out	(487,108)	(487,108)	-	(82,366)
Transfers from other funds:				
Capital Reserve Fund	2,500,000	2,500,000	-	2,496,900
Water and Sewer Fund	500,000	499,997	3	400,000
School Construction Fund	600,000	600,000	-	850,000
Total transfers in	3,600,000	3,599,997	3	3,746,900
Total other financing sources (uses) - net	3,112,892	3,112,889	3	3,664,534
Revenues and other financing sources over (under) expenditures and other financing uses	(3,871,073)	(1,379,346)	2,491,727	(760,780)
Appropriated fund balance	3,871,073	-	(3,871,073)	-
Revenues, other financing sources and appropriated fund balance over (under) expenditures and other uses	<u>\$ -</u>	(1,379,346)	<u>\$ (1,379,346)</u>	(760,780)
Fund balances				
Beginning of year, July 1		20,617,760		21,370,938
Restatement		342,616		-
Beginning of year, July 1, as restated		20,960,376		21,370,938
Increase (decrease) in reserve for inventory		25,984		7,602
End of year, June 30		<u>\$ 19,607,014</u>		<u>\$ 20,617,760</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, 2014
(With Comparative Totals for the Year Ended June 30, 2013)

	2014		Variance Positive (Negative)	2013
	Budget	Actual		Actual
Revenues				
Sales tax revenue	\$ 2,500,000	\$ 2,562,985	\$ 62,985	\$ 2,497,835
Interest earnings	-	-	-	(317)
Total revenues	<u>2,500,000</u>	<u>2,562,985</u>	<u>62,985</u>	<u>2,497,518</u>
Expenditures				
Education	-	-	-	-
Other financing sources (uses)				
Transfer from General Fund	-	-	-	-
Transfer to General Fund	(2,500,000)	(2,500,000)	-	(2,496,900)
Appropriated fund balance	-	-	-	-
Total other financing sources (uses) - net	<u>(2,500,000)</u>	<u>(2,500,000)</u>	<u>-</u>	<u>(2,496,900)</u>
Revenues and other financing sources under expenditures and uses	<u>\$ -</u>	<u>62,985</u>	<u>\$ 62,985</u>	<u>618</u>
Fund balance				
Beginning of year, July 1		<u>595,443</u>		<u>594,825</u>
End of year, June 30		<u>\$ 658,428</u>		<u>\$ 595,443</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, 2014
(With Comparative Totals for the Year Ended June 30, 2013)

	2014		Variance Positive (Negative)	2013
	Budget	Actual		Actual
Revenues				
Interest earnings	\$ -	\$ -	\$ -	\$ -
Expenditures				
Appraisal		-		18,134
Total expenditures	10,000	-	10,000	18,134
Other financing sources				
Transfer from General Fund	-	25,000	25,000	25,000
Total other sources	-	25,000	25,000	25,000
Appropriated fund balance	10,000	-	(10,000)	-
Total revenues and other financing sources over expenditures	<u>\$ -</u>	25,000	<u>\$ 25,000</u>	6,866
Fund balance				
Beginning of year, July 1		642,991		636,125
End of year, June 30		<u>\$ 667,991</u>		<u>\$ 642,991</u>

Franklin County, North Carolina
County Building Project Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and for the Year Ended June 30, 2014

	Project Author- ization	Actual		Total to Date	Variance Positive (Negative)
		Prior Year	Current Year		
Revenues					
Intergovernmental revenues	\$ 963,770	\$ 532,052	\$ -	\$ 532,052	\$ (431,718)
Interest earnings	95,000	13,268	160	13,428	(81,572)
Total revenues	<u>1,058,770</u>	<u>545,320</u>	<u>160</u>	<u>545,480</u>	<u>(513,290)</u>
Expenditures					
Construction					
Pilot Lions Park	-	994,147	1,000	995,147	(995,147)
E911 Facility	10,518,525	8,910,210	(51,865)	8,858,345	1,660,180
Owens Park Project	963,770	1,666	5,220	6,886	956,884
Jail Renovation	3,553,000	-	1,710,927	1,710,927	1,842,073
Courthouse Renovation	1,377,272	-	93,150	93,150	1,284,122
Total	<u>16,412,567</u>	<u>9,906,023</u>	<u>1,758,432</u>	<u>11,664,455</u>	<u>4,748,112</u>
Total revenues over (under) expenditures	<u>(15,353,797)</u>	<u>(9,360,703)</u>	<u>(1,758,272)</u>	<u>(11,118,975)</u>	<u>4,234,822</u>
Other financing sources					
Issuance of debt	13,977,272	9,256,000	3,000,000	12,256,000	(1,721,272)
Appropriated fund balance	100,000	-	-	-	-
Transfer from other funds					
Emergency Telephone System Fund		791,483	-	791,483	
General Fund		2,118,595	418,000	2,536,595	
Total transfers	<u>1,276,525</u>	<u>2,910,078</u>	<u>418,000</u>	<u>3,328,078</u>	<u>2,051,553</u>
Total other sources	<u>15,353,797</u>	<u>12,166,078</u>	<u>3,418,000</u>	<u>15,584,078</u>	<u>330,281</u>
Total revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 2,805,375</u>	<u>1,659,728</u>	<u>\$ 4,465,103</u>	<u>\$ 4,565,103</u>
Fund balance					
Beginning of year, July 1			<u>2,283,035</u>		
End of year, June 30			<u>\$ 3,942,763</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.
- **Golden Leaf Foundation Fund:** This fund accounts for money received from the Golden Leaf Foundation.
- **Community Development Fund:** This fund accounts for Community Development Block Grant funds.

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.

**Franklin County, North Carolina
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2014**

	Special Revenue Funds					Capital Projects Funds				Total Nonmajor Governmental Funds
	Fire District Fund	Emergency Telephone System Fund	DEA Fund	Golden Leaf Foundation Fund	Community Development Fund	Total Nonmajor Special Revenue Funds	Airport Projects Fund	School Construction Fund	Total Nonmajor Capital Projects Funds	
Assets										
Cash and cash equivalents	\$ 102,322	\$ 355,400	\$ 2,528	\$ 33,507	\$ -	\$ 493,757	\$ -	\$ -	\$ -	\$ 493,757
Accounts receivable, net	-	29,154	-	-	-	29,154	-	-	-	29,154
Taxes receivable, net	137,860	-	-	-	-	137,860	-	-	-	137,860
Due from other governments	-	2,130	466	-	166,352	168,948	201,558	-	201,558	370,506
Restricted assets:										
Restricted cash	-	-	-	-	-	-	-	1,094,423	1,094,423	1,094,423
Total assets	<u>\$ 240,182</u>	<u>\$ 386,684</u>	<u>\$ 2,994</u>	<u>\$ 33,507</u>	<u>\$ 166,352</u>	<u>\$ 829,719</u>	<u>\$ 201,558</u>	<u>\$ 1,094,423</u>	<u>\$ 1,295,981</u>	<u>\$ 2,125,700</u>
Liabilities and Fund Balances										
Liabilities:										
Accounts payable and accrued liabilities	\$ 3,816	\$ 450	\$ -	\$ -	\$ 275	\$ 4,541	\$ -	\$ 69,361	\$ 69,361	\$ 73,902
Due to General Fund	-	-	-	-	99,691	99,691	146,638	-	146,638	246,329
Total liabilities	<u>3,816</u>	<u>450</u>	<u>-</u>	<u>-</u>	<u>99,966</u>	<u>104,232</u>	<u>146,638</u>	<u>69,361</u>	<u>215,999</u>	<u>320,231</u>
Deferred Inflows of Resources	<u>137,860</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>137,860</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>137,860</u>
Fund balances:										
Restricted:										
Stabilization by State Statute	-	31,284	466	-	166,352	198,102	201,558	-	201,558	399,660
Fire Protection	98,506	-	-	-	-	98,506	-	-	-	98,506
Public Safety	-	354,950	2,528	-	-	357,478	-	-	-	357,478
Economic Development	-	-	-	33,507	-	33,507	-	-	-	33,507
Committed:										
Debt Service	-	-	-	-	-	-	-	1,025,062	1,025,062	1,025,062
Unassigned:										
Total fund balances	<u>98,506</u>	<u>386,234</u>	<u>2,994</u>	<u>33,507</u>	<u>66,386</u>	<u>587,627</u>	<u>54,920</u>	<u>1,025,062</u>	<u>1,079,982</u>	<u>1,667,609</u>
Total liabilities, deferred inflows or resources, and fund balances	<u>\$ 240,182</u>	<u>\$ 386,684</u>	<u>\$ 2,994</u>	<u>\$ 33,507</u>	<u>\$ 166,352</u>	<u>\$ 829,719</u>	<u>\$ 201,558</u>	<u>\$ 1,094,423</u>	<u>\$ 1,295,981</u>	<u>\$ 2,125,700</u>

Franklin County, North Carolina
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2014

	Special Revenue Funds					Capital Projects Funds				Total Nonmajor Governmental Funds
	Fire District Fund	Emergency Telephone System Fund	DEA Fund	Golden Leaf Foundation Fund	Community Development Fund	Total Nonmajor Special Revenue Funds	Airport Projects Fund	School Construction Fund	Total Nonmajor Capital Projects Funds	
Revenues										
Ad valorem taxes	\$ 2,939,424	\$ -	\$ -	\$ -	\$ -	\$ 2,939,424	\$ -	\$ -	\$ -	\$ 2,939,424
Other taxes and licenses	-	349,847	-	-	-	349,847	-	-	-	349,847
Restricted intergovernmental	-	-	10,214	-	191,142	201,356	232,193	-	232,193	433,549
Investment earnings	6,944	-	-	-	-	6,944	-	-	-	6,944
Total revenues	<u>2,946,368</u>	<u>349,847</u>	<u>10,214</u>	<u>-</u>	<u>191,142</u>	<u>3,497,571</u>	<u>232,193</u>	<u>-</u>	<u>232,193</u>	<u>3,729,764</u>
Expenditures										
Current:										
Public safety	2,910,510	325,253	58,434	-	-	3,294,197	-	-	-	3,294,197
Economic and physical development	-	-	-	-	174,354	174,354	-	-	-	174,354
Capital outlay	-	-	-	-	-	-	228,023	-	228,023	228,023
Total expenditures	<u>2,910,510</u>	<u>325,253</u>	<u>58,434</u>	<u>-</u>	<u>174,354</u>	<u>3,468,551</u>	<u>228,023</u>	<u>-</u>	<u>228,023</u>	<u>3,696,574</u>
Revenues over (under) expenditures	<u>35,858</u>	<u>24,594</u>	<u>(48,220)</u>	<u>-</u>	<u>16,788</u>	<u>29,020</u>	<u>4,170</u>	<u>-</u>	<u>4,170</u>	<u>33,190</u>
Other financing sources (uses)										
Transfers from other funds	40,700	3,408	-	-	-	44,108	-	-	-	44,108
Transfers to other funds	-	-	-	-	-	-	-	(600,000)	(600,000)	(600,000)
Total other financing sources (uses) - net	<u>40,700</u>	<u>3,408</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>44,108</u>	<u>-</u>	<u>(600,000)</u>	<u>(600,000)</u>	<u>(555,892)</u>
Net changes in fund balances	<u>76,558</u>	<u>28,002</u>	<u>(48,220)</u>	<u>-</u>	<u>16,788</u>	<u>73,128</u>	<u>4,170</u>	<u>(600,000)</u>	<u>(595,830)</u>	<u>(522,702)</u>
Fund balances										
Beginning of year, July 1	21,948	358,232	51,214	33,507	49,598	514,499	50,750	1,625,062	1,675,812	2,190,311
End of year, June 30	<u>\$ 98,506</u>	<u>\$ 386,234</u>	<u>\$ 2,994</u>	<u>\$ 33,507</u>	<u>\$ 66,386</u>	<u>\$ 587,627</u>	<u>\$ 54,920</u>	<u>\$ 1,025,062</u>	<u>\$ 1,079,982</u>	<u>\$ 1,667,609</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, 2014
(With Comparative Totals for the Year Ended June 30, 2013)

