

FRANKLIN COUNTY COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended
June 30, 2015



Prepared by the
Franklin County Finance Department

Finance Director
Mitchell Robinson

County of Franklin
113 Market Street
Louisburg, NC 27549

FRANKLIN COUNTY, NORTH CAROLINA
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INTRODUCTORY SECTION



COUNTY OF FRANKLIN

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

January 25, 2016

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, 2015. State law requires that local governments publish within six months (seven months with an extension) of the close of each fiscal year a complete set of financial statements presented in conformity with general accepted accounting principals (GAAP) and audited in accordance with generally accepted accounting standards by a firm of licensed certified public accountants.

This report consists of management's representation concerning the finances of the County. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the County has established a comprehensive internal control framework that is designed to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of County of Franklin's financial statements in conformity with GAAP. Because 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, 2015 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principals used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the County of Franklin's financial statements for the fiscal year ended June 30, 2015, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

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

Profile of the County

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

Franklin County encompasses 494 square miles and has a population of 63,848. There are six municipalities, Town of Bunn, Town of Youngsville, Town of Franklinton, Town of Centerville, the Town of Louisburg (,county seat) and the 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.

Jail Construction

In FYE 2013, The County entered into a construction contract with HG Reynolds Construction for \$3.55 million to renovate the Jail Detention Facility. The county spent \$1.71 million in FYE 2014 on the project and \$2.08 million for FYE 2015. The project is mostly complete with the final check list being completed as the date of this report.

E911 Infrastructure Improvement Project

The County borrowed \$2.7 million in December 2008 for this project. The project is being completed to help enhance the county's paging capability to volunteer fire and rescue departments in responding to fire and rescue calls, increase EMS and Sheriff Communication and other public safety agencies in the county. After further consultation with the County's engineer, the county decided to enhance coverage further for a total cost of \$10.5 million. This enhancement should provide pager service coverage 95 percent of the time in 95 percent of each fire district. The county has expended \$8.9 million to date on this project. Even though the County only spent \$12,397 during FYE 2015, the project is still not complete. The County has not accepted the project due to complications.

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, lighting, and some cosmetic changes including flooring and painting. Construction was completed during the year for a total cost of \$1,526,196.

Town of Franklinton Utility Purchase

The County completed the purchase of the Town of Franklinton's water and sewer utility system in April of 2015. The total purchase price of the system was \$3.2 million. As part of the purchase the County acquired a Water Treatment Plant that can produce up to 350,000 gallons a day. Along with the water treatment plant, the County received all water and sewer lines in Franklinton. This will add 1,200 customer connections to the County system.

Triangle North Executive Airport

Through a mediation process the County was able to purchase hangers and related assets valued at \$3.9 million. The County was able to negotiate those assets for \$1.5 million. The County continues to improve and expand the airport.

Owens Park

The County purchased the former Bull Creek Golf and Country Club located northeast of Louisburg in November of 2014 for \$600,000. The tax value for the property was \$1.2 million. The property consists of approximately 167 acres and a 3,200 square-foot clubhouse and two other 4,000 square-foot buildings as well as four ponds. This purchase was made possible by the late Edgar H. Owens who donated \$963,770 from his estate to be used for the creation of a recreational park in honor of his mother and father. Input from the public is currently being received and evaluated to determine how the park will be developed.

ECONOMIC CONDITION AND OUTLOOK

The economic base of the county has traditionally centered on agriculture and textiles, however recently the county has diversified greatly from this base and has attracted many new industries. Currently, 20% of employment in the county is in manufacturing, 49% in service producing industries, 22% in government, and 7% in construction. Agriculture employs 2%. 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 552 employees. Their current property valuation is \$158.2 million. This provided over \$1.38 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 \$2,219,841 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 3.59 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, Carolina Telephone's value is \$22.6 million, Wake Electric's value is \$34.1 million and K-Flex, USA, Inc. rounds out the top five taxpayers for the county at \$26 million.

Long-Term Financial Planning

It is estimated that Franklin County currently has 63,848 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 2015, 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 \$8.9 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. The results of the County's single audit for the fiscal year ended June 30, 2015, provided no instances of material weaknesses in the internal control structure or significant violations of applicable laws and regulations despite the new implementation of SAS 112.

CASH MANAGEMENT AND RISK MANAGEMENT

Cash Management - The County uses a central depository system to pool moneys from all funds to facilitate disbursements and investments. All depositories are collateralized according to North Carolina General Statute 159-31. Investments are made in accordance with North Carolina General Statute 159-30. Cash temporarily idle during the year was invested in interest-bearing accounts, principally with the North Carolina Capital Management Trust, BB&T, and First Citizens Bank. The

government fund types recorded investment income of \$142,629 in 2013, \$144,476 in 2014, and \$28,210 for 2015. At June 30, 2015, the County's deposits had a carrying value of \$18,808,971 and a bank balance of \$19,533,437. 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, 2015, \$314,531 of the bank balance was covered by federal depository insurance and \$19,218,906 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 \$74.17 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 \$6.8 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 provide employee safety education. The county has an established safety committee that consists of a representative from each county office building. The safety committee meets 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 75 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 430 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 2015, there were 59 retired employees receiving a Medicare supplement and 27 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 529 eligible plan participants with 86 of these receiving a benefit.

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

RELEVANT FINANCIAL POLICIES

The County has adopted a comprehensive set of financial policies. During the current year, two of these policies were particularly relevant. The County has a policy that requires the adoption of a balanced annual operating budget (i.e., estimated revenues equal to or in excess of appropriations). The General Fund expenditure budget was \$76,325,616 with final actual expenditures of \$74,516,171, with a positive variance of \$1,809,445. General Fund revenues budgeted was \$66,750,751 with final actual revenues of \$68,244,186 with a positive variance of \$1,493,435. In such cases, the policy allows for the appropriation of fund balance to close the gap. The amount necessary for this purpose in the original budget was \$3,457,658, which increased to \$4,430,565 in the final amended budget. However, thanks to measures taken during the year to control expenditures, the County ultimately had to spend only \$1,427,685 to close the operating deficit for the year.

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 30th, 2014. The county has received this prestigious award for 16 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.

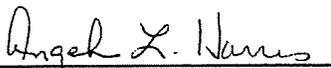
Preparation of this report would not have been possible without the dedicated efforts of the Finance Department's staff and the cooperation and dedication of other county departments and the auditing staff of Winston, Williams, Creech, Evans & Company. Great gratitude is extended to the Board of County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

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.

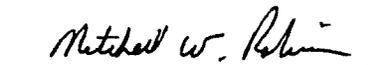
Use of the Report. The Government Finance Officers Association reports a growing awareness that the annual financial report should be management's report to its governing body, constituents, oversight bodies, resource providers, investors and creditors. We agree with this direction, and in keeping with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

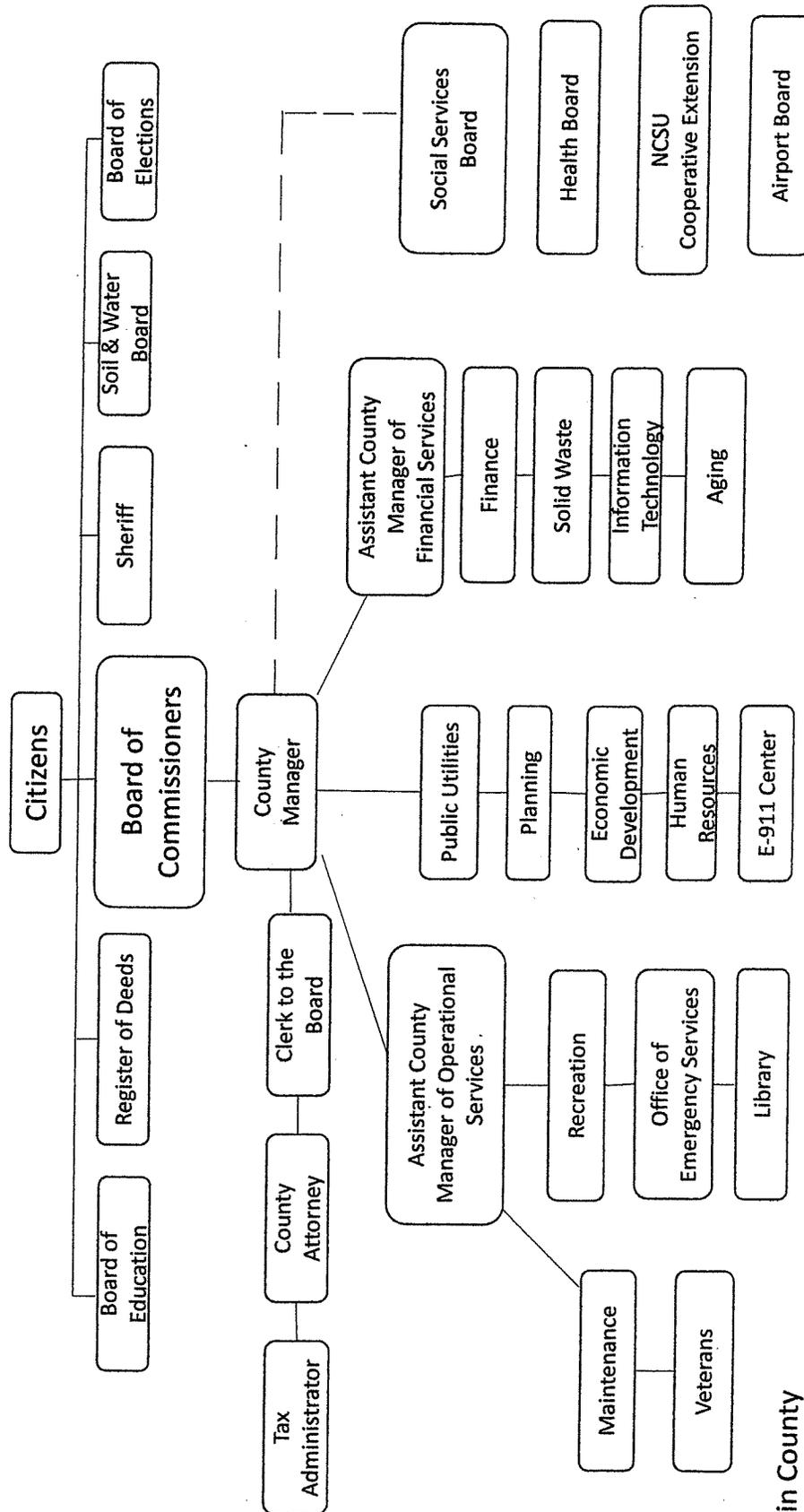
Respectfully submitted,



Angela L. Harris
County Manager



Mitchell W. Robinson
Director of Finance



Franklin County
Organization Chart

**FRANKLIN COUNTY, NORTH CAROLINA
LIST OF PRINCIPAL OFFICIALS
JUNE 30, 2015**

**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
Mitchell Robinson
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, 2014

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, 2015 and the related notes to the financial statements, which collectively comprise Franklin County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of Franklin County Tourism Development Authority were not audited in accordance with *Government Auditing Standards*.

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

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

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Franklin County as of June 30, 2015, 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.

102 W. Spring Street • P.O. Box 1366 • Oxford, NC 27565 • (919) 693-5196 • fax (919) 693-7614

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Franklin County's basic financial statements. The introductory information, combining and individual fund financial statements, budgetary schedules, other schedules, statistical section, as well as the accompanying schedule of expenditures of federal and State awards as required by the 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 January 25, 2016 on our consideration of Franklin County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Franklin County's internal control over financial reporting and compliance.

Winston, Williams, Creech, Evans & Company, LLP

Winston, Williams, Creech, Evans & Company, LLP
Certified Public Accountants
Oxford, NC
January 25, 2016



County Of Franklin

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

Office of Finance

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Franklin County, we offer readers of Franklin County's financial statements this narrative overview and analysis of the financial activities of Franklin County for the fiscal year ended June 30, 2015. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the County's financial statements, which follows this narrative.

Financial Highlights

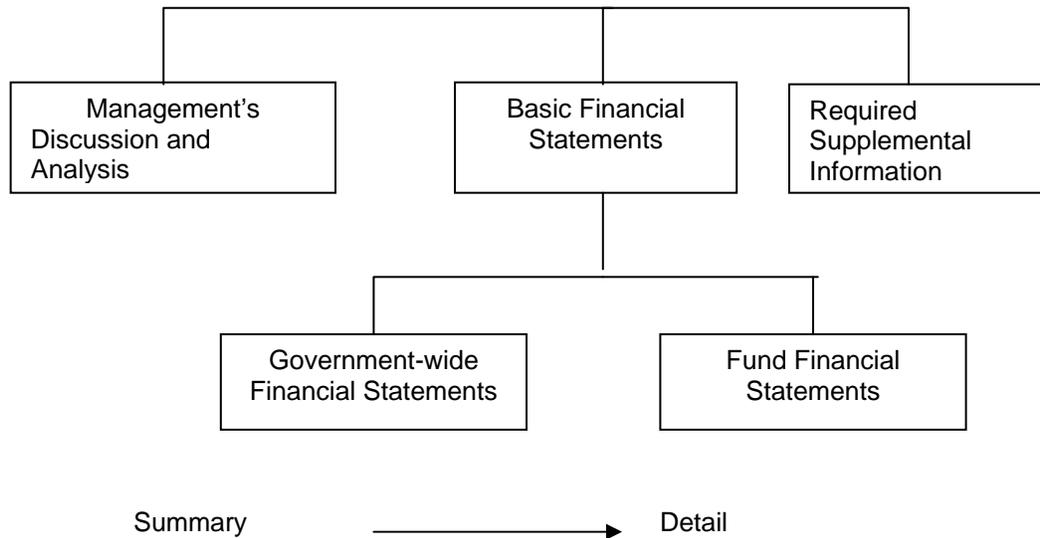
- The County's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$2.8 million. In accordance with North Carolina law, liabilities of the County include long-term debt associated with assets belonging to the Franklin County Board of Education. The amount included in liabilities related to school financing is \$64.6 million. These assets are not reflected in the County's financial statements but the full amount of the long-term debt associated with schools is reflected in the County's financial statements. Some similar County financial reports may reflect a net deficit in net position due to this law.
- As of the close of the current fiscal year, the County's Governmental funds reported a combined ending fund balances of \$27.2 million, an increase of \$641,193 from the previous fiscal year where the combined fund balances totaled \$26.5 million. A decrease was in the Non-major Other Governmental Funds of \$3,288,065. The General Fund increased by \$3,929,258 mainly due to a restatement of the beginning balance. Approximately 38.4 percent of this total amount or \$10.45 million is available for spending at the government's discretion.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$10.47 million or 14.05 percent of total general fund expenditures for the fiscal year. \$1.29 million of the total fund balance has been designated for subsequent year expenditures.
- The County's total long-term debt decreased by \$1.4 million during the current fiscal year. The County made all debt payments timely but issued new debt for \$4.85 million for the purchase of the Franklinton water system, renovation of the court house and to purchase land for the schools.
- The County's current bond rating with Moody's Investor Services is an (Aa2), Standard & Poor's rating for the County is AA-, and Fitch has rated the County as AA.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to The County's basic financial statements. The County's basic financial statements consist of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. The basic financial statements present two different views of the County through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report also contains other supplemental information that should enhance the reader's understanding of the financial condition of the County.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

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

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

Government-wide Financial Statements

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

The two government-wide statements report the County's net position and how they have changed. Net position is the difference between the total of the County's assets and deferred outflows of resources and

the total liabilities and the deferred inflows of resources. Measuring net position is one way to gauge the County's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the County's basic services such as general administration, taxation and records, community planning, community maintenance, human services, education, and public safety. Property and other taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the County charges customers to provide the service. Franklin County's only business-type activity reported during fiscal year 2015 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 four agency funds.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 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 assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$2,829,661 as of June 30, 2015. The County's net position increased by \$4.3 million for the fiscal year ended June 30, 2015. One of the largest portions \$50,725,036 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, \$12,618,500, 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 2014 and FYE 2015.

Figure 2

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 37,130,452	\$ 34,748,982	\$ 1,473,185	\$ 5,595,100	\$ 38,603,637	\$ 40,344,082
Capital assets	44,981,476	39,813,458	29,661,068	27,186,103	74,642,544	66,999,561
Total assets	<u>82,111,928</u>	<u>74,562,440</u>	<u>31,134,253</u>	<u>32,781,203</u>	<u>113,246,181</u>	<u>107,343,643</u>
Deferred Outflows of Resources	1,371,253	-	76,143	-	1,447,396	-
Long-term liabilities outstanding	87,749,689	90,419,233	13,408,588	12,135,081	101,158,277	102,554,314
Other liabilities	4,705,983	4,662,564	946,427	1,003,500	5,652,410	5,666,064
Total liabilities	<u>92,455,672</u>	<u>95,081,797</u>	<u>14,355,015</u>	<u>13,138,581</u>	<u>106,810,687</u>	<u>108,220,378</u>
Deferred Inflows of Resources	4,802,587	576,469	250,642	-	5,053,229	576,469
Net Position:						
Net investment in capital assets	33,798,587	33,141,451	16,926,449	15,622,605	50,725,036	48,764,056
Restricted	12,618,500	10,485,680	-	-	12,618,500	10,485,680
Unrestricted	(60,192,165)	(64,722,957)	(321,710)	4,020,017	(60,513,875)	(60,702,940)
Total Net Position	<u>\$ (13,775,078)</u>	<u>\$ (21,095,826)</u>	<u>\$ 16,604,739</u>	<u>\$ 19,642,622</u>	<u>\$ 2,829,661</u>	<u>\$ (1,453,204)</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 \$13.8 million. In the Business-type Activities, the assets exceeded its liabilities by \$16.6 million at June 30, 2015. Net position for Governmental Activities is reported in three categories: Net Investment in capital assets was \$33.8 million; Restricted was \$12.6 million and unrestricted net position was \$(60,192,165). Net position for Business type Activities is reported in two categories: Net Investment in capital assets was \$16.9 million and unrestricted net position was (\$321,710).

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 (\$60,513,875) 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 \$64.6 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 \$7.3 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 98.25 percent.
- Continued low cost of debt due to the County's bond rating.
- Conservative revenue projections - \$1,493,435 surplus over budget in the General Fund.
- Lottery proceeds reserved for school debt - \$700,000.
- Controlled departmental spending and conservative budgeting - \$1.8 million.

Figure 3
FRANKLIN COUNTY'S CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities		FY 2015	FY 2014
	FY 2015	FY 2014	FY 2015	FY 2014		
Revenues:						
Program revenues:						
Charges for services	\$ 10,715,326	\$ 10,945,575	\$ 9,248,628	\$ 8,538,074	\$ 19,963,954	\$ 19,483,649
Operating grants and contributions	12,742,188	11,852,730	-	-	12,742,188	11,852,730
Capital grants and contributions	431,926	423,335	149,932	-	581,858	423,335
General revenues:						-
Property taxes	41,208,557	41,298,278	-	-	41,208,557	41,298,278
Other taxes	9,605,109	8,953,833	-	-	9,605,109	8,953,833
Other	209,352	287,596	41,269	951	250,621	288,547
Total revenues	<u>74,912,458</u>	<u>73,761,347</u>	<u>9,439,829</u>	<u>8,539,025</u>	<u>84,352,287</u>	<u>82,300,372</u>
Expenses:						
General Government	4,683,881	4,598,900	-	-	4,683,881	4,598,900
Public Safety	21,980,004	21,505,522	-	-	21,980,004	21,505,522
Economic and Fiscal Development	5,445,839	5,524,498	-	-	5,445,839	5,524,498
Environmental protection	235,498	-	-	-	235,498	-
Human Services	17,901,400	17,850,805	-	-	17,901,400	17,850,805
Cultural and Recreation	1,445,953	1,598,599	-	-	1,445,953	1,598,599
Education	15,838,646	14,613,120	-	-	15,838,646	14,613,120
Interest on long-term debt	2,962,772	2,991,751	-	-	2,962,772	2,991,751
Water and Sewer	-	-	7,254,705	6,620,882	7,254,705	6,620,882
Total expenses	<u>70,493,993</u>	<u>68,683,195</u>	<u>7,254,705</u>	<u>6,620,882</u>	<u>77,748,698</u>	<u>75,304,077</u>
Increase (Decrease) in net position before transfers	4,418,465	5,078,152	2,185,124	1,918,143	6,603,589	6,996,295
Transfers	-	499,997	-	(499,997)	-	-
Increase in net position	<u>4,418,465</u>	<u>5,578,149</u>	<u>2,185,124</u>	<u>1,418,146</u>	<u>6,603,589</u>	<u>6,996,295</u>
Net Position, July 1, previously reported	(21,095,826)	(27,016,591)	19,642,621	18,224,475	(1,453,205)	(8,792,116)
Restatement (See footnote IX)	2,902,283	342,616	(5,223,006)	-	(2,320,723)	342,616
Net Position, July 1, as restated	<u>(18,193,543)</u>	<u>26,673,975</u>	<u>14,419,615</u>	<u>18,224,475</u>	<u>(3,773,928)</u>	<u>44,898,450</u>
Net Position, June 30	<u>\$ (13,775,078)</u>	<u>\$ (21,095,826)</u>	<u>\$ 16,604,739</u>	<u>\$ 19,642,621</u>	<u>\$ 2,829,661</u>	<u>\$ (1,453,205)</u>

Governmental activities: Governmental activities increased the County's net position by \$7.3 million. Sales Tax and other tax revenues increased by \$651,276 or a 7.3% increase, Operating grants and contributions increased by \$889,458. The County Departmental expenditures were \$1.81 million below the previous year due to conservative spending. A major component of the increase was due to a restatement of a receivable from the Water and Sewer Fund of \$5,904,590 that offset a decrease of \$2,192,307 caused by the implementation of GASB 68 related to pensions.

Business-type activities: The net position in Business-type activities decreased by \$3,037,882. Water and Sewer collections increased by \$710,554 an increase of 8.3%, partly due to the County taking over the Town of Franklinton's water and sewer system. Expenses increased by \$633,823 for the same reason. Total revenues were \$2,185,124 over total expenses, however a restatement caused by a payable to the general fund of \$5,904,590 and change in accounting principal due to the implementation of GASB 68 of \$128,415 accounted for the decrease in the net position. The county's water customers increased by 1,349 customers during the fiscal year. The county currently has 5,332 water customers. The county's water consumption was 2,100,000 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 (unassigned) in the General Fund was \$10,466,697 while total fund balance reached \$24,862,691. 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 14.05% of general fund expenditures, while total fund balance represents 33.37% of that same amount.

At June 30, 2015, the governmental funds of the County reported a combined fund balance of \$27,184,998. The county's overall fund balance remains strong.

General Fund Budgetary Highlights

During fiscal year 2015, 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 \$888,382 and expenditures by \$3,061,289.

The actual operating revenues for the General Fund were higher than the budgeted amount by \$1,493,435. Ad valorem taxes were over budget by \$606,538; Sales Tax revenues were over budget by \$268,269; fees and charges were down by \$178,608; and Restricted intergovernmental revenues exceeded the anticipated budget by \$951,479. The County's expenditures were \$1,809,455 less than budgeted. Human Services departments under spent their budgets by \$440,113, General Government

activities were under budget by 361,611, Public Safety departments were under budget by \$509,230 and Economic and physical development was under budget by \$438,146.

