

# FRANKLIN COUNTY COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended  
June 30, 2016



Prepared by the  
Franklin County Finance Department

Finance Director  
Mitchell Robinson

County of Franklin  
113 Market Street  
Louisburg, NC 27549

**FRANKLIN COUNTY, NORTH CAROLINA**  
**TABLE OF CONTENTS**  
**JUNE 30, 2016**

---

---

INTRODUCTORY SECTION

Letter of Transmittal	2-6
Franklin County Government	7
List of Principal Officials	8
Certificate of Achievement for Excellence in Financial Reporting	9

FINANCIAL SECTION

Independent Auditor's Report	11-13
Management's Discussion and Analysis	14-22

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS:

Exhibit 1	Statements of Net Position	25
Exhibit 2	Statement of Activities	26-27

FUND FINANCIAL STATEMENTS:

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

NOTES TO THE FINANCIAL STATEMENTS	40-76
-----------------------------------	-------

**FRANKLIN COUNTY, NORTH CAROLINA**  
**TABLE OF CONTENTS**  
**JUNE 30, 2016**

---

---

**REQUIRED SUPPLEMENTAL FINANCIAL DATA**

Exhibit A-1	Law Enforcement Officers' Special Separation Allowance – Schedule of Funding Progress	78
Exhibit A-2	Law Enforcement Officers' Special Separation Allowance – Schedule of Employer Contributions and Notes to the Required Schedules	79
Exhibit A-3	Other Postemployment Benefits – Schedule of Funding Progress	80
Exhibit A-4	Other Postemployment Benefits – Schedule of Employer Contributions and Notes to the Required Schedules	81
Exhibit A-5	Schedule of County's Proportionate Share of the Net Pension Liability (Asset) – Local Governmental Employees' Retirement System	82
Exhibit A-6	Schedule of County Contributions – Local Governmental Employees' Retirement System	83
Exhibit A-7	Schedule of County's Proportionate Share of the Net Pension Liability (Asset) – Register of Deeds' Supplemental Pension Fund	84
Exhibit A-8	Schedule of County Contributions – Register of Deeds' Supplemental Pension Fund	85

**COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES**

**Major Governmental Funds**

Exhibit B-1	General Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	88-95
Exhibit B-2	Capital Reserve Fund – Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	96
Exhibit B-3	Revaluation Fund – Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	97

**Nonmajor Governmental Funds**

Exhibit C-1	Combining Balance Sheet – Nonmajor Governmental Funds	99-100
Exhibit C-2	Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	101-102
Exhibit C-3	Fire District Fund – Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	103
Exhibit C-4	Emergency Telephone System Fund – Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	104
Exhibit C-5	DEA Fund – Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	105

**FRANKLIN COUNTY, NORTH CAROLINA**  
**TABLE OF CONTENTS**  
**JUNE 30, 2016**

Exhibit C-6	Golden Leaf Foundation Project Fund – Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	106
Exhibit C-7	Community Development Fund – Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	107
Exhibit C-8	Hospital Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	108
Exhibit C-9	Airport Capital Project Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance –Budget and Actual	109
Exhibit C-10	School Construction Fund – Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	110
Exhibit C-11	County Building Project Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	111
<u>Enterprise Funds</u>		
Exhibit D-1	Water and Sewer Fund – Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP)	113
Exhibit D-2	Water and Sewer Capital Projects Fund – Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP)	114
Exhibit D-3	Solid Waste Fund – Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP)	115
<u>Internal Service Fund</u>		
Exhibit E-1	Internal Service Fund – Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP)	117
<u>Agency Funds</u>		
Exhibit F-1	Agency Funds – Combining Statement of Changes in Assets and Liabilities	119
OTHER SCHEDULES		
Exhibit G-1	Schedule of Ad Valorem Taxes Receivable – General Fund	121
Exhibit G-2	Analysis of Current Tax Levy – County-wide Levy	122
Exhibit G-3	Secondary Market Disclosures	123
Exhibit G-4	Ten Largest Taxpayers	124
<u>STATISTICAL SECTION</u>		
<u>TABLE</u>		
1	Net Position by Components	126-127
2	Changes in Net Position	128-131

**FRANKLIN COUNTY, NORTH CAROLINA**  
**TABLE OF CONTENTS**  
**JUNE 30, 2016**

3	Fund Balances of Governmental Funds	132-133
4	Changes In Fund Balances of Governmental Funds	134-135
5	Ratio of Net General Obligation Bonded Debt to Assessed Value and Net General Obligation Bonded Debt per Capita	136
6	Ratio of Annual Debt Service Expenditures for General Obligation Bonded Debt to Total General Governmental Expenditures	137
7	Legal Debt Margin Information	138-139
8	Property Tax Rates – Direct and All Overlapping Governments	140
9	Assessed Value of Taxable Property	141
10	Property Tax Levies and Collections – General Fund	142
11	General Governmental Revenues by Source	143
12	Ratio of Outstanding Debt by Type	144-145
13	General Governmental Expenditures by Function	146
14	Computation of Direct and Underlying Debt – General Obligation Bonds	147
15	Demographic Statistics	148
16	Principal Employers	149
17	Full-Time Equivalent County Government Employees by Function /Program	150
18	Construction	151
19	Principal Taxpayers	152
20	Special Assessment Billing and Collections	153
21	Operating Indicators by Function/Program	154-155
22	Capital Asset Statistics by Function/Program	156-157
23	Other Statistical Information	158

COMPLIANCE SECTION

Report On Internal Control Over Financial Reporting And On Compliance and Other Matters Based On An Audit Of Financial Statements Performed In Accordance With <u>Government Auditing Standards</u>	160-161
Report On Compliance with Requirements Applicable To Each Major Federal Program and Internal Control over Compliance; In Accordance With OMB Uniform Guidance and the State Single Audit Implementation Act	162-163

**FRANKLIN COUNTY, NORTH CAROLINA**  
**TABLE OF CONTENTS**  
**JUNE 30, 2016**

---

---

Report On Compliance with Requirements Applicable To Each Major State Program and Internal Control over Compliance; In Accordance With OMB Uniform Guidance and the State Single Audit Implementation Act	164-165
Schedule of Findings and Questioned Costs	166-170
Corrective Action Plan	171-173
Summary Schedule of Prior Audit Findings	174
Schedule of Expenditures of Federal and State Awards	175-178

# **INTRODUCTORY SECTION**



## COUNTY OF FRANKLIN

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

December 20, 2016

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

We are pleased to present the Comprehensive Annual Financial Report for the fiscal year ended June 30, 2016. State law requires that local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with *Generally Accepted Accounting Principals*, or GAAP, and have been audited by a firm of licensed Certified Public Accountants as required by state law and in accordance with generally accepted accounting standards.

This report consists of management's representation concerning the finances of the County. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the County has established a comprehensive internal control framework that is designed to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of County of Franklin's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the County's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The following financial statements were audited by Winston, Williams, Creech, Evans, and Co., an independent firm of Certified Public Accountants. The goal of the independent audit was to provide reasonable assurance that Franklin County's financial statements for the fiscal year ended June 30, 2016 are free of material misstatement.

The independent auditing team examined and tested the evidence supporting the amounts and disclosures in the financial statements, assessed the staff's knowledge and use of accounting principals, and evaluated the county's overall financial presentation. Based on their findings, *the independent auditors concluded that there was a reasonable basis for rendering an unmodified opinion that Franklin County's financial statements for the fiscal year ended June 30, 2016 are fairly presented in conformity with GAAP.* The independent auditor's report is included as the first section of this financial report.

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

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

## Profile of the County

Located in the north-central part of North Carolina, Franklin County encompasses 494 square miles and has a population of roughly 64,220. The NC General Assembly created Franklin County from a portion of Bute County on January 29, 1779. The County is named in honor of Benjamin Franklin, who was in France at the time requesting aid during the Revolutionary War. Six municipalities make up Franklin County: Town of Bunn, the Town of Youngsville, the Town of Franklinton, the Town of Centerville, the Town of Louisburg (county seat,) and part of the Town of Wake Forest.

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

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

## LONG-TERM PLANNING & MAJOR INITIATIVES

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

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

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

### **Debt Refinancing**

The County was able to do a refunding (refinance) of the 2005, 2006, 2007, General Obligation Bonds during the year. The anticipated savings will be \$1,468,553 over a ten-year period. In addition the County was able to do a loan rate modification on a bank loan that will result in net savings of \$315,000. The County will continue to look at its debt and refinance when it becomes advantageous to do so.

### **E911 Infrastructure Improvement Project**

The County borrowed \$2.7 million in December 2008 for this project. The project is being completed to help enhance the county's paging capability to volunteer fire and rescue departments in responding to fire and rescue calls, increase EMS and Sheriff Communication and other public safety agencies in the county. After further consultation with the County's engineer, the county decided to enhance coverage further for a total cost of \$10.5 million. This enhancement should provide pager service coverage 95 percent of the time in 95 percent of each fire district. The project has had problems with some of the equipment and the County reached an agreement with the vendor on this project to resolve all known issues.

### **Town of Franklinton Utility Purchase**

The County completed the purchase of the Town of Franklinton's water and sewer utility system in April of 2015. The County was able to secure water project grants from the Rural Center and CDBG for \$1,254,226 for improvements that were mostly finished at June 30<sup>th</sup>. The County also received \$2,456,980 in HUC grants for sewer rehabs in the Franklinton area. The project should be completed during the 16-17 fiscal year.

### **Triangle North Executive Airport**

Construction of economic infrastructure improvements at the airport continue. Grading and paving of the Industrial Area Development Area Phase One was started and mostly completed during the year. The County was able to secure grants from the N.C. Department of Transportation – Division of Aviation in the amount of \$1.1 million. Tenants are being recruited for new hangars to be constructed. Planned future expansions include a 1000 foot runway extension project.

### **Owens Park**

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

### **Franklin Medical Center**

On October 7, 2015, Novant Health announced the closure of Novant Franklin Medical Center effective October 16, 2015. A Settlement Agreement between Franklin County, the Town of Louisburg, Novant Health, Inc. and Louisburg Novant, LLC regarding the hospital was reached in November, 2015. On December 31, 2015, hospital ownership reverted back to Franklin County. Franklin County received \$1,630,000 (\$82,172 was dispersed to the Town of Louisburg as part of the Settlement). The County used part of the 2016-2017 budget to fund two ambulances and overtime pay for Emergency Services. At year end the County was in the process of finding a new provider for the hospital. At the time of this letter, the County has accepted a proposal from Duke LifePoint to reopen the emergency room of the hospital and also provide geriatric behavioral health. In addition, subject to securing funding, Duke LifePoint seeks to expand inpatient behavioral health services.

## **ECONOMIC CONDITIONS AND FINANCIAL OUTLOOK**

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

The population of Franklin County has also increased steadily over the last several years. In fact, an average of 2.6 people, or one household, move into the County every day. The County issued 499 residential building permits during the last fiscal year, up from 354 permits the previous year. Much of the residential growth has occurred along the Wake County border and near one of the five major highways that run through Franklin County. Residents are within 21 miles of Raleigh, and 35 miles of Research Triangle Park. The ease of access to neighboring regions contributes to the fact that 62% of Franklin County's citizens are employed outside of the County.

County management anticipates that the residential base will continue to grow. This presents the opportunity for new industrial prospects, and for new businesses that cater to the local community. However, it also requires that we appropriately forecast the need for additional infrastructure and governmental services. In 2015, the County successfully purchased the Town of Franklinton's water and sewer system, and recently completed several treatment plant upgrades.

This allowed us to improve and expand to serve more residents. The County currently purchases an average of 2 million gallons of water per day from the City of Henderson, and 100,000 gallons per day from the Town of Louisburg, in order to meet daily water needs. With the purchase of the Franklinton Water and Sewer System, the County has acquired a water plant that has the potential of treating 350,000 gallons of water per day. The County also treats an average of 600,000 gallons of waste water per day.

The County has also taken measures to ensure that adequate facilities and funding will continue to be available to the public school system. Franklin County funded the school system almost \$16 million in revenue from the County during the 15-16 fiscal year.

Franklin County's largest corporate citizen is Novozymes North America, Incorporated, with 552 employees and a current property value of \$173.5 million. During the last fiscal year, the company provided the county with over \$1.6 million in property tax revenue. Novozymes is also the County's largest Public Utilities customer, averaging 1.1 million gallons per day and \$2,325,766 in annual water sales.

Last year, Novozymes represented 3.86% of the county's tax base. Other companies ranked among the top five tax payers include: Duke Energy (taxable value of \$56.8 million,) Wake Electric (taxable value of \$34.6 million,) Carolina Telephone (taxable value of \$19.9 million,) and K-Flex (taxable value of \$18.7 million.) These top five ranked companies generated \$2.8 million in property tax revenue, or 6.75% of Franklin County's total property tax base. Franklin County has taken measures to reduce the risk of over-reliance on these few large tax payers, which could potentially negatively impact bond ratings available to the County.

### **SINGLE AUDIT**

As a recipient of federal, state and county assistance, the County also is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management and the Finance Department staff of the County. As a part of the County's single audit, described earlier, tests are made to determine the adequacy of the internal control structure, including that portion related to federal and state financial assistance programs, as well as to determine that the County has complied with applicable laws and regulations. The results of the County's single audit for the fiscal year ended June 30, 2016, provided no instances of material weaknesses in the internal control structure or significant violations of applicable laws and regulations.

### **CASH MANAGEMENT AND RISK MANAGEMENT**

**Cash Management** – Franklin County follows an accounting policy in which all budgeted expenditures must equal estimated revenues. We are proud to report that, due to our diligent discretionary spending practices, the county's actual expenditures for the last fiscal year were less than budget. In fact, the County achieved a budget surplus of \$3,784,958. The County uses a central depository system to pool moneys from all funds and facilitate disbursements and investments. All depositories in excess of amounts insured by the FDIC via the pooling method are collateralized according to North Carolina General Statute 159-31. At the end of the fiscal year, \$291,438 of the bank balance was covered by federal depository insurance, and \$22,036,048 was covered by collateral held under the Pooling Method. In accordance with North Carolina General Statute 159-30, we invested temporarily idle cash in interest-bearing accounts, principally through the North Carolina Capital Management Trust, BB&T, and First Citizens Bank. The county recorded investment income of \$11,121,494. At June 30, 2016, the County's deposits had a carrying value of \$21,450,251 and a bank balance of \$22,327,486.

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

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

### **PENSION AND OTHER POST EMPLOYMENT BENEFITS**

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

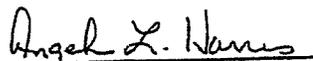
### **AWARDS AND OTHER INFORMATION**

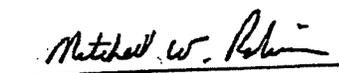
**Awards** - The Government Finance Officers Association of the United States and Canada (GFOA) has awarded an annual Certificate of Achievement for Excellence in Financial Reporting to Franklin County for the last 17 consecutive years. In order to be awarded a Certificate of Achievement, the entity must publish an efficient and well-organized financial report that satisfied both GAAP principles and legal requirements. We believe that this year's report continues to meet these requirements, as we have submitted it to the GFOA in order to continue our record of excellence.

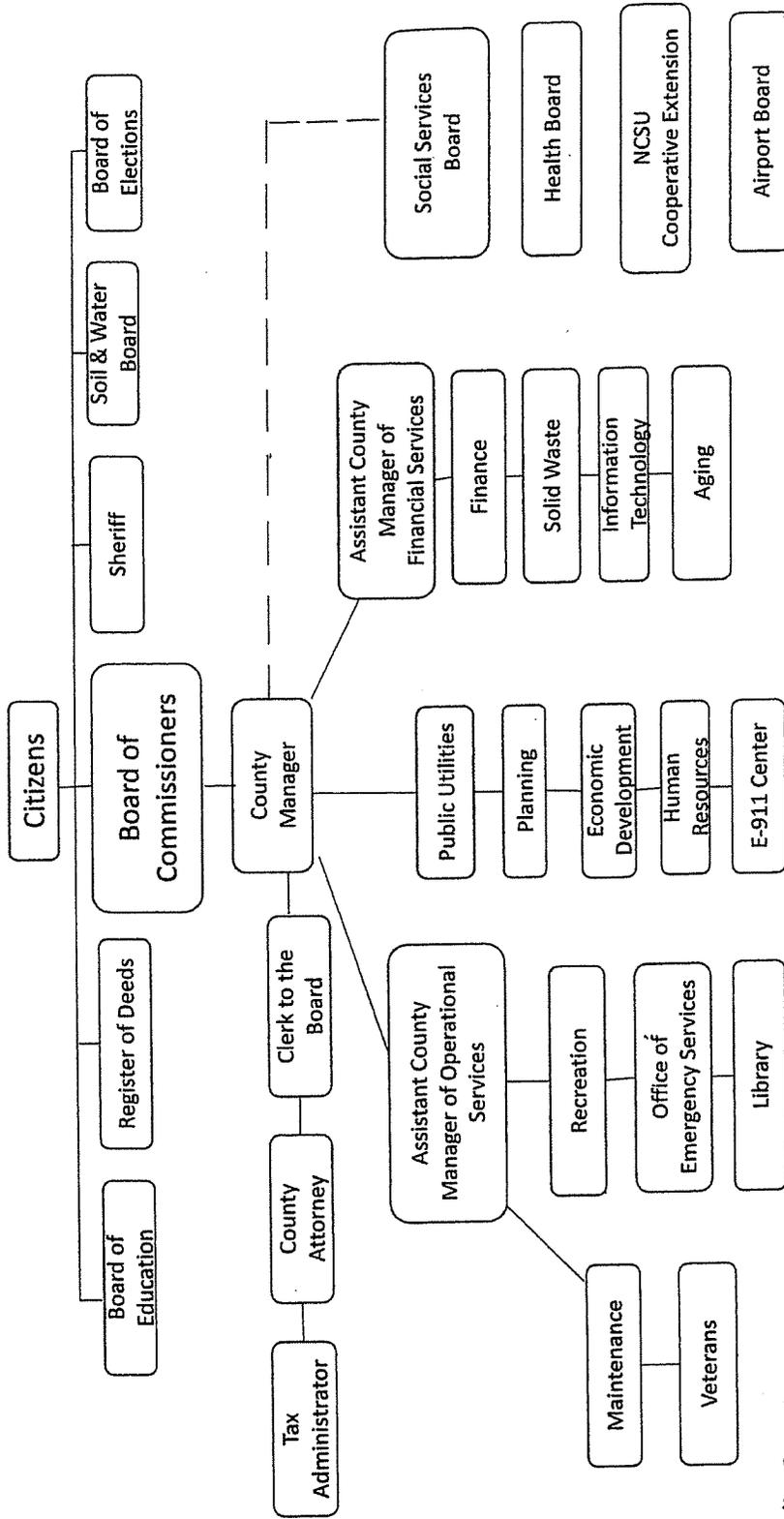
Preparation of this report would not have been possible without the dedicated efforts of the Finance Department staff, cooperation from all the county's departments, and the auditing staff at Winston, Williams, Creech, Evans & Company. Great gratitude is extended to the Board of County Commissioners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

**Use of the Report.** We agree with the GFOA that this annual financial report should be accessible to our governing body, constituents, oversight bodies, resource providers, investors, and creditors. Accordingly, we have made a copy of this report available to all of the county's stakeholders, as it can be found at the Franklin County Public Library, the Franklin County Chamber of Commerce, and on the county's website at [www.franklincountync.us](http://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, 2016**

---

---

**Board of County  
Commissioners**

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

**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, 2015**

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

---

## 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, 2016 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

---

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

www.wwcecpa.com



component unit, each major fund, and the aggregate remaining fund information of Franklin County, North Carolina as of June 30, 2016, 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.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, 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's Schedules of the County's Proportionate Share of Net Pension Asset (Liability) 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 Title 2 *U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements, budgetary schedules, other schedules and the schedule of expenditures of federal and State awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures; including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion based on our audit, the procedures performed as described above, the combining and individual fund financial statements, budgetary schedules, other schedules and the schedule of expenditures of federal and State awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 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  
December 20, 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, 2016. 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

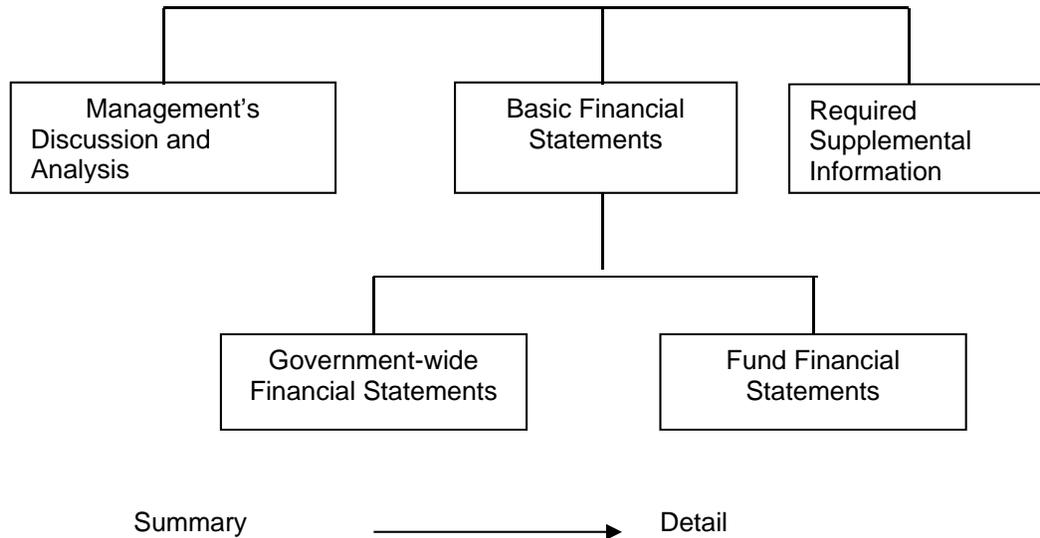
- The County's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$31.3 million. In accordance with North Carolina law, liabilities of the County include long-term debt associated with assets belonging to the Franklin County Board of Education. The amount included in liabilities related to school financing is \$59.4 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 \$31.6 million, an increase of \$5.4 million from the previous fiscal year where the combined fund balances totaled \$26.2 million as restated. An increase in the amount of \$1,443,729 was in the Non-major Other Governmental Funds. The General Fund increased by \$3,989,787. Approximately 47.8 percent of this total amount or \$15.1 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 \$15.55 million or 21.2 percent of total general fund expenditures for the fiscal year. \$176,000 of the total fund balance has been designated for subsequent year expenditures.
- The County's total long-term debt decreased by \$4.75 million during the current fiscal year. The County made all debt payments timely. The County did issue \$18 million in new debt, however that was for a bond refinancing to pay off the existing debt.
- The County's current bond rating with Moody's Investor Services is an (Aa2), Standard & Poor's rating for the County is AA-, and Fitch has rated the County as AA.

### Overview of the Financial Statements

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

## Required Components of Annual Financial Report

Figure 1



### Basic Financial Statements

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

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

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

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

### Government-wide Financial Statements

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

The two government-wide statements report the County's net position and how they have changed. Net position is the difference between the total of the County's assets and deferred outflows of resources and the total liabilities and the deferred inflows of resources. Measuring net position is one way to gauge the County's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the County's basic services such as general administration, taxation and records, community planning, community maintenance, human services, education, and public safety. Property and other taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the County charges customers to provide the service. Franklin County's had two business-type activities reported during fiscal year 2016 for water and sewer service and also solid waste. The final category is component units. Although legally separate from the County the Franklin County Tourism Development Authority is the only component unit to the county. The County exercises control over its Board by appointing all five of its members. The Franklin County Industrial Facility and Pollution Control Financing Authority had no financial transactions or account balances; therefore, it is not presented in the government-wide combined financial statements.

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

### Fund Financial Statements

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

**Governmental Funds** – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the County's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called modified accrual accounting which provides a current financial resources focus. In modified accrual accounting, revenues are recognized when they become available and expenditures are reported when the obligations were incurred. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the County's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The County adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the County, the management of the County, and the decisions of the Board of Commissioners about which services to provide and how to pay for them. It also authorizes the County to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the County complied with the budget ordinance and whether or not the County succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the Statement of Revenues, Expenditures and Changes in Fund Balance. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

**Proprietary Funds** – The County utilizes two proprietary funds. The County uses an Enterprise Fund to report the same functions presented as business-type activities in the government-wide financial statements. The County uses an enterprise fund to account for its water and sewer activity and starting July 1, 2015 the County started using an Enterprise Fund for its Solid Waste operations instead of the

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

**Internal Service Funds** – These funds are an accounting device used to accumulate and allocate costs internally among the functions of the County. The County currently has one internal service fund called the Insurance Fund. Actual payments for health insurance, property and liability insurance, unemployment charges, and worker’s compensation payments are recorded.

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

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

**Required Supplemental Information** – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the County’s progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 77 of this report.

### Government-wide Financial Analysis

As noted earlier, net position may serve over time as one useful indicator of a government’s financial condition. The County’s assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$31,260,581 as of June 30, 2016. The County’s net position increased by \$27.3 million for the fiscal year ended June 30, 2016. One of the largest portions \$67,550,067 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, \$13,420,202, 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 2016 and FYE 2015.

**Figure 2**

### **FRANKLIN COUNTY’S NET POSITION**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Current and other assets	\$ 39,727,637	\$ 37,130,452	\$ 4,212,930	\$ 1,473,185	\$ 43,940,567	\$ 38,603,637
Capital assets	56,266,488	44,981,476	31,842,853	29,661,068	88,109,341	74,642,544
Total assets	<u>95,994,125</u>	<u>82,111,928</u>	<u>36,055,783</u>	<u>31,134,253</u>	<u>132,049,908</u>	<u>113,246,181</u>
Deferred Outflows of Resources	2,219,614	1,371,253	111,512	76,143	2,331,126	1,447,396
Long-term liabilities outstanding	83,932,827	87,749,689	12,471,959	13,408,588	96,404,786	101,158,277
Other liabilities	4,259,495	4,912,196	1,390,711	946,427	5,650,206	5,858,623
Total liabilities	<u>88,192,322</u>	<u>92,661,885</u>	<u>13,862,670</u>	<u>14,355,015</u>	<u>102,054,992</u>	<u>107,016,900</u>
Deferred Inflows of Resources	1,009,355	4,596,374	56,106	250,642	1,065,461	4,847,016
Net Position:						
Net investment in capital assets	46,734,481	33,798,587	20,815,586	16,926,449	67,550,067	50,725,036
Restricted	13,420,202	12,618,500	-	-	13,420,202	12,618,500
Unrestricted	<u>(51,142,621)</u>	<u>(60,192,165)</u>	<u>1,432,933</u>	<u>(321,710)</u>	<u>(49,709,688)</u>	<u>(60,513,875)</u>
Total Net Position	<u>\$ 9,012,062</u>	<u>\$ (13,775,078)</u>	<u>\$ 22,248,519</u>	<u>\$ 16,604,739</u>	<u>\$ 31,260,581</u>	<u>\$ 2,829,661</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the County exceeded its liabilities in the Governmental Activities by \$9.01 million. In the Business-type Activities, the assets exceeded its liabilities by \$22.25 million at June 30, 2016. Net position for Governmental Activities is reported in three categories: Net Investment in capital assets was \$46.73 million; Restricted was \$13.42 million and unrestricted net position was \$(51,142,621). Net position for Business-type Activities is reported in two categories: Net Investment in capital assets was \$20.82 million and unrestricted net position was \$1.43 million.

The invested in capital assets, net of related debt category is defined as the County's investment in County owned capital assets (e.g. land, buildings, automotive equipment, office and other equipment, and sewer lines), less any related debt still outstanding that was issued to acquire those items. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

Another category of net position is restricted net position. This represents resources that are subject to external restrictions on how they may be used. The final category of net position is unrestricted net position. This balance may be used to meet the government's ongoing obligations to citizens and creditors.

In the current fiscal year, the county had a negative number of (\$51,142,621) in unrestricted net position. Many counties in the State of North Carolina have a deficit in unrestricted net position. This is due primarily to the portion of the County's outstanding debt incurred for the Franklin County Board of Education (the "school system"). Under North Carolina law, the County is responsible for providing capital funding for the school system. The County has chosen to meet its legal obligation to provide the school system capital funding by using a mixture of County funds and general obligation debt. The assets funded by the County; however, are owned and utilized by the school system. Since the County, as the issuing government, acquires no capital assets, the County has incurred a liability without a corresponding increase in assets. At the end of the fiscal year, approximately \$59.4 million of the outstanding debt on the County's financial statements was related to assets included in the school system's financial statements. However, since the majority of this school system related debt is general obligation debt, it is collateralized by the full faith, credit, and taxing power of the County. Accordingly, the County is authorized and required by State law to levy ad valorem taxes, without limit as to rate or amount, as may be necessary to pay the debt service on its general obligation bonds. Principal and interest requirements will be provided by an appropriation in the year in which they become due.