	2014		Variance Positive (Negative)	2013
	Budget	Actual		Actual
Revenues				
Ad valorem taxes	\$ 2,879,948	\$ 2,939,424	\$ 59,476	\$ 2,565,576
Investment earnings	-	6,944	6,944	-
	<u>2,879,948</u>	<u>2,946,368</u>	<u>66,420</u>	<u>2,565,576</u>
Expenditures				
Public safety				
Central Fire District	230,000	230,000	-	223,243
Epsom Fire District	85,000	85,000	-	85,000
Gold Sand Fire District	57,500	57,500	-	57,500
Justice Fire District	93,000	93,000	-	88,500
Kittrell Fire District	1,000	1,000	-	1,000
Pilot Fire District	189,993	189,993	-	165,068
White Level Fire District	72,000	72,000	-	73,500
Brassfield Fire District	7,979	6,936	1,043	7,191
Mitchiners Crossroads Fire District	134,500	134,500	-	144,180
Hopkins Fire District	14,800	12,132	2,668	11,249
Franklinton Fire District	208,910	203,955	4,955	198,543
Youngsville Fire District	1,205,766	1,205,766	-	1,023,073
Bunn Fire District	560,000	560,000	-	492,972
Castalia Fire District	1,200	1,200	-	1,200
Centerville Fire District	59,000	57,528	1,472	56,009
Total expenditures	<u>2,920,648</u>	<u>2,910,510</u>	<u>10,138</u>	<u>2,628,228</u>
Revenues under expenditures	<u>(40,700)</u>	<u>35,858</u>	<u>76,558</u>	<u>(62,652)</u>
Other financing sources				
Transfer from General Fund	40,700	40,700	-	40,700
	<u>40,700</u>	<u>40,700</u>	<u>-</u>	<u>40,700</u>
Revenues and other sources under expenditures	<u>\$ -</u>	<u>76,558</u>	<u>\$ 76,558</u>	<u>(21,952)</u>
Fund balances				
Beginning of year, July 1		21,948		43,900
End of year, June 30		<u>\$ 98,506</u>		<u>\$ 21,948</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, 2014
(With Comparative Totals for the Year Ended June 30, 2013)**

	2014		Variance Positive (Negative)	2013
	Budget	Actual		Actual
Revenues				
Other taxes and licenses				
E911 fees	\$ 349,847	\$ 349,847	\$ -	\$ 321,093
Interest earnings	-	-	-	(71)
Total revenues	<u>349,847</u>	<u>349,847</u>	<u>-</u>	<u>321,022</u>
Expenditures				
Public safety - E911				
Operating expenses	218,690	203,540	15,150	205,938
Capital outlay	365,991	121,713	244,278	21,208
Total expenditures	<u>584,681</u>	<u>325,253</u>	<u>259,428</u>	<u>227,146</u>
Revenues over (under) expenditures	<u>(234,834)</u>	<u>24,594</u>	<u>259,428</u>	<u>93,876</u>
Other financing sources (uses)				
Transfer from other funds				
County Building Projects Fund	135,216	-	(135,216)	-
General Fund	-	3,408	3,408	-
Appropriated fund balance	99,618	-	(99,618)	-
Total	<u>234,834</u>	<u>3,408</u>	<u>(231,426)</u>	<u>-</u>
Revenues and appropriated fund balance and other sources over expenditures and other uses	<u>\$ -</u>	<u>28,002</u>	<u>\$ 28,002</u>	<u>93,876</u>
Fund balances				
Beginning of year, July 1		<u>358,232</u>		<u>264,356</u>
End of year, June 30		<u>\$ 386,234</u>		<u>\$ 358,232</u>

Explanation for transfers

Transfer in of \$3,408 from the General Fund to adjust the beginning balance to match the PSAP report

Emergency Telephone System Unspent Balance

Amounts reported above are different from the PSAP Revenue-Expenditure Report because:

Net Change in Fund Balance, reported on Budget to Actual	\$ 28,002
Less: Transfers from General Fund to adjust fund balance to the proper beginning balance	<u>(3,408)</u>
Net Change per PSAP Revenue-Expenditure Report	24,594
Beginning Balance, PSAP Revenue-Expenditure Report	<u>361,640</u>
Ending Balance, PSAP Revenue-Expenditure Report	<u>\$ 386,234</u>

Franklin County, North Carolina
DEA Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2014
(With Comparative Totals for the Year Ended June 30, 2013)

	2014		Variance Positive (Negative)	2013
	Budget	Actual		Actual
Revenues				
Restricted intergovernmental	\$ 25,000	\$ 10,214	\$ (14,786)	\$ 21,911
Miscellaneous income	-	-	-	52,100
Total revenues	<u>25,000</u>	<u>10,214</u>	<u>(14,786)</u>	<u>74,011</u>
Expenditures				
Public safety				
Operating expenses	<u>60,000</u>	<u>58,434</u>	<u>1,566</u>	<u>51,005</u>
Revenues over expenditures	<u>(35,000)</u>	<u>(48,220)</u>	<u>(13,220)</u>	<u>23,006</u>
Appropriated fund balance	<u>35,000</u>	<u>-</u>	<u>(35,000)</u>	<u>-</u>
Revenues and appropriated fund balance over expenditures	<u>\$ -</u>	<u>(48,220)</u>	<u>\$ (48,220)</u>	<u>23,006</u>
Fund balances				
Beginning of year, July 1		<u>51,214</u>		<u>28,208</u>
End of year, June 30		<u>\$ 2,994</u>		<u>\$ 51,214</u>

**Franklin County, North Carolina
Golden Leaf Foundation Project
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and for the Year Ended June 30, 2014**

	Project Author- ization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues					
Restricted intergovernmental					
Golden Leaf Foundation	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions	-	-	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures					
Education	-	-	-	-	-
Revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources					
Transfers from other funds	-	-	-	-	-
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance					
Beginning of year, July 1			<u>33,507</u>		
End of year, June 30			<u>\$ 33,507</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, 2014

	Project Author- ization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues					
Restricted intergovernmental					
CDBG Grant	\$ 400,000	\$ -	\$ 191,142	\$ 191,142	\$ (208,858)
Total revenues	<u>400,000</u>	<u>-</u>	<u>191,142</u>	<u>191,142</u>	<u>(208,858)</u>
Expenditures					
Economic and physical development	400,000	7,345	174,354	181,699	218,301
Total expenditures	<u>400,000</u>	<u>7,345</u>	<u>174,354</u>	<u>181,699</u>	<u>218,301</u>
Revenues under expenditures	<u>-</u>	<u>(7,345)</u>	<u>16,788</u>	<u>9,443</u>	<u>9,443</u>
Other financing sources					
Transfer from General fund	-	-	-	-	-
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ (7,345)</u>	<u>16,788</u>	<u>\$ 9,443</u>	<u>\$ 9,443</u>
Fund balance					
Beginning of year, July 1			<u>49,598</u>		
End of year, June 30			<u>\$ 66,386</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, 2014

	Project Author- ization	Actual Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues					
Restricted intergovernmental:					
Federal project 36237.31.9.1	677,180	\$ 450,000	\$ -	\$ 450,000	\$ (227,180)
State grants	54,000	498,068	232,193	730,261	676,261
Total revenues	<u>731,180</u>	<u>948,068</u>	<u>232,193</u>	<u>1,180,261</u>	<u>449,081</u>
Expenditures					
Capital outlay:					
Project No. 36237.31.5.1	807,601	553,409	223,953	777,362	30,239
Project No. 36237.31.12.1	60,000	60,000	4,070	64,070	(4,070)
County Funded Projects	29,693	16,887	-	16,887	12,806
Total expenditures	<u>897,294</u>	<u>630,296</u>	<u>228,023</u>	<u>858,319</u>	<u>38,975</u>
Revenues under expenditures	<u>(166,114)</u>	<u>317,772</u>	<u>4,170</u>	<u>321,942</u>	<u>488,056</u>
Other financing sources					
Transfer from General fund	56,000	83,332	-	83,332	27,332
Appropriated fund balance	110,114	-	-	-	(110,114)
Total	<u>166,114</u>	<u>83,332</u>	<u>-</u>	<u>83,332</u>	<u>(82,782)</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 401,104</u>	<u>4,170</u>	<u>\$ 405,274</u>	<u>\$ 405,274</u>
Fund balance					
Beginning of year, July 1			<u>50,750</u>		
End of year, June 30			<u>\$ 54,920</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, 2014

	Project Author- ization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues					
Interest earnings	\$ 1,481,930	\$ 432,487	\$ -	\$ 432,487	\$ (1,049,443)
Expenditures					
Bond issuance costs		95,209	-	95,209	
Construction		43,063,494	-	43,063,494	
Total expenditures	54,049,112	43,158,703	-	43,158,703	10,890,409
Other financing sources					
Sales tax refund	800,000	-	-	-	(800,000)
Transfer to General Fund	(850,000)	(850,000)	(600,000)	(1,450,000)	(600,000)
Issuance of debt	52,617,182	42,402,878	-	42,402,878	(10,214,304)
Total other sources	52,567,182	41,552,878	(600,000)	40,952,878	(11,614,304)
Revenues and other financing sources over (under) expenditures	\$ -	\$ (1,173,338)	(600,000)	\$ (1,773,338)	\$ (1,773,338)
Fund balance					
Beginning of year, July 1			1,625,062		
End of year, June 30			<u>\$ 1,025,062</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.

Franklin County, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2014

	2014		Variance Positive (Negative)	2013
	Budget	Actual		Actual
Revenues				
Operating revenues				
Water fees	\$ 5,226,150	\$ 5,126,935	\$ (99,215)	\$ 5,744,353
Sewer fees	2,414,600	2,660,350	245,750	2,485,661
Other charges for services	481,910	750,789	268,879	633,595
Total	<u>8,122,660</u>	<u>8,538,074</u>	<u>415,414</u>	<u>8,863,609</u>
Nonoperating revenues:				
Interest earnings	-	-	-	295
Miscellaneous revenues	-	951	951	-
Total	<u>-</u>	<u>951</u>	<u>951</u>	<u>295</u>
Total revenues	<u>8,122,660</u>	<u>8,539,025</u>	<u>416,365</u>	<u>8,863,904</u>
Expenditures - Water Dept				
Salaries and employee benefits	657,208	644,340	12,868	533,765
Water purchases	3,064,913	3,014,743	50,170	2,981,852
Other operating expenditures	711,540	408,474	303,066	376,712
Capital outlay	75,300	62,896	12,404	91,545
Debt service:				
Interest and other charges	261,585	256,539	5,046	276,837
Debt principal	528,000	528,000	-	520,000
Total expenditures - Water	<u>5,298,546</u>	<u>4,914,992</u>	<u>383,554</u>	<u>4,780,711</u>
Expenditures - Sewer Dept				
Salaries and employee benefits	422,417	404,155	18,262	393,402
Other operating expenditures	644,650	666,578	(21,928)	493,135
Capital outlay	194,500	114,473	80,027	150,455
Debt service:				
Interest and other charges	214,970	214,347	623	236,586
Debt principal	847,580	847,916	(336)	828,724
Total expenditures - Sewer	<u>2,324,117</u>	<u>2,247,469</u>	<u>76,648</u>	<u>2,102,302</u>
Total expenditures	<u>7,622,663</u>	<u>7,162,461</u>	<u>460,202</u>	<u>6,883,013</u>
Revenues under expenditures	<u>499,997</u>	<u>1,376,564</u>	<u>876,567</u>	<u>1,980,891</u>
Other Financing Sources (Uses)				
Transfer from (to) Other Funds				
General Fund	(499,997)	(499,997)	-	(400,000)
Total	<u>(499,997)</u>	<u>(499,997)</u>	<u>-</u>	<u>(400,000)</u>
Revenues and appropriated fund balance under expenditures	<u>\$ -</u>	<u>\$ 876,567</u>	<u>\$ 876,567</u>	<u>\$ 1,580,891</u>
Reconciliation from budgetary basis (modified accrual) to full accrual				
Revenues and other financing sources over expenditures		\$ 876,567		\$ 1,580,891
Reconciling items				
Debt payments		1,375,916		1,348,724
Depreciation		(1,015,617)		(973,344)
Capital outlay		258,765		220,087
Decrease in accrued vacation pay		(936)		(1,705)
Increase in other postemployment benefits		(103,431)		(102,849)
Restricted intergovernmental revenue from				
Water and Sewer Capital Projects Fund		-		298,969
Total		<u>514,697</u>		<u>789,882</u>
Change in net position		<u>\$ 1,391,264</u>		<u>\$ 2,370,773</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, 2014

	Project Author - ization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues					
Restricted intergovernmental:					
State grants	\$ 500,000	\$ 386,531	\$ -	\$ 386,531	\$ (113,469)
Investment earnings	-	6,020	-	6,020	6,020
Total revenues	<u>500,000</u>	<u>392,551</u>	<u>-</u>	<u>392,551</u>	<u>(107,449)</u>
Expenditures					
Construction	1,667,880	484,679	1,494,887	1,979,566	(311,686)
Revenues under expenditures	<u>(1,167,880)</u>	<u>(92,128)</u>	<u>(1,494,887)</u>	<u>(1,587,015)</u>	<u>(419,135)</u>
Other financing sources (uses)					
Appropriated fund balance	1,167,880	-	-	-	(1,167,880)
Total other financing sources (uses) - net	<u>1,167,880</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,167,880)</u>
Revenues, appropriated fund balance, and other financing sources over expenditures and uses	<u>\$ -</u>	<u>\$ (92,128)</u>	<u>\$ (1,494,887)</u>	<u>\$ (1,587,015)</u>	<u>\$ (1,587,015)</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, 2014
(With Comparative Totals for the Year Ended June 30, 2013)