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 a deficit of \$400,620, a decrease of \$4.3 million. The decrease was mainly due to the restatement of a payable to the General Fund. Total revenues increased by \$900,804 while expenditures increased by \$633,823.

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, 2015, totaled \$74,642,544 (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:

- \$3.2 million purchase of Franklinton's water and sewer system
- \$2.1 million Jail Improvements
- \$1.4 million in Court House Improvements
- \$634,163 spent for Owens Park.

Figure 4

Franklin County's Capital Assets (net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land and Improvements	\$ 14,066,216	\$ 13,571,003	\$ 369,456	\$ 369,456	\$ 14,435,672	\$ 13,940,459
Buildings	14,157,661	11,751,572	-	-	14,157,661	11,751,572
Gas Lines	193,651	201,889	-	-	193,651	201,889
Water Lines	120,106	124,193	28,581,349	25,490,932	28,701,455	25,615,125
Sewer Lines	-	-	-	-	-	-
Automotive equipment	1,185,218	1,256,728	56,821	48,138	1,242,039	1,304,866
Office and other equipment	1,645,092	1,453,856	505,241	170,474	2,150,333	1,624,330
Construction in progress	13,613,532	11,454,217	148,201	1,107,103	13,761,733	12,561,320
Total	<u>\$ 44,981,476</u>	<u>\$ 39,813,458</u>	<u>\$ 29,661,068</u>	<u>\$ 27,186,103</u>	<u>\$ 74,642,544</u>	<u>\$ 66,999,561</u>

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

Long-term Debt: As of June 30, 2015, the County's Governmental Activities had total bonded school debt outstanding of \$52,745,000 all of which is backed by the full faith and credit of the County: \$9,150,000 in Certificates of Participation outstanding, and \$12,541,556 in installment purchases. In the Business type Activities, the County had \$1,080,000 in outstanding in Federal and State revolving loans, \$3,616,009 in COPs and \$8,038,610 in installment loans outstanding at June 30, 2015. A summary of total long-term debt is shown in Figure 5.

Figure 5

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

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
General obligation bonds	\$ 52,745,000	\$ 57,035,000	\$ -	\$ -	\$ 52,745,000	\$ 57,035,000
Certificates of Participation	9,150,000	9,855,000	3,616,009	4,279,271	12,766,009	14,134,271
Installment Purchases	12,541,556	12,711,606	8,038,610	6,024,227	20,580,166	18,735,833
Revolving Loans	-	-	1,080,000	1,260,000	1,080,000	1,260,000
Other obligations	12,695,535	10,817,627	673,968	571,583	13,369,503	11,389,210
Total long-term debt	<u>\$ 87,132,091</u>	<u>\$ 90,419,233</u>	<u>\$ 13,408,587</u>	<u>\$ 12,135,081</u>	<u>\$ 100,540,678</u>	<u>\$ 102,554,314</u>

In fiscal year 2013-14, the County's total debt decreased by \$2.01 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 asked for and was granted 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 \$265,822,372. The County has \$11,400,000 bonds authorized but un-issued at November 2015.

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 5.40 percent at June 30, 2015 which is lower when compared to last year's rate at 5.70 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 8.3 percent.

All of these factors were considered in preparing the County of Franklin's budget for FYE 2016.

Budget Highlights for the Fiscal Year Ending June 30, 2016

- **Governmental Activities:** The County has approved a \$72.1 million General Fund budget for FYE 2016 compared to a \$73.4 million general fund budget for fiscal year 2014-2015. However

solid waste was moved to its own Enterprise Fund with a budget of \$3.2 million budget for FYE 2016. The property tax rate was raised .0525 cents per \$100 dollars of property valuation to .9250 cents per \$100 dollars of property valuation. The tax base increased about 3.1%.

- **Business – type Activities:** The County water rates and sewer rates remained the same as the previous year. The budget for FYE 2016 was set at \$9,015,554 to start the year up from \$8,368,128 in FYE 2015. The increase was needed to account for the purchase of the Town of Franklinton’s water and sewer system operations. The county started in the water and sewer business in October 1996.
- As state above the County removed the solid waste from the general fund to its own Enterprise Fund to operate as a Business-type activity. The Budget was set at \$3,184,840 for FYE 2016 and the Solid Waste Availability Fee was raised to \$80 up from \$55.

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 mrobinson@franklincountync.us for more information.

BASIC FINANCIAL STATEMENTS

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS**

Franklin County, North Carolina
Statement of Net Position
June 30, 2015

	Primary Government			Component Unit
	Governmental Activities	Business-type Activity	Total	Franklin County Tourism Development Authority
Assets				
Cash and cash equivalents	\$ 19,969,497	\$ 4,045,302	\$ 24,014,799	\$ 120,423
Taxes receivable (net)	1,956,837	-	1,956,837	-
Accounts receivable (net)	812,275	1,391,912	2,204,187	-
Due from other governments	4,042,856	38,813	4,081,669	-
Accrued interest receivable	412,444	-	412,444	-
Inventory	40,694	-	40,694	-
Security deposit	-	-	-	-
Prepaid items	455,200	-	455,200	-
Net pension asset	1,963,239	102,838	2,066,077	-
Restricted cash and cash equivalents	3,371,730	-	3,371,730	-
Internal balances	4,105,680	(4,105,680)	-	-
Capital assets:				
Land, improvements, and construction in progress	25,906,083	517,657	26,423,740	-
Other capital assets, net of depreciation	19,075,393	29,143,411	48,218,804	-
Total capital assets	44,981,476	29,661,068	74,642,544	-
Total assets	82,111,928	31,134,253	113,246,181	120,423
Deferred Outflows of Resources	1,371,253	76,143	1,447,396	-
Liabilities				
Accounts payable and accrued expenses	3,770,419	498,483	4,268,902	-
Customer deposits	-	401,677	401,677	-
Accrued interest payable	935,564	46,267	981,831	-
Unearned revenue	206,213	-	206,213	-
Long-term liabilities:				
Due within one year	7,811,130	1,721,865	9,532,995	-
Due in more than one year	79,938,559	11,686,723	91,625,282	-
Total long-term liabilities	87,749,689	13,408,588	101,158,277	-
Total liabilities	92,661,885	14,355,015	107,016,900	-
Deferred Inflows of Resources	4,596,374	250,642	4,847,016	-
Net Position				
Net investment in capital assets	33,798,587	16,926,449	50,725,036	-
Restricted for:				
State Statute for Stabilization	9,965,326	-	9,965,326	-
Register of Deeds	88,765	-	88,765	-
Public Safety	1,573,831	-	1,573,831	-
Education	915,894	-	915,894	-
Economic Development	74,684	-	74,684	-
Unrestricted	(60,192,165)	(321,710)	(60,513,875)	120,423
Total net position	\$ (13,775,078)	\$ 16,604,739	\$ 2,829,661	\$ 120,423

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, 2015**

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	\$ 4,683,881	\$ 534,892	\$ 717,681	\$ -	\$ (3,431,308)	\$ -	\$ (3,431,308)	
Public safety	21,980,004	4,931,717	531,645	-	(16,516,642)	-	(16,516,642)	
Economic and physical development	5,445,839	3,318,708	135,012	431,926	(1,560,193)	-	(1,560,193)	
Environmental protection	235,498	-	-	-	(235,498)	-	(235,498)	
Human services	17,901,400	1,798,633	10,501,304	-	(5,601,463)	-	(5,601,463)	
Cultural and recreation	1,445,953	131,376	156,546	-	(1,158,031)	-	(1,158,031)	
Education	15,838,646	-	700,000	-	(15,138,646)	-	(15,138,646)	
Interest on long-term debt	2,962,772	-	-	-	(2,962,772)	-	(2,962,772)	
Total governmental activities	<u>70,493,993</u>	<u>10,715,326</u>	<u>12,742,188</u>	<u>431,926</u>	<u>(46,604,553)</u>	<u>-</u>	<u>(46,604,553)</u>	
Business-type activity:								
Water and Sewer Department	7,254,705	9,248,628	-	149,932	-	2,143,855	2,143,855	
Total primary government	<u>\$ 77,748,698</u>	<u>\$ 19,963,954</u>	<u>\$ 12,742,188</u>	<u>\$ 581,858</u>	<u>(46,604,553)</u>	<u>2,143,855</u>	<u>(44,460,698)</u>	
Component Unit:								
Franklin County Tourism Development Authority	<u>\$ 42,673</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(42,673)</u>
General revenues:								
Taxes:								
Property taxes, levied for general purposes					41,208,557	-	41,208,557	-
Local option sales tax					8,903,735	-	8,903,735	-
Other taxes and licenses					701,374	-	701,374	51,395
Investment earnings, unrestricted					28,065	-	28,065	-
Miscellaneous, unrestricted					181,287	41,269	222,556	-
Transfers					-	-	-	-
Total general revenues and transfers					<u>51,023,018</u>	<u>41,269</u>	<u>51,064,287</u>	<u>51,395</u>
Change in net position					4,418,465	2,185,124	6,603,589	8,722
Net position, beginning, previously reported					(21,095,826)	19,642,621	(1,453,205)	111,701
Restatement					2,902,283	(5,223,006)	(2,320,723)	-
Net position, beginning, restated					<u>(18,193,543)</u>	<u>14,419,615</u>	<u>(3,773,928)</u>	<u>111,701</u>
Net position, ending					<u>\$ (13,775,078)</u>	<u>\$ 16,604,739</u>	<u>\$ 2,829,661</u>	<u>\$ 120,423</u>

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

**FUND
FINANCIAL STATEMENTS**

Franklin County, North Carolina
Balance Sheet
Governmental Funds
June 30, 2015

	<u>Major</u>	<u>Nonmajor</u>	<u>Total</u>
	<u>General</u>	<u>Other Governmental Funds</u>	<u>Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 17,079,177	\$ 592,503	\$ 17,671,680
Taxes receivable, net	1,820,011	136,826	1,956,837
Accounts receivables, net	785,962	26,313	812,275
Due from other governments	3,874,194	168,662	4,042,856
Due from other funds	5,110,195	-	5,110,195
Inventory	40,694	-	40,694
Restricted assets:			
Restricted cash	1,697,650	1,674,080	3,371,730
Total assets	<u>\$ 30,407,883</u>	<u>\$ 2,598,384</u>	<u>\$ 33,006,267</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable and accrued liabilities	\$ 3,422,647	\$ 123,646	\$ 3,546,293
Due to other funds	-	15,605	15,605
Unearned revenue	206,213	-	206,213
Total liabilities	<u>3,628,860</u>	<u>139,251</u>	<u>3,768,111</u>
Deferred Inflows of Resources	<u>1,916,332</u>	<u>136,826</u>	<u>2,053,158</u>
Fund Balances:			
Nonspendable:			
Inventories	40,694	-	40,694
Restricted:			
Stabilization by State Statute	9,770,351	194,975	9,965,326
Register of Deeds	88,765	-	88,765
Fire Protection	-	109,017	109,017
Capital Reserve	915,894	-	915,894
Public Safety	-	1,464,814	1,464,814
Economic Development	-	74,684	74,684
Committed:			
Debt Service	-	494,422	494,422
Revaluation	692,991	-	692,991
Assigned:			
Subsequent year's expenditures			
General Fund	1,285,000	-	1,285,000
Cultural and Recreational	236,058	-	236,058
Economic Development	1,351,628	-	1,351,628
Human Services	14,613	-	14,613
Unassigned:			
General Fund	10,466,697	-	10,466,697
Special Revenue Funds	-	-	-
Capital Projects Funds	-	(15,605)	(15,605)
Total fund balances	<u>24,862,691</u>	<u>2,322,307</u>	<u>27,184,998</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 30,407,883</u>	<u>\$ 2,598,384</u>	

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

Franklin County, North Carolina
 Balance Sheet
 Governmental Funds
 June 30, 2015

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.	44,981,476
Net pension asset	1,963,239
Contributions to the pension plan in the current fiscal year	1,371,253
Internal payment reclassified to a receivable in the Statement of Net Position	(910,000)
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.	2,449,981
Liabilities for deferred inflows of resources reported in the fund statements but not the government wide	1,956,837
Accrued interest on Ad Valorem receivable and investments is not available to pay for current-period expenditures and therefore are not recognized in the	412,444
Pension related deferrals	(4,500,053)
Some liabilities, including bonds payable, are not due and payable in the current year and, therefore, are not reported in the funds	<u>(88,685,253)</u>
Net position of governmental activities	<u>\$ (13,775,078)</u>

Franklin County, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2015

	<u>Major</u>	<u>Nonmajor</u>	
		<u>Other</u>	
	<u>General Fund</u>	<u>Governmental</u>	<u>Total</u>
		<u>Funds</u>	<u>Governmental</u>
			<u>Funds</u>
Revenues			
Ad valorem taxes	\$ 38,234,806	\$ 2,989,407	\$ 41,224,213
Local option sales taxes	8,903,735	-	8,903,735
Other taxes	580,636	315,757	896,393
Restricted intergovernmental	12,182,827	521,370	12,704,197
Fees, sales and charges	10,666,244	-	10,666,244
Investment earnings	28,137	73	28,210
Miscellaneous	505,267	-	505,267
Total revenues	<u>71,101,652</u>	<u>3,826,607</u>	<u>74,928,259</u>
Expenditures			
Current:			
General government	4,480,127	-	4,480,127
Public safety	18,541,623	3,395,879	21,937,502
Economic and physical development	6,415,278	239,250	6,654,528
Human services	17,668,892	-	17,668,892
Cultural and leisure	1,287,267	-	1,287,267
Intergovernmental:			
Education	15,908,006	-	15,908,006
Capital outlay	-	4,270,243	4,270,243
Debt service:			
Principal	7,177,550	-	7,177,550
Interest and other charges	3,037,428	-	3,037,428
Total expenditures	<u>74,516,171</u>	<u>7,905,372</u>	<u>82,421,543</u>
Revenues over (under) expenditures	<u>(3,414,519)</u>	<u>(4,078,765)</u>	<u>(7,493,284)</u>
Other financing sources (uses)			
Transfers to other funds	(140,700)	(600,000)	(740,700)
Transfers from other funds	1,510,000	140,700	1,650,700
Issuance of debt	900,000	1,250,000	2,150,000
Total other financing sources (uses)	<u>2,269,300</u>	<u>790,700</u>	<u>3,060,000</u>
Net changes in fund balances	(1,145,219)	(3,288,065)	(4,433,284)
Fund balances			
Beginning of year	20,933,433	5,610,372	26,543,805
Restatement	5,094,590	-	5,094,590
Beginning of year, as restated	26,028,023	5,610,372	31,638,395
Increase in reserve for inventory	(20,113)	-	(20,113)
End of year	<u>\$ 24,862,691</u>	<u>\$ 2,322,307</u>	<u>\$ 27,184,998</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, 2015

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

Net changes in fund balances - total governmental funds	\$ (4,433,284)
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	5,168,416
Cost of disposed capital asset not recorded in fund statements	(398)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	(884,628)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	1,184,541
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.	5,165,050
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.	(2,001,978)
Inventory not expensed on statement of activities	(20,113)
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>240,859</u>
Total changes in net position of governmental activities (Exhibit 2)	<u><u>\$ 4,418,465</u></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 -
Budget and Actual - General Fund
For the Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Positive (Negative)</u>
Revenues				
Ad valorem taxes	\$ 37,827,268	\$ 37,628,268	\$ 38,234,806	\$ 606,538
Local option sales tax	5,562,000	5,778,000	6,046,269	268,269
Other taxes	272,300	714,300	580,636	(133,664)
Restricted intergovernmental	10,904,066	11,231,348	12,182,827	951,479
Sales and services	10,850,152	10,844,852	10,666,244	(178,608)
Investment earnings	135,000	135,000	28,137	(106,863)
Miscellaneous	311,583	418,983	505,267	86,284
Total revenues	<u>65,862,369</u>	<u>66,750,751</u>	<u>68,244,186</u>	<u>1,493,435</u>
Expenditures				
Current:				
General government	5,102,636	4,841,738	4,480,127	361,611
Public safety	18,591,466	19,050,853	18,541,623	509,230
Economic and physical development	5,236,876	6,853,424	6,415,278	438,146
Human services	17,477,754	18,109,005	17,668,892	440,113
Culture and leisure	1,309,088	1,324,089	1,287,267	36,822
Intergovernmental:				
Education	15,308,009	15,908,009	15,908,006	3
Debt service:				
Principal retirement	7,177,550	7,177,550	7,177,550	-
Interest and other charges	3,060,948	3,060,948	3,037,428	23,520
Total expenditures	<u>73,264,327</u>	<u>76,325,616</u>	<u>74,516,171</u>	<u>1,809,445</u>
Revenues under expenditures	<u>(7,401,958)</u>	<u>(9,574,865)</u>	<u>(6,271,985)</u>	<u>3,302,880</u>
Other financing sources (uses)				
Transfers to other funds	(165,700)	(165,700)	(165,700)	-
Transfers from other funds	4,110,000	4,710,000	4,110,000	(600,000)
Debt proceeds	-	600,000	900,000	300,000
Appropriated fund balance	3,457,658	4,430,565	-	(4,430,565)
Total other financing sources (uses) - net	<u>7,401,958</u>	<u>9,574,865</u>	<u>4,844,300</u>	<u>(4,730,565)</u>
Revenues and other financing sources under expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>(1,427,685)</u>	<u>\$ (1,427,685)</u>
Fund balance				
Beginning of year, July 1			19,607,014	
Restatement			5,094,590	
Beginning of year, July 1, as restated			<u>24,701,604</u>	
Decrease in reserve for inventory			(20,113)	
End of year, June 30			<u>\$ 23,253,806</u>	
A legally budgeted Capital Reserve Fund and Revaluation Fund is consolidated into the General Fund for reporting purposes:				
Sales tax revenue			2,857,466	
Transfer-out to General Fund			(2,600,000)	
Transfer-in from General Fund			25,000	
Fund Balance, Beginning			<u>1,326,419</u>	
Fund Balance, Ending (Exhibit 4)			<u>\$ 24,862,691</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, 2015

	<u>Major Enterprise Fund Water and Sewer Fund</u>	<u>Major Internal Service Fund Insurance Fund</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 4,045,302	\$ 2,297,817
Receivables, net	1,391,912	-
Due from other governments	38,813	-
Security deposit	-	455,200
Total current assets	<u>5,476,027</u>	<u>2,753,017</u>
Noncurrent assets:		
Net pension asset	102,838	
Capital assets:		
Land, improvements, and construction in progress	517,657	-
Other capital assets, net of depreciation	<u>29,143,411</u>	<u>-</u>
Total capital assets	<u>29,661,068</u>	<u>-</u>
Total noncurrent assets	<u>29,763,906</u>	<u>-</u>
Total assets	<u>\$ 35,239,933</u>	<u>\$ 2,753,017</u>
Deferred Outflows of Resources	<u>76,143</u>	<u>-</u>
Liabilities		
Current liabilities:		
Accounts payable	\$ 434,158	\$ 224,126
Accrued payroll	64,325	-
Accrued interest expense	46,267	-
Customer deposits	401,677	-
Due to General Fund	4,184,590	-
Compensated absences	14,513	-
Revolving loans	180,000	-
Certificates of participation	682,378	-
Installment debt	844,974	-
Total current liabilities	<u>6,852,882</u>	<u>224,126</u>
Noncurrent liabilities:		
Compensated absences	43,537	-
Revolving loans	900,000	-
Certificates of participation	2,933,631	-
Installment debt	7,193,636	-
Other postemployment benefits	615,919	-
Total noncurrent liabilities	<u>11,686,723</u>	<u>224,126</u>
Total liabilities	<u>18,539,605</u>	<u>224,126</u>
Deferred Inflows of Resources	<u>250,642</u>	<u>-</u>
Net Position		
Net investment in capital assets	16,926,449	-
Unrestricted	<u>(400,620)</u>	<u>2,528,891</u>
Total net position	<u>16,525,829</u>	<u>\$ 2,528,891</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	<u>78,910</u>	
Net position of business-type activities	<u>\$ 16,604,739</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, 2015

	<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	\$ 5,496,957	\$ -
Charges for sewer	2,729,896	-
Other operating revenues	1,021,775	-
Charges for services	-	7,066,609
Miscellaneous income	41,269	14,212
Total operating revenues	<u>9,289,897</u>	<u>7,080,821</u>
Operating expenses		
Internal Service fund expenses	-	6,829,675
Water Department		
Salaries and employee benefits	696,642	-
Water purchases	3,121,852	-
Other operating expenses	729,094	-
Depreciation	815,443	-
Total water department	<u>5,363,031</u>	<u>-</u>
Sewer Department		
Salaries and employee benefits	445,755	-
Other operating expenses	673,895	-
Depreciation	333,678	-
Total sewer department	<u>1,453,328</u>	<u>-</u>
Total operating expenses	<u>6,816,359</u>	<u>6,829,675</u>
Operating income	<u>2,473,538</u>	<u>251,146</u>
Nonoperating revenues (expenses)		
Interest earnings	-	(242)
Interest expense	(448,391)	-
Total nonoperating revenue (expenses) - net	<u>(448,391)</u>	<u>(242)</u>
Income (loss) before transfers	<u>2,025,147</u>	<u>250,904</u>
Capital contributions	149,932	-
Change in net position	<u>2,175,079</u>	<u>250,904</u>
Net position		
Total net position, beginning	19,573,756	2,277,987
Restatement	(5,223,006)	-
Total net position, beginning, as restated	<u>14,350,750</u>	<u>2,277,987</u>
Total net position, ending	<u>16,525,829</u>	<u>\$ 2,528,891</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	<u>10,045</u>	
Change in net position of business-type activities	<u>\$ 2,185,124</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, 2015

	<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	\$ 9,033,764	\$ 7,080,821
Cash paid for goods and services	(4,660,993)	(6,954,841)
Cash paid to employees for services	(1,028,794)	-
Customer deposits received	67,862	-
Net cash provided by operating activities	<u>3,391,590</u>	<u>125,980</u>
Cash flows from capital and related financing activities		
Acquisition and construction of capital assets	(3,624,085)	-
Principal paid on bonds	(1,428,879)	-
Principal paid to General Fund	(910,000)	-
Interest paid	(448,391)	-
Debt issued	2,600,000	-
Capital contributions	149,932	-
Net cash used by capital and related financing activities	<u>(3,661,423)</u>	<u>-</u>
Net increase in cash and cash equivalents	(269,833)	125,738
Cash and cash equivalents		
Beginning of year, July 1	<u>4,315,135</u>	<u>2,172,079</u>
End of year, June 30	<u>\$ 4,045,302</u>	<u>\$ 2,297,817</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, 2015

	<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	\$ 2,473,538	\$ 251,146
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	1,149,121	-
Pension expense	9,038	-
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(256,133)	-
(Increase) decrease in due from other governments	36,509	-
(Increase) decrease in security deposit	-	(93,000)
Increase (decrease) in accounts payable and accrued liabilities	(149,764)	(32,166)
Increase (decrease) in accrued interest expense	13,612	-
Decrease in accrued vacation pay	(2,271)	-
Increase in customer deposits	67,862	-
Increase in accrued payroll	11,218	-
(Increase) decrease in deferred outflows of resources for pensions	(65,796)	-
Increase in other postemployment benefits	104,656	-
Total adjustments	<u>918,052</u>	<u>(125,166)</u>
Net cash provided by operating activities	<u>\$ 3,391,590</u>	<u>\$ 125,980</u>

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

**Franklin County, North Carolina
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2015**

	Agency Funds
Assets	
Cash and cash equivalents	\$ 124,182
Liabilities and Net Position	
Liabilities:	
Intergovernmental payable	\$ 15,887
Miscellaneous liabilities	108,295
	124,182
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, 2015**

I. Summary of Significant Accounting Policies

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

A. Reporting Entity

The County, which is governed by a seven-member board of commissioners, is one of the 100 counties established in North Carolina under North Carolina General Statute 153A-10. As required by generally accepted accounting principles, these financial statements present the County.