In the current year, total net position in Governmental Activities increased by \$24.3 million. Part of the reason is the result of the County paying principal payments on its debt. Of this total \$13.2 million is the result of the hospital located in Louisburg being reverted back to the County when Novant closed the facility during the fiscal year. This amount is shown as contributed capital. Also the County noted the following positive operational initiatives and results:

- Great tax collection rate of 98.56 percent.
- Continued low cost of debt due to the County's bond rating.
- Conservative revenue projections - \$3,292,338 surplus over budget in the General Fund.
- Controlled departmental spending and conservative budgeting - \$2.57 million.

**Figure 3**  
FRANKLIN COUNTY'S CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities		FY 2016	FY 2015
	FY 2016	FY 2015	FY 2016	FY 2015		
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 9,821,571	\$ 10,715,326	\$ 12,904,468	\$ 9,248,628	\$ 22,726,039	\$ 19,963,954
Operating grants and contribution:	15,245,460	12,742,188	-	-	15,245,460	12,742,188
Capital grants and contributions	13,645,950	431,926	1,422,261	149,932	15,068,211	581,858
General revenues:						
Property taxes	45,412,303	41,208,557	-	-	45,412,303	41,208,557
Other taxes	10,427,744	9,605,109	-	-	10,427,744	9,605,109
Other	263,248	209,352	61,968	41,269	325,216	250,621
Total revenues	<u>94,816,276</u>	<u>74,912,458</u>	<u>14,388,697</u>	<u>9,439,829</u>	<u>109,204,973</u>	<u>84,352,287</u>
<b>Expenses:</b>						
General Government	5,770,373	4,683,881	-	-	5,770,373	4,683,881
Public Safety	23,852,535	21,980,004	-	-	23,852,535	21,980,004
Economic and Fiscal Development	2,497,914	5,445,839	-	-	2,497,914	5,445,839
Environmental protection	-	235,498	-	-	-	235,498
Human Services	18,588,512	17,901,400	-	-	18,588,512	17,901,400
Cultural and Recreation	1,555,924	1,445,953	-	-	1,555,924	1,445,953
Education	15,962,006	15,838,646	-	-	15,962,006	15,838,646
Interest on long-term debt	2,293,631	2,962,772	-	-	2,293,631	2,962,772
Water and Sewer	-	-	11,406,678	7,254,705	11,406,678	7,254,705
Total expenses	<u>70,520,895</u>	<u>70,493,993</u>	<u>11,406,678</u>	<u>7,254,705</u>	<u>81,927,573</u>	<u>77,748,698</u>
Increase (Decrease) in net position before transfers	24,295,381	4,418,465	2,982,019	2,185,124	27,277,400	6,603,589
Transfers	-	-	-	-	-	-
Increase in net position	<u>24,295,381</u>	<u>4,418,465</u>	<u>2,982,019</u>	<u>2,185,124</u>	<u>27,277,400</u>	<u>6,603,589</u>
Net Position, July 1, previously reported	(13,775,078)	(21,095,826)	16,604,739	19,642,621	2,829,661	(1,453,205)
Restatement (See footnote XI)	(1,508,241)	2,902,283	2,661,761	(5,223,006)	1,153,520	(2,320,723)
Net Position, July ,1 as restated	<u>(15,283,319)</u>	<u>(18,193,543)</u>	<u>14,419,615</u>	<u>14,419,615</u>	<u>(863,704)</u>	<u>(3,773,928)</u>
Net Position, June 30	\$ 9,012,062	\$ (13,775,078)	\$ 22,248,519	\$ 16,604,739	\$ 31,260,581	\$ 2,829,661

**Governmental activities:** Governmental activities increased the County's net position by \$24.3 million. Property Tax increased \$4.2 million as a result of the tax rate increase implemented for the 15-16 fiscal year and growth of 3.1 % in taxable value in the County. Sales Tax and other tax revenues increased by \$822,635 or an 8.6% increase. Operating grants and contributions increased by \$2.5 million. Capital grants and contributions increased by \$13.2 million mainly due to the County acquiring the hospital in Louisburg which reverted back to the County when Novant closed the facility during the year. The County Departmental expenditures were only \$26,902 more than the previous year due to the Solid Waste Fund being accounted for in an Enterprise fund. The expenditures for the Solid Waste for the 15-16 year were \$3.4 million. In the prior year those expenditures are shown in the Economic and Fiscal Development category. Public Safety expenditures increased \$1.9 million, General Government increased \$1.1 million and Human Services increased \$687,112.

**Business-type activities:** The net position in Business-type activities increased by \$2,982,019. Starting July 1, 2015 the Solid Waste operations moved from the General fund to an Enterprise Fund which account for the increases in revenue and expenses. The Water and Sewer fund accounted for most of the increase in net position accounting for \$2.98 million and the Solid Waste Fund basically breaking even for the year. Water collections increased \$561,721 and sewer collections decreased by \$145,271. Operating expenses for the Water and Sewer increased \$814,499 because of increased water purchases and operating expense. The Solid Waste Fund had revenue and capital contributions of \$3,451,226 for the year. Operating expenses were \$3,428,733.

### **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 \$15,546,250 while total fund balance reached \$27,833,576. 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 21.2% of general fund expenditures, while total fund balance represents 37.9% of that same amount.

At June 30, 2016, the governmental funds of the County reported a combined fund balance of \$31,599,612. The county's overall fund balance remains strong.

### **General Fund Budgetary Highlights**

During fiscal year 2016, the County maintained a strong fund balance position and finished the year in sound financial condition. The County revised its' budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services. Total amendments to the General Fund increased revenues by \$1,978,575 and expenditures by \$3,837,313.

The actual operating revenues for the General Fund were higher than the budgeted amount by \$3,292,337. Ad valorem taxes were over budget by \$1,092,916; Sales Tax revenues were over budget by \$604,356; fees and charges were over budget by \$618,729; and Restricted intergovernmental revenues exceeded the anticipated budget by \$963,957. The County's expenditures were \$2,568,769 less than budgeted. Human Services departments under spent their budgets by \$647,689, General Government activities were under budget by 428,515, Public Safety departments were under budget by \$791,265 and Economic and physical development was under budget by \$541,770.

**Proprietary Funds:** The County's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund and Solid Waste Fund at the end of the fiscal year amounted to \$1,432,933 an increase of \$1.75 million.

### **Capital Asset and Debt Administration**

**Capital assets:** The County's investment in capital assets for its governmental and business-type activities as of June 30, 2016, totaled \$88,109,341 (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:

- \$13.4 million in Buildings, Land, and Equipment related to the Hospital
- \$641,476 in vehicles

**Figure 4**

**Franklin County's Capital Assets (net of depreciation)**

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land and Improvements	\$ 13,453,089	\$ 14,066,216	\$ 874,212	\$ 369,456	\$ 14,327,301	\$ 14,435,672
Buildings	23,698,869	14,157,661	-	-	23,698,869	14,157,661
Gas Lines	185,411	193,651			185,411	193,651
Plant & Distribution	116,021	120,106	28,197,544	28,581,349	28,313,565	28,701,455
Automotive equipment	1,167,253	1,185,218	230,553	56,821	1,397,806	1,242,039
Office and other equipment	3,404,336	1,645,092	857,976	505,241	4,262,312	2,150,333
Construction in progress	<u>14,241,509</u>	<u>13,613,532</u>	<u>1,682,568</u>	<u>148,201</u>	<u>15,924,077</u>	<u>13,761,733</u>
Total	<u>\$ 56,266,488</u>	<u>\$ 44,981,476</u>	<u>\$ 31,842,853</u>	<u>\$ 29,661,068</u>	<u>\$ 88,109,341</u>	<u>\$ 74,642,544</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, 2016, the County's Governmental Activities had total bonded school debt outstanding of \$49,587,425 all of which is backed by the full faith and credit of the County: \$8,445,000 in Certificates of Participation outstanding, and \$10,202,007 in installment purchases. In the Business Type Activities, the County had \$900,000 in outstanding in Federal and State revolving loans, \$2,933,631 in COPs and \$7,193,636 in installment loans outstanding at June 30, 2016. 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	
	2016	2015	2016	2015	2016	2015
General obligation bonds	\$ 49,587,425	\$ 53,362,598	\$ -	\$ -	\$ 49,587,425	\$ 53,362,598
Certificates of Participation	8,445,000	9,150,000	2,933,631	3,616,009	11,378,631	12,766,009
Installment Purchases	10,202,007	12,541,556	7,193,636	8,038,610	17,395,643	20,580,166
Revolving Loans	-	-	900,000	1,080,000	900,000	1,080,000
Other obligations	<u>15,698,396</u>	<u>12,695,535</u>	<u>1,444,692</u>	<u>673,968</u>	<u>17,143,088</u>	<u>13,369,503</u>
Total long-term debt	<u>\$ 83,932,828</u>	<u>\$ 87,749,689</u>	<u>\$ 12,471,959</u>	<u>\$ 13,408,587</u>	<u>\$ 96,404,787</u>	<u>\$ 101,158,276</u>

In fiscal year 2015-2016, the County's total long-term debt decreased by \$5.52 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 \$279,991,418. 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 5.0 percent at June 30, 2016 which is lower when compared to last year's rate at 5.4 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 10.5 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, 2017**

- **Governmental Activities:** The County has approved a \$76.8 million General Fund budget for FYE 2017 compared to a \$72.1 million general fund budget for fiscal year 2015-2016. Additional funds were appropriated for Public Safety (\$2.8 million) and a salary increase for employees starting January 1, 2017 to bring employees below market up to a minimum market salary. In addition, employees will receive a .5% increase for every year of service they are in their current position. The property tax rate remained the same at .9250 cents per \$100 dollars of property valuation. The tax base increased 3.1%.
- **Business – type Activities:** The County water rates and sewer rates remained the same as the previous year. The budget for the Water and Sewer Fund for FYE 2017 was set at \$9,410,354 to start the year up from \$9,015,554 in FYE 2016. The Solid Waste budget was set at \$3,596,930 as compared to the budget at \$3,184,840 for FYE 2016. The Solid Waste Availability Fee and tipping fees remained the same.

### **Requests for Information**

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

# **BASIC FINANCIAL STATEMENTS**

**GOVERNMENT-WIDE  
FINANCIAL STATEMENTS**

**Franklin County, North Carolina**  
**Statement of Net Position**  
**June 30, 2016**

	<b>Primary Government</b>			<b>Component Unit</b>
	<b>Governmental Activities</b>	<b>Business-type Activity</b>	<b>Total</b>	<b>Franklin County Tourism Development Authority</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 24,375,025	\$ 4,646,951	\$ 29,021,976	\$ 116,704
Taxes receivable (net)	1,817,010	-	1,817,010	-
Accounts receivable (net)	647,036	2,514,217	3,161,253	-
Due from other governments	4,607,078	684,661	5,291,739	-
Accrued interest receivable	413,888	-	413,888	-
Inventory	30,251	-	30,251	-
Prepaid items	650,789	-	650,789	-
Net pension asset	122,069	-	122,069	-
Restricted cash and cash equivalents	3,431,592	-	3,431,592	-
Internal balances	3,632,899	(3,632,899)	-	-
Capital assets:				
Land, improvements, and construction in progress	26,216,613	2,556,780	28,773,393	-
Other capital assets, net of depreciation	30,049,875	29,286,073	59,335,948	-
Total capital assets	56,266,488	31,842,853	88,109,341	-
Total assets	95,994,125	36,055,783	132,049,908	
<b>Deferred Outflows of Resources</b>	2,219,614	111,512	2,331,126	-
<b>Liabilities</b>				
Accounts payable and accrued expenses	3,523,904	921,597	4,445,501	63
Customer deposits	-	431,323	431,323	-
Accrued interest payable	735,590	37,791	773,381	-
Long-term liabilities:				
Due within one year	7,480,901	1,811,466	9,292,367	-
Due in more than one year	76,451,927	10,660,493	87,112,420	-
Total long-term liabilities	83,932,828	12,471,959	96,404,787	-
Total liabilities	88,192,322	13,862,670	102,054,992	63
<b>Deferred Inflows of Resources</b>	1,009,355	56,106	1,065,461	-
<b>Net Position</b>				
Net investment in capital assets	46,734,481	20,815,586	67,550,067	-
Restricted for:				
State Statute for Stabilization	8,997,073	-	8,997,073	-
Register of Deeds	52,481	-	52,481	-
Public Safety	1,495,122	-	1,495,122	-
Education	1,071,918	-	1,071,918	-
Economic Development	54,993	-	54,993	-
Cultural and Recreation	280,591	-	280,591	-
Human Services	1,468,024	-	1,468,024	-
Unrestricted	(51,142,621)	1,432,933	(49,709,688)	116,641
Total net position	\$ 9,012,062	\$ 22,248,519	\$ 31,260,581	\$ 116,641

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, 2016**

<b>Functions/Programs</b>	<b>Program Revenues</b>			
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Governmental activities:</b>				
General government	\$ 5,770,373	\$ 745,315	\$ 706,104	\$ -
Public safety	23,852,535	5,766,759	1,415,589	2,489
Economic and physical development	2,497,914	718,978	544,918	442,391
Human services	18,588,512	2,482,054	11,830,919	13,201,070
Cultural and recreation	1,555,924	108,465	147,930	-
Education	15,962,006	-	600,000	-
Interest on long-term debt	2,293,631	-	-	-
Total governmental activities	<u>70,520,895</u>	<u>9,821,571</u>	<u>15,245,460</u>	<u>13,645,950</u>
<b>Business-type activity:</b>				
Solid Waste	3,434,463	3,262,994	-	170,399
Water and Sewer Department	7,972,215	9,641,474	-	1,251,862
Total business-type activities	<u>11,406,678</u>	<u>12,904,468</u>	<u>-</u>	<u>1,422,261</u>
Total primary government	<u>\$ 81,927,573</u>	<u>\$ 22,726,039</u>	<u>\$ 15,245,460</u>	<u>\$ 15,068,211</u>
<b>Component Unit:</b>				
Franklin County Tourism Development Authority	<u>\$ 61,400</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

**Franklin County, North Carolina**  
**Statement of Activities**  
**For the Year Ended June 30, 2016**

<b>Functions/Programs</b>	<b>Net (Expense) Revenue and Changes in Net Position</b>			<b>Component Unit</b>
	<b>Primary Government</b>			<b>Franklin County Tourism Development Authority</b>
	<b>Governmental Activities</b>	<b>Business-type Activity</b>	<b>Total</b>	
<b>Governmental activities:</b>				
General government	\$ (4,318,954)	\$ -	\$ (4,318,954)	
Public safety	(16,667,698)	-	(16,667,698)	
Economic and physical development	(791,627)	-	(791,627)	
Human services	8,925,531	-	8,925,531	
Cultural and recreation	(1,299,529)	-	(1,299,529)	
Education	(15,362,006)	-	(15,362,006)	
Interest on long-term debt	(2,293,631)	-	(2,293,631)	
Total governmental activities	<u>(31,807,914)</u>	<u>-</u>	<u>(31,807,914)</u>	
<b>Business-type activity:</b>				
Solid Waste	-	(1,070)	(1,070)	
Water and Sewer Department	-	2,921,121	2,921,121	
Total business-type activities	<u>-</u>	<u>2,920,051</u>	<u>2,920,051</u>	
Total primary government	<u>(31,807,914)</u>	<u>2,920,051</u>	<u>(28,887,863)</u>	
<b>Component Unit:</b>				
Franklin County Tourism Development Authority	<u>-</u>	<u>-</u>	<u>-</u>	<u>(61,400)</u>
<b>General revenues:</b>				
<b>Taxes:</b>				
Property taxes, levied for general purposes	45,412,303	-	45,412,303	-
Local option sales tax	9,838,229	-	9,838,229	-
Other taxes and licenses	589,515	-	589,515	57,618
Investment earnings, unrestricted	44,840	44,135	88,975	-
Miscellaneous, unrestricted	218,408	17,833	236,241	-
Total general revenues and transfers	<u>56,103,295</u>	<u>61,968</u>	<u>56,165,263</u>	<u>57,618</u>
Change in net position	24,295,381	2,982,019	27,277,400	(3,782)
Net position, beginning	(13,775,078)	16,604,739	2,829,661	120,423
Restatement	(1,508,241)	2,661,761	1,153,520	-
Net position, beginning, restated	<u>(15,283,319)</u>	<u>19,266,500</u>	<u>3,983,181</u>	<u>120,423</u>
Net position, ending	<u>\$ 9,012,062</u>	<u>\$ 22,248,519</u>	<u>\$ 31,260,581</u>	<u>\$ 116,641</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, 2016**

	<u>Major</u>	<u>Nonmajor</u>	<u>Total</u>
	<u>General</u>	<u>Other Governmental Funds</u>	<u>Governmental Funds</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 20,162,698	\$ 2,278,793	\$ 22,441,491
Taxes receivable, net	1,690,512	126,498	1,817,010
Accounts receivables, net	611,794	35,242	647,036
Due from other governments	4,235,495	371,583	4,607,078
Due from other funds	3,742,959	-	3,742,959
Inventory	30,251	-	30,251
Restricted assets:			
Restricted cash	1,866,195	1,565,397	3,431,592
Total assets	<u>\$ 32,339,904</u>	<u>\$ 4,377,513</u>	<u>\$ 36,717,417</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	\$ 2,564,346	\$ 426,610	\$ 2,990,956
Due to other funds	-	58,369	58,369
Total liabilities	<u>2,564,346</u>	<u>484,979</u>	<u>3,049,325</u>
<b>Deferred Inflows of Resources</b>	<u>1,941,982</u>	<u>126,498</u>	<u>2,068,480</u>
<b>Fund Balances:</b>			
Nonspendable:			
Inventories	30,251	-	30,251
Restricted:			
Stabilization by State Statute	8,590,248	406,825	8,997,073
Register of Deeds	52,481	-	52,481
Fire Protection	-	281,535	281,535
Capital Reserve	1,071,918	-	1,071,918
Public Safety	-	1,213,587	1,213,587
Cultural and Recreational	-	280,591	280,591
Human Services	-	1,468,024	1,468,024
Economic Development	-	54,993	54,993
Committed:			
Debt Service	-	494,422	494,422
Revaluation	741,796	-	741,796
Assigned:			
Subsequent year's expenditures			
General Fund	176,000	-	176,000
Cultural and Recreational	270,973	-	270,973
Economic Development	1,262,070	-	1,262,070
Public Safety	34,134	-	34,134
Human Services	57,455	-	57,455
Unassigned:			
General Fund	15,546,250	-	15,546,250
Capital Projects Funds	-	(433,941)	(433,941)
Total fund balances	<u>27,833,576</u>	<u>3,766,036</u>	<u>31,599,612</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 32,339,904</u>	<u>\$ 4,377,513</u>	

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

**Franklin County, North Carolina  
Balance Sheet  
Governmental Funds  
June 30, 2016**

**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.	\$ 56,266,488
Net pension asset	122,069
Deferred charges related to advance refunding bond issued-included on the government-wide statement of net position but are not current financial resources	707,068
Contributions to the pension plan in the current fiscal year	1,512,546
Internal service fund is used by management to charge insurance costs to individual funds; the assets and liabilities of the internal service fund is included in governmental activities in the statement of net assets.	1,999,684
Liabilities for deferred inflows of resources reported in the fund statements but not the government wide	1,817,010
Accrued interest on Ad Valorem receivable and investments is not available to pay for current-period expenditures and therefore are not recognized in the	413,888
Pension related deferrals	(757,885)
Some liabilities, including bonds payable, are not due and payable in the current year and, therefore, are not reported in the funds	<u>(84,668,418)</u>
Net position of governmental activities	<u><u>\$ 9,012,062</u></u>

**Franklin County, North Carolina**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2016**

	<u>Major</u>	<u>Nonmajor</u>	<u>Total</u>
	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Governmental Funds</u>
<b>Revenues</b>			
Ad valorem taxes	\$ 41,992,798	\$ 3,402,980	\$ 45,395,778
Local option sales taxes	9,838,229	-	9,838,229
Other taxes	344,943	393,028	737,971
Restricted intergovernmental	13,274,529	2,094,622	15,369,151
Fees, sales and charges	9,824,427	-	9,824,427
Investment earnings	50,045	312	50,357
Miscellaneous	380,795	7,491	388,286
Total revenues	<u>75,705,766</u>	<u>5,898,433</u>	<u>81,604,199</u>
<b>Expenditures</b>			
Current:			
General government	5,388,439	-	5,388,439
Public safety	19,094,227	3,615,192	22,709,419
Economic and physical development	2,161,050	69,048	2,230,098
Human services	17,852,448	166,351	18,018,799
Cultural and leisure	1,363,550	-	1,363,550
Intergovernmental:			
Education	15,962,007	-	15,962,007
Capital outlay	-	627,976	627,976
Debt service:			
Principal	8,883,550	-	8,883,550
Interest and other charges	2,653,308	-	2,653,308
Total expenditures	<u>73,358,579</u>	<u>4,478,567</u>	<u>77,837,146</u>
<b>Revenues over (under) expenditures</b>	<u>2,347,187</u>	<u>1,419,866</u>	<u>3,767,053</u>
<b>Other financing sources (uses)</b>			
Transfers to other funds	(57,370)	(33,507)	(90,877)
Transfers from other funds	33,507	57,370	90,877
Payment to escrow agent-refunding bonds	(16,338,537)	-	(16,338,537)
Issuance of debt	18,005,000	-	18,005,000
Total other financing sources (uses)	<u>1,642,600</u>	<u>23,863</u>	<u>1,666,463</u>
Net changes in fund balances	3,989,787	1,443,729	5,433,516
<b>Fund balances</b>			
Beginning of year	24,862,691	2,322,307	27,184,998
Restatement	(1,008,459)	-	(1,008,459)
Beginning of year, as restated	23,854,232	2,322,307	26,176,539
Increase in reserve for inventory	(10,443)	-	(10,443)
End of year	<u>\$ 27,833,576</u>	<u>\$ 3,766,036</u>	<u>\$ 31,599,612</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, 2016**

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

Net changes in fund balances - total governmental funds	\$ 5,433,516
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	(112,815)
Expenses reported on fund statements that are capitalized on government-wide statements – refunding costs	737,810
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	13,253,241
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	1,284,086
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	6,778,549
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.	(2,618,266)
Inventory not expensed on statement of activities	(10,443)
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>(450,297)</u>
Total changes in net position of governmental activities (Exhibit 2)	<u><u>\$ 24,295,381</u></u>

**Franklin County, North Carolina**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances -**  
**Budget and Actual - General Fund**  
**For the Year Ended June 30, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Positive (Negative)</u>
<b>Revenues</b>				
Ad valorem taxes	\$ 40,908,882	\$ 40,899,882	\$ 41,992,798	\$ 1,092,916
Local option sales tax	5,977,221	6,177,849	6,782,205	604,356
Other taxes	296,300	305,300	344,943	39,643
Restricted intergovernmental	11,165,346	12,310,572	13,274,529	963,957
Sales and services	8,618,587	9,205,698	9,824,427	618,729
Investment earnings	55,000	55,000	50,045	(4,955)
Miscellaneous	357,493	403,103	380,795	(22,308)
Total revenues	<u>67,378,829</u>	<u>69,357,404</u>	<u>72,649,742</u>	<u>3,292,338</u>
<b>Expenditures</b>				
Current:				
General government	5,831,780	5,790,759	5,362,244	428,515
Public safety	19,174,824	19,885,492	19,094,227	791,265
Economic and physical development	1,822,346	2,702,820	2,161,050	541,770
Human services	17,797,092	18,500,137	17,852,448	647,689
Culture and leisure	1,368,112	1,381,797	1,363,550	18,247
Intergovernmental:				
Education	15,962,009	15,962,009	15,962,007	2
Debt service:				
Principal retirement	9,032,823	9,032,823	8,883,550	149,273
Interest and other charges	1,074,843	2,645,305	2,653,308	(8,003)
Total expenditures	<u>72,063,829</u>	<u>75,901,142</u>	<u>73,332,384</u>	<u>2,568,758</u>
<b>Revenues under expenditures</b>	<u>(4,685,000)</u>	<u>(6,543,738)</u>	<u>(682,642)</u>	<u>5,861,096</u>
<b>Other financing sources (uses)</b>				
Transfers to other funds	-	(132,370)	(132,370)	-
Transfers from other funds	3,400,000	3,400,000	2,933,507	(466,493)
Payment to escrow agent-refunding bonds	-	(16,338,538)	(16,338,537)	1
Debt proceeds	-	18,000,000	18,005,000	5,000
Appropriated fund balance	1,285,000	1,614,646	-	(1,614,646)
Total other financing sources (uses) - net	<u>4,685,000</u>	<u>6,543,738</u>	<u>4,467,600</u>	<u>(2,076,138)</u>
<b>Revenues and other financing sources under expenditures and other financing uses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>3,784,958</u>	<u>\$ 3,784,958</u>
<b>Fund balance</b>				
Beginning of year, July 1			23,253,806	
Restatement			(1,008,459)	
Beginning of year, July 1, as restated			<u>22,245,347</u>	
Decrease in reserve for inventory			(10,443)	
End of year, June 30			<u>\$ 26,019,862</u>	
A legally budgeted Capital Reserve Fund and Revaluation Fund is consolidated into the General Fund for reporting purposes:				
Sales tax revenue			3,056,024	
Transfer-out to General Fund			(2,900,000)	
General government expenditures			(26,195)	
Transfer-in from General Fund			<u>75,000</u>	
Fund Balance, Beginning			<u>1,608,885</u>	
Fund Balance, Ending (Exhibit 4)			<u>\$ 27,833,576</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, 2016**

	<u>Major</u>	<u>Non-Major</u>	<u>Non-Major</u>	
	<u>Enterprise Fund</u>		<u>Internal</u>	
	<u>Water and Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Total</u>	<u>Service Fund Insurance Fund</u>
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 4,289,114	\$ 357,837	\$ 4,646,951	\$ 1,933,534
Receivables, net	2,288,654	225,563	2,514,217	-
Due from other governments	638,927	45,734	684,661	-
Security deposit	-	-	-	650,789
Total current assets	<u>7,216,695</u>	<u>629,134</u>	<u>7,845,829</u>	<u>2,584,323</u>
Noncurrent assets:				
Net pension asset	-	-	-	-
Capital assets:				
Land, improvements, and construction in progress	2,052,024	504,756	2,556,780	-
Other capital assets, net of depreciation	28,068,291	1,217,782	29,286,073	-
Total capital assets	<u>30,120,315</u>	<u>1,722,538</u>	<u>31,842,853</u>	<u>-</u>
Total noncurrent assets	<u>30,120,315</u>	<u>1,722,538</u>	<u>31,842,853</u>	<u>-</u>
Total assets	<u>\$ 37,337,010</u>	<u>\$ 2,351,672</u>	<u>\$ 39,688,682</u>	<u>\$ 2,584,323</u>
Deferred Outflows of Resources	<u>70,955</u>	<u>40,557</u>	<u>111,512</u>	<u>-</u>
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	\$ 582,255	\$ 202,832	\$ 785,087	\$ 532,948
Accrued payroll	82,580	53,930	136,510	-
Accrued interest expense	37,791	-	37,791	-
Customer deposits	431,323	-	431,323	-
Due to General Fund	3,684,590	-	3,684,590	-
Compensated absences	19,741	8,387	28,128	-
Revolving loans	180,000	-	180,000	-
Certificates of participation	702,714	-	702,714	-
Installment debt	861,974	-	861,974	-
Post closure liability	-	38,650	38,650	-
Total current liabilities	<u>6,582,968</u>	<u>303,799</u>	<u>6,886,767</u>	<u>532,948</u>
Noncurrent liabilities:				
Net pension liability	68,694	39,253	107,947	-
Compensated absences	59,222	25,159	84,381	-
Revolving loans	720,000	-	720,000	-
Certificates of participation	2,230,917	-	2,230,917	-
Installment debt	6,331,662	-	6,331,662	-
Other postemployment benefits	712,891	284,183	997,074	-
Post closure liability	-	188,512	188,512	-
Total noncurrent liabilities	<u>10,123,386</u>	<u>537,107</u>	<u>10,660,493</u>	<u>-</u>
Total liabilities	<u>16,706,354</u>	<u>840,906</u>	<u>17,547,260</u>	<u>532,948</u>
Deferred Inflows of Resources	<u>35,704</u>	<u>20,402</u>	<u>56,106</u>	<u>-</u>
<b>Net Position</b>				
Net investment in capital assets	19,093,048	1,722,538	20,815,586	-
Unrestricted	<u>1,572,859</u>	<u>(191,617)</u>	<u>1,381,242</u>	<u>2,051,375</u>
Total net position	<u>20,665,907</u>	<u>1,530,921</u>	<u>22,196,828</u>	<u>\$ 2,051,375</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			<u>51,691</u>	
Net position of business-type activities			<u>\$ 22,248,519</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, 2016**