	2014		Variance Positive (Negative)	2013
	Budget	Actual		Actual
Revenues				
Contributions from employees	\$ 1,100,000	\$ 1,082,161	\$ (17,839)	\$ 1,029,272
Contribution from General Fund	5,750,000	5,828,952	78,952	5,450,805
Contributions from Water & Sewer Fund	45,000	171,620	126,620	57,970
Interest earnings	-	-	-	(1,814)
Miscellaneous	30,000	24,014	(5,986)	19,066
Total revenues	<u>6,925,000</u>	<u>7,106,747</u>	<u>181,747</u>	<u>6,555,299</u>
Expenditures				
Health insurance	6,200,000	5,491,638	708,362	5,611,763
Property and liability insurance	280,000	269,231	10,769	303,711
Workers' compensation insurance	350,000	359,077	(9,077)	317,982
Unemployment claims	220,000	260,244	(40,244)	115,547
Total expenditures	<u>7,050,000</u>	<u>6,380,190</u>	<u>669,810</u>	<u>6,349,003</u>
Revenues over (under) expenditures	(125,000)	726,557	851,557	206,296
Appropriated fund balance	<u>125,000</u>	<u>-</u>	<u>(125,000)</u>	<u>-</u>
Revenues and appropriated fund balance over (under) expenditures	<u>\$ -</u>	<u>726,557</u>	<u>\$ 726,557</u>	<u>206,296</u>
Fund balances				
Beginning of year, July 1		<u>1,551,430</u>		<u>1,345,134</u>
End of year, June 30		<u>\$ 2,277,987</u>		<u>\$ 1,551,430</u>
Reconciliation from financial plan basis (modified accrual) to full accrual:				
Total revenues		\$ 7,106,747		
Total expenditures		<u>6,380,190</u>		
Change in net position		<u>\$ 726,557</u>		

AGENCY FUNDS

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

- **Social Services Fund:** This fund is used to account for the receipts and disbursements made by the County on behalf of individuals for whom the County serves as or is, in fact, their legal guardian or custodian.
- **Fines and Forfeitures Fund:** This fund is used to account for fines and forfeitures collected by the County that are required to be turned over to the Franklin County Board of Education.
- **City Ad Valorem and Motor Vehicle Tax Fund:** This fund is used to account for the proceeds of the Ad Valorem taxes that are collected by the County on behalf of municipalities within the County.
- **State Vehicle Interest Fund:** This fund is used to account for the interest penalties on vehicle Ad Valorem taxes that are collected by the County on behalf of the State.
- **Jail Fund:** This fund is used to account for the funds held by the jail for its prisoners.

**Franklin County, North Carolina
Agency Funds
Combining Statement of Changes in Assets and Liabilities
For the Year Ended June 30, 2014**

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
Social Services				
Assets				
Cash and cash equivalents	\$ 58,037	\$ 269,137	\$ 243,718	\$ 83,456
Liabilities				
Miscellaneous liabilities	\$ 58,037	\$ 269,137	\$ 243,718	\$ 83,456
Fines and Forfeitures				
Assets				
Cash and cash equivalents	\$ -	\$ 276,165	\$ 71,732	\$ 204,433
Liabilities				
Intergovernmental payable	\$ -	\$ 276,165	\$ 71,732	\$ 204,433
Motor Vehicle Tax				
Assets				
Cash and cash equivalents	\$ -	\$ 2,788,576	\$ 2,788,576	\$ -
Liabilities				
Miscellaneous liabilities	\$ -	\$ 2,788,576	\$ 2,788,576	\$ -
State Vehicle Interest				
Assets				
Cash and cash equivalents	\$ 2,378	\$ -	\$ 2,378	\$ -
Liabilities				
Intergovernmental payable	\$ 2,378	\$ -	\$ 2,378	\$ -
Jail Fund				
Assets				
Cash and cash equivalents	\$ 62,736	\$ 269,475	\$ 306,641	\$ 25,570
Liabilities				
Miscellaneous liabilities	\$ 62,736	\$ 269,475	\$ 306,641	\$ 25,570
Totals - All Agency Funds				
Assets				
Cash and cash equivalents	\$ 123,151	\$ 3,603,353	\$ 3,413,045	\$ 313,459
Liabilities				
Miscellaneous liabilities	\$ 120,773	\$ 3,327,188	\$ 3,338,935	\$ 109,026
Intergovernmental payable	2,378	276,165	74,110	204,433
Total liabilities	\$ 123,151	\$ 3,603,353	\$ 3,413,045	\$ 313,459

OTHER SCHEDULES

This schedule contains additional information required on property taxes.

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

**Franklin County, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
For the Year Ended June 30, 2014**

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2013</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2014</u>
2013-2014	\$ -	\$ 38,759,692	\$ 37,970,547	\$ 789,145
2012-2013	970,025	-	672,987	297,038
2011-2012	274,860	-	84,426	190,434
2010-2011	192,858	-	35,574	157,284
2009-2010	142,211	-	22,461	119,750
2008-2009	117,181	-	15,519	101,662
2007-2008	108,953	-	17,683	91,270
2006-2007	92,766	-	8,977	83,789
2005-2006	75,438	-	6,922	68,516
2004-2005	65,610	-	7,680	57,930
2003-2004	69,818	-	69,818	-
	<u>\$ 2,109,720</u>	<u>\$ 38,759,692</u>	<u>\$ 38,912,594</u>	<u>1,956,818</u>
				52,776
				<u>(151,000)</u>
				<u>\$ 1,858,594</u>
				Reconciliation with revenues
				<u>\$ 38,515,846</u>
				Reconciling items:
				Amounts written off for 2003-2004 levy 69,507
				Discounts and adjustments 327,241
				<u>Total reconciling items 396,748</u>
				<u>\$ 38,912,594</u>

Franklin County, North Carolina
 Analysis of Current Tax Levy
 County - wide Levy
 For the Year Ended June 30, 2014

	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	\$ 3,727,912,510	0.8725	\$ 32,526,037	\$ 32,526,037	\$ -
Motor vehicles taxed at current year's rate	567,031,289	0.8725	4,947,348	-	4,947,348
Total	<u>4,294,943,799</u>		<u>37,473,385</u>	<u>32,526,037</u>	<u>4,947,348</u>
Discoveries	147,427,851	0.8725	1,286,308	1,286,308	-
Abatements	<u>(35,088,825)</u>	0.8725	<u>(306,150)</u>	<u>(270,024)</u>	<u>(36,126)</u>
Total	<u>\$ 4,407,282,825</u>		38,453,543	33,542,321	4,911,222
Less uncollected taxes at June 30, 2014			789,145	566,422	222,723
Current year's taxes collected			<u>\$ 37,664,398</u>	<u>\$ 32,975,899</u>	<u>\$ 4,688,499</u>
Current levy collection percentage			<u>97.95%</u>	<u>98.31%</u>	<u>95.47%</u>

Franklin County, North Carolina
Analysis of Current Tax Levy
County-wide Levy
For the Year Ended June 30, 2014

Secondary Market Disclosures:

Assessed Valuation:

Assessment Ratio ¹	100%
Real Property	\$ 3,377,787,188
Personal Property	894,126,237
Public Service Companies ²	135,369,400
Total Assessed Valuation	\$ 4,407,282,825
 Tax Rate per \$100	 0.8725
 Levy (includes discoveries, releases and abatements) ³	 \$ 38,453,543

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, 2014:

Fire Protection Districts	\$ 2,722,553
---------------------------	--------------

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, 2014**

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
Novozymes North America Inc.	Manufacturing	\$ 154,883,249	3.51%
Duke Energy Center	Utility	55,003,663	1.25%
Wake Electric Membership Corporation	Utility	34,087,641	0.77%
Carolina Telephone	Utility	25,605,517	0.58%
Amcor Pet Packaging	Manufacturing	16,607,132	0.38%
Public Service Co. of NC, Inc.	Utility	12,920,119	0.29%
Southern Lithoplate	Manufacturing	12,226,188	0.28%
Louisburg HMA	Hospital	11,140,490	0.25%
Walmart	Retail	9,708,870	0.22%
Noda LLC	Manufacturing	9,460,240	0.21%
Total		<u>\$ 341,643,109</u>	<u>7.75%</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 Nine Fiscal Years

	Fiscal Year Ended								
	2014	2013	2012	2011	2010	2009	2008	2007	2006
Governmental activities									
Net investment in capital assets	\$ 33,141,451	\$ 30,485,649	\$ 26,677,972	\$ 25,866,534	\$ 22,185,107	\$ 11,105,092	\$ 22,829,989	\$ 24,016,990	\$ 21,679,627
Restricted	10,485,680	4,809,599	3,912,076	6,029,114	-	-	-	-	-
Unrestricted	(64,722,957)	(62,311,839)	(62,555,157)	(66,760,973)	(38,579,992)	(17,970,151)	(30,128,888)	(17,329,425)	891,761
Total governmental activities net position	<u>\$ (21,095,826)</u>	<u>\$ (27,016,591)</u>	<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>	<u>\$ 6,687,565</u>	<u>\$ 22,571,388</u>
Business-type activities									
Net investment in capital assets	\$ 15,622,605	\$ 13,508,654	\$ 12,421,870	\$ 11,252,930	\$ 10,171,373	\$ 7,884,229	\$ 7,639,425	\$ 10,041,448	\$ 9,680,354
Unrestricted	4,020,017	4,715,821	3,426,618	3,731,203	4,070,904	5,620,515	6,098,885	3,760,491	2,690,478
Total business-type activities net position	<u>\$ 19,642,622</u>	<u>\$ 18,224,475</u>	<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>	<u>\$ 13,801,939</u>	<u>\$ 12,370,832</u>
Primary government									
Net investment in capital assets	\$ 48,764,056	\$ 43,994,303	\$ 39,099,842	\$ 37,119,464	\$ 32,356,480	\$ 18,989,321	\$ 30,469,414	\$ 34,058,438	\$ 31,359,981
Restricted	10,485,680	4,809,599	3,912,076	6,029,114	-	-	-	-	-
Unrestricted	(60,702,940)	(57,596,018)	(59,128,539)	(63,029,770)	(34,509,088)	(12,349,636)	(24,030,003)	(13,568,934)	3,582,239
Total primary government net position	<u>\$ (1,453,204)</u>	<u>\$ (8,792,116)</u>	<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>	<u>\$ 20,489,504</u>	<u>\$ 34,942,220</u>

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

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

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

Franklin County, North Carolina
Changes in Net Position
Last ten fiscal years

	Fiscal Year Ended									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Expenses										
Governmental Activities										
General government	\$ 4,598,900	\$ 4,674,158	\$ 4,508,753	\$ 4,481,582	\$ 4,888,153	\$ 5,619,743	\$ 4,325,531	\$ 7,154,891	\$ 3,772,123	\$ 5,686,247
Public Safety	21,505,522	20,017,277	19,033,872	20,782,813	18,622,921	17,287,411	17,700,123	14,440,777	12,328,799	11,462,533
Economic and physical development	5,524,498	5,648,305	5,666,603	5,859,582	5,223,772	5,734,787	5,694,167	2,627,867	3,107,944	3,212,065
Human services	17,850,805	17,708,407	17,260,614	17,258,277	16,250,663	18,243,826	18,321,190	18,251,014	17,358,323	15,821,501
Cultural and recreation	1,598,599	1,429,624	1,364,329	1,271,427	1,289,122	1,293,831	1,728,413	1,383,297	1,275,730	1,087,237
Education	14,613,120	13,775,500	16,132,388	35,878,008	27,490,479	16,985,160	32,065,518	12,209,081	13,617,183	11,202,659
Interest on long-term debt	2,991,751	3,261,900	3,492,294	3,406,691	3,250,515	3,002,457	2,508,273	1,697,224	1,351,352	1,146,215
Total governmental activities expenses	68,683,195	66,515,171	67,458,853	88,938,380	77,015,625	68,167,215	82,343,215	57,764,151	52,811,454	49,618,457
Business-type activities										
Water and Sewer Department	6,620,881	6,386,886	6,123,230	6,035,793	6,105,211	6,222,719	5,944,894	5,679,134	5,341,717	4,792,247
Total business-type activities expense	6,620,881	6,386,886	6,123,230	6,035,793	6,105,211	6,222,719	5,944,894	5,679,134	5,341,717	4,792,247
Total primary government expenses	75,304,076	72,902,057	73,582,083	94,974,173	83,120,836	74,389,934	88,288,109	63,443,285	58,153,171	54,410,704
Program Revenues										
Governmental activities:										
Charges for services:										
General government	578,784	595,586	541,585	554,148	854,040	318,880	374,128	690,055	765,073	853,792
Public Safety	4,861,574	4,389,896	4,948,255	4,037,262	3,697,253	4,658,370	2,290,945	3,669,494	2,005,405	3,056,930
Economic and physical development	3,284,600	3,239,731	3,311,918	3,095,018	3,430,203	2,701,616	2,709,670	2,509,345	1,227,746	1,245,584
Human services	2,148,552	3,574,833	3,684,215	4,017,056	3,810,360	4,034,367	3,644,913	4,369,288	4,902,180	3,603,385
Cultural and recreation	72,065	89,943	77,204	135,234	67,437	131,291	30,394	70,066	54,551	48,557
Operating grants and contributions	11,852,730	10,949,922	10,818,184	11,617,566	9,548,527	8,441,731	10,347,360	6,490,849	6,805,749	7,485,903
Capital Grants and Contributions	423,335	516,634	278,754	2,261,375	1,717,348	1,751,120	1,279,853	1,257,057	1,443,355	620,758
Total governmental activities program revenues	23,221,640	23,356,545	23,660,115	25,717,659	23,125,168	22,037,375	20,677,263	19,056,154	17,204,059	16,914,909
Business-type activities:										
Charges for services:										
Water and sewer	8,538,074	8,863,609	7,340,277	6,306,080	6,082,732	5,721,859	5,841,469	6,280,308	5,040,245	4,227,757
Operating grants and contributions	-	-	-	-	-	215,239	-	-	-	-
Capital Grants and Contributions	-	298,969	87,562	228,185	-	-	40,000	400,000	-	540,400
Total business-type activities program revenues	8,538,074	9,162,578	7,427,839	6,534,265	6,082,732	5,937,098	5,881,469	6,680,308	5,040,245	4,768,157
Total primary government program revenues	31,759,714	32,519,123	31,087,954	32,251,924	29,207,900	27,974,473	26,558,732	25,736,462	22,244,304	21,683,066