Discretely Presented Component Units

Franklin County Tourism Development Authority

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

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

Franklin County Industrial Facility and Pollution Control Financing Authority

Franklin County Industrial Facility and Pollution Control Financing Authority 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.

**FRANKLIN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the County and for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the County's funds, including its fiduciary funds. Separate statements for each fund category – *governmental, proprietary, and fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each of which is displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds. Franklin County has 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 Tax Revaluation Fund is a legally budgeted fund under North Carolina General Statutes; however, for statement presentation in accordance with GASB Statement No. 54 it is consolidated in the General Fund.

The County reports the following major enterprise fund:

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

The County reports the following major internal service fund:

Insurance Fund – This fund is used to account for the accumulation and allocation of costs associated with the County's self-insured group health insured program.

The County reports the following fund types:

Agency Funds – Agency funds are custodial in nature and do not involve the measurement of operating results. Agency funds are used to account for assets the County holds on behalf of others. The County maintains the following agency funds: the Social Services Fund, which accounts for moneys deposited with the Department of Social Services for the benefit of certain individuals; the Fines and Forfeitures Fund, which accounts for moneys deposited with the County and then remitted to the Franklin County Board of Education; the Motor Vehicle Interest Fund, which accounts for the taxes collected and paid to municipalities; and the Jail Fund, which accounts for the revenues and expenditures of activity funds belonging to inmates during their period of incarceration.

**FRANKLIN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Non-major Funds. The County maintains ten 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, School Construction Fund, and Capital Building Project Fund are reported as capital projects funds. The Capital Reserve Fund and Revaluation Fund are consolidated in the General Fund in accordance with GASB statement No. 54.

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, 2015**

received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

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

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

C. Budgetary Data

The County's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, Capital Reserve Fund, Revaluation Fund, three of the special revenue funds (Fire District Fund, DEA Fund, 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 functional level for the Capital Projects Funds. The balances in the Capital Reserve Fund will be appropriated when transferred to a capital projects fund in accordance with the project ordinance adopted for the reserve fund. The County Manager 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, 2015**

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	\$ 692,991
General Fund	Register of Deeds funds	88,765
General Fund	School Capital Reserve funds	915,894
County Building Fund	Unexpended debt funds	1,179,658
School Construction Fund	Unexpended debt funds	<u>494,422</u>
Total		<u>\$ 3,371,730</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, 2014. 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, 2015**

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

9. Long-term Obligations

In the government-wide financial statements and in the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities on the statements of net position.

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

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, 2015**

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, 2015**

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..

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

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

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

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

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.

12. Defined Benefit Pension Plans

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

E. Reconciliation of Government-Wide and Fund Financial Statements

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

The governmental fund balance sheet includes reconciliation between total fund balance for the governmental funds and net position for governmental activities as reported in the government-wide statement of net position. The net adjustment of \$ (40,960,076) consists of several elements as follows:

**FRANKLIN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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)	\$ 69,288,211
Less accumulated depreciation	<u>(24,306,735)</u>
Net capital assets	44,981,476
Net pension asset	1,963,239
Internal payment reclassified to a receivable in the Statement of Net Position	(910,000)
Contributions to the pension plan in the current fiscal year	1,371,253
Accrued interest receivable less the amount claimed as unearned revenue in the government-wide statements as these funds are unavailable in the fund statements	412,444
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	2,528,891
Internal payable representing charges in excess of cost to business-type activities – current year	(78,910)
Deferred inflows of resources for taxes and special assessments receivable	1,956,837
Pension related deferrals	(4,500,053)
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not recorded in the fund statements:	
Bonds, premiums, leases, and installment financing	(75,289,652)
Compensated absences	(1,526,321)
Other postemployment benefits	(10,250,073)
Net pension obligation	(683,643)
Accrued interest payable	<u>(935,564)</u>
Total adjustment	<u>\$ (40,960,076)</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 \$8,851,749 is comprised of the following:

**FRANKLIN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 6,832,548
Cost of disposed capital asset not recorded in fund statements	(398)
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	(1,664,132)
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	(2,150,000)
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	7,315,050
Inventory not expensed on the statement of activities	(20,113)
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	250,904
Less: Profit from charges to business-type activities	<u>(10,045)</u>
Net adjustment	240,859
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	1,184,541
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	
Landfill closure obligation is accrued in the government-wide statements but not in the fund statements because they do not use current resources	(235,498)
Difference in interest expense between fund statements (modified accrual) and government-wide statements (full accrual)	33,725
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	726
Net pension obligation is accrued in the government-wide statements but not in the fund statements because they do not use current resources	(68,648)
Other postemployment benefits are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(1,574,488)
County's portion of collective pension expense	(157,795)

**FRANKLIN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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 7-1-14	(1,996,454)
Recording of tax receipts deferred in the fund statements as of 6-30-15	1,956,837
Increase in accrued interest receivable for taxes for year ended 6-30-15	23,961
Recording of receipts for money due from proprietary funds	(910,000)
Amortization of bond premium	41,173
Increase in accrued interest receivable for year ended 6-30-15	(145)
Total adjustment	<u>\$ 8,851,749</u>

II. Stewardship, Compliance, and Accountability

A. Excess of Expenditures over Appropriations

In Exhibit C-5, expenditures in the DEA fund for in excess of appropriations by \$3,970 due to accruals. In Exhibit D-2, expenditures were in excess of appropriation by \$148,201 due to expenditures related to the Town of Franklinton dealing with grant funding. The County will strive to better monitor expenditures in the future to ensure that expenditures are in line with the budget.

A. 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 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, 2015, the County's deposits had a carrying amount of \$18,808,971 and a bank balance of \$19,533,437. Of the bank balance, \$314,531 was covered by federal depository insurance and \$19,218,906 in interest bearing deposits were covered by collateral held under the Pooling Method.

At June 30, 2015, Franklin County had \$3,190 cash on hand.

At June 30, 2015, the Tourism Development Authority had a carrying amount of \$120,423. This balance is held in trust by Franklin County.

**FRANKLIN COUNTY, NORTH CAROLINA
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2. Investments

As June 30, 2015, the County's investment balances were as follows:

	<u>Fair Value</u>	<u>6-12 months</u>
NC Capital Management Trust	\$ 8,698,550	\$ 8,698,550

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, 2015. 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>
2012	\$ 3,359,119	\$ 1,125,305	\$ 4,484,424
2013	3,395,438	831,882	4,227,320
2014	3,400,704	527,109	3,927,813
2015	<u>3,419,003</u>	<u>222,235</u>	<u>3,641,238</u>
Total	<u>\$ 13,574,264</u>	<u>\$ 2,706,531</u>	<u>\$ 16,280,795</u>

4. Receivables

Receivables at the government-wide level at June 30, 2015 were as follows:

	<u>Accounts</u>	<u>Ad Valorem Taxes & Related Accrued Interest</u>	<u>Due from Other Governments</u>	<u>Total</u>
Governmental Activities:				
General	\$ 3,294,144	\$ 2,383,455	\$ 3,874,194	\$ 9,551,793
Other Governmental	<u>26,313</u>	<u>136,826</u>	<u>168,662</u>	<u>331,801</u>
Total receivables	3,320,457	2,520,281	4,042,856	9,883,594
Allowance for doubtful accounts	<u>(2,508,182)</u>	<u>(151,000)</u>	<u>-</u>	<u>(2,659,182)</u>
Total – governmental activities	<u>\$ 812,275</u>	<u>\$ 2,369,281</u>	<u>\$ 4,042,856</u>	<u>\$ 7,224,412</u>
Business-type Activities:				
Water and Sewer	\$ 1,516,465	\$ -	\$ 38,813	\$ 1,555,278
Allowance for doubtful accounts	<u>(124,553)</u>	<u>-</u>	<u>-</u>	<u>(124,553)</u>
Total – business-type activities	<u>\$ 1,391,912</u>	<u>\$ -</u>	<u>\$ 38,813</u>	<u>\$ 1,430,725</u>

**FRANKLIN COUNTY, NORTH CAROLINA
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Due from other governments that is owed to the County consists of the following:

Local option sales tax	\$ 1,565,820
Child Care	221,430
Social Services	693,411
DMV Collections	424,715
EMS Medicaid Cost Settlement	385,844
Sales tax refund	190,571
Medicaid Hold Harmless	13,962
DOT receivable	103,603
Inmate housing receivable	127,764
Miscellaneous	<u>354,549</u>
Total	<u>\$ 4,081,669</u>

5. Capital Assets

Primary Government

Capital asset activity for the year ended June 30, 2015 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	\$ 646,163	\$ -	\$ 12,292,551
Construction in process	<u>11,454,217</u>	<u>4,321,675</u>	<u>2,162,360</u>	<u>13,613,532</u>
Total capital assets not being depreciated	<u>23,100,605</u>	<u>4,967,838</u>	<u>2,162,360</u>	<u>25,906,083</u>
Capital assets being depreciated:				
Buildings	23,331,855	3,026,197	-	26,358,052
Waterlines	163,228	-	-	163,228
Gas lines	411,481	-	-	411,481
Land Improvements	3,014,822	-	-	3,014,822
Equipment	6,800,130	644,415	33,563	7,410,982
Vehicles	<u>6,258,398</u>	<u>387,253</u>	<u>622,089</u>	<u>6,023,562</u>
Total capital assets being depreciated	<u>39,979,914</u>	<u>4,057,865</u>	<u>655,652</u>	<u>43,382,127</u>
Less accumulated depreciation for:				
Buildings	11,580,267	620,126	-	12,200,393
Waterlines	39,035	4,087	-	43,122
Gas lines	209,592	8,238	-	217,830
Land Improvements	1,090,207	150,949	-	1,241,156
Equipment	5,345,729	429,422	9,261	5,765,890
Vehicles	<u>5,008,725</u>	<u>451,310</u>	<u>621,691</u>	<u>4,838,344</u>
Total accumulated depreciation	<u>23,273,555</u>	<u>\$ 1,664,132</u>	<u>\$ 630,952</u>	<u>24,306,735</u>
Total capital assets being depreciated, net	<u>16,712,852</u>			<u>19,075,393</u>
Governmental-type activities capital assets, net	<u>\$ 39,813,457</u>			<u>\$ 44,981,476</u>

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	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-type activities:				
Franklin County Water & Sewer Fund				
Capital assets not being depreciated:				
Land	\$ 369,456	\$ -	\$ -	\$ 369,456
Construction in progress	<u>1,107,103</u>	<u>188,201</u>	<u>1,147,103</u>	<u>148,201</u>
Total capital assets not being depreciated	<u>1,476,559</u>	<u>188,201</u>	<u>1,147,103</u>	<u>517,657</u>
Capital assets being depreciated:				
Plant and distribution systems	37,995,402	4,279,479	-	42,274,881
Furniture and maintenance equipment	1,046,176	277,535	-	1,323,711
Vehicles	<u>409,991</u>	<u>25,973</u>	<u>24,147</u>	<u>411,817</u>
Total capital assets being depreciated	<u>39,451,569</u>	<u>4,582,987</u>	<u>24,147</u>	<u>44,010,409</u>
Less accumulated depreciation for:				
Plant and distribution systems	12,629,270	1,064,262	-	13,693,532
Furniture and maintenance equipment	750,787	67,683	-	818,470
Vehicles	<u>361,967</u>	<u>21,849</u>	<u>28,820</u>	<u>354,996</u>
Total accumulated depreciation	<u>13,742,024</u>	<u>\$ 1,153,794</u>	<u>\$ 28,820</u>	<u>14,866,998</u>
Total capital assets being depreciated, net	<u>25,709,545</u>			<u>29,143,411</u>
Business-type activities capital assets, net	<u>\$ 27,186,104</u>			<u>\$ 29,661,068</u>

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

General Government	\$ 156,432
Public Safety	859,526
Economic and Physical Development	336,051
Human Services	156,920
Cultural and Recreational	<u>155,203</u>
Total depreciation expense	<u>\$ 1,664,132</u>

Construction and Other Commitments

At June 30, 2015, the County was obligated under construction projects as follows:

<u>Project</u>	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
E911 Project	\$ 8,870,742	\$ 934,772
Jail Renovation	3,593,030	89,825

B. Liabilities

1. Payables

Payables at the government-wide level at June 30, 2015 were as follows:

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	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Total</u>
Governmental Activities:			
General	\$ 2,101,403	\$ 1,545,370	\$ 3,646,773
Other Governmental	<u>123,646</u>	<u>-</u>	<u>123,646</u>
Total - governmental activities	<u>\$ 2,225,049</u>	<u>\$ 1,545,370</u>	<u>\$ 3,770,419</u>
Business-type Activity:			
Water and Sewer Fund	<u>\$ 434,158</u>	<u>\$ 64,325</u>	<u>\$ 498,483</u>

2. Pension Plan and Other Postemployment Obligations

a. Local Governmental Employee's Retirement System

Plan Description. The County is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

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

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

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completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. County employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The County's contractually required contribution rate for the year ended June 30, 2015, was 7.41% of compensation for law enforcement officers and 7.07% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the County were \$1,246,137 for the year ended June 30, 2015.

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

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

At June 30, 2015, the County reported an asset of \$1,947,695 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension asset was based on a projection of the County's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2014, the County's proportion was .330%, which was an increase of .009% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the County recognized pension expense of \$171,227. At June 30, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 212,820
Net difference between projected and actual earnings on pension plan investments	-	4,534,192
Changes in proportion and differences between County contributions and proportionate share of contributions	195,973	-
County contributions subsequent to the measurement date	1,246,167	-
Total	<u>\$ 1,442,110</u>	<u>\$ 4,747,012</u>

\$1,246,167 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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Year ended June 30:	
2016	\$ (1,137,770)
2017	(1,137,770)
2018	(1,137,770)
2019	(1,137,729)

Actuarial Assumptions. The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	4.25 to 8.55 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	36.0%	2.5%
Global Equity	40.5%	6.1%
Real Estate	8.0%	5.7%
Alternatives	6.5%	10.5%
Credit	4.5%	6.8%
Inflation Protection	4.5%	3.7%
Total	100%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2013 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures.

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The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.19%. All rates of return and inflation are annualized.

A new asset allocation policy was finalized during the fiscal year ended June 30, 2014 to be effective July 1, 2014. The new asset allocation policy utilizes different asset classes, changes in the structure of certain asset classes, and adopts new benchmarks. Using the asset class categories in the preceding table, the new long-term expected arithmetic real rates of return are: Fixed Income 2.2%, Global Equity 5.8%, Real Estate 5.2%, Alternatives 9.8%, Credit 6.8% and Inflation Protection 3.4%.

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

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

	<u>1% Decrease</u> <u>(6.25%)</u>	<u>Discount</u> <u>Rate (7.25%)</u>	<u>1% Increase</u> <u>(8.25%)</u>
County’s proportionate share of the net pension liability (asset)	\$6,611,322	\$(1,947,695)	\$(9,154,113)

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

b. Law Enforcement Officers’ Special Separation Allowance

1. Plan Description

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

All full-time County law enforcement officers are covered by the Separation Allowance. At December 31, 2014, the Separation Allowance’s membership consisted of:

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Retirees receiving benefits	1
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>74</u>
Total	<u>75</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	\$ 100,469
Interest on net pension obligation	30,750
Adjustment to annual required contribution	<u>(51,952)</u>
Annual pension cost	79,267
Contributions made	<u>10,619</u>
Increase in net pension obligation	68,648
Net pension obligation at beginning of year	<u>614,995</u>
Net pension obligation at end of year	<u>\$ 683,643</u>

Three Year Trend Information

For Year Ended <u>June 30</u>	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2013	\$ 76,380	0.00%	\$ 560,972
2014	64,647	16.43%	614,995
2015	79,267	13.40%	683,643

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4. Funded Status and Funding Progress

As of December 31, 2014, the most recent actuarial valuation date, the plan was 0 percent funded. The actuarial accrued liability for benefits was \$690,801, and the actuarial value of assets was 0, resulting in an unfunded actuarial accrued liability (UALL) of \$690,801. The covered payroll (annual payroll of active employees covered by the plan) was \$3,081,323 and the ratio of the UAAL to the covered payroll was 22.42%.

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, 2015 were \$241,444, which consisted of \$182,984 from the County and \$58,460 from the law enforcement officers.

d. Registers of Deeds’ Supplemental Pension Fund

Plan Description. Franklin County also contributes to the Registers of Deeds' Supplemental Pension Fund (RODSPF), a noncontributory, defined benefit plan administered by the North Carolina Department of State Treasurer. RODSPF 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. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Registers of Deeds’ Supplemental Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State’s CAFR includes financial statements and required supplementary information for the Registers of Deeds’ Supplemental Pension Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. An individual’s benefits for the year are calculated as a share of accumulated contributions available for benefits for that year, subject to certain statutory limits. An individual’s eligibility is based on at least 10 years of service as a register of deeds with the individual’s share

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increasing with years of service. Because of the statutory limits noted above, not all contributions available for benefits are distributed.

Contributions. Benefits and administrative expenses are funded by investment income and 1.5% of the receipts collected by each County Commission under Article 1 of Chapter 161 of the North Carolina General Statutes. The statutory contribution currently has no relationship to the actuary's required contribution. The actuarially determined contribution this year and for the foreseeable future is zero. Registers of Deeds do not contribute. Contribution provisions are established by General Statute 161-50 and may be amended only by the North Carolina General Assembly. Contributions to the pension plan from the County were \$4,200 for the year ended June 30, 2015.

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

At June 30, 2015, the County reported an asset of \$118,378 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension asset was based on the County's share of contributions to the pension plan, relative to contributions to the pension plan of all participating RODSPF employers. At June 30, 2014, the County's proportion was .522%, which was an increase of .02% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the County recognized pension expense of \$(4,389). At June 30, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,086	\$ -
Net difference between projected and actual earnings on pension plan investments	-	637
Changes in proportion and differences between County contributions and proportionate share of contributions	-	3,046
County contributions subsequent to the measurement date	4,200	-
Total	<u>\$ 5,286</u>	<u>\$ 3,683</u>

\$4,200 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$ (1,050)
2017	(1,050)
2018	(337)
2019	(160)

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Actuarial Assumptions. The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	4.25 to 7.75 percent, including inflation and productivity factor
Investment rate of return	5.75 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The adopted asset allocation policy for the RODSPF is 100% in the fixed income asset class. The best estimate of arithmetic real rate of return for the fixed income asset class as of June 30, 2014 is 2.5%:

The information above is based on 30 year expectations developed with the consulting actuary for the 2013 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.19%. All rates of return and inflation are annualized.

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

Sensitivity of the County's proportionate share of the net pension asset to changes in the discount rate. The following presents the County's proportionate share of the net pension asset calculated using the discount rate of 5.75 percent, as well as what the County's proportionate share of the net pension asset would be if it were calculated using a discount rate that is 1-percentage-point lower (4.75 percent) or 1-percentage-point higher (6.75 percent) than the current rate:

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	<u>1% Decrease</u> (4.75%)	<u>Discount</u> Rate (5.75%)	<u>1% Increase</u> (6.75%)
County's proportionate share of the net pension liability (asset)	\$ (106,298)	\$ (118,378)	\$ (128,761)

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

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, 2014, the date of the latest actuarial valuation:

	<u>General Employees</u>	<u>Law Enforcement Employees</u>
Retirees and dependents receiving benefits	85	-
Terminated plan members entitled to but not yet receiving benefits	-	-
Active plans members	<u>376</u>	<u>67</u>
Total	<u>461</u>	<u>67</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 12.47% of annual covered payroll. For the current year, the County contributed \$439,341 or 2.52% 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 7.07% and 7.28% of covered payroll, respectively. There were no contributions made by employees, except for dependent coverage in the amount of \$8,870. 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.

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

Annual required contribution	\$ 2,102,064
Interest on net OPEB obligation	367,474
Adjustment to annual required contribution	<u>351,052</u>
Annual OPEB cost (expense)	2,118,486
Contributions made	<u>439,341</u>
Increase in net OPEB obligation	1,679,145
Net OPEB obligation, beginning of year	<u>9,186,847</u>
Net OPEB obligation, end of year	<u>\$ 10,865,992</u>

The Count's annual OPEB cost, the percentage of annual OPEB cost contributed to the HCB Plan, and the net OPEB obligation for 2015 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>
2015	\$ 2,118,486	20.70%	\$10,865,992
2014	2,054,566	26.60%	9,186,847
2013	2,195,491	17.60%	7,670,235

Funded Status and Funding Progress. As of December 31, 2014, 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 \$21,483,637. The covered payroll (annual payroll of active employees covered by the plan) was \$17,413,828 and the ratio of the UAAL to the covered payroll was 123.4 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, 2014 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date. The rate included a 3.00 percent inflation assumption. The medical cost trend rate varied between 7.50 and 5.00 percent for pre-Medicare and 5.50 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

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a level percentage of projected unit credit on a level percent of pay, open basis. The remaining amortization period at December 31, 2014 was thirty years.

f. Other Employment Benefits

The County has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Government Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to the employee's death, but the benefit will be a minimum of \$25,000 and will not exceed \$50,000. Because all death benefit payments are made from the Death Benefit Plan and not by the County, the County does not determine the number of eligible participants. The County has no liability beyond the payment of monthly contributions.

For the fiscal year ended June 30, 2015, the County did not make contributions to the State for death benefits.