	<u>Major</u>	<u>Non-Major</u>		<u>Non-Major</u>
	<u>Water and Sewer Fund</u>	<u>Enterprise Fund</u>		<u>Internal Service Fund</u>
		<u>Solid Waste Fund</u>	<u>Total</u>	<u>Insurance Fund</u>
<b>Operating revenues</b>				
Charges for water	\$ 6,058,678	\$ -	\$ 6,058,678	\$ -
Charges for sewer	2,584,625	-	2,584,625	-
Other operating revenues	998,171	-	998,171	-
Charges for services	-	3,262,994	3,262,994	7,247,188
Miscellaneous income	-	17,833	17,833	18,995
Total operating revenues	<u>9,641,474</u>	<u>3,280,827</u>	<u>12,922,301</u>	<u>7,266,183</u>
<b>Operating expenses</b>				
Salaries and employee benefits	1,341,767	824,085	2,165,852	-
Water purchases	3,268,127	-	3,268,127	-
Other operating expenses	1,722,743	2,431,783	4,154,526	7,743,709
Depreciation	1,298,221	172,865	1,471,086	-
Total operating expenses	<u>7,630,858</u>	<u>3,428,733</u>	<u>11,059,591</u>	<u>7,743,709</u>
Operating income	<u>2,010,616</u>	<u>(147,906)</u>	<u>1,862,710</u>	<u>(477,526)</u>
<b>Nonoperating revenues (expenses)</b>				
Interest earnings	43,948	187	44,135	10
Interest expense	(319,868)	-	(319,868)	-
Total nonoperating revenue (expenses) - net	<u>(275,920)</u>	<u>187</u>	<u>(275,733)</u>	<u>10</u>
Income (loss) before transfers	<u>1,734,696</u>	<u>(147,719)</u>	<u>1,586,977</u>	<u>(477,516)</u>
<b>Capital contributions</b>	<u>1,251,862</u>	<u>170,399</u>	<u>1,422,261</u>	<u>-</u>
Change in net position	<u>2,986,558</u>	<u>22,680</u>	<u>3,009,238</u>	<u>(477,516)</u>
<b>Net position</b>				
Total net position, beginning	16,525,829	-	16,525,829	2,528,891
Restatement	<u>1,153,520</u>	<u>1,508,241</u>	<u>2,661,761</u>	<u>-</u>
Total net position, beginning, as restated	<u>17,679,349</u>	<u>1,508,241</u>	<u>19,187,590</u>	<u>2,528,891</u>
Total net position, ending	<u>\$ 20,665,907</u>	<u>\$ 1,530,921</u>	<u>\$ 22,196,828</u>	<u>\$ 2,051,375</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			<u>(27,219)</u>	
Change in net position of business-type activities			<u>\$ 2,982,019</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, 2016**

	<u>Major</u>	<u>Non-Major</u>		<u>Non-Major</u>
	<u>Enterprise Fund</u>			<u>Internal Service Fund</u>
	<u>Water and Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Total</u>	<u>Insurance Fund</u>
<b>Cash flows from operating activities</b>				
Cash received from customers	\$ 9,298,139	\$ 3,257,370	\$ 12,555,509	\$ 7,266,183
Cash paid for goods and services	(4,772,338)	(2,237,288)	(7,009,626)	(7,630,476)
Cash paid to employees for services	(1,243,845)	(740,671)	(1,984,516)	-
Customer deposits received	29,646	-	29,646	-
Net cash provided by operating activities	<u>3,311,602</u>	<u>279,411</u>	<u>3,591,013</u>	<u>(364,293)</u>
<b>Cash flows from capital and related financing activities</b>				
Acquisition and construction of capital assets	(1,836,379)	(92,160)	(1,928,539)	-
Principal paid on bonds	(1,707,353)	-	(1,707,353)	-
Principal paid to General Fund	(500,000)	-	(500,000)	-
Interest paid	(319,868)	-	(319,868)	-
Capital contributions	1,251,862	170,399	1,422,261	-
Net cash used by capital and related financing activities	<u>(3,111,738)</u>	<u>78,239</u>	<u>(3,033,499)</u>	<u>-</u>
<b>Cash flows from investing activities</b>				
Interest on investments	43,948	187	44,135	10
Net increase in cash and cash equivalents	243,812	357,837	601,649	(364,283)
<b>Cash and cash equivalents</b>				
Beginning of year, July 1	4,045,302	-	4,045,302	2,297,817
End of year, June 30	<u>\$ 4,289,114</u>	<u>\$ 357,837</u>	<u>\$ 4,646,951</u>	<u>\$ 1,933,534</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, 2016**

	<u>Major</u>	<u>Non-Major</u>	<u>Non-Major</u>	
	<u>Water and Sewer Fund</u>	<u>Enterprise Fund</u>	<u>Internal Service Fund</u>	
		<u>Solid Waste Fund</u>	<u>Total</u>	<u>Insurance Fund</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>				
Operating income	\$ 2,010,616	\$ (147,906)	\$ 1,862,710	\$ (477,526)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	1,298,221	172,865	1,471,086	-
Loss on disposal of equipment	78,912	-	78,912	-
Landfill closure costs	-	(8,336)	(8,336)	-
Changes in assets and liabilities:			-	
(Increase) decrease in accounts receivable	106,846	22,277	129,123	-
(Increase) decrease in due from other governments	(450,181)	(45,734)	(495,915)	-
(Increase) decrease in security deposit	-	-	-	(195,589)
Increase (decrease) in accounts payable and accrued liabilities	148,096	202,831	350,927	308,822
Increase (decrease) in accrued interest expense	(8,476)	-	(8,476)	-
Decrease in accrued vacation pay	20,913	5,608	26,521	-
Increase in customer deposits	29,646	-	29,646	-
Increase in accrued payroll	18,255	53,930	72,185	-
Decrease in pension asset	102,838	49,082	151,920	-
(Increase) decrease in deferred outflows of resources-pensions	5,188	(6,135)	(947)	-
Increase in net pension liability	68,693	39,254	107,947	-
Decrease in deferred inflows of resources - pensions	(214,939)	(92,907)	(307,846)	-
Increase in other postemployment benefits	96,974	34,582	131,556	-
Total adjustments	<u>1,300,986</u>	<u>427,317</u>	<u>1,728,303</u>	<u>113,233</u>
Net cash provided by operating activities	<u>\$ 3,311,602</u>	<u>\$ 279,411</u>	<u>\$ 3,591,013</u>	<u>\$ (364,293)</u>

**Franklin County, North Carolina  
Statement of Fiduciary Net Position  
Fiduciary Funds  
June 30, 2016**

---



---

	<u>Agency Funds</u>
<b>Assets</b>	
Cash and cash equivalents	\$ <u>121,567</u>
<b>Liabilities and Net Position</b>	
Liabilities:	
Intergovernmental payable	\$ 12,145
Miscellaneous liabilities	<u>109,422</u>
	<u>121,567</u>
Net Position	<u>\$ -</u>

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, 2016**

---

**I. Summary of Significant Accounting Policies**

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

**A. Reporting Entity**

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

**Discretely Presented Component Units**

*Franklin County Tourism Development Authority*

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

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

*Franklin County Industrial Facility and Pollution Control Financing Authority*

Franklin County Industrial Facility and Pollution Control Financing Authority exist to issue and service revenue bond debt of private businesses for economic development purposes. The Authority is governed by a seven-member board of commissioners, all of who are appointed by the county commissioners. The County can remove any commissioner of the Authority with or without cause. The Authority has no financial transactions or account balances; therefore, it is not presented in the combined financial statements. The Authority does not issue separate financial statements.

**B. Basis of Presentation, Basis of Accounting**

**Basis of Presentation, Measurement Focus – Basis of Accounting**

*Government-wide Statements:* The statement of net position and the statement of activities display information about the primary government net position (the County). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. However, some interfund services provided and used are not eliminated in the process of consolidation. These statements distinguish between the *governmental* and *business-type activities* of the County.

**FRANKLIN COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

---

Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

*Fund Financial Statements:* The fund financial statements provide information about the County's funds, including its fiduciary funds. Separate statements for each fund category – *governmental, proprietary, and fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each of which is displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds. Franklin County has two enterprise funds and one internal service fund, both of which are major funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies result from non-exchange transactions. Other non-operating items such as investment earnings are ancillary activities.

The County reports the following major governmental funds:

*General Fund* – This is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The Capital Reserve Fund and Tax Revaluation Fund is a legally budgeted fund under North Carolina General Statutes; however, for statement presentation in accordance with GASB Statement No. 54 it is consolidated in the General Fund.

The County reports the following major enterprise fund:

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

The County reports the following major internal service fund:

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

The County reports the following fund types:

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

**FRANKLIN COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

---

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County enterprise funds are charges to customers for sales and services. The County also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

*Governmental Fund Financial Statements* – Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The County considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem property taxes are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. As of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on all registered motor vehicles on behalf of all municipalities and special tax districts. Property

**FRANKLIN COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

---

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

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

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

**C. Budgetary Data**

The County's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, Capital Reserve Fund, Revaluation Fund, three of the special revenue funds (Fire District Fund, DEA Fund, Hospital Fund, and the Emergency Telephone System Fund), the Insurance Fund (an internal service fund), the Water and Sewer Fund and the Solid Waste Fund. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for all of the Capital Projects Funds, three 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 has authority to transfer amounts between objects of expenditures and between departmental appropriations in the same fund without limitation and without a report to the Board of Commissioners.

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

**1. Deposits and Investments**

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

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

**FRANKLIN COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

---

The majority of the County’s investments are carried at fair value. Non-participating interest earning contracts are accounted for at cost. The NC Capital Management Trust Cash Portfolio, a SEC-registered 2a-7 external investment pool, is measured at amortized cost, which is the NCCMT’s share price. The NCCMT Term Portfolio’s securities are valued at fair value.

**2. Cash and Cash Equivalents**

The County pools moneys from several funds, except for two of the Agency Funds, to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

**3. Restricted Assets**

The unexpended bond proceeds in the School Construction Fund and the County Building Project Fund are classified as restricted assets because their use is completely restricted to the purpose for which the bonds were originally issued. For purposes of the cash flow statement, restricted assets are excluded from cash and cash equivalents. Money restricted for the Register of Deeds and Capital Reserve in the General Fund are also presented as restricted assets.

<b><u>Franklin County Restricted Cash</u></b>		
Governmental Activities		
General Fund	Tax Revaluation funds	\$ 741,796
General Fund	Register of Deeds funds	52,481
General Fund	School Capital Reserve funds	1,071,918
County Building Fund	Unexpended debt funds	1,070,975
School Construction Fund	Unexpended debt funds	<u>494,422</u>
Total		<u>\$ 3,431,592</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, 2015. As allowed by state law, the county has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the County’s general fund, ad valorem tax revenues are reported net of such discounts.

**5. Allowances for Doubtful Accounts**

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

**6. Inventories**

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

**FRANKLIN COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

---

**7. Capital Assets**

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to July 1, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after July 1, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. Minimum capitalization costs are as follows: \$50,000 for buildings and building improvements; and \$5,000 for equipment, vehicles, and furniture. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

The County holds title to certain Franklin County Board of Education properties that have not been included in capital assets. The properties have been deeded to the County to permit installment purchase financing of acquisition and construction costs and to permit the County to receive refunds of sales tax paid for construction costs. Agreements between the County and the Board of Education give the Board of Education full use of the facilities, full responsibility for maintenance of the facilities, and provide that the County will convey title to the property back to the Board of Education after all restrictions of the financing agreements and all sales tax reimbursement requirements have been met. The properties are reflected as capital assets in the financial statements of the Franklin County Board of Education.

Capital assets of the County are depreciated on a straight-line basis over the following estimated useful lives:

	<u>Years</u>
Buildings	15-30
Furniture and equipment	5-40
Vehicles	5
Computer equipment & software	3-5
Water lines	15-40

**8. Deferred Outflows/Inflows of Resources**

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

**9. Long-term Obligations**

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

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

**FRANKLIN COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

---

**10. Compensated Absences**

The vacation policies of the County provide for the accumulation for up to thirty days earned vacation leave with such leave being fully vested when earned. An expense and a liability for compensated absences and the salary-related payments are recorded as leave is earned in the County's government-wide and proprietary fund.

The sick leave policies of the County provide for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since none of the entities have any obligation for accumulated sick leave until it is actually taken, no accruals for sick leave have been made.

**11. Net Position/Fund Balances**

**Net Position**

Net position in government-wide and proprietary fund financial statements is classified as net investment in capital assets, restricted; and unrestricted. Restricted net position represents constraints on resources that are either a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or b) imposed by law through State statute.

**Fund Balances**

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

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

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

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

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

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

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

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

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

**FRANKLIN COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

---

---

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**FRANKLIN COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

---

**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 \$ (22,587,550) consists of several elements as follows:

Description	Amount
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column)	\$ 80,354,400
Less accumulated depreciation	<u>(24,087,912)</u>
Net capital assets	56,266,488
 Net pension asset	 122,069
 Deferred charges related to advance refunding bond issued-included on the government-wide statement of net position but are not current financial resources	  707,068
 Contributions to the pension plan in the current fiscal year	  1,512,546
 Accrued interest receivable less the amount claimed as unearned revenue in the government-wide statements as these funds are unavailable in the fund statements	   413,888
 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	   2,051,375
 Internal payable representing charges in excess of cost to business-type activities – current year	    (51,691)

**FRANKLIN COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Deferred inflows of resources for taxes and special assessments receivable	1,817,010
Pension related deferrals	(757,885)
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	(68,234,432)
Compensated absences	(1,598,070)
Other postemployment benefits	(11,886,126)
Net pension liability-LGERS	(1,449,727)
Net pension liability-LEO	(764,473)
Accrued interest payable	(735,590)
Total adjustment	\$ (22,587,550)

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 \$18,861,865 is comprised of the following:

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 1,569,212
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	(1,682,027)
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	(18,005,000)
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	24,783,549
Expenses reported on fund statements that are capitalized on government-wide statements – refunding costs	737,810
Inventory not expensed on the statement of activities	(10,443)

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

**FRANKLIN COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

---

Change in net position of the internal service funds	(477,516)
Less: Profit from charges to business-type activities	<u>27,219</u>
Net adjustment	(450,297)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	1,284,086
Expenses reported in the statement of activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements	
Difference in interest expense between fund statements (modified accrual) and government-wide statements (full accrual)	199,973
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(99,688)
Net pension obligation is accrued in the government-wide statements but not in the fund statements because they do not use current resources	(80,830)
Other postemployment benefits are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(1,885,652)
County's portion of collective pension expense	(721,327)
Amortization of refunding costs	(30,742)
Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements	
Fair value of assets donated that is not recorded in the fund statements but is recorded in the government-wide statements	13,201,070
Reversal of deferred tax revenue recorded at 7-1-15	(1,807,456)
Recording of tax receipts deferred in the fund statements as of 6-30-16	1,817,010
Increase in accrued interest receivable for taxes for year ended 6-30-16	6,971
Amortization of bond premium	41,173
Increase in accrued interest receivable for year ended 6-30-16	<u>(5,527)</u>
Total adjustment	<u>\$ 18,861,865</u>

**II. Stewardship, Compliance, and Accountability**

**A. Deficit Fund Balance or Net Position of Individual Funds**

In Exhibit C-1, the Airport Projects Fund had a deficit fund balance of \$72,744. This deficit fund balance resulted from the county spending available fund balance it did not have. This situation occurs when expenditures are incurred but revenue funding is not available.

**FRANKLIN COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

---

**III. 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, 2016, the County's deposits had a carrying amount of \$21,450,251 and a bank balance of \$22,327,486. Of the bank balance, \$291,438 was covered by federal depository insurance and \$22,036,048 in interest bearing deposits were covered by collateral held under the Pooling Method.

At June 30, 2016, Franklin County had \$3,390 cash on hand.

At June 30, 2016, the Tourism Development Authority had a carrying amount of \$116,704. This balance is held in trust by Franklin County.

**2. Investments**

As June 30, 2016, the County's investment balances were as follows:

<u>Investment</u>	<u>Valuation Measurement Method</u>	<u>Fair Value</u>	<u>6-12 months</u>
NC Capital Management Trust-Cash	Amortized Cost	\$ 11,121,494	N/A

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

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

**FRANKLIN COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

*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, 2016. 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>
2013	\$ 3,395,475	\$ 1,137,484	\$ 4,532,959
2014	3,400,860	833,211	4,234,071
2015	3,419,003	529,945	3,948,948
2016	<u>3,619,951</u>	<u>235,297</u>	<u>3,855,248</u>
Total	<u>\$ 13,835,289</u>	<u>\$ 2,735,937</u>	<u>\$ 16,571,226</u>

**4. Receivables**

Receivables at the government-wide level at June 30, 2016 were as follows:

	<u>Accounts</u>	<u>Ad Valorem Taxes &amp; Related Accrued Interest</u>	<u>Due from Other Governments</u>	<u>Total</u>
<b>Governmental Activities:</b>				
General	\$ 4,136,262	\$ 2,255,400	\$ 4,235,495	\$ 10,627,157
Other Governmental	<u>35,242</u>	<u>126,498</u>	<u>371,583</u>	<u>533,323</u>
Total receivables	4,171,504	2,381,898	4,607,078	11,160,480
Allowance for doubtful accounts	<u>(3,524,468)</u>	<u>(151,000)</u>	<u>-</u>	<u>(3,675,468)</u>
Total – governmental activities	<u>\$ 647,036</u>	<u>\$ 2,230,898</u>	<u>\$ 4,607,078</u>	<u>\$ 7,485,012</u>
<b>Business-type Activities:</b>				
Solid Waste	\$ 327,297	\$ -	\$ 45,734	\$ 373,031
Water and Sewer	2,429,200	-	638,927	3,068,127
Allowance for doubtful accounts	<u>(242,280)</u>	<u>-</u>	<u>-</u>	<u>(242,280)</u>
Total – business-type activities	<u>\$ 2,514,217</u>	<u>\$ -</u>	<u>\$ 684,661</u>	<u>\$ 3,198,878</u>

**FRANKLIN COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

Local option sales tax	\$ 728,739
Child Care	238,695
Social Services	713,374
DMV Collections	514,631
EMS Medicaid Cost Settlement	374,635
Sales tax refund	261,207
Medicaid Hold Harmless	101,407
Miscellaneous	1,359,051
Total	<u><u>\$ 5,291,739</u></u>

**5. Capital Assets**

**Primary Government**

Capital asset activity for the year ended June 30, 2016 was as follows:

	<u>Beginning Balances, as Restated</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental-type activities:				
Capital assets not being depreciated:				
Land	\$ 11,787,795	\$ 187,310	\$ -	\$ 11,975,105
Construction in process	<u>13,613,532</u>	<u>627,977</u>	-	<u>14,241,509</u>
Total capital assets not being depreciated	<u>25,401,327</u>	<u>815,287</u>	-	<u>26,216,614</u>
Capital assets being depreciated:				
Buildings	24,658,368	11,094,028	-	35,752,396
Waterlines	163,228	-	-	163,228
Gas lines	411,481	-	-	411,481
Land Improvements	2,847,822	-	-	2,847,822
Equipment	6,422,092	2,361,481	-	8,783,573
Vehicles	<u>5,775,294</u>	<u>499,487</u>	<u>95,495</u>	<u>6,179,286</u>
Total capital assets being depreciated	<u>40,278,285</u>	<u>13,954,996</u>	<u>95,495</u>	<u>54,137,786</u>
Less accumulated depreciation for:				
Buildings	11,384,778	668,749	-	12,053,527
Waterlines	43,122	4,085	-	47,207
Gas lines	217,830	8,240	-	226,070
Land Improvements	1,227,239	142,599	-	1,369,838
Equipment	4,943,040	436,197	-	5,379,237
Vehicles	<u>4,685,371</u>	<u>422,157</u>	<u>95,495</u>	<u>5,012,033</u>
Total accumulated depreciation	<u>22,501,380</u>	<u>\$ 1,682,027</u>	<u>\$ 95,495</u>	<u>24,087,912</u>
Total capital assets being depreciated, net	<u>17,776,905</u>			<u>30,049,874</u>
Governmental-type activities capital assets, net	<u>\$ 43,178,232</u>			<u>\$ 56,266,488</u>

**FRANKLIN COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Beginning Balances, as Restated</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-type activities:				
Franklin County Solid Waste Fund				
Capital assets not being depreciated:				
Land	\$ 504,756	\$ -	\$ -	\$ 504,756
Total capital assets not being depreciated	<u>504,756</u>	<u>-</u>	<u>-</u>	<u>504,756</u>
Capital assets being depreciated:				
Plant and distribution systems	1,699,684	70,382	-	1,770,066
Furniture and maintenance equipment	1,155,890	21,778	-	1,177,668
Vehicles	<u>248,268</u>	<u>-</u>	<u>-</u>	<u>248,268</u>
Total capital assets being depreciated	<u>3,103,842</u>	<u>92,160</u>	<u>-</u>	<u>3,196,002</u>
Less accumulated depreciation for:				
Plant and distribution systems	815,615	83,729	-	899,344
Furniture and maintenance equipment	836,767	51,896	-	888,663
Vehicles	<u>152,973</u>	<u>37,240</u>	<u>-</u>	<u>190,213</u>
Total accumulated depreciation	<u>1,805,355</u>	<u>\$ 172,865</u>	<u>\$ -</u>	<u>1,978,220</u>
Total capital assets being depreciated, net	<u>1,298,487</u>			<u>1,217,782</u>
Solid waste capital assets, net	<u>\$ 1,803,243</u>			<u>\$ 1,722,538</u>
Franklin County Water & Sewer Fund				
Capital assets not being depreciated:				
Land	\$ 369,456	\$ -	\$ -	\$ 369,456
Construction in progress	<u>148,201</u>	<u>1,534,367</u>	<u>-</u>	<u>1,682,568</u>
Total capital assets not being depreciated	<u>517,657</u>	<u>1,534,366</u>	<u>-</u>	<u>2,052,024</u>
Capital assets being depreciated:				
Plant and distribution systems	42,274,881	-	78,912	42,195,969
Furniture and maintenance equipment	1,323,711	160,024	-	1,483,735
Vehicles	<u>411,817</u>	<u>141,989</u>	<u>-</u>	<u>553,806</u>
Total capital assets being depreciated	<u>44,010,409</u>	<u>302,013</u>	<u>-</u>	<u>44,233,510</u>
Less accumulated depreciation for:				
Plant and distribution systems	13,693,532	1,175,615	-	14,869,147
Furniture and maintenance equipment	818,470	96,294	-	914,764
Vehicles	<u>354,996</u>	<u>26,312</u>	<u>-</u>	<u>381,308</u>
Total accumulated depreciation	<u>14,866,998</u>	<u>\$ 1,298,221</u>	<u>\$ -</u>	<u>16,165,219</u>
Total capital assets being depreciated, net	<u>29,143,411</u>			<u>28,068,291</u>
Water sewer capital assets, net	<u>29,661,068</u>			<u>30,120,315</u>
Business-type activities capital assets, net	<u>\$ 31,464,311</u>			<u>\$ 31,842,853</u>

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

General Government	\$ 245,595
Public Safety	900,694
Economic and Physical Development	205,395
Human Services	179,334
Cultural and Recreational	<u>151,009</u>
Total depreciation expense	<u>\$ 1,682,027</u>

**FRANKLIN COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**Construction and Other Commitments**

At June 30, 2016, the County was obligated under construction projects as follows:

<u>Project</u>	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
E911 Project	\$ 8,885,147	\$ 914,859
Jail Renovation	3,820,619	25,929
Franklin Sewer Project Phase 1	278,277	254,772
Airport	702,816	250,420

**B. Liabilities**

**1. Payables**

Payables at the government-wide level at June 30, 2016 were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Total</u>
Governmental Activities:			
General	\$ 917,242	\$ 1,647,104	\$ 2,564,346
Other Governmental	426,610	-	426,610
Total - governmental activities	<u>\$ 1,343,852</u>	<u>\$ 1,647,104</u>	<u>\$ 2,990,956</u>
Business-type Activity:			
Solid Waste Fund	\$ 202,832	\$ 53,930	\$ 256,762
Water and Sewer Fund	582,255	82,580	664,835
Total – business-type activities	<u>\$ 785,087</u>	<u>\$ 136,510</u>	<u>\$ 921,597</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](http://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

**FRANKLIN COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

---

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 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, 2016, was 7.15% of compensation for law enforcement officers and 6.78% 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 \$1,374,402 for the year ended June 30, 2016.

*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, 2016, the County reported a liability of \$1,557,674 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension liability was based on a projection of the County's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2015, the County's proportion was .347%, which was an increase of .017% from its proportion measured as of June 30, 2014.

**FRANKLIN COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

For the year ended June 30, 2016, the County recognized pension expense of \$784,241. At June 30, 2016, 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	\$ -	\$ 366,142
Net difference between projected and actual earnings on pension plan investments	-	443,464
Changes in proportion and differences between County contributions and proportionate share of contributions	238,349	-
County contributions subsequent to the measurement date	<u>1,374,402</u>	<u>-</u>
Total	<u>1,612,751</u>	<u>809,606</u>

\$1,370,323 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2017	\$ (443,647)
2018	(443,647)
2019	(443,578)
2020	759,614

*Actuarial Assumptions.* The total pension liability in the December 31, 2014 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, 2014 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

**FRANKLIN COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	2.2%
Global Equity	42.0%	5.8%
Real Estate	8.0%	5.2%
Alternatives	8.0%	9.8%
Credit	7.0%	6.8%
Inflation Protection	6.0%	3.4%
Total	<u>100%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2014 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

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

	<u>1% Decrease (6.25%)</u>	<u>Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
County's proportionate share of the net pension liability (asset)	\$10,861,878	\$1,557,674	\$(6,280,912)

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

**FRANKLIN COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

---

**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, 2015, the Separation Allowance's membership consisted of:

Retirees receiving benefits	1	
Terminated plan members entitled to but not yet receiving benefits	-	
Active plan members	<u>75</u>	
Total		<u>76</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. Benefits are recognized when due and payable in accordance with the terms of the plan.

**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 amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions by employees. The County's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings.

The annual required contribution for the current year was determined as part of the December 31, 2015 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, 2014 was 16 years.

**FRANKLIN COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**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	\$ 117,343
Interest on net pension obligation	34,182
Adjustment to annual required contribution	<u>(60,076)</u>
Annual pension cost (expense)	91,449
Benefit payments made	<u>10,619</u>
Increase (decrease) in net pension obligation	80,830
Net pension obligation at beginning of year	<u>683,643</u>
Net pension obligation at end of year	<u>\$ 764,473</u>

Benefit payments reduce the net pension obligation.

**4. Funded Status and Funding Progress**

For Year Ended <u>June 30</u>	<u>Three Year Trend Information</u>		
	Annual Pension <u>Cost (APC)</u>	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
2014	\$ 64,647	16.43%	\$ 614,995
2015	79,267	13.40%	683,643
2016	91,449	11.61%	764,473

As of December 31, 2015, the most recent actuarial valuation date, the plan was 0 percent funded. The actuarial accrued liability for benefits was \$1,069,258, and the actuarial value of assets was 0, resulting in an unfunded actuarial accrued liability (UALL) of \$1,069,258. The covered payroll (annual payroll of active employees covered by the plan) was \$3,363,393 and the ratio of the UAAL to the covered payroll was 31.79%.