Franklin County, North Carolina
Changes in Net Position
Last ten fiscal years

	Fiscal Year Ended									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Net (Expense)/Revenue										
Governmental activities	\$ (45,461,555)	\$ (43,158,626)	(43,798,738)	(63,220,721)	(53,890,457)	(46,129,840)	(61,665,952)	(38,707,997)	(35,607,395)	(32,703,548)
Business-type activities	1,917,193	2,775,692	1,304,609	498,472	(22,479)	(285,621)	(63,425)	1,001,174	(301,472)	(24,090)
Total primary government net expense	(43,544,362)	(40,382,934)	(42,494,129)	(62,722,249)	(53,912,936)	(46,415,461)	(61,729,377)	(37,706,823)	(35,908,867)	(32,727,638)
General Revenues and Other Changes in Net Position										
Governmental activities										
Taxes:										
Property Taxes	41,298,278	38,983,743	37,807,234	37,416,033	37,246,830	34,714,146	33,151,702	30,083,554	28,883,215	27,545,182
Sales Taxes	8,953,833	8,461,911	8,286,210	7,317,661	7,326,661	9,526,281	11,207,755	11,152,255	10,102,630	9,434,955
Investment Earnings	120,977	125,310	144,169	178,881	762,901	532,190	1,741,188	2,170,710	1,002,338	464,709
Miscellaneous - Unrestricted	166,619	211,280	20,726	72,989	346,728	1,616,200	1,313,221	1,513,097	1,460,931	683,157
Transfers	499,997	400,000	440,615	(235,283)	(786,208)	194	265,622	(298,492)	(915,272)	(1,341,117)
Total government activities	51,039,704	48,182,244	46,698,954	44,750,281	44,896,912	46,389,011	47,679,488	44,621,124	40,533,842	36,786,886
Business-type activities:										
Investment earnings/Misc.	951	295	360	8,101	16,154	52,249	265,418	131,441	58,743	37,881
Transfers	(499,997)	(400,000)	(440,615)	235,283	786,208	(194)	(265,622)	298,492	915,272	1,341,117
Total business-type activities	(499,046)	(399,705)	(440,255)	243,384	802,362	52,055	(204)	429,933	974,015	1,378,998
Total primary government	50,540,658	47,782,539	46,258,699	44,993,665	45,699,274	46,441,066	47,679,284	45,051,057	41,507,857	38,165,884
Change in Net Position										
Governmental activities	5,578,149	5,023,618	2,900,216	(18,470,440)	(8,993,545)	259,171	(13,986,464)	5,913,127	4,926,447	4,083,338
Business-type activities	1,418,147	2,375,987	864,354	741,856	779,883	(233,566)	(63,629)	1,431,107	672,543	1,354,908
Total primary government	\$ 6,996,296	\$ 7,399,605	\$ 3,764,570	\$ (17,728,584)	\$ (8,213,662)	\$ 25,605	\$ (14,050,093)	\$ 7,344,234	\$ 5,598,990	\$ 5,438,246

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

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

Table 3

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

	Fiscal Year Ended									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
General Fund										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ 3,525,597	\$ 3,124,757	\$ 2,481,839	\$ 4,106,149	\$ 3,319,202	\$ 1,885,697
Unreserved - restricted	-	-	-	-	4,276,748	2,459,288	4,308,826	2,760,430	3,413,413	2,665,434
Unreserved - Undesignated	-	-	-	-	13,312,790	13,569,126	11,455,767	11,730,851	12,164,678	12,870,944
Nonspendable	60,806	-	27,220	17,145	-	-	-	-	-	-
Restricted	5,653,766	8,085,472	4,874,037	3,752,353	-	-	-	-	-	-
Assigned	5,718,864	5,579,298	3,863,440	4,966,049	-	-	-	-	-	-
Committed	667,991	-	-	-	-	-	-	-	-	-
Unassigned	8,832,006	12,664,770	13,201,066	12,757,375	-	-	-	-	-	-
Total general fund	\$ 20,933,433	\$ 26,329,540	\$ 21,965,763	\$ 21,492,922	\$ 21,115,135	\$ 19,153,171	\$ 18,246,432	\$ 18,597,430	\$ 18,897,293	\$ 17,422,075
All other Governmental Funds										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ 6,313,368	\$ 3,661,522	\$ 4,699,959	\$ 2,925,146	\$ 1,359,771	\$ 1,476,760
Unreserved, reported in:										
Special revenue funds	-	-	-	-	2,571,326	2,449,207	2,290,957	2,120,902	1,836,870	879,386
Capital projects funds	-	-	-	-	1,130,004	1,112,012	1,386,415	13,107,522	(543,129)	1,740,520
Restricted	4,831,914	622,702	955,510	2,276,761	-	-	-	-	-	-
Committed	1,025,062	3,211,250	3,248,775	2,121,012	-	-	-	-	-	-
Assigned	-	1,332,413	2,156,735	4,624,788	-	-	-	-	-	-
Unassigned	(246,604)	(50,028)	(330,823)	(603,060)	-	-	-	-	-	-
Total all other governmental funds	\$ 5,610,372	\$ 5,116,337	\$ 6,030,197	\$ 8,419,501	\$ 10,014,698	\$ 7,222,741	\$ 8,377,331	\$ 18,153,570	\$ 2,653,512	\$ 4,096,666

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

Beginning in Fiscal Year 2011, the classifications for fund balance were changed due to GASB 54.

Table 4

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

	Fiscal Year Ended									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues										
Taxes	\$ 41,455,270	\$ 38,841,282	\$ 38,329,055	\$ 37,536,902	\$ 37,383,075	\$ 34,403,249	\$ 32,680,351	\$ 30,126,452	\$ 28,870,947	\$ 27,608,437
Sales Tax	8,146,600	7,644,488	7,358,931	6,446,864	7,326,661	9,526,281	11,207,755	11,152,255	10,102,630	9,434,955
Other taxes and licenses	1,021,437	942,946	1,006,100	1,114,672	452,625	565,845	299,491	289,430	299,512	264,775
Unrestricted Intergovernmental	-	-	-	-	436,869	552,577	637,646	348,831	302,293	272,333
Restricted Intergovernmental	11,762,899	10,987,782	10,616,499	13,278,682	10,489,372	10,066,937	9,360,249	7,905,708	8,159,323	7,576,655
Permits and Fees	-	-	-	-	1,425,010	1,196,976	2,268,394	2,154,766	1,804,380	1,528,965
Sales and service	10,994,928	11,984,301	12,607,499	11,860,295	10,305,981	10,836,080	9,097,445	9,431,137	7,547,553	7,528,753
Investment Earnings	144,476	142,629	143,458	200,150	853,869	532,190	1,739,204	2,143,720	979,838	480,463
Other revenues	417,558	479,556	358,755	319,977	339,916	306,259	120,879	172,869	603,775	425,026
Total revenues	73,943,168	71,022,984	70,420,297	70,757,542	69,013,378	67,986,394	67,411,414	63,725,168	58,670,251	55,120,362
Expenditures										
General government	4,364,374	4,426,858	4,107,482	4,079,502	4,585,485	4,822,336	4,947,681	6,887,064	3,808,263	4,411,047
Public Safety	21,149,148	19,065,915	18,371,117	20,273,574	18,155,489	16,896,492	16,989,641	14,136,087	12,517,803	10,909,475
Economic and Physical development	5,425,898	5,449,774	5,487,835	5,743,666	4,888,291	5,419,791	5,397,420	5,128,599	4,896,599	5,598,734
Human Services	17,409,472	17,001,115	16,549,400	17,011,497	15,933,092	17,436,101	18,410,690	17,937,867	17,415,333	16,292,325
Cultural and recreation	1,419,908	1,219,006	1,179,430	1,156,108	1,148,243	1,346,031	1,625,597	1,286,120	1,198,617	1,015,483
Education	14,613,120	13,775,500	13,368,084	13,240,333	13,007,248	13,196,086	13,061,750	12,209,081	13,617,183	11,202,659
Capital outlay	1,986,455	693,883	9,572,995	25,660,883	15,140,139	4,189,528	19,902,241	20,280,156	392,655	445,671
Debt service:										
Principal	8,127,550	8,072,550	9,272,608	5,995,766	5,134,503	4,920,907	3,837,682	2,738,778	2,888,782	2,508,598
Interest and other fees	3,101,575	3,392,405	3,516,979	3,377,959	3,078,744	3,004,725	2,508,273	1,697,224	1,351,352	1,502,858
Total Expenditures	77,597,500	73,097,006	81,425,930	96,539,288	81,071,234	71,231,997	86,680,975	82,300,976	58,086,587	53,886,850
Excess of revenues over (under) expenditures	(3,654,332)	(2,074,022)	(11,005,633)	(25,781,746)	(12,057,856)	(3,245,603)	(19,269,561)	(18,575,808)	583,664	1,233,512

Table 4 (cont.)

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

	Fiscal Year Ended									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Other Financing Sources (Uses)										
Transfers to other funds	(1,087,108)	(932,366)	(1,932,619)	(1,280,781)	(4,143,574)	(3,400,565)	(3,926,247)	(3,124,502)	(3,953,044)	(5,070,524)
Transfers from other funds	1,587,105	1,332,366	2,373,234	1,045,498	3,357,366	3,400,759	4,191,869	2,826,010	3,037,772	3,729,407
Sale of capital assets	-	-	-	-	-	-	245,728	5,000	-	35,150
Inc.(Dec) in reserve for inventory	-	-	-	(3,259)	(2,016)	(40,025)	-	(25,495)	56,965	-
Proceeds from long-term debt	3,000,000	-	8,638,480	24,802,878	17,600,000	14,905,000	8,600,000	34,095,000	304,707	3,150,000
Proceeds of refunded debt	-	-	-	-	-	(11,867,417)	-	-	-	5,550,000
Payment to refunded debt escrow	-	-	-	-	-	-	-	-	-	(5,586,950)
Total other financing sources (uses)	<u>3,499,997</u>	<u>400,000</u>	<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>33,776,013</u>	<u>(553,600)</u>	<u>1,807,083</u>
Net changes in fund balance	<u>\$ (154,335)</u>	<u>\$ (1,674,022)</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>	<u>\$ 15,200,205</u>	<u>\$ 30,064</u>	<u>\$ 3,040,595</u>
Debt service as a percentage of noncapital expenditures	15.03%	16.08%	17.40%	10.12%	10.35%	11.82%	9.50%	7.15%	7.35%	7.51%

Table 5

Franklin County, North Carolina
Ratio of Net General Obligation Bonded Debt to Assessed Value and
Net General Obligation Bonded Debt per Capita
Last Ten Years

Fiscal Year Ended June 30	Assessed Value	Net General Obligation Bonded Debt	Ratio of Net General Obligation Bonded Debt to Assessed Value	Population	Net General Obligation Bonded Debt Per Capita
2005	\$ 3,103,720,609	\$ 14,600,000	0.4704%	54,181	269.47
2006	3,388,554,430	13,445,000	0.3968%	55,449	242.48
2007	3,553,765,823	32,235,000	0.9071%	55,886	576.80
2008	3,785,255,683	38,800,000	1.0250%	56,470	687.09
2009	3,921,071,975	31,730,000	0.8092%	57,332	553.44
2010	4,005,269,997	47,490,000	1.1857%	59,201	802.18
2011	4,041,492,878	68,915,000	1.7052%	60,619	1,136.85
2012	4,123,952,206	64,945,000	1.5748%	61,651	1,053.43
2013	4,210,387,188	60,985,000	1.4484%	61,633	989.49
2014	\$ 4,407,282,825	\$ 57,035,000	1.2941%	62,697	909.69

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

Table 6

Franklin County, North Carolina
Ratio of Annual Debt Service Expenditures for General
Obligation Bonded Debt to Total General Governmental Expenditures
Last Ten Years

Fiscal Year Ended June 30	Principal	Interest on Bonds	Total Debt Service	Total General Governmental Expenditures	Ratio of Debt Debt Service to Total General Governmental Expenditures
2005	\$ 975,000	\$ 688,250	\$ 1,663,250	\$ 53,886,850	3.09%
2006	1,115,000	611,492	1,726,492	58,086,587	2.97%
2007	1,120,000	553,118	1,673,118	82,300,976	2.03%
2008	2,125,000	1,508,880	3,633,880	86,680,975	4.19%
*2009	7,070,000	1,703,571	8,773,571	71,231,997	12.32%
2010	1,840,000	1,560,593	3,400,593	81,071,234	4.19%
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%

Note: Includes General, Special Revenue and Capital Projects.