For the fiscal year ended June 30, 2015 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>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pensions – difference between expected and actual experience		
LGERS	\$ -	\$ 212,820
Register of Deeds	1,086	-
Pensions – difference between projected and actual investment earnings	-	4,534,829
Pensions-change in proportion and difference between employer contributions and proportionate share of contributions		
LGERS	195,973	-
Register of Deeds	-	3,046
Contributions to pension plan in 2014-2015 fiscal year	1,250,337	-

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	<u>Deferred</u> Outflows of <u>Resources</u>	<u>Deferred</u> Inflows of <u>Resources</u>
Prepaid taxes not yet earned (General Fund)	-	96,321
Taxes receivable, net (General Fund)	-	1,820,011
Special Revenue Fund	-	136,826
Total	<u>\$ 1,447,396</u>	<u>\$ 6,803,853</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 (NCACC). Through these pools, the County obtains property coverage equal to replacement cost values of owned property subject to a limit of \$125.5 million for any one occurrence, general, auto, professional, and employment practices liability coverage of \$2 million per occurrence, auto physical damage coverage for owned autos at actual cash value, crime coverage of \$250,000 per occurrence, and workers' compensation coverage up to the statutory limits. The pools are audited annually by certified public accountants, and the audited financial statements are available to the County upon request. Both of the pools are reinsured through a multi-state public entity captive for single occurrence losses in excess of \$500,000 retention up to a \$2 million limit for liability coverage, and \$1,750,000 of each loss in excess of a \$250,000 per occurrence retention for property, auto physical damage. For workers compensation there is a per occurrence retention of \$750,000. The County provides employee health and dental benefits through a self-insured plan provided by NCACC. Claims are administered and paid directly from the plan by DIC. Specific stop-loss is set at \$60,000 per individual health insurance claim with an unlimited lifetime 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 who have access to \$100 or more of the County's funds at any given time are performance bonded through a commercial surety bond. The Finance Officer and tax collector are each individually bonded for \$250,000 each. The remaining employees who have access to funds are bonded under a blanket bond for \$250,000.

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

5. Commitments

At June 30, 2015, the County was obligated under an operating lease for office space as follows:

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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, 2015 was \$38,438.

Various other properties in Franklin County with a total rental expense for the year ended June 30, 2015 of \$68,640.

At June 30, 2015, the County leased vehicles and equipment with total rental expense of \$12,600.

At June 30, 2015, 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, 2015 with options to extend for an additional year. Options were exercised on all of the leases at June 30, 2015. Rent expense for the year ended June 30, 2015 was \$10,930.

At June 30, 2015, the County was obligated under various operating leases for office equipment as follows:

Total lease expense for the year ended June 30, 2015 was \$69,866.

Total operating lease expense for the year ended June 30, 2015, was \$200,473.

Future lease payments total for the years ending June 30:

	<u>Total</u>
2016	\$ 64,924
2017	64,924
2018	<u>64,924</u>
Total	<u>\$ 194,772</u>

At June 30, 2015, 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, 2015, 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

At June 30, 2015, the County was a defendant to various lawsuits. In the opinion of the County's management and the County attorney, the ultimate effect of these legal matters will not have a material adverse effect on the County's financial position.

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7. Long-Term Obligations

a. Installment Purchases

Serviced by the County's General Fund:

<p>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.</p>	<p>\$ 1,020,390</p>
<p>On April 30, 2001, the County entered into an installment purchase contract with Branch Banking and Trust in the amount of \$4,000,000 to finance school construction. A principal amount of \$133,333 plus interest at 4.81% is due October 30, 2001, and semiannually after that until a final payment due April 30, 2016. Principal and interest payments are appropriated when due.</p>	<p>266,666</p>
<p>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.</p>	<p>4,620,000</p>
<p>On June 22, 2010, the County entered into an installment obligation to refinance old debt and issue new debt in the amount of \$12,179,000. A principal payment of \$1,789,000 to \$474,000, plus interest between 3.31% and 3.970% is due June and December of each year until 2025. Principal and interest are appropriated when due.</p>	<p>1,922,000</p>
<p>In September 2004, the County entered into an installment contract to finance the construction of a solid waste transfer station and office renovation at the Human Services Building. The obligation is due in ten separate annual payments beginning September 2010. Interest is 3.85%. Principal and interest payments are appropriated when due.</p>	<p>-</p>
<p>In March 2015, the County entered into an installment obligation to finance the purchase of land and courthouse renovation. A principal payment of \$92,500, plus interest at 2.5% is due March and September of each year until March 2025. Principal and interest are appropriated when due.</p>	<p>1,850,000</p>
<p>In July 2014, the County entered into an installment agreement for \$300,000 to finance food service equipment. It requires payments monthly in the amount of \$12,500 for two years.</p>	<p>162,500</p>
<p>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.</p>	<p><u>2,700,000</u></p>
<p>Total installment obligation debt</p>	<p><u>\$ 12,541,556</u></p>

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Serviced by the County's Water and Sewer Fund:

<p>\$ 7,215,000 On June 22, 2010, the County entered into an installment obligation to refinance old debt and issue new debt. A principal amount of \$320,000 to \$600,000 plus interest between 3.31% and 3.970% is due June and December of each year until 2025.</p>	\$ 4,790,000
<p>\$ 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.</p>	648,610
<p>\$ 2,600,000 On April 15, 2015, the County entered into an installment agreement to finance water and sewer improvements. Payments are due on April and October each year in the amount of \$130,000, plus interest of 2.6%.</p>	<u>2,600,000</u>
<p>Total installment obligation debt</p>	<u>\$ 8,038,610</u>

b. General Obligation Indebtedness

All general obligation bonds serviced by the County's General Fund are collateralized by the full faith, credit, and taxing power of the County. Franklin County Water and Sewer Fund issues certificates of participation. These certificates do not constitute a legal or equitable pledge, charge, lien or encumbrance upon any of the County's property or revenue.

The County's long-term indebtedness at June 30, 2015 is comprised of the following:

Serviced by the County's General Fund:

<p>\$1,400,000 2005 School Bonds, issued 6/1/05, with interest and principal annually on April 1 of \$100,000 plus interest through 2019, interest payable at 3.0-3.8%.</p>	\$ 400,000
<p>\$5,550,000 2005 Refinancing School Bonds, issued 6/1/05, with interest semiannually on August 1 and April 1 and principal due on April 1 of \$220,000-\$550,000 through 2018, interest payable at 2.75-3.50%.</p>	1,195,000
<p>\$20,000,000 2006 School Bonds, issued 8/1/07, with interest semiannually on August 1 and February 1 and principal on August 1 of \$1,000,000 through 2026, interest payable at 4.0-5.0%</p>	12,000,000
<p>\$8,600,000 2007 School Bonds, issued 8/14/2007, with interest semiannually on August 1 and February 1 and principal on February 1 of \$200,000 through 2028, interest at 4.125-6.125%</p>	6,850,000
<p>\$14,000,000 2009 School Bonds, issued 9/10/2009, with interest semiannually on March 1 and September 1 and principal on March 1 of \$500,000- \$900,000 through 2029, interest at 3.0-4.0%</p>	11,500,000
<p>\$3,600,000 2010A Qualified School Construction Bonds, issued 1/5/2010, with interest and principal due annually on December 15; principal of \$240,000 through 2024, interest at 2.17%</p>	2,400,000
<p>\$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%</p>	<u>18,400,000</u>
<p>Total General Obligation Indebtedness</p>	<u>\$ 52,745,000</u>

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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% \$ 9,150,000

Serviced by the County's Water and Sewer Fund:

Revolving Loans:

\$1,500,000 2000 Federal Revolving Loan, issued 2/19/00 with interest due semiannually on November 1 and May 1 and principal of \$75,000 due May 1 through 2021, interest at 2.6%. \$ 450,000

\$2,100,000 2000 State Revolving Loan, issued 2/19/00 with interest due semiannually on November 1 and May 1 and principal of \$105,000 due May 1 through 2021, interest at 2.6%. 630,000

Total Revolving Loans \$ 1,080,000

Certificates of Participation:

\$3,155,000 2008 Franklin County Water and Sewer Certificates of Participation, issued June, 2008, with interest and principal annually on September 1 through 2027, interest at 4% to 5%. \$ 2,035,000

\$6,500,000 2004 Franklin County Water and Sewer Certificates of Participation, issued 5/15/03, with interest semiannually on December 1 and January 1 and principal due on June 1 through 2018, interest at 3.17% to 4.5%. 1,581,009

Total Certificates of Participation \$ 3,616,009

On June 30, 2015, Franklin County had a legal debt margin of \$265,822,372.

Debt Related to Capital Activities - Of the total Governmental Activities debt listed, only \$11,182,889 relates to assets the County holds title. Unspent restricted cash related to this debt amount to \$1,179,658.

8. Changes in Long-Term Debt

The following is a summary of changes in general long-term debt for the year ended June 30, 2015:

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	Balance <u>July 1, 2014</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>June 30, 2015</u>	Current <u>Portion</u>
Governmental Activities:					
General obligation bonds	\$ 57,035,000	\$ -	\$ 4,290,000	\$ 52,745,000	\$ 4,385,000
Plus: Premiums on issuance	<u>658,771</u>	-	<u>41,173</u>	<u>617,598</u>	-
Total general obligation bonds	57,693,771	-	4,331,173	53,362,598	4,385,000
Certificates of participation	9,855,000	-	705,000	9,150,000	705,000
Installment purchases	12,711,606	2,150,000	2,320,050	12,541,556	2,339,550
Compensated absences	1,527,047	1,526,321	1,527,047	1,526,321	381,580
Landfill postclosure costs	-	235,498	-	235,498	-
Net pension liability (LGERS)	3,556,519	-	3,556,519	-	-
Net pension obligation	614,995	68,648	-	683,643	-
Other postemployment benefits	<u>8,675,585</u>	<u>1,574,488</u>	-	<u>10,250,073</u>	-
Total	<u>\$ 94,634,523</u>	<u>\$ 5,319,457</u>	<u>\$12,439,789</u>	<u>\$ 87,749,689</u>	<u>\$ 7,811,130</u>
Business-type Activities:					
Revolving loans	\$ 1,260,000	\$ -	\$ 180,000	\$ 1,080,000	\$ 180,000
Certificates of participation	4,279,272	-	663,263	3,616,009	682,378
Installment purchases	6,024,227	2,600,000	585,617	8,038,610	844,974
Compensated absences	60,321	58,050	60,321	58,050	14,513
Net pension liability (LGERS)	198,252	-	198,252	-	-
Other postemployment benefits	<u>511,262</u>	<u>104,657</u>	-	<u>615,919</u>	-
Total	<u>\$ 12,333,334</u>	<u>\$ 2,762,707</u>	<u>\$ 1,687,453</u>	<u>\$ 13,408,588</u>	<u>\$ 1,721,865</u>

The LGERS plan had a net pension asset as of June 30, 2015; however, the plan had a net pension liability at the beginning of the fiscal year.

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>
2016	\$ 4,385,000	\$ 1,979,204	\$ 2,339,550	\$ 296,732
2017	4,270,000	1,820,688	1,931,383	237,603
2018	4,110,000	1,656,273	1,913,883	187,815
2019	3,990,000	1,497,037	1,766,740	138,964
2020	3,890,000	1,341,342	1,145,000	102,919
2021-2025	19,275,000	4,491,901	3,260,000	168,505
2026-2030	<u>12,825,000</u>	<u>1,158,531</u>	<u>185,000</u>	<u>3,469</u>
	<u>\$ 52,745,000</u>	<u>\$13,944,976</u>	<u>\$ 12,541,556</u>	<u>\$ 1,136,007</u>

**FRANKLIN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

<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>
2016	\$ 705,000	\$ 427,746	\$ 7,429,550	\$ 2,703,682
2017	705,000	397,608	6,906,383	2,455,899
2018	700,000	367,225	6,723,883	2,211,313
2019	705,000	334,375	6,461,740	1,970,376
2020	705,000	299,125	5,740,000	1,743,386
2021-2025	3,525,000	966,875	26,060,000	5,627,281
2026-2030	<u>2,105,000</u>	<u>157,625</u>	<u>15,115,000</u>	<u>1,319,625</u>
	<u>\$ 9,150,000</u>	<u>\$ 2,950,579</u>	<u>\$ 74,436,556</u>	<u>\$ 18,031,562</u>

Business-type Activities:

<u>Year Ending June 30,</u>	<u>Revolving Loans</u>		<u>Certificates of Participation</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
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	180,000	9,360	155,000	65,875
2021-2025	180,000	4,680	775,000	213,125
2026-2029	<u>-</u>	<u>-</u>	<u>465,000</u>	<u>34,875</u>
	<u>\$ 1,080,000</u>	<u>\$ 98,280</u>	<u>\$ 3,616,009</u>	<u>\$ 744,038</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>
2016	\$ 844,974	\$ 272,901	\$ 1,707,352	\$ 447,211
2017	861,974	248,955	1,744,689	391,409
2018	877,975	221,330	1,733,891	331,179
2019	798,687	193,419	1,138,687	281,209
2020	729,000	167,398	1,064,000	242,633
2021-2025	3,926,000	427,765	4,881,000	645,570
2026-2029	<u>-</u>	<u>-</u>	<u>465,000</u>	<u>34,875</u>
	<u>\$ 8,038,610</u>	<u>\$ 1,531,768</u>	<u>\$ 12,734,619</u>	<u>\$ 2,374,086</u>

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

State and federal laws and regulations require the County to place a final cover on its Solid Waste Landfill Facility when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The Franklin County landfill closed in 1994. The \$235,498 reported as accrued landfill closure liability at June 30, 2015 represents the latest estimate for costs remaining.

The County has met the requirements of a local government financial test that helps determine if a unit is financially able to meet closure and postclosure care requirements. The County budgets annually for postclosure care. In the event a natural occurrence, inflation or any other unforeseen event occurs, the County would appropriate funds from the Solid Waste fund balance and/or increase charges to future solid waste customers.

C. Interfund Balances and Activity

Due to/from other funds at June 30, 2015 consists of the following:

**FRANKLIN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Due to General Fund from the Airport Projects Fund to supplement cash until grant proceeds are received	\$ 15,605
Due to General Fund from Water and Sewer Fund	4,184,590
Total due to/from other funds	<u>\$ 4,200,195</u>

Transfers to/from other funds at June 30, 2015 consists of the following:

From the General Fund to the Fire District Fund for mutual aid funding	\$ 40,700
From the General Fund to the Revaluation Fund to accumulate reserves for the revaluation of real property	25,000
From the General Fund to the County Building Project Fund to supplement funding for jail project	100,000
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	910,000
From the Capital Reserve Fund to the General Fund for the payment of debt service	<u>2,600,000</u>
Total transfers to/from other funds	<u>\$ 4,275,700</u>

D. Net Investment in Capital Assets

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Net capital assets	\$ 44,981,476	\$ 29,661,068
Capital debt calculation:		
Total debt, gross	74,436,556	12,734,619
Less:		
School debt for assets to which the county does not hold title	<u>(63,253,667)</u>	<u>-</u>
Total capital debt	<u>11,182,889</u>	<u>12,734,619</u>
Net investment in capital assets	<u>\$ 33,798,587</u>	<u>\$ 16,926,449</u>

F. Fund Balance

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

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

**FRANKLIN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Total fund balance-General Fund	\$ 24,862,691
Less:	
Inventories	40,694
Stabilization by State Statute	9,770,351
Appropriated fund balance in 2016 budget	1,285,000
Register of Deeds	88,765
Capital Reserve	915,894
Revaluation	692,991
Cultural and Recreational	236,058
Economic Development	1,351,628
Human Services	14,613
Working Capital/Fund Balance Policy	11,473,697
Remaining Fund Balance	\$ (1,007,000)

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.

III. 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, 2015. The County does not retain an equity interest in the program. Complete financial statements for Cardinal Innovations Health Care Solutions may be obtained from their administrative offices located at 4855 Milestone Avenue, Kannapolis, NC 28081.

The Kerr Area Rural Transportation Authority (K.A.R.T.S.) is an association of five County governments, including Franklin County. K.A.R.T.S. is a joint venture of the participating counties for the purpose of providing a safe, adequate and convenient transportation system for the jurisdictional area creating the authority and its immediate environs. The counties served by K.A.R.T.S. in addition to Franklin County are Granville, Vance, and Warren. Federal, State and local grants and users' fees provide general support of K.A.R.T.S. Each county appoints two members of the Authority management body and this governing body determines the budget and financing requirements of the Authority. The County has an ongoing financial responsibility for the joint venture because K.A.R.T.S. continued existence depends on the participant governments' continued findings. The County contributed \$34,561 to K.A.R.T.S. during the fiscal year ended June 30, 2015. 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, 2015. 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

**FRANKLIN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

trustees. The community college is included as a component unit of the State. The County has the basic responsibility for providing funding for the facilities of the community college and also provides some financial support for the community college's operations. The County has an ongoing financial responsibility for the community college because of the statutory responsibilities to provide funding for the community college's facilities. The County contributed \$369,168 and \$20,000 to the community college for operating and capital purposes, respectively, during the fiscal year ended June 30, 2015. 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, 2015. Complete financial statements for the community college may be obtained from the community college's administrative offices at P.O. Box 917, Henderson, N.C. 27536.

IV. Jointly Governed Organization

The Kerr-Tar Council of Government is a voluntary association of five county governments, including Franklin County, established to coordinate federal and State projects of a planning nature in the five-county area in Central North Carolina. Each county appoints one member to the Council's governing body and this governing body selects the management and determines the budget and financing requirements of the Council. The County contributed \$30,632 to the Council during the fiscal year ended June 30, 2015.

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

State law (Chapter 105, Articles 40 and 42, of the North Carolina General Statutes) requires the County to use a portion of the proceeds of its supplemental and additional supplemental sales taxes, or local option sales taxes, for public school capital outlays or to retire public school indebtedness. During the fiscal year ended June 30, 2015, 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.

VI. Benefit Payments Issued by the State

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

	<u>Federal</u>	<u>State</u>
Temporary Assistance to Needy Families	\$ 245,247	\$ (30)
Women, Infants and Children	970,884	-
Medicaid	49,535,093	27,159,320
NC Health Choice	994,193	312,930
Adoption Assistance	317,244	84,388
State/County Special Assistance for Adults	-	427,763
Independent Living	350	-
Foster Care	185,998	65,295
Adoption Subsidy	-	226,632
Foster Care At Risk Maximization	-	1,397
SFHF Maximization	-	78,499
State Foster Home	-	64,649
Total	<u>\$ 52,249,009</u>	<u>\$ 28,420,843</u>

**FRANKLIN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

VII. Summary Disclosure of Significant Commitments and Contingencies

Federal and State Assisted Programs

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

VIII. Significant Effects of Subsequent Events

The County has evaluated events and transactions that occurred between June 30, 2015 and January 25, 2016, 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 refinance some bonds and loans to obtain a better interest rate. The local hospital closed in October 2015. The Hospital had a taxable value of \$15.4 million and paid ad valorem taxes in the amount of \$142,073. The County will receive assets back from the hospital and will receive money in the sum of \$1.6 million.

IX. Change in Accounting Principles/Restatement

The County implemented Governmental Accounting Standards Board (GASB) statement 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27)*, in the fiscal year ending June 30, 2015. The implementation of the statement required the County to record beginning net pension liability and the effects on net position of contributions made by the County during the measurement period (fiscal year ending June 30, 2014). As a result, net position for the governmental and business-type activities decreased by \$2,192,307 and \$128,416, respectively.

X. Restatement

During the 14-15 audit, items were found that required adjustment to the financial statements. These items involved booking a receivable and payable between the General Fund and Water and Sewer Fund for monies that were loaned to the Water and Sewer Fund in the past. A due to and due from were booked in the funds in the amount of \$5,094,590 in the proper funds.

The beginning balance would have changed as follows:

	Governmental Activities <u>Net Position</u>	General Fund <u>Fund Balance</u>	Business-type Activities <u>Net Position</u>
Balance, July 1, 2014	\$ (21,095,826)	\$ 20,933,433	\$ 19,642,621
Change due to:			
Interfund loan between funds	5,094,590	5,094,590	(5,094,590)
Pension accounting change	<u>(2,192,307)</u>	<u>-</u>	<u>(128,416)</u>
Total	<u>2,902,283</u>	<u>5,094,590</u>	<u>(5,223,006)</u>
Balance, July 1, 2014, as restated	<u>\$ (18,193,543)</u>	<u>\$ 26,028,023</u>	<u>\$ 14,419,615</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
- Schedule of Funding Progress for the Other Postemployment Benefits
- Schedule of Employer Contributions for the Other Postemployment Benefits
- Schedule of County's Proportionate Share of the Net Pension Liability (Asset) for the Local Governmental Employees' Retirement System
- Schedule of County Contributions for the Local Governmental Employees' Retirement System
- Schedule of County's Proportionate Share of the Net Pension Liability (Asset) for the Register of Deeds' Supplemental Pension Fund
- Schedule of County Contributions for the Register of Deeds' Supplemental Pension Fund

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Projected Unit Credit	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
12/31/2009	\$ -	\$ 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%
12/31/2014	\$ -	\$ 690,801	\$ 690,801	0.00%	\$ 3,081,323	22.42%

**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
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%
2015	\$ 100,469	10.57%

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 Accrued Liability (AAL) Projected Unit Credit	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
12/31/2007	\$ -	\$ 14,287,207	\$ 14,287,207	0.00%	\$ 15,460,221	92.4%
12/31/2008	-	13,799,415	13,799,415	0.00%	17,382,283	79.4%
12/31/2010	-	18,433,153	18,433,153	0.00%	17,432,740	105.7%
12/31/2012	-	19,875,012	19,875,012	0.00%	15,473,009	128.4%
12/31/2014	\$ -	\$ 21,483,637	\$ 21,483,637	0.00%	\$ 17,413,828	123.4%

**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%
2015	\$ 2,102,064	20.90%

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%

FRANKLIN COUNTY, NORTH CAROLINA
SCHEDULE OF COUNTY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM
LAST TWO FISCAL YEARS

	<u>2015</u>	<u>2014</u>
County's proportion of the net pension liability (asset)	0.330%	0.311%
County's proportionate share of the net pension liability (asset)	(1,947,695)	3,754,771
County's covered-employee payroll	\$ 18,620,474	\$ 17,391,748
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-10.46%	21.59%
Plan fiduciary net position as a percentage of the total pension liability	102.64%	94.35%

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

**FRANKLIN COUNTY, NORTH CAROLINA
SCHEDULE OF COUNTY CONTRIBUTIONS
LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM
LAST TWO FISCAL YEARS**

	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 1,246,137	\$ 1,322,657
Contributions in relation to the contractually required contribution	<u>1,246,137</u>	<u>1,322,657</u>
Contribution deficiency (excess)	-	-
County's covered-employee payroll	\$ 17,479,750	\$ 18,620,474
Contributions as a percentage of covered-employee payroll	7.13%	7.10%

FRANKLIN COUNTY, NORTH CAROLINA
SCHEDULE OF COUNTY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
REGISTER OF DEEDS' SUPPLEMENTAL PENSION FUND
LAST TWO FISCAL YEARS

	<u>2015</u>	<u>2014</u>
County's proportion of the net pension liability (asset)	0.522%	0.502%
County's proportionate share of the net pension liability (asset)	\$ (118,378)	\$ (107,127)
County's covered-employee payroll	\$ 164,128	\$ 159,428
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-72.13%	-67.19%
Plan fiduciary net position as a percentage of the total pension liability	193.88%	190.50%

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

**FRANKLIN COUNTY, NORTH CAROLINA
SCHEDULE OF COUNTY CONTRIBUTIONS
REGISTER OF DEEDS' SUPPLEMENTAL PENSION FUND
LAST TWO FISCAL YEARS**

	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 4,200	\$ 4,264
Contributions in relation to the contractually required contribution	<u>4,200</u>	<u>4,264</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>
County's covered-employee payroll	\$ 164,128	\$ 159,428
Contributions as a percentage of covered-employee payroll	2.56%	2.67%

COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES

MAJOR GOVERNMENTAL FUNDS

- **General Fund:** This fund is used to account for all financial resources traditionally associated with government that are not required legally or by sound financial management to be accounted for in other funds.