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,

**FRANKLIN COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

---

2016 were \$199,991, which consisted of \$160,209 from the County and \$39,782 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](http://www.osc.nc.gov).

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

*Contributions.* Benefits and administrative expenses are funded by investment income and 1.5% of the receipts collected by each County Commission under Article 1 of Chapter 161 of the North Carolina General Statutes. The statutory contribution currently has no relationship to the actuary's required contribution. The actuarially determined contribution this year and for the foreseeable future is zero. Registers of Deeds do not contribute. Contribution provisions are established by General Statute 161-50 and may be amended only by the North Carolina General Assembly. Contributions to the pension plan from the County were \$4,656 for the year ended June 30, 2016.

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

At June 30, 2016, the County reported an asset of \$122,069 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2015. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 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, 2015, the County's proportion was .527%, which was an increase of .005% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the County recognized pension expense of \$(4,339). At June 30, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**FRANKLIN COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual experience	\$ 597	\$ 2,021
Differences between expected and actual experience		
Net difference between projected and actual earnings on pension plan investments	6,054	-
Changes in proportion and differences between County contributions and proportionate share of contributions	-	2,364
County contributions subsequent to the measurement date	<u>4,656</u>	<u>-</u>
Total	<u>\$ 11,308</u>	<u>\$ 4,385</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, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2017	\$ (650)
2018	58
2019	1226
2020	1634

*Actuarial Assumptions.* The total pension liability in the December 31, 2014 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, 2014 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-

**FRANKLIN COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

---

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 2.2%:

The information above is based on 30 year expectations developed with the consulting actuary for the 2014 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:

	<u>1% Decrease</u> (4.75%)	<u>Discount</u> <u>Rate (5.75%)</u>	<u>1% Increase</u> (6.75%)
County's proportionate share of the net pension liability (asset)	\$ (110,133)	\$ (122,069)	\$ (132,341)

*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, 2007, employees qualified for similar level benefits after five years creditable service with the County. The County pays the full cost of coverage for these benefits through private insurers. Also, the County's retirees can purchase coverage for their dependents at the County's group rates. The Board of Commissioners may amend the benefit provisions. A separate report was not issued for the plan.

**FRANKLIN COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Membership of the HCB Plan consisted of the following at December 31, 2015, the date of the latest actuarial valuation:

	<u>General Employees</u>	<u>Law Enforcement Employees</u>
Retirees and dependents receiving benefits	78	7
Terminated plan members entitled to but not yet receiving benefits	-	-
Active plans members	<u>376</u>	<u>67</u>
Total	<u>454</u>	<u>74</u>

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

The current ARC rate is 13.25% of annual covered payroll. For the current year, the County contributed \$309,501 or 1.67% of covered payroll. The County is self-insured for healthcare coverage. The County's required contributions, under a Board resolution, for employees not engaged in law enforcement and for law enforcement officers represented 1.82% and 0.88% of covered payroll, respectively. There were no contributions made by employees, except for dependent coverage in the amount of \$68,656. The County's obligation to contribute to HCB Plan is established and may be amended by the Board of Commissioners.

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

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

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

Annual required contribution	\$ 2,307,285
Interest on net OPEB obligation	434,640
Adjustment to annual required contribution	<u>415,216</u>
Annual OPEB cost (expense)	2,326,709
Contributions made	<u>309,501</u>
Increase in net OPEB obligation	2,017,208
Net OPEB obligation, beginning of year	<u>10,865,992</u>
Net OPEB obligation, end of year	<u>\$ 12,883,200</u>

**FRANKLIN COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

---

The Count's annual OPEB cost, the percentage of annual OPEB cost contributed to the HCB Plan, and the net OPEB obligation for 2016 were as follows:

<u>For the Year Ended June 30,</u>	<u>Three Year Trend Information</u>		<u>Net OPEB Contribution</u>
	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	
2016	\$ 2,326,709	13.30%	\$12,883,200
2015	2,118,486	20.70%	10,865,992
2014	2,054,566	26.60%	9,186,847

*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 a level percentage of projected unit credit on a level percent of pay, open basis. The remaining amortization period at December 31, 2015 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

**FRANKLIN COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

will be a minimum of \$25,000 and will not exceed \$50,000. Because all death benefit payments are made from the Death Benefit Plan and not by the County, the County does not determine the number of eligible participants. The County has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The County considers these contributions to be immaterial.

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

State and federal laws and regulations require the County to place a final cover on its Solid Waste Landfill Facility when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The Franklin County landfill closed in 1994. The \$227,162 reported as accrued landfill closure liability at June 30, 2016 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.

**4. Deferred Outflows and Inflows of Resources**

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Pensions – difference between expected and actual experience		
LGERS	\$ -	\$ 366,142
Register of Deeds	597	2,021
Pensions – difference between projected and actual investment earnings		
LGERS	-	443,464
Register of Deeds	6,054	-
Pensions-change in proportion and difference between employer contributions and proportionate share of contributions		
LGERS	238,349	-
Register of Deeds	-	2,364
Contributions to pension plan in 2015-2016 fiscal year	1,379,058	-
Charge on refunding of debt	707,068	-
Prepaid taxes not yet earned (General Fund)	-	215,276
Deferred homeowner’s monies (General Fund)	-	36,194
Taxes receivable, net (General Fund)	-	1,690,512
Special Revenue Fund	-	<u>126,498</u>
Total	<u>\$ 2,331,126</u>	<u>\$ 2,882,471</u>

**5. Risk Management**

The County is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County participates in one self-funded risk-financing pools administered by the North Carolina Association of County Commissioners (NCACC). Through these pools, the County obtains property coverage equal to replacement cost values of owned property subject to a limit of \$125.5 million for any one occurrence, general, auto, professional, and employment practices liability coverage of \$2 million per occurrence, auto physical damage coverage for owned autos at actual cash value, crime

**FRANKLIN COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

---

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

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

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

**6. Commitments**

At June 30, 2016, the County was obligated under an operating lease for office space as follows:

Beginning January 1, 2010 through December 31, 2016 at the rate of \$3.59 per square foot plus taxes and insurance/month for certain office space for aging services. Rent expense for the year ended June 30, 2016 was \$38,438.

Various other properties in Franklin County with a total rental expense for the year ended June 30, 2016 of \$33,868.

At June 30, 2016, the County leased vehicles and equipment with total rental expense of \$12,600.

At June 30, 2016, the County was obligated under operating leases for land as follows:

Nine parcels of land were rented for trash dumping and recycling centers ranging from \$360 to \$1,800 per year. All leases expired June 30, 2016 with options to extend for an additional year. Options were exercised on all of the leases at June 30, 2016. Rent expense for the year ended June 30, 2016 was \$9,170.

**FRANKLIN COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

---

At June 30, 2016, the County was obligated under various operating leases for office equipment as follows:

Total lease expense for the year ended June 30, 2016 was \$13,056.

Total operating lease expense for the year ended June 30, 2016, was \$107,131.

Future lease payments total for the years ending June 30:

	<u>Total</u>
2017	\$ 220,606
2018	94,716
2019	<u>87,198</u>
Total	<u>\$ 402,520</u>

At June 30, 2016, the County was obligated under a commitment as follows:

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

At June 30, 2016, the County was obligated to purchase water from two local municipalities as follows:

With the Town of Louisburg to purchase at a minimum 80,000 gallons of water per day. The current rate is \$4.38 per thousand gallons. The obligation ends September 20, 2017.

With the City of Henderson to purchase at a minimum 500,000 gallons of water per day. Based on average consumption, the current rate is \$4.16 per thousand gallons. The obligation ends July 1, 2036.

**6. Contingent Liabilities**

At June 30, 2016, the County was a defendant to various lawsuits. In the opinion of the County's management and the County attorney, the ultimate effect of these legal matters will not have a material adverse effect on the County's financial position.

**7. Long-Term Obligations**

**a. Installment Purchases**

Serviced by the County's General Fund:

In December 2011, the County entered an installment contact with Bank of America to refinance old debt in the amount of \$2,038,480. A principal payment of \$290,883 plus interest at 1.81% is due each year in monthly installments until 2018. Principal and interest payments are appropriated when due. \$ 729,507

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. -

**FRANKLIN COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

<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>	3,960,000
<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>	1,435,000
<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>	1,665,000
<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>	12,500
<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>	<u>2,400,000</u>
<p>Total installment obligation debt</p>	<u>\$ 10,202,007</u>

Serviced by the County's Water and Sewer Fund:

<p><b>\$ 7,215,000</b> 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>	\$ 4,391,000
<p><b>\$ 1,299,520</b> 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>	462,636
<p><b>\$ 2,600,000</b> 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>2,340,000</u>
<p>Total installment obligation debt</p>	<u>\$ 7,193,636</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.

**FRANKLIN COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

The County's long-term indebtedness at June 30, 2016 is comprised of the following:

**Serviced by the County's General Fund:**

<b>\$1,400,000</b> 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%. This debt was paid off early through the 2015 refunding bonds.	\$ -
<b>\$5,550,000</b> 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%. This debt was paid off early through the 2015 refunding bonds.	-
<b>\$20,000,000</b> 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%	1,000,000
<b>\$8,600,000</b> 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%	550,000
<b>\$14,000,000</b> 2009 School Bonds, issued 9/10/2009, with interest semiannually on March 1 and September 1 and principal on March 1 of \$500,000- \$900,000 through 2029, interest at 3.0-4.0%	10,900,000
<b>\$3,600,000</b> 2010A Qualified School Construction Bonds, issued 1/5/2010, with interest and principal due annually on December 15; principal of \$240,000 through 2024, interest at 2.17%	2,160,000
<b>\$24,000,000</b> 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%	17,000,000
<b>\$1,604,000</b> 2015A Refunding Bonds, issued 04/07/16, with interest semiannually on April 1 and October 1 and principal due on April 1 through 2019, interest payable at 1.34%.	1,000,000
<b>\$16,401,000</b> 2015B Refunding Bonds, issued 04/07/16, with interest semiannually on February 1 and August 1 and principal due on August 1 through 2027, interest payable at 2.31%.	<u>16,401,000</u>
<b>Total General Obligation Indebtedness</b>	<u>\$ 49,011,000</u>

**Certificates of Participation:**

<b>\$14,095,000</b> 2007 Franklin County Animal Control and School Certificates of Participation with interest due semiannually on September 1 through 2028, interest at 4% to 5%	<u>\$ 8,445,000</u>
---	---------------------

**Serviced by the County's Water and Sewer Fund:**

**Revolving Loans:**

<b>\$1,500,000</b> 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%.	\$ 375,000
---	------------

**FRANKLIN COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**\$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%. 525,000

**Total Revolving Loans** \$ 900,000

**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%. \$ 1,875,000

**\$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%. 1,058,631

**Total Certificates of Participation** \$ 2,933,631

On June 30, 2016, Franklin County had a legal debt margin of \$284,289,813.

**Debt Related to Capital Activities** - Of the total Governmental Activities debt listed, only \$9,532,007 relates to assets the County holds title. Unspent restricted cash related to this debt amount to \$1,070,975.

**8. Changes in Long-Term Debt**

The following is a summary of changes in general long-term debt for the year ended June 30, 2016:

	Balance July 1, 2015	Additions	Retirements	Balance June 30, 2016	Current Portion
<b>Governmental Activities:</b>					
General obligation bonds	\$ 52,745,000	\$ 18,005,000	\$(21,739,000)	\$ 49,011,000	\$ 4,445,000
Plus: Premiums on issuance	<u>617,598</u>	-	<u>(41,173)</u>	<u>576,425</u>	-
Total general obligation bonds	53,362,598	18,005,000	(21,780,173)	49,587,425	4,445,000
Certificates of participation	9,150,000	-	(705,000)	8,445,000	705,000
Installment purchases	12,541,556		(2,339,549)	10,202,007	1,931,383
Compensated absences	1,498,382	1,598,070	(1,498,382)	1,598,070	399,518
Net pension liability (LGERS)	-	1,449,727		1,449,727	-
Net pension obligation	683,643	80,830	-	764,473	-
Other postemployment benefits	<u>10,000,473</u>	<u>1,885,653</u>	-	<u>11,886,126</u>	-
Total	<u>\$ 87,236,652</u>	<u>\$ 23,019,280</u>	<u>\$(26,323,104)</u>	<u>\$ 83,932,828</u>	<u>\$ 7,480,901</u>
<b>Business-type Activities:</b>					
Revolving loans	\$ 1,080,000	\$ -	\$ (180,000)	\$ 900,000	\$ 180,000
Certificates of participation	3,616,009	-	(682,378)	2,933,631	702,714
Installment purchases	8,038,610		(844,974)	7,193,636	861,974
Landfill Post-closure Costs	235,498	13,835	(22,171)	227,162	38,650
Compensated absences	85,989	112,509	(85,989)	112,509	28,128
Net pension liability (LGERS)	-	107,947	-	107,947	-
Other postemployment benefits	<u>865,518</u>	<u>131,556</u>	-	<u>997,074</u>	-
Total	<u>\$ 13,921,624</u>	<u>\$ 365,847</u>	<u>\$(1,815,512)</u>	<u>\$ 12,471,959</u>	<u>\$ 1,811,466</u>

**FRANKLIN COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

The LGERS plan had a net pension asset as of June 30, 2015; however, the plan had a net pension liability at the end 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>
2017	\$ 4,445,000	\$ 1,456,226	\$ 1,931,383	\$ 215,643
2018	4,275,000	1,358,346	1,913,883	174,696
2019	4,135,000	1,229,450	1,766,741	134,623
2020	4,013,000	1,100,006	1,145,000	102,919
2021	3,888,000	972,440	1,145,000	76,451
2022-2026	19,173,000	3,115,255	2,300,000	95,523
2027-2030	<u>9,082,000</u>	<u>645,746</u>	<u>-</u>	<u>-</u>
	<u>\$ 49,011,000</u>	<u>\$ 9,877,469</u>	<u>\$ 10,202,007</u>	<u>\$ 799,855</u>

<u>Year Ending June 30,</u>	<u>Certificates of Participation</u>		<u>Total Debt Due</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 705,000	\$ 397,608	\$ 7,081,383	\$ 2,069,477
2018	700,000	367,225	6,888,883	1,900,267
2019	705,000	334,375	6,606,741	1,698,448
2020	705,000	299,125	5,863,000	1,502,050
2021	705,000	263,875	5,738,000	1,312,766
2022-2026	3,525,000	790,625	24,998,000	4,001,403
2027-2030	<u>1,400,000</u>	<u>70,000</u>	<u>10,482,000</u>	<u>715,746</u>
	<u>\$ 8,445,000</u>	<u>\$ 2,522,833</u>	<u>\$ 67,658,007</u>	<u>\$ 13,200,157</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>
2017	\$ 180,000	\$ 23,400	\$ 702,714	\$ 119,054
2018	180,000	18,720	675,917	91,129
2019	180,000	14,040	160,000	73,750
2020	180,000	9,360	155,000	65,875
2021	180,000	4,680	155,000	58,125
2022-2026	-	-	775,000	174,375
2027-2029	<u>-</u>	<u>-</u>	<u>310,000</u>	<u>15,500</u>
	<u>\$ 900,000</u>	<u>\$ 70,200</u>	<u>\$ 2,933,631</u>	<u>\$ 597,808</u>

**FRANKLIN COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

<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>
2017	\$ 861,974	\$ 194,945	\$ 1,744,688	\$ 337,399
2018	877,975	172,437	1,733,892	282,286
2019	798,687	149,840	1,138,687	237,630
2020	729,000	129,329	1,064,000	204,564
2021	744,000	108,735	1,079,000	171,540
2022-2026	3,182,000	219,488	3,957,000	393,863
2027-2029	-	-	310,000	15,500
	<u>\$ 7,193,636</u>	<u>\$ 974,774</u>	<u>\$ 11,027,267</u>	<u>\$ 1,642,782</u>

**C. Interfund Balances and Activity**

Due to/from other funds at June 30, 2016 consists of the following:

Due to General Fund from the Airport Projects Fund to supplement cash until grant proceeds are received	\$ 58,369
Due to General Fund from Water and Sewer Fund	<u>3,684,590</u>
Total due to/from other funds	<u>\$ 3,742,959</u>

Transfers to/from other funds at June 30, 2016 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	75,000
From the General Fund to the Airport Fund to supplement funding	16,670
From the Golden Leaf Foundation Project Fund to the General Fund to close out the project	33,507
From the Capital Reserve Fund to the General Fund for the payment of debt service	<u>2,900,000</u>
Total transfers to/from other funds	<u>\$ 3,065,877</u>

**D. Net Investment in Capital Assets**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Net capital assets	\$ 56,266,488	\$ 31,842,853
Capital debt calculation:		
Total debt, gross	67,658,007	11,027,266
Less:		
School debt for assets to which the county does not hold title	<u>(58,126,000)</u>	-
Total capital debt	<u>9,532,007</u>	<u>11,027,266</u>
Net investment in capital assets	<u>\$ 46,734,481</u>	<u>\$ 20,815,587</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.

**FRANKLIN COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

Total fund balance-General Fund	\$ 27,833,576
Less:	
Inventories	30,251
Stabilization by State Statute	8,590,248
Appropriated fund balance in 2016 budget	176,000
Register of Deeds	52,481
Capital Reserve	1,071,918
Revaluation	741,796
Cultural and Recreational	270,973
Economic Development	1,262,070
Public Safety	34,134
Human Services	57,455
Working Capital/Fund Balance Goal	11,405,027
Remaining Fund Balance	\$ 4,141,223

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

**IV. Joint Ventures**

Franklin County participates with Alamance, Cabarrus, Caswell, Chatham, Davidson, Granville, Halifax, Orange, Person, Rowan, Stanly, Union, Vance, and Warren counties in an Area Authority and Managed Care Organization operated by Cardinal Innovations Healthcare Solutions. Each participating government appoints representation on the Oversight Board and has representation on the Board of Directors of Cardinal Innovations. The County contributed \$116,620 to the Area Mental Health during the fiscal year ended June 30, 2016. The County does not retain an equity interest in the program. Complete financial statements for Cardinal Innovations Health Care Solutions may be obtained from their administrative offices located at 4855 Milestone Avenue, Kannapolis, NC 28081.

The Kerr Area Rural Transportation Authority (K.A.R.T.S.) is an association of five County governments, including Franklin County. K.A.R.T.S. is a joint venture of the participating counties for the purpose of providing a safe, adequate and convenient transportation system for the jurisdictional area creating the authority and its immediate environs. The counties served by K.A.R.T.S. in addition to Franklin County are Granville, Vance, and Warren. Federal, State and local grants and users' fees provide general support of K.A.R.T.S. Each county appoints two members of the Authority management body and this governing body determines the budget and financing requirements of the Authority. The County has an ongoing financial responsibility for the joint venture because K.A.R.T.S. continued existence depends on the participant governments' continued findings. The County contributed \$43,397 to K.A.R.T.S. during the fiscal year ended June 30, 2016. 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, 2016. 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

**FRANKLIN COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

operate the Vance Granville Community College. The State, Vance County, Granville County, Vance County Board of Education, and Granville County Board of Education appoint the twelve voting members of the board of trustees. Franklin County appoints a nonvoting member of the board of trustees. The president of the community college's student government serves as an ex officio nonvoting member of the community college's board of trustees. The community college is included as a component unit of the State. The County has the basic responsibility for providing funding for the facilities of the community college and also provides some financial support for the community college's operations. The County has an ongoing financial responsibility for the community college because of the statutory responsibilities to provide funding for the community college's facilities. The County contributed \$369,168 and \$19,999 to the community college for operating and capital purposes, respectively, during the fiscal year ended June 30, 2016. 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, 2016. Complete financial statements for the community college may be obtained from the community college's administrative offices at P.O. Box 917, Henderson, N.C. 27536.

**V. Jointly Governed Organization**

The Kerr-Tar Council of Government is a voluntary association of five county governments, including Franklin County, established to coordinate federal and State projects of a planning nature in the five-county area in Central North Carolina. Each county appoints one member to the Council's governing body and this governing body selects the management and determines the budget and financing requirements of the Council. The County contributed \$31,704 to the Council during the fiscal year ended June 30, 2016.

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

State law (Chapter 105, Articles 40 and 42, of the North Carolina General Statutes) requires the County to use a portion of the proceeds of its supplemental and additional supplemental sales taxes, or local option sales taxes, for public school capital outlays or to retire public school indebtedness. During the fiscal year ended June 30, 2016, the County reported these local option sales taxes within its Capital Reserve Fund. The County expended the restricted portion of these taxes for public school capital outlays and retirement of public school debt.

**VII. Benefit Payments Issued by the State**

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

	<u>Federal</u>	<u>State</u>
Temporary Assistance to Needy Families	\$ 221,012	\$ -
Women, Infants and Children	931,081	-
Medicaid	49,854,237	27,041,990
NC Health Choice	1,149,296	56,467
Adoption Assistance	317,392	82,672
State/County Special Assistance for Adults	-	410,600
Foster Care	213,221	74,836
Adoption Subsidy	-	218,363
Foster Care At Risk Maximization	-	259
SFHF Maximization	-	80,393
State Foster Home	-	66,049
Total	<u>\$ 52,686,239</u>	<u>\$ 28,031,629</u>

**FRANKLIN COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**VIII. Summary Disclosure of Significant Commitments and Contingencies**

**Federal and State Assisted Programs**

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

**IX. Significant Effects of Subsequent Events**

The County has evaluated events and transactions that occurred between June 30, 2016 and December 20, 2016, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements. The County did an advanced refunding bond in the amount of \$9,828,000 on December 13, 2016 for the 2007 COPs debt. There were no other events that occurred during this time that were deemed to be significant enough to be disclosed.

**X. Change in Accounting Principles/Restatement**

The County had a change in accounting principle during the fiscal year. They chose to reclassify their Solid Waste activities that have always been accounted for in the General Fund to an enterprise fund to better reflect the intent for the activities. The enterprise fund was chosen since the activities with solid waste involve charges for services and the County now intends for this activity to be self-sustaining. This change involved a restatement for the Governmental and Business-type activities net position as well as a restatement for the General Fund and Solid Waste fund balance.

**XI. Restatement**

During the 15-16 audit, items were found that required adjustment to the financial statements. These items involve the change in accounting principle discussed in Note X, booking a receivable for Novozymes and adjustment of the statements due to an interfund loan reclassification.

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>	Solid Waste <u>Net Position</u>	Water Sewer <u>Net Position</u>
Balance, July 1, 2015	\$ (13,775,078)	\$ 24,862,691	\$ 16,604,739	\$ -	\$ 16,525,829
Change due to:					
Solid waste fund move from general fund to enterprise fund	(1,508,241)	(98,459)	1,508,241	1,508,241	-
Adjustment to interfund loan between funds shown as reconciling item in prior year	-	(910,000)	-	-	-
Restatement for Novozymes receivable	-	-	1,153,520	-	1,153,520
Total	<u>(1,508,241)</u>	<u>(1,008,459)</u>	<u>2,661,761</u>	<u>1,508,241</u>	<u>1,153,520</u>
Balance, July 1, 2015, as restated	<u>\$ (15,283,319)</u>	<u>\$ 23,854,232</u>	<u>\$ 19,266,500</u>	<u>\$ 1,508,241</u>	<u>\$ 17,679,349</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**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL) Projected Unit Credit</b>	<b>Unfunded AAL (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as a % of Covered Payroll</b>
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%
12/31/2015	\$ -	\$ 1,069,258	\$ 1,069,258	0.00%	\$ 3,363,393	31.79%

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

<b>Year ended June 30</b>	<b>Annual Required Contribution</b>	<b>Percentage Contributed</b>
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%
2016	117,343	9.05%

**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	12/31/2014
Actuarial cost method	Projected unit credit
Amortization method	Level dollar closed
Remaining amortization period	16 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**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL) Projected Unit Credit</b>	<b>Unfunded AAL (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as a % of Covered Payroll</b>
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**

---



---

<b>Year ended June 30</b>	<b>Annual Required Contribution</b>	<b>Percentage Contributed</b>
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%
2016	2,307,285	13.41%

---

**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	12/31/2014
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	7.50% - 5.00%
Post-Medicare trend rate	5.50%-5.00%
Year of Ultimate trend rate	2020
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 THREE FISCAL YEARS**

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

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

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

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

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

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

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

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

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

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

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

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

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

**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, 2016**  
**(With Comparative Totals for the Year Ended June 30, 2015)**

	2016		Variance Positive (Negative)	2015
	Budget	Actual		Actual
<b>Revenues:</b>				
Ad valorem taxes:				
Current year taxes	\$ 40,494,480	\$ 41,388,934	\$ 894,454	\$ 37,655,629
Delinquent taxes	614,402	644,514	30,112	620,747
Tax discounts and refunds	(209,000)	(40,650)	168,350	(41,570)
Total	<u>40,899,882</u>	<u>41,992,798</u>	<u>1,092,916</u>	<u>38,234,806</u>
Sales tax revenue	<u>6,177,849</u>	<u>6,782,205</u>	<u>604,356</u>	<u>6,046,269</u>
Other Tax Revenues				
Tax penalties and interest	280,000	335,845	55,845	288,351
Tax levies, foreclosures, etc.	25,300	9,098	(16,202)	(208)
Total	<u>305,300</u>	<u>344,943</u>	<u>39,643</u>	<u>288,143</u>
Restricted intergovernmental:				
Federal and State grants	11,462,572	12,417,314	954,742	11,499,874
Beer and wine taxes	235,000	241,716	6,716	259,387
ABC Rehab tax	13,000	15,499	2,499	14,829
Lottery proceeds	600,000	600,000	-	700,000
Total	<u>12,310,572</u>	<u>13,274,529</u>	<u>963,957</u>	<u>12,474,090</u>
Fees, sales and charges:				
Court facility fees	60,000	63,647	3,647	58,979
Building permits	50,000	108,589	58,589	68,591
Inspection fees	632,000	815,201	183,201	749,919
Mobile home project-owner's contribution	-	-	-	806
Register of deeds fees	481,000	628,122	147,122	497,691
Recreation reserve fees	-	24,587	24,587	55,291
Rents and concessions	44,500	64,541	20,041	64,216
Health fees	2,489,385	2,039,844	(449,541)	2,050,171
Social services fees	394,237	378,092	(16,145)	409,986
Aging services	66,300	64,118	(2,182)	69,913
Airport	849,000	718,978	(130,022)	794,112
Sheriff and jail fees	2,201,376	2,544,763	343,387	1,435,581
Library fees and donations	40,000	43,440	3,440	40,555
Solid waste fees	-	-	-	2,485,937
Ambulance and rescue squad fees	1,720,000	2,172,307	452,307	1,833,046
Recreation	39,400	40,438	1,038	35,530
Other	138,500	117,760	(20,740)	79,459
Total	<u>9,205,698</u>	<u>9,824,427</u>	<u>618,729</u>	<u>10,729,783</u>
Investment earnings	<u>55,000</u>	<u>50,045</u>	<u>(4,955)</u>	<u>28,137</u>
Miscellaneous:				
Donations and private grants	173,103	169,878	(3,225)	175,071
Other miscellaneous	230,000	210,917	(19,083)	267,887
Total	<u>403,103</u>	<u>380,795</u>	<u>(22,308)</u>	<u>442,958</u>
Total revenues	<u>69,357,404</u>	<u>72,649,742</u>	<u>3,292,338</u>	<u>68,244,186</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, 2016  
 (With Comparative Totals for the Year Ended June 30, 2015)

	2016		Variance Positive (Negative)	2015
	Budget	Actual		Actual
<b>Expenditures:</b>				
General government:				
Governing body:				
Salaries and employee benefits		199,235		196,484
Other operating expenditures		66,391		68,510
Insurance other than property		2,575		2,575
Capital outlay		-		230
Total	277,825	268,201	9,624	267,799
County Manager:				
Salaries and employee benefits		345,012		287,841
Other operating expenditures		33,796		29,183
Capital outlay		-		3,150
Total	381,670	378,808	2,862	320,174
Finance:				
Salaries and employee benefits		371,219		320,128
Other operating expenditures		40,596		41,091
Capital outlay		200		3,687
Total	456,699	412,015	44,684	364,906
Human Resources:				
Salaries and employee benefits		210,727		161,456
Other operating expenditures		54,816		50,139
Capital outlay		12,973		7,933
Total	286,633	278,516	8,117	219,528
Board of Elections:				
Salaries and employee benefits		216,209		198,886
Other operating expenditures		235,482		142,462
Capital outlay		44,995		6,880
Total	598,619	496,686	101,933	348,228
Register of Deeds:				
Salaries and employee benefits		245,921		250,590
Other operating expenditures		133,514		76,817
Capital outlay		382		2,663
Total	395,321	379,817	15,504	330,070