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

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

Table 7

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

	Fiscal Year Ended									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Assessed Value of Taxable Property	\$ 4,407,282,825	\$ 4,210,387,188	\$ 4,123,952,206	\$ 4,041,492,878	\$ 4,005,269,997	\$ 3,921,071,975	\$ 3,785,255,683	\$ 3,553,765,823	\$ 3,388,554,430	\$ 3,103,720,609
	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%
Debt Limit - 8 Percent of Assessed Value	<u>352,582,626</u>	<u>336,830,975</u>	<u>329,916,176</u>	<u>323,319,430</u>	<u>320,421,600</u>	<u>313,685,758</u>	<u>302,820,455</u>	<u>284,301,266</u>	<u>271,084,354</u>	<u>248,297,649</u>
Gross debt										
Total bonded debt	57,035,000	60,985,000	64,945,000	68,915,000	47,490,000	31,730,000	38,800,000	32,325,000	13,445,000	14,600,000
Authorized and unissued bonds	11,400,000	11,400,000	11,400,000	11,400,000	35,400,000	53,000,000	53,000,000	8,600,000	28,600,000	28,600,000
Lease financing agreements	<u>22,566,606</u>	<u>23,968,110</u>	<u>27,856,705</u>	<u>24,520,833</u>	<u>27,941,600</u>	<u>31,236,102</u>	<u>28,389,423</u>	<u>27,762,105</u>	<u>15,343,228</u>	<u>16,840,000</u>
Gross Debt	<u>91,001,606</u>	<u>96,353,110</u>	<u>104,201,705</u>	<u>104,835,833</u>	<u>110,831,600</u>	<u>115,966,102</u>	<u>120,189,423</u>	<u>68,687,105</u>	<u>57,388,228</u>	<u>60,040,000</u>
Total net debt applicable to limit	<u>91,001,606</u>	<u>96,353,110</u>	<u>104,201,705</u>	<u>104,835,833</u>	<u>110,831,600</u>	<u>115,966,102</u>	<u>120,189,423</u>	<u>68,687,105</u>	<u>57,388,228</u>	<u>60,040,000</u>
Legal Debt Margin	<u>\$ 261,581,020</u>	<u>\$ 240,477,865</u>	<u>\$ 225,714,471</u>	<u>\$ 218,483,597</u>	<u>\$ 209,590,000</u>	<u>\$ 197,719,656</u>	<u>\$ 182,631,032</u>	<u>\$ 215,614,161</u>	<u>\$ 213,696,126</u>	<u>\$ 188,257,649</u>
Total net debt applicable to the limit as a percentage of debt limit	25.81%	28.61%	31.58%	32.42%	34.59%	36.97%	39.69%	24.16%	21.17%	24.18%

Table 8

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

	Fiscal Year Ended									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
County Direct Rates*										
County-wide Rate	0.8725	0.8725	0.8725	0.8725	0.8725	0.8225	0.8225	0.7900	0.7900	0.7900
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	0.6800	0.7000	0.7000	0.6800	0.6800	0.6800	0.6800	0.6800	0.6800	0.6800
Town of Louisburg	0.5350	0.5350	0.5350	0.5350	0.5350	0.5350	0.4850	0.4850	0.4850	0.4850
Town of Youngsville	0.5900	0.5900	0.5900	0.5900	0.5700	0.5400	0.5400	0.5600	0.5600	0.5600
City of Wake Forest	0.5100	0.5100	0.5100	0.5100	0.5100	0.5100	0.5500	0.5400	0.5400	0.5400

*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. The tax rate was adjusted in 2005 due to revaluation. The Town of Wake Forest annexed from Franklin County in 2003.

Source: Franklin County Tax Office

Table 9

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

Fiscal Year Ended June 30	Real Property	Personal Property	Public Service Company Property	Total Assessed Value	County Tax Rate	Estimated Actual Taxable Value
2005	\$ 2,510,945,604	\$ 499,925,053	\$ 92,849,952	\$ 3,103,720,609	0.7900	\$ 24,519,393
2006	2,573,038,787	719,423,960	96,091,683	3,388,554,430	0.7900	26,769,580
2007	2,902,730,621	531,693,579	119,341,623	3,553,765,823	0.7900	28,074,750
2008	3,086,546,778	552,724,295	123,678,987	3,762,950,060	0.8225	30,950,264
2009	3,194,138,237	595,944,194	130,989,544	3,921,071,975	0.8225	32,250,817
2010	3,188,474,920	687,014,839	129,780,238	4,005,269,997	0.8725	34,945,981
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

Table 10

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

Fiscal Year Ended June 30	Total Tax Levy	Current Tax Levy	% of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Ratio of Total Tax Collections To Tax Levy	Outstanding Delinquent Taxes	Ratio of Delinquent Taxes to Tax Levy
2005	\$ 27,545,220	\$ 25,667,255	96.74%	\$ 933,346	\$ 26,600,601	96.57%	\$ 944,619	3.43%
2006	28,502,647	26,738,015	96.88%	850,441	26,738,015	93.81%	1,764,632	6.19%
2007	29,633,368	27,868,736	97.10%	884,048	27,944,872	94.30%	1,688,496	5.70%
2008	32,650,011	30,961,515	96.34%	681,402	30,510,776	93.45%	2,139,235	6.55%
2009	34,523,515	32,209,611	95.93%	1,001,978	32,016,352	92.74%	2,507,163	7.26%
2010	37,679,684	35,172,521	96.61%	1,165,015	35,153,074	93.29%	2,526,610	6.71%
2011	38,283,463	35,756,853	97.08%	1,153,362	35,879,701	93.72%	2,403,762	6.28%
2012	38,582,959	36,179,197	97.59%	1,279,570	36,590,512	94.84%	1,992,447	5.16%
2013	39,056,768	37,064,321	97.36%	852,752	36,947,048	94.60%	2,109,720	5.40%
2014	\$ 40,869,412	\$ 38,759,692	97.95%	\$ 942,047	\$ 38,912,594	95.21%	\$ 1,956,818	4.79%

Table 11

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

Fiscal Year Ended June 30	Ad Valorem Taxes	Sales Tax	Other Taxes and Licenses	Intergovernmental Revenues	Permit and Fees	Sales and Services	Investment Earnings	Miscellaneous Revenues	Total
2005	\$ 27,608,437	\$ 9,434,955	\$ 264,775	\$ 7,848,988	\$ 1,528,965	\$ 7,528,753	\$ 480,463	\$ 425,026	\$ 55,120,362
2006	28,870,947	10,102,630	299,512	8,461,616	1,804,380	7,547,553	979,838	603,775	58,670,251
2007	30,126,452	11,152,255	289,430	8,254,539	2,154,766	9,431,137	2,143,720	172,869	63,725,168
2008	32,680,351	11,207,755	299,491	9,997,895	2,268,394	9,097,445	1,739,204	120,879	67,411,414
2009	34,403,249	9,526,281	565,845	10,619,514	1,196,976	10,836,080	532,190	306,259	67,986,394
2010	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

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

In January 2003, The county implemented an additional 1/2 cent sales tax.

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

Table 12

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

Fiscal Year	Governmental Activities			Business-type Activities			Total Primary Government	Per Capita Income	Personal Income	Percentage of Personal Income	Population	Debt Per Capita
	General Obligation Bonds	Installment Financings	Certificates of Participation	General Obligation Bonds	Installment Financings	Certificates of Participation						
2005	\$ 14,600,000	\$ 5,110,544	\$ 11,729,556	\$ -	\$ 2,880,000	\$ 14,831,033	\$ 49,151,133	\$ 24,264	\$ 1,314,647,784	3.7387%	54,181	\$ 907
2006	13,445,000	4,384,873	10,654,276	-	2,700,000	14,056,515	45,240,664	25,191	1,396,815,759	3.2388%	55,449	816
2007	32,325,000	4,131,424	23,630,681	-	2,520,000	16,407,221	79,014,326	25,890	1,414,126,000	5.5875%	55,886	1,414
2008	38,800,000	3,602,169	22,447,254	-	2,340,000	15,572,547	82,761,970	26,419	1,464,955,000	5.6495%	56,470	1,466
2009	31,730,000	17,851,103	13,384,999	-	11,250,300	7,328,248	81,544,650	26,419	1,579,458,000	5.1628%	57,332	1,422
2010	47,490,000	15,266,600	12,675,000	-	10,370,900	6,750,375	92,552,875	21,664	1,282,530,464	7.2164%	59,201	1,563
2011	68,915,000	12,555,833	11,965,000	-	9,469,500	6,158,184	109,063,517	29,228	1,756,250,000	6.2100%	60,619	1,799
2012	64,945,000	16,596,705	11,260,000	-	8,738,533	5,549,606	107,089,844	29,071	1,768,529,000	6.0553%	61,651	1,737
2013	60,985,000	13,408,110	10,560,000	-	8,015,533	4,923,882	97,892,525	29,670	1,814,052,000	5.3963%	61,633	1,588
2014	\$ 57,035,000	\$ 12,711,606	\$ 9,855,000	\$ -	\$ 7,284,227	\$ 4,279,272	\$ 91,165,105	\$ 31,063	\$ 1,909,608,000	4.7740%	62,697	\$ 1,454

Table 13

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

Fiscal Year Ended June 30	General Government	Public Safety	Transportation	Economic and Physical Development	Human Services	Cultural & Recreation	Education	Capital Outlay	Debt Service	Total
2005	\$ 4,168,586	\$ 10,909,475	\$ -	\$ 5,841,195	\$ 16,292,325	\$ 1,015,483	\$ 11,202,659	\$ 445,671	\$ 4,011,456	\$ 53,886,850
2006	3,808,263	12,517,803	-	4,896,599	17,415,333	1,198,617	13,617,183	392,655	4,240,134	58,086,587
2007	6,887,064	14,136,087	-	5,128,599	17,937,867	1,286,120	12,209,081	20,280,156	4,436,002	82,300,976
2008	4,947,681	16,989,641	-	5,397,420	18,410,690	1,625,597	13,061,750	19,902,241	6,345,955	86,680,975
2009	4,822,336	16,896,492	-	5,419,791	17,436,101	1,346,031	13,196,086	4,189,528	7,925,632	71,231,997
2010	4,585,485	18,155,489	-	4,888,291	15,933,092	1,148,243	13,007,248	15,140,139	8,213,247	81,071,234
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

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

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

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

Table 14

Franklin County, North Carolina
Computation of Direct and Underlying Debt
General Obligation Bonds
Fiscal Year ended June 30, 2014

	Net General Obligation Bonded debt	Other Debt	Percent Applicable To County	Amount Applicable To County
Direct:				
Franklin County	\$ 57,035,000	\$ 22,566,606	100.00%	\$ 79,601,606
Underlying:				
Town of Louisburg	-		0.00%	-
Town of Bunn	30,000		100.00%	30,000
Town of Youngsville	-		0.00%	-
Town of Franklinton	700,000		100.00%	700,000
Totals	<u>\$ 57,765,000</u>			<u>\$ 80,331,606</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.