Franklin County, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2015
(With Comparative Totals for the Year Ended June 30, 2014)

	2015		Variance Positive (Negative)	2014
	Budget	Actual		Actual
Revenues:				
Ad valorem taxes:				
Current year taxes	\$ 36,807,268	\$ 37,655,629	\$ 848,361	\$ 37,889,425
Delinquent taxes	1,020,000	620,747	(399,253)	837,615
Tax discounts and refunds	(199,000)	(41,570)	157,430	(211,194)
Total	<u>37,628,268</u>	<u>38,234,806</u>	<u>606,538</u>	<u>38,515,846</u>
Sales tax revenue	<u>5,778,000</u>	<u>6,046,269</u>	<u>268,269</u>	<u>5,583,615</u>
Other Tax Revenues				
Tax penalties and interest	410,000	288,351	(121,649)	354,263
Tax levies, foreclosures, etc.	10,300	(208)	(10,508)	7,275
Beer and wine taxes	230,000	259,387	29,387	234,017
Privilege licenses	1,500	3,032	1,532	2,847
Vehicle rental tax	1,500	15,245	13,745	10,524
ABC Rehab tax	13,000	14,829	1,829	13,531
Occupancy tax	48,000	-	(48,000)	49,133
Total	<u>714,300</u>	<u>580,636</u>	<u>(133,664)</u>	<u>671,590</u>
Restricted intergovernmental:				
Federal and State grants	10,531,348	11,482,827	951,479	10,429,350
Lottery proceeds	700,000	700,000	-	900,000
Total	<u>11,231,348</u>	<u>12,182,827</u>	<u>951,479</u>	<u>11,329,350</u>
Fees, sales and charges:				
Franchise fees	160,000	135,567	(24,433)	149,174
Court facility fees	75,000	58,979	(16,021)	70,331
Building permits	25,000	68,591	43,591	45,530
Inspection fees	612,000	749,919	137,919	699,405
Mobile home project-owner's contribution	-	806	806	1,443
Register of deeds fees	480,000	497,691	17,691	480,004
Recreation reserve fees	-	55,291	55,291	833
Health fees	1,665,996	1,375,917	(290,079)	1,890,254
Social services fees	301,884	306,444	4,560	145,251
Aging services	64,000	69,913	5,913	66,118
Airport	880,000	794,112	(85,888)	872,920
Sheriff and jail fees	1,948,872	1,657,016	(291,856)	2,101,154
Library fees and donations	40,000	40,555	555	39,095
Solid waste fees	2,488,700	2,524,596	35,896	2,411,680
Ambulance and rescue squad fees	1,980,500	2,218,890	238,390	1,852,504
Recreation	39,400	35,530	(3,870)	32,137
Other	83,500	76,427	(7,073)	137,095
Total	<u>10,844,852</u>	<u>10,666,244</u>	<u>(178,608)</u>	<u>10,994,928</u>

Franklin County, North Carolina
 General Fund
 Schedule of Revenues, Expenditures, and
 Changes in Fund Balances - Budget and Actual
 For the Year Ended June 30, 2015
 (With Comparative Totals for the Year Ended June 30, 2014)

	2015		Variance Positive (Negative)	2014
	Budget	Actual		Actual
Investment earnings	135,000	28,137	(106,863)	137,372
Miscellaneous:				
Donations and private grants	131,225	139,329	8,104	149,789
Other miscellaneous	287,758	365,938	78,180	267,769
Total	418,983	505,267	86,284	417,558
Total revenues	66,750,751	68,244,186	1,493,435	67,650,259
Expenditures:				
General government:				
Governing body:				
Salaries and employee benefits		196,484		195,644
Other operating expenditures		68,510		75,293
Insurance other than property		2,575		2,575
Capital outlay		230		1,036
Total	275,225	267,799	7,426	274,548
County Manager:				
Salaries and employee benefits		287,841		225,103
Other operating expenditures		29,183		23,960
Capital outlay		3,150		19,773
Total	326,327	320,174	6,153	268,836
Finance:				
Salaries and employee benefits		320,128		326,922
Other operating expenditures		41,091		32,393
Capital outlay		3,687		1,664
Total	436,562	364,906	71,656	360,979
Human Resources:				
Salaries and employee benefits		161,456		190,665
Other operating expenditures		50,139		24,379
Capital outlay		7,933		2,422
Total	227,806	219,528	8,278	217,466
Board of Elections:				
Salaries and employee benefits		198,886		211,891
Other operating expenditures		142,462		165,455
Capital outlay		6,880		2,504
Total	399,679	348,228	51,451	379,850
Register of Deeds:				
Salaries and employee benefits		250,590		236,163
Other operating expenditures		76,817		71,573
Capital outlay		2,663		-
Total	333,340	330,070	3,270	307,736

Franklin County, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2015
(With Comparative Totals for the Year Ended June 30, 2014)

	2015		Variance Positive (Negative)	2014
	Budget	Actual		Actual
Tax Assessor:				
Salaries and employee benefits		457,406		455,083
Other operating expenditures		118,573		145,968
Capital outlay		1,336		2,052
Total	652,796	577,315	75,481	603,103
Tax Collector:				
Salaries and employee benefits		329,721		344,417
Other operating expenditures		89,586		96,543
Capital outlay		-		1,651
Total	468,704	419,307	49,397	442,611
Maintenance:				
Salaries and employee benefits		563,275		550,080
Other operating expenditures		320,491		321,893
Capital outlay		50,592		58,664
Total	954,479	934,358	20,121	930,637
Central Services:				
Other operating expenditures	195,664	166,140	29,524	118,403
Court:				
Operating expenditures		95,381		71,013
Capital outlay		2,066		1,010
Total	110,300	97,447	12,853	72,023
Capital improvement:				
Capital outlay	111,000	106,317	4,683	82,411
Information technology services:				
Salaries and employee benefits		194,012		190,828
Other operating expenditures		71,205		43,800
Capital outlay		19,643		31,591
Total	287,656	284,860	2,796	266,219
Legal and professional:				
Legal and professional	62,200	43,678	18,522	39,552
Total general government	4,841,738	4,480,127	361,611	4,364,374
Public safety:				
Planning:				
Salaries and employee benefits		367,525		347,095
Other operating expenditures		68,080		122,613
Capital outlay		3,075		657
Total	467,431	438,680	28,751	470,365
Inspections:				
Salaries and employee benefits		427,861		440,273
Other operating expenditures		49,398		55,925
Capital outlay		-		21,913
Total	508,659	477,259	31,400	518,111

Franklin County, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2015
(With Comparative Totals for the Year Ended June 30, 2014)

	2015		Variance Positive (Negative)	2014
	Budget	Actual		Actual
GIS Mapper Service:				
Salaries and employee benefits		158,836		177,846
Other operating expenditures		34,394		36,194
Capital outlay		8,026		8,150
Total	239,900	201,256	38,644	222,190
Central Services:				
Other operating expenditures	202,000	152,507	49,493	178,539
Sheriff:				
Salaries and employee benefits		4,736,713		4,466,777
Other operating expenditures		1,413,673		1,237,355
Capital outlay		352,973		302,156
Total	6,533,843	6,503,359	30,484	6,006,288
Communications:				
Salaries and employee benefits		1,029,442		984,727
Other operating expenditures		154,620		140,954
Capital outlay		33,986		-
Total	1,248,295	1,218,048	30,247	1,125,681
Jail:				
Salaries and employee benefits		1,908,934		1,848,598
Other operating expenditures		1,213,075		1,209,042
Capital outlay		37,515		16,935
Total	3,212,849	3,159,524	53,325	3,074,575
Jail-meal operations:				
Salaries and employee benefits		10,071		5,533
Other operating expenditures		417,191		430,831
Capital outlay		323,992		-
Total	615,091	751,254	(136,163)	436,364
Fire protection:				
Forest fire control service	97,775	75,265	22,510	76,203
Rescue and ambulance services:				
Salaries and employee benefits		3,968,674		3,759,868
Other operating expenditures		677,193		600,852
Capital outlay		70,409		515,817
Total	5,031,584	4,716,276	315,308	4,876,537
Emergency management services:				
Salaries and employee benefits		186,529		195,854
Other operating expenditures		44,433		39,054
Capital outlay		2,869		497
Total	253,312	233,831	19,481	235,405
Rescue squad contributions:				
Rescue units	149,200	147,201	1,999	143,415

Franklin County, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2015
(With Comparative Totals for the Year Ended June 30, 2014)

	2015		Variance Positive (Negative)	2014
	Budget	Actual		Actual
Animal control:				
Salaries and employee benefits		323,293		314,318
Other operating expenditures		120,302		131,932
Capital outlay		23,568		45,028
Total	490,914	467,163	23,751	491,278
Total public safety	19,050,853	18,541,623	509,230	17,854,951
Economic and physical development:				
Economic development:				
Salaries and employee benefits		274,369		269,731
Other operating expenditures		95,969		85,909
Company incentives		96,015		21,596
Capital outlay		257		1,288
Total	503,142	466,610	36,532	378,524
Central services:				
Other operating expenditures	72,640	12,640	60,000	12,640
Cooperative extension services:				
Salaries and employee benefits		4,728		5,742
Other operating expenditures		250,265		267,082
Capital outlay		2,642		1,419
Total	320,124	257,635	62,489	274,243
Soil and water conservation:				
Salaries and employee benefits		219,899		246,823
Other operating expenditures		18,669		20,554
Total	252,135	238,568	13,567	267,377
Solid waste:				
Salaries and employee benefits		781,962		764,723
Waste disposal contract		1,406,103		1,489,858
Other operating expenditures		847,736		911,963
Capital outlay		133,796		196,248
Total	3,289,523	3,169,597	119,926	3,362,792
Airport operations:				
Salaries and employee benefits		190,152		193,495
Other operating expenditures		212,473		190,393
Fuel purchases		367,000		521,253
Litigation settlement		1,500,000		-
Capital outlay		603		1,694
Total	2,415,860	2,270,228	145,632	906,835
Tourism development authority				
Other operating expenditures	-	-	-	49,133
Total economic & physical development	6,853,424	6,415,278	438,146	5,251,544

Franklin County, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2015
(With Comparative Totals for the Year Ended June 30, 2014)

	2015		Variance Positive (Negative)	2014
	Budget	Actual		Actual
Human services:				
Central services:				
Other operating expenditures	290,328	268,252	22,076	303,196
Health:				
Administration:				
Salaries and employee benefits		625,498		612,663
Other operating expenditures		109,399		100,761
Capital outlay		600		-
Total	767,175	735,497	31,678	713,424
Clinical health:				
Salaries and employee benefits		1,876,207		2,102,229
Contractual services		17,789		12,685
Other operating expenditures		839,741		851,618
Capital outlay		3,633		9,705
Total	2,708,477	2,737,370	(28,893)	2,976,237
Dental health:				
Salaries and employee benefits		-		154,292
Other operating expenditures		-		289,934
Capital outlay		-		500
Total	-	-	-	444,726
WIC				
Salaries		230,609		-
Other operating expenditures		20,055		109
Total	256,272	250,664	5,608	109
Home health:				
Salaries and employee benefits		488,771		545,144
Other operating expenditures		368,526		359,745
Capital outlay		69		1,581
Total	937,656	857,366	80,290	906,470
Veterans services:				
Salaries and employee benefits		66,154		66,747
Other operating expenditures		12,878		12,869
Capital outlay		799		-
Total	84,164	79,831	4,333	79,616
Social services:				
Administration:				
Salaries and employee benefits		5,298,212		5,071,274
Other operating expenditures		499,981		532,551
Professional services		80,221		126,627
Capital outlay		65,295		33,012
Total	6,077,402	5,943,709	133,693	5,763,464
Social services programs:				
Medicaid	235,979	230,350	5,629	221,778
Special assistance	462,140	427,764	34,376	428,766
Foster care	670,690	680,574	(9,884)	645,968
Crisis intervention	549,413	518,992	30,421	537,418
General assistance	20,000	19,308	692	19,954
Day care	2,737,181	2,778,025	(40,844)	2,243,243
Other assistance	593,146	503,777	89,369	475,189
Total	5,268,549	5,158,790	109,759	4,572,316

Franklin County, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2015
(With Comparative Totals for the Year Ended June 30, 2014)

	2015		Variance Positive (Negative)	2014
	Budget	Actual		Actual
DSS Child support:				
Salaries and employee benefits		525,325		522,122
Other operating expenditures		88,323		154,211
Capital outlay		-		580
Total	630,396	613,648	16,748	676,913
Aging:				
Salaries and employee benefits		469,284		474,372
Other operating expenditures		541,351		496,804
Capital outlay		13,130		1,825
Total	1,088,586	1,023,765	64,821	973,001
Total human services	18,109,005	17,668,892	440,113	17,409,472
Cultural and leisure:				
Recreation:				
Salaries and employee benefits		226,040		214,526
Other operating expenditures		175,750		343,353
Capital outlay		-		13,759
Total	413,926	401,790	12,136	571,638
Central Services:				
Other operating expenditures	14,400	14,400	-	13,040
Library:				
Salaries and employee benefits		651,591		630,813
Other operating expenditures		101,077		88,174
Books, magazines & telecommunications		93,962		101,383
Capital outlay		24,447		14,860
Total	895,763	871,077	24,686	835,230
Total culture and leisure	1,324,089	1,287,267	36,822	1,419,908
Education:				
Education allocations:				
Public schools - current		13,818,840		13,094,566
Public schools - capital outlay		1,699,998		1,100,001
Community colleges - current		369,168		330,000
Community colleges - capital outlay		20,000		88,553
Total education	15,908,009	15,908,006	3	14,613,120
Debt service:				
Principal retirement		7,177,550		8,127,550
Interest and fees		3,037,428		3,101,575
Total debt service	10,238,498	10,214,978	23,520	11,229,125
Total expenditures	76,325,616	74,516,171	1,809,445	72,142,494
Revenues over (under) expenditures	(9,574,865)	(6,271,985)	3,302,880	(4,492,235)

Franklin County, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2015
(With Comparative Totals for the Year Ended June 30, 2014)

	2015		Variance Positive (Negative)	2014
	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)
Revaluation Fund	(25,000)	(25,000)	-	(25,000)
Emergency Telephone System Fund	-	-	-	(3,408)
County Building Project Fund	(100,000)	(100,000)	-	-
Total transfers out	<u>(165,700)</u>	<u>(165,700)</u>	<u>-</u>	<u>(487,108)</u>
Transfers from other funds:				
Capital Reserve Fund	2,600,000	2,600,000	-	2,500,000
Water and Sewer Fund	910,000	910,000	-	499,997
School Construction Fund	1,200,000	600,000	600,000	600,000
Total transfers in	<u>4,710,000</u>	<u>4,110,000</u>	<u>600,000</u>	<u>3,599,997</u>
Loan proceeds	600,000	900,000	300,000	-
Total other financing sources (uses) - net	<u>5,144,300</u>	<u>4,844,300</u>	<u>900,000</u>	<u>3,112,889</u>
Revenues and other financing sources over (under) expenditures and other financing uses	(4,430,565)	(1,427,685)	3,002,880	(1,379,346)
Appropriated fund balance	<u>4,430,565</u>	<u>-</u>	<u>(4,430,565)</u>	<u>-</u>
Revenues, other financing sources and appropriated fund balance over (under) expenditures and other uses	<u>\$ -</u>	<u>(1,427,685)</u>	<u>\$ (1,427,685)</u>	<u>(1,379,346)</u>
Fund balances				
Beginning of year, July 1		19,607,014		20,617,760
Restatement		<u>5,094,590</u>		<u>342,616</u>
Beginning of year, July 1, as restated		24,701,604		20,960,376
Increase (decrease) in reserve for inventory		<u>(20,113)</u>		<u>25,984</u>
End of year, June 30		<u>\$ 23,253,806</u>		<u>\$ 19,607,014</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, 2015
(With Comparative Totals for the Year Ended June 30, 2014)

	2015		Variance Positive (Negative)	2014
	Budget	Actual		Actual
Revenues				
Sales tax revenue	\$ 2,600,000	\$ 2,857,466	\$ 257,466	\$ 2,562,985
Interest earnings	-	-	-	-
Total revenues	2,600,000	2,857,466	257,466	2,562,985
Expenditures				
Education	-	-	-	-
Other financing sources (uses)				
Transfer from General Fund	-	-	-	-
Transfer to General Fund	(2,600,000)	(2,600,000)	-	(2,500,000)
Appropriated fund balance	-	-	-	-
Total other financing sources (uses) - net	(2,600,000)	(2,600,000)	-	(2,500,000)
Revenues and other financing sources under expenditures and uses	\$ -	257,466	\$ 257,466	62,985
Fund balance				
Beginning of year, July 1		658,428		595,443
End of year, June 30		\$ 915,894		\$ 658,428

Franklin County, North Carolina
Revaluation Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2015
(With Comparative Totals for the Year Ended June 30, 2014)

	2015		Variance Positive (Negative)	2014
	Budget	Actual		Actual
Revenues				
Interest earnings	\$ -	\$ -	\$ -	\$ -
Expenditures				
Appraisal		-		-
Total expenditures	10,000	-	10,000	-
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>	25,000
Fund balance				
Beginning of year, July 1		667,991		642,991
End of year, June 30		<u>\$ 692,991</u>		<u>\$ 667,991</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.
- **County Building Project Fund:** This fund accounts for renovation of the County buildings.

Franklin County, North Carolina
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2015

	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	County Building Project Fund		Total Nonmajor Capital Projects Funds
Assets											
Cash and cash equivalents	\$ 128,684	\$ 308,303	\$ 78,861	\$ 33,507	\$ 43,148	\$ 592,503	\$ -	\$ -	\$ -	\$ -	\$ 592,503
Accounts receivable, net	-	26,313	-	-	-	26,313	-	-	-	-	26,313
Taxes receivable, net	136,826	-	-	-	-	136,826	-	-	-	-	136,826
Due from other governments	-	8,473	226	-	-	8,699	103,603	-	56,360	159,963	168,662
Restricted assets:											
Restricted cash	-	-	-	-	-	-	-	494,422	1,179,658	1,674,080	1,674,080
Total assets	<u>\$ 265,510</u>	<u>\$ 343,089</u>	<u>\$ 79,087</u>	<u>\$ 33,507</u>	<u>\$ 43,148</u>	<u>\$ 764,341</u>	<u>\$ 103,603</u>	<u>\$ 494,422</u>	<u>\$ 1,236,018</u>	<u>\$ 1,834,043</u>	<u>\$ 2,598,384</u>
Liabilities and Fund Balances											
Liabilities:											
Accounts payable and accrued liabilities	\$ 19,667	\$ 61	\$ 3,969	\$ -	\$ 1,971	\$ 25,668	\$ -	\$ -	\$ 97,978	\$ 97,978	\$ 123,646
Due to General Fund	-	-	-	-	-	-	15,605	-	-	15,605	15,605
Total liabilities	<u>19,667</u>	<u>61</u>	<u>3,969</u>	<u>-</u>	<u>1,971</u>	<u>25,668</u>	<u>15,605</u>	<u>-</u>	<u>97,978</u>	<u>113,583</u>	<u>139,251</u>
Deferred Inflows of Resources	<u>136,826</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>136,826</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>136,826</u>
Fund balances:											
Restricted:											
Stabilization by State Statute	-	34,786	226	-	-	35,012	103,603	-	56,360	159,963	194,975
Fire Protection	109,017	-	-	-	-	109,017	-	-	-	-	109,017
Public Safety	-	308,242	74,892	-	-	383,134	-	-	1,081,680	1,081,680	1,464,814
Economic Development	-	-	-	33,507	41,177	74,684	-	-	-	-	74,684
Committed:											
Debt Service	-	-	-	-	-	-	-	494,422	-	494,422	494,422
Unassigned:											
Total fund balances	<u>109,017</u>	<u>343,028</u>	<u>75,118</u>	<u>33,507</u>	<u>41,177</u>	<u>601,847</u>	<u>87,998</u>	<u>494,422</u>	<u>1,138,040</u>	<u>1,720,460</u>	<u>2,322,307</u>
Total liabilities, deferred inflows or resources, and fund balances	<u>\$ 265,510</u>	<u>\$ 343,089</u>	<u>\$ 79,087</u>	<u>\$ 33,507</u>	<u>\$ 43,148</u>	<u>\$ 764,341</u>	<u>\$ 103,603</u>	<u>\$ 494,422</u>	<u>\$ 1,236,018</u>	<u>\$ 1,834,043</u>	<u>\$ 2,598,384</u>

Franklin County, North Carolina
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2015

	Special Revenue Funds					Capital Projects 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	County Building Project Fund	Total Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues											
Ad valorem taxes	\$ 2,989,407	\$ -	\$ -	\$ -	\$ -	\$ 2,989,407	\$ -	\$ -	\$ -	\$ -	\$ 2,989,407
Other taxes and licenses	-	315,757	-	-	-	315,757	-	-	-	-	315,757
Restricted intergovernmental	-	-	89,444	-	214,041	303,485	217,885	-	-	217,885	521,370
Investment earnings	-	-	-	-	-	-	-	73	73	73	73
Total revenues	<u>2,989,407</u>	<u>315,757</u>	<u>89,444</u>	<u>-</u>	<u>214,041</u>	<u>3,608,649</u>	<u>217,885</u>	<u>-</u>	<u>73</u>	<u>217,958</u>	<u>3,826,607</u>
Expenditures											
Current:											
Public safety	3,019,596	358,963	17,320	-	-	3,395,879	-	-	-	-	3,395,879
Economic and physical development	-	-	-	-	239,250	239,250	-	-	-	-	239,250
Capital outlay	-	-	-	-	-	-	184,807	(69,360)	4,154,796	4,270,243	4,270,243
Total expenditures	<u>3,019,596</u>	<u>358,963</u>	<u>17,320</u>	<u>-</u>	<u>239,250</u>	<u>3,635,129</u>	<u>184,807</u>	<u>(69,360)</u>	<u>4,154,796</u>	<u>4,270,243</u>	<u>7,905,372</u>
Revenues over (under) expenditures	<u>(30,189)</u>	<u>(43,206)</u>	<u>72,124</u>	<u>-</u>	<u>(25,209)</u>	<u>(26,480)</u>	<u>33,078</u>	<u>69,360</u>	<u>(4,154,723)</u>	<u>(4,052,285)</u>	<u>(4,078,765)</u>
Other financing sources (uses)											
Debt issued	-	-	-	-	-	-	-	1,250,000	1,250,000	1,250,000	1,250,000
Transfers from other funds	40,700	-	-	-	-	40,700	-	100,000	100,000	100,000	140,700
Transfers to other funds	-	-	-	-	-	-	(600,000)	-	(600,000)	(600,000)	(600,000)
Total other financing sources (uses) - net	<u>40,700</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,700</u>	<u>-</u>	<u>(600,000)</u>	<u>1,350,000</u>	<u>750,000</u>	<u>790,700</u>
Net changes in fund balances	<u>10,511</u>	<u>(43,206)</u>	<u>72,124</u>	<u>-</u>	<u>(25,209)</u>	<u>14,220</u>	<u>33,078</u>	<u>(530,640)</u>	<u>(2,804,723)</u>	<u>(3,302,285)</u>	<u>(3,288,065)</u>
Fund balances											
Beginning of year, July 1	<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>3,942,763</u>	<u>5,022,745</u>	<u>5,610,372</u>
End of year, June 30	<u>\$ 109,017</u>	<u>\$ 343,028</u>	<u>\$ 75,118</u>	<u>\$ 33,507</u>	<u>\$ 41,177</u>	<u>\$ 601,847</u>	<u>\$ 87,998</u>	<u>\$ 494,422</u>	<u>\$ 1,138,040</u>	<u>\$ 1,720,460</u>	<u>\$ 2,322,307</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, 2015
(With Comparative Totals for the Year Ended June 30, 2014)