**Franklin County, North Carolina**  
**General Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2016**  
**(With Comparative Totals for the Year Ended June 30, 2015)**

	2016		Variance Positive (Negative)	2015
	Budget	Actual		Actual
<b>Tax Assessor:</b>				
Salaries and employee benefits		453,866		457,406
Other operating expenditures		137,393		118,573
Capital outlay		2,325		1,336
Total	644,974	593,584	51,390	577,315
<b>Tax Collector:</b>				
Salaries and employee benefits		316,583		329,721
Other operating expenditures		94,549		89,586
Capital outlay		676		-
Total	466,808	411,808	55,000	419,307
<b>Maintenance:</b>				
Salaries and employee benefits		547,171		563,275
Other operating expenditures		297,352		320,491
Capital outlay		40,900		50,592
Total	945,828	885,423	60,405	934,358
<b>Central Services:</b>				
Other operating expenditures	197,238	176,762	20,476	166,140
<b>Court:</b>				
Operating expenditures		95,871		95,381
Capital outlay		1,788		2,066
Total	112,550	97,659	14,891	97,447
<b>Capital improvement:</b>				
Capital outlay	596,940	574,234	22,706	106,317
<b>Information technology services:</b>				
Salaries and employee benefits		201,277		194,012
Other operating expenditures		91,559		71,205
Capital outlay		46,525		19,643
Total	353,454	339,361	14,093	284,860
<b>Legal and professional:</b>				
Legal and professional	76,200	69,370	6,830	43,678
Total general government	5,790,759	5,362,244	428,515	4,480,127
<b>Public safety:</b>				
<b>Planning:</b>				
Salaries and employee benefits		401,902		367,525
Other operating expenditures		68,684		68,080
Capital outlay		6,095		3,075
Total	502,035	476,681	25,354	438,680
<b>Inspections:</b>				
Salaries and employee benefits		478,176		427,861
Other operating expenditures		50,177		49,398
Capital outlay		3,904		-
Total	548,859	532,257	16,602	477,259

**Franklin County, North Carolina**  
**General Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2016**  
**(With Comparative Totals for the Year Ended June 30, 2015)**

	2016		Variance Positive (Negative)	2015
	Budget	Actual		Actual
GIS Mapper Service:				
Salaries and employee benefits		182,136		158,836
Other operating expenditures		36,499		34,394
Capital outlay		1,241		8,026
Total	238,526	219,876	18,650	201,256
Central Services:				
Other operating expenditures	209,500	200,949	8,551	152,507
Sheriff:				
Salaries and employee benefits		4,859,580		4,736,713
Other operating expenditures		1,373,547		1,413,673
Capital outlay		393,435		352,973
Total	6,774,832	6,626,562	148,270	6,503,359
Communications:				
Salaries and employee benefits		1,032,032		1,029,442
Other operating expenditures		160,890		154,620
Capital outlay		19,935		33,986
Total	1,307,634	1,212,857	94,777	1,218,048
Jail:				
Salaries and employee benefits		2,068,572		1,908,934
Other operating expenditures		1,367,393		1,213,075
Capital outlay		25,626		37,515
Total	3,555,317	3,461,591	93,726	3,159,524
Jail-meal operations:				
Salaries and employee benefits		-		10,071
Other operating expenditures		593,472		417,191
Capital outlay		-		323,992
Total	636,660	593,472	43,188	751,254
Fire protection:				
Forest fire control service	97,775	83,388	14,387	75,265
Rescue and ambulance services:				
Salaries and employee benefits		3,903,957		3,968,674
Other operating expenditures		793,915		677,193
Capital outlay		159,705		70,409
Total	5,063,400	4,857,577	205,823	4,716,276
Emergency management services:				
Salaries and employee benefits		188,106		186,529
Other operating expenditures		51,982		44,433
Capital outlay		1,265		2,869
Total	331,555	241,353	90,202	233,831
Rescue squad contributions:				
Rescue units	128,000	127,001	999	147,201

**Franklin County, North Carolina**  
**General Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2016**  
**(With Comparative Totals for the Year Ended June 30, 2015)**

	2016		Variance Positive (Negative)	2015
	Budget	Actual		Actual
Animal control:				
Salaries and employee benefits		332,124		323,293
Other operating expenditures		117,771		120,302
Capital outlay		10,768		23,568
Total	491,399	460,663	30,736	467,163
Total public safety	19,885,492	19,094,227	791,265	18,541,623
Economic and physical development:				
Economic development:				
Salaries and employee benefits		292,643		274,369
Other operating expenditures		101,569		95,969
Company incentives		633,015		96,015
Capital outlay		-		257
Total	1,276,242	1,027,227	249,015	466,610
Central services:				
Other operating expenditures	12,640	12,640	-	12,640
Cooperative extension services:				
Salaries and employee benefits		14,045		4,728
Other operating expenditures		230,958		250,265
Capital outlay		1,018		2,642
Total	337,448	246,021	91,427	257,635
Soil and water conservation:				
Salaries and employee benefits		207,021		219,899
Other operating expenditures		19,424		18,669
Total	229,615	226,445	3,170	238,568
Solid waste:				
Salaries and employee benefits		-		781,962
Waste disposal contract		-		1,406,103
Other operating expenditures		-		847,736
Capital outlay		-		133,796
Total	-	-	-	3,169,597
Airport operations:				
Salaries and employee benefits		192,497		190,152
Other operating expenditures		132,153		212,473
Fuel purchases		314,868		367,000
Litigation settlement		-		1,500,000
Capital outlay		9,199		603
Total	846,875	648,717	198,158	2,270,228
Total economic & physical development	2,702,820	2,161,050	541,770	6,415,278

**Franklin County, North Carolina**  
**General Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2016**  
**(With Comparative Totals for the Year Ended June 30, 2015)**

	2016		Variance Positive (Negative)	2015
	Budget	Actual		Actual
Human services:				
Central services:				
Other operating expenditures	284,873	284,874	(1)	268,252
Health:				
Administration:				
Salaries and employee benefits		600,076		625,498
Other operating expenditures		132,046		109,399
Capital outlay		7,928		600
Total	811,303	740,050	71,253	735,497
Clinical health:				
Salaries and employee benefits		1,843,191		1,876,207
Contractual services		11,590		17,789
Other operating expenditures		959,649		839,741
Capital outlay		55,676		3,633
Total	2,916,093	2,870,106	45,987	2,737,370
Dental health:				
Salaries and employee benefits		-		-
Other operating expenditures		-		-
Capital outlay		-		-
Total	-	-	-	-
WIC				
Salaries		221,986		230,609
Other operating expenditures		20,260		20,055
Total	265,908	242,246	23,662	250,664
Home health:				
Salaries and employee benefits		438,941		488,771
Other operating expenditures		288,046		368,526
Capital outlay		2,798		69
Total	868,810	729,785	139,025	857,366
Veterans services:				
Salaries and employee benefits		65,745		66,154
Other operating expenditures		12,677		12,878
Capital outlay		-		799
Total	80,670	78,422	2,248	79,831
Social services:				
Administration:				
Salaries and employee benefits		5,444,363		5,298,212
Other operating expenditures		489,797		499,981
Professional services		227,072		80,221
Capital outlay		37,063		65,295
Total	6,249,378	6,198,295	51,083	5,943,709
Social services programs:				
Medicaid	243,000	215,354	27,646	230,350
Special assistance	409,097	410,600	(1,503)	427,764
Foster care	741,501	732,671	8,830	680,574
Crisis intervention	568,702	546,373	22,329	518,992
General assistance	20,000	19,461	539	19,308
Day care	2,788,979	2,661,662	127,317	2,778,025
Other assistance	558,841	493,348	65,493	503,777
Total	5,330,120	5,079,469	250,651	5,158,790

**Franklin County, North Carolina**  
**General Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2016**  
**(With Comparative Totals for the Year Ended June 30, 2015)**

	2016		Variance Positive (Negative)	2015
	Budget	Actual		Actual
DSS Child support:				
Salaries and employee benefits		546,520		525,325
Other operating expenditures		108,183		88,323
Capital outlay		-		-
Total	668,557	654,703	13,854	613,648
Aging:				
Salaries and employee benefits		488,336		469,284
Other operating expenditures		460,793		541,351
Capital outlay		25,369		13,130
Total	1,024,425	974,498	49,927	1,023,765
Total human services	18,500,137	17,852,448	647,689	17,668,892
Cultural and leisure:				
Recreation:				
Salaries and employee benefits		264,353		226,040
Other operating expenditures		176,175		175,750
Capital outlay		24,245		-
Total	503,020	464,773	38,247	401,790
Central Services:				
Other operating expenditures	14,400	14,400	-	14,400
Library:				
Salaries and employee benefits		677,154		651,591
Other operating expenditures		105,196		101,077
Books, magazines & telecommunications		89,183		93,962
Capital outlay		12,844		24,447
Total	864,377	884,377	(20,000)	871,077
Total culture and leisure	1,381,797	1,363,550	18,247	1,287,267
Education:				
Education allocations:				
Public schools - current		14,472,841		13,818,840
Public schools - capital outlay		1,099,998		1,699,998
Community colleges - current		369,168		369,168
Community colleges - capital outlay		20,000		20,000
Total education	15,962,009	15,962,007	2	15,908,006
Debt service:				
Principal retirement		8,883,550		7,177,550
Interest and fees		2,653,308		3,037,428
Total debt service	11,678,128	11,536,858	141,270	10,214,978
Total expenditures	75,901,142	73,332,384	2,568,758	74,516,171
Revenues over (under) expenditures	(6,543,738)	(682,642)	5,861,096	(6,271,985)

**Franklin County, North Carolina**  
**General Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2016**  
**(With Comparative Totals for the Year Ended June 30, 2015)**

	<u>2016</u>		<b>Variance Positive (Negative)</b>	<u>2015</u>
	<b>Budget</b>	<b>Actual</b>		<b>Actual</b>
<b>Other financing sources (uses)</b>				
Transfers to other funds:				
Fire District Fund	(40,700)	(40,700)	-	(40,700)
Revaluation Fund	(75,000)	(75,000)	-	(25,000)
County Building Project Fund	-	-	-	(100,000)
Airport Fund	(16,670)	(16,670)	-	-
Total transfers out	<u>(132,370)</u>	<u>(132,370)</u>	<u>-</u>	<u>(165,700)</u>
Transfers from other funds:				
Capital Reserve Fund	2,900,000	2,900,000	-	2,600,000
Water and Sewer Fund	500,000	-	(500,000)	910,000
Golden Leaf Foundation Project Fund	-	33,507	33,507	-
School Construction Fund	-	-	-	600,000
Total transfers in	<u>3,400,000</u>	<u>2,933,507</u>	<u>(466,493)</u>	<u>4,110,000</u>
Payment to escrow agent-refunding bonds	(16,338,538)	(16,338,537)	(1)	-
Loan proceeds	<u>18,000,000</u>	<u>18,005,000</u>	<u>5,000</u>	<u>900,000</u>
Total other financing sources (uses) - net	<u>4,929,092</u>	<u>4,467,600</u>	<u>(461,494)</u>	<u>4,844,300</u>
Revenues and other financing sources over (under) expenditures and other financing uses	(1,614,646)	3,784,958	5,399,604	(1,427,685)
Appropriated fund balance	<u>1,614,646</u>	<u>-</u>	<u>(1,614,646)</u>	<u>-</u>
Revenues, other financing sources and appropriated fund balance over (under) expenditures and other uses	<u>\$ -</u>	3,784,958	<u>\$ 3,784,958</u>	(1,427,685)
Fund balances				
Beginning of year, July 1		23,253,806		19,607,014
Restatement		<u>(1,008,459)</u>		<u>5,094,590</u>
Beginning of year, July 1, as restated		22,245,347		24,701,604
Increase (decrease) in reserve for inventory		<u>(10,443)</u>		<u>(20,113)</u>
End of year, June 30		<u>\$ 26,019,862</u>		<u>\$ 23,253,806</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, 2016**  
**(With Comparative Totals for the Year Ended June 30, 2015)**

	2016		Variance Positive (Negative)	2015
	Budget	Actual		Actual
<b>Revenues</b>				
Sales tax revenue	\$ 2,900,000	\$ 3,056,024	\$ 156,024	\$ 2,857,466
Interest earnings	-	-	-	-
Total revenues	2,900,000	3,056,024	156,024	2,857,466
<b>Expenditures</b>				
Education	-	-	-	-
<b>Other financing sources (uses)</b>				
Transfer from General Fund	-	-	-	-
Transfer to General Fund	(2,900,000)	(2,900,000)	-	(2,600,000)
Appropriated fund balance	-	-	-	-
Total other financing sources (uses) - net	(2,900,000)	(2,900,000)	-	(2,600,000)
<b>Revenues and other financing sources under expenditures and uses</b>	\$ -	156,024	\$ 156,024	257,466
<b>Fund balance</b>				
Beginning of year, July 1		915,894		658,428
End of year, June 30		\$ 1,071,918		\$ 915,894

**Franklin County, North Carolina**  
**Revaluation Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2016**  
**(With Comparative Totals for the Year Ended June 30, 2015)**

	2016		Variance Positive (Negative)	2015
	Budget	Actual		Actual
<b>Revenues</b>				
Interest earnings	\$ -	\$ -	\$ -	\$ -
<b>Expenditures</b>				
General government				
Appraisal		26,195		-
Total expenditures	75,000	26,195	48,805	-
<b>Other financing sources</b>				
Transfer from General Fund	75,000	75,000	-	25,000
Total other sources	75,000	75,000	-	25,000
<b>Appropriated fund balance</b>	-	-	-	-
<b>Total revenues and other financing sources over expenditures</b>	<u>\$ -</u>	48,805	<u>\$ 48,805</u>	25,000
<b>Fund balance</b>				
Beginning of year, July 1		692,991		667,991
End of year, June 30		<u>\$ 741,796</u>		<u>\$ 692,991</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.
- **Hospital Fund:** This fund accounts for the money associated with the hospital.

## Capital Project Funds

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

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

**Franklin County, North Carolina  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2016**

	<b>Special Revenue Funds</b>						
	<b>Fire District Fund</b>	<b>Emergency Telephone System Fund</b>	<b>DEA Fund</b>	<b>Golden Leaf Foundation Fund</b>	<b>Community Development Fund</b>	<b>Hospital Fund</b>	<b>Total Nonmajor Special Revenue Funds</b>
<b>Assets</b>							
Cash and cash equivalents	\$ 302,239	\$ 436,829	\$ 12,303	\$ -	\$ 54,993	\$ 1,472,429	\$ 2,278,793
Accounts receivable, net	-	32,752	-	-	-	-	32,752
Taxes receivable, net	126,498	-	-	-	-	-	126,498
Due from other governments	-	4,715	708	-	-	3,007	8,430
Restricted assets:							
Restricted cash	-	-	-	-	-	-	-
Total assets	<u>\$ 428,737</u>	<u>\$ 474,296</u>	<u>\$ 13,011</u>	<u>\$ -</u>	<u>\$ 54,993</u>	<u>\$ 1,475,436</u>	<u>\$ 2,446,473</u>
<b>Liabilities and Fund Balances</b>							
<b>Liabilities:</b>							
Accounts payable and accrued liabilities	\$ 20,704	\$ -	\$ -	\$ -	\$ -	\$ 4,405	\$ 25,109
Due to General Fund	-	-	-	-	-	-	-
Total liabilities	<u>20,704</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,405</u>	<u>25,109</u>
Deferred Inflows of Resources	<u>126,498</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>126,498</u>
<b>Fund balances:</b>							
<b>Restricted:</b>							
Stabilization by State Statute	-	37,467	708	-	-	3,007	41,182
Fire Protection	281,535	-	-	-	-	-	281,535
Public Safety	-	436,829	12,303	-	-	-	449,132
Culture and Recreation	-	-	-	-	-	-	-
Human Services	-	-	-	-	-	1,468,024	1,468,024
Economic Development	-	-	-	-	54,993	-	54,993
<b>Committed:</b>							
Debt Service	-	-	-	-	-	-	-
<b>Unassigned:</b>							
Total fund balances	<u>281,535</u>	<u>474,296</u>	<u>13,011</u>	<u>-</u>	<u>54,993</u>	<u>1,471,031</u>	<u>2,294,866</u>
Total liabilities, deferred inflows or resources, and fund balances	<u>\$ 428,737</u>	<u>\$ 474,296</u>	<u>\$ 13,011</u>	<u>\$ -</u>	<u>\$ 54,993</u>	<u>\$ 1,475,436</u>	<u>\$ 2,446,473</u>

Exhibit C-1

<b>Capital Projects Funds</b>				
<b>Airport Projects Fund</b>	<b>School Construction Fund</b>	<b>County Building Project Fund</b>	<b>Total Nonmajor Capital Projects Funds</b>	<b>Total Nonmajor Governmental Funds</b>
\$ -	\$ -	\$ -	\$ -	\$ 2,278,793
-	-	2,490	2,490	35,242
-	-	-	-	126,498
361,197	-	1,956	363,153	371,583
-	494,422	1,070,975	1,565,397	1,565,397
<u>\$ 361,197</u>	<u>\$ 494,422</u>	<u>\$ 1,075,421</u>	<u>\$ 1,931,040</u>	<u>\$ 4,377,513</u>
\$ 375,572	\$ -	\$ 25,929	\$ 401,501	\$ 426,610
58,369	-	-	58,369	58,369
<u>433,941</u>	<u>-</u>	<u>25,929</u>	<u>459,870</u>	<u>484,979</u>
-	-	-	-	126,498
361,197	-	4,446	365,643	406,825
-	-	-	-	281,535
-	-	764,455	764,455	1,213,587
-	-	280,591	280,591	280,591
-	-	-	-	1,468,024
-	-	-	-	54,993
-	494,422	-	494,422	494,422
(433,941)	-	-	(433,941)	(433,941)
<u>(72,744)</u>	<u>494,422</u>	<u>1,049,492</u>	<u>1,471,170</u>	<u>3,766,036</u>
<u>\$ 361,197</u>	<u>\$ 494,422</u>	<u>\$ 1,075,421</u>	<u>\$ 1,931,040</u>	<u>\$ 4,377,513</u>

**Franklin County, North Carolina**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2016**

	<b>Special Revenue Funds</b>						<b>Total Nonmajor Special Revenue Funds</b>
	<b>Fire District Fund</b>	<b>Emergency Telephone System Fund</b>	<b>DEA Fund</b>	<b>Golden Leaf Foundation Fund</b>	<b>Community Development Fund</b>	<b>Hospital Fund</b>	
<b>Revenues</b>							
Ad valorem taxes	\$ 3,402,980	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,402,980
Other taxes and licenses	-	393,028	-	-	-	-	393,028
Restricted intergovernmental	-	-	19,742	-	82,864	1,630,000	1,732,606
Investment earnings	-	312	-	-	-	-	312
Miscellaneous	-	-	109	-	-	7,382	7,491
<b>Total revenues</b>	<u>3,402,980</u>	<u>393,340</u>	<u>19,851</u>	<u>-</u>	<u>82,864</u>	<u>1,637,382</u>	<u>5,536,417</u>
<b>Expenditures</b>							
Current:							
Public safety	3,271,162	262,072	81,958	-	-	-	3,615,192
Human services	-	-	-	-	-	166,351	166,351
Economic and physical development	-	-	-	-	69,048	-	69,048
Capital outlay	-	-	-	-	-	-	-
<b>Total expenditures</b>	<u>3,271,162</u>	<u>262,072</u>	<u>81,958</u>	<u>-</u>	<u>69,048</u>	<u>166,351</u>	<u>3,850,591</u>
<b>Revenues over (under) expenditures</b>	<u>131,818</u>	<u>131,268</u>	<u>(62,107)</u>	<u>-</u>	<u>13,816</u>	<u>1,471,031</u>	<u>1,685,826</u>
<b>Other financing sources (uses)</b>							
Transfers from other funds	40,700	-	-	-	-	-	40,700
Transfers to other funds	-	-	-	(33,507)	-	-	(33,507)
<b>Total other financing sources (uses) - net</b>	<u>40,700</u>	<u>-</u>	<u>-</u>	<u>(33,507)</u>	<u>-</u>	<u>-</u>	<u>7,193</u>
<b>Net changes in fund balances</b>	<u>172,518</u>	<u>131,268</u>	<u>(62,107)</u>	<u>(33,507)</u>	<u>13,816</u>	<u>1,471,031</u>	<u>1,693,019</u>
<b>Fund balances</b>							
Beginning of year, July 1	109,017	343,028	75,118	33,507	41,177	-	601,847
End of year, June 30	<u>\$ 281,535</u>	<u>\$ 474,296</u>	<u>\$ 13,011</u>	<u>\$ -</u>	<u>\$ 54,993</u>	<u>\$ 1,471,031</u>	<u>\$ 2,294,866</u>

<b>Capital Projects Funds</b>				
<b>Airport Projects Fund</b>	<b>School Construction Fund</b>	<b>County Building Project Fund</b>	<b>Total Nonmajor Capital Projects Funds</b>	<b>Total Nonmajor Governmenta l Funds</b>
\$ -	\$ -	\$ -	\$ -	\$ 3,402,980
-	-	-	-	393,028
359,527	-	2,489	362,016	2,094,622
-	-	-	-	312
-	-	-	-	7,491
<u>359,527</u>	<u>-</u>	<u>2,489</u>	<u>362,016</u>	<u>5,898,433</u>
-	-	-	-	3,615,192
-	-	-	-	166,351
-	-	-	-	69,048
<u>536,939</u>	<u>-</u>	<u>91,037</u>	<u>627,976</u>	<u>627,976</u>
<u>536,939</u>	<u>-</u>	<u>91,037</u>	<u>627,976</u>	<u>4,478,567</u>
<u>(177,412)</u>	<u>-</u>	<u>(88,548)</u>	<u>(265,960)</u>	<u>1,419,866</u>
16,670	-	-	16,670	57,370
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(33,507)</u>
<u>16,670</u>	<u>-</u>	<u>-</u>	<u>16,670</u>	<u>23,863</u>
(160,742)	-	(88,548)	(249,290)	1,443,729
<u>87,998</u>	<u>494,422</u>	<u>1,138,040</u>	<u>1,720,460</u>	<u>2,322,307</u>
<u>\$ (72,744)</u>	<u>\$ 494,422</u>	<u>\$ 1,049,492</u>	<u>\$ 1,471,170</u>	<u>\$ 3,766,036</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, 2016**  
**(With Comparative Totals for the Year Ended June 30, 2015)**

	2016		Variance Positive (Negative)	2015
	Budget	Actual		Actual
<b>Revenues</b>				
Ad valorem taxes	\$ 3,232,716	\$ 3,402,980	\$ 170,264	\$ 2,989,407
Investment earnings	-	-	-	-
Total revenues	3,232,716	3,402,980	170,264	2,989,407
<b>Expenditures</b>				
Public safety				
Central Fire District	230,000	230,000	-	230,000
Epsom Fire District	92,500	92,500	-	85,000
Gold Sand Fire District	61,000	61,000	-	57,500
Justice Fire District	120,000	120,000	-	111,000
Kittrell Fire District	1,000	1,000	-	1,000
Pilot Fire District	219,343	219,343	-	196,993
White Level Fire District	87,000	87,000	-	87,000
Brassfield Fire District	199	198	1	6,929
Mitchiners Crossroads Fire District	142,500	142,500	-	134,500
Hopkins Fire District	19,500	18,285	1,215	15,348
Franklinton Fire District	227,271	226,233	1,038	197,672
Youngsville Fire District	1,444,903	1,444,903	-	1,279,286
Bunn Fire District	567,000	567,000	-	560,000
Castalia Fire District	1,200	1,200	-	1,200
Centerville Fire District	60,000	60,000	-	56,168
Total expenditures	3,273,416	3,271,162	2,254	3,019,596
<b>Revenues under expenditures</b>	(40,700)	131,818	172,518	(30,189)
<b>Other financing sources</b>				
Transfer from General Fund	40,700	40,700	-	40,700
<b>Revenues and other sources under expenditures</b>	\$ -	172,518	\$ 172,518	10,511
<b>Fund balances</b>				
Beginning of year, July 1		109,017		98,506
End of year, June 30		\$ 281,535		\$ 109,017

**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, 2016**  
**(With Comparative Totals for the Year Ended June 30, 2015)**

	2016		Variance Positive (Negative)	2015
	Budget	Actual		Actual
<b>Revenues</b>				
Other taxes and licenses				
E911 fees	\$ 309,320	\$ 393,028	\$ 83,708	\$ 315,757
Interest earnings	-	312	312	-
Total revenues	309,320	393,340	84,020	315,757
<b>Expenditures</b>				
Public safety - E911				
Operating expenses	244,320	233,731	10,589	230,160
Capital outlay	65,000	28,341	36,659	128,803
Total expenditures	309,320	262,072	47,248	358,963
<b>Revenues over (under) expenditures</b>	-	131,268	131,268	(43,206)
<b>Other financing sources (uses)</b>				
Transfer from other funds				
General Fund	-	-	-	-
Appropriated fund balance	-	-	-	-
Total	-	-	-	-
<b>Revenues and appropriated fund balance and other sources over expenditures and other uses</b>	\$ -	131,268	\$ 131,268	(43,206)
<b>Fund balances</b>				
Beginning of year, July 1		343,028		386,234
End of year, June 30		\$ 474,296		\$ 343,028

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

**Franklin County, North Carolina**  
**DEA Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2016**  
**(With Comparative Totals for the Year Ended June 30, 2015)**

	2016		Variance Positive (Negative)	2015
	Budget	Actual		Actual
<b>Revenues</b>				
Restricted intergovernmental	\$ 16,270	\$ 19,742	\$ 3,472	\$ 89,444
Miscellaneous income	-	109	109	-
Total revenues	<u>16,270</u>	<u>19,851</u>	<u>3,581</u>	<u>89,444</u>
<b>Expenditures</b>				
Public safety				
Operating expenses	<u>91,162</u>	<u>81,958</u>	<u>9,204</u>	<u>17,320</u>
<b>Revenues over expenditures</b>	<u>(74,892)</u>	<u>(62,107)</u>	<u>12,785</u>	<u>72,124</u>
Appropriated fund balance	<u>74,892</u>	<u>-</u>	<u>(74,892)</u>	<u>-</u>
<b>Revenues and appropriated fund balance over expenditures</b>	<u>\$ -</u>	<u>(62,107)</u>	<u>\$ (62,107)</u>	<u>72,124</u>
<b>Fund balances</b>				
Beginning of year, July 1		<u>75,118</u>		<u>2,994</u>
End of year, June 30		<u>\$ 13,011</u>		<u>\$ 75,118</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, 2016**

	Project Author- ization	Actual Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
<b>Revenues</b>					
Restricted intergovernmental					
Golden Leaf Foundation	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions	-	-	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Expenditures</b>					
Education	-	-	-	-	-
<b>Revenues over expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Other financing sources</b>					
Transfers to other funds	(33,507)	-	(33,507)	(33,507)	-
Appropriated fund balance	33,507	-	-	-	(33,507)
Total	<u>-</u>	<u>-</u>	<u>(33,507)</u>	<u>(33,507)</u>	<u>(33,507)</u>
<b>Revenues and other financing sources over expenditures</b>	<u>\$ -</u>	<u>\$ -</u>	<u>(33,507)</u>	<u>\$ (33,507)</u>	<u>\$ (33,507)</u>
<b>Fund balance</b>					
Beginning of year, July 1			<u>33,507</u>		
End of year, June 30			<u>\$ -</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, 2016**