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 Years**

Fiscal Year Ended June 30	Population	Personal Income	Per Capita Income	Median Age	Education Level in Years of Schooling	School Enrollment	Unemployment Rate
2005	54,181	\$ 1,314,647,784	\$ 24,264	36.36	N/A	8,066	4.90%
2006	55,449	1,396,815,759	25,191	36.10	N/A	7,865	4.10%
2007	55,886	1,414,126,000	25,890	35.80	N/A	8,300	4.80%
2008	56,470	1,464,955,000	26,419	35.80	N/A	8,296	7.00%
2009	57,332	1,579,458,000	27,685	38.00	N/A	8,458	10.40%
2010	59,201	1,282,530,464	21,664	38.00	N/A	8,437	9.90%
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%

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 2014			Fiscal Year Ending 2005		
	Employees	Rank	% of Total Employment	Employees	Rank	% of Total Employment
Novozymes North America	516	1	4.56%	N/A	N/A	N/A
Century Link	350	2	3.94%	N/A	N/A	N/A
Food Lion LLC	200	3	2.25%	N/A	N/A	N/A
Wal-Mart	200	4	2.25%	N/A	N/A	N/A
Amcor Rigid Plastics	185	5	2.08%	N/A	N/A	N/A
Eaton Corporation	184	6	2.07%	N/A	N/A	N/A
K-Flex USA	150	7	1.69%	N/A	N/A	N/A
Franklin Regional	141	8	1.59%	N/A	N/A	N/A
Captive-Aire Systems	130	9	1.46%			
Sirchie Acquisition Company	116	10	1.32%	N/A	N/A	N/A
Total	<u>2,172</u>		<u>23.21%</u>			

Note: Total jobs available in 2011 was 11,672

Source: Economic Development Department

Table 17

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

	Fiscal Year Ended									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
General Government:										
Manager\Administration	5	5	5	5	6	4	4	3	3	3
Information Technology	3	3	3	3	3	2	2	2	1	-
Elections	3	3	3	3	3	3	3	3	3	3
Finance Office	5	5	5	5	5	5	5	6	5	5
Tax Assessor	8	9	9	9	9	9	9	9	9	9
Tax Collector	5.5	6	6	5	6	5	5	5	5	5
Register of Deeds	4	4	4	4	5	5	5	5	5	5
Planning	5	5	5	5	5	5	7	7	6	6
Public Buildings-Maintenance	12	12	12	12	12	12	12	12	12	13
Public Safety:										
Inspections	6	6	6	6	8	8	9	9	9	9
GIS	3	3	3	3	3	3	3	3	3	3
Sheriff's Department	74	67	67	59	70	64	63	61	47	45
Communications - E911	18	17	17	17	18	17	17	14	12	12
Jail Operations	35	35	35	33	35	33	41	40	38	35
Emergency Medical Services	67	48	48	54	58	54	59	46	37	29
Emergency Management	3	3	3	3	3	4	4	4	3	3
Animal Control	6	5	5	5	5	5	5	5	5	4
Economic and physical development:										
Solid Waste-Landfill	6	6	6	6	6	6	6	6	6	6
Soil and Water Conservation	3.5	4	4	4	4	4	4	4	4	4
Airport Operations	3	3	3	3	3	3	3	1	1	-
Cooperative Extension	0	0	0	3	0	3	3	3	1	2
Economic Development	3	3	3	3	3	3	3	3	3	2
Human Services:										
Health Department	51	58	58	59	63	59	66	70	73	73
Social Services	102	101	101	97	99	91	93	92	89	87
Aging Department	7	7	7	9	11	11	11	11	11	9
Veterans Services	1	1	1	1	1	2	2	2	2	1
Cultural and recreation:										
Library	9	9	9	9	9	9	8	8	8	8
Recreation	4	4	3	3	3	3	3	4	5	5
Water and Sewer Department	18	17	17	16	16	16	18	18	17	17
Total Full-Time Positions	470	449	448	444	472	448	473	456	423	403

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

Source: Franklin County Finance Office

Table 18

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

Fiscal Year Ended June 30	Residential		Commercial		Total Value
	Number of Permits	Value	Number of Permits	Value	
2005	780	\$ 85,505,266	51	\$ 17,400,616	\$ 102,905,882
2006	732	97,858,914	72	23,711,653	121,570,567
2007	811	113,445,908	65	19,132,011	132,577,919
2008	638	68,670,110	93	37,916,101	106,586,211
2009	566	35,798,506	69	16,211,335	52,009,841
2010	785	46,949,529	75	46,944,565	93,894,094
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

SOURCE: Franklin County Planning Department

Table 19

**Franklin County, North Carolina
Principal Taxpayers
Current Year and Eleven Years Ago
For Fiscal Year Ended 2014**

Taxpayer	2014				2005			
	Rank	Assessed Valuation	Percentage of Total Assessed Valuation	Property Taxes Paid	Rank	Assessed Valuation	Percentage of Total Assessed Valuation	Property Taxes Paid
Novo Nordisk	1	\$ 154,883,249	3.68%	\$ 1,351,356	1	\$ 82,751,859	3.49%	\$ 827,105
Progress Energy	2	55,003,663	1.31%	479,907	2	18,614,056	0.78%	186,047
Wake Electric	3	34,087,641	0.81%	297,415	4	17,991,097	0.76%	179,821
Carolina Telephone	4	25,605,517	0.61%	223,408	3	29,479,061	1.24%	294,643
Ancor Pharmaceutical	5	16,607,132	0.39%	144,897	-	-	0.00%	-
Public Service Company	6	12,920,119	0.31%	112,728	-	-	0.00%	-
Southern Lithoplate	7	12,330,268	0.29%	107,582	-	-	0.00%	-
Louisburg HMA	8	11,140,490	0.26%	97,201	6	10,645,028	0.45%	-
Walmart	9	9,708,870	0.23%	84,710	-	-	0.00%	-
NDOA LLC	10	9,460,240	0.22%	82,541	10	6,383,996	0.27%	63,808
Flextronics	-	-	0.00%	-	5	15,091,372	0.64%	150,838
Wheaton USA, INC	-	-	0.00%	-	7	8,167,915	0.34%	81,638
Harold G. Bagwell	-	-	0.00%	-	8	7,588,407	0.32%	75,846
HON Company	-	-	0.00%	-	9	7,460,687	0.31%	74,570
Totals		\$ 341,747,189	8.12%	\$ 2,981,745	Totals	\$ 204,173,478	8.61%	\$ 1,934,316

Source: Franklin County Tax Office

Table 20

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

Fiscal Year Ended June 30	Special Assessment Billings		Special Assessment Collections	
2005	\$	-	\$	61,519
2006		-		61,252
2007		-		42,076
2008		-		1,860
2009		-		477
2010		-		-
2011		-		-
2012		-		-
2013		-		-
2014	\$	-	\$	-

Note: Franklin County completed paving of streets for the
North Raleigh Farms and Inglewood subdivisions.
All assessments were paid in full as of 6/30/2013

Table 21

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

Function/Program	Fiscal Year Ended									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
General Government:										
Registered voters	40,407	39,622	40,275	36,326	36,326	36,454	34,478	31,500	31,201	30,188
New Residential Building Permits	284	245	245	785	785	936	507	794	743	780
Land parcels	38,748	38,522	38,522	39,650	39,650	39,500	39,451	39,039	38,291	37,247
Tax bills mailed	43,348	99,007	99,007	122,215	122,215	121,100	120,800	118,875	117,746	111,082
Marriage licensed issued	326	311	303	307	307	324	344	320	331	335
Public Safety:										
Physical arrests	2,627	2,696	2,021	425	425	N/A	360	360	284	324
Ave monthly jail inmate count	168	155	160	150	150	160	125	125	101	112
E 911 emergency calls received	19,846	67,756	67,756	62,563	62,563	60,353	60,741	49,876	43,234	37,234
EMS/Rescue calls made	5,245	4,948	4,700	6,397	6,397	5,891	6,283	6,231	N/A	N/A
Economic and physical development:										
Tons of trash handled at landfill	31,942	31,500	31,186	31,256	31,256	29,802	34,323	34,059	35,649	38,893
Aircraft based at county airport	123	110	102	85	85	78	79	85	57	N/A
Human services:										
Number of medicaid eligibles	12,671	11,701	11,701	10,026	10,026	9,311	8,928	8,465	8,493	7,930
Number of Food Stamp eligibles	11,461	11,355	11,355	8,815	8,815	7,788	6,202	5,888	5,817	5,252
Number of hospitals	1	1	1	1	1	1	1	1	1	1
Number of patient beds	2	70	70	70	70	70	85	85	85	N/A
Cultural and Recreation										
Number of public libraries	4	4	4	4	4	4	4	4	4	4
Number of volumes	143,569	105,000	105,000	89,563	89,563	107,615	107,615	107,615	109,133	105,288
Number of parks and ball fields	4	4	4	4	4	3	3	3	3	3
Water and Sewer:										
Number of customers - water	3,983	3,189	3,189	2,894	2,894	2,889	2,689	2,613	2,564	2,183
Average daily consumption (gals)	2,000,000	2,058,000	2,058,000	1,785,000	1,785,000	1,800,000	1,689,000	2,039,587	1,678,219	1,653,962
Miles of water lines	162	161	161	161	161	160	153	146	137	135
Miles of sewer lines	62	47	47	46	46	45	37	32	31	30

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

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

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

Function/Program	Fiscal Year Ended									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
General Government:										
County office buildings	3	3	3	3	3	3	3	3	3	3
Vehicles	3	3	2	2	2	2	2	2	1	1
Public Safety:										
Stations	5	5	5	5	5	5	5	4	4	4
Vehicles	74	74	72	75	75	70	70	62	59	57
Economic and Physical Development:										
Vehicles	2	2	2	2	2	2	2	2	1	1
Buildings	1	1	1	1	1	1	1	1	0	0
Cultural and Recreation										
Acreage	90	90	90	90	90	78	78	78	78	78
Playgrounds	4	4	4	4	4	3	3	2	2	2
Baseball fields	4	4	4	4	4	3	3	3	3	3
Softball fields	3	3	3	3	3	2	2	2	2	2
Football fields	1	1	1	1	1	1	1	1	1	1
Parks buildings	1	1	1	1	1	1	1	1	1	1
Library buildings	4	4	4	4	4	4	4	4	4	4
Vehicles	6	6	6	6	6	6	6	6	5	5
Water and Sewer										
Water mains (miles)	162	160	160	160	160	160	152	146	137	135
Fire hydrants	175	175	175	175	175	175	150	115	105	105
Elevated tanks	3	3	3	3	3	3	3	3	3	3
Storage capacity (gallons)	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Sewer mains (miles)	362	47	45	45	45	45	37	32	31	30
Treatment capacity (gallons)	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000

Source: Franklin County Finance Office

Table 23

**Franklin County, North Carolina
Other Statistical Information
June 30, 2014**

Date of establishment	1,779
Form of government	Commissioner/Manager
Employees:	
Full-time, regular	468
Part-time, regular	136
Franklin County facilities and services	
Sheriff protection	
Number of stations	2
Number of deputies and officers	70
Number of patrol units	7
Inspections	
Residential Building permits issued	284
Cultural and recreational	
Number of libraries	4
Number of volumes	143,569
Water and Sewer	
Number of customers	3,983
Average daily consumption (in gallons)	2,000,000
Miles of water mains	162
Miles of sanitary sewers	62
Facilities and services not included in the primary government	
Hospitals	
Number of hospitals	1
Number of patient beds	2
Facilities and services not included in the reporting entity	
Education	
Number of school systems	2
Number of community colleges	1
Number of junior colleges	1
Recreation	
Golf Courses	3
Swimming Pools - All Private	5

COMPLIANCE SECTION

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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 audited 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, the major fund, and the aggregate remaining fund information of Franklin County, North Carolina as of and for the year ended June 30, 2014 and the related notes to the financial statements, which collectively comprises Franklin County's basic financial statements, and have issued our report thereon dated December 17, 2014. 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.

Our consideration of 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses to be a material weakness. [14-1].

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses to be a significant deficiency. [14-2].

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Franklin County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on

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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* and which are described in the accompanying schedule of findings and responses as items 14-1 and 14-2.

We noted certain matters that we reported to management of the Franklin County, in a separate letter dated December 17, 2014.

Franklin County's Response to Findings

Franklin County's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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
December 17, 2014

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 Circular A-133 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 the Franklin County, North Carolina, compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on Franklin County's major federal program for the year ended June 30, 2014. Franklin County's major federal program is 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 Franklin County's major federal program 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 OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Franklin County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

Basis for Qualified Opinion on Medical Assistance Program

As described in the accompanying schedule of findings and questioned costs, Franklin County did not comply with requirements regarding the CFDA 93.778 Medical Assistance Program as described in finding number 14-2 for Crosscutting and finding numbers 14-3 and 14-4 for Eligibility. Compliance with such requirements is necessary, in our opinion, for Franklin County to comply with the requirements applicable to that program.

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Qualified Opinion on Medical Assistance Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, 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, 2014.

Other matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 14-2, 14-3, and 14-4. Our opinion on the major federal program is not modified with respect to these matters.

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

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 Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 14-3 and 14-4 to be material weaknesses.

A *significant deficiency in internal control over compliance* is a deficiency, or a 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 deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 14-2 to be a significant deficiency.

Franklin County's responses 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 responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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 Circular A-133. 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
December 17, 2014

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Report On Compliance with Requirements Applicable To Each Major State Program and Internal Control over Compliance; In Accordance With OMB Circular A-133 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 the Franklin County, North Carolina, compliance with the types of compliance requirements described in the Audit Manual for Governmental Auditors in North Carolina, issued by the Local Government Commission that could have a direct and material effect on Franklin County's major state program for the year ended June 30, 2014. Franklin County's major state program is 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 of Franklin County's major state program 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 OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, as described in the Audit Manual for Governmental Auditors in North Carolina, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major 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 the major state program. However, our audit does not provide a legal determination on Franklin County's compliance.

Basis for Qualified Opinion on the Medical Assistance Program

As described in the accompanying schedule of findings and questioned costs, Franklin County did not comply with requirements regarding CFDA 93.778 Medical Assistance Program as described in finding numbers 14-2 for Crosscutting, 14-3, 14-4, and 14-5 for Eligibility. Compliance with such requirements is necessary, in our opinion, for Franklin County to comply with the requirements applicable to that program.

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Qualified Opinion on the Medical Assistance Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, 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, 2014.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 14-2, 14-3, 14-4, and 14-5. Our opinion on each major state program is not modified with respect to these matters.

Franklin County's response to the noncompliance findings identified in our audit is described in the accompanying 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.

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 Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 14-3 and 14-4 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a 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 described in the accompanying schedule of findings and questioned costs as item 14-2 to be a significant deficiency.

Franklin County's responses 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 responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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 Circular A-133. 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
December 17, 2014

**FRANKLIN COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

State Awards

Internal control over major State programs:

- Material weakness(es) identified? X yes 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: Modified

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

Finding 14-1

RESTATEMENT OF FUND BALANCE/NET POSITION

**MATERIAL WEAKNESS
MATERIAL NONCOMPLIANCE**

Criteria: Various items were found that required an adjustment to the financial statements.

Condition: The items that required an adjustment were the accrual of a DSS administrative payment and the removal of the TDA fund balance due to displaying this as a discretely presented component unit and a separate audit being required by the LGC. These items changed net position by \$342,616 for the General Fund. The DSS administrative payment of \$447,847 and TDA fund balance changes of \$105,231 were each larger than individual materiality for the General Fund and is seen as a material weakness and material noncompliance due to the size of these corrections.

Effect: A prior period adjustment was done to the financial statements that affected the fund balance in the General Fund and net position for Governmental Activities.

Cause: In the past, the County reported the TDA using the blended presentation as described in LGC Memorandum #2014-08. The County reported the earmarked TDA funds as restricted/assigned fund balance showing remaining TDA funds were not available for appropriation. The County continues to believe their TDA does not operate as a separate component unit. However, the County staff has agreed to report the TDA as component unit which caused a restatement of Fund Balance.

The DSS Administrative payments in the past had tied to the confirmations of the WC-302 report with little difference due to accruals being similar from year to year. However, this year there was a difference between WC-302 reconciliation and the General Ledger that brought the accrual correction to the attention of management.

**FRANKLIN COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Recommendation: All funds, accounts, and accruals should be reviewed to ensure they are accurate and being treated properly.

Views of Responsible officials and corrective action plans: The County does not agree the TDA functions as a component unit under the current structure of the TDA. The Board of County Commissioners ultimately supervises the TDA's expenditures and does not allow the TDA to expend any dollars without their approval. The County believes it has correctly reported the TDA under the blended presentation of reporting. The County has agreed to report the TDA as a component unit from this point forward but does not feel that it warrants a finding as a material weakness.

The County agrees with the DSS accrual finding, based on the research and reconciliation of the WC302 report, that the reimbursement for DSS received in August 2013 is related to expenses paid in June 2013 and therefore should have been accrued back to FYE 2013. The County assumed based on the Notice of Electronic Funds Transfer from the Department of Health and Human Services that the State got it correct when they stated the reimbursement was for the period of July 2013. However that was not the case. We do not agree that this should be disclosed as a material weakness.

The two findings presented are not repetitive problems and management will strive to ensure these type items do not occur in the future.

Finding: 14-2

**SIGNIFICANT DEFICIENCY
SIGNIFICANT NONCOMPLIANCE**

Criteria: The part IV files for 1571 reporting should contain a valid DSS-5027 form indicating approval for each of the services being provided. We verify the date of services being provided as well as the services code. It is required that the client is receiving services within the approval dates indicated on the 5027 form. It is also required that the services that are being reported on the 1571 match the services that are approved on the 5027 form.

Condition: Six of the Part IV files reviewed did not have the proper codes in the approval documentation known as Form 5027.

Questioned Costs: The client reviewed costs charged to the 120 code during FY 13-14 for clients. Total costs for the year for this code totaled \$5,914.10.

Context: Out of the 21 part IV files that were selected for testing, six of the files did not contain a valid DSS-5027 form indicating the proper services they were receiving. The part IV of the 1571 report indicated the client was receiving service code 120-Family Reunification plan; however, there was no indication of this service on the 5027 for this client.

Effect: Clients were shown on the 1571 Part IV that claimed money for service code 120 but proper documentation was not found in the file to support this service code.

Cause: Ineffective file review process and incomplete documentation to support approval determination.

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

Views of Responsible officials and corrective action plans: The Agency received an administrative letter regarding this funding source January 22, 2013, with information stating that guidance for using the funding would follow. The letter did provide criteria for the children for whom the funding would

**FRANKLIN COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

be an eligible use. When the funding authorization was received, there had still been no specific guidance on coding on the 5028 for use of the funds. The eligible children were open on the DSS 5027 for the appropriate foster care service code and were eligible based on the eligibility criteria set forth in policy for foster care services. Their service plans documented eligibility for family reunification funds as per the administrative letter 1/22/13 but they were not open for 120 on the DSS 5027. Since the matter has been identified, the children have been opened on the DSS 5027 for the 120 service code as the Services Information Systems Policy has been updated and does provide guidance of such.

Section III – Federal Award Findings and Questioned Costs

See Finding 14-2

**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: 14-3

MATERIAL WEAKNESS

MATERIAL NONCOMPLIANCE

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. 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: Eight cases had errors concerning the budget and profile sheets. One file understated income due to taking the earned income deduction twice. One file did not include child support on the budget. One file used the incorrect amount for income and another case included child support for individuals not on the case. 4 Medicaid files did not carry the correct number to the EIS screen/profile sheet.

Questioned Costs: There are no questioned costs.

Context: Out of 60 Medicaid cases selected for testing one file took the earned income deduction twice for each person on the budget, one case used an income amount smaller than the amount provided by client with no notation/documentation for the difference in income, one case mis-keyed information from the budget into the EIS profile sheet, two case files included income on the EIS profile sheet that could not be traced back to any source and appeared to have carried over from a prior certification period, three files contained errors in child support calculations for the budget and what was included on the profile sheet.

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

**FRANKLIN COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Cause: The County has been moving caseworkers around among the different programs (i.e. introduction of the universal caseworker). Ineffective case review process for caseworkers new to the programs, for policy changes implemented and due to caseload. Workers did not document properly in case files and maintain support for services, budget amounts, etc. Ineffective record keeping policies for Medicaid files.

Recommendation: Files should be reviewed internally to ensure proper documentation is in place for eligibility. 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. The County should implement a record-keeping policy for all of its award programs to ensure that required documentation is clearly identified and a consistent manner of filing the information is instituted.

Views of responsible officials and planned corrective actions: For those findings related to the profile sheet, this information did not affect eligibility. Budgets in these cases were appropriately calculated. Human oversight in failing to update the profile page after working the budget which is the tool to determine and impact eligibility did occur in these cases. However, this oversight did not affect the integrity of the case or the eligibility of the recipient. The matter will no longer be an issue as NC FAST does not allow updates to one page without updating all areas affected. For the other errors noted, the Agency agrees with the finding. The Agency will perform internal reviews on a test basis to ensure proper documentation is taking place for eligibility.

**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 14-4

**MATERIAL WEAKNESS
MATERIAL NONCOMPLIANCE
Program Internal Control**

Criteria: Local departments of Social Services (DSS) play an important role in determining eligibility for the Medical Assistance Program. Under authority of 42 CFR 431.1 and G.S. 108A, DSS has the responsibility to determine financial eligibility for families and non-SSI beneficiaries to be covered by the N.C. Medicaid Program. Internal Controls are in place as a safeguard to determine eligibility and to double check files for fraud and errors. With all of the changes in the eligibility rules, computer systems utilized, introduction of a universal caseworker, and required changes by the Affordable Care Act, strong internal controls should be in place.

Condition: Due to new systems, changes in eligibility rules, introduction of the universal caseworker, higher caseloads, and recent state-wide publicity regarding Medicaid administration, the pressure on workers has increased and the time spent on 2nd party reviews and internal training has decreased. The legislative requirement to speed up the implementation of NC FAST caused an internal shift in focus from training and reviews to getting the applications processed. There was also a lack of training from the State which caused the Agency to “learn as they went”. These conditions appear to be occurring state-wide but due to the decentralization of the eligibility determination; internal controls are addressed at the county level.

Questioned Costs: There are no questioned costs.

Context: A key internal control for eligibility is the second party review process. The idea behind this is to spot check a randomly selected sample of files for accuracy. After the files have been reviewed

**FRANKLIN COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

the agency would retrain workers in any ineffective areas. The supervisors review cases each month. Supervisors would like to see this number increase but since NC FAST created a backlog, it's been harder to keep the reviews going. Supervisors are spending time answering questions about policy and reviewing new workers cases which is leaving little time to do 2nd party reviews. Lead workers were utilized during the year to assist with second party reviews and the Agency is creating a quality control position to be filled internally to perform second party reviews going forward.

The Affordable Care Act, NC FAST, and the universal caseworker idea have impacted DSS negatively. With cases coming down from the marketplace, DSS had to increase the caseload for workers causing an increase in caseload and necessary overtime. With the pressure to clear backlog and to keep their ongoing cases, workers are more likely to make mistakes and not catch those mistakes.

With NC FAST being a new system, workers have to be trained on the system. Proper training has not taken place with workers. With technology changing daily, it is hard for workers to keep up with all the changes and handle their caseload each day. Workers are making errors due to changes in the system or not being able to understand the technology.

The introduction of Modified Adjusted Gross Income (MAGI) budgeting methodology has also caused an increase in the amount of time it takes to work a case (initial application or redetermination). Due to the process of household determination and composition, you may have several budgets to encompass all members of a "physical" household that are applying for services instead of being able to do one budget for all members of the household previously. In the initial phases of implementation, it was not unheard of for a case to double and sometimes triple in the time it took to process the application or redetermination.

The introduction of the universal caseworker has also highlighted issues in training. Many caseworkers are now handling Medicaid cases that did not receive adequate training of Medicaid's complicated rules for eligibility. If a worker had been hired as a new employee, the training and supervision of that employee is different than that of a worker who came over from Food Stamps or another area of DSS. The lack of knowledge/training of the Medicaid criteria, for income especially, proves to be an issue since this is different depending on the program being considered.

Effect: There is an increased risk that applicants that have been approved to receive benefits may actually not be eligible and those that were denied may actually be eligible due to errors made in determining eligibility. Stressed and/or overworked workers may seek other employment and thus increase the turnover rate at DSS.

Cause: Overwhelming changes from the Affordable Care Act, the implementation of NC FAST and NC Tracks, the introduction of the universal caseworkers, reorganization of DSS staff, and budget pressures.

Recommendation: More 2nd party reviews need to take place to ensure that eligibility is determined correctly and timely. Group training sessions should be held on the new systems to allow time for team members to share best practices or tricks learned. The additional role for a quality control reviewer or internal auditor to assist in second party reviews should be fully implemented so supervisors can spend more time training and supervising workers. Morale boosters should be sought out. These do not have to be monetary, but some manner/means to make workers feel appreciated for the work they are taking on.

Views of responsible officials and planned corrective actions: The County agrees that there have been numerous challenges due to the roll out of NC FAST and implementation of the Affordable Care Act. As a result, there have been organizational changes in an effort to meet the demands of the changing system and to keep up with the work flow. The County also made efforts to follow the State's recommended model for the universal worker concept until such time that it was determined that doing so could impact quality as a result of insufficient time and resources to train staff. At that

**FRANKLIN COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

time, the County reorganized to specialize in programs again in order to ensure that quality was not compromised. Quality Control has always been a priority for Franklin County DSS. Since the inception of NC FAST and the ACA, supervisors and lead workers have had to place a strong emphasis on keeping up with the applications and recertifications, thus leaving less time for second party reviews. Lead workers often conducted second party reviews when supervisors were unable to do so due to work load and implementation issues encountered.

The Agency readily recognized the need and priority to ensure quality assurance and took a proactive position by reclassifying a position in August 2013 to serve as a Quality Control Supervisor. This position serves as the second party reviewer and quality control specialist for all means tested programs.

Due to the nature of the work within a department of social services, it is important that staff feel valued and appreciated. Franklin County DSS strives to ensure that morale of staff is as high as possible. There are times when morale is higher than others for many differing factors. However, during the NC FAST and ACA rollout, Franklin County experienced very little turnover. The agency put in place a mechanism for comp time as needed and requested in order that staff be allowed to determine their own caseload demands. This was worked with supervisory guidance and approval. Once additional Medicaid reimbursement was secured, the County began to pay for overtime in order to increase morale. In addition, there are frequent unit gatherings to celebrate successes and to simply gather to relieve stress. The agency director has provided lunch for the staff in the units affected as a demonstration of appreciation for their ongoing efforts.

Franklin County DSS agrees that errors can and will occur as caseloads increase, new systems are introduced, and changes frequently occur. However, it has not been the experience or observation by management within the agency that errors occur as a result of decreased dedication by staff or a reduced commitment to the assurance of quality in their work. Franklin County DSS strives to ensure quality in its delivery of services and to ensure the fiscal accountability and integrity of the funding in each program area.

Section IV – State Award Findings and Questioned Costs

See Findings 14-2, 14-3, and 14-4

**FRANKLIN COUNTY, NORTH CAROLINA
CORRECTIVE ACTION PLAN
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Section II – Financial Statement Findings

Finding 14-1

Name of contact person: Chuck Murray

Corrective Action: The County will continue to report the TDA as a component unit to satisfy any concerns on how the TDA should be “legally” reported in future years. The County will also make sure all DSS accruals are properly reported.

Proposed Completion Date: June 30, 2015

Finding: 14-2

Name of contact person: Jeanette Richardson

Corrective Action: The Agency followed the guidance of the state in determining appropriate eligibility for use of the funding source. As legal custodian the agency will open the subject cases for the service code for the appropriate time on the application for services. Training of employees will take place to ensure they are aware of what information is required to be kept in files to correspond with eligibility determination.

Proposed Completion Date: December 31, 2014

Section III – Federal Award Findings and Questioned Costs

See Finding 14-2

Finding: 14-3

Name of Contact Person: Beth Holmes and Debbie Scott

Corrective Action: Lead workers will perform second party reviews to ensure proper documentation is contained in files to support eligibility determinations. Workers will be retrained on what information should be maintained in the case files, the importance of complete and accurate record keeping and reserve calculations. The Quality Control Supervisor will conduct second party reviews on an ongoing basis.

Proposed Completion Date: June 30, 2015

**FRANKLIN COUNTY, NORTH CAROLINA
CORRECTIVE ACTION PLAN
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Finding: 14-4

Name of Contact Person: Nicki Perry and Beth Holmes

Corrective Action: The agency continues to take advantage of any one on one or other local trainings to prepare staff for their duties. The agency has also provided each staff with two monitors to assist them with making their job easier in allowing them to view their job aides while entering information in the NCFAST system. We have knowledgeable staff that are able to train and the staff is asked to read their policies. Caseloads are reorganized as needed to help workers with their caseloads.

The agency has decided to go back to specialized caseworkers after issues were encountered with the universal caseworker and knowledge transfer of income and eligibility requirements.

The agency continues to praise staff, recognize staff in agency meetings, paid overtime is available, and activities within the agency are provided and business casual Fridays are offered each week to boost morale.

Reassignments within the agency have allowed us to create a quality control position as of August 2014 that will conduct second party reviews. The Income Maintenance Caseworkers are currently fully staffed. Supervisors will research for more training in NCFAST for staff and schedule their staff to attend.

Proposed Completion Date: June 30, 2015

Section IV – State Award Findings and Questioned Costs

See Findings 14-2, 14-3, and 14-4

**FRANKLIN COUNTY, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Finding: 13-1

Status: Second party reviews were limited due to the implementation of NCFast, NCTracks, and the universal caseworker. The agency continues to make efforts to increase second party reviews, and due to worker reassignments during the year, a quality control position was created to assist with second party reviews.

Finding: 13-2

Status: Training and coaching has been provided on state residency requirements. This finding has been corrected.

Franklin County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2014

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal. (Direct & Pass-through) Expenditures	State Expenditures
Federal Awards:				
<u>U.S. Dept. of Agriculture</u>				
<u>Food and Nutrition Service</u>				
Passed-through the N.C. Dept. of Health and Human Services, Division of Social Services: State Administrative Matching Grants for the Supplemental Nutrition Assistance Progra	10.561		650,799	-
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		295,123	-
Direct Benefit Payments: Special Supplemental Nutrition Program for Women, Infants, & Children	10.557		939,543	-
Total U.S. Dept. of Agriculture			<u>1,885,465</u>	<u>-</u>
<u>U.S. Dept. of Housing and Urban Development</u>				
<u>Office of Community Planning and Development</u>				
Passed-through the N.C. Dept. of Commerce: Community Development Block Grant	14.228	06-C-1616	179,382	-
Home Investment Partnerships Program	14.239		11,760	-
Total U.S. Dept. of Housing and Urban Development			<u>191,142</u>	<u>-</u>
<u>U.S. Dept. of Justice</u>				
<u>Bureau of Justice Assistance</u>				
Bulletproof Vest Partnership Program	16.607		5,973	-
<u>Criminal Division</u>				
Equitable Sharing Program	16.922		6,057	-
Total U.S. Dept. of Justice			<u>12,030</u>	<u>-</u>
<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		30,635	-
Total U.S. Dept. of Transportation			<u>30,635</u>	<u>-</u>
<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 Aging Cluster:	93.052		8,198	523
Special Programs for the Aging Title III, Part B Grants for Supportive Services and Sen	93.044		99,958	181,114
Special Programs for the Aging Title III, Part C Nutrition Services	93.045		83,616	30,701
Nutrition Services Incentive Program	93.053		17,899	-
Total Aging Cluster			<u>201,473</u>	<u>211,815</u>
Passed-through the N.C. Dept. of Insurance, Division of SHIIP: Medicare Enrollment Assistance Program	93.071		-	1,739
Total Administration for Community Living			<u>209,671</u>	<u>214,077</u>
<u>Administration for Children and Families</u>				
Passed-through the N.C. Dept. Of Health and Human Services, Division of Social Services: Social Services Block Grant	93.667		-	500
Temporary Assistance for Needy Families Foster Care and Adoption Cluster:	93.558		4,930	-
Foster Care Title IV-E - ARRA:				
Title IV-E Foster Care	93.658		128,528	48,030
Foster Care - Direct Benefits Payments	93.658		168,558	60,651
Adoption Assistance - ARRA:				
Adoption Assistance - Administration	93.659		2,157	-
Adoption Assistance - Direct Benefits Payments	93.659		323,605	84,895
Total Foster Care and Adoption Cluster			<u>622,848</u>	<u>193,576</u>
Temporary Assistance for Needy Families (TANF) Direct Benefits Payments	93.558		583,798	2,337
Low-Income Home Energy Assistance: Administration	93.568		44,962	-
Energy Assistance Payments - Direct Benefit Payments	93.568		320,600	-
Crisis Intervention	93.568		217,117	-
Promoting Safe and Stable Families	93.556		10,684	-
Stephanie Tubbs Jones Child Welfare Services Program	93.645		42,837	-
Social Services Block Grant	93.667		186,783	59,162
Child Support Enforcement	93.563		519,844	-
Chafee Foster Care Independence Program	93.674		9,907	2,476
Chafee Foster Care Independence Program - Direct Benefit Payments	93.674		1,748	-
Total Division of Social Services			<u>2,829,673</u>	<u>257,979</u>

Franklin County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2014

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal. (Direct & Pass-through) Expenditures	State Expenditures
<u>Administration for Children and Families (cont.)</u>				
Passed-through the N.C. Dept. of Health and Human Services, Division of Child Development:				
<u>Subsidized Child Care Cluster</u>				
Child Care Mandatory and Matching Funds of the Child Care and Development Fund:				
Child Care Development Fund-Administration (Passed through the Division of Soci	93.596		87,425	-
Child Care and Development Fund - Mandatory	93.596		432,460	-
Child Care and Development Fund - Match	93.596		334,053	130,933
Child Care and Development Block Grant	93.575		648,707	-
Temporary Assistance for Needy Families	93.558		366,885	-
State Appropriations			-	124,043
TANF-Maintenance of Effort			-	100,721
Foster Care Title IV-E	93.658		20,323	10,639
Total Subsidized Child Care Cluster			<u>1,889,853</u>	<u>366,336</u>
<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		47,365,270	26,079,566
Passed-through the N.C. Dept. of Health and Human Services, Division of Social Services:				
Administration:				
Medical Assistance Program	93.778		1,079,691	19,461
Children's Health Insurance Program	93.767		37,789	2,188
Passed-through the N.C. Dept of Insurance, Division of SHIIP:				
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluat	93.779		-	2,366
<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:				
Public Health Emergency Preparedness	93.069		33,439	-
Immunization Cooperative Agreements	93.268		15,032	-
Preventive Health and Health Services Block Grant	93.991		10,783	-
<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		81,854	61,931
Total U.S. Dept. of Health and Human Services			<u>53,588,696</u>	<u>27,003,904</u>
<u>U.S. Dept. of Homeland Security</u>				
Passed-through N.C. Dept. of Public Safety:				
Emergency Management Performance Grant	97.042		35,317	-
Total federal awards			<u>55,743,285</u>	<u>27,003,904</u>
State Awards:				
<u>N.C. Dept. of Administration</u>				
Grant Veteran Service			-	1,452
<u>N.C. Dept. of Cultural Resources</u>				
Division of State Library				
State Aid to Public Libraries			-	108,442
<u>N.C. Dept. of Health and Human Services</u>				
Division of Aging and Adult Services:				
Passed-through the Kerr-Tar Council of Governments:				
Senior Center Development			-	23,356
Division of Social Services:				
State/County Special Assistance for Adults - Direct Benefit Payments			-	428,766
Adoption Subsidy - Direct			-	251,842
SFHF Maximization - Direct			-	72,860
State Foster Home - Direct			-	73,003
Energy Neighbors			-	11,545
Program Integrity			-	168
Smart Start			-	7,466
Total Division of Social Service			<u>-</u>	<u>845,650</u>

Franklin County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2014

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal. (Direct & Pass-through) Expenditures	State Expenditures
Division of Public Health:				
Environmental Health			-	4,000
Maternal Health (HMHC)			-	1,589
Food and Lodging Fees			-	5,291
Tuberculosis			-	14,184
General Aid to Counties			-	87,775
Risk Reduction/Health Promotion			-	6,285
General Communicable Disease Control			-	4,342
WHSF			-	5,048
TB Medical Services			-	1,034
School Nurse Funding Initiative			-	150,000
Total Division of Public Health			-	279,548
Total N.C. Dept. of Health and Human Services			-	1,148,554
<u>N.C. Dept. of Transportation</u>				
Rural Operating Assistance Program (ROAP) Cluster:			-	
ROAP Work First				15,141
ROAP Elderly and Disabled Transportation Assistance Program			-	67,423
ROAP Rural General Public Program			-	91,256
State Aid to Airports				
Triangle North Executive-Land Acquisition			-	201,558
Total Rural Operating Assistance Program (ROAP) Cluster			-	375,378
Total N.C. Dept. of Transportation			-	375,378
<u>N.C. Dept. of Environment and Natural Resources</u>				
Division of Soil and Water Conservation				
Soil Technician Grant			-	73,247
Abandoned Mobil Home Program			-	1,880
DWM Electronics Mgt. Program			-	4,013
Division of Parks and Recreation				
PPA Off Waste Red Trust Fund			-	28,366
Total N.C. Dept. of Environment and Natural Resources			-	107,506
<u>N.C. Dept. of Public Safety</u>				
JCPC Grant			-	125,278
<u>N.C. Dept. of Public Instruction</u>				
Public School Building Capital Fund			-	900,000
Total State awards			-	2,766,610
Total Federal and State awards			\$ 55,743,285	\$ 29,770,514

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

- Basis of Presentation
The accompanying schedule of expenditures of federal and State awards includes the federal and State grant activity of Franklin County and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State Single Audit Implementation Act. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements. Benefit payments are paid directly to recipients and are not included in the county's basic financial statements. However, due to the county's involvement in determining eligibility, they are considered federal awards to the county and are included on this schedule.
- The following are clustered by the N.C. Departments of Health and Human Services and are treated separately for State audit requirements: Subsidized Child Care and Foster Care and Adoption.