	2015		Variance Positive (Negative)	2014
	Budget	Actual		Actual
Revenues				
Ad valorem taxes	\$ 3,047,182	\$ 2,989,407	\$ (57,775)	\$ 2,939,424
Investment earnings	-	-	-	6,944
	<u>3,047,182</u>	<u>2,989,407</u>	<u>(57,775)</u>	<u>2,946,368</u>
Expenditures				
Public safety				
Central Fire District	230,000	230,000	-	230,000
Epsom Fire District	85,000	85,000	-	85,000
Gold Sand Fire District	57,500	57,500	-	57,500
Justice Fire District	111,000	111,000	-	93,000
Kittrell Fire District	1,000	1,000	-	1,000
Pilot Fire District	196,993	196,993	-	189,993
White Level Fire District	87,000	87,000	-	72,000
Brassfield Fire District	7,979	6,929	1,050	6,936
Mitchiners Crossroads Fire District	134,500	134,500	-	134,500
Hopkins Fire District	19,500	15,348	4,152	12,132
Franklinton Fire District	212,410	197,672	14,738	203,955
Youngsville Fire District	1,324,800	1,279,286	45,514	1,205,766
Bunn Fire District	560,000	560,000	-	560,000
Castalia Fire District	1,200	1,200	-	1,200
Centerville Fire District	59,000	56,168	2,832	57,528
Total expenditures	<u>3,087,882</u>	<u>3,019,596</u>	<u>68,286</u>	<u>2,910,510</u>
Revenues under expenditures	<u>(40,700)</u>	<u>(30,189)</u>	<u>10,511</u>	<u>35,858</u>
Other financing sources				
Transfer from General Fund	40,700	40,700	-	40,700
Revenues and other sources under expenditures	<u>\$ -</u>	<u>10,511</u>	<u>\$ 10,511</u>	<u>76,558</u>
Fund balances				
Beginning of year, July 1		98,506		21,948
End of year, June 30		<u>\$ 109,017</u>		<u>\$ 98,506</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, 2015
(With Comparative Totals for the Year Ended June 30, 2014)

	2015		Variance Positive (Negative)	2014
	Budget	Actual		Actual
Revenues				
Other taxes and licenses				
E911 fees	\$ 344,855	\$ 315,757	\$ (29,098)	\$ 349,847
Interest earnings	-	-	-	-
Total revenues	344,855	315,757	(29,098)	349,847
Expenditures				
Public safety - E911				
Operating expenses	231,855	230,160	1,695	203,540
Capital outlay	140,000	128,803	11,197	121,713
Total expenditures	371,855	358,963	12,892	325,253
Revenues over (under) expenditures	(27,000)	(43,206)	(16,206)	24,594
Other financing sources (uses)				
Transfer from other funds				
County Building Projects Fund	-	-	-	-
General Fund	-	-	-	3,408
Appropriated fund balance	27,000	-	(27,000)	-
Total	27,000	-	(27,000)	3,408
Revenues and appropriated fund balance and other sources over expenditures and other uses	\$ -	(43,206)	\$ (43,206)	28,002
Fund balances				
Beginning of year, July 1		386,234		358,232
End of year, June 30		\$ 343,028		\$ 386,234

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	\$ (43,206)
Beginning Balance, PSAP Revenue-Expenditure Report	386,234
Ending Balance, PSAP Revenue-Expenditure Report	\$ 343,028

Franklin County, North Carolina
DEA Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2015
(With Comparative Totals for the Year Ended June 30, 2014)

	2015		Variance Positive (Negative)	2014
	Budget	Actual		Actual
Revenues				
Restricted intergovernmental	\$ 8,350	\$ 89,444	\$ 81,094	\$ 10,214
Miscellaneous income	5,000	-	(5,000)	-
Total revenues	<u>13,350</u>	<u>89,444</u>	<u>76,094</u>	<u>10,214</u>
Expenditures				
Public safety				
Operating expenses	<u>13,350</u>	<u>17,320</u>	<u>(3,970)</u>	<u>58,434</u>
Revenues over expenditures	<u>-</u>	<u>72,124</u>	<u>72,124</u>	<u>(48,220)</u>
Appropriated fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and appropriated fund balance over expenditures	<u>\$ -</u>	<u>72,124</u>	<u>\$ 72,124</u>	<u>(48,220)</u>
Fund balances				
Beginning of year, July 1		<u>2,994</u>		<u>51,214</u>
End of year, June 30		<u>\$ 75,118</u>		<u>\$ 2,994</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, 2015

	Project Author- ization	Actual 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					
	-	-	-	-	-
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, 2015**

	Project Author- ization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues					
Restricted intergovernmental					
CDBG Grant	\$ 570,000	\$ 191,142	\$ 214,041	\$ 405,183	\$ (164,817)
Total revenues	<u>570,000</u>	<u>191,142</u>	<u>214,041</u>	<u>405,183</u>	<u>(164,817)</u>
Expenditures					
Economic and physical development	570,000	181,699	239,250	420,949	149,051
Total expenditures	<u>570,000</u>	<u>181,699</u>	<u>239,250</u>	<u>420,949</u>	<u>149,051</u>
Revenues under expenditures	<u>-</u>	<u>9,443</u>	<u>(25,209)</u>	<u>(15,766)</u>	<u>(15,766)</u>
Other financing sources					
Transfer from General fund	-	-	-	-	-
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ 9,443</u>	<u>(25,209)</u>	<u>\$ (15,766)</u>	<u>\$ (15,766)</u>
Fund balance					
Beginning of year, July 1			<u>66,386</u>		
End of year, June 30			<u>\$ 41,177</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, 2015

	Project Author- ization	Actual		Total to Date	Variance Positive (Negative)
		Prior Years	Current Year		
Revenues					
Restricted intergovernmental:					
Federal project 36237.31.9.1	\$ 677,180	\$ 450,000	\$ -	\$ 450,000	\$ (227,180)
Federal project 36237.31.13.1	150,000	730,261	217,885	948,146	798,146
Total revenues	<u>827,180</u>	<u>1,180,261</u>	<u>217,885</u>	<u>1,398,146</u>	<u>570,966</u>
Expenditures					
Capital outlay:					
Project No. 36237.31.5.1	807,601	553,409	18,930	572,339	235,262
Project No. 36237.31.13.1	166,666	-	165,877	165,877	789
County Funded Projects	-	-	-	-	-
Total expenditures	<u>974,267</u>	<u>553,409</u>	<u>184,807</u>	<u>738,216</u>	<u>236,051</u>
Revenues under expenditures	<u>(147,087)</u>	<u>626,852</u>	<u>33,078</u>	<u>659,930</u>	<u>807,017</u>
Other financing sources					
Transfer from General fund	83,332	83,332	-	83,332	-
Appropriated fund balance	63,755	-	-	-	(63,755)
Total	<u>147,087</u>	<u>83,332</u>	<u>-</u>	<u>83,332</u>	<u>(63,755)</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 710,184</u>	<u>33,078</u>	<u>\$ 743,262</u>	<u>\$ 743,262</u>
Fund balance					
Beginning of year, July 1			<u>54,920</u>		
End of year, June 30			<u>\$ 87,998</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, 2015

	Project Author- ization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues					
Interest earnings	\$ -	\$ -	\$ -	\$ -	\$ -
Expenditures					
Bond issuance costs		-	-	-	
Construction		-	(69,360)	(69,360)	
Total expenditures	-	-	(69,360)	(69,360)	69,360
Other financing sources					
Sales tax refund		-	-	-	-
Transfer to General Fund	(600,000)	-	(600,000)	(600,000)	-
Issuance of debt	-	-	-	-	-
Fund Balance Appropriated	600,000	-	-	-	(600,000)
Total other sources	-	-	(600,000)	(600,000)	-
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	(530,640)	<u>\$ (530,640)</u>	<u>\$ (530,640)</u>
Fund balance					
Beginning of year, July 1			1,025,062		
End of year, June 30			<u>\$ 494,422</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, 2015

	Project Author- ization	Actual			Variance Positive (Negative)
		Prior Year	Current Year	Total to Date	
Revenues					
Intergovernmental revenues	\$ 963,770	\$ 532,052	\$ -	\$ 532,052	\$ (431,718)
Interest earnings	95,000	13,428	73	13,501	(81,499)
Total revenues	<u>1,058,770</u>	<u>545,480</u>	<u>73</u>	<u>545,553</u>	<u>(513,217)</u>
Expenditures					
Construction					
E911 Facility	10,518,525	8,858,345	12,397	8,870,742	1,647,783
Owens Park Project	963,770	6,886	627,277	634,163	329,607
Jail Renovation	3,553,000	1,710,927	2,082,076	3,793,003	(240,003)
Courthouse Renovation	1,424,272	93,150	1,433,046	1,526,196	(101,924)
Total	<u>16,459,567</u>	<u>10,669,308</u>	<u>4,154,796</u>	<u>14,824,104</u>	<u>1,635,463</u>
Total revenues over (under) expenditures	<u>(15,400,797)</u>	<u>(10,123,828)</u>	<u>(4,154,723)</u>	<u>(14,278,551)</u>	<u>1,122,246</u>
Other financing sources					
Issuance of debt	13,977,272	12,256,000	1,250,000	13,506,000	(471,272)
Appropriated fund balance	147,000	-	-	-	(147,000)
Transfer from other funds					
Emergency Telephone System Fund		791,483	100,000	891,483	
General Fund		2,536,595	-	2,536,595	
Total transfers	<u>1,276,525</u>	<u>3,328,078</u>	<u>100,000</u>	<u>3,428,078</u>	<u>2,151,553</u>
Total other sources	<u>15,400,797</u>	<u>15,584,078</u>	<u>1,350,000</u>	<u>16,934,078</u>	<u>1,533,281</u>
Total revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 5,460,250</u>	<u>(2,804,723)</u>	<u>\$ 2,655,527</u>	<u>\$ 2,655,527</u>
Fund balance					
Beginning of year, July 1			<u>3,942,763</u>		
End of year, June 30			<u>\$ 1,138,040</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, 2015

	2015		Variance Positive (Negative)	2014
	Budget	Actual		Actual
Revenues				
Operating revenues				
Water fees	\$ 5,319,970	\$ 5,496,957	\$ 176,987	\$ 5,126,935
Sewer fees	2,229,164	2,729,896	500,732	2,660,350
Other charges for services	546,180	1,021,775	475,595	750,789
Total	<u>8,095,314</u>	<u>9,248,628</u>	<u>1,153,314</u>	<u>8,538,074</u>
Nonoperating revenues:				
Interest earnings	-	-	-	-
Miscellaneous revenues	695,070	1,269	(693,801)	951
Total	<u>695,070</u>	<u>1,269</u>	<u>(693,801)</u>	<u>951</u>
Total revenues	<u>8,790,384</u>	<u>9,249,897</u>	<u>459,513</u>	<u>8,539,025</u>
Expenditures - Water Dept				
Salaries and employee benefits	719,453	695,845	23,608	644,340
Water purchases	2,982,000	3,121,852	(139,852)	3,014,743
Other operating expenditures	1,112,630	727,006	385,624	408,474
Capital outlay	3,398,000	3,289,960	108,040	62,896
Debt service:				
Interest and other charges	243,088	248,288	(5,200)	256,539
Debt principal	579,643	579,643	-	545,254
Total expenditures - Water	<u>9,034,814</u>	<u>8,662,594</u>	<u>372,220</u>	<u>4,932,246</u>
Expenditures - Sewer Dept				
Salaries and employee benefits	443,676	400,925	42,751	404,155
Other operating expenditures	659,025	633,643	25,382	666,578
Capital outlay	180,850	188,264	(7,414)	114,473
Debt service:				
Interest and other charges	185,930	200,103	(14,173)	214,347
Debt principal	848,903	849,236	(333)	830,661
Total expenditures - Sewer	<u>2,318,384</u>	<u>2,272,171</u>	<u>46,213</u>	<u>2,230,214</u>
Total expenditures	<u>11,353,198</u>	<u>10,934,765</u>	<u>418,433</u>	<u>7,162,460</u>
Revenues under expenditures	<u>(2,562,814)</u>	<u>(1,684,868)</u>	<u>877,946</u>	<u>1,376,565</u>
Other Financing Sources (Uses)				
Transfer from (to) Other Funds				
General Fund	(910,000)	(910,000)	-	(499,997)
Debt proceeds	2,600,000	2,600,000	-	-
Appropriated fund balance	872,814	-	(872,814)	-
Total	<u>2,562,814</u>	<u>1,690,000</u>	<u>(872,814)</u>	<u>(499,997)</u>
Revenues and appropriated fund balance under expenditures	<u>\$ -</u>	<u>\$ 5,132</u>	<u>\$ 5,132</u>	<u>\$ 876,568</u>
Reconciliation from budgetary basis (modified accrual) to full accrual				
Revenues and other financing sources over expenditures		\$ 5,132		\$ 876,568
Reconciling items				
Debt proceeds		(2,600,000)		-
Debt payments		1,428,879		1,375,915
Payments to General Fund to repay loan		910,000		-
Depreciation		(1,149,121)		(1,015,617)
Capital outlay		3,435,884		258,765
Contributions to the pension plan in the current fiscal year		65,796		-
Decrease in accrued vacation pay		2,270		(936)
Increase in other postemployment benefits		(104,656)		(103,431)
Pension expense		(9,037)		-
Restricted intergovernmental revenue from				
Water and Sewer Capital Projects Fund		149,932		-
Miscellaneous income from Water and Sewer Capital Projects Fund		40,000		-
Total		<u>2,169,947</u>		<u>514,696</u>
Change in net position		<u>\$ 2,175,079</u>		<u>\$ 1,391,264</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, 2015

	Project Author - ization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues					
Restricted intergovernmental:					
State grants	\$ -	\$ -	\$ 149,932	\$ 149,932	\$ 149,932
Investment earnings	-	-	-	-	-
Miscellaneous income	40,000	-	40,000	40,000	-
Total revenues	40,000	-	189,932	189,932	149,932
Expenditures					
Construction	40,000	-	188,201	188,201	(148,201)
Revenues under expenditures					
	-	-	1,731	1,731	1,731
Other financing sources (uses)					
Appropriated fund balance	-	-	-	-	-
Total other financing sources (uses) - net	-	-	-	-	-
Revenues, appropriated fund balance, and other financing sources over expenditures and uses					
	\$ -	\$ -	\$ 1,731	\$ 1,731	\$ 1,731

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, 2015
(With Comparative Totals for the Year Ended June 30, 2014)

	2015		Variance Positive (Negative)	2014
	Budget	Actual		Actual
Revenues				
Contributions from employees	\$ 1,100,000	\$ 919,437	\$ (180,563)	\$ 1,082,161
Contribution from General Fund	5,750,000	5,959,423	209,423	5,828,952
Contributions from Water & Sewer Fund	45,000	187,749	142,749	171,620
Interest earnings	-	(242)	(242)	-
Miscellaneous	30,000	14,212	(15,788)	24,014
Total revenues	6,925,000	7,080,579	155,579	7,106,747
Expenditures				
Health insurance	6,500,000	6,129,627	370,373	5,491,638
Property and liability insurance	350,000	257,796	92,204	269,231
Workers' compensation insurance	350,000	402,396	(52,396)	359,077
Unemployment claims	150,000	39,856	110,144	260,244
Total expenditures	7,350,000	6,829,675	520,325	6,380,190
Revenues over (under) expenditures	(425,000)	250,904	675,904	726,557
Appropriated fund balance	425,000	-	(425,000)	-
Revenues and appropriated fund balance over (under) expenditures	\$ -	250,904	\$ 250,904	726,557
Fund balances				
Beginning of year, July 1		2,277,987		1,551,430
End of year, June 30		\$ 2,528,891		\$ 2,277,987
Reconciliation from financial plan basis (modified accrual) to full accrual:				
Total revenues		\$ 7,080,579		\$ 7,106,747
Total expenditures		6,829,675		6,380,190
Change in net position		\$ 250,904		\$ 726,557

AGENCY FUNDS

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

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

Franklin County, North Carolina
Agency Funds
Combining Statement of Changes in Assets and Liabilities
For the Year Ended June 30, 2015

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
Social Services				
Assets				
Cash and cash equivalents	\$ 83,456	\$ 339,530	\$ 351,130	\$ 71,856
Liabilities				
Miscellaneous liabilities	\$ 83,456	\$ 339,530	\$ 351,130	\$ 71,856
Fines and Forfeitures				
Assets				
Cash and cash equivalents	\$ 204,433	\$ 153,920	\$ 342,466	\$ 15,887
Liabilities				
Intergovernmental payable	\$ 204,433	\$ 153,920	\$ 342,466	\$ 15,887
Motor Vehicle Tax				
Assets				
Cash and cash equivalents	\$ -	\$ 2,732,753	\$ 2,732,753	\$ -
Liabilities				
Miscellaneous liabilities	\$ -	\$ 2,732,753	\$ 2,732,753	\$ -
Jail Fund				
Assets				
Cash and cash equivalents	\$ 25,570	\$ 271,173	\$ 260,304	\$ 36,439
Liabilities				
Miscellaneous liabilities	\$ 25,570	\$ 271,173	\$ 260,304	\$ 36,439
Totals - All Agency Funds				
Assets				
Cash and cash equivalents	\$ 313,459	\$ 3,497,376	\$ 3,686,653	\$ 124,182
Liabilities				
Miscellaneous liabilities	\$ 109,026	\$ 3,343,456	\$ 3,344,187	\$ 108,295
Intergovernmental payable	204,433	153,920	342,466	15,887
Total liabilities	\$ 313,459	\$ 3,497,376	\$ 3,686,653	\$ 124,182

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, 2015**

<u>Fiscal Year</u>	Uncollected Balance June 30, 2014	Additions	Collections And Credits	Uncollected Balance June 30, 2015
2014-2015	\$ -	\$ 38,736,037	\$ 38,063,396	\$ 672,641
2013-2014	789,145	-	463,394	325,751
2012-2013	297,038	-	91,624	205,414
2011-2012	190,434	-	35,492	154,942
2010-2011	157,284	-	26,899	130,385
2009-2010	119,750	-	9,758	109,992
2008-2009	101,662	-	8,665	92,997
2007-2008	91,270	-	6,563	84,707
2006-2007	83,789	-	4,556	79,233
2005-2006	68,516	-	3,177	65,339
2004-2005	57,930	-	57,930	-
	<u>\$ 1,956,818</u>	<u>\$ 38,736,037</u>	<u>\$ 38,771,454</u>	<u>1,921,401</u>
				Add: receivable for Late Listing and Lien Costs
				Less: allowance for uncollectible accounts: <u>(151,000)</u>
				Ad valorem taxes receivable - net <u>\$ 1,770,401</u>
				Reconciliation with revenues
				Ad valorem taxes - General Fund <u>\$ 38,234,806</u>
				Reconciling items:
				Amounts written off for 2004-2005 levy 55,986
				Discounts and adjustments <u>480,662</u>
				Total reconciling items <u>536,648</u>
				Total collections and credits <u>\$ 38,771,454</u>

Franklin County, North Carolina
Analysis of Current Tax Levy
County - wide Levy
For the Year Ended June 30, 2015

	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	\$ 3,803,849,700	0.8725	\$ 33,188,589	\$ 33,188,589	\$ -
Motor vehicles taxed at current year's rate	<u>470,549,226</u>	0.8725	<u>4,105,542</u>	<u>-</u>	<u>4,105,542</u>
Total	<u>4,274,398,926</u>		<u>37,294,131</u>	<u>33,188,589</u>	<u>4,105,542</u>
Discoveries	165,261,433	0.8725	1,441,906	1,441,906	-
Abatements	<u>(36,203,782)</u>	0.8725	<u>(315,878)</u>	<u>(315,877)</u>	<u>(1)</u>
Total	<u>\$ 4,403,456,577</u>		38,420,159	34,314,618	4,105,541
Less uncollected taxes at June 30, 2015			<u>672,641</u>	<u>664,761</u>	<u>7,880</u>
Current year's taxes collected			<u>\$ 37,747,518</u>	<u>\$ 33,649,857</u>	<u>\$ 4,097,661</u>
Current levy collection percentage			<u>98.25%</u>	<u>98.06%</u>	<u>99.81%</u>

**Franklin County, North Carolina
Analysis of Current Tax Levy
County-wide Levy
For the Year Ended June 30, 2015**

Secondary Market Disclosures:

Assessed Valuation:		
Assessment Ratio ¹		100%
Real Property	\$	3,818,545,101
Personal Property		453,550,748
Public Service Companies ²		131,360,728
Total Assessed Valuation	\$	<u>4,403,456,577</u>
Tax Rate per \$100		0.8725
Levy (includes discoveries, releases and abatements) ³	\$	38,420,159

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, 2015:

Fire Protection Districts	\$	2,835,896
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¹ Percentage of appraised value has been established by statute.

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

³ The levy includes interest and penalties.