	Project Author- ization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
<b>Revenues</b>					
Restricted intergovernmental					
CDBG Grant 11-D-2447	\$ 400,000	\$ 308,375	\$ 71,128	\$ 379,503	\$ (20,497)
NC Housing Funds	170,000	96,808	11,736	108,544	(61,456)
Total revenues	<u>570,000</u>	<u>405,183</u>	<u>82,864</u>	<u>488,047</u>	<u>(81,953)</u>
<b>Expenditures</b>					
Economic and physical development					
CDBG Grant 11-D-2447	400,000	322,067	69,048	391,115	8,885
NC Housing Funds	170,000	98,882	-	98,882	71,118
Total expenditures	<u>570,000</u>	<u>420,949</u>	<u>69,048</u>	<u>489,997</u>	<u>80,003</u>
<b>Revenues under expenditures</b>	<u>-</u>	<u>(15,766)</u>	<u>13,816</u>	<u>(1,950)</u>	<u>(1,950)</u>
<b>Other financing sources</b>					
Transfer from General Fund	-	-	-	-	-
<b>Revenues and other financing sources over expenditures</b>	<u>\$ -</u>	<u>\$ (15,766)</u>	<u>13,816</u>	<u>\$ (1,950)</u>	<u>\$ (1,950)</u>
<b>Fund balance</b>					
Beginning of year, July 1			<u>41,177</u>		
End of year, June 30			<u>\$ 54,993</u>		

Franklin County, North Carolina  
Hospital Fund  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balances - Budget and Actual  
From Inception and for the Year Ended June 30, 2016

	Project Author- ization	Actual		Total to Date	Variance Positive (Negative)
		Prior Year	Current Year		
<b>Revenues</b>					
Restricted intergovernmental					
Contributions	\$ 191,332	\$ -	\$ 1,630,000	\$ 1,630,000	\$ 1,438,668
Miscellaneous	-	-	7,382	7,382	7,382
Total revenues	<u>191,332</u>	<u>-</u>	<u>1,637,382</u>	<u>1,637,382</u>	<u>1,446,050</u>
<b>Expenditures</b>					
Human Services	<u>191,332</u>	<u>-</u>	<u>166,351</u>	<u>166,351</u>	<u>24,981</u>
<b>Revenues over expenditures</b>	<u>\$ -</u>	<u>\$ -</u>	<u>1,471,031</u>	<u>\$ 1,471,031</u>	<u>\$ 1,471,031</u>
<b>Fund balance</b>					
Beginning of year, July 1			<u>-</u>		
End of year, June 30			<u>\$ 1,471,031</u>		

**Franklin County, North Carolina**  
**Airport Capital Project Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**From Inception and for the Year Ended June 30, 2016**

	Project Author- ization	Actual		Total to Date	Variance Positive (Negative)
		Prior Years	Current Year		
<b>Revenues</b>					
Restricted intergovernmental:					
NCDOT project 36237.31.13.1	\$ 720,605	\$ -	\$ 359,527	\$ 359,527	\$ (361,078)
Total revenues	<u>720,605</u>	<u>-</u>	<u>359,527</u>	<u>359,527</u>	<u>(361,078)</u>
<b>Expenditures</b>					
Capital outlay:					
Project No. 36237.31.13.1	800,672	165,877	536,939	702,816	97,856
Total expenditures	<u>800,672</u>	<u>165,877</u>	<u>536,939</u>	<u>702,816</u>	<u>97,856</u>
<b>Revenues under expenditures</b>	<u>(80,067)</u>	<u>(165,877)</u>	<u>(177,412)</u>	<u>(343,289)</u>	<u>(263,222)</u>
<b>Other financing sources</b>					
Transfer from General fund	16,670	-	16,670	16,670	-
Appropriated fund balance	63,397	-	-	-	(63,397)
Total	<u>80,067</u>	<u>-</u>	<u>16,670</u>	<u>16,670</u>	<u>(63,397)</u>
<b>Revenues and other financing sources over (under) expenditures</b>	<u>\$ -</u>	<u>\$ (165,877)</u>	<u>(160,742)</u>	<u>\$ (326,619)</u>	<u>\$ (326,619)</u>
<b>Fund balance</b>					
Beginning of year, July 1			<u>87,998</u>		
End of year, June 30			<u>\$ (72,744)</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, 2016

	Project Author- ization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
<b>Revenues</b>					
Interest earnings	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Expenditures</b>					
Construction		-	-	-	
Total expenditures	-	-	-	-	-
<b>Other financing sources</b>					
Transfer to General Fund	-	-	-	-	-
Fund Balance Appropriated	-	-	-	-	-
Total other sources	-	-	-	-	-
<b>Revenues and other financing sources over (under) expenditures</b>	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>	<u>\$ -</u>
<b>Fund balance</b>					
Beginning of year, July 1			<u>494,422</u>		
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, 2016**

	Project Author- ization	Actual		Total to Date	Variance Positive (Negative)
		Prior Year	Current Year		
<b>Revenues</b>					
Intergovernmental revenues	\$ 963,770	\$ 532,052	\$ 2,489	\$ 534,541	\$ (429,229)
Interest earnings	95,000	13,501	-	13,501	(81,499)
Total revenues	<u>1,058,770</u>	<u>545,553</u>	<u>2,489</u>	<u>548,042</u>	<u>(510,728)</u>
<b>Expenditures</b>					
Construction					
E911 Facility	10,251,525	8,870,742	14,405	8,885,147	1,366,378
Owens Park Project	963,770	634,163	49,016	683,179	280,591
Jail Renovation	3,820,000	3,793,003	27,616	3,820,619	(619)
Courthouse Renovation	1,424,272	1,526,196	-	1,526,196	(101,924)
Total	<u>16,459,567</u>	<u>14,824,104</u>	<u>91,037</u>	<u>14,915,141</u>	<u>1,544,426</u>
<b>Total revenues over (under) expenditures</b>	<u>(15,400,797)</u>	<u>(14,278,551)</u>	<u>(88,548)</u>	<u>(14,367,099)</u>	<u>1,033,698</u>
<b>Other financing sources</b>					
Issuance of debt	13,977,272	13,506,000	-	13,506,000	(471,272)
Appropriated fund balance	147,000	-	-	-	(147,000)
Transfer from other funds					
Emergency Telephone System Fund	-	891,483	-	891,483	-
General Fund	-	2,536,595	-	2,536,595	-
Total transfers	<u>1,276,525</u>	<u>3,428,078</u>	<u>-</u>	<u>3,428,078</u>	<u>2,151,553</u>
Total other sources	<u>15,400,797</u>	<u>16,934,078</u>	<u>-</u>	<u>16,934,078</u>	<u>1,533,281</u>
<b>Total revenues and other financing sources over (under) expenditures</b>	<u>\$ -</u>	<u>\$ 2,655,527</u>	<u>(88,548)</u>	<u>\$ 2,566,979</u>	<u>\$ 2,566,979</u>
<b>Fund balance</b>					
Beginning of year, July 1			<u>1,138,040</u>		
End of year, June 30			<u>\$ 1,049,492</u>		

## ENTERPRISE FUND

---

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

---

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

**Franklin County, North Carolina**  
**Water and Sewer Fund**  
**Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)**  
**For the Year Ended June 30, 2016**

	2016		Variance Positive (Negative)	2015
	Budget	Actual		Actual
<b>Revenues</b>				
Operating revenues				
Water fees	\$ 5,896,475	\$ 6,058,678	\$ 162,203	\$ 5,496,957
Sewer fees	2,483,227	2,584,625	101,398	2,729,896
Other charges for services	620,950	998,171	377,221	1,021,775
Total	<u>9,000,652</u>	<u>9,641,474</u>	<u>640,822</u>	<u>9,248,628</u>
Nonoperating revenues:				
Interest earnings	-	43,948	43,948	43,948
Miscellaneous revenues	-	-	-	1,269
Total	<u>-</u>	<u>43,948</u>	<u>43,948</u>	<u>45,217</u>
Total revenues	<u>9,000,652</u>	<u>9,685,422</u>	<u>684,770</u>	<u>9,293,845</u>
<b>Expenditures - Water Dept</b>				
Salaries and employee benefits	876,645	868,817	7,828	699,860
Water purchases	3,309,908	3,268,127	41,781	3,121,852
Other operating expenditures	1,254,906	1,273,028	(18,122)	727,006
Capital outlay	68,500	58,102	10,398	3,289,960
Debt service:				
Interest and other charges	213,243	171,846	41,397	248,288
Debt principal	579,000	579,000	-	579,643
Total expenditures - Water	<u>6,302,202</u>	<u>6,218,920</u>	<u>83,282</u>	<u>8,666,609</u>
<b>Expenditures - Sewer Dept</b>				
Salaries and employee benefits	443,414	393,283	50,131	400,925
Other operating expenditures	746,390	710,091	36,299	629,628
Capital outlay	274,050	243,534	30,516	188,264
Debt service:				
Interest and other charges	156,480	148,022	8,458	200,103
Debt principal	868,018	868,353	(335)	849,236
Total expenditures - Sewer	<u>2,488,352</u>	<u>2,363,283</u>	<u>125,069</u>	<u>2,268,156</u>
Total expenditures	<u>8,790,554</u>	<u>8,582,203</u>	<u>208,351</u>	<u>10,934,765</u>
Revenues under expenditures	<u>210,098</u>	<u>1,103,219</u>	<u>893,121</u>	<u>(1,640,920)</u>
<b>Other Financing Sources (Uses)</b>				
Transfer from (to) Other Funds				
General Fund	(500,000)	-	500,000	(910,000)
Debt proceeds	-	-	-	2,600,000
Appropriated fund balance	289,902	-	(289,902)	-
Total	<u>(210,098)</u>	<u>-</u>	<u>210,098</u>	<u>1,690,000</u>
<b>Revenues and appropriated fund balance under expenditures</b>	<u>\$ -</u>	<u>\$ 1,103,219</u>	<u>\$ 1,103,219</u>	<u>\$ 49,080</u>
<b>Reconciliation from budgetary basis (modified accrual) to full accrual</b>				
Revenues and other financing sources over expenditures	\$ 1,103,219			\$ 49,080
Reconciling items				
Debt proceeds		-		(2,600,000)
Debt payments		1,707,353		1,428,879
Payments to General Fund to repay loan		-		910,000
Depreciation		(1,298,221)		(1,149,121)
Capital outlay		302,012		3,435,884
Contributions to the pension plan in the current fiscal year		-		65,796
Decrease in net pension asset		(102,838)		-
Increase in deferred outflows of resources - pensions		(5,188)		-
Increase in net pension liability		(68,693)		-
Decrease in deferred inflows of resources - pensions		214,939		-
Decrease in accrued vacation pay		(20,913)		2,270
Increase in other postemployment benefits		(96,974)		(104,656)
Pension expense		-		(9,037)
Restricted intergovernmental revenue from				
Water and Sewer Capital Projects Fund		1,251,862		149,932
Miscellaneous income from Water and Sewer Capital Projects Fund		-		40,000
Total		<u>1,883,339</u>		<u>2,169,947</u>
Change in net position		<u>\$ 2,986,558</u>		<u>\$ 2,219,027</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, 2016**

	Project Author - ization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
<b>Revenues</b>					
Restricted intergovernmental:					
Federal grants					
CDBG grant	\$ 430,976	\$ -	\$ 430,976	\$ 430,976	\$ -
State grants					
HUC grant E-HUC-W-15-0004	1,879,380	-	-	-	(1,879,380)
HUC grant E-HUC-W-14-0002	577,600	-	147,568	147,568	(430,032)
Rural Center grant	823,250	149,932	673,318	823,250	-
Total revenues	<u>3,711,206</u>	<u>149,932</u>	<u>1,251,862</u>	<u>1,401,794</u>	<u>(2,309,412)</u>
<b>Expenditures</b>					
Construction					
Franklinton Water Projects	1,327,476	148,201	1,168,850	1,317,051	10,425
Franklin sewer HUC grant phase 1	577,600	-	278,277	278,277	299,323
Franklin sewer HUC grant phase 2	1,879,380	-	87,240	87,240	1,792,140
Total expenditures	<u>3,784,456</u>	<u>148,201</u>	<u>1,534,367</u>	<u>1,682,568</u>	<u>2,101,888</u>
<b>Revenues under expenditures</b>	<u>(73,250)</u>	<u>1,731</u>	<u>(282,505)</u>	<u>(280,774)</u>	<u>1,894,364</u>
<b>Other financing sources (uses)</b>					
Appropriated fund balance	73,250	-	-	-	(73,250)
Total other financing sources (uses) - net	<u>73,250</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(73,250)</u>
<b>Revenues, appropriated fund balance, and other financing sources over expenditures and uses</b>	<u>\$ -</u>	<u>\$ 1,731</u>	<u>\$ (282,505)</u>	<u>\$ (280,774)</u>	<u>\$ (280,774)</u>

**Franklin County, North Carolina**  
**Solid Waste Fund**  
**Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)**  
**For the Year Ended June 30, 2016**

	2016		Variance Positive (Negative)
	Budget	Actual	
<b>Revenues</b>			
Operating revenues			
Solid waste revenue	\$ 2,015,106	\$ 2,044,306	\$ 29,200
Landfill fees	1,235,000	1,218,688	(16,312)
Total	<u>3,250,106</u>	<u>3,262,994</u>	<u>12,888</u>
Nonoperating revenues:			
Operating grants	159,500	170,399	10,899
Interest earnings	-	187	187
Miscellaneous revenues	20,234	17,833	(2,401)
Total	<u>179,734</u>	<u>188,419</u>	<u>8,685</u>
Total revenues	<u>3,429,840</u>	<u>3,451,413</u>	<u>21,573</u>
<b>Expenditures</b>			
Salaries and employee benefits	790,610	794,601	(3,991)
Other operating expenditures	2,551,020	2,439,769	111,251
Capital outlay	88,210	92,510	(4,300)
Total expenditures	<u>3,429,840</u>	<u>3,326,880</u>	<u>102,960</u>
<b>Revenues under expenditures</b>	<u>\$ -</u>	<u>\$ 124,533</u>	<u>\$ 124,533</u>
<b>Reconciliation from budgetary basis (modified accrual) to full accrual</b>			
Revenues and other financing sources over expenditures		\$ 124,533	
Reconciling items			
Depreciation		(172,865)	
Capital outlay		92,160	
Decrease in net pension asset		(49,082)	
Increase in deferred outflows of resources - pensions		6,135	
Increase in net pension liability		(39,254)	
Decrease in deferred inflows of resources - pensions		92,907	
Decrease in accrued vacation pay		(5,608)	
Increase in other postemployment benefits		(34,582)	
Increase in landfill closure		8,336	
Total		<u>(101,853)</u>	
Change in net position		<u>\$ 22,680</u>	

## INTERNAL SERVICE FUNDS

---

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

---

- **Insurance Fund:** This fund is used to account for the County's insurance transactions.

**Franklin County, North Carolina**  
**Insurance Fund**  
**Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)**  
**For the Year Ended June 30, 2016**  
**(With Comparative Totals for the Year Ended June 30, 2015)**

	2016		Variance Positive (Negative)	2015
	Budget	Actual		Actual
<b>Revenues</b>				
Contributions from employees	\$ 1,100,000	\$ 730,123	\$ (369,877)	\$ 919,437
Contribution from General Fund	5,793,318	6,127,016	333,698	5,959,423
Contributions from Water & Sewer Fund	175,000	266,984	91,984	187,749
Contributions from Solid Waste	-	123,065	123,065	-
Interest earnings	-	10	10	(242)
Miscellaneous	30,000	18,995	(11,005)	14,212
Total revenues	7,098,318	7,266,193	167,875	7,080,579
<b>Expenditures</b>				
Health insurance	7,125,000	7,071,905	53,095	6,129,627
Property and liability insurance	300,000	288,420	11,580	257,796
Workers' compensation insurance	425,000	359,887	65,113	402,396
Unemployment claims	150,000	23,497	126,503	39,856
Total expenditures	8,000,000	7,743,709	256,291	6,829,675
<b>Revenues over (under) expenditures</b>	(901,682)	(477,516)	424,166	250,904
<b>Appropriated fund balance</b>	901,682	-	(901,682)	-
<b>Revenues and appropriated fund balance over (under) expenditures</b>	\$ -	(477,516)	\$ (477,516)	250,904
<b>Fund balances</b>				
Beginning of year, July 1		2,528,891		2,277,987
End of year, June 30		\$ 2,051,375		\$ 2,528,891
Reconciliation from financial plan basis (modified accrual) to full accrual:				
Total revenues		\$ 7,266,193		\$ 7,080,579
Total expenditures		7,743,709		6,829,675
Change in net position		\$ (477,516)		\$ 250,904

## 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, 2016**

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
<b>Social Services</b>				
Assets				
Cash and cash equivalents	\$ 71,856	\$ 275,956	\$ 284,249	\$ 63,563
Liabilities				
Miscellaneous liabilities	\$ 71,856	\$ 275,956	\$ 284,249	\$ 63,563
<b>Fines and Forfeitures</b>				
Assets				
Cash and cash equivalents	\$ 15,887	\$ 175,587	\$ 179,329	\$ 12,145
Liabilities				
Intergovernmental payable	\$ 15,887	\$ 175,587	\$ 179,329	\$ 12,145
<b>Motor Vehicle Tax</b>				
Assets				
Cash and cash equivalents	\$ -	\$ 2,780,887	\$ 2,780,887	\$ -
Liabilities				
Miscellaneous liabilities	\$ -	\$ 2,780,887	\$ 2,780,887	\$ -
<b>Jail Fund</b>				
Assets				
Cash and cash equivalents	\$ 36,439	\$ 395,790	\$ 386,370	\$ 45,859
Liabilities				
Miscellaneous liabilities	\$ 36,439	\$ 395,790	\$ 386,370	\$ 45,859
<b>Totals - All Agency Funds</b>				
Assets				
Cash and cash equivalents	\$ 124,182	\$ 3,628,220	\$ 3,630,835	\$ 121,567
Liabilities				
Miscellaneous liabilities	\$ 108,295	\$ 3,452,633	\$ 3,451,506	\$ 109,422
Intergovernmental payable	15,887	175,587	179,329	12,145
Total liabilities	\$ 124,182	\$ 3,628,220	\$ 3,630,835	\$ 121,567

## **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, 2016**

<u>Fiscal Year</u>	Uncollected Balance June 30, 2015	Additions	Collections And Credits	Uncollected Balance June 30, 2016
2015-2016	\$ -	\$ 42,309,704	\$ 41,703,477	\$ 606,227
2014-2015	672,641	-	422,007	250,634
2013-2014	325,751	-	121,753	203,998
2012-2013	205,414	-	43,354	162,060
2011-2012	154,942	-	23,958	130,984
2010-2011	130,385	-	19,499	110,886
2009-2010	109,992	-	18,460	91,532
2008-2009	92,997	-	10,712	82,285
2007-2008	84,707	-	7,555	77,152
2006-2007	79,233	-	5,239	73,994
2005-2006	65,339	-	65,339	-
	<u>\$ 1,921,401</u>	<u>\$ 42,309,704</u>	<u>\$ 42,441,353</u>	<u>1,789,752</u>
				51,760
				(151,000)
				<u>\$ 1,690,512</u>
				<b>Reconciliation with revenues</b>
				Ad valorem taxes - General Fund
				<u>\$ 41,992,798</u>
				Reconciling items:
				Amounts written off for 2005-2006 levy
				65,339
				Discounts and adjustments
				<u>383,216</u>
				Total reconciling items
				<u>448,555</u>
				Total collections and credits
				<u>\$ 42,441,353</u>

Franklin County, North Carolina  
 Analysis of Current Tax Levy  
 County - wide Levy  
 For the Year Ended June 30, 2016

	County - wide			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
<b>Original levy</b>					
Property taxed at current year's rate	\$ 3,890,263,874	0.9250	\$ 35,984,941	\$ 35,984,941	\$ -
Motor vehicles taxed at current year's rate	510,175,459	0.9250	4,719,123	-	4,719,123
Total	<u>4,400,439,333</u>		<u>40,704,064</u>	<u>35,984,941</u>	<u>4,719,123</u>
<b>Discoveries</b>	174,331,135	0.9250	1,612,563	1,612,563	-
<b>Abatements</b>	<u>(25,717,405)</u>	0.9250	<u>(237,886)</u>	<u>(237,762)</u>	<u>(124)</u>
Total	<u>\$ 4,549,053,063</u>		42,078,741	37,359,742	4,718,999
<b>Less uncollected taxes at June 30, 2016</b>			<u>606,227</u>	<u>600,223</u>	<u>6,004</u>
<b>Current year's taxes collected</b>			<u>\$ 41,472,514</u>	<u>\$ 36,759,519</u>	<u>\$ 4,712,995</u>
<b>Current levy collection percentage</b>			<u>98.56%</u>	<u>98.39%</u>	<u>99.87%</u>

**Franklin County, North Carolina  
Analysis of Current Tax Levy  
County-wide Levy  
For the Year Ended June 30, 2016**

**Secondary Market Disclosures:**

Assessed Valuation:		
Assessment Ratio <sup>1</sup>		100%
Real Property	\$	3,485,395,152
Personal Property		924,550,647
Public Service Companies <sup>2</sup>		139,107,264
Total Assessed Valuation	\$	<u>4,549,053,063</u>
Tax Rate per \$100		0.925
Levy (includes discoveries, releases and abatements) <sup>3</sup>	\$	42,078,741

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, 2016:

Fire Protection Districts	\$	3,269,858
---------------------------	----	-----------

<sup>1</sup> Percentage of appraised value has been established by statute.

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

<sup>3</sup> The levy includes interest and penalties.

**Franklin County, North Carolina**  
**Ten Largest Taxpayers**  
**For the Year Ended June 30, 2016**

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
Novozymes North America Inc.	Manufacturing	\$ 173,458,534	3.81%
Duke Energy Center	Utility	56,797,734	1.25%
Wake Electric Membership Corporation	Utility	34,602,443	0.76%
Carolina Telephone	Utility	19,918,171	0.44%
K-Flex USA LLC	Manufacturing	18,742,807	0.41%
Amcors Rigid Plastics LLC	Manufacturing	15,706,210	0.35%
Public Service Co. of NC, Inc.	Utility	13,803,590	0.30%
Xerium Technologies	Manufacturing	12,164,406	0.27%
Southern Lithoplate	Manufacturing	11,766,051	0.26%
Franklin County	Government	11,224,145	0.25%
Total		<u>\$ 368,184,091</u>	<u>8.09%</u>

# STATISTICAL SECTION

---

## **Financial Trends**

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

## **Revenue Capacity**

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

## **Debt Capacity**

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

## **Demographic and Economic Information**

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

## **Operating Information**

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

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

	Fiscal Year Ended				
	2016	2015	2014	2013	2012
Governmental activities					
Net investment in capital assets	\$ 46,734,481	\$ 33,798,587	\$ 33,141,451	\$ 30,485,649	\$ 26,677,972
Restricted	13,420,202	12,618,500	10,485,680	4,809,599	3,912,076
Unrestricted	<u>(51,142,621)</u>	<u>(60,192,165)</u>	<u>(64,722,957)</u>	<u>(62,311,839)</u>	<u>(62,555,157)</u>
Total governmental activities net position	<u>\$ 9,012,062</u>	<u>\$ (13,775,078)</u>	<u>\$ (21,095,826)</u>	<u>\$ (27,016,591)</u>	<u>\$ (31,965,109)</u>
Business-type activities					
Net investment in capital assets	\$ 20,815,587	\$ 16,926,449	\$ 15,622,605	\$ 13,508,654	\$ 12,421,870
Unrestricted	<u>1,432,932</u>	<u>(321,710)</u>	<u>4,020,017</u>	<u>4,715,821</u>	<u>3,426,618</u>
Total business-type activities net position	<u>\$ 22,248,519</u>	<u>\$ 16,604,739</u>	<u>\$ 19,642,622</u>	<u>\$ 18,224,475</u>	<u>\$ 15,848,488</u>
Primary government					
Net investment in capital assets	\$ 67,550,068	\$ 50,725,036	\$ 48,764,056	\$ 43,994,303	\$ 39,099,842
Restricted	13,420,202	12,618,500	10,485,680	4,809,599	3,912,076
Unrestricted	<u>(49,709,689)</u>	<u>(60,513,875)</u>	<u>(60,702,940)</u>	<u>(57,596,018)</u>	<u>(59,128,539)</u>
Total primary government net position	<u>\$ 31,260,581</u>	<u>\$ 2,829,661</u>	<u>\$ (1,453,204)</u>	<u>\$ (8,792,116)</u>	<u>\$ (16,116,621)</u>

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

**Table 1**

<b>Fiscal Year Ended</b>				
<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
\$ 25,866,534	\$ 22,185,107	\$ 11,105,092	\$ 22,829,989	\$ 24,016,990
6,029,114	-	-	-	-
<u>(66,760,973)</u>	<u>(38,579,992)</u>	<u>(17,970,151)</u>	<u>(30,128,888)</u>	<u>(17,329,425)</u>
<b>\$ (34,865,325)</b>	<b>\$ (16,394,885)</b>	<b>\$ (6,865,059)</b>	<b>\$ (7,298,899)</b>	<b>\$ 6,687,565</b>
\$ 11,252,930	\$ 10,171,373	\$ 7,884,229	\$ 7,639,425	\$ 10,041,448
3,731,203	4,070,904	5,620,515	6,098,885	3,760,491
<u>\$ 14,984,133</u>	<u>\$ 14,242,277</u>	<u>\$ 13,504,744</u>	<u>\$ 13,738,310</u>	<u>\$ 13,801,939</u>
\$ 37,119,464	\$ 32,356,480	\$ 18,989,321	\$ 30,469,414	\$ 34,058,438
6,029,114	-	-	-	-
<u>(63,029,770)</u>	<u>(34,509,088)</u>	<u>(12,349,636)</u>	<u>(24,030,003)</u>	<u>(13,568,934)</u>
<b>\$ (19,881,192)</b>	<b>\$ (2,152,608)</b>	<b>\$ 6,639,685</b>	<b>\$ 6,439,411</b>	<b>\$ 20,489,504</b>

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

	Fiscal Year Ended				
	2016	2015	2014	2013	2012
<b>Expenses</b>					
<b>Governmental Activities</b>					
General government	\$ 5,770,373	\$ 4,683,881	\$ 4,598,900	\$ 4,674,158	\$ 4,508,753
Public Safety	23,852,535	21,980,004	21,505,522	20,017,277	19,033,872
Economic and physical development	2,497,914	5,445,839	5,524,498	5,648,305	5,666,603
Environmental protection	-	235,498	-	-	-
Human services	18,588,512	17,901,400	17,850,805	17,708,407	17,260,614
Cultural and recreation	1,555,924	1,445,953	1,598,599	1,429,624	1,364,329
Education	15,962,006	15,838,646	14,613,120	13,775,500	16,132,388
Interest on long-term debt	2,293,631	2,962,772	2,991,751	3,261,900	3,492,294
<b>Total governmental activities expenses</b>	<b>70,520,895</b>	<b>70,493,993</b>	<b>68,683,195</b>	<b>66,515,171</b>	<b>67,458,853</b>
<b>Business-type activities</b>					
Solid Waste	3,434,463	-	-	-	-
Water and Sewer	7,972,215	7,254,705	6,620,881	6,386,886	6,123,230
<b>Total business-type activities expense</b>	<b>11,406,678</b>	<b>7,254,705</b>	<b>6,620,881</b>	<b>6,386,886</b>	<b>6,123,230</b>
<b>Total primary government expenses</b>	<b>81,927,573</b>	<b>77,748,698</b>	<b>75,304,076</b>	<b>72,902,057</b>	<b>73,582,083</b>
<b>Program Revenues</b>					
<b>Governmental activities:</b>					
<b>Charges for services:</b>					
General government	745,315	534,892	578,784	595,586	541,585
Public Safety	5,766,759	4,931,717	4,861,574	4,389,896	4,948,255
Economic and physical development	718,978	3,318,708	3,284,600	3,239,731	3,311,918
Human services	2,482,054	1,798,633	2,148,552	3,574,833	3,684,215
Cultural and recreation	108,465	131,376	72,065	89,943	77,204
Operating grants and contributions	15,245,460	12,742,188	11,852,730	10,949,922	10,818,184
Capital Grants and Contributions	13,645,950	431,926	423,335	516,634	278,754
<b>Total governmental activities program revenues</b>	<b>38,712,981</b>	<b>23,889,440</b>	<b>23,221,640</b>	<b>23,356,545</b>	<b>23,660,115</b>
<b>Business-type activities:</b>					
<b>Charges for services:</b>					
Solid waste	3,262,994	-	-	-	-
Water and sewer	9,641,474	9,248,628	8,538,074	8,863,609	7,340,277
Operating grants and contributions	-	-	-	-	-
Capital Grants and Contributions	1,422,261	149,932	-	298,969	87,562
<b>Total business-type activities program revenues</b>	<b>14,326,729</b>	<b>9,398,560</b>	<b>8,538,074</b>	<b>9,162,578</b>	<b>7,427,839</b>
<b>Total primary government program revenues</b>	<b>53,039,710</b>	<b>33,288,000</b>	<b>31,759,714</b>	<b>32,519,123</b>	<b>31,087,954</b>

**Table 2**  
**(cont.)**

<b>Fiscal Year Ended</b>					
<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	
\$ 4,481,582	\$ 4,888,153	\$ 5,619,743	\$ 4,325,531	\$ 7,154,891	
20,782,813	18,622,921	17,287,411	17,700,123	14,440,777	
5,859,582	5,223,772	5,734,787	5,694,167	2,627,867	
-	-	-	-	-	
17,258,277	16,250,663	18,243,826	18,321,190	18,251,014	
1,271,427	1,289,122	1,293,831	1,728,413	1,383,297	
35,878,008	27,490,479	16,985,160	32,065,518	12,209,081	
3,406,691	3,250,515	3,002,457	2,508,273	1,697,224	
<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>	
-	-	-	-	-	
6,035,793	6,105,211	6,222,719	5,944,894	5,679,134	
<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>94,974,173</u>	<u>83,120,836</u>	<u>74,389,934</u>	<u>88,288,109</u>	<u>63,443,285</u>	
554,148	854,040	318,880	374,128	690,055	
4,037,262	3,697,253	4,658,370	2,290,945	3,669,494	
3,095,018	3,430,203	2,701,616	2,709,670	2,509,345	
4,017,056	3,810,360	4,034,367	3,644,913	4,369,288	
135,234	67,437	131,291	30,394	70,066	
11,617,566	9,548,527	8,441,731	10,347,360	6,490,849	
2,261,375	1,717,348	1,751,120	1,279,853	1,257,057	
<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>	
-	-	-	-	-	
6,306,080	6,082,732	5,721,859	5,841,469	6,280,308	
-	-	215,239	-	-	
228,185	-	-	40,000	400,000	
<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>32,251,924</u>	<u>29,207,900</u>	<u>27,974,473</u>	<u>26,558,732</u>	<u>25,736,462</u>	

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

	Fiscal Year Ended				
	2016	2015	2014	2013	2012
<b>Net (Expense)/Revenue</b>					
Governmental activities	\$ (31,807,914)	\$ (46,604,553)	\$ (45,461,555)	\$ (43,158,626)	(43,798,738)
Business-type activities	2,920,051	2,143,855	1,917,193	2,775,692	1,304,609
Total primary government net expense	(28,887,863)	(44,460,698)	(43,544,362)	(40,382,934)	(42,494,129)
<b>General Revenues and Other Changes in Net Position</b>					
Governmental activities					
Taxes:					
Property Taxes	45,412,303	41,208,557	41,298,278	38,983,743	37,807,234
Sales Taxes	9,838,229	9,605,109	8,953,833	8,461,911	8,286,210
Investment Earnings	44,840	28,065	120,977	125,310	144,169
Miscellaneous - Unrestricted	807,923	181,287	166,619	211,280	20,726
Transfers	-	-	499,997	400,000	440,615
Total government activities	56,103,295	51,023,018	51,039,704	48,182,244	46,698,954
Business-type activities:					
Investment earnings/Misc.	61,968	41,269	951	295	360
Transfers	-	-	(499,997)	(400,000)	(440,615)
Total business-type activities	61,968	41,269	(499,046)	(399,705)	(440,255)
Total primary government	56,165,263	51,064,287	50,540,658	47,782,539	46,258,699
<b>Change in Net Position</b>					
Governmental activities	24,295,381	4,418,465	5,578,149	5,023,618	2,900,216
Business-type activities	2,982,019	2,185,124	1,418,147	2,375,987	864,354
Total primary government	\$ 27,277,400	\$ 6,603,589	\$ 6,996,296	\$ 7,399,605	\$ 3,764,570

Table 2

Fiscal Year Ended				
2011	2010	2009	2008	2007
(63,220,721)	(53,890,457)	(46,129,840)	(61,665,952)	(38,707,997)
498,472	(22,479)	(285,621)	(63,425)	1,001,174
(62,722,249)	(53,912,936)	(46,415,461)	(61,729,377)	(37,706,823)
37,416,033	37,246,830	34,714,146	33,151,702	30,083,554
7,317,661	7,326,661	9,526,281	11,207,755	11,152,255
178,881	762,901	532,190	1,741,188	2,170,710
72,989	346,728	1,616,200	1,313,221	1,513,097
(235,283)	(786,208)	194	265,622	(298,492)
44,750,281	44,896,912	46,389,011	47,679,488	44,621,124
8,101	16,154	52,249	265,418	131,441
235,283	786,208	(194)	(265,622)	298,492
243,384	802,362	52,055	(204)	429,933
44,993,665	45,699,274	46,441,066	47,679,284	45,051,057
(18,470,440)	(8,993,545)	259,171	(13,986,464)	5,913,127
741,856	779,883	(233,566)	(63,629)	1,431,107
\$ (17,728,584)	\$ (8,213,662)	\$ 25,605	\$ (14,050,093)	\$ 7,344,234

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

	<b>Fiscal Year Ended</b>				
	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
<b>General Fund</b>					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved - restricted	-	-	-	-	-
Unreserved - Undesignated	-	-	-	-	-
Nonspendable	30,251	40,694	60,806	-	27,220
Restricted	9,714,647	10,775,010	5,653,766	8,085,472	4,874,037
Assigned	1,800,632 *	2,887,299	5,718,864	5,579,298	3,863,440
Committed	741,796	692,991	667,991	-	-
Unassigned	15,546,250 **	10,466,697	8,832,006	12,664,770	13,201,066
<b>Total general fund</b>	<b>\$ 27,833,576</b>	<b>\$ 24,862,691</b>	<b>\$ 20,933,433</b>	<b>\$ 26,329,540</b>	<b>\$ 21,965,763</b>
<b>All other Governmental Funds</b>					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:					
Special revenue funds	-	-	-	-	-
Capital projects funds	-	-	-	-	-
Restricted	3,705,555 ***	1,843,490	4,831,914	622,702	955,510
Committed	494,422	494,422	1,025,062	3,211,250	3,248,775
Assigned	-	-	-	1,332,413	2,156,735
Unassigned	(433,941)	(15,605)	(246,604)	(50,028)	(330,823)
<b>Total all other governmental funds</b>	<b>\$ 3,766,036</b>	<b>\$ 2,322,307</b>	<b>\$ 5,610,372</b>	<b>\$ 5,116,337</b>	<b>\$ 6,030,197</b>

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

\* Assigned fund balance for the General Fund went down because less fund balance was assigned for subsequent years expenditures.

\*\* Unassigned fund balance for the General Fund increase due to \* above and because the County collected additional revenue of \$3,292,338 that was not budgeted. Expenditures were also \$2,568,758 less than budgeted. All of this accounted for \$5,079,553 in additional unassigned fund balance.

\*\*\* Other governmental funds restricted fund balance increased mainly due to the County setting up a special revenue Hospital Fund to account for funds received when the Hospital in Louisburg reverted back to the County.

Table 3

Fiscal Year Ended					
2011	2010	2009	2008	2007	
\$ -	\$ 3,525,597	\$ 3,124,757	\$ 2,481,839	\$ 4,106,149	
-	4,276,748	2,459,288	4,308,826	2,760,430	
-	13,312,790	13,569,126	11,455,767	11,730,851	
17,145	-	-	-	-	
3,752,353	-	-	-	-	
4,966,049	-	-	-	-	
-	-	-	-	-	
12,757,375	-	-	-	-	
<u>\$ 21,492,922</u>	<u>\$ 21,115,135</u>	<u>\$ 19,153,171</u>	<u>\$ 18,246,432</u>	<u>\$ 18,597,430</u>	
\$ -	\$ 6,313,368	\$ 3,661,522	\$ 4,699,959	\$ 2,925,146	
-	2,571,326	2,449,207	2,290,957	2,120,902	
-	1,130,004	1,112,012	1,386,415	13,107,522	
2,276,761	-	-	-	-	
2,121,012	-	-	-	-	
4,624,788	-	-	-	-	
(603,060)	-	-	-	-	
<u>\$ 8,419,501</u>	<u>\$ 10,014,698</u>	<u>\$ 7,222,741</u>	<u>\$ 8,377,331</u>	<u>\$ 18,153,570</u>	

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

	Fiscal Year Ended				
	2016	2015	2014	2013	2012
<b>Revenues</b>					
Ad Valorem Taxes	\$ 45,395,778	\$ 41,224,213	\$ 41,455,270	\$ 38,841,282	\$ 38,329,055
Sales Tax	9,838,229	8,903,735	8,146,600	7,644,488	7,358,931
Other taxes and licenses	737,971	896,393	1,021,437	942,946	1,006,100
Unrestricted Intergovernmental	-	-	-	-	-
Restricted Intergovernmental	15,369,151	12,704,197	11,762,899	10,987,782	10,616,499
Permits and Fees	-	-	-	-	-
Sales and service	9,824,427	10,666,244	10,994,928	11,984,301	12,607,499
Investment Earnings	50,357	28,210	144,476	142,629	143,458
Other revenues	388,285	505,267	417,558	479,556	358,755
<b>Total revenues</b>	<b>81,604,198</b>	<b>74,928,259</b>	<b>73,943,168</b>	<b>71,022,984</b>	<b>70,420,297</b>
<b>Expenditures</b>					
General government	5,388,439	4,480,127	4,364,374	4,426,858	4,107,482
Public Safety	22,709,419	21,937,502	21,149,148	19,065,915	18,371,117
Economic and Physical development	2,230,098	6,654,528	5,425,898	5,449,774	5,487,835
Human Services	18,018,799	17,668,892	17,409,472	17,001,115	16,549,400
Cultural and recreation	1,363,550	1,287,267	1,419,908	1,219,006	1,179,430
Education	15,962,006	15,908,006	14,613,120	13,775,500	13,368,084
Capital outlay	627,976	4,270,243	1,986,455	693,883	9,572,995
Debt service:					
Principal	8,883,550	7,177,550	8,127,550	8,072,550	9,272,608
Interest and other fees	2,653,308	3,037,428	3,101,575	3,392,405	3,516,979
<b>Total Expenditures</b>	<b>77,837,145</b>	<b>82,421,543</b>	<b>77,597,500</b>	<b>73,097,006</b>	<b>81,425,930</b>
Excess of revenues over (under) expenditures	3,767,053	(7,493,284)	(3,654,332)	(2,074,022)	(11,005,633)
<b>Other Financing Sources (Uses)</b>					
Transfers to other funds	(90,877)	(765,700)	(1,087,108)	(932,366)	(1,932,619)
Transfers from other funds	90,877	1,675,700	1,587,105	1,332,366	2,373,234
Sale of capital assets	-	-	-	-	-
Inc.(Dec) in reserve for inventory	-	-	-	-	-
Proceeds from long-term debt	-	2,150,000	3,000,000	-	8,638,480
Proceeds of refunded debt	18,005,000	-	-	-	-
Payment to refunded debt escrow	(16,338,537)	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>1,666,463</b>	<b>3,060,000</b>	<b>3,499,997</b>	<b>400,000</b>	<b>9,079,095</b>
<b>Net changes in fund balance</b>	<b>\$ 5,433,516</b>	<b>\$ (4,433,284)</b>	<b>\$ (154,335)</b>	<b>\$ (1,674,022)</b>	<b>\$ (1,926,538)</b>
Debt service as a percentage of noncapital expenditures	18.29%	13.22%	15.03%	16.08%	17.40%

Table 4

Fiscal Year Ended				
2011	2010	2009	2008	2007
\$ 37,536,902	\$ 37,383,075	\$ 34,403,249	\$ 32,680,351	\$ 30,126,452
6,446,864	7,326,661	9,526,281	11,207,755	11,152,255
1,114,672	452,625	565,845	299,491	289,430
-	436,869	552,577	637,646	348,831
13,278,682	10,489,372	10,066,937	9,360,249	7,905,708
-	1,425,010	1,196,976	2,268,394	2,154,766
11,860,295	10,305,981	10,836,080	9,097,445	9,431,137
200,150	853,869	532,190	1,739,204	2,143,720
319,977	339,916	306,259	120,879	172,869
<u>70,757,542</u>	<u>69,013,378</u>	<u>67,986,394</u>	<u>67,411,414</u>	<u>63,725,168</u>
4,079,502	4,585,485	4,822,336	4,947,681	6,887,064
20,273,574	18,155,489	16,896,492	16,989,641	14,136,087
5,743,666	4,888,291	5,419,791	5,397,420	5,128,599
17,011,497	15,933,092	17,436,101	18,410,690	17,937,867
1,156,108	1,148,243	1,346,031	1,625,597	1,286,120
13,240,333	13,007,248	13,196,086	13,061,750	12,209,081
25,660,883	15,140,139	4,189,528	19,902,241	20,280,156
5,995,766	5,134,503	4,920,907	3,837,682	2,738,778
3,377,959	3,078,744	3,004,725	2,508,273	1,697,224
<u>96,539,288</u>	<u>81,071,234</u>	<u>71,231,997</u>	<u>86,680,975</u>	<u>82,300,976</u>
<u>(25,781,746)</u>	<u>(12,057,856)</u>	<u>(3,245,603)</u>	<u>(19,269,561)</u>	<u>(18,575,808)</u>
(1,280,781)	(4,143,574)	(3,400,565)	(3,926,247)	(3,124,502)
1,045,498	3,357,366	3,400,759	4,191,869	2,826,010
-	-	-	245,728	5,000
(3,259)	(2,016)	(40,025)	-	(25,495)
24,802,878	17,600,000	-	8,600,000	34,095,000
-	-	14,905,000	-	-
-	-	(11,867,417)	-	-
<u>24,564,336</u>	<u>16,811,776</u>	<u>2,997,752</u>	<u>9,111,350</u>	<u>33,776,013</u>
<u>\$ (1,217,410)</u>	<u>\$ 4,753,920</u>	<u>\$ (247,851)</u>	<u>\$ (10,158,211)</u>	<u>\$ 15,200,205</u>
10.12%	10.35%	11.82%	9.50%	7.15%

Table 5

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

<b>Fiscal Year Ended June 30</b>	<b>Assessed Value</b>	<b>Net General Obligation Bonded Debt</b>	<b>Ratio of Net General Obligation Bonded Debt to Assessed Value</b>	<b>Population</b>	<b>Net General Obligation Bonded Debt Per Capita</b>
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
2016	4,549,053,063	49,587,425	1.0901%	64,220	772.15

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

Table 6

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

<b>Fiscal Year Ended June 30</b>	<b>Principal</b>	<b>Interest on Bonds</b>	<b>Total Debt Service</b>	<b>Total General Governmental Expenditures</b>	<b>Ratio of Debt Debt Service to Total General Governmental Expenditures</b>
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%
**2016	\$ 18,005,000	\$ 1,736,722	\$ 19,741,722	\$ 77,837,145	25.36%

Note: Includes General, Special Revenue and Capital Projects.

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

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

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

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

	Fiscal Year Ended				
	2016	2015	2014	2013	2012
Assessed Value of Taxable Property	\$ 4,549,053,063	\$ 4,403,456,577	\$ 4,407,282,825	\$ 4,210,387,188	\$ 4,123,952,206
	8.00%	8.00%	8.00%	8.00%	8.00%
<b>Debt Limit - 8 Percent of Assessed Value</b>	<u>363,924,245</u>	<u>352,276,526</u>	<u>352,582,626</u>	<u>336,830,975</u>	<u>329,916,176</u>
Gross debt					
Total bonded debt	49,587,425	53,362,598	57,035,000	60,985,000	64,945,000
Authorized and unissued bonds	11,400,000	11,400,000	11,400,000	11,400,000	11,400,000
Lease financing agreements*	<u>18,647,007</u>	<u>21,691,556</u>	<u>22,566,606</u>	<u>23,968,110</u>	<u>27,856,705</u>
Gross Debt	<u>79,634,432</u>	<u>86,454,154</u>	<u>91,001,606</u>	<u>96,353,110</u>	<u>104,201,705</u>
<b>Total net debt applicable to limit</b>	<u>79,634,432</u>	<u>86,454,154</u>	<u>91,001,606</u>	<u>96,353,110</u>	<u>104,201,705</u>
<b>Legal Debt Margin</b>	<u>\$ 284,289,813</u>	<u>\$ 265,822,372</u>	<u>\$ 261,581,020</u>	<u>\$ 240,477,865</u>	<u>\$ 225,714,471</u>
<b>Total net debt applicable to the limit as a percentage of debt limit</b>	21.88%	24.54%	25.81%	28.61%	31.58%

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

Table 7

Fiscal Year Ended				
2011	2010	2009	2008	2007
\$ 4,041,492,878	\$ 4,005,269,997	\$ 3,921,071,975	\$ 3,785,255,683	\$ 3,553,765,823
8.00%	8.00%	8.00%	8.00%	8.00%
323,319,430	320,421,600	313,685,758	302,820,455	284,301,266
68,915,000	47,490,000	31,730,000	38,800,000	32,325,000
11,400,000	35,400,000	53,000,000	53,000,000	8,600,000
24,520,833	27,941,600	31,236,102	28,389,423	27,762,105
104,835,833	110,831,600	115,966,102	120,189,423	68,687,105
104,835,833	110,831,600	115,966,102	120,189,423	68,687,105
\$ 218,483,597	\$ 209,590,000	\$ 197,719,656	\$ 182,631,032	\$ 215,614,161
32.42%	34.59%	36.97%	39.69%	24.16%

Table 8

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

	Fiscal Year Ended									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>County Direct Rates*</b>										
County-wide Rate	0.9250	0.8725	0.8725	0.8725	0.8725	0.8725	0.8725	0.8225	0.8225	0.7900
<b>Municipality Rates</b>										
Town of Bunn	0.6900	0.6900	0.6900	0.6900	0.6900	0.6900	0.6900	0.6900	0.6900	0.6900
Town of Franklinton	0.7200	0.7200	0.6800	0.7000	0.7000	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	0.5350	0.4850	0.4850
Town of Youngsville	0.6100	0.6100	0.5900	0.5900	0.5900	0.5900	0.5700	0.5400	0.5400	0.5600
City of Wake Forest	0.5200	0.5200	0.5100	0.5100	0.5100	0.5100	0.5100	0.5100	0.5500	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 Fiscal Years**

<b>Fiscal Year Ended June 30</b>	<b>Real Property</b>	<b>Personal Property</b>	<b>Public Service Company Property</b>	<b>Total Assessed Value</b>	<b>County Tax Rate</b>	<b>Estimated Actual Taxable Value</b>
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
2016	\$ 3,485,395,152	\$ 924,550,647	\$ 139,104,264	\$ 4,549,050,063	0.9250	\$ 42,078,713

Table 10

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

<b>Fiscal Year Ended June 30</b>	<b>Total Tax Levy</b>	<b>Current Tax Collections</b>	<b>% of Levy Collected</b>	<b>Delinquent Tax Collections</b>	<b>Total Tax Collections</b>	<b>Ratio of Total Tax Collections To Tax Levy</b>	<b>Outstanding Delinquent Taxes</b>	<b>Ratio of Delinquent Taxes to Tax Levy</b>
2007	\$ 27,868,736	\$ 27,060,824	97.10%	733,918	\$ 27,794,742	99.73%	\$ 73,994	0.27%
2008	30,961,515	29,829,374	96.34%	1,054,989	30,884,363	99.75%	77,152	0.25%
2009	32,209,611	30,897,685	95.93%	1,229,641	32,127,326	99.74%	82,285	0.26%
2010	34,914,376	33,729,914	96.61%	1,092,930	34,822,844	99.74%	91,532	0.26%
2011	35,262,025	34,231,511	97.08%	919,628	35,151,139	93.72%	110,886	6.28%
2012	35,981,483	35,113,228	97.59%	737,271	35,850,499	94.84%	130,984	5.16%
2013	36,735,628	35,765,603	97.36%	807,965	36,573,568	94.60%	162,060	5.40%
2014	38,453,543	37,664,398	97.95%	585,147	38,249,545	95.21%	203,998	4.79%
2015	38,420,159	37,747,518	98.25%	422,007	38,169,525	95.28%	250,634	4.72%
2016	\$ 42,078,741	\$ 41,472,514	98.56%	\$ -	\$ 41,472,514	98.56%	\$ 606,227	1.44%

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

<b>Fiscal Year Ended June 30</b>	<b>Ad Valorem Taxes</b>	<b>Sales Tax</b>	<b>Other Taxes and Licenses</b>	<b>Intergovernmental Revenues</b>	<b>Permit and Fees</b>	<b>Sales and Services</b>	<b>Investment Earnings</b>	<b>Miscellaneous Revenues</b>	<b>Total</b>
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
2016	\$ 45,395,778	\$ 9,838,229	\$ 737,971	\$ 15,369,151	\$ -	\$ 9,824,427	\$ 50,357	\$ 388,285	\$ 81,604,198

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

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

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

Fiscal Year	Governmental Activities			Business-type Activities			Total Primary Government
	General Obligation Bonds	Installment Financings	Certificates of Participation	General Obligation Bonds	Installment Financings	Certificates of Participation	
2007	\$ 32,325,000	\$ 4,131,424	\$ 23,630,681	\$ -	\$ 2,520,000	\$ 16,407,221	\$ 79,014,326
2008	38,800,000	3,602,169	22,447,254	-	2,340,000	15,572,547	82,761,970
2009	31,730,000	17,851,103	13,384,999	-	11,250,300	7,328,248	81,544,650
2010	47,490,000	15,266,600	12,675,000	-	10,370,900	6,750,375	92,552,875
2011	68,915,000	12,555,833	11,965,000	-	9,469,500	6,158,184	109,063,517
2012	65,727,292	16,596,705	11,260,000	-	8,738,533	5,549,606	107,872,136
2013	61,726,118	13,408,110	10,560,000	-	8,015,533	4,923,882	98,633,643
2014	57,693,772	12,711,606	9,855,000	-	7,284,227	4,279,272	91,823,877
2015	53,362,598	12,541,556	9,150,000	-	9,118,610	3,616,009	87,788,773
2016	\$ 59,587,425	\$ 10,202,007	\$ 8,445,000	\$ -	\$ 7,934,376	\$ 2,933,631	\$ 89,102,439

Table 12

	<b>Per Capita Income</b>	<b>Personal Income</b>	<b>Percentage of Personal Income</b>	<b>Population</b>	<b>Debt Per Capita</b>
\$	25,890	\$ 1,414,126,000	5.5875%	55,886	\$ 1,414
	26,419	1,464,955,000	5.6495%	56,470	1,466
	26,419	1,579,458,000	5.1628%	57,332	1,422
	21,664	1,282,530,464	7.2164%	59,201	1,563
	29,228	1,756,250,000	6.2100%	60,619	1,799
	29,071	1,768,529,000	6.0995%	61,651	1,750
	29,670	1,814,052,000	5.4372%	61,633	1,600
	31,063	1,909,608,000	4.8085%	62,697	1,465
	31,826	2,000,599,000	4.3881%	63,848	1,375
\$	31,852	\$ 2,045,535,440	4.3559%	64,220	\$ 1,387

Table 13

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

<b>Fiscal Year Ended June 30</b>	<b>General Government</b>	<b>Public Safety</b>	<b>Transportation</b>	<b>Economic and Physical Development</b>	<b>Human Services</b>	<b>Cultural &amp; Recreation</b>	<b>Education</b>	<b>Capital Outlay</b>	<b>Debt Service</b>	<b>Total</b>
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
2016	\$ 5,388,439	\$ 22,709,419	\$ -	\$ 2,230,098	\$ 18,018,799	\$ 1,363,550	\$ 15,962,006	\$ 627,976	\$ 11,536,858	\$ 77,837,145

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, 2016**

	<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	\$ 49,587,425	\$ 21,691,556	100.00%	\$ 71,278,981
Underlying:				
Town of Louisburg	-		0.00%	-
Town of Bunn	16,000		100.00%	16,000
Town of Youngsville	-		0.00%	-
Town of Franklinton	-		100.00%	-
Subtotal	<u>16,000</u>			<u>16,000</u>
Totals	<u>\$ 49,603,425</u>			<u>\$ 71,294,981</u>

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

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

Table 15

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

<b>Fiscal Year Ended June 30</b>	<b>Population</b>	<b>Personal Income</b>	<b>Per Capita Income</b>	<b>Median Age</b>	<b>Education Level in Years of Schooling</b>	<b>School Enrollment</b>	<b>Unemployment Rate</b>
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%
2016	64,220	2,045,535,440	31,852	40.00	N/A	8,570	5.00%

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**

<b>Employer</b>	<b>Fiscal Year Ending 2016</b>			<b>Fiscal Year Ending 2007</b>		
	<b>Employees</b>	<b>Rank</b>	<b>% of Total Employment</b>	<b>Employees</b>	<b>Rank</b>	<b>% of Total Employment</b>
Novozymes North America	552	1	4.86%	435	3	3.73%
Century Link	400	2	3.52%	480	2	4.11%
Wal-Mart	250	3	2.20%	140	9	1.20%
Food Lion LLC	200	4	1.76%	175	7	1.50%
K-Flex USA	195	5	1.72%	N/A	N/A	N/A
Eaton Corporation	184	6	1.62%	N/A	N/A	N/A
Amcor Rigid Plastics	150	7	1.32%	N/A	N/A	N/A
Captive-Aire Systems	131	8	1.15%	150	8	1.29%
Trulite Glass & Aluminum Solutions	129	9	1.13%	N/A	N/A	N/A
Palziv North America	120	10	1.06%	N/A	N/A	N/A
Flextronics	N/A	N/A	N/A	750	1	6.43%
Franklin Regional	N/A	N/A	N/A	315	4	2.70%
Nomaco	N/A	N/A	N/A	225	5	1.93%
The Hon Company	N/A	N/A	N/A	200	6	1.71%
Louisburg College	N/A	N/A	N/A	138	10	1.18%
Total	<u>2,311</u>		<u>20.34%</u>	<u>3,008</u>		<u>25.78%</u>

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									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>General Government:</b>										
Manager/Administration	5	5	5	5	5	5	6	4	4	3
Information Technology	3	3	3	3	3	3	3	2	2	2
Elections	3	3	3	3	3	3	3	3	3	3
Finance Office	5	5	5	5	5	5	5	5	5	6
Tax Assessor	8	8	8	9	9	9	9	9	9	9
Tax Collector	5	5.5	5.5	6	6	5	6	5	5	5
Register of Deeds	4	4	4	4	4	4	5	5	5	5
Planning	5	5	5	5	5	5	5	5	7	7
Public Buildings-Maintenance	12	12	12	12	12	12	12	12	12	12
<b>Public Safety:</b>										
Inspections	7	6	6	6	6	6	8	8	9	9
GIS	3	3	3	3	3	3	3	3	3	3
Sheriff's Department	74	74	74	67	67	59	70	64	63	61
Communications - E911	20	18	18	17	17	17	18	17	17	14
Jail Operations	38	36	35	35	35	33	35	33	41	40
Emergency Medical Services	67	67	67	48	48	54	58	54	59	46
Emergency Management	3	3	3	3	3	3	3	4	4	4
Animal Control	6	6	6	5	5	5	5	5	5	5
<b>Economic and physical development:</b>										
Solid Waste-Landfill	6	6	6	6	6	6	6	6	6	6
Soil and Water Conservation	3	3.5	3.5	4	4	4	4	4	4	4
Airport Operations	3	3	3	3	3	3	3	3	3	1
Cooperative Extension	0	0	0	0	0	3	0	3	3	3
Economic Development	3	3	3	3	3	3	3	3	3	3
<b>Human Services:</b>										
Health Department	52	51	51	58	58	59	63	59	66	70
Social Services	92	101	102	101	101	97	99	91	93	92
Aging Department	8	7	7	7	7	9	11	11	11	11
Veterans Services	1	1	1	1	1	1	1	2	2	2
<b>Cultural and recreation:</b>										
Library	9	9	9	9	9	9	9	9	8	8
Recreation	5	4	4	4	3	3	3	3	3	4
<b>Water and Sewer Department</b>	<u>27</u>	<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>
<b>Total Full-Time Positions</b>	<u>477</u>	<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>

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

Source: Franklin County Finance Office

Table 18

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

<b>Fiscal Year Ended June 30</b>	<b>Residential</b>		<b>Commercial</b>		<b>Total Value</b>
	<b>Number of Permits</b>	<b>Value</b>	<b>Number of Permits</b>	<b>Value</b>	
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
2016	499	\$ 69,309,377	48	\$ 10,977,039	\$ 80,286,416

SOURCE: Franklin County Planning Department

Table 19

**Franklin County, North Carolina  
Principal Taxpayers  
Current Year and Ten Years Ago  
For Fiscal Year Ended 2016**

Taxpayer	2016				2007			
	Rank	Assessed Valuation	Percentage of Total Assessed Valuation	Property Taxes Paid	Rank	Assessed Valuation	Percentage of Total Assessed Valuation	Property Taxes Paid
Novozymes North America	1	\$ 173,458,534	3.86%	\$ 1,604,491	1	\$ 91,844,744	2.57%	\$ 725,573
Duke Energy	2	56,797,734	1.26%	525,379	3	50,583,549	1.42%	399,610
Wake Electric	3	34,602,443	0.77%	320,073	4	47,677,099	1.34%	376,649
Carolina Telephone	4	19,918,171	0.44%	184,243	-	-	-	-
K-Flex USA	5	18,742,807	0.42%	173,371	2	74,045,953	2.07%	584,963
Amcor Pharmaceutical	6	15,706,210	0.35%	145,282	-	-	-	-
Public Service Company	7	13,803,590	0.31%	127,683	-	-	-	-
Xerium Technologies	8	12,164,406	0.27%	112,521	-	-	-	-
Southern Lithoplate	9	11,766,051	0.26%	108,836	7	12,372,505	0.35%	97,743
Franklin County Hospital	10	11,046,956	0.25%	102,184	-	-	-	-
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
<b>Totals</b>		<u>\$ 368,006,902</u>	<u>8.19%</u>	<u>\$ 3,404,063</u>	<b>Totals</b>	<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 Fiscal Years

<b>Fiscal Year Ended June 30</b>	<b>Special Assessment Billings</b>	<b>Special Assessment Collections</b>
2007	\$ -	\$ 42,076
2008	-	1,860
2009	-	477
2010	-	-
2011	-	-
2012	-	-
2013	-	-
2014	-	-
2015	-	-
2016	-	-

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

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

<b>Function/Program</b>	<b>Fiscal Year Ended</b>				
	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
<b>General Government:</b>					
Registered voters	43,040	40,455	40,407	39,622	40,275
New Residential Building Permits	499	190	284	245	245
Land parcels	38,909	38,748	38,748	38,522	38,522
Tax bills mailed	44,591	43,897	43,348	99,007	99,007
Marriage licensed issued	317	357	326	311	303
<b>Public Safety:</b>					
Physical arrests	2,148	2,077	2,627	2,696	2,021
Ave monthly jail inmate count	182	156	168	155	160
E 911 emergency calls received	71,514	71,330	19,846	67,756	67,756
EMS/Rescue calls made	8,316	5,331	5,245	4,948	4,700
<b>Economic and physical development:</b>					
Tons of trash handled at landfill	38,020	34,180	31,942	31,500	31,186
Aircraft based at county airport	125	125	123	110	102
<b>Human services:</b>					
Number of medicaid eligibles	14,454	11,801	12,671	11,701	11,701
Number of Food Stamp eligibles	10,112	11,112	11,461	11,355	11,355
Number of hospitals	-	1	1	1	1
Number of patient beds	-	2	2	70	70
<b>Cultural and Recreation</b>					
Number of public libraries	4	4	4	4	4
Number of volumes	106,972	103,262	143,569	105,000	105,000
Number of parks and ball fields	4	4	4	4	4
<b>Water and Sewer:</b>					
Number of customers - water	5,593	5,332	3,983	3,189	3,189
Average daily consumption (gals)	1,900,000	2,100,000	2,000,000	2,058,000	2,058,000
Miles of water lines	192	192	162	161	161
Miles of sewer lines	80	80	62	47	47

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

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

Table 21

Fiscal Year Ended				
2011	2010	2009	2008	2007
36,326	36,326	36,454	34,478	31,500
785	785	936	507	794
39,650	39,650	39,500	39,451	39,039
122,215	122,215	121,100	120,800	118,875
307	307	324	344	320
425	425	N/A	360	360
150	150	160	125	125
62,563	62,563	60,353	60,741	49,876
6,397	6,397	5,891	6,283	6,231
31,256	31,256	29,802	34,323	34,059
85	85	78	79	85
10,026	10,026	9,311	8,928	8,465
8,815	8,815	7,788	6,202	5,888
1	1	1	1	1
70	70	70	85	85
4	4	4	4	4
89,563	89,563	107,615	107,615	107,615
4	4	3	3	3
2,894	2,894	2,889	2,689	2,613
1,785,000	1,785,000	1,800,000	1,689,000	2,039,587
161	161	160	153	146
46	46	45	37	32

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

Function/Program	Fiscal Year Ended				
	2016	2015	2014	2013	2012
<b>General Government:</b>					
County office buildings	3	3	3	3	3
Vehicles	3	3	3	3	2
<b>Public Safety:</b>					
Stations	5	5	5	5	5
Vehicles	110	84	74	74	72
<b>Economic and Physical Development:</b>					
Vehicles	2	2	2	2	2
Buildings	1	1	1	1	1
<b>Cultural and Recreation</b>					
Acreage	220	90	90	90	90
Playgrounds	4	4	4	4	4
Baseball fields	4	4	4	4	4
Softball fields	3	3	3	3	3
Football fields	1	1	1	1	1
Parks buildings	1	1	1	1	1
Library buildings	4	4	4	4	4
Vehicles	4	6	6	6	6
<b>Water and Sewer</b>					
Water mains (miles)	165	192	162	160	160
Fire hydrants*	1000	1000	175	175	175
Elevated tanks	6	6	3	3	3
Storage capacity (gallons)	1,290,000	1,250,000	1,000,000	1,000,000	1,000,000
Sewer mains (miles)	62	80	362	47	45
Treatment capacity (gallons)	4,000,000	3,000,000	3,000,000	3,000,000	3,000,000

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

Table 22

Fiscal Year Ended				
2011	2010	2009	2008	2007
3	3	3	3	3
2	2	2	2	2
5	5	5	5	4
75	75	70	70	62
2	2	2	2	2
1	1	1	1	1
90	90	78	78	78
4	4	3	3	2
4	4	3	3	3
3	3	2	2	2
1	1	1	1	1
1	1	1	1	1
4	4	4	4	4
6	6	6	6	6
160	160	160	152	146
175	175	175	150	115
3	3	3	3	3
1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
45	45	45	37	32
3,000,000	3,000,000	3,000,000	3,000,000	3,000,000

Table 23

**Franklin County, North Carolina  
Other Statistical Information  
June 30, 2016**

<b>Date of establishment</b>	1,779
<b>Form of government</b>	Commissioner/Manager
<b>Employees:</b>	
Full-time, regular	487
Part-time, regular	227
<b>Franklin County facilities and services</b>	
Sheriff protection	
Number of stations	5
Number of deputies and officers	94
Number of patrol units	29
<b>Inspections</b>	
Residential Building permits issued	499
<b>Cultural and recreational</b>	
Number of libraries	4
Number of volumes	106,972
<b>Water and Sewer</b>	
Number of customers	5,593
Average daily consumption (in gallons)	1,900,000
Miles of water mains	192
Miles of sanitary sewers	80
<b>Facilities and services not included in the primary government</b>	
<b>Hospitals</b>	
Number of hospitals	-
Number of patient beds	-
<b>Facilities and services not included in the reporting entity</b>	
<b>Education</b>	
Number of school systems	3
Number of community colleges	1
Number of junior colleges	1
<b>Recreation</b>	
Golf Courses	2
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

---

## 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 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, 2016, and the related notes to the financial statements, which collectively comprises Franklin County's basic financial statements, and have issued our report thereon dated December 20, 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 questioned costs to be a material weakness. [16-1].

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. During the audit, we did not identify any deficiencies in internal control that we consider to be significant deficiencies.

---

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

www.wwcecpa.com



### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Franklin County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Governmental Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 16-1.

### **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.

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

Winston, Williams, Creech, Evans & Company, LLP  
Certified Public Accountants  
Oxford, NC  
December 20, 2016

# 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

---

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

### Independent Auditor's Report

To the Board of County Commissioners  
Franklin County, North Carolina

#### Report on Compliance for Each Major Federal Program

We have audited Franklin County, North Carolina, compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on Franklin County's major federal programs for the year ended June 30, 2016. Franklin County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### Management's Responsibility

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

#### Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Franklin County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Those standards, OMB Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Franklin County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

#### Opinion on 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, 2016.

---

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

www.wwcecpa.com



## **Other matters**

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 16-2 and 16-3. Our opinion on each of the major federal program is not modified with respect to these matters.

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

## **Report on Internal Control over Compliance**

Management of Franklin County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Franklin County's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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 16-2 and 16-3 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

Winston, Williams, Creech, Evans & Company, LLP  
Certified Public Accountants  
Oxford, NC  
December 20, 2016

# 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

---

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

### Independent Auditor's Report

To the Board of County Commissioners  
Franklin County, North Carolina

#### Report on Compliance for Each Major State Program

We have audited 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, 2016. Franklin County's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### Management's Responsibility

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

#### Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Franklin County's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable sections of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, Uniform Guidance, *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, 2016.

---

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

www.wwcecpa.com



## **Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the applicable sections of the Uniform Guidance 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 16-2 and 16-3. 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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

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 16-2 and 16-3.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

Winston, Williams, Creech, Evans & Company, LLP  
Certified Public Accountants  
Oxford, NC  
December 20, 2016

**FRANKLIN COUNTY, NORTH CAROLINA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**Section I. Summary of Auditor's Results**

Financial Statements

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

Internal control over financial reporting:

- Material weakness(es) identified?       Yes      \_\_\_ No
- Significant Deficiency(s) identified?      \_\_\_ Yes       None reported

Noncompliance material to financial statements noted?       Yes      \_\_\_ No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified?      \_\_\_ Yes       No
- Significant Deficiency(s) identified?       Yes      \_\_\_ None reported

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

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

Identification of major federal programs:

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

Dollar threshold used to distinguish between Type A and Type B Programs      \$ 1,829,176

Auditee qualified as low-risk auditee?      \_\_\_ Yes       No

**FRANKLIN COUNTY, NORTH CAROLINA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

---

---

State Awards

Internal control over major State programs:

- Material weakness(es) identified? \_\_\_ Yes      X No
  
- Significant Deficiency(s) identified that are not considered to be material weaknesses X Yes      \_\_\_ None reported

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

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

Identification of major State programs:

Program Name  
Medical Assistance  
Palziv Building Reuse Grant  
Water Infrastructure Grant

---

**Section II – Financial Statement Findings**

---

**Finding 16-1**

**RESTATEMENT OF FUND BALANCE/NET POSITION**

**MATERIAL WEAKNESS  
MATERIAL NONCOMPLIANCE**

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

Condition: One item that required an adjustment involved booking a receivable for the Water and Sewer Fund for monies due from Novozymes to repay monies spent for a dedicated sewer lift station constructed in September 2014. The other item involved payment of \$910,000 in the prior year that was shown as a budgeted item and then was a reconciling entry for the conversion and should have been only included as part of the conversion. This \$910,000 involved an interfund receivable that was not set up appropriately in prior years. These amounts are larger than individual materiality for the General Fund and Water and Sewer Fund and are seen as a material weaknesses and material noncompliance due to the size of this correction.

Effect: A prior period adjustment was done to the financial statements that affected the fund balances in the General Fund and Water and Sewer Fund and net position for Business-type Activities.

Cause: In the past, the County made an agreement with Novozymes for reimbursement of the construction of a dedicated sewer lift station that would be paid back over a 10 year period. This receivable was never recorded. The County was just recognizing revenue when the payments were received. The payment of \$910,000 that was booked in the prior year was shown on the statement as a budgeted item and handled inappropriately as a reconciling item in the reconciliation. This payment was related to an interfund receivable that was not set up in the past.

**FRANKLIN COUNTY, NORTH CAROLINA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

---

---

Recommendation: All activity for receivables with agencies such as this should be recorded at the time the revenue is earned, measurable, and probable of collection. Payments for interfund loan reclassifications should be handled through the due to/due from accounts.

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

---

**Section III – Federal Award Findings and Questioned Costs**

---

**US Department of Health and Human Services**

**Centers for Medicare and Medicaid Services**

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

Program Name: Medical Assistance Program

CFDA #: 93.778

**Finding: 16-2**

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 certification and recertification and any hits documented and determined whether they are included in budget/eligibility determination. If income is deemed to be non-countable for purposes of determining eligibility, the case file should contain documentation of that determination. Total monthly income from a completed budget is then compared to and must be lower than the State provided maintenance amount for the respective Medicaid program.

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

Questioned Costs: Questioned costs totaled \$210 for these cases.

Context: Out of 91 Medicaid files tested and a total of 136 certifications / recertifications income and budgeting errors were found in the adult Medicaid files we tested. Out of 62 adult Medicaid files were reviewed and a total of 109 certifications/recertifications one case improperly calculated the patient's PML due to allowing an unmet medical needs deduction for Medicare premiums for too many months, one budget did not include VA benefits that were verified, one file did not calculate monthly alimony correctly as it used only 1 month instead of the required average of 3 months, and one case contained an error in 3 separate certifications in which rental income was overstated since 100% of the rent was included in income when the person did not own 100% of the property.

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

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

**FRANKLIN COUNTY, NORTH CAROLINA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

---

---

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

Views of responsible officials and planned corrective actions: Medicaid (MA) supervisor has reviewed all above with staff to ensure future accuracy. The Quality Assurance (QA) supervisor will conduct second party reviews for accuracy. The QA supervisor utilizes a comprehensive tool and identifies any problems with the MA supervisor. The MA supervisor ensures that any corrections are made immediately, and training on any issues is completed.

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

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

Program Name: Medical Assistance Program

CFDA #: 93.778

**Finding 16-3**

SIGNIFICANT DEFICENCY  
SIGNIFICANT NONCOMPLIANCE

Liquid Assets and Reserve Calculations for Eligibility

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

Condition: Four files contained seven errors with the calculation of liquid asset reserves.

Questioned Costs: There are no questioned costs.

Context: Liquid assets are required to be verified in adult Medicaid cases. Out of a total of 62 adult Medicaid files a total of 109 certifications/recertifications were reviewed, four of those files included seven certifications/recertifications that contained an error with the calculation of liquid assets. One certification overstated the cash that was confirmed, one file exempted two vehicles as essential for transportation when only one vehicle should be exempted therefore understating liquid assets, two certifications/recertifications within one file exempted a vehicle as not being the applicant's without proper confirmation that the car was used by and being paid for by another person, one file did not properly include the cash surrender value of a life insurance policy in NCFast, and two certifications/recertifications in one file did not properly exclude a life insurance policy that had been signed over to a funeral home.

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

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

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

**FRANKLIN COUNTY, NORTH CAROLINA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

---

---

Views of responsible officials and planned corrective actions: Medicaid (MA) supervisor has reviewed all above with staff to ensure future accuracy. The Quality Assurance (QA) supervisor will conduct second party reviews for accuracy. The QA supervisor utilizes a comprehensive tool and identifies any problems with the MA supervisor. The MA supervisor ensures that any corrections are made immediately, and training to any issues is completed.

---

**Section IV – State Award Findings and Questioned Costs**

---

See Findings 16-2 and 16-3

**FRANKLIN COUNTY, NORTH CAROLINA  
CORRECTIVE ACTION PLAN  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

---

---

**Section II – Financial Statement Findings**

---

**Finding 16-1**

Name of contact person: Mitchell Robinson

Corrective Action: The County will conduct reviews to ensure that all items where revenue recognition criteria have been met have been recorded in the financial statements. The County will also continue to review transactions that are non-routine in nature to ensure they are recorded correctly in fund statement and reflected correctly in the entity-wide financial statements.

Proposed Completion Date: June 30, 2017

---

**Section III – Federal Award Findings and Questioned Costs**

---

**Finding: 16-2**

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

Corrective Action: 91 Medicaid files were pulled for review. 62 Adult Medicaid files were pulled. Out of 91 cases, 6 cases had an audit finding to the county.

1 case improperly calculated the patient's PML due to allowing an unmet medical needs deduction for Medicare premiums for too many months. Supervisor has expressed the importance of double checking figures for accuracy.

1 case had an incorrect manual budget in the case file where the VA benefits were excluded; however, the VA benefits were entered in NCFAST and the system determine the correct eligibility. The manual budget in the case file is only for the caseworker reference. The correct eligibility was given with the NCFAST eligibility system.

1 case did not calculate monthly alimony correctly as it used only 1 month instead of the required average of 3 months. After recalculation, the case remains eligible. Supervisor has reviewed policy with staff to ensure future accuracy.

1 case contained an error in 3 separate certifications in which rental income was overstated since 100% of the rent was included in income with the person did not own 100% of the property. After recalculation, the case remains eligible. Supervisor has reviewed with staff for future cases.

**FRANKLIN COUNTY, NORTH CAROLINA  
CORRECTIVE ACTION PLAN  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

---

---

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

Proposed Completion Date: June 30, 2017

**Finding: 16-3**

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

Corrective Action: Out of a total of 62 adult Medicaid files a total of 109 certifications/recertification's were review, four of those files included seven certifications/recertification's that contained an error with the calculation of liquid assets.

1 case the certification overstated the cash that was confirmed. After entering correct patient account balance, case remains eligible. Supervisor has reviewed with staff the importance of double checking figures for accuracy.

1 case exempted two vehicles as essential for transportation when only one vehicle should be exempted therefore understating liquid assets. Case has been correct and remains eligible.

2 certifications/recertification's within one case exempted a vehicle as not being the applicant's without proper confirmation that the car was used by and being paid for by another person. Other party's statement has been added to case. Case remains eligible.

1 case did not properly include the cash surrender value of a life insurance policy in NCFAST. Correct cash value has been entered, case remains the same. Supervisor has expressed the importance of double checking work and figures before entering.

2 certifications/recertification's within once case did not properly exclude a life insurance policy that had been signed over to a funeral home. Case has been corrected and remains eligible. Supervisor has reviewed policy of countable and non-countable resources with staff.

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

Proposed Completion Date: June 30, 2017

**FRANKLIN COUNTY, NORTH CAROLINA  
CORRECTIVE ACTION PLAN  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

---

---

**Section IV – State Award Findings and Questioned Costs**

---

See Findings 16-2 and 16-3

**FRANKLIN COUNTY, NORTH CAROLINA  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

---

---

**Finding: 15-1**

Status: Corrected.

**Finding: 15-2**

Status: Corrected.

**Finding: 15-3**

Status: 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 a comprehensive tool by Quality Assurance Supervisor has reduced the errors discovered internally.

**Finding: 15-4**

Status: 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 has conducted second party reviews of child care cases to ensure accuracy.

**Finding: 15-5**

Status: Corrected

**Franklin County, North Carolina**  
**Schedule of Expenditures of Federal and State Awards**  
**For the Year Ended June 30, 2016**

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal. (Direct & Pass-through) Expenditures	State Expenditures
<b>Federal Awards:</b>				
<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		\$ 598,337	\$ 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		267,386	-
Direct Benefit Payments: Special Supplemental Nutrition Program for Women, Infants, & Children	10.557		931,081	-
Total U.S. Dept. of Agriculture			<u>1,796,804</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	502,104	-
Passed-through the N.C. Housing Finance Agency: Home Investment Partnerships Program	14.239		11,736	-
Total U.S. Dept. of Housing and Urban Development			<u>513,840</u>	<u>-</u>
<u>U.S. Dept. of Justice</u>				
<u>Bureau of Justice Assistance</u>				
Bulletproof Vest Partnership Program	16.607		9,557	-
<u>U.S. Dept. of Transportation</u>				
<u>Federal Aviation Administration</u>				
Passed-through the N.C. Dept. of Transportation: Airport Improvement Program	20.106		358,289	84,769
<u>U.S. Dept. of Cultural Resources</u>				
Passed-through the N.C. Dept. of Cultural and Natural Resources				
State Library of NC Institute of Museum and Library Services	45.310		750	-
<u>U.S. Dept. of Health and Human Services</u>				
<u>Administration for Community Living</u>				
Passed-through the Kerr-Tar Council of Governments:				
National Family Caregiver Support, Title III, Part E Aging Cluster:	93.052		6,200	413
Special Programs for the Aging - Title III F				
Special Programs for the Aging-Title III,Part B-Grants for Supportive Services and Senior Centers	93.044		87,052	5,121
Special Programs for the Aging-Title III, Part C-Nutrition Services	93.045		101,175	5,951
Nutrition Services Incentive Program	93.053		13,953	-
Total Aging Cluster			<u>202,180</u>	<u>11,072</u>
Social Services Block Grant - In Home Services	93.667		20,969	598
<u>Administration for Children and Families</u>				
Passed-through the N.C. Dept. Of Health and Human Services, Division of Social Services:				
Temporary Assistance for Needy Families	93.558		7,981	-
Temporary Assistance for Needy Families (TANF)	93.558		543,804	-
Direct Benefits Payments	93.558		221,012	-
Total TANF Cluster			<u>772,797</u>	<u>-</u>
Foster Care and Adoption Cluster:				
Foster Care-Title IV-E	93.658		169,583	20,272
Adoption Assistance - Administration	93.659		2,305	-
Foster Care-Title IV-E - Direct Benefits Payments	93.658		213,221	74,836
Adoption Assistance - Direct Benefits Payments	93.659		317,392	82,672
Total Foster Care and Adoption Cluster			<u>702,501</u>	<u>177,780</u>
Refugee and Entrant Assistance - Cash and Medical Payments	93.566		42	-
Low-Income Home Energy Assistance:				
Administration	93.568		42,632	-
Energy Assistance Payments - Direct Benefit Payments	93.568		270,300	-
Crisis Intervention	93.568		276,192	-
Promoting Safe and Stable Families	93.556		18,804	-
Stephanie Tubbs Jones Child Welfare Services Program	93.645		26,032	-
Social Services Block Grant	93.667		234,304	52,611
Child Support Enforcement	93.563		576,300	-
Chafee Foster Care Independence Program	93.674		11,244	2,811
Total Division of Social Services			<u>2,931,148</u>	<u>233,202</u>

**Franklin County, North Carolina**  
**Schedule of Expenditures of Federal and State Awards**  
**For the Year Ended June 30, 2016**

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal, (Direct & Pass-through) Expenditures	State Expenditures
Division of Child Development: Subsidized Child Care Cluster <u>Child Care Development Fund Cluster:</u> Division of Social Services: Child Care Development Fund-Administration	93.596		100,900	-
Division of Child Development: Child Care and Development Block Grant	93.575		997,358	-
Child Care and Development Fund - Mandatory	93.596		326,914	-
Child Care and Development Fund - Match	93.596		391,706	136,107
Total Child Care Development Fund Cluster			<u>1,816,878</u>	<u>136,107</u>
Temporary Assistance for Needy Families	93.558		289,211	-
Foster Care Title IV-E	93.658		20,157	10,326
State Appropriations			-	249,424
TANF-Maintenance of Effort			-	141,151
Total Subsidized Child Care Cluster			<u>2,126,246</u>	<u>537,008</u>
<u>Centers for Medicare and Medicaid Services</u>				
Passed-through the N.C. Dept. of Health and Human Services, Division of Medical Assistance: Direct Benefit Payments:				
Medical Assistance Program	93.778		49,854,237	27,041,990
Passed-through the N.C. Dept. of Health and Human Services, Division of Social Services: Administration:				
Medical Assistance Program	93.778		1,588,018	8,748
Total Medical Assistance Program			<u>51,442,255</u>	<u>27,050,738</u>
Passed-through the N.C. Dept. of Health and Human Services, Division of Medical Assistance: Direct Benefit Payments:				
Children's Health Insurance Program	93.767		1,149,296	56,467
Passed-through the N.C. Dept. of Health and Human Services, Division of Social Services: Administration:				
Children's Health Insurance Program	93.767		147,114	32,597
Total Children's Health Insurance Program			<u>1,296,410</u>	<u>89,064</u>
Passed-through the N.C. Dept. of Insurance, Division of SHIIP: Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations				
	93.779		1,303	-
<u>Office of Population Affairs</u>				
Passed-through the N.C. Dept. of Health and Human Services: Family Planning Services				
	93.217		35,641	-
<u>Centers for Disease Control and Prevention</u>				
Passed through the N.C. Dept. of Health and Human Services, Division of Public Health:				
Public Health Emergency Preparedness	93.069		33,439	-
Immunization Cooperative Agreements	93.268		11,510	-
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074		20,000	-
Project Grants and Coop. Agreements for Tuberculosis Control Programs	93.116		43	-
Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	93.758		30,991	-
HIV Prevention Activities-Health Department Based	93.940		2,000	-
Preventive Health Services-Sexually Transmitted Diseases Control Grants	93.977		510	-
Total Centers for Disease Control and Prevention			<u>98,493</u>	<u>-</u>
<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		74,437	55,834
Total U.S. Dept. of Health and Human Services			<u>58,235,282</u>	<u>27,977,929</u>
<u>U.S. Dept. of Homeland Security</u>				
Passed-through N.C. Dept. of Public Safety: Emergency Management Performance Grant				
	97.042		58,020	-
Total federal awards			<u>60,972,542</u>	<u>28,062,874</u>

**Franklin County, North Carolina**  
**Schedule of Expenditures of Federal and State Awards**  
**For the Year Ended June 30, 2016**

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Federal. (Direct &amp; Pass-through) Expenditures</u>	<u>State Expenditures</u>
<b>State Awards:</b>				
<u>NC Department of Agriculture</u>				
Division of Soil and Water Conservation Soil & Water Grants			-	26,629
<u>N.C. Dept. of Administration</u>				
Veteran Service Program			-	1,907
<u>N.C. Dept. of Cultural and Natural Resources</u>				
Division of State Library State Aid to Public Libraries			-	114,987
<u>N.C. Dept. of Health and Human Services</u>				
Division of Aging and Adult Services:				
State Appropriation - Home Delivered Meals, Access & In-Home Services			-	230,368
State Appropriation - Senior Center General Purpose			-	22,796
Total Division of Aging and Adult Services			-	253,164
Division of Social Services:				
State/County Special Assistance for Adults - Direct Benefit Payments			-	410,600
Adoption Subsidy - Direct			-	218,363
SFHF Maximization - Direct			-	80,393
Foster Care At Risk Maximization - Direct			-	259
State Foster Home - Direct			-	66,049
Energy Neighbors			-	12,914
Child Welfare/CPS			-	25,959
Smart Start			-	22,123
Total Division of Social Service			-	836,660
Division of Public Health:				
HMHC-Family Planning			-	2,296
Maternal Health (HMHC)			-	4,882
HIV/STD SSBG Aid			-	500
Sexually Transmitted Diseases			-	858
Food and Lodging Fees			-	7,210
Tuberculosis			-	14,184
General Aid to Counties			-	87,775
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			-	281,546
Total N.C. Dept. of Health and Human Services			-	1,371,370
<u>N.C. Dept. of Transportation</u>				
Rural Operating Assistance Program (ROAP) Cluster:				
ROAP Work First			-	16,378
ROAP Elderly and Disabled Transportation Assistance Program			-	58,850
ROAP Rural General Public Program			-	77,608
Total N.C. Dept. of Transportation			-	152,836
<u>N.C. Dept. of Environmental Quality</u>				
Division of Soil and Water Conservation DWM Electronics Mgt. Program			-	5,990
Division of Parks and Recreation PPA Off Waste Red Trust Fund			-	15,000
Total N.C. Dept. of Environmental Quality			-	20,990
<u>N.C. Dept. of Public Safety</u>				
JCPC Grant			-	136,286
<u>N.C. Dept. of Public Instruction</u>				
Public School Building Capital Fund			-	600,000
<u>N.C. Dept. of Commerce</u>				
Palziv Building Reuse Grant			-	500,000
Water Infrastructure Grant			-	673,318
Total N.C. Dept. of Commerce			-	1,173,318
Total State awards			-	3,598,323
Total Federal and State awards			\$ 60,972,542	\$ 31,661,197

**Franklin County, North Carolina**  
**Schedule of Expenditures of Federal and State Awards**  
**For the Year Ended June 30, 2016**

---

---

**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, 2016. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of Franklin County, it is not intended to and does not present the financial position, changes in net position or cash flows of Franklin County.

2. Summary of Significant Accounting Policies

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

3. Cluster of Programs

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