

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**
For the Fiscal Year Ended
June 30, 2016



Prepared by the
Granville County Finance Department

Finance Director
Stephen M. McNally

County of Granville
P. O. Box 1286
Oxford, NC 27565

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INTRODUCTORY SECTION



County Of Granville, North Carolina

Post Office Box 1286, Oxford, North Carolina 27565

County Administration
(919) 693-5240

December 28, 2016

**To the Board of County Commissioners and
To the Citizens of Granville County, North Carolina**

Maintaining the fiscal strength and stability of county government is perhaps the most important responsibility of the Board of County Commissioners. The Comprehensive Annual Financial Report (CAFR) of Granville County, North Carolina, for the fiscal year ended June 30, 2016, reflects the achievement of that goal. Each year this document is prepared to provide you with details about how the County receives, spends and accounts for its money, as well as key indicators of its financial strength.

The CAFR consists of management's representations 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 system of internal controls designed to protect County assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the County's financial statements in conformity with generally accepted accounting principles (GAAP), and to provide reasonable assurance that the financial statements will be free from material misstatement. Management does not expect that the County's internal controls will prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The County's financial statements have been audited by Winston, Williams, Creech, Evans & Company, LLP. The objective of the independent audit is to provide reasonable assurance that the financial statements of Granville County for the fiscal year ended June 30, 2016 are free from material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the County's financial statements for the fiscal year ended June 30, 2016 are fairly presented in conformity with GAAP. The

independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of Granville County was a part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements involving the administration of federal awards. Information related to the Single Audit, including a schedule of expenditures of federal and state awards, and a schedule of questioned costs is included in the compliance section of this report.

As required by GAAP, the Management Discussion and Analysis (MD&A) is presented in narrative form to introduce the basic financial statements and to provide an overview and analysis of the financial operations for the fiscal year ended June 30, 2016. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A is located immediately following the report of the independent auditor.

Financial Reporting Entity

The financial statements include all funds of Granville County, including all activities controlled by or dependent on the County. Control by, or dependence on the County was determined in accordance with the criteria established by the Governmental Accounting Standards Board (GASB) and included in the GASB's guidance in defining the governmental reporting entity.

The financial reporting entity includes all funds of Granville County, as well as its component units. Component units are legally separate entities for which Granville County is financially accountable.

Proprietary funds are used to account for a government's continuing business-type organizations and activities. The Granville County Board of Alcoholic Beverage Control, Granville Health System (Granville Medical Center), Granville County Tourism Development Authority and South Granville Memorial Gardens are component units of the County and are presented as proprietary funds. Most of the generally accepted accounting principles of proprietary funds are those applicable to similar private businesses.

Profile of Granville County

Granville County is a county nestled between the Virginia State line and the Raleigh-Durham-Chapel Hill metropolitan area. The local economy has shifted from traditional industries such as tobacco production and textiles to a more diverse industrial and service-based economy. This diversity has resulted in lower unemployment figures than some of the surrounding rural counties which have not transitioned as well. Granville County is proud to be home to globally competitive companies like Revlon, Bridgestone Commercial Solutions, N T Techno, Certainteed, Altec, CMP USA, Shalag, and many

others. These companies provide unique and interesting employment opportunities and are important contributors to the County's tax base. As a result of the diversity of industries and the outstanding quality of life in our community, Granville County is poised to prosper as state and national economic conditions improve.

Granville County is also home to numerous State and Federal facilities located in Butner, at the southwestern corner of the County. These facilities provide stable job opportunities and serve to meet State and Federal governmental needs such as mental health, correctional, and medical facilities. Many of the State and Federal employees reside in the County.

Outdoor recreational opportunities abound in Granville County due to the availability of large, sparsely populated areas that provide sportsmen (and sportswomen) excellent hunting, fishing, hiking, and other outdoor opportunities.

Granville County operates under the Commissioner/Manager form of government. Policy-making and legislative authority are vested in a seven-person governing Board of Commissioners (the "Board") elected by district to staggered four-year terms.

The Board is responsible for governing the County by adopting local ordinances, adopting an annual budget, and establishing annual property tax rates. The Board also hires the County Manager and appoints members to various Boards and Commissions. The Board may also call bond referendums, enter into contracts, and establish new programs.

The County Manager is the chief administrative officer of the County and serves at the pleasure of the Board. The major responsibilities of the Manager include the day-to-day supervision of the activities of the County departments, attendance at Board meetings, making recommendations on matters of business, and preparing and recommending the annual budget.

The County provides a full range of services including public safety, social services, health services, emergency medical services, cultural and recreational activities, general administration, and others. In addition to these general government functions, the County also provides solid waste management services. The Board of Commissioners extends financial support to various agencies and groups who are involved in serving our citizens. Among them are the Granville County Board of Education, volunteer fire departments, Vance-Granville Community College, the Kerr-Tar Council of Governments, Granville-Vance District Health Department, and Cardinal Innovations Healthcare Solutions – Five County Community Operations Center.

The annual budget provides the foundation for the County's financial planning and control. The budget is a legally adopted ordinance that is developed with input from citizens, county departments, and various agencies in the County. The Manager uses funding requests from all departments and agencies to develop a proposed budget that is presented to the Board for review.

Factors Affecting Economic Condition

Granville County has not been immune to the job losses in the textile, tobacco, and telecommunications industries over the last decade. The unemployment rate has mirrored that of the State and has steadily improved over the last year. In October 2015, the unemployment rate for Granville County was 4.9%, and in October 2016 it is at 5.1%.

The impact of the recession in the late 2000's has taken a toll on businesses and industries in Granville County. Fortunately most businesses and industries have been able to withstand this crisis so far without major layoffs or shutdowns. It appears that a recovery is continuing, but the speed of that recovery will continue to impact the local economy.

The County is a member of the thirteen-county Research Triangle Regional Partnership (RTRP). The County works closely with the RTRP to market the County to business prospects. The marketing is done through articles in national and international trade magazines, newspapers, and special advertising campaigns. The RTRP members work at the trade shows in the United States and Europe. Both the North Carolina Department of Commerce and the RTRP bring prospective clients to the County. The County is marketed as being able to offer most of the amenities of the Research Triangle Park without the high costs, traffic congestion, and other drawbacks of the densely populated areas.

The Research Triangle Park (the Park) contains 6,900 acres of land which has been reserved for research and research-oriented manufacturing. The Park celebrated fifty years of progress in 2009 and it is now home to over 100 private and governmental companies. Over 37,000 people are employed in the Park, which has over 15 million developed square feet of space.

The County, in partnership with three of its neighboring counties, is continuing to market the "Triangle North" industrial and business park project. The Granville County site, "Triangle North - Granville", is a 510 acre park focused on life science industries. This project is poised for significant potential growth due to its location relative to the Research Triangle Park.

Vance-Granville Community College is one of the finest industrial training institutions in the State. The public education in the County is strong and has students performing well. The local schools continue to leverage technology opportunities in order to keep students engaged. Students are better prepared for future educational and employment opportunities than ever before.

Short and Long Term Financial Planning

Many of the successes of the Board of County Commissioners can be attributed to the long-term planning efforts initiated by the Board. Examples include planning for both building capital and vehicle purchases. The annual appropriations are driven by five-year plans approved by the Board. This has greatly reduced the dependency on short-term

borrowing and has allowed positive fund balances to be carried into years where the needs exceed the annual appropriations. In fact, many mid-sized projects for Granville County have been funded on a pay-as-you-go basis because the funds were set-aside. The use of management's vehicle replacement schedule has eliminated the need for short term leasing of rolling stock.

The Governing Board also deliberates on funding for the General Fund departments in the context of a five-year funding plan. This allows the Board to better understand the financial impact of new programs in future fiscal years and has allowed advanced disclosure of the likelihood of future tax increases. Although a five-year plan may seem to be a short planning horizon, in local government it serves as an optimal, realistic time frame that decisionmakers can relate to effectively.

Other financial planning efforts include the programming of school debt service and the available revenue streams over a 15-20 year planning horizon and the five-year E-911 facilities plan. The school planning efforts have served to promote more effective discussions between the Board of Education and the Board of County Commissioners in developing projects to meet the school system's needs.

The Board is enhancing the overall long range planning process by requesting that, in FY 2016, the County manager and staff developed a five year County-wide strategic plan. As of the date of this letter, a plan has been developed and is being prepared to be presented to the Board for approval.

Key Investments in Economic Development Projects

The Board has made numerous strategic investments in new and expanding industrial plants in Granville County. The program relies on funds identified by the County for economic development projects that have a significant impact on the tax base while producing quality jobs. The program approved by the Board requires that funds be generated over a five-year period to replenish the funds utilized. The program has been touted by State economic development officials as innovative and highly effective in attracting new business to the community.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Granville County Government for its comprehensive annual financial report for the fiscal year ended June 30, 2015. This was the seventeenth consecutive year that the County has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of

Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

We appreciate the assistance and dedication of all employees in carrying out the services and programs approved by the Board of Commissioners. Preparation of this report would not have been possible without the dedicated efforts of the entire Finance Department staff and our independent auditors, Winston, Williams, Evans & Company, LLP. We also express our appreciation to the members of the Board of County Commissioners for their continued support, guidance, and advice in planning and conducting the financial activities of the County in a responsible and progressive manner. The County's excellent financial status is a tribute to their dedication and genuine concern about the quality of government in Granville County.

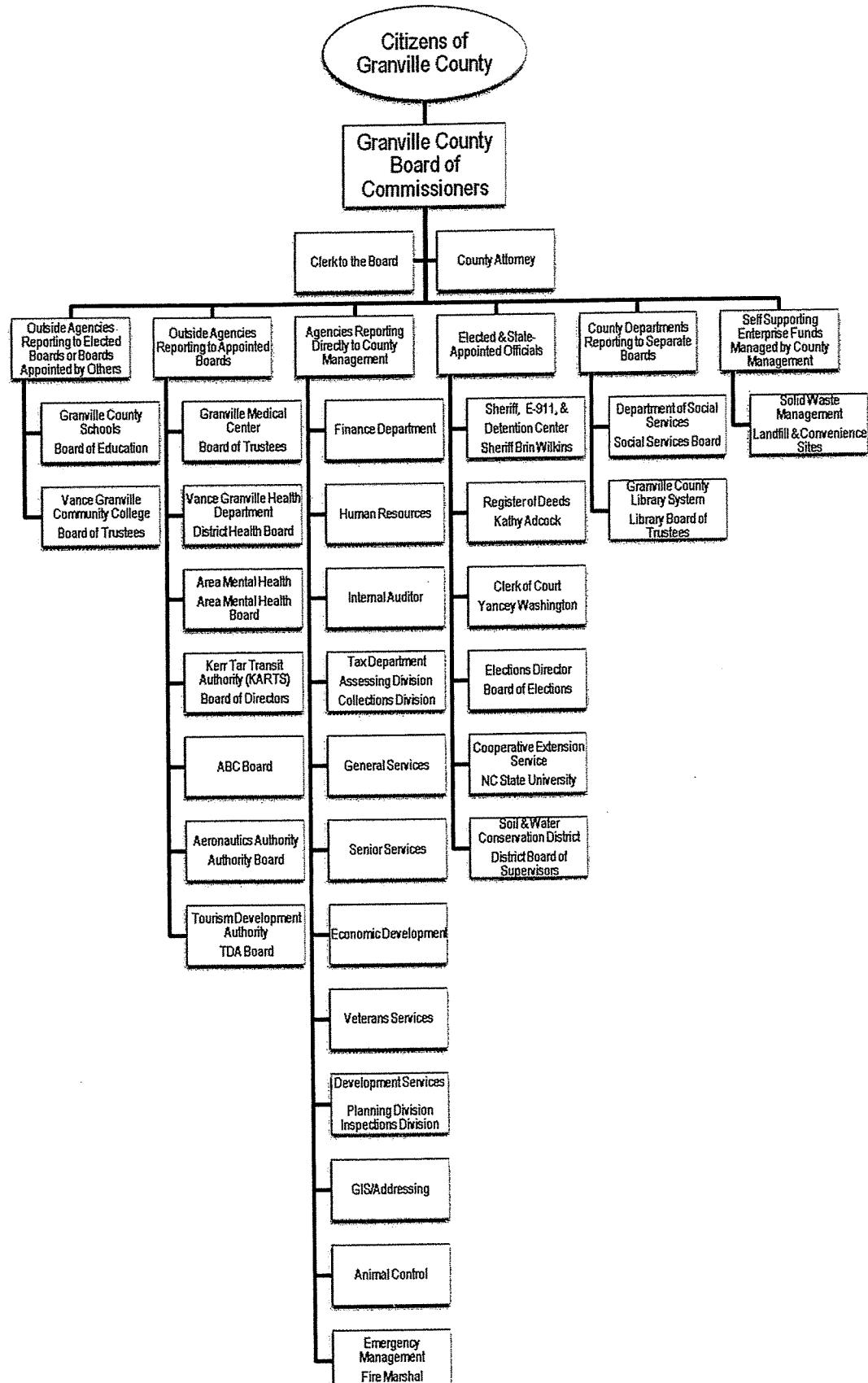
Respectfully Submitted,

Stephen M. McNally

Stephen M. McNally

Finance Director

Granville County Government Organizational Chart



GRANVILLE COUNTY, NORTH CAROLINA
LIST OF PRINCIPAL OFFICIALS
JUNE 30, 2016

Board of County Commissioners	Zelodis Jay, Chairperson R. David Currin, Jr., Vice Chairperson Tony W. Cozart Timothy Karan Ed Mims David T. Smith Edgar Smoak Debra A. Weary, Clerk to the Board
County Officials	Michael S. Felts Stephen M. McNally Judy D. Stovall Kathy M. Adcock Brindell B. Wilkins M. Scott Phillips Tonya C. Burnette Jason A. Falls Louis W. Bechtel Doug Vaughan Kathy B. May Jonathan Bradsher Paul W. Westfall Wendy Pennington Harry Mills Raymond Allen Monique Heggie Matt Katz Stacey Tapp Gary Bowen Warren Daniel Angela Allen Doug Logan Chris Brame County Manager Finance Director Tax Administrator Register of Deeds Sheriff Director of Development Services Elections Director Director of Environmental Programs Director of Social Services Veterans Services Director Director of Senior Services Director of Granville County Library System Director, Cooperative Extension Human Resources Director Economic Development Director Parks/Grounds Maintenance Director Internal Auditor Animal Management Director 911 Center Manager Maintenance Supervisor SCS District Administrator Director, Tourism Development Authority Emergency Management Coordinator/Fire Marshal Network Administrator



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

**Granville County
North Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

A handwritten signature in black ink, appearing to read "Jeffrey R. Evans".

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
Granville 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 units, each major fund, and the aggregate remaining fund information of Granville County, North Carolina, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Granville 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 did not audit the financial statements of Granville Health System. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Granville Health System, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of Granville Health System, Granville County ABC Board, Granville County Tourism Development Authority and South Granville Memorial Gardens 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

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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 upon our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Granville County 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 and the Law Enforcement Officers' Special Separation Allowance and Other Postemployment Benefits' 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 Deeds' 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 and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consists 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 Granville 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 by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of other auditors, 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 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 28, 2016, on our consideration of Granville 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 Granville 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, North Carolina
December 28, 2016



County Of Granville, North Carolina

Post Office Box 1286, Oxford, North Carolina 27565

Management's Discussion and Analysis

As management of Granville County, we offer readers of Granville County's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2016. We encourage you to incorporate information presented in this section with additional information that we have furnished in the County's financial statements, which follow this narrative.

Financial Highlights

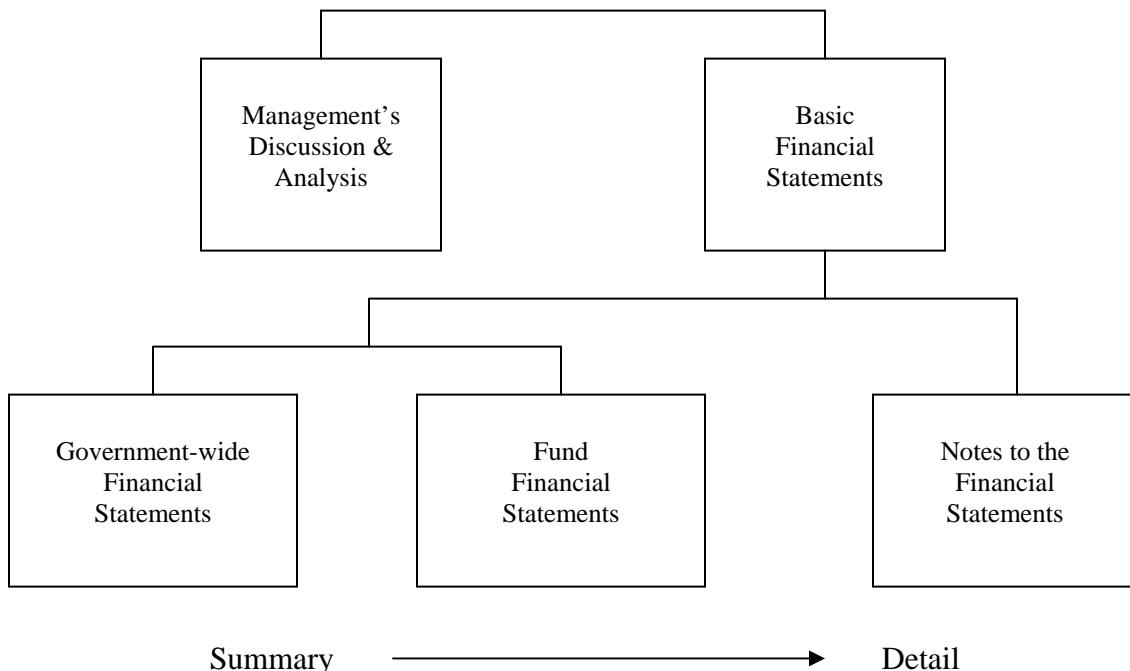
- The cash and cash equivalents (unrestricted) of the total primary government on the Statement of Net Position is \$34,990,238 which accounts for 37.2% of total primary government assets.
- The liabilities due in more than one year of \$95,000,881 account for 93.3% of total primary government liabilities.
- At the end of the current fiscal year, Granville County's governmental funds reported combined ending fund balances of \$39,863,968, after a net decrease of \$3,375,939. Approximately sixteen percent (16.02%) of this total amount or \$6,385,561 is restricted or non-spendable.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$30,810,391, or forty-three percent (55.9%) of total general fund expenditures for the fiscal year.
- Granville County's debt service for fiscal year 2016 accounts for 15.6% of the total governmental funds expenditures for the year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Granville 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 (see Figure 1). 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 contains other supplemental information that will enhance the reader's understanding of the financial condition of Granville County.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (Exhibits 1 and 2) 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 (Exhibits 3 through 9) 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 fiduciary 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, all of which are added together in one column on the basic financial statements. Budgetary information required by the General Statutes of North Carolina can also 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 Granville 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 positions and how they have changed. Net position is the difference between the County's total assets & deferred outflows and total liabilities & deferred inflows. Measuring net position is one way to gage 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, public safety, human services, community services, and education. Property taxes, sales taxes, and state and federal grant funds finance most of these activities. The business-type activity is that which the County charges customers to provide. This includes the solid waste services offered by Granville County. The final category is the component units. Granville County owns Granville Health System. The County appoints the board of trustees for the Medical Center and has issued debt on its behalf. Although legally separate from the County, the ABC Board is important to the County. The County is financially accountable for the Board by appointing its members and because the Board is required to distribute its profits to the County. The Granville County Tourism Development Authority and South Granville Memorial Gardens are also component units of Granville County.

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. Granville 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 of North Carolina or the County's budget ordinance. All of the funds of Granville County can be divided into three categories: governmental funds, proprietary funds, and fiduciary 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*. This method also has a current financial resources focus. 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 governmental 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.

Granville 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 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 legal budget document. 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. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

Proprietary funds - Granville County has two kinds of proprietary funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. Granville County uses an enterprise fund to account for its solid waste operations. This fund is the same as the separate activity shown in the business-type activities in the Statement of Net Position and the Statement of Activities. *Internal Service Funds* are an accounting device used to accumulate and allocate costs internally among the functions of the County. The County uses an internal service fund to account for one activity – its County Health Plan. Because this operation benefits predominantly governmental rather than business-type activities, the internal service fund has been included within the governmental activities in the government-wide financial statements.

Fiduciary funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support Granville County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. Currently Granville County operates four fiduciary 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 start on page 42 of this report.

Other information - In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning Granville County's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 85 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The liabilities & deferred inflows of Granville County exceeded assets & deferred outflows by \$9,380,841 as of June 30, 2016. The County's net position increased by \$3,670,778 for that same time period. \$6,348,920 represents resources that are subject to external restrictions how they may be used. These include such items as financing proceeds for school or medical facilities or unexpended grant funds held for current projects. \$29,628,557 reflects the County's net investment in capital assets. Capital assets are used by the County to provide

services to citizens; consequently, these assets are not available for future spending or debt service. Resources needed to repay the debt associated with Capital assets must be provided by other sources. The remaining balance \$(45,358,318) is unrestricted. Because the County carries the debt associated with school facilities, yet does not include those facilities on its books, a negative unrestricted balance is not uncommon while the school related debt is outstanding.

Granville County's Net Position Figure 2

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 43,805,968	\$ 50,984,923	\$ 1,537,595	\$ 1,374,439	\$ 45,343,563	\$ 52,359,362
Capital assets	43,348,761	41,865,079	5,381,036	5,372,550	48,729,797	47,237,629
Total assets	\$ 87,154,729	\$ 92,850,002	\$ 6,918,631	\$ 6,746,989	\$ 94,073,360	\$ 99,596,991
Deferred outflows	\$ 2,000,566	\$ 2,180,281	\$ 16,909	\$ 14,541	\$ 2,017,475	\$ 2,194,822
Long-term liabilities outstanding	\$ 94,091,389	\$ 100,511,924	\$ 8,549,340	\$ -	\$ 102,640,729	\$ 100,511,924
Other liabilities	1,956,915	2,920,113	340,115	203,472	2,297,030	3,123,585
Total liabilities	\$ 96,048,304	\$ 103,432,037	\$ 8,889,455	\$ 203,472	\$ 104,937,759	\$ 103,635,509
Deferred inflows	\$ 502,555	\$ 2,701,450	\$ 10,726	\$ 54,500	\$ 513,281	\$ 2,755,950
Net position:						
Net investment in capital assets	\$ 24,247,521	\$ 19,458,241	\$ 5,381,036	\$ 5,372,550	\$ 29,628,557	\$ 24,830,791
Restricted	6,348,920	10,995,235	-	-	6,348,920	10,995,235
Unrestricted	(37,992,005)	(41,556,680)	(7,366,313)	(7,320,965)	(45,358,318)	(48,877,645)
Total net position	\$ (7,395,564)	\$ (11,103,204)	\$ (1,985,277)	\$ (1,948,415)	\$ (9,380,841)	\$ (13,051,619)

Several particular aspects of the County's financial operations influence the total unrestricted governmental net position:

- Continued emphasis on the collection of property taxes. The tax collection percentage increased slightly from the previous year from 98.84% to 99.18%. Property tax revenue increased \$934,641 in FY 2016 from the previous year.
- Expenses for the Granville Central High School project (which was completed in FY 2016) were \$ 3,255,124 lower in FY 2016 than in the previous year.
- Expenses to Vance Granville Community College for capital outlay funding are \$311,337 less in FY 2016 than the previous year.

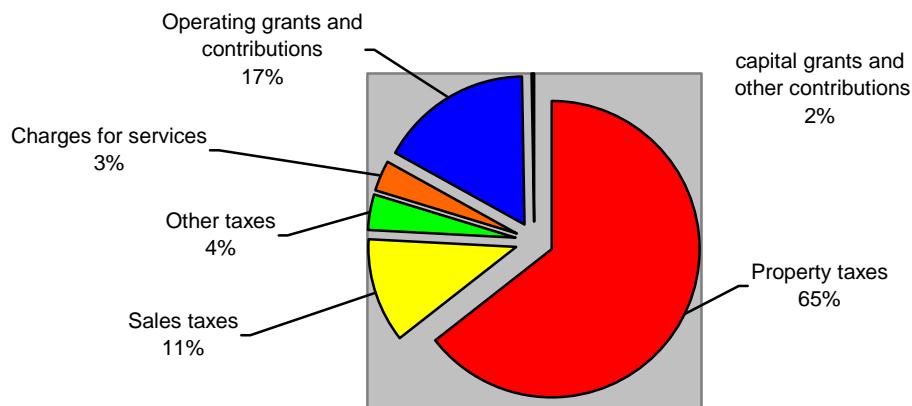
Governmental activities. Governmental activities increased the County's net position by \$3,707,640. The table and bulleted information provide more information related to governmental activities for the past two years.

Granville County's Changes in Net Position
Figure 3

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program Revenues:						
Charges for services	\$ 1,820,149	\$ 1,601,786	\$ 3,059,776	\$ 2,785,962	\$ 4,879,925	\$ 4,387,748
Operating grants and contributions	9,406,091	10,461,457	25,500	25,500	9,431,591	10,486,957
Capital grants and contributions	135,158	444,998	-	-	135,158	444,998
General revenues:						
Property taxes	36,226,663	35,119,245	-	-	36,226,663	35,119,245
Other taxes	8,618,099	8,261,285	-	-	8,618,099	8,261,285
Other	434,923	330,341	92,611	86,117	527,534	416,458
Total revenues	56,641,083	56,219,112	3,177,887	2,897,579	59,818,970	59,116,691
Expenses:						
General government	4,938,658	4,442,094	-	-	4,938,658	4,442,094
Public safety	11,120,875	10,425,328	-	-	11,120,875	10,425,328
Transportation	192,910	173,068	-	-	192,910	173,068
Economic and physical development	668,747	753,782	-	-	668,747	753,782
Human services	11,357,664	10,524,184	-	-	11,357,664	10,524,184
Community services	3,700,213	3,990,780	-	-	3,700,213	3,990,780
Education	18,380,346	21,994,864	-	-	18,380,346	21,994,864
Interest on long-term debt	2,574,030	2,658,358	-	-	2,574,030	2,658,358
Landfill	-	-	2,895,474	2,720,941	2,895,474	2,720,941
Other	-	-	319,275	280,217	319,275	280,217
Total expenses	52,933,443	54,962,458	3,214,749	3,001,158	56,148,192	57,963,616
Increase (decrease) in net position before transfers and special items	3,707,640	1,256,654	(36,862)	(103,579)	3,670,778	1,153,075
Increase (decrease) in net position Net position, beginning	3,707,640	1,256,654	(36,862)	(103,579)	3,670,778	1,153,075
Restatement	(11,103,204)	(19,165,035)	(1,948,415)	(1,814,544)	(13,051,619)	(20,979,579)
Net position, ending	<u>\$ (7,395,564)</u>	<u>\$ (11,103,204)</u>	<u>\$ (1,985,277)</u>	<u>\$ (1,948,415)</u>	<u>\$ (9,380,841)</u>	<u>\$ (13,051,619)</u>

- Sales tax and other intergovernmental taxes increase \$351,312, indicative of an improving State economy.
- A 3% increase in assessed value, as well as an increase in the tax collection percentage from 98.84% to 99.18%, helped increase property tax revenue by \$1,107,418.
- Expenses for education include \$12,385,287 for school system operating expenses and \$1,539,673 in school system capital outlays. Approximately \$3,802,181 of educational expenses can be attributed to Granville Central High School expansion.

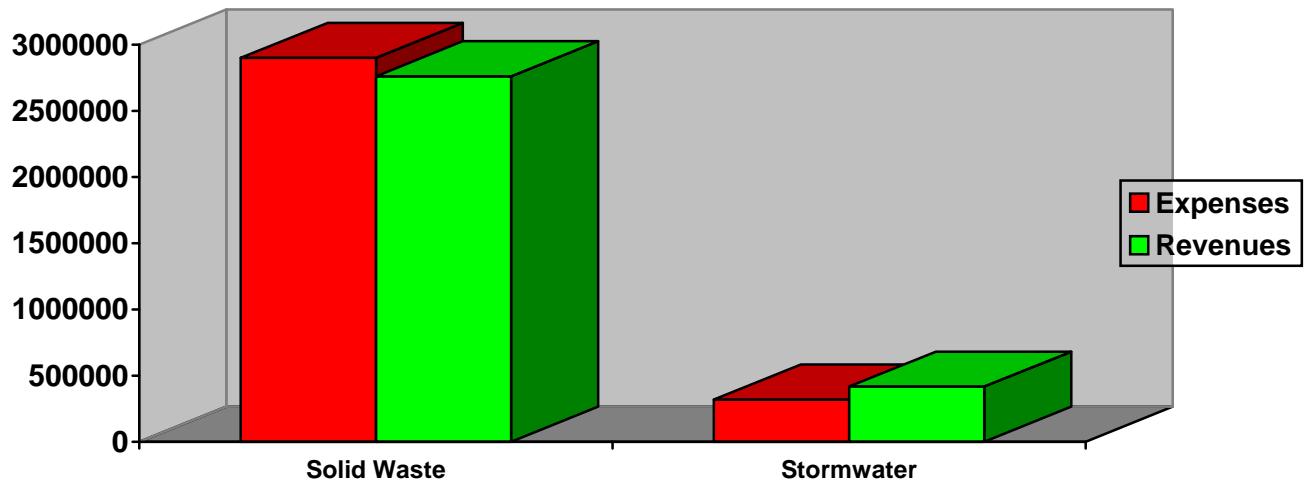
**Revenues by Source
Governmental Activities**



Business-type activities. Business-type activities decreased the County's net position by \$36,862, which represents approximately one percent (1.1%) of the total business-type expenses.

- Granville County operates convenience sites for the collection of municipal solid waste (MSW) as well as a Construction and Demolition (C&D) Landfill. Revenues associated with the C&D Landfill are directly impacted by area construction activity.
- The convenience site operations waste disposal fees increased, while revenues remained relatively unchanged. As a result, operation expenditures exceeded revenues by \$80,395.
- Landfill waste collection revenue increased \$160,000 from prior year. As a result, total landfill revenue exceeded expenditures by almost \$2,000.
- The Stormwater fund achieved an operating income of \$97,600.

Fiscal Year 2015-2016
Expenses and Program Revenues
Business-type Activities



Financial Analysis of the County's Funds

As noted earlier, Granville County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds: The focus of Granville 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. In particular, unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of Granville County. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$30,810,391 while total fund balance reached \$39,846,793. The remainder of fund balance, \$9,036,402 is either nonspendable, restricted, committed, or assigned and is not available for general appropriation. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 55.9 percent of total General Fund expenditures, while total fund balance represents 72.3 percent of that same amount.

At June 30, 2016, the governmental funds of Granville County reported a combined fund balance of \$39,863,968, a 7.8 percent decrease from last year. This is due primarily to the expenditures made for the completion of the Granville Central High School expansion projects (with no offsetting loan proceeds).

General Fund Budgetary Highlights: During the fiscal year, the County revised the 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 \$9,063,880.

Economic conditions and State legislative changes effecting sales tax distributions in prior fiscal years continue to provide challenges to calculating accurate estimates for sales tax proceeds. The County took a more conservative approach when estimating fiscal year 2015-2016 Sales Tax & Other Tax revenues, and underestimated this revenue source by \$595,964 or 7.5%. Total General Fund revenues exceeded budget by \$2,311,181 or 4.2%.

Proprietary Funds: Granville County's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the Solid Waste Fund equaled \$(7,805,757). The total net position for all proprietary funds is \$(1,996,082). The total change in net position for the proprietary funds was a decrease of \$41,206. This change in net position primarily results from post closure costs and increasing solid waste and landfill operations expenses exceeding the increasing revenues. However, the operating loss for Solid Waste Fund is \$50,424 (27%) less than the previous year.

In June 2012, Granville County established the County Health Plan Fund, an *Internal Service Fund*, to account for premium and claims associated with the County self-funded health insurance plan. Fiscal year 2015-2016 activity resulted in a change in net position of \$271,489.

Capital Asset and Debt Administration

Capital Assets: Granville County's capital assets for its governmental and business-type activities as of June 30, 2016 totals \$45,729,797 (net of accumulated depreciation). These assets include land, buildings, machinery and equipment, park facilities, system improvements, and vehicles.

Major capital asset transactions during the year include:

- Expansion of Granville Central High School.

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

Figure 4

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 7,701,851	\$ 7,701,851	\$ 1,020,695	\$ 1,020,695	\$ 8,722,546	\$ 8,722,546
Buildings	10,063,167	8,705,874	21,561	23,521	10,084,728	8,729,395
Improvements other than buildings	15,276,520	15,617,455	4,240,789	4,188,044	19,517,309	19,805,499
Machinery and equipment	1,573,741	1,699,615	13,161	38,586	1,586,902	1,738,201
Intangible Assets	6,698,250	6,870,000	-	-	6,698,250	6,870,000
Fixtures and Equipment	-	-	84,830	91,414	84,830	91,414
Construction in progress	2,035,232	1,270,284	-	10,290	2,035,232	1,280,574
Total	\$ 43,348,761	\$ 41,865,079	\$ 5,381,036	\$ 5,372,550	\$ 48,729,797	\$ 47,237,629

Additional information on Granville County's capital assets can be found in the notes to the financial statements beginning on page 57 of this report.

Long-term debt. At the end of fiscal year 2016, Granville County had total bonded debt outstanding of \$29,494,000, all of which is debt backed by the full faith and credit of the County.

**Granville County's Outstanding Debt
General Obligation Bonds**
Figure 5

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
General obligation bonds	\$29,494,000	\$32,485,000	\$ -	\$ -	\$ 29,494,000	\$ 32,485,000

Granville County's total general obligation debt decreased by \$2,991,000 (9.21 percent) during fiscal year 2015-2016 as a result of principal payments on several series of general obligation bonds.

Moody's Investors Service, Inc., Standard and Poor's Credit Markets Services and the North Carolina Municipal Council assigned independent underlying ratings to Granville County of AA2, AA-, and 84 respectively associated with general obligation debts issued in 2010 which upheld ratings issued previously.

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to eight percent (8%) of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Granville County is \$263,593,242, which is significantly more than Granville County's outstanding general obligation debt.

Additional information on Granville County's long-term debt can be found in the notes to the financial statements beginning on page 73 of this report.

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators reflect the growth and prosperity of the County:

- The County is experiencing an unemployment rate of 4.3%, slightly lower than the state average of 4.8%, as of October 2016. The overall improvement in the economy is reflected in these rates, with the County's rate improving from the October 2015 level of 4.9%.
- The median annual income in Granville County is approximately \$35,652.
- Revlon is continuing a 47 million retrofit of new automated equipment.
- Shalag, Ideal Fastener, and NT Techno have initiated capital expansion project totaling over \$25 million in the past twelve months.

Budget Highlights for the Fiscal Year Ending June 30, 2017

Governmental Activities: The tax base is projected to provide revenues of \$38,578,819 when calculated with the current collection percentage rate. The total projected assessed valuation for the County is \$4,383,956,701 for fiscal year 2016-2017.

Budgeted expenditures for fiscal year 2016-2017 in the General Fund reflect an increase from the previous fiscal year original budget of 5.6%. This is due primarily to increased labor costs, increased general operating costs, financing for a new law enforcement center and additional funding to the School System.

The fiscal year 2016-2017 budget appropriates \$594,708 of available fund balance to balance the general fund budget. Total revenues, excluding appropriated fund balance, reflect an increase of approximately 5.6% from the previous year original budget.

Business-type Activities: The budget for the operation of the solid waste activities reflects a 16% increase in operating expenditures, due primarily to the addition of part-time road cleaning crews, increased container transportations, increased MSW salaries and building a scale house and projected recycling grant expenditures.

Requests for Information

This report is designed to provide an overview of Granville 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 Finance Director, Granville County, 141 Williamsboro Street, Oxford, North Carolina, 27565.

Stephen M. McNally

Stephen M. McNally
Finance Director

BASIC FINANCIAL STATEMENTS

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS**

GRANVILLE COUNTY, NORTH CAROLINA
STATEMENT OF NET POSITION
JUNE 30, 2016

	Primary Government			Component Units			
	Governmental Activities	Business-type Activities	Total	Granville Health System	Granville County ABC Board	Granville County Tourism Development Authority	South Granville Memorial Gardens
ASSETS							
Cash and cash equivalents	\$ 33,746,069	\$ 1,244,169	\$ 34,990,238	\$ 2,735,222	\$ 850,286	\$ 322,620	\$ 148,613
Taxes receivable	951,022	-	951,022	-	-	-	-
Accrued interest receivable	336,372	-	336,372	-	-	-	-
Accounts receivable	3,334,864	282,621	3,617,485	14,027,808	-	-	28,787
Due from primary government	-	-	-	-	-	39,734	-
Inventories	-	-	-	1,628,481	318,888	-	1,674
Prepaid items	75,841	-	75,841	224,930	11,413	-	-
Internal balances	(10,805)	10,805	-	-	-	-	-
Restricted assets:	-	-	-	-	-	-	-
Cash and cash equivalents	5,266,331	-	5,266,331	-	-	-	100,000
Assets whose use is limited	-	-	-	4,459,840	-	-	-
Goodwill	-	-	-	185,834	-	-	-
Net pension asset	106,274	-	106,274	-	-	-	-
Capital assets	-	-	-	-	-	-	-
Land, improvements, and construction in progress	9,737,083	1,020,695	10,757,778	1,790,207	436,774	-	39,534
Other capital assets, net of depreciation	33,611,678	4,360,341	37,972,019	29,169,288	127,192	-	19,458
Total capital assets	43,348,761	5,381,036	48,729,797	30,959,495	563,966	-	58,992
Total Assets	<u>87,154,729</u>	<u>6,918,631</u>	<u>94,073,360</u>	<u>54,221,610</u>	<u>1,744,553</u>	<u>362,354</u>	<u>338,066</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>2,000,566</u>	<u>16,909</u>	<u>2,017,475</u>	<u>3,474,071</u>	<u>16,933</u>	<u>-</u>	<u>-</u>
LIABILITIES							
Accounts payable & accrued liabilities	1,340,048	340,115	1,680,163	5,880,227	474,082	1,012	-
Accrued interest payable	577,133	-	577,133	-	-	-	-
Due to fiduciary funds	39,734	-	39,734	-	-	-	-
Long-term liabilities:	-	-	-	-	-	-	-
Due within one year	-	-	-	-	-	-	-
Bonds payable	3,415,619	-	3,415,619	-	-	-	-
Notes and COPS payable	2,684,229	-	2,684,229	736,780	-	-	-
Financing agreement payable	766,197	-	766,197	-	-	-	-
Compensated absences payable	222,256	4,691	226,947	1,941,556	-	-	-
Capital leases payable	-	-	-	73,353	-	-	-
Due in more than one year	-	-	-	-	-	-	-
Bonds payable	28,097,562	-	28,097,562	-	-	-	-
Notes and COPS payable	46,552,169	-	46,552,169	16,078,424	-	-	-
Financing agreement payable	3,977,065	-	3,977,065	-	-	-	-
Accrued landfill closure and postclosure costs	-	8,415,525	8,415,525	-	-	-	-
Compensated absences payable	666,769	14,072	680,841	-	-	-	-
Other postemployment benefits obligation	6,176,239	115,052	6,291,291	-	5,617	-	-
Net pension obligation-LGERS	786,475	20,636	807,111	1,526,797	11,533	-	-
Net pension obligation-LEOSSA	746,809	-	746,809	-	-	-	-
Total long-term liabilities	<u>94,091,389</u>	<u>8,569,976</u>	<u>102,661,365</u>	<u>20,356,910</u>	<u>17,150</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>96,048,304</u>	<u>8,910,091</u>	<u>104,958,395</u>	<u>26,237,137</u>	<u>491,232</u>	<u>1,012</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES	<u>502,555</u>	<u>10,726</u>	<u>513,281</u>	<u>4,047,539</u>	<u>1,740</u>	<u>-</u>	<u>600</u>
NET POSITION							
Net investment in capital assets	24,247,521	5,381,036	29,628,557	14,070,938	563,966	-	58,992
Restricted for:	-	-	-	-	-	-	-
Stabilization by State Statute	3,977,572	-	3,977,572	-	-	39,734	28,787
Register of Deeds	42,603	-	42,603	-	-	-	-
Public Safety	349,769	-	349,769	-	-	-	-
Education	1,738,702	-	1,738,702	-	-	-	-
Community Services	240,274	-	240,274	-	-	-	-
Human Services	-	-	-	17,171	-	-	-
Economic and physical development	-	-	-	-	-	-	-
Working Capital	-	-	-	-	115,946	-	-
Cemetery Perpetual Care and Maintenance	-	-	-	-	-	-	100,000
Tourism Related Capital Development	-	-	-	-	-	105,641	-
Unrestricted (deficit)	<u>(37,992,005)</u>	<u>(7,366,313)</u>	<u>(45,358,318)</u>	<u>13,322,896</u>	<u>588,602</u>	<u>215,967</u>	<u>149,687</u>
Total Net Position	<u>\$ (7,395,564)</u>	<u>\$ (1,985,277)</u>	<u>\$ (9,380,841)</u>	<u>\$ 27,411,005</u>	<u>\$ 1,268,514</u>	<u>\$ 361,342</u>	<u>\$ 337,466</u>

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

**GRANVILLE COUNTY, NORTH CAROLINA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

Functions/Programs	Expenses	Program Revenues				Net (Expenses) Revenues and Changes in Net Position				Component Units		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	Granville Health System	Granville County ABC Board	Granville County Tourism Development Authority	South Granville Memorial Gardens	
					Governmental Activities	Business-Type Activities						
Primary Government:												
Governmental Activities:												
General government	\$ 4,938,658	\$ 554,483	\$ 55,016	\$ -	\$ (4,329,159)	\$ -	\$ (4,329,159)					
Public safety	11,120,875	938,960	948,876	-	(9,233,039)	-	(9,233,039)					
Transportation	192,910	-	397,308	-	204,398	-	204,398					
Economic and physical development	668,747	-	220,568	113,028	(335,151)	-	(335,151)					
Human services	11,357,664	20,681	7,250,217	-	(4,086,766)	-	(4,086,766)					
Community services	3,700,213	306,025	136,826	22,130	(3,235,232)	-	(3,235,232)					
Education	18,380,346	-	397,280	-	(17,983,066)	-	(17,983,066)					
Interest on long-term debt	2,574,030	-	-	-	(2,574,030)	-	(2,574,030)					
Total governmental activities	<u>52,933,443</u>	<u>1,820,149</u>	<u>9,406,091</u>	<u>135,158</u>	<u>(41,572,045)</u>			<u>(41,572,045)</u>				
Business-type activities:												
Solid Waste	2,895,474	2,756,149	-	-	-	(139,325)	(139,325)					
Stormwater	319,275	303,627	25,500	-	-	9,852	9,852					
Total business-type activities	<u>3,214,749</u>	<u>3,059,776</u>	<u>25,500</u>			<u>(129,473)</u>	<u>(129,473)</u>					
Total primary government	<u>\$ 56,148,192</u>	<u>\$ 4,879,925</u>	<u>\$ 9,431,591</u>	<u>\$ 135,158</u>	<u>\$ (41,572,045)</u>	<u>\$ (129,473)</u>	<u>\$ (41,701,518)</u>					
Component units:												
Granville Health System	\$ 59,230,599	\$ 59,740,949	\$ 940,454	\$ 132,873	\$ -	\$ -	\$ 1,583,677	\$ -	\$ -	\$ -	\$ -	
Granville County ABC Board	3,803,252	3,904,486	-	-	-	-	-	-	101,234	-	-	
Granville County Tourism Development Authority	180,118	-	-	-	-	-	-	-	-	(180,118)	-	
South Granville Memorial Gardens	49,878	58,639	-	-	-	-	-	-	-	-	8,761	
Total component units	<u>\$ 63,263,847</u>	<u>\$ 63,704,074</u>	<u>\$ 940,454</u>	<u>\$ 132,873</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,583,677</u>	<u>\$ 101,234</u>	<u>\$ (180,118)</u>	<u>\$ 8,761</u>		
General revenues:												
Taxes:												
Property taxes, levied for general purpose			\$ 36,226,663	\$ -	\$ 36,226,663	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Local option sales tax			6,322,373	-	6,322,373	-	-	-	-	-	-	
Other taxes												
Medicaid hold harmless			1,486,571	-	1,486,571	-	-	-	-	-	-	
Various other taxes			809,155	-	809,155	-	-	-	-	206,104	-	
Investment earnings, unrestricted			37,952	4,863	42,815	6,422	337	622	312			
Miscellaneous, unrestricted			396,971	87,748	484,719	471,516	6,782	3,481	-			
Total general revenues, special items and transfers			<u>45,279,685</u>	<u>92,611</u>	<u>45,372,296</u>	<u>477,938</u>	<u>7,119</u>	<u>210,207</u>	<u>312</u>			
Change in net position			<u>3,707,640</u>	<u>(36,862)</u>	<u>3,670,778</u>	<u>2,061,615</u>	<u>108,353</u>	<u>30,089</u>	<u>9,073</u>			
Net position, beginning			(11,103,204)	(1,948,415)	(13,051,619)	27,146,548	1,160,161	331,253	328,393			
Restatement			-	-	-	(1,797,158)	-	-	-			
Net position, beginning, restated			<u>(11,103,204)</u>	<u>(1,948,415)</u>	<u>(13,051,619)</u>	<u>25,349,390</u>	<u>1,160,161</u>	<u>331,253</u>	<u>328,393</u>			
Net position, ending			<u>\$ (7,395,564)</u>	<u>\$ (1,985,277)</u>	<u>\$ (9,380,841)</u>	<u>\$ 27,411,005</u>	<u>\$ 1,268,514</u>	<u>\$ 361,342</u>	<u>\$ 337,466</u>			

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

**FUND
FINANCIAL STATEMENTS**

GRANVILLE COUNTY, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

	Major	Nonmajor		Total Governmental Funds
	General Fund	Other Governmental Funds		
ASSETS				
Cash and cash equivalents	\$ 31,887,503	\$ 615,043	\$ 32,502,546	
Restricted cash	5,266,331	-	5,266,331	
Taxes receivable	951,022	-	951,022	
Accounts receivable	3,299,954	34,910	3,334,864	
Prepaid items	1,711	34,930	36,641	
Due from other funds	642,708	-	642,708	
Total Assets	<u>\$ 42,049,229</u>	<u>\$ 684,883</u>	<u>\$ 42,734,112</u>	
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable & accrued liabilities	\$ 1,122,285	\$ 25,000	\$ 1,147,285	
Due to other funds	39,734	642,708	682,442	
Total Liabilities	<u>1,162,019</u>	<u>667,708</u>	<u>1,829,727</u>	
Deferred Inflows of Resources:	1,040,417	-	1,040,417	
Fund balances:				
Nonspendable:				
Prepaid items	1,711	34,930	36,641	
Restricted:				
Stabilization by State Statute	3,942,662	34,910	3,977,572	
Register of Deeds	42,603	-	42,603	
Education	1,738,702	-	1,738,702	
Community Services	-	240,274	240,274	
Public Safety	-	349,769	349,769	
Committed:				
Tax Revaluation	591,041	-	591,041	
Public Safety	994,675	-	994,675	
Assigned:				
Subsequent year's expenditures	594,708	-	594,708	
Community Services	500,000	-	500,000	
Economic and physical development	630,300	-	630,300	
Unassigned:	<u>30,810,391</u>	<u>(642,708)</u>	<u>30,167,683</u>	
Total Fund Balances	<u>39,846,793</u>	<u>17,175</u>	<u>39,863,968</u>	
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 42,049,229</u>	<u>\$ 684,883</u>		

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

EXHIBIT 3

GRANVILLE COUNTY, NORTH CAROLINA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO
THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
JUNE 30, 2016

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

Total Fund Balance, Governmental Funds (Exhibit 3)	\$ 39,863,968
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	43,348,761
Net pension asset	106,274
Contributions to pension plans in the current fiscal year are deferred outflows of resources on the Statement of Net Position	654,161
Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds	1,682,777
Deferred inflows of resources for taxes and special assessments receivable	951,022
Internal service fund is used by management to charge insurance costs to individual funds; the assets and liabilities of the internal service fund are included in governmental activities in the statement of net position	1,089,960
Consolidation adjustment for internal balances between the internal service fund and the governmental funds	(10,805)
Pension related deferrals	(413,160)
Long-term liabilities, including bonds payable, accrued interest, pension and other post employment benefits, and compensated absences are not due and payable in the current period and therefore are not reported in the funds	<u>(94,668,522)</u>
Net position of governmental activities (Exhibit 1)	<u>\$ (7,395,564)</u>

GRANVILLE COUNTY, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Major	Nonmajor		Total Governmental Funds
	General Fund	Other Governmental Funds		
REVENUES				
Ad valorem taxes	\$ 36,419,897	\$ -	\$ 36,419,897	
Sales and other taxes	8,460,686	-	8,460,686	
Licenses, fees and other revenues	2,354,341	-	2,354,341	
Restricted intergovernmental revenues	9,229,804	554,076	9,783,880	
Investment earnings	36,855	1,097	37,952	
Miscellaneous	232,411	2,726	235,137	
Total Revenues	<u>56,733,994</u>	<u>557,899</u>	<u>57,291,893</u>	
EXPENDITURES				
Current				
General government	3,385,737	-	3,385,737	
Public safety	10,351,608	199,638	10,551,246	
Community Services	4,544,231	19,448	4,563,679	
Economic and physical development	-	103,287	103,287	
Human services	10,439,671	-	10,439,671	
Non-Departmental & Special Areas	2,405,556	-	2,405,556	
Capital Outlay	-	4,563,607	4,563,607	
Intergovernmental				
Education	14,573,165	677,444	15,250,609	
Debt Service				
Principal	6,278,428	91,531	6,369,959	
Interest	<u>3,102,064</u>	<u>7,719</u>	<u>3,109,783</u>	
Total Expenditures	<u>55,080,460</u>	<u>5,662,674</u>	<u>60,743,134</u>	
Revenues Over (Under) Expenditures	<u>1,653,534</u>	<u>(5,104,775)</u>	<u>(3,451,241)</u>	

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

EXHIBIT 4 (CONT.)

GRANVILLE COUNTY, NORTH CAROLINA
COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Major General Fund	Nonmajor Other Governmental Funds	Total Governmental Funds
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers from other funds	487,420	3,006	490,426
Transfers to other funds	(3,006)	(487,420)	(490,426)
Issuance of debt	5,485,000	-	5,485,000
Payment to refunded bond escrow agent	(5,409,698)	-	(5,409,698)
Total Other Financing Sources (Uses)	<u>559,716</u>	<u>(484,414)</u>	<u>75,302</u>
Net Change in Fund Balances	2,213,250	(5,589,189)	(3,375,939)
Fund Balance - July 1	<u>37,633,543</u>	<u>5,606,364</u>	<u>43,239,907</u>
Fund Balance - June 30	<u>\$ 39,846,793</u>	<u>\$ 17,175</u>	<u>\$ 39,863,968</u>

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

EXHIBIT 4

GRANVILLE COUNTY, NORTH CAROLINA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

Amounts reported for governmental activities in the statement of activities on Exhibit 2 are different because:

Net changes in fund balances - total governmental funds (Exhibit 4)	\$ (3,375,939)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	1,517,139
Cost of capital asset disposed of during the year, not recognized on modified accrual basis	(33,457)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	(193,234)
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. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related	6,387,579
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	604,181
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	267,145
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.	<u>(1,465,774)</u>
Total changes in net position of governmental activities (Exhibit 2)	<u>\$ 3,707,640</u>

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

EXHIBIT 5

GRANVILLE COUNTY, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

	General Fund			Variance with Final Positive (Negative)
	Original Budget	Final Budget	Actual	
<u>REVENUES</u>				
Ad valorem taxes	\$ 35,913,590	\$ 35,913,590	\$ 36,419,897	\$ 506,307
Sales and other taxes	7,864,722	7,864,722	8,460,686	595,964
Licenses, fees and other revenues	1,971,289	1,971,289	2,354,341	383,052
Restricted intergovernmental revenues	8,020,845	8,474,212	9,229,804	755,592
Investment earnings	27,000	27,000	36,855	9,855
Miscellaneous	172,000	172,000	232,411	60,411
Total Revenues	<u>53,969,446</u>	<u>54,422,813</u>	<u>56,733,994</u>	<u>2,311,181</u>
<u>EXPENDITURES</u>				
General government	3,490,322	3,723,087	3,385,737	337,350
Public safety	10,275,876	10,826,275	10,351,608	474,667
Community services	5,328,103	5,979,365	4,544,231	1,435,134
Human services	11,257,381	11,292,240	10,439,671	852,569
Non-departmental and special areas	2,539,972	3,108,992	2,405,556	703,436
Education	14,292,870	14,659,632	14,573,165	86,467
Contingency	180,000	10,000	-	10,000
Debt Service	8,489,561	9,923,420	9,380,492	542,928
Total Expenditures	<u>55,854,085</u>	<u>59,523,011</u>	<u>55,080,460</u>	<u>4,442,551</u>
Revenues Over (Under) Expenditures	<u>(1,884,639)</u>	<u>(5,100,198)</u>	<u>1,653,534</u>	<u>6,753,732</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers from other funds	-	17,750	487,420	469,670
Transfers to other funds	-	(3,006)	(3,006)	-
Proceeds from refunded debt	-	5,485,000	5,485,000	-
Payment to refunded bond escrow agent	-	(5,409,698)	(5,409,698)	-
Appropriated Fund Balance	<u>1,884,639</u>	<u>5,010,152</u>	-	<u>(5,010,152)</u>
Total Other Financing Sources (Uses)	<u>1,884,639</u>	<u>5,100,198</u>	<u>559,716</u>	<u>(4,540,482)</u>
Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>\$ -</u>	<u>\$ -</u>	<u>2,213,250</u>	<u>\$ 2,213,250</u>
Fund Balance - July 1			37,633,543	
Fund Balance - June 30			<u>\$ 39,846,793</u>	

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

GRANVILLE COUNTY, NORTH CAROLINA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2016

	Enterprise Funds			Internal Service Fund
	Major Fund	Non-major Fund		Non-major Fund
		Solid Waste Management	Stormwater Fund	Total
ASSETS				
Current Assets:				
Cash and investments	\$ 667,393	\$ 576,776	\$ 1,244,169	\$ 1,243,523
Accounts receivable	270,533	12,088	282,621	-
Prepaid items	-	-	-	39,200
Total Current Assets	<u>937,926</u>	<u>588,864</u>	<u>1,526,790</u>	<u>1,282,723</u>
Noncurrent Assets:				
Net pension asset	-	-	-	-
Capital assets:				
Land, improvements, and construction in progress	1,020,695	-	1,020,695	-
Other capital assets, net of depreciation	4,360,341	-	4,360,341	-
Total Capital Assets	<u>5,381,036</u>	<u>-</u>	<u>5,381,036</u>	<u>-</u>
Total Noncurrent Assets	<u>5,381,036</u>	<u>-</u>	<u>5,381,036</u>	<u>-</u>
Total Assets	<u>6,318,962</u>	<u>588,864</u>	<u>6,907,826</u>	<u>1,282,723</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>13,203</u>	<u>3,706</u>	<u>16,909</u>	<u>-</u>
LIABILITIES				
Current Liabilities:				
Accounts Payable	194,606	145,509	340,115	192,763
Compensated absences payable	4,691	-	4,691	-
Total Current Liabilities	<u>199,297</u>	<u>145,509</u>	<u>344,806</u>	<u>192,763</u>
Noncurrent Liabilities:				
Net pension liability	16,113	4,523	20,636	-
Accrued landfill closure and postclosure care costs	8,415,525	-	8,415,525	-
Other postemployment benefits	103,504	11,548	115,052	-
Compensated absences payable	14,072	-	14,072	-
Total Noncurrent Liabilities	<u>8,549,214</u>	<u>16,071</u>	<u>8,565,285</u>	<u>-</u>
Total Liabilities	<u>8,748,511</u>	<u>161,580</u>	<u>8,910,091</u>	<u>192,763</u>
DEFERRED INFLOWS OF RESOURCES	<u>8,375</u>	<u>2,351</u>	<u>10,726</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	5,381,036	-	5,381,036	-
Unrestricted	(7,805,757)	428,639	(7,377,118)	1,089,960
Total Net Position	<u>\$ (2,424,721)</u>	<u>\$ 428,639</u>	<u>(1,996,082)</u>	<u>\$ 1,089,960</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			10,805	
Net position of business-type activities			<u>\$ (1,985,277)</u>	

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

GRANVILLE COUNTY, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Enterprise Funds			Internal Service Fund Non-major Fund County Health Plan Fund
	Major Fund		Non-major Fund	
	Solid Waste Management	Stormwater Fund	Total	
OPERATING REVENUES				
Restricted intergovernmental revenue	\$ -	\$ 25,500	\$ 25,500	\$ -
Charges for services	2,756,149	303,627	3,059,776	2,621,028
Miscellaneous	-	87,748	87,748	8,872
Total operating revenues	<u>2,756,149</u>	<u>416,875</u>	<u>3,173,024</u>	<u>2,629,900</u>
OPERATING EXPENSES				
Landfill closure and postclosure	136,471	-	136,471	-
Solid waste operations	1,154,252	-	1,154,252	-
Landfill operations	1,456,131	-	1,456,131	-
Stormwater operations	-	319,275	319,275	-
Depreciation	152,964	-	152,964	-
Health insurance administration	-	-	-	2,358,411
Total operating expenses	<u>2,899,818</u>	<u>319,275</u>	<u>3,219,093</u>	<u>2,358,411</u>
OPERATING INCOME (LOSS)	(143,669)	97,600	(46,069)	271,489
NONOPERATING REVENUES (EXPENSES)				
Interest earned on investments	4,863	-	4,863	-
Total nonoperating revenues (expenses)	<u>4,863</u>	<u>-</u>	<u>4,863</u>	<u>-</u>
CHANGE IN NET POSITION	(138,806)	97,600	(41,206)	271,489
TOTAL NET POSITION-BEGINNING	(2,285,915)	331,039	(1,954,876)	818,471
TOTAL NET POSITION-ENDING	<u>\$ (2,424,721)</u>	<u>\$ 428,639</u>	<u>(1,996,082)</u>	<u>\$ 1,089,960</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			4,344	
Change in net position of business-type activities			<u>\$ (36,862)</u>	

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

GRANVILLE COUNTY, NORTH CAROLINA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Major Fund	Non-major Fund		Non-major Fund
	Enterprise Fund	Enterprise Fund		Internal Service Fund
	Solid Waste Management	Stormwater Fund	Total Proprietary Funds	County Health Plan Fund
Cash flows from operating activities:				
Cash received from customers	\$ 2,742,942	\$ 443,627	\$ 3,186,569	\$ 2,629,900
Cash paid for goods and services	(2,393,184)	(192,356)	(2,585,540)	(2,359,186)
Cash paid to employees for services	(249,725)	-	(249,725)	-
Net cash provided by operating activities	<u>100,033</u>	<u>251,271</u>	<u>351,304</u>	<u>270,714</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(161,449)	-	(161,449)	-
Net cash provided by capital and related financing activities	<u>(161,449)</u>	<u>-</u>	<u>(161,449)</u>	<u>-</u>
Cash flows from investing activities:				
Interest on investments	4,863	-	4,863	-
Net cash provided by investing activities	<u>4,863</u>	<u>-</u>	<u>4,863</u>	<u>-</u>
Net increase in cash and cash equivalents	(56,553)	251,271	194,718	270,714
Cash and cash equivalents, July 1	<u>723,946</u>	<u>325,505</u>	<u>1,049,451</u>	<u>972,809</u>
Cash and cash equivalents, June 30	<u>\$ 667,393</u>	<u>\$ 576,776</u>	<u>\$ 1,244,169</u>	<u>\$ 1,243,523</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income (loss)	\$ (143,669)	\$ 97,600	\$ (46,069)	\$ 271,489
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	152,964	-	152,964	-
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	(13,207)	26,752	13,545	-
Increase (decrease) in accounts payable and accrued liabilities	13,440	123,203	136,643	(775)
Increase (decrease) in other postemployment benefits	17,126	5,535	22,661	-
Increase (decrease) in compensated absences payable	1,979	-	1,979	-
Decrease in pension asset	16,320	6,041	22,361	-
(Increase) decrease in deferred outflows of resources-pensions	(2,358)	(10)	(2,368)	-
Increase in net pension liability	16,113	4,523	20,636	-
Decrease in deferred inflows of resources - pensions	(31,401)	(12,373)	(43,774)	-
Increase (decrease) in landfill closure and postclosure costs	<u>72,726</u>	<u>-</u>	<u>72,726</u>	<u>-</u>
Total adjustments	<u>243,702</u>	<u>153,671</u>	<u>397,373</u>	<u>(775)</u>
Net cash provided by operating activities	<u>\$ 100,033</u>	<u>\$ 251,271</u>	<u>\$ 351,304</u>	<u>\$ 270,714</u>

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

EXHIBIT 9

**GRANVILLE COUNTY, NORTH CAROLINA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2016**

	Agency Funds
ASSETS	
Cash and investments	\$ 282,839
Due from other fund	<u>39,734</u>
Total Assets	<u>\$ 322,573</u>
LIABILITIES AND NET POSITION	
Liabilities:	
Miscellaneous liabilities	\$ 282,839
Due to component unit	<u>39,734</u>
Total Liabilities	<u>\$ 322,573</u>

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

**NOTES TO THE BASIC FINANCIAL
STATEMENTS**

**GRANVILLE 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 Granville County and its discretely presented component units 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 and its component units, legally-separate entities for which the County is financially accountable. Two component units of the County have no financial transactions or account balances; therefore, it is not presented in the basic financial statements. The other four discretely presented component units presented below are reported in a separate column in the County's government-wide financial statements in order to emphasize that they are legally separate from the County.

Discretely Presented Component Units

Granville Health System

Granville Health System (the "Hospital") is a public hospital. The County appoints the board of trustees for the Hospital. The County has also issued general obligation bonds for improvement of the Hospital's facilities and makes periodic appropriations to the Hospital to defray the costs of indigent care. The Hospital, which has a September 30 year-end, is presented as if it were a proprietary fund.

Granville County ABC Board

The members of the ABC Board's governing board are appointed by the County. The ABC Board is required by State statute to distribute its surpluses to the General Fund of the County. The ABC Board, which has a June 30 year-end, is presented as if it were a proprietary fund.

Granville County Tourism Development Authority

The Granville County Tourism Development Authority (the "Tourism Development Authority") was established on September 18, 2000 by the Granville County Board of Commissioners. The Tourism Development Authority was formed to promote the use and development of Granville County recreational, historic, and tourism resources. Under the authority of HB 2218, and by resolution of the Granville County Board of Commissioners, Granville County shall on a quarterly basis, remit the net proceeds of the 6% occupancy tax to the Granville County Tourism Development Authority. The Tourism Development Authority is governed by a seven-member Board of Directors, four of whom are appointed by the Granville County Board of Commissioners, one selected by the Oxford City Council, one selected by the Butner City Council, and one selected by the Creedmoor City Council. The Granville County Tourism Development Authority, which has a June 30 year-end, is presented as if it were a governmental fund.

South Granville Memorial Gardens

The South Granville Memorial Gardens (the "Memorial Gardens") was established on June 3, 1996 by the Granville County Board of Commissioners. This association accounts for the activities of the South Granville Memorial Gardens Cemetery and provides perpetual care for the historical cemeteries located in the Butner reservation. South Granville Memorial Gardens is governed by a seven-member Board of Trustees, all of

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whom are appointed by the Granville County Board of Commissioners. Granville County appoints the voting majority of the Board and is able to impose its will on the Organization. The South Granville Memorial Gardens, which has a June 30 year-end, is presented as if it were a governmental fund.

Granville County Industrial Facility and Pollution Control Financing Authority

Granville County Industrial Facility and Pollution Control Financing Authority (the “Authority”) exists to issue and service revenue bond debt of private businesses for economic development purposes. The Authority is governed by a seven-member board of commissioners, all of whom are appointed by the County Commissioners. The County can remove any commissioner of the Authority with or without cause. At June 30, 2016, the Authority had outstanding revenue bonds in the amount of \$1,200,000. 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.

Granville County Public Facilities Company

Granville County Public Facilities Company (the “Company”) exists to assist the County in the financing of capital projects. The Company is governed by a three to nine-member board of commissioners, all of whom are appointed by the County Commissioners. The County can remove any commissioner of the Company with or without cause. The Company has no financial transactions or account balances; therefore, it is not presented in the combined financial statements. The Company does not issue separate financial statements.

Complete financial statements for each of the individual component units may be obtained at the administrative offices of those entities.

Granville Health System
1010 College Street
Oxford, North Carolina 27565

Granville County ABC Board
111 New College Street
Oxford, North Carolina 27565

Granville County Tourism Development Authority
Post Office Box 1286
Oxford, North Carolina 27565

South Granville Memorial Gardens
Post Office Box 1286
Oxford, North Carolina 27565

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) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the County. Governmental activities

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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 and blended component units. 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 and enterprise funds are aggregated and reported as nonmajor 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 fund 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 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:

Solid Waste Management Fund. This fund accounts for the operation, maintenance, and development of various landfills and disposal sites.

The County reports the following internal service fund:

County Health Plan 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 type:

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 Inmate Trust Fund, which accounts for moneys deposited with the County for the benefit of certain inmates; the Sheriff's Evidence, Execution and Special Fund, which accounts for moneys deposited with the Sheriff; and the Granville County Tourism Development Authority Fund.

Non-major Funds – The County maintains seven legally budgeted funds. The Emergency Telephone System Fund, CDBG Fund, and R. H. Thornton Library Memorial Fund are reported as non-major special

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revenue funds. The Expo and Conference Center Fund, Granville Greenway Project Fund, and GCHS Expansion Fund are reported as capital projects funds. The Stormwater Fund is the only enterprise fund that is a non-major fund.

C. Measurement Focus and Basis of Accounting

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

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

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including 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. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

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

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

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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 by general revenues.

D. 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, Emergency Telephone System Fund, R. H. Thornton Library Fund, County Health Plan Fund and all Enterprise Funds. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Expo and Conference Center Fund, CDBG Fund, Granville Greenway Project Fund, and GCHS Expansion Fund.

All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level for the general fund and at the functional level for the special revenue funds, enterprise funds, and capital projects funds. The County Manager is authorized by the budget ordinance to transfer appropriations between departments (or function levels, as applicable) within a fund up to \$1,000 temporarily subject to subsequent Board approval; however, any revisions that alter the total expenditures of any fund or that change functional appropriations by any amount must be approved by the governing board. During the year, several immaterial amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

E. Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Fund Equity

1. Deposits and Investments

All deposits of the County, Granville Health System, Granville County ABC Board, Granville County Tourism Development Authority, and South Granville Memorial Gardens are made in board-designated official depositories and are secured as required by G. S. 159-31. The County, the Hospital, the ABC Board, the Tourism Development Authority, and the Memorial Gardens may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the County, the Hospital, the ABC Board, the Tourism Development Authority, and the Memorial Gardens 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, the Hospital, the ABC Board, the Tourism Development Authority, and the Memorial Gardens 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;

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obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT).

The majority of the County, the Hospital, the ABC Board, the Tourism Development Authority, and the Memorial Garden's investments with a maturity of more than one year at acquisition and non-money market 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 money from several 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. Granville Health System, the ABC Board, the Tourism Development Authority, and the Memorial Gardens consider demand deposits and investments purchased with an original maturity of three months or less, which are not limited as to use, to be cash and cash equivalents.

3. Restricted Assets

The unexpended debt proceeds are classified as restricted assets in the capital projects funds because their use is completely restricted to the purpose for which the debt was originally issued. Money in the Tax Revaluation Fund is classified as restricted assets because its use is restricted per North Carolina General Statute 153A-150.

<u>Granville County Restricted Cash</u>		
<u>Governmental Activities</u>		
General Fund	Tax Revaluation	\$ 591,041
General Fund	Register of Deeds	42,603
General Fund	Education	1,738,702
General Fund	Public Safety	994,675
General Fund	Reserve for hospital USDA loan	160,608
General Fund	Sinking fund set aside for debt payment	<u>1,738,702</u>
Total Governmental Activities		<u>5,266,331</u>
Total Restricted Cash		<u>\$ 5,266,331</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 paid prior to the due date. In the County's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowance 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.

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6. Inventory and Prepaid Items

The inventories of the Hospital, the ABC Board, and the Memorial Gardens are valued at cost (first-in, first-out), which approximates market. The inventory of the Hospital, the ABC Board, and the Memorial Gardens consist of materials and supplies held for consumption or resale. The cost of the inventory carried in the Hospital, the ABC Board, and the Memorial Gardens is recorded as an expense as it is consumed or sold.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements and expensed as the items are used in accordance with the consumption method.

7. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 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: land, \$5,000; Buildings, improvements, substations, lines, and other plant and distribution systems, \$5,000; infrastructure, \$5,000; equipment and furniture, \$5,000; vehicles and motorized equipment, \$5,000. 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.

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

	<u>Useful Life</u>
Buildings	40 years
Improvements	25 years
Furniture and equipment	10 years
Vehicles	5 years
Computer equipment	5 years
Software	5 years

Property, plant, and equipment in the proprietary funds of the County and those of the Hospital and the ABC Board are recorded at original cost at the time of acquisition. Property, plant, and equipment donated to these proprietary fund type operations are recorded at the estimated fair market value at the date of donation. Any interest incurred during the construction phase of proprietary fund type capital assets is reflected in the capitalized value of the asset constructed.

Proprietary fund assets of the County are depreciated on a class life basis as follows:

	<u>Useful Life</u>
Water and sewer distribution assets	20-40 years
Furniture and office equipment	5 years
Maintenance and construction equipment	7 years
Land improvements	15 years

Capital assets of the ABC Board are depreciated over their useful lives on a straight-line basis as follows:

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	<u>Useful Life</u>
Buildings	20 years
Furniture/equipment	5-10 years
Vehicles	6 years
Computers, etc.	3 years
Land Improvements	15 years

For the Hospital, depreciation is computed by the straight-line method over the estimated useful lives of each class of depreciable assets. Equipment under capital leases is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the financial statements.

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 several items that meet this criterion – a charge on refunding, 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 or 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 be recognized as revenue until then. The County has only two items that meets the criterion for this category – prepaid taxes and other pension related deferrals.

9. Long-Term Obligations

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

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

10. Compensated Absences

The vacation policies of the County, the Hospital, and the ABC Board provide for the accumulation of 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, and Hospital statements. The County's liability for accumulated earned vacation and the salary-related payments as of June 30, 2016 is recorded in the government-wide and proprietary fund financial statements on a LIFO basis. Employees typically take leave as it is earned and the current portion is estimated.

The sick leave policies of the County, the Hospital, and the ABC Board 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 neither the County, the Hospital nor the ABC board has any obligation for accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

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11. Net Position/Fund Balances

Net Position

Net position in government-wide and proprietary fund financial statements are 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 b) or 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 include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Prepaid items-portion of fund balance that is not an available resource because it represents the year-end balance of prepaids, 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 Public Safety-portion of fund balance that is restricted for Emergency Telephone System purposes

Restricted for Education-portion of fund balance that is restricted by debt proceeds obtained to pay for school capital outlay.

Restricted for Community Services-portion of fund balance that is restricted for use for recreational and library purposes.

Restricted for Economic and Physical Development-portion of fund balance that is restricted for use for economic and physical development.

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

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

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Committed for Public Safety-portion of fund balance that can only be used for Public Safety purposes.

Assigned Fund Balance-portion of fund balance that the County's governing board has budgeted.

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.

Assigned for Community Services-portion of fund balance that has been budgeted by the board for recreation purposes for money needed to provide matching funds for PARTF grant.

Assigned for Economic and physical development-portion of fund balance that has been budgeted by the board for the economic development incentives for various businesses.

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

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

The County will strive to maintain Unassigned General Fund Balance, as defined by the Governmental Accounting Standards Board, at the close of each fiscal year equal to 35% of General Fund Expenditures. At no time shall the County's Unassigned Fund Balance fall below 30% of General Fund Expenditures. Unassigned Fund Balance in excess of the targeted 35% of General Fund Expenditures may be appropriated from time to time for pay-as-you-go capital and other one-time uses.

The County Board may, from time-to-time, utilize fund balances that will reduce Unassigned Fund Balance below the 30% policy floor for the purposes of a declared fiscal emergency or other such global purpose as to protect or enhance the long-term fiscal security of Granville County. In such circumstances, the Board will adopt a plan to restore the Unassigned Fund Balance to the policy level within 36 months. If restoration cannot be accomplished within such time period without severe hardship to the County, then the Board will establish a different but appropriate time period.

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

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and payable in accordance with the terms of the state-administered defined benefit pension plans. Investments are reported at fair value.

F. Reconciliation of Government-Wide and Fund Financial Statements

- 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 fund balance-total governmental funds and net position for governmental activities as reported in the government-wide statement of net position. The net adjustment of \$ (47,259,532) consists of the following:

<u>Description</u>	<u>Amount</u>
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)	\$ 59,641,491
Less accumulated depreciation	(16,292,730)
Net capital assets	<u>43,348,761</u>
Net pension asset	106,274
Contributions to the pension plan in the current fiscal year	654,161
Accrued interest receivable less the amount claimed as unearned revenue in the government-wide statements as these funds are unavailable in the fund statements.	336,372
Deferred charges related to advance refunding bond issued – included on government-wide statement of net position but are not current financial resources.	1,346,405
Internal service fund is used by management to charge insurance costs to individual funds; the assets and liabilities of the internal service fund is included in governmental activities in the statement of net position	1,089,960
Internal receivable representing cost in excess of charges to business-type activities-current year	(10,805)
Deferred inflows of resources for taxes and special assessments receivable	951,022
Pension related deferrals	(413,160)
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, financing agreements, COPS and installments	(83,473,660)
Compensated absences	(889,025)
Other postemployment benefits	(6,176,239)
Net pension obligation	(786,475)
Net pension liability	(746,809)
Premium on bonds	(2,019,181)
Accrued interest payable	(577,133)
Total adjustment	<u>\$ (47,259,532)</u>

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

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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 \$ 7,083,579 is comprised of the following:

<u>Description</u>	<u>Amount</u>
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 3,324,007
Cost of disposed capital asset not recorded in the fund statements	(33,457)
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	(1,806,868)
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	11,632,960
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	(5,485,000)
Amortization on deferred premium payments on debt that is recorded in the statement of activities but not in the fund statements	239,619
Internal service funds are used by management to charge the costs of health insurance to individual funds. The net revenue of certain activities of internal service fund is reported with governmental activities	
Change in net position of the internal service funds	271,489
Less: Profit from charges to business-type activities	(4,344)
Net adjustment	<u>267,145</u>
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	604,181
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	
-Amortization on deferred charges-refunding costs that is recorded in the statement of activities but not in the fund statements	(178,348)
-Difference in interest expense between fund statements (modified accrual) and government-wide statements (full accrual)	(24,637)
-Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(41,680)
-Net pension obligation is accrued in the government-wide statements but not in the fund statements because they do not use current resources	(65,600)
-Other postemployment benefits are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(739,152)
-County's portion of collective pension expense	(416,357)
Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements	
-Increase in deferred inflows of resources-taxes receivable-at end of year	(176,602)
-Increase in accrued taxes receivable at end of year	(16,632)
Total adjustment	<u><u>\$ 7,083,579</u></u>

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

I. Stewardship, Compliance, and Accountability

A. Deficit Fund Balance or Net Position of Individual Funds

In Exhibit 6, the Solid Waste Management Fund had a deficit net position in the amount of \$2,424,721. This deficit net position resulted from liabilities associated with landfill closure and postclosure costs.

B. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2016, expenditures made in the County Health Plan Fund exceeded the authorized appropriations for health insurance administration and claims by \$37,477 and \$9,934, respectively. All expenditures will be monitored more closely in the future to ensure budget amendments are made timely for additional expenditures.

III. Detail Notes on All Funds

A. Assets

1. Deposits

All of the County's, the Hospital's, the ABC Board's, the Tourism Development Authority's, and the Memorial Gardens' 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, the Hospital's, the ABC Board's, the Tourism Development Authority's, or the Memorial Gardens' agents in these units' 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, the Hospital, the ABC Board, the Tourism Development Authority, and the Memorial Gardens, these deposits are considered to be held by their agents in the entities' names. 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, the Hospital, the ABC Board, the Tourism Development Authority, or the Memorial Gardens, or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the County, the Hospital, the ABC Board, the Tourism Development Authority, or the Memorial Gardens 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, the Hospital, the ABC Board, the Tourism Development Authority and the Memorial Gardens have no formal policies regarding custodial credit risk for deposits.

At June 30, 2016, the County's deposits had a carrying amount of \$31,491,208 and a bank balance of \$31,997,548. Of the bank balance, \$1,000,000 was covered by federal depository insurance, and \$30,997,548 in interest bearing deposits was covered by collateral held under the Pooling Method.

At June 30, 2016, Granville County had \$1,675 cash on hand.

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At June 30, 2016, the carrying amount of deposits for Granville County ABC Board was \$846,086 and the bank balance was \$828,006. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$578,006 was covered by collateral held by authorized escrow agents in the name of the State Treasurer. The ABC Board had \$4,200 cash on hand.

At September 30, 2015, the Hospital's deposits had a carrying amount of \$7,195,062 and a bank balance of \$4,498,689. Of the bank balance, \$500,000 was covered by federal depository insurance and \$3,998,689 was covered by collateral held under the Pooling method. The Hospital also had cash on hand at September 30, 2015, in the amount of \$3,075.

At June 30, 2016, the Tourism Development Authority had a carrying amount of \$322,620 and a bank balance of \$322,620. Of the bank balance, \$250,000 was covered by the federal depository insurance and the balance was covered by collateral held under the pooling method.

At June 30, 2016, the Memorial Gardens had a carrying amount of \$148,107 and a bank balance of \$148,579. All of the bank balance was covered by federal depository insurance.

2. Investments

As of June 30, 2016, the County had the following investments and maturities.

Valuation				
<u>Investment</u>	<u>Measurement Method</u>	<u>Fair Value</u>	<u>Less than 6 months</u>	
NC Capital Management Trust-Cash	Amortized Cost	\$ 6,665,507	\$	N/A
NC Capital Management Trust-Term*	Fair Value-Level 1	2,381,018	2,381,018	<u>\$ 2,381,018</u>
		<u>\$ 9,046,525</u>		<u>\$ 2,381,018</u>

*Because the NC Capital Management Trust Term Portfolio has a weighted average maturity of less than 90 days, it was presented as an investment with a maturity of less than 6 months.

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.

The North Carolina Capital Management Trust's Cash Portfolio carried a credit rating of AAAm by Standard and Poor's. The North Carolina Capital Management Trust's Term Porfolio is not rated. The County has no policy on credit risk.

At June 30, 2016, South Granville Memorial Gardens' investments consisted of \$100,506 in the North Carolina Capital Management Trust's Term Portfolio. The North Carolina Capital Management Trust's Term Portfolio carried a credit rating of AAAm by Standard and Poor's. South Granville Memorial Gardens has no policy on credit risk.

GRANVILLE COUNTY, NORTH CAROLINA
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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 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.

Year Levied	Tax	Interest	Total
2013	\$ 2,497,701	\$ 817,954	\$ 3,315,655
2014	2,629,553	624,485	3,254,038
2015	2,655,999	391,740	3,047,739
2016	<u>2,682,411</u>	<u>154,239</u>	<u>2,836,650</u>
Totals	<u>\$ 10,465,664</u>	<u>\$ 1,988,418</u>	<u>\$ 12,454,082</u>

4. Receivables

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

	Accounts	Taxes and Accrued Interest	Due from other governments	Total
Governmental Activities:				
General Fund	\$ 1,643,673	\$ 1,437,394	\$ 1,656,281	\$ 4,737,348
Other Governmental Funds	34,910	-	-	34,910
Allowance for doubtful accounts	-	(150,000)	-	(150,000)
Total governmental activities	<u>\$ 1,678,583</u>	<u>\$ 1,287,394</u>	<u>\$ 1,656,281</u>	<u>\$ 4,622,258</u>
Business-type Activities:				
Solid Waste Management	\$ 260,845	\$ -	\$ 31,888	\$ 292,733
Stormwater Fund	<u>12,088</u>	-	-	<u>12,088</u>
Total	272,933	-	31,888	304,821
Allowance for doubtful accounts	(22,200)	-	-	(22,200)
Total business-type activities	<u>\$ 250,733</u>	<u>\$ -</u>	<u>\$ 31,888</u>	<u>\$ 282,621</u>

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

Local option sales tax	\$ 1,076,489
Sales tax refund receivable	322,664
Medicaid hold harmless	257,128
White goods tax	4,757
Scrap tire disposal tax	19,882
Solid waste tax distribution	7,249
Total	<u>\$ 1,688,169</u>

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

5. Capital Assets

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 7,701,851	\$ -	\$ -	\$ 7,701,851
Construction in Progress	<u>1,270,284</u>	<u>2,784,911</u>	<u>(2,019,963)</u>	<u>2,035,232</u>
Total capital assets not being depreciated	<u>8,972,135</u>	<u>2,784,911</u>	<u>(2,019,963)</u>	<u>9,737,083</u>
Capital assets being depreciated:				
Buildings	17,053,779	1,846,615	-	18,900,394
Improvements other than building	<u>17,627,832</u>	<u>173,348</u>	<u>-</u>	<u>17,801,180</u>
Machinery and Equipment	6,113,697	539,096	(319,959)	6,332,834
Intangible assets	<u>6,870,000</u>	<u>-</u>	<u>-</u>	<u>6,870,000</u>
Total capital assets being depreciated	<u>47,665,308</u>	<u>2,559,059</u>	<u>(319,959)</u>	<u>49,904,408</u>
Less accumulated depreciation for:				
Buildings	8,347,905	489,322	-	8,837,227
Improvements other than building	<u>2,010,377</u>	<u>514,283</u>	<u>-</u>	<u>2,524,660</u>
Machinery and Equipment	4,414,082	631,513	(286,502)	4,759,093
Intangible assets	<u>-</u>	<u>171,750</u>	<u>-</u>	<u>171,750</u>
Total accumulated depreciation	<u>14,772,364</u>	<u>\$ 1,806,868</u>	<u>\$ (286,502)</u>	<u>16,292,730</u>
Total capital assets being depreciated, net	<u>32,892,944</u>			<u>33,611,678</u>
Governmental activity capital assets, net	<u>\$ 41,865,079</u>			<u>\$ 43,348,761</u>

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

General government	\$ 264,764
Public safety	775,665
Human services	169,211
Community services	420,926
Economic development	<u>176,302</u>
Total depreciation expense	<u>\$ 1,806,868</u>

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 1,020,695	\$ -	\$ -	\$ 1,020,695
Construction in progress	<u>10,290</u>	<u>161,449</u>	<u>(171,740)</u>	<u>-</u>
Total capital assets not being depreciated	<u>1,030,985</u>	<u>161,449</u>	<u>(171,740)</u>	<u>1,020,695</u>
Capital assets being depreciated:				
Buildings	39,017	-	-	39,017
Improvements other than buildings	4,525,394	171,740	-	4,697,134
Fixtures & Equipment	98,747	-	-	98,747
Machinery and equipment	<u>345,339</u>	<u>-</u>	<u>-</u>	<u>345,339</u>
Total capital assets being depreciated	<u>5,008,497</u>	<u>171,740</u>	<u>-</u>	<u>5,180,237</u>

GRANVILLE COUNTY, NORTH CAROLINA
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	Beginning Balances	Increases	Decreases	Ending Balances
Less accumulated depreciation for:				
Buildings	15,496	1,960	-	17,456
Improvements other than buildings	337,350	118,995	-	456,345
Fixtures & Equipment	7,333	6,583	-	13,916
Machinery and equipment	306,754	25,425	-	332,179
Total accumulated depreciation	<u>666,933</u>	<u>\$ 152,963</u>	<u>\$ -</u>	<u>819,896</u>
Total capital assets being depreciated, net	<u>4,341,564</u>			<u>4,360,341</u>
Business-type activities capital assets, net	<u>\$ 5,372,549</u>			<u>\$ 5,381,036</u>

Activity for the ABC Board for the year ended June 30, 2016, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 436,774	\$ -	\$ -	\$ 436,774
Capital assets being depreciated:				
Buildings	214,557	-	-	214,557
Furniture and equipment	57,161	8,612	-	65,773
Vehicles	23,208	-	-	23,208
Computers & software	65,021	-	-	65,021
Land improvements	<u>32,592</u>	<u>-</u>	<u>-</u>	<u>32,592</u>
Total capital assets being depreciated	<u>392,539</u>	<u>8,612</u>	<u>-</u>	<u>401,151</u>
Less accumulated depreciation for:				
Buildings	96,051	4,647	-	100,698
Furniture and equipment	49,282	3,204	-	52,486
Vehicles	23,208	-	-	23,208
Computers & software	60,652	4,368	-	65,020
Land improvements	<u>32,274</u>	<u>273</u>	<u>-</u>	<u>32,547</u>
Total capital assets being depreciated	<u>261,467</u>	<u>\$ 12,492</u>	<u>\$ -</u>	<u>273,959</u>
ABC Board capital assets, net	<u>\$ 567,846</u>			<u>\$ 563,966</u>

Activity for Granville Health System for the year ended September 30, 2015, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	<u>\$ 1,790,207</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,790,207</u>
Total capital assets not being depreciated	<u>1,790,207</u>	<u>-</u>	<u>-</u>	<u>1,790,207</u>
Capital assets being depreciated:				
Buildings	30,845,132	93,256	-	30,938,388
Capitalized interest	181,828	-	-	181,828
Land Improvements	1,707,754	-	-	1,707,754
Equipment and fixtures	<u>29,372,716</u>	<u>1,059,107</u>	<u>-</u>	<u>30,431,823</u>
Total capital assets being depreciated	<u>62,107,430</u>	<u>1,152,363</u>	<u>-</u>	<u>63,259,793</u>
Less accumulated depreciation for:				
Buildings	12,154,653	916,122	-	13,070,078
Land Improvements	1,007,329	59,749	-	1,067,078
Equipment and fixtures	<u>18,032,181</u>	<u>1,920,471</u>	<u>-</u>	<u>19,952,652</u>
Total accumulated depreciation	<u>31,194,163</u>	<u>\$ 2,896,342</u>	<u>\$ -</u>	<u>34,090,505</u>
Total capital assets being depreciated, net	<u>63,897,637</u>			<u>65,050,000</u>
Business-type activities capital assets, net	<u>\$ 32,703,474</u>			<u>\$ 30,959,495</u>

**GRANVILLE COUNTY, NORTH CAROLINA
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B. Liabilities

1. Payables

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

	<u>Vendors</u>	<u>Accrued Interest</u>	<u>Total</u>
Governmental Activities:			
General Fund	\$ 1,122,285	\$ 577,133	\$ 1,699,418
Other Governmental Funds	25,000	-	25,000
County Health Plan Fund	<u>192,763</u>	-	<u>192,763</u>
Total-governmental activities	<u>\$ 1,340,048</u>	<u>\$ 552,496</u>	<u>\$ 1,917,181</u>
Business-type Activities:			
Solid Waste Management	\$ 194,606	\$ -	\$ 194,606
Stormwater Fund	<u>145,509</u>	-	<u>145,509</u>
Total-business-type activities	<u>\$ 340,115</u>	<u>\$ -</u>	<u>\$ 340,115</u>

2. Pension Plan and Other Postemployment Obligations

a. Local Governmental Employees' Retirement System

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

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's

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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 6.77% 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 \$794,490 for the year ended June 30, 2016. Contributions to the pension plan from the Hospital were \$1,383,717 for the year ended September 30, 2015.

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

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

At June 30, 2016, the County reported a liability of \$807,111 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 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 .182%, which was a decrease of .004% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the County recognized pension expense of \$381,288. At June 30, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 189,717
Net difference between projected and actual earnings on pension plan investments	- -	229,782
Changes in proportion and differences between County contributions and proportionate share of contributions	45,328	-
County contributions subsequent to the measurement date	616,023	-
Total	<u>\$ 661,351</u>	<u>\$ 419,499</u>

\$661,351 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	\$ (254,944)
2018	(254,944)
2019	(254,696)
2020	390,413

At September 30, 2015, the Hospital reported an asset of \$2,158,470 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 liability was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing update procedures incorporating the actuarial assumptions. The Hospital's proportion of the net pension asset was based on a projection of the Hospital'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 September 30, 2014, the Hospital's proportion was 0.37%, which was an increase of 0.1% from its proportion measured as of September 30, 2013.

For the year ended September 30, 2015, the Hospital recognized pension expense of \$697,077. At September 30, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 358,887
Net difference between projected and actual earnings on pension plan investments	3,068,318	3,502,995
Changes in proportion and differences between Hospital contributions and proportionate share of contributions	45,251	185,657
Hospital contributions subsequent to the measurement date	360,502	-
Total	<u>\$ 3,474,071</u>	<u>\$ 4,047,539</u>

\$360,502 reported as deferred outflows related to pensions resulting from Hospital contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the

GRANVILLE COUNTY, NORTH CAROLINA
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year ended September 30, 2016. Other amounts reported as deferred inflows related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$ (539,939)
2017	(539,939)
2018	(539,541)
2019	<u>685,449</u>
Total	<u><u>\$ (933,970)</u></u>

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 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><u>100%</u></u>	

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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</u> <u>(6.25%)</u>	<u>Discount</u> <u>Rate (7.25%)</u>	<u>1% Increase</u> <u>(8.25%)</u>
County's proportionate share of the net pension liability (asset)	\$ 5,628,098	\$ 807,111	\$(3,254,463)
Hospital's proportionate share of the net pension liability (asset)	<u>1% Decrease</u> <u>(6.25%)</u>	<u>Discount</u> <u>Rate (7.25%)</u>	<u>1% Increase</u> <u>(8.25%)</u>
	\$ 10,646,568	\$ 1,526,797	\$(6,156,408)

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

b. Law Enforcement Officer's Special Separation Allowance

1. Plan Description

Granville 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. The County chooses to fund this plan on a pay-as-you-go basis. Actuarial valuations are obtained to help the County

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plan for the future needs of the retirement plan. There is no separate, audited GAAP-basis plan report available for the special separation allowance.

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	2
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>53</u>
Total	<u>55</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.

The annual required contribution for the current year was determined as part of the December 31, 2014 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions 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 dollars on a closed basis. The remaining amortization period at December 31, 2014, was 16 years.

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

Annual required contribution	\$ 121,513
Interest on net pension obligation	34,060
Adjustment to annual required contribution	<u>(59,862)</u>
Annual pension cost (expense)	95,711
Employer contributions made for fiscal year ending 06/30/16	<u>30,111</u>
Increase (decrease) in net pension obligation	65,600
Net pension obligation beginning of year	<u>681,209</u>
Net pension obligation end of year	<u>\$ 746,809</u>

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4. Funded Status and Funding Process:

Fiscal Year Ended	Three-Year Trend Information		
	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/14	\$ 72,448	32.07%	\$ 621,244
6/30/15	91,390	34.39%	681,209
6/30/16	\$ 95,711	31.46%	\$ 746,809

As of December 31, 2015, the most recent actuarial valuation date, the plan was 0.0 percent funded. The actuarial accrued liability for benefits was \$1,350,911, and the actuarial value of assets was \$0.00, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,350,911. The covered payroll (annual payroll of active employees covered by the plan) was \$2,539,432 and the ratio of the UAAL to the covered payroll was 53.20 percent.

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 contribution 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, 2016, were \$152,863, which consisted of \$124,801 from the County and \$28,062 from the law enforcement officers.

d. Registers of Deeds' Supplemental Pension Fund

Plan Description. Granville County also contributes to the Registers of Deeds' Supplemental Pension Fund (RODSPF), a noncontributory, cost-sharing, multiple-employer, defined benefit pension 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

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State Treasurer and State Superintendent, who serve as ex-officio members. The Registers of Deeds' Supplemental Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Registers of Deeds' Supplemental Pension Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

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

Contributions. Benefits and administrative expenses are funded by investment income and 1.5% of the receipts collected by each County Commission under Article 1 of Chapter 161 of the North Carolina General Statutes. The statutory contribution currently has no relationship to the actuary's required contribution. The actuarially determined contribution this year and for the foreseeable future is zero. Registers of Deeds do not contribute. Contribution provisions are established by General Statute 161-50 and may be amended only by the North Carolina General Assembly. Contributions to the pension plan from the County were \$3,928 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 \$106,274 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 .457%, which was an increase of .03% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the County recognized pension expense of \$(4,412). 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	\$ 520	\$ 1,759
Net difference between projected and actual earnings on pension plan investments	5,271	-
Changes in proportion and differences between County contributions and proportionate share of contributions	-	2,628
County contributions subsequent to the measurement date	3,928	-
Total	\$ 9,719	\$ 4,387

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\$9,719 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	\$ (1,198)
2018	75
2019	1,105
2020	1,423

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-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.

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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 (4.75%)</u>	<u>Discount Rate (5.75%)</u>	<u>1% Increase (6.75%)</u>
County's proportionate share of the net pension liability (asset)	\$ (95,882)	\$ (106,274)	\$ (115,216)

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

Healthcare Benefits

Plan Description –Under the terms of a County ordinance, the County administers a single-employer defined benefit Healthcare Benefits Plan (HCB Plan). As of October 21, 1996, this plan provides postemployment healthcare benefits to retirees of the County, provided they have at least twenty years of creditable service with the County. The County provides hospital insurance, for any employee hired before July 1, 2014, in an amount equal to a single employee's coverage, who upon retirement, meet one of the following criteria:

- Age 65 or older and have been previously employed by the County on a regular full-time basis for at least 20 years.
- Age 62 or older and have been previously employed by the County on a regular full-time basis for at least 22 years.
- Age 55 or older and have been previously employed by the County on a regular full-time basis for at least 25 years.
- County Commissioners having served three complete terms. County Commissioners having served two complete terms may continue coverage by assuming financial responsibility for the payment of the entire premium.

Also, the County's retirees can continue to purchase coverage for their dependents at the County's group rates until the retiree reaches the age of 65 if upon retirement they were providing additional spousal or dependent coverage. At age 65, the retiree will shift to a Medicare supplement policy until termination of coverage by the insured, death or other reason. The County Board of Commissioners may amend the benefit provisions. There is no separate, audited GAAP-basis plan report available for the postemployment benefit plan.

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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 Officers</u>
Retirees receiving benefits	48	10
Terminated plan members entitled to but not yet receiving benefits	-	-
Active plan members	<u>207</u>	<u>54</u>
Total	<u>255</u>	<u>64</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 County Board of Commissioners. The County offers the option for dependent coverage if paid in full by the retiree. The County has chosen to fund the healthcare benefits on a pay as you go basis.

The current ARC rate is 10.77% of annual covered payroll. For the current year, the County contributed \$259,211 or 2.4% of annual covered payroll. The County obtains healthcare coverage through private insurers for retirees over age 65. Retirees under age 65 are covered fully under the county's self-insurance coverage. The County's required contributions, under a County resolution, for employees not engaged in law enforcement and for law enforcement officers represented 2.71% and 1.55% of covered payroll, respectively. The County's obligation to contribute to HCB Plan is established and may be amended by the County 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 administration costs. These expenditures are paid as they come due.

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

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

Annual required contribution	\$ 1,139,342
Interest on net OPEB obligation	189,154
Adjustment to annual required contribution	<u>307,472</u>
Annual OPEB cost (expense)	1,021,024
Contributions made	<u>(259,211)</u>
Increase (decrease) in net OPEB obligation	761,813
Net OPEB obligation, beginning of year	<u>5,529,477</u>
Net OPEB obligation, end of year	<u>\$ 6,291,290</u>

The County'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:

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For Year Ended June 30	<u>Three-Year Trend Information</u>		
	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2016	\$ 1,021,024	25.4%	\$ 6,291,290
2015	1,065,543	24.9%	5,529,477
2014	\$ 737,369	15.6%	\$ 4,728,860

Funded Stated and Funding Process – 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 \$11,831,951. The covered payroll (annual payroll of active employees covered by the plan) was \$10,581,978, and the ratio of the UAAL to the covered payroll was 111.8 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 trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual 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 at 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 the 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 the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 7.50 to 5.00 percent annually for Pre-Medicare and 7.50 to 5.00 percent annually for Post-Medicare. The investment rate included a 3.00 percent inflation assumption. The actuarial value of assets, in any, 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 payroll on an open basis. The remaining amortization period at December 31, 2015, was 30 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 Governmental 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

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and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to the employee's death, but the benefit will be a minimum of \$25,000 and will not exceed \$50,000. Because all death benefit payments are made from the Death Benefit Plan and not by the County, the County does not determine the number of eligible participants. The County has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The County considers these contributions to be immaterial.

g. Granville Health System Pension Plan

Plan Description – The Hospital is a participating employer of 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 ("LEO") of participating local government 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 LGERS is included in the CAFR for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina, 27699-1410, or by calling (919) 981-5454, or at www.osc.nc.gov.

Contributions – Contribution provisions are established by the General Statute 128-30 and may be amended only by the North Carolina General Assembly. Hospital employees are required to contribute six percent of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Hospital's contractually required contribution rate for the year ended September 30, 2015, was 6.730% of compensation for general employees, 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 Hospital were \$1,383,717 for the year ended September 30, 2015.

3. Closure and Postclosure Care Costs – Landfill Facility

State and federal laws and regulations require the County to place a final cover on its landfill facility when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Granville County currently has closed two MSW landfills. The Butner site has 12 years remaining under the postclosure requirements and the Oxford site has 28 postclosure years remaining. The \$8,415,525 reported as landfill closure and postclosure care liability at June 30, 2016, represents the latest estimate for the remaining years of postclosure maintenance and monitoring required for the Oxford and Butner landfills. The County operates a C&D landfill at the Oxford site which as of August 2014 is expected to reach its capacity around the middle of calendar year 2015. The County opened a MSW landfill on May 1, 2013 at the Oxford site which is expected to have a 70-100 year capacity.

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The County has met the requirements of a local government financial test that is one option under State and Federal laws and regulations that helps determine if a unit is financially able to meet closure and postclosure care requirements. However, the County has also elected to establish a reserve fund to accumulate resources for the payment of closure and postclosure care costs. The County expects that future inflation costs will be paid from the interest earnings on annual contributions. However, if interest earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may need to be covered by charges to future landfill users or by future tax revenues.

4. Deferred Outflows and Inflows of Resources

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Charge on refunding of debt	\$ 1,346,405	\$ -
Pensions – difference between expected and actual experience	-	-
LGERS	-	189,717
Register of Deeds	520	1,759
Pensions – difference between projected and actual investment earnings		
LGERS	-	229,782
Register of Deeds	5,271	-
Pensions-change in proportion and difference between employer contributions and proportionate share of contributions		
LGERS	45,328	-
Register of Deeds	-	2,628
Contributions to pension plan in 2015-2016 fiscal year	619,951	-
Prepaid taxes not yet earned (General)	-	89,395
Taxes receivable, net (General)	-	951,022
Total	<u>\$ 2,017,475</u>	<u>\$ 1,464,303</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 two self-funded risk-financing pools administered by the North Carolina Association of County Commissioners Joint Risk Management Agency. Through these pools, the County obtains property coverage equal to replacement cost values of owned property subject to total insured values, with sub-limits on coverage for specified perils; general, auto, professional, employment practices, and law enforcement liability coverage of \$2 million per occurrence; auto physical damage coverage for owned autos at actual cash value; crime coverage of \$250,000 per occurrence; and workers' compensation coverage up to the statutory limits. All property coverage and some liability coverage is subject to per occurrence deductibles, as selected by the County. The pools are audited annually by certified public accountants, and the audited financial statements are available to the County upon request. Both of these pools are reinsured through a multi-state public entity captive for single occurrence losses in excess of \$500,000, up to a \$2 million limit for liability coverage, and single occurrence losses in excess of \$750,000 for workers' compensation. Through the captive, the Liability and Property Pool is reinsurance for \$2,000,000 of annual aggregate losses in excess of \$250,000 per occurrence for property, auto physical damage and crime coverage, with additional limits of \$498

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million purchased through a group of commercial carriers through the multi-state public entity captive. The County provides employee health and dental benefits through a self-insured plan provided by Blue Cross Blue Shield (BCBS). Claims are administered and paid directly from the plan by BCBS. Specific stop-loss is set at \$80,000 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 \$2,325,936 and a contract period maximum of \$1,000,000.

In accordance with G. S. 159-29, the County's employees that have access to \$100 or more of the County's funds at any given time are performance bonded through a commercial crime coverage with a \$250,000 occurrence limit. Individuals holding positions requiring statutory bonds are covered elsewhere. The Director of Finance and tax collector are each individually bonded for \$250,000 each. The Sheriff and Register of Dees are each individually bonded for \$25,000 each. The remaining employees that have access to funds are bonded under a blanket bond for \$10,000.

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.

Granville County ABC Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The ABC Board has property, general liability, auto liability, workers' compensation, and employee health coverage. The Board also has liquor legal liability. There have been no significant reductions in insurance coverage from the prior year and settled claims have not exceeded coverage in any of the past three fiscal years.

Granville Health System is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets, business interruption: errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice; and employee health benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years. The Hospital is insured for medical malpractice claims and judgments.

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. Financing Agreements

In December 2011, Granville County entered into a utility sales agreement with the City of Henderson to provide water and sewer services to Triangle North Industrial Park. This utility agreement has since been challenged legally by the City of Oxford. The lawsuit regarding this matter was settled in August 2015.

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FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Governmental Activities

The agreement for \$9,000,000 was executed in December 2011, for the utility sales agreement for water and sewer services for an industrial park and required 9 annual payments of \$951,138.37. A payment of \$951,139 was made at the execution of the agreement. The interest rate is 1.25%. This agreement was ended by a lawsuit settlement and the County is no longer obligated to make any payments and is due a receivable from the City of Henderson in the amount of \$1,823,415.

The agreement with the City of Oxford was executed in August 2015, for the utility sales agreement for water and sewer services for an industrial park and required an initial payment of \$1,370,000 and financed the balance of \$5.5 million over seven years at a rate of 1.25%.

Total

\$ -
4,743,262
\$ 4,743,262

For Granville County, the future minimum payments as of June 30, 2016, including \$209,666 of interest are:

Year Ending <u>June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2017	766,197	59,291
2018	775,775	49,713
2019	785,472	40,016
2020	795,290	30,198
2021	805,231	20,257
2022	<u>815,297</u>	<u>10,191</u>
	<u>\$ 4,743,262</u>	<u>\$ 209,666</u>

b. Operating Lease

The Hospital has entered into an operating lease agreement lease space in a medical office building adjacent to the Hospital. Under the agreement, the Hospital is obligated to pay 180 monthly payments of \$12,110. Each year the rate is increased three percent. There are two renewal options of five years each under the agreement. Currently this space is subleased to several tenants. Rental terms include maturity dates from three to five years with each lease having renewal options to extend the original terms. Rental income under these subleases amounted to approximately \$194,000 and \$244,000 as of September 30, 2015 and 2014, respectively.

Total rental expense charged to operations amounted to approximately \$996,700 and \$1,228,000 for the years ended September 30, 2015 and 2014, respectively. Approximate future minimum rentals for years ending September 30 are as follows:

2016	\$ 1,648,213
2017	785,613
2018	623,769
2019	481,892
2020	292,132
Total	<u>\$ 3,831,619</u>

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

c. Installment Purchases

As authorized by State law [G.S. 160A-20 and 153A-158.1], the County financed various property acquisitions through installment financing. The County's installment purchases at June 30, 2016, are comprised of the following individual issues:

The County entered into an installment purchase agreement on March 15, 2007 for financing of replacement windows for Granville Health System for \$1,500,000. The transaction requires monthly payments in the amount of \$11,073 at an interest rate of 3.97%. Title to these assets belongs to Granville Health System.

\$ 681,679

In May 2008, the County entered into an installment agreement for \$3,859,760 with payments due on May 13 and November 13 in installments of \$147,242 through November 13, 2017 and installments of \$91,492, thereafter. Interest will be paid at 3.72 percent. This debt was used to finance E911 equipment for \$1,115,000 and school construction for \$2,744,760.

E911 Equipment	167,250
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School Construction (Granville County Schools holds title to these assets upon project completion)	1,189,396
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In September 2012, the County entered into a \$8,950,000 installment financing agreement for the reimbursement of the Triangle North-Granville purchase (\$5,350,000), renovations to the County's Orange street facility (\$2,100,000), renovations to the County's Lanier street facility (\$1,100,000), and renovations to the County's Courthouse (\$400,000). Payments of interest are due on February 1 and August 1 with principal payments ranging from \$639,000-\$640,000. The interest rate on the loan is 2.22%.

7,672,000

In July 2012, the County entered into a \$1,810,000 installment financing agreement for the purchase and upfit of an existing Medical Office Building located near the Granville Health System to be used by the Medical Center for physician office space. Interest and principal payments are due on January 17 and July 17. Interest is at a rate of 3.73%.

1,472,616

In August 2014, the County entered into a \$9,000,000 installment financing agreement to finalize funding for the Granville Health System Emergency Room renovations. The funding was obtained through the USDA. Payments for this agreement are made monthly for 30 years with a 4.0% interest rate.

8,703,298

In August 2014, the County entered into a \$5,000,000 installment financing agreement to finalize funding for the Granville Health System Emergency Room renovations. The funding was obtained through the USDA. Payments for this agreement are made monthly for 30 years with a 4.0% interest rate.

4,835,159

In September 2014, the County entered into a \$11,750,000 installment financing agreement to fund expansion at Granville Central High School. Payments are due on April 1 and October 1 for the next 15 years. Interest will be paid at a rate of 3.18%.

<u>Total</u>	<u>10,965,000</u>
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<u>\$ 35,686,398</u>	
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GRANVILLE COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

For Granville County, the future minimum payments as of June 30, 2016, including \$13,089,258 of interest are:

Year Ending June 30	<u>Governmental Activities</u>	
	Principal	Interest
2017	\$ 2,194,229	\$ 1,166,426
2018	2,158,022	1,096,329
2019	2,122,621	1,028,988
2020	2,143,807	961,845
2021	2,165,867	893,829
2022-2026	9,943,026	3,504,810
2027-2031	6,783,381	2,096,639
2032-2036	2,630,054	1,385,146
2037-2041	3,211,280	803,920
2042-2045	2,334,111	151,326
	<u>\$ 35,686,398</u>	<u>\$ 13,089,258</u>

d. Certificates of Participation

Certificates of participation are serviced by the County's general fund. Principal and interest requirements are appropriated when due. They were used to finance school construction.

\$10,785,000 Series 2010A Limited Obligation Certificates of Participation, Recovery Zone Economic Development Bonds, issued August 2010, with interest semiannually on March 1 and September 1 and principal due annually on September 1 through 2030, interest at 1.55% to 6%. Annual payments are required to be made into a sinking fund held by US Bank beginning in September 2023. The deposits and the interest earned on those deposits will be used to make the principal payment in September 2030. These bonds are eligible for federal interest subsidy payments equal to 45% of the true interest cost of the bonds as provided in the American Recovery and Reinvestment Act (ARRA).

\$ 8,335,000

\$5,215,000 Series 2010B Limited Obligation Certificates of Participation, Qualified School Construction Bonds, issued August 2010, with interest semiannually on March 1 and September 1 and principal due annually on September 1 through 2025, interest at 5.05%. Annual payments are required to be made into a sinking fund held by US Bank. The deposits and the interest earned on those deposits will be used to make the principal payment in September 2025. These bonds are eligible for federal interest subsidy payments equal to 100% of the true interest cost of the bonds as provided in the American Recovery and Reinvestment Act (ARRA) and the Hiring Incentives to Restore Employment (HIRE) Act.

5,215,000
\$ 13,550,000

For Granville County, the future minimum payments as of June 30, 2016, including \$8,268,649 of interest are:

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

Year Ending <u>June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2017	\$ 490,000	\$ 676,553
2018	495,000	659,065
2019	495,000	640,131
2020	495,000	619,960
2021	495,000	598,675
2022-2026	7,690,000	4,510,865
2027-2031	<u>3,390,000</u>	<u>563,400</u>
	<u><u>\$ 13,550,000</u></u>	<u><u>\$ 8,268,649</u></u>

e. 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. Principal and interest requirements are appropriated when due.

The County's general obligation bonds payable at June 30, 2016, are comprised of the following individual issues:

General Obligation Bonds

\$9,500,000 2006 School Series bonds due on May 1 and November 1 in installments of \$9,975-\$657,459 through May 1, 2026; interest at 3.65 - 4.0 percent*	\$ -
\$1,600,000 Public Improvement 2009A bonds due on June 1 and December 1; interest at 3.0-4.5 percent	1,040,000
\$8,000,000 Library Bonds 2009B bonds due on June 1 and December 1; interest at 3.0-4.125 percent	5,200,000
\$10,215,000 Refunding Bonds 2009C due on June 1 and December 1; interest at 3.0-4.0 percent*	2,830,000
\$16,095,000 Refunding Bonds 2013 due on June 1 and December 1; interest at 2.5-4.0%	15,015,000
\$5,485,000 Refunding Bonds 2015 due on May 1 and November 1; interest at 2.27%	<u>5,409,000</u>
Total	<u><u>\$ 29,494,000</u></u>

*Granville County Schools holds title to some of the assets completed through these bond funds.

Annual debt service requirements to maturity for the County's general obligation bonds are as follows:

Year Ending <u>June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2017	3,176,000	975,134
2018	3,125,000	898,383
2019	3,070,000	830,167
2020	3,034,000	739,990
2021	3,073,000	627,349
2022-2026	12,576,000	1,462,813
2027-2029	<u>1,440,000</u>	<u>119,500</u>
	<u><u>\$ 29,494,000</u></u>	<u><u>\$ 5,653,336</u></u>

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

At June 30, 2016, Granville County had a legal debt margin of \$263,593,242.

The Hospital's notes payable at September 30, 2015, are comprised of the following:

3.97 percent note, payable monthly, principal and interest of \$11,073 through March 2022; guaranteed by Granville County	\$ 762,719
4.09 percent note, monthly principal and interest of \$13,889, through January 2018; collateralized by real estate.	388,888
6.90 percent note, payable monthly, principal and interest of \$262 through February 2011, then principal and interest of \$903 through February 2016; collateralized by equipment	6,287
3.73 percent note, payable and interest payable semi-annually of \$79,324 through July 2027; collateralized by real estate	1,525,339
1.98 percent note, principal and interest payable annually of \$105,963 through June 2019: collateralized by equipment	403,674
4.00 percent note, principal and interest payable monthly of \$66,920 through December 2043: collateralized by real estate: guaranteed by Granville County	13,728,297
Total	<u>\$ 16,815,204</u>

The future principal and interest payments on long-term debt for years ending September 30, follows:

Year Ending September 30	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2016	\$ 736,780	\$ 649,586
2017	751,063	622,094
2018	661,307	595,244
2019	627,919	572,815
2020	543,729	547,828
2021-2029	<u>13,494,406</u>	<u>6,778,907</u>
Total	<u>\$ 16,815,204</u>	<u>\$ 9,766,474</u>

f. Refunding & Advance Refundings

On February 12, 2013, the County issued \$16,095,000 of general obligation current and advance refunding bonds to provide resources to purchase U.S. Government securities that were placed in an irrevocable trust for the purpose of general resources for all future debt service payments of \$16,890,000 of general obligation bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net position. The net carrying amount of the old debt exceeded the reacquisition price of the old debt by \$795,000. This amount is being netted against the new debt and amortized over the life of the refunded debt. This advance refunding was undertaken to reduce total debt service payments over the next 10 years and resulted in an economic gain of \$1,526,661.

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

On July 29, 2015, the County issued \$5,485,000 of general obligation refunding bonds to provide resources to pay off 2006 school bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net position. The net carrying amount of the old debt exceeded the reacquisition price of the old debt by \$157,552. This amount is being netted against the new debt and amortized over the life of the refunded debt. This advance refunding was undertaken to reduce total debt service payments over the next 11 years and resulted in an economic gain of \$278,696.

g. Long-Term Obligation Activity

The following is a summary of changes in the County's long-term obligations for the year ended June 30, 2016:

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016	Current Portion of Balance
Governmental activities:					
General obligation bonds	\$ 32,485,000	\$ 5,485,000	\$ 8,476,000	\$ 29,494,000	\$ 3,176,000
Plus: Premiums on issuance	<u>2,285,946</u>	-	266,765	<u>2,019,181</u>	<u>239,619</u>
Total General obligation bonds	34,770,946	5,485,000	8,742,765	31,513,181	3,415,619
Financing Agreements	6,870,000	-	2,126,738	4,743,262	766,197
Installment Purchases	37,865,337	-	2,178,939	35,686,398	2,194,229
Certificates of participation	14,040,000	-	490,000	13,550,000	490,000
Compensated absences	847,345	889,025	847,345	889,025	222,256
Net pension liability (LGERS)	-	786,475	-	786,475	-
Net OPEB obligation	5,437,087	739,152	-	6,176,239	-
Net pension obligation	<u>681,209</u>	<u>65,600</u>	-	<u>746,809</u>	-
Total governmental activities	<u>\$ 100,511,924</u>	<u>\$ 7,965,252</u>	<u>\$14,385,787</u>	<u>\$ 94,091,389</u>	<u>\$ 7,088,301</u>
Business-type activities:					
Accrued landfill closure and postclosure costs	\$ 8,342,799	\$ 26,254	\$ -	\$ 8,415,525	\$ -
Compensated absences	16,784	18,763	16,784	18,763	4,691
Net pension liability (LGERS)	-	20,636	-	20,636	-
Net OPEB obligation	<u>92,390</u>	<u>22,662</u>	-	<u>115,052</u>	-
Total business-type activities	<u>\$ 8,451,973</u>	<u>\$ 65,292</u>	<u>\$ 16,784</u>	<u>\$ 8,569,976</u>	<u>\$ 4,691</u>

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 this fiscal year.

Compensated absences, the net pension obligation, and the OPEB obligation for governmental activities are generally liquidated by the General Fund. Compensated absences and the OPEB obligation for business-type activities are generally liquidated by the Solid Waste Management Fund.

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

C. Interfund Balances and Activity

	Amount
<i>Transfers From/To Other Funds</i>	
General Fund to Emergency Telephone System Fund to adjust beginning balance to match PSAP report	\$ 3,006
Expo and Conference Center Fund to General Fund to close out project	42,163
GCHS Expansion Fund to General Fund to close out project	<u>445,257</u>
Total	<u>\$ 490,426</u>
<i>Due From/To Other Funds</i>	
From CDBG Fund to General Fund	\$ 577,118
From Granville Greenway Project Fund to General Fund	65,590
From General Fund to Granville County Tourism Development Authority	<u>39,734</u>
Total	<u>\$ 682,442</u>

D. Net Investment in Capital Assets

	Governmental Activities	Business-type Activities
Net capital assets	\$ 43,348,761	\$ 5,381,036
Capital debt calculation:		
Total debt, gross	83,473,660	-
Less:		
School debt for assets to which the county does not hold title	(48,758,462)	-
Hospital debt for assets which the county does not hold title	(15,692,752)	-
Unamortized assets related to capital debt (excluding school related)	(13,776)	-
Add:		
Unamortized liabilities related to capital debt (excluding school related)	<u>92,570</u>	<u>-</u>
Total capital debt	<u>19,101,240</u>	<u>-</u>
Net investment in capital assets	<u>\$ 24,247,521</u>	<u>\$ 5,381,036</u>

E. Fund Balance

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

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

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

Total Fund Balance-General Fund	\$ 39,846,793
Less:	
Prepaid items	1,711
Stabilization by State Statute	3,942,662
Appropriated fund balance in 2017 budget	594,708
Education	1,738,702
Register of Deeds	42,603
Tax Revaluation	591,041
Public Safety	994,675
Community Services	500,000
Economic and Physical Development	630,300
Working Capital/Fund Balance Policy	16,524,138
Remaining Fund Balance	\$ 14,286,253

The County has adopted a minimum fund balance policy for the General Fund which instructs management to conduct business of the County in such a manner that available fund balance is at least equal to or greater than 30% of General Fund expenditures.

IV. Joint Ventures

A. Vance-Granville Community College

The County, in conjunction with Vance County, Warren County, Franklin County, the State of North Carolina, and the Boards of Education of Vance, Granville, Warren and Franklin Counties, participates in a joint venture to operate Vance-Granville Community College. Each participant appoints members of the thirteen-member board of trustees of the community college. No participant appoints a majority. 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 facilities of the community college and also provides some financial support for the community college's operations. In addition to providing annual appropriations for the facilities, the County periodically issues general obligation bonds to provide financing for new and restructured facilities. 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 \$618,965 and \$21,240 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 918, Henderson, N.C. 27536.

B. Granville-Vance Health District

Granville County and Vance County participate in a multi-county health district joint venture. Granville County places one member on the Health District Board. Granville County has an ongoing financial responsibility to the Health District since it is legally required to provide health services either directly or jointly with other counties. The County does not retain an equity interest in the Health District. Complete financial statements for the Health District can be obtained at 115 Charles D. Rollins Road, Henderson, N.C. 27536.

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

C. Area Mental Health

Granville County participates with Alamance, Cabarrus, Caswell, Chatham, Davidson, Franklin, 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 Five-County Oversight Board and has representation on the Board of Directors of Cardinal Innovations. 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.

D. Kerr Area Transit Authority

The County also participates in a joint venture to operate Kerr Area Transit Authority. The County appoints six members to the twenty-one member board. None of the participating governments have any equity interest in the Authority, so no equity interest has been reflected in the financial statements at June 30, 2016. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$43,397 to the Authority to supplement its activities. Complete financial statements for the Authority may be obtained at 943 West Andrews Avenue, Henderson, N.C. 27536.

E. Aeronautics Authority of the City of Henderson, City of Oxford, County of Granville and County of Vance

The County also participates in a joint venture to operate the Aeronautics Authority of the City of Henderson, City of Oxford, County of Granville and County of Vance. The County appoints one member to the four-member board. None of the participating governments have any equity interest in the Authority, so no equity interest has been reflected in the financial statements at June 30, 2016. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$28,750 to the Authority to supplement its activities. Complete financial statements for the Authority may be obtained from P.O. Box 368, Henderson, N.C. 27536.

V. Joint Governed Organization

The County, in conjunction with four other counties and fifteen municipalities, established Kerr-Tar Regional Council of Governments (Council) to coordinate various funding received from federal and State agencies. Each participating government appoints members to the Council's governing board. The County paid membership fees of \$21,520 to the Council during the fiscal year ended June 30, 2016. Complete financial statements for the Council may be obtained from the Council's administrative offices at 510 Dabney Drive, Henderson, N.C. 27536.

VI. Benefit Payments Issued by the State

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

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

	<u>Federal</u>	<u>State</u>
Temporary Assistance to Needy Families	\$ 341,308	\$ (19)
Medical Assistance	40,039,733	21,708,472
Health Choice	1,319,811	54,396
CWS Adoption Subsidy	-	142,054
Adoption Assistance	186,878	48,378
State/County Special Assistance	-	357,764
Foster Care	88,882	22,828
Independent Living Transitional	8,654	-
State Foster Home	-	27,448
SFHF Maximization	-	38,783
Totals	<u>\$ 41,985,266</u>	<u>\$ 22,400,104</u>

VII. Summary Disclosure of Significant Commitments and Contingencies

Federal and State Assisted Programs

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

VIII. Significant Effects of Subsequent Events

The County has evaluated events and transactions that occurred between June 30, 2016 and December 28, 2016, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements. There were no events that occurred during this time that were deemed to be significant enough to be disclosed.

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

EXHIBIT A-1

GRANVILLE COUNTY, NORTH CAROLINA
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Accrued Liability (AAL)		Unfunded		Covered Payroll		UAAL as a % of Covered Payroll ((b-a)/c)
	Actuarial Value of Assets (a)	Projected Unit Credit (b)	AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)		
12/31/2010	\$ -	\$ 637,867	\$ 637,867	0.00%	\$ 2,066,001		30.87%
12/31/2011	-	661,523	661,523	0.00%	2,347,433		28.18%
12/31/2012	-	686,884	686,884	0.00%	2,433,232		28.23%
12/31/2013	-	762,821	762,821	0.00%	2,396,991		31.82%
12/31/2014	-	832,450	832,450	0.00%	2,420,173		34.40%
12/31/2015	\$ -	\$ 1,350,911	\$ 1,350,911	0.00%	\$ 2,539,432		53.20%

GRANVILLE COUNTY, NORTH CAROLINA
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2011	\$ 73,992	61.42%
2012	78,992	49.75%
2013	86,407	0.00%
2014	90,452	25.68%
2015	112,808	27.86%
2016	\$ 121,513	24.78%

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 for 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%
Cost-of-living adjustments	N/A

*Includes inflation at 3.00% percent.

EXHIBIT A-3

GRANVILLE COUNTY, NORTH CAROLINA
OTHER POSTEMPLOYMENT BENEFITS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued			Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
		Projected Unit Credit (b)	Liability (AAL) (UAAL) (b-a)	Unfunded AAL (UAAL) (b-a)			
12/31/2007	\$ -	\$ 14,015,747	\$ 14,015,747	\$ 14,015,747	0.00%	\$ 10,701,980	131.00%
12/31/2009	-	8,615,262	8,615,262	8,615,262	0.00%	11,322,982	76.10%
12/31/2010	-	8,967,272	8,967,272	8,967,272	0.00%	10,043,765	89.30%
12/31/2012	-	8,974,943	8,974,943	8,974,943	0.00%	10,491,674	85.50%
12/31/2014	\$ -	\$ 11,831,951	\$ 11,831,951	\$ 11,831,951	0.00%	\$ 10,581,978	111.80%

GRANVILLE COUNTY, NORTH CAROLINA
OTHER POSTEMPLOYMENT BENEFITS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2011	\$ 725,613	24.05%
2012	725,613	25.90%
2013	765,161	7.79%
2014	729,565	44.27%
2015	1,139,342	23.25%
2016	\$ 1,139,342	22.75%

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 for the latest actuarial valuation follows:

Valuation date	12/31/2014
Actuarial cost method	Projected unit credit
Amortization method	Level dollar amount; 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%
Year of Ultimate trend rate	2020
Cost-of-living adjustments	N/A

*Includes inflation at 3.00% percent.

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

	2016	2015	2014
County's proportion of the net pension liability (asset)	0.180%	0.182%	0.186%
County's proportionate share of the net pension liability (asset)	807,011	(1,070,625)	2,237,193
County's covered-employee payroll	\$ 11,078,798	\$ 11,056,961	\$ 10,899,278
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	7.28%	-9.68%	20.53%
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.

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

	2016	2015	2014
Contractually required contribution	\$ 794,490	\$ 791,446	\$ 786,842
Contributions in relation to the contractually required contribution	<u>794,490</u>	<u>791,446</u>	<u>786,842</u>
Contribution deficiency (excess)	-	-	-
County's covered-employee payroll	\$ 11,595,359	\$ 11,078,798	\$ 11,056,961
Contributions as a percentage of covered-employee payroll	6.85%	7.14%	7.12%

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.

GRANVILLE 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

	2016	2015	2014
County's proportion of the net pension liability (asset)	0.459%	0.457%	0.427%
County's proportionate share of the net pension liability (asset)	\$ (106,274)	\$ (103,658)	\$ (91,205)
County's covered-employee payroll	\$ 161,292	\$ 156,569	\$ 144,198
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-65.89%	-66.21%	-58.25%
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.

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

	2016	2015	2014
Contractually required contribution	\$ 3,928	\$ 3,670	\$ 3,734
Contributions in relation to the contractually required contribution	<u>3,928</u>	<u>3,670</u>	<u>3,734</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>
County's covered-employee payroll	\$ 179,639	\$ 161,292	\$ 156,569
Contributions as a percentage of covered-employee payroll	2.19%	2.28%	2.38%

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 resources traditionally associated with government that are not required legally or by sound financial management to be accounted for in other funds.

EXHIBIT B-1

**GRANVILLE COUNTY, NORTH CAROLINA
GENERAL FUND**
**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	2016		2015	
	Budget	Actual	Variance Positive (Negative)	Actual
REVENUES				
Ad Valorem Taxes:				
Current year	\$ 34,668,160	\$ 35,689,829	\$ 1,021,669	\$ 34,519,636
Prior year	990,000	483,444	(506,556)	738,635
Penalties and interest	255,430	246,624	(8,806)	226,985
Total	<u>35,913,590</u>	<u>36,419,897</u>	<u>506,307</u>	<u>35,485,256</u>
Sales and Other Taxes:				
Article 39 one percent	1,776,424			1,714,023
Article 40 one-half of one percent	2,974,134			2,818,637
Article 42 one-half of one percent	1,571,692			1,504,900
Article 44 one-half of one percent	123			1,041
Article 44 Hold Harmless	-			-
State excise tax - Register of Deeds	257,455			206,861
Beer and wine	161,178			173,920
Taxes on federal exempt land	24,532			20,608
Medicaid hold harmless	1,486,571			1,479,670
Occupancy taxes	208,577			189,714
Total	<u>7,864,722</u>	<u>8,460,686</u>	<u>595,964</u>	<u>8,109,374</u>
Licenses, Fees and Other Revenues:				
Privilege licenses	3,570			3,480
Taxes on Oxford Housing Authority	6,647			6,647
Planning	77,943			70,699
Inspection	645,262			527,931
Sheriff wage refund	50,038			48,395
Boarding state and federal prisoners	11,573			7,261
Ambulance fees	15,426			12,337
Library fees	42,324			39,745
Rents	20,730			19,051
Sheriff's fees	117,808			112,899
Election fees	50,827			42
Franchise fees	147,196			141,784
Animal control	34,177			37,208
Information technology fees	-			24,000
Collection fees	114,587			124,004
Senior Center fitness fees	5,255			6,212
Administrative fees	25,000			-
Register of Deeds	225,652			212,507
GAP fees	25,784			30,917
Federal interest subsidy	424,119			428,789
Federal and State grants	2,536			3,852
Miscellaneous	283,582			243,101
Sale of capital assets	24,305			10,312
Total	<u>1,971,289</u>	<u>2,354,341</u>	<u>383,052</u>	<u>2,111,173</u>

**GRANVILLE COUNTY, NORTH CAROLINA
GENERAL FUND**
**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	2016	2015		
	Budget	Actual	Variance Positive (Negative)	Actual
Restricted and Intergovernmental Revenues:				
Debt Contribution from hospital	1,275,608	1,286,214		
Court facility fees	51,663	50,303		
CSC officer's fees	9,624	7,589		
Register of Deeds	39,744	37,186		
ABC bottle tax	13,619	13,127		
Federal and State grants	7,297,159	8,528,012		
Excise recreation - Heritage	237,917	188,316		
Jail fees	18,815	26,063		
Sheriff Federal treasury seized funds	9,700	151,889		
E-911 allocation from Oxford	109,000			
Miscellaneous	166,955			
Total	<u>8,474,212</u>	<u>9,229,804</u>	<u>755,592</u>	<u>10,415,003</u>
Investment earnings	27