**Franklin County, North Carolina
Ten Largest Taxpayers
For the Year Ended June 30, 2015**

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
Novozymes North America Inc.	Manufacturing	\$ 158,175,097	3.59%
Duke Energy Center	Utility	55,074,361	1.25%
Wake Electric Membership Corporation	Utility	34,042,900	0.77%
K-Flex USA LLC	Manufacturing	25,985,442	0.59%
Carolina Telephone	Utility	22,623,141	0.51%
Amcor Pet Packaging	Manufacturing	15,781,531	0.36%
Public Service Co. of NC, Inc.	Utility	13,325,424	0.30%
Southern Lithoplate	Manufacturing	11,963,050	0.27%
Louisburg HMA	Hospital	11,140,490	0.25%
Palziv North America	Manufacturing	11,046,956	0.25%
Total		<u>\$ 359,158,392</u>	<u>8.16%</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									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Governmental activities										
Net investment in capital assets	\$ 33,798,587	\$ 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	12,618,500	10,485,680	4,809,599	3,912,076	6,029,114	-	-	-	-	-
Unrestricted	(60,192,165)	(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	\$ (13,775,078)	\$ (21,095,826)	\$ (27,016,591)	\$ (31,965,109)	\$ (34,865,325)	\$ (16,394,885)	\$ (6,865,059)	\$ (7,298,899)	\$ 6,687,565	\$ 22,571,388
Business-type activities										
Net investment in capital assets	\$ 16,926,449	\$ 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	(321,710)	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	\$ 16,604,739	\$ 19,642,622	\$ 18,224,475	\$ 15,848,488	\$ 14,984,133	\$ 14,242,277	\$ 13,504,744	\$ 13,738,310	\$ 13,801,939	\$ 12,370,832
Primary government										
Net investment in capital assets	\$ 50,725,036	\$ 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	12,618,500	10,485,680	4,809,599	3,912,076	6,029,114	-	-	-	-	-
Unrestricted	(60,513,875)	(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	\$ 2,829,661	\$ (1,453,204)	\$ (8,792,116)	\$ (16,116,621)	\$ (19,881,192)	\$ (2,152,608)	\$ 6,639,685	\$ 6,439,411	\$ 20,489,504	\$ 34,942,220

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

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

	Fiscal Year Ended									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Expenses										
Governmental Activities										
General government	\$ 4,683,881	\$ 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
Public Safety	21,980,004	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
Economic and physical development	5,445,839	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
Environmental protection	235,498	-	-	-	-	-	-	-	-	-
Human services	17,901,400	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
Cultural and recreation	1,445,953	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
Education	15,838,646	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
Interest on long-term debt	2,962,772	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
Total governmental activities expenses	<u>70,493,993</u>	<u>68,683,195</u>	<u>66,515,171</u>	<u>67,458,853</u>	<u>88,938,380</u>	<u>77,015,625</u>	<u>68,167,215</u>	<u>82,343,215</u>	<u>57,764,151</u>	<u>52,811,454</u>
Business-type activities										
Water and Sewer Department	7,254,705	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
Total business-type activities expense	<u>7,254,705</u>	<u>6,620,881</u>	<u>6,386,886</u>	<u>6,123,230</u>	<u>6,035,793</u>	<u>6,105,211</u>	<u>6,222,719</u>	<u>5,944,894</u>	<u>5,679,134</u>	<u>5,341,717</u>
Total primary government expenses	<u>77,748,698</u>	<u>75,304,076</u>	<u>72,902,057</u>	<u>73,582,083</u>	<u>94,974,173</u>	<u>83,120,836</u>	<u>74,389,934</u>	<u>88,288,109</u>	<u>63,443,285</u>	<u>58,153,171</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General government	534,892	578,784	595,586	541,585	554,148	854,040	318,880	374,128	690,055	765,073
Public Safety	4,931,717	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
Economic and physical development	3,318,708	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
Human services	1,798,633	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
Cultural and recreation	131,376	72,065	89,943	77,204	135,234	67,437	131,291	30,394	70,066	54,551
Operating grants and contributions	12,742,188	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
Capital Grants and Contributions	431,926	423,335	516,634	278,754	2,261,375	1,717,348	1,751,120	1,279,853	1,257,057	1,443,355
Total governmental activities program revenues	<u>23,889,440</u>	<u>23,221,640</u>	<u>23,356,545</u>	<u>23,660,115</u>	<u>25,717,659</u>	<u>23,125,168</u>	<u>22,037,375</u>	<u>20,677,263</u>	<u>19,056,154</u>	<u>17,204,059</u>
Business-type activities:										
Charges for services:										
Water and sewer	9,248,628	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
Operating grants and contributions	-	-	-	-	-	-	215,239	-	-	-
Capital Grants and Contributions	149,932	-	298,969	87,562	228,185	-	-	40,000	400,000	-
Total business-type activities program revenues	<u>9,398,560</u>	<u>8,538,074</u>	<u>9,162,578</u>	<u>7,427,839</u>	<u>6,534,265</u>	<u>6,082,732</u>	<u>5,937,098</u>	<u>5,881,469</u>	<u>6,680,308</u>	<u>5,040,245</u>
Total primary government program revenues	<u>33,288,000</u>	<u>31,759,714</u>	<u>32,519,123</u>	<u>31,087,954</u>	<u>32,251,924</u>	<u>29,207,900</u>	<u>27,974,473</u>	<u>26,558,732</u>	<u>25,736,462</u>	<u>22,244,304</u>

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

	Fiscal Year Ended									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Net (Expense)/Revenue										
Governmental activities	\$ (46,604,553)	\$ (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)
Business-type activities	2,143,855	1,917,193	2,775,692	1,304,609	498,472	(22,479)	(285,621)	(63,425)	1,001,174	(301,472)
Total primary government net expense	(44,460,698)	(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)
General Revenues and Other Changes in Net Position										
Governmental activities										
Taxes:										
Property Taxes	41,208,557	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
Sales Taxes	9,605,109	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
Investment Earnings	28,065	120,977	125,310	144,169	178,881	762,901	532,190	1,741,188	2,170,710	1,002,338
Miscellaneous - Unrestricted	181,287	166,619	211,280	20,726	72,989	346,728	1,616,200	1,313,221	1,513,097	1,460,931
Transfers	-	499,997	400,000	440,615	(235,283)	(786,208)	194	265,622	(298,492)	(915,272)
Total government activities	51,023,018	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
Business-type activities:										
Investment earnings/Misc.	41,269	951	295	360	8,101	16,154	52,249	265,418	131,441	58,743
Transfers	-	(499,997)	(400,000)	(440,615)	235,283	786,208	(194)	(265,622)	298,492	915,272
Total business-type activities	41,269	(499,046)	(399,705)	(440,255)	243,384	802,362	52,055	(204)	429,933	974,015
Total primary government	51,064,287	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
Change in Net Position										
Governmental activities	4,418,465	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
Business-type activities	2,185,124	1,418,147	2,375,987	864,354	741,856	779,883	(233,566)	(63,629)	1,431,107	672,543
Total primary government	\$ 6,603,589	\$ 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

Table 3

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

	Fiscal Year Ended									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
General Fund										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,525,597	\$ 3,124,757	\$ 2,481,839	\$ 4,106,149	\$ 3,319,202
Unreserved - restricted	-	-	-	-	-	4,276,748	2,459,288	4,308,826	2,760,430	3,413,413
Unreserved - Undesignated	-	-	-	-	-	13,312,790	13,569,126	11,455,767	11,730,851	12,164,678
Nonspendable	40,694	60,806	-	27,220	17,145	-	-	-	-	-
Restricted	10,775,010	5,653,766	8,085,472	4,874,037	3,752,353	-	-	-	-	-
Assigned	2,887,299	5,718,864	5,579,298	3,863,440	4,966,049	-	-	-	-	-
Committed	692,991	667,991	-	-	-	-	-	-	-	-
Unassigned	10,466,697	8,832,006	12,664,770	13,201,066	12,757,375	-	-	-	-	-
Total general fund	\$ 24,862,691	\$ 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
All other Governmental Funds										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,313,368	\$ 3,661,522	\$ 4,699,959	\$ 2,925,146	\$ 1,359,771
Unreserved, reported in:										
Special revenue funds	-	-	-	-	-	2,571,326	2,449,207	2,290,957	2,120,902	1,836,870
Capital projects funds	-	-	-	-	-	1,130,004	1,112,012	1,386,415	13,107,522	(543,129)
Restricted	1,843,490	4,831,914	622,702	955,510	2,276,761	-	-	-	-	-
Committed	494,422	1,025,062	3,211,250	3,248,775	2,121,012	-	-	-	-	-
Assigned	-	-	1,332,413	2,156,735	4,624,788	-	-	-	-	-
Unassigned	(15,605)	(246,604)	(50,028)	(330,823)	(603,060)	-	-	-	-	-
Total all other governmental funds	\$ 2,322,307	\$ 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

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

Table 4

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

	Fiscal Year Ended									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues										
Taxes	\$ 41,224,213	\$ 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
Sales Tax	8,903,735	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
Other taxes and licenses	896,393	1,021,437	942,946	1,006,100	1,114,672	452,625	565,845	299,491	289,430	299,512
Unrestricted Intergovernmental	-	-	-	-	-	436,869	552,577	637,646	348,831	302,293
Restricted Intergovernmental	12,704,197	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
Permits and Fees	-	-	-	-	-	1,425,010	1,196,976	2,268,394	2,154,766	1,804,380
Sales and service	10,666,244	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
Investment Earnings	28,210	144,476	142,629	143,458	200,150	853,869	532,190	1,739,204	2,143,720	979,838
Other revenues	505,267	417,558	479,556	358,755	319,977	339,916	306,259	120,879	172,869	603,775
Total revenues	74,928,259	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
Expenditures										
General government	4,480,127	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
Public Safety	21,937,502	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
Economic and Physical development	6,654,528	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
Human Services	17,668,892	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
Cultural and recreation	1,287,267	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
Education	15,908,006	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
Capital outlay	4,270,243	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
Debt service:										
Principal	7,177,550	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
Interest and other fees	3,037,428	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
Total Expenditures	82,421,543	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
Excess of revenues over (under) expenditures	(7,493,284)	(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

Table 4 (Cont.)

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

	Fiscal Year Ended									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Other Financing Sources (Uses)										
Transfers to other funds	(765,700)	(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)
Transfers from other funds	1,675,700	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
Sale of capital assets	-	-	-	-	-	-	-	245,728	5,000	-
Inc.(Dec) in reserve for inventory	-	-	-	-	(3,259)	(2,016)	(40,025)	-	(25,495)	56,965
Proceeds from long-term debt	2,150,000	3,000,000	-	8,638,480	24,802,878	17,600,000	14,905,000	8,600,000	34,095,000	304,707
Proceeds of refunded debt	-	-	-	-	-	-	(11,867,417)	-	-	-
Payment to refunded debt escrow	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	3,060,000	3,499,997	400,000	9,079,095	24,564,336	16,811,776	2,997,752	9,111,350	33,776,013	(553,600)
Net changes in fund balance	<u>\$ (4,433,284)</u>	<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>
Debt service as a percentage of noncapital expenditures	13.22%	15.03%	16.08%	17.40%	10.12%	10.35%	11.82%	9.50%	7.15%	7.35%

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
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	69,697,292	1.7245%	60,619	1,149.76
2012	4,123,952,206	65,686,118	1.5928%	61,651	1,065.45
2013	4,210,387,188	61,684,945	1.4651%	61,633	1,000.84
2014	4,407,282,825	57,693,772	1.3091%	62,697	920.20
2015	4,403,456,577	53,362,598	1.2118%	63,848	835.78

Source: NC Office of State Planning.
Franklin County Tax Assesor'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
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%
2015	4,290,000	2,123,037	6,413,037	82,421,543	7.78%

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

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

Table 7

	Fiscal Year Ended									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Assessed Value of Taxable Property	\$ 4,403,456,577	\$ 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
	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>352,276,526</u>	<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>
Gross debt										
Total bonded debt	53,362,598	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
Authorized and unissued bonds	11,400,000	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
Lease financing agreements*	21,691,556	22,566,606	23,968,110	27,856,705	24,520,833	27,941,600	31,236,102	28,389,423	27,762,105	15,343,228
Gross Debt	<u>86,454,154</u>	<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>
Total net debt applicable to limit	<u>86,454,154</u>	<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>
Legal Debt Margin	<u>\$ 265,822,372</u>	<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>
Total net debt applicable to the limit as a percentage of debt limit	24.54%	25.81%	28.61%	31.58%	32.42%	34.59%	36.97%	39.69%	24.16%	21.17%

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

Table 8

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

	Fiscal Year Ended									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
County Direct Rates*										
County-wide Rate	0.8725	0.8725	0.8725	0.8725	0.8725	0.8725	0.8225	0.8225	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	0.7200	0.6800	0.7000	0.7000	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	0.5350	0.4850	0.4850	0.4850
Town of Youngsville	0.6100	0.5900	0.5900	0.5900	0.5900	0.5700	0.5400	0.5400	0.5600	0.5600
City of Wake Forest	0.5200	0.5100	0.5100	0.5100	0.5100	0.5100	0.5100	0.5500	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.

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
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
2015	3,424,183,002	846,511,805	131,360,729	4,402,055,536	0.8725	38,407,935

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
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%
2015	40,692,855	38,736,037	1	708,058	38,771,454	95.28%	1,921,401	4.72%

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
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
2015	41,224,213	8,903,735	896,393	12,704,197	-	10,666,244	28,210	505,267	74,928,259

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

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						
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	65,727,292	16,596,705	11,260,000	-	8,738,533	5,549,606	107,872,136	29,071	1,768,529,000	6.0995%	61,651	1,750
2013	61,726,118	13,408,110	10,560,000	-	8,015,533	4,923,882	98,633,643	29,670	1,814,052,000	5.4372%	61,633	1,600
2014	57,693,772	12,711,606	9,855,000	-	7,284,227	4,279,272	91,823,877	31,063	1,909,608,000	4.8085%	62,697	1,465
2015	53,362,598	12,541,556	9,150,000	-	9,118,610	3,616,009	87,788,773	31,826	2,000,599,000	4.3881%	63,848	1,375

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
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
2015	4,480,127	21,937,502	-	6,654,528	17,668,892	1,287,267	15,908,006	4,270,243	10,214,978	82,421,543

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

Table 14

**Franklin County, North Carolina
Computation of Direct and Underlying Debt
General Obligation Bonds
Fiscal Year ended June 30, 2015**

	<u>Net General Obligation Bonded debt</u>	<u>Other Debt</u>	<u>Percent Applicable To County</u>	<u>Amount Applicable To County</u>
Direct:				
Franklin County	\$ 53,362,598	\$ 21,691,556	100.00%	\$ 75,054,154
Underlying:				
Town of Louisburg	-		0.00%	-
Town of Bunn	25,000		100.00%	25,000
Town of Youngsville	-		0.00%	-
Town of Franklinton	-		100.00%	-
Subtotal	<u>25,000</u>			<u>25,000</u>
Totals	<u>\$ 53,387,598</u>			<u>\$ 75,079,154</u>

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

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

Table 15

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

Fiscal Year Ended June 30	Population	Personal Income	Per Capita Income	Median Age	Education Level in Years of Schooling	School Enrollment	Unemployment Rate
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%
2015	63,848	2,000,599,000	31,826	38.00	N/A	8,652	5.40%

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 2015			Fiscal Year Ending 2006		
	Employees	Rank	% of Total Employment	Employees	Rank	% of Total Employment
Novozymes North America	552	1	4.96%	N/A	N/A	N/A
Century Link	350	2	3.15%	N/A	N/A	N/A
Food Lion LLC	200	3	1.80%	N/A	N/A	N/A
Wal-Mart	200	4	1.80%	N/A	N/A	N/A
Ancor Rigid Plastics	185	5	1.66%	N/A	N/A	N/A
Eaton Corporation	184	6	1.65%	N/A	N/A	N/A
K-Flex USA	150	7	1.35%	N/A	N/A	N/A
Captive-Aire Systems	130	8	1.17%	N/A	N/A	N/A
Palziv North America	120	9	1.08%	N/A	N/A	N/A
Sirchie Acquisition Company	116	10	1.04%	N/A	N/A	N/A
Total	2,187		19.66%			

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									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
General Government:										
Manager\Administration	5	5	5	5	5	6	4	4	3	3
Information Technology	3	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	5	6	5
Tax Assessor	8	8	9	9	9	9	9	9	9	9
Tax Collector	5.5	5.5	6	6	5	6	5	5	5	5
Register of Deeds	4	4	4	4	4	5	5	5	5	5
Planning	5	5	5	5	5	5	5	7	7	6
Public Buildings-Maintenance	12	12	12	12	12	12	12	12	12	12
Public Safety:										
Inspections	6	6	6	6	6	8	8	9	9	9
GIS	3	3	3	3	3	3	3	3	3	3
Sheriff's Department	74	74	67	67	59	70	64	63	61	47
Communications - E911	18	18	17	17	17	18	17	17	14	12
Jail Operations	36	35	35	35	33	35	33	41	40	38
Emergency Medical Services	67	67	48	48	54	58	54	59	46	37
Emergency Management	3	3	3	3	3	3	4	4	4	3
Animal Control	6	6	5	5	5	5	5	5	5	5
Economic and physical development:										
Solid Waste-Landfill	6	6	6	6	6	6	6	6	6	6
Soil and Water Conservation	3.5	3.5	4	4	4	4	4	4	4	4
Airport Operations	3	3	3	3	3	3	3	3	1	1
Cooperative Extension	0	0	0	0	3	0	3	3	3	1
Economic Development	3	3	3	3	3	3	3	3	3	3
Human Services:										
Health Department	51	51	58	58	59	63	59	66	70	73
Social Services	101	102	101	101	97	99	91	93	92	89
Aging Department	7	7	7	7	9	11	11	11	11	11
Veterans Services	1	1	1	1	1	1	2	2	2	2
Cultural and recreation:										
Library	9	9	9	9	9	9	9	8	8	8
Recreation	4	4	4	3	3	3	3	3	4	5
Water and Sewer Department	<u>19</u>	<u>18</u>	<u>17</u>	<u>17</u>	<u>16</u>	<u>16</u>	<u>16</u>	<u>18</u>	<u>18</u>	<u>17</u>
Total Full-Time Positions	<u>471</u>	<u>470</u>	<u>449</u>	<u>448</u>	<u>444</u>	<u>472</u>	<u>448</u>	<u>473</u>	<u>456</u>	<u>423</u>

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

Source: Franklin County Finance Office

Table 18

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

Fiscal Year Ended June 30	Residential		Commercial		Total Value
	Number of Permits	Value	Number of Permits	Value	
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
2015	354	27,362,527	29	10,980,666	38,343,193

SOURCE: Franklin County Planning Department

Table 19

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

Taxpayer	2015				2006			
	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	\$ 158,175,097	3.59%	\$ 1,380,078	1	\$ 91,844,744	2.57%	\$ 725,573
Duke Energy	2	55,074,361	1.25%	480,524	3	50,583,549	1.42%	399,610
Wake Electric	3	34,042,900	0.77%	297,024	4	47,677,099	1.34%	376,649
K-Flex USA	4	25,985,442	0.59%	226,723	-	-	-	-
Carolina Telephone	5	22,623,141	0.51%	197,387	2	74,045,953	2.07%	584,963
Amcor Pharmaceutical	6	15,781,531	0.36%	137,694	-	-	-	-
Public Service Company	7	13,325,424	0.30%	116,264	-	-	-	-
Southern Lithoplate	8	11,963,050	0.27%	104,378	-	-	-	-
Louisburg HMA	9	11,140,490	0.25%	97,201	7	12,372,505	0.35%	97,743
Palziv North America	10	11,046,956	0.25%	96,385	-	-	-	-
Flextronics	-	-	-	-	5	18,459,084	0.52%	145,827
Den Mark Construction	-	-	-	-	8	10,405,418	0.29%	82,203
Harold G. Bagwell	-	-	-	-	9	10,059,457	0.28%	79,470
Sirchie Finger Print Labs	-	-	-	-	10	9,216,452	0.26%	72,810
NDOA LLC	-	-	-	-	6	12,411,942	0.35%	98,054
Totals		<u>\$ 359,158,392</u>	<u>8.14%</u>	<u>\$ 3,133,658</u>	Totals	<u>\$ 337,076,203</u>	<u>14.21%</u>	<u>\$ 2,662,902</u>

Source: Franklin County Tax Office

Table 20

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

Fiscal Year Ended June 30	Special Assessment Billings	Special Assessment Collections
2006	\$ -	\$ 61,252
2007	-	42,076
2008	-	1,860
2009	-	477
2010	-	-
2011	-	-
2012	-	-
2013	-	-
2014	-	-
2015	-	-

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

Table 21

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

Function/Program	Fiscal Year Ended									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
General Government:										
Registered voters	40,455	40,407	39,622	40,275	36,326	36,326	36,454	34,478	31,500	31,201
New Residential Building Permits	190	284	245	245	785	785	936	507	794	743
Land parcels	38,748	38,748	38,522	38,522	39,650	39,650	39,500	39,451	39,039	38,291
Tax bills mailed	43,897	43,348	99,007	99,007	122,215	122,215	121,100	120,800	118,875	117,746
Marriage licensed issued	357	326	311	303	307	307	324	344	320	331
Public Safety:										
Physical arrests	2,077	2,627	2,696	2,021	425	425	N/A	360	360	284
Ave monthly jail inmate count	156	168	155	160	150	150	160	125	125	101
E 911 emergency calls received	71,330	19,846	67,756	67,756	62,563	62,563	60,353	60,741	49,876	43,234
EMS/Rescue calls made	5,331	5,245	4,948	4,700	6,397	6,397	5,891	6,283	6,231	N/A
Economic and physical development:										
Tons of trash handled at landfill	34,180	31,942	31,500	31,186	31,256	31,256	29,802	34,323	34,059	35,649
Aircraft based at county airport	125	123	110	102	85	85	78	79	85	57
Human services:										
Number of medicaid eligibles	11,801	12,671	11,701	11,701	10,026	10,026	9,311	8,928	8,465	8,493
Number of Food Stamp eligibles	11,112	11,461	11,355	11,355	8,815	8,815	7,788	6,202	5,888	5,817
Number of hospitals	1	1	1	1	1	1	1	1	1	1
Number of patient beds	2	2	70	70	70	70	70	85	85	85
Cultural and Recreation										
Number of public libraries	4	4	4	4	4	4	4	4	4	4
Number of volumes	103,262	143,569	105,000	105,000	89,563	89,563	107,615	107,615	107,615	109,133
Number of parks and ball fields	4	4	4	4	4	4	3	3	3	3
Water and Sewer:										
Number of customers - water	5,332	3,983	3,189	3,189	2,894	2,894	2,889	2,689	2,613	2,564
Average daily consumption (gals)	2,100,000	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
Miles of water lines	192	162	161	161	161	161	160	153	146	137
Miles of sewer lines	80	62	47	47	46	46	45	37	32	31

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									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
General Government:										
County office buildings	3	3	3	3	3	3	3	3	3	3
Vehicles	3	3	3	2	2	2	2	2	2	1
Public Safety:										
Stations	5	5	5	5	5	5	5	5	4	4
Vehicles	84	74	74	72	75	75	70	70	62	59
Economic and Physical Development:										
Vehicles	2	2	2	2	2	2	2	2	2	1
Buildings	1	1	1	1	1	1	1	1	1	0
Cultural and Recreation										
Acreage	90	90	90	90	90	90	78	78	78	78
Playgrounds	4	4	4	4	4	4	3	3	2	2
Baseball fields	4	4	4	4	4	4	3	3	3	3
Softball fields	3	3	3	3	3	3	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	6	5
Water and Sewer										
Water mains (miles)	192	162	160	160	160	160	160	152	146	137
Fire hydrants*	1000	175	175	175	175	175	175	150	115	105
Elevated tanks	6	3	3	3	3	3	3	3	3	3
Storage capacity (gallons)	1,250,000	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)	80	362	47	45	45	45	45	37	32	31
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

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

Table 23

**Franklin County, North Carolina
Other Statistical Information
June 30, 2015**

Date of establishment	1,779
Form of government	Commissioner/Manager
Employees:	
Full-time, regular	471
Part-time, regular	143
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	354
Cultural and recreational	
Number of libraries	4
Number of volumes	103,262
Water and Sewer	
Number of customers	5,332
Average daily consumption (in gallons)	2,100,000
Miles of water mains	192
Miles of sanitary sewers	80
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

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

Report On Internal Control over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Independent Auditor's Report

To The Board of County Commissioners
Franklin County, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Franklin County, North Carolina as of and for the year ended June 30, 2015 and the related notes to the financial statements, which collectively comprises Franklin County's basic financial statements, and have issued our report thereon dated January 25, 2016. 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 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 questioned costs, 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. [15-1].

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 questioned costs to be a significant deficiency. [15-2].

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 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 questioned costs to be material weaknesses. [15-1 and 15-2].

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 questioned costs. 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.

We noted certain matters that we reported to management of Franklin County, in a separate letter dated January 25, 2016.

Winston, Williams, Creech, Evans & Company, LLP

Winston, Williams, Creech, Evans & Company, LLP
Certified Public Accountants
Oxford, NC
January 25, 2016

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 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 programs for the year ended June 30, 2015. Franklin County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Franklin County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 each of the major federal programs. However, our audit does not provide a legal determination of Franklin County's compliance.

Opinion on Each Major Federal Program

In our opinion, Franklin County complied, in all material respects with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

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 15-3 and 15-4. Our opinion on each of the major federal programs is not modified with respect to these matters.

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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.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 15-3 and 15-4 that we consider to be significant deficiencies.

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.

We noted certain matters that we reported to management of Franklin County, in a separate letter, dated January 25, 2016.

Winston, Williams, Creech, Evans & Company, LLP

Winston, Williams, Creech, Evans & Company, LLP
Certified Public Accountants
Oxford, NC
January 25, 2016

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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, 2015. 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, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about Franklin County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

Opinion on Each Major State Program

In our opinion, Franklin County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of the major state programs for the year ended June 30, 2015.

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Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with the applicable sections of OMB Circular A-133 as described in the *Audit Manual for Governmental Auditors in North Carolina* and which are described in the accompanying schedule of findings and questioned costs as items 15-3 and 15-4. Our opinion on each major state 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 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.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 15-3, 15-4, and 15-5.

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.

We noted certain matters that we reported to management of Warren County, in a separate letter, dated January 25, 2016.

Winston, Williams, Creech, Evans & Company, LLP

Winston, Williams, Creech, Evans & Company, LLP
Certified Public Accountants
Oxford, NC
January 25, 2016

**FRANKLIN COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? X yes no
- Significant Deficiency(s) identified
that are not considered to be
material weaknesses X yes none reported

Noncompliance material to financial
statements noted X yes no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? Yes X no
- Significant Deficiency(s) identified
that are not considered to be
material weaknesses yes X none reported

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

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

Identification of major federal programs:

<u>CFDA#</u>	<u>Program Name</u>
93.778	Medical Assistance Program
93.767	State Children's Insurance Program
93.575, 93.596	Child Care Development Fund Cluster

Dollar threshold used to distinguish
between Type A and Type B Programs \$ 1,802,652

Auditee qualified as low-risk auditee? yes X no

**FRANKLIN COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

more accurate reflection of what transpired and the expectations around the previous transfers to show those as receivables and payables between the funds.

Recommendation: All activity within the funds and between the funds should be reviewed to ensure they are accurate, reflect the intention of the board, and being treated properly.

Views of Responsible officials and corrective action plans: The County agrees with this finding. Management will strive to ensure that this type item does not occur in the future.

Finding: 15-2

**SIGNIFICANT DEFICIENCY
SIGNIFICANT NONCOMPLIANCE**

Criteria: G.S. 159-8(a) states that monies received and expended by a local government or public authority should be included in the budget ordinance.

Condition: Franklin County expended \$3,970 more in the DEA fund Fund and \$85,354 more in the Water and Sewer Fund than was appropriated in the annual budget ordinance and amendments.

Effect: Expenditures are over appropriations in the annual budget ordinance and amendments.

Cause: There is a lack of routine transactions and reviews of budget implications and amendments. The DEA fund over expenditure was due to accruals. The transactions in the Water and Sewer Fund involved the receipt of grant funds and expenditures related to the grant for the newly purchased Town of Franklinton Water and Sewer system.

Recommendation: Non-routine transactions should be reviewed for budget implications and appropriate budget amendments should be adopted.

Views of Responsible officials and corrective action plans: The County agrees with this finding. The County will strive in the future to better anticipate the expenses in these funds.

Section III – Federal Award Findings and Questioned Costs

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

Passed-through the N.C. Dept. of Health and Human Services Division of Medical Assistance
Program Name: State Children's Health Insurance Program
CFDA #: 93.767

Finding: 15-3

**SIGNIFICANT DEFICIENCY
SIGNIFICANT 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

**FRANKLIN COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

Questioned Costs: There are no questioned costs.

Context: Out of the 60 cases tested, four cases had errors when converting income to a monthly amount, one case improperly excluded social security from the unearned income, one case did not correctly apply the child care deduction to the budget and another case did not calculate child support income correctly.

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

Cause: Ineffective budget review process and incomplete documentation.

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.

Views of responsible officials and planned corrective actions: All seven case files have been corrected for the identified discrepancies. Coaching/training has been provided to staff about reviewing and double-checking work and figures being entered or used to determine 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: Subsidized Child Care

CFDA #: 93.558, 93.575, 93.596, 93.658

Finding 15-4

SIGNIFICANT DEFICENCY

SIGNIFICANT NONCOMPLIANCE

Income Verification and Budget Calculations for Eligibility

Criteria: The DCD-0456 should verify how eligibility was determined. Backup documentation should be in the file and tapes should be in the file to support all numbers. All case records should contain evidence that the child is eligible under the Needs and Income Test and that all backup documentation should be in the file.

Condition: Two files incorrectly calculated income.

Questioned Costs: One case contained questioned costs of \$16. The other case contained negative questioned costs of \$130.00 since the parent fee was overstated and more should have been paid out of the Subsidized Child Care funds.

Context: Out of 25 cases tested, one file excluded earned income improperly and a second file incorrectly totaled the income from the support provided and thus overstated income.

Effect: If income is incorrectly it could result in the parent fee and the amount paid by the State to be incorrect.

Cause: Ineffective review processes.

**FRANKLIN COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Recommendation: Workers should double check income calculations before approving the application and releasing the payment to the facility.

Views of responsible officials and planned corrective actions: DSS agrees with the findings and has provided training to staff on proper calculation of budget as well as corrected payment issue in the reimbursement system.

Section IV – State Award Findings and Questioned Costs

See Findings 15-3 and 15-4

NC Department of Health and Human Services
Passed-through Kerr-Tar Council of Governments
Program Name: Aging Cluster

Finding: 15-5

SIGNIFICANT DEFICIENCY

Reporting

Criteria: Service providers are reimbursed on the basis of the Unit of Service Report (ZG-903) or Non-Unit Service Report (ZG-543 or other source documentation) submitted through the Division's ARMS System.

Condition: Franklin County did not report all units of service for in-home aides during one month of the year.

Questioned Costs: There were no questioned costs.

Effect: As a result of this condition, the County is exposed to an increased risk that full reimbursement for the units of service provided will be received for a particular month or that the full allocation granted at the beginning of the fiscal year will be received. The County is awarded an annual allocation of funding for the in-home aide program and all allocated funds were spent during the fiscal year. If the County budget is spent before reporting all reimbursable units, it is possible that the County would not receive their full allocation of funding for the year.

Cause: The County does not have an established policy requiring the periodic reconciliation of all reported units of service to the service providers invoices for services provided.

Recommendation: We recommend that the County implement a policy of reconciling the billing by the outside service provider to the units of service submitted for reimbursement.

Views of Responsible officials and corrective action plans: The County agrees with this finding. The County has begun working with the Area Agency on Aging to further understand the reporting system, gain access for the appropriate individuals within the agency, and implement Area Agency on Aging best practices from recent monitorings.

**FRANKLIN COUNTY, NORTH CAROLINA
CORRECTIVE ACTION PLAN
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Section II – Financial Statement Findings

Finding 15-1

Name of contact person: Mitchell Robinson

Corrective Action: The County will continue to report funds loaned by the General Fund to the Water and Sewer Fund and the subsequent pay-back of those funds as a due to and due from in the respective funds instead of showing a transfer of funds.

Proposed Completion Date: June 30, 2015

Finding 15-2

Name of contact person: Mitchell Robinson

Corrective Action: The finance officer will pay special attention to these expenditures in the future to ensure to budget more in line with expenditures.

Proposed Completion Date: June 30, 2015

Section III – Federal Award Findings and Questioned Costs

Finding: 15-2

Name of Contact Person: Beth Holmes, Amanda Murphy, Debbie Scott

Corrective Action: 153 Medical Assistance cases were pulled and 68 NC Health Choice cases were pulled for review. Of the 221 total cases, only 120 were eligible for testing due to the parameters defined the audit procedures. Of the 120 cases reviewed, 7 were found to have errors all of which were in Health Choice. Of those, 3 were found to have incorrect conversion of income. After applying correct income conversion, all cases remained eligible. 1 case improperly excluded social security income from unearned income and 1 case did not properly apply child care deduction. After re-calculation, both cases remained eligible and budgets were corrected. 1 case did not calculate child support correctly. After re-calculation, the case remained eligible and budgets were corrected. In 1 case the worker transposed the numbers when working the budget. After correcting the budget, the case remained eligible.

All seven cases have been corrected and supervisor has addressed and trained on how to apply conversion of income correctly and how to apply proper budgets to ensure future accuracy. The enhanced process with second party reviews and case reviews using

**FRANKLIN COUNTY, NORTH CAROLINA
CORRECTIVE ACTION PLAN
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

a comprehensive tool by Quality Assurance Supervisor will ensure future avoidance of such errors.

Proposed Completion Date: December 31, 2015

Finding: 15-3

Name of Contact Person: Beth Holmes, Missy Champion, Debbie Scott

Corrective Action: 2 cases in child care were found to have errors when calculating income. One case had a \$16 understated parent fee which could not be recouped. The second case had a \$130 fee which was overpaid by the parent. The overpayment amount was sent back to the parent via local funds and both cases were corrected in the Subsidized Child Care Reimbursement System. Supervisor has reviewed income calculation procedures and provided training to staff. In addition, Quality Assurance Supervisor will conduct second party reviews of child care cases to ensure future accuracy.

Proposed Completion Date: December 31, 2015

Section IV – State Award Findings and Questioned Costs

See Findings 15-3 and 15-4

Finding: 15-5

Name of Contact Person: Mattie Woodard

Corrective Action: The County has begun working with the Area Agency on Aging to further understand the reporting system, gain access for the appropriate individuals within the agency, and implement Area Agency on Aging best practices from recent monitorings.

Proposed Completion Date: June 30, 2016

**FRANKLIN COUNTY, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Finding: 14-1

Status: TDA was restated in the prior year.

Finding: 14-2

Status: The children identified on the 1571 who were eligible for the service for which they received and for which the county received reimbursement were opened on the DSS 5027 for the affected dates of service. Staff were trained to ensure that in future instances of time limited funding that they should verify the requirement to add the appropriate service code associated with such funding on the DSS 5027.

Finding: 14-3

Status: Staff have done an outstanding job over the past year with the challenges faced due to NC FAST related issues, conversion of Medical Assistance cases into NC FAST, and increase in workload due to the Affordable Care Act and accompanying backlogs. Staff have worked diligently over extended workdays and weekends to ensure that benefits reached customers in an accurate and timely manner. Over the past year, there have been significant improvements in the quality of the Medical Assistance program. There are second party reviews conducted by a Quality Assurance Supervisor who uses a comprehensive tool and identifies any problems or areas of correction with the Medical Assistance (MA) Supervisor. The MA Supervisor ensures that corrections are made timely and that necessary training is provided either to affected staff or to all staff if general patterns of deficiency are identified.

Backlogs have been worked and all cases are current unless there are system issues which are identified as sent to the state for resolution. As a result of working through the backlog and the accompanying reduction in caseload, along with improvements in NC FAST and staff becoming more familiar with the new system, there is no longer a need for routine overtime which eases the burden of long work hours for staff. An improved system, staff who are less pressured to work faster, and reduced caseloads, aid in having less errors and higher quality of work.

The agency had also reclassified a position to serve as Staff Development Specialist in order to ensure that there is proper training and identification of system related issues for NC FAST. The individual in this position trains all current and new staff in NC FAST. This individual troubleshoots cases and tracks cases sent to the state for assistance in resolving. The individual in this position will continue to serve as trainer/staff development coordinator for NC FAST rollout of all phases.

While we recognize and acknowledge the errors noted in the cases from the audit, our agency believes that the quality of work and efforts of the staff during implementation and roll out of NC FAST was outstanding. Our staff did an exemplary job of ensuring that benefits to customers were delivered timely and accurately. While there were some issues due to human error, it is important to note that none rose to the level of there being cases which were found to be ineligible or errors which resulted in payback.

Finding: 14-4

Status: The agency has worked diligently to ensure that our structure is both customer and staff friendly. Our primary focus is to ensure the accurate and timely delivery of services to our customers while being excellent stewards of the funding for which we are entrusted. We do not believe that the

**FRANKLIN COUNTY, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

universal worker model is effective for us at this time. Current policy for programs is not aligned and as a result, staff are required to refer back and forth between too many policies to be able to ensure accuracy. As a result, we are structured by program area and are able to have our staff serve as subject matter experts in their respective areas.

In addition to enhanced structure, we also enhanced the role of our newly established Quality Assurance Supervisor to include her involvement in training and record reviews for all means tested programs. She uses a comprehensive, program specific tool when conducting case reviews. We also reclassified an existing Income Maintenance position to serve as Staff Development Specialist in order to have an in house NC FAST expert who could train and work on any system related issues for NC FAST. This has proven to be highly beneficial in ensuring consistent training to existing and newly hired staff as well as identifying and tracking cases needing assistance from the state.

During the implementation and rollout of NC FAST, Franklin County DSS staff worked diligently as a team to ensure that they supported one another. In addition, the leadership provided regular morale boosters to staff, both tangible such as meals, snacks and unit gatherings, as well as those intangible such as support and words of encouragement. It is key to note that the agency had no turnover as a result of NC FAST.

Even with manageable caseloads, proper and thorough training both at the time of hire and ongoing, as well as a clearly defined and comprehensive second party quality control process, there will never be total elimination of human error. When reviewing the cases in Franklin County the key factor for the year 2014 remains that there were no costs associated with the findings or errors and all errors identified have been corrected. In addition, enhanced measures have been put in place to reduce the occurrence of such in future years as evidenced in the 2015 report.

**Franklin County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2015**

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 Program	10.561		539,402	(176)
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		276,132	-
AGRI-SFP Food Program Meal	10.559		-	-
Direct Benefit Payments:				
Special Supplemental Nutrition Program for Women, Infants, & Children	10.557		970,884	-
Total U.S. Dept. of Agriculture			<u>1,786,418</u>	<u>(176)</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	125,895	-
Passed-through the N.C. Housing Finance Agency Home Investment Partnerships Program	14.239		88,146	-
Total U.S. Dept. of Housing and Urban Development			<u>214,041</u>	<u>-</u>
<u>U.S. Dept. of Justice</u>				
<u>Bureau of Justice Assistance</u>				
Bulletproof Vest Partnership Program	16.607		6,006	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738		9,976	-
<u>Criminal Division</u>				
Equitable Sharing Program	16.922		7,770	-
Total U.S. Dept. of Justice			<u>23,752</u>	<u>-</u>
<u>U.S. Dept. of Transportation</u>				
<u>Federal Aviation Administrator</u>				
Passed-through the N.C. Dept. of Transportation: Airport Improvement Program	20.106		217,885	-
<u>Pipeline and Hazardous Materials Safety Administrator</u>				
Interagency Hazardous Materials Public Sector Training and Planning Grant	20.703		7,106	-
Total U.S. Dept. of Transportation			<u>224,991</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 F Aging Cluster:	93.052		4,770	318
Special Programs for the Aging - Title III F				
Special Programs for the Aging Title III, Part B Grants for Supportive Services and Senior Center	93.044		62,277	281,159
Special Programs for the Aging Title III, Part C Nutrition Service:	93.045		64,940	35,822
Nutrition Services Incentive Program	93.053		15,193	-
Total Aging Cluster			<u>142,410</u>	<u>316,981</u>

**Franklin County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2015**

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal. (Direct & Pass-through) Expenditures	State Expenditures
Passed-through the N.C. Dept. of Insurance, Division of SHIIP:				
Medicare Enrollment Assistance Program	93.071		2,691	-
Total Administration for Community Living			149,871	317,299
<u>Administration for Children and Families:</u>				
Passed-through the N.C. Dept. Of Health and Human Services, Division of Social Services				
Temporary Assistance for Needy Families	93.558		4,930	-
Foster Care and Adoption Cluster:				
Foster Care_Title IV-E - ARRA:				
Title IV-E Foster Care	93.658		131,218	50,059
Foster Care - Direct Benefits Payments	93.658		185,998	65,295
Adoption Assistance - ARRA:				
Adoption Assistance - Administration	93.659		1,616	-
Adoption Assistance - Direct Benefits Payments	93.659		317,244	84,388
Total Foster Care and Adoption Cluster			636,076	199,742
Temporary Assistance for Needy Families (TANF)	93.558		636,550	-
Direct Benefits Payments	93.558		245,247	(30)
Refugee and Entrant Assistance - Cash and				
Medical Payments	93.566		84	-
Low-Income Home Energy Assistance				
Administration	93.568		41,571	-
Energy Assistance Payments - Direct Benefit Payments	93.568		312,000	-
Crisis Intervention	93.568		206,992	-
Promoting Safe and Stable Families:				
Stephanie Tubbs Jones Child Welfare Services Program	93.645		14,935	-
Social Services Block Grant	93.667		13,632	-
Child Support Enforcement	93.563		227,957	59,986
Chafee Foster Care Independence Program	93.674		503,568	-
Chafee Foster Care Independence Program - Direct Benefit Payments	93.674		10,019	2,505
Total Division of Social Services			350	-
			2,848,981	262,203
Division of Child Development				
Subsidized Child Care Cluster				
<u>Child Care Development Fund Cluster:</u>				
Division of Social Services:				
Child Care Development Fund-Administration	93.596		91,871	-
Division of Child Development				
Child Care and Development Block Grant	93.575		1,077,097	-
Child Care and Development Fund - Mandatory	93.596		408,818	-
Child Care and Development Fund - Match	93.596		422,186	154,169
Total Child Care Development Fund Cluster			1,999,972	154,169
Temporary Assistance for Needy Families	93.558		278,883	-
Foster Care Title IV-E	93.658		19,687	10,196
State Appropriations			-	187,938
TANF-Maintenance of Effort			-	77,182
Total Subsidized Child Care Cluster			2,298,542	429,485
<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		49,535,093	27,159,320
Children's Health Insurance Program	93.767		994,193	312,930
Passed-through the N.C. Dept. of Health and Human Services, Division of Social Services				
Administration:				
Medical Assistance Program	93.778		1,729,420	7,598
Children's Health Insurance Program	93.767		39,331	8,477
Passed-through the N.C. Dept of Insurance, Division of SHIIP				
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779		1,773	-

**Franklin County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2015**

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal. (Direct & Pass-through) Expenditures	State Expenditures
<u>Office of Population Affairs:</u>				
Passed-through the N.C. Dept. of Health and Human Services: Family Planning Services	93.217		50,956	-
<u>Centers for Disease Control and Prevention</u>				
Passed through the N.C. Dept. of Health and Human Services, Division of Public Health				
Immunization Cooperative Agreements	93.268		14,535	-
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074		33,439	-
Project Grants and Coop. Agreements for Tuberculosis Control Programs	93.116		28	-
Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	93.758		12,673	-
HIV Prevention Activities_Health Department Basec	93.940		1,000	-
Preventive Health Services_Sexually Transmitted Diseases Control Grants	93.977		50	-
Preventive Health and Health Services Block Grant	93.991		7,873	-
<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		78,282	58,718
Total U.S. Dept. of Health and Human Services			57,800,970	28,556,030
<u>U.S. Dept. of Homeland Security</u>				
Passed-through N.C. Dept. of Public Safety:				
Emergency Management Operations Tier II Grant			-	1,104
Emergency Management Performance Grant	97.042		38,220	-
Total federal awards			60,088,392	28,556,958
State Awards:				
<u>N.C. Dept. of Cultural Resources</u>				
Division of State Library				
State Aid to Public Libraries			-	108,391
<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			-	7,786
Division of Social Services:				
State/County Special Assistance for Adults - Direct Benefit Payment:			-	427,507
State/County Special Assistance for Adults - Certain Disabled			-	257
Adoption Subsidy - Direct			-	226,632
SFHF Maximization - Direct			-	78,499
Foster Care At Risk Maximization - Direct			-	1,397
State Foster Home - Direct			-	64,648
Energy Neighbors			-	6,607
Program Integrity			-	5
Child Welfare/CPS			-	33,729
Smart Start			-	22,984
Total Division of Social Service			-	862,265

**Franklin County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2015**

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				
HMHC-Family Planning			-	1,076
Maternal Health (HMHC)			-	2,337
HIV/STD State			-	400
HIV/STD SSBG Aid			-	100
Sexually Transmitted Diseases			-	1,691
Food and Lodging Fees			-	6,731
Tuberculosis			-	14,184
General Aid to Counties			-	87,775
Risk Reduction/Health Promotion			-	6,285
Public Health Nursing			-	80
General Communicable Disease Control			-	4,342
Child Health			-	3,417
WHSF			-	5,048
TB Medical Services			-	1,034
School Nurse Funding Initiative			-	150,000
Total Division of Public Health			-	284,500
Total N.C. Dept. of Health and Human Services			-	1,154,551
<u>N.C. Dept. of Transportation</u>				
<u>Rural Operating Assistance Program (ROAP) Cluster:</u>			-	
ROAP Work First			-	16,465
ROAP Elderly and Disabled Transportation Assistance Program			-	62,356
ROAP Rural General Public Program			-	69,736
Total Rural Operating Assistance Program (ROAP) Cluster			-	148,557
Total N.C. Dept. of Transportation			-	148,557
<u>N.C. Dept. of Environment and Natural Resources</u>				
Division of Soil and Water Conservation				
Soil Technician Grant			-	26,760
Abandoned Mobil Home Program			-	3,017
DWM Electronics Mgt. Program			-	4,755
Division of Parks and Recreation				
PPA Off Waste Red Trust Fund			-	18,119
Total N.C. Dept. of Environment and Natural Resources			-	52,651
<u>N.C. Dept. of Public Safety</u>				
JCPC Grant			-	127,142
<u>N.C. Dept. of Public Instruction</u>				
Public School Building Capital Fund			-	700,000
<u>N.C. Dept. of Commerce</u>				
Clean Water Partner's Supplemental Grant			-	149,932
			-	-
Total State awards			-	2,441,224
Total Federal and State awards			\$ 60,088,392	\$ 30,998,182

Franklin County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2015

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

1. Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of Franklin County, North Carolina, under the programs of the federal government and the State of North Carolina for the year ended June 30, 2015. The information in this SEFSA is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations and the State Audit Implementation Act. Because the SEFSA presents only a selected portion of the operations of Franklin County, it is not intended to and does not present the financial position, changes in net assets or cash flows of Franklin County.

2. Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments* or cost principles contained in the Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursements. Pass-through identifying numbers are presented where available.

3. Cluster of Programs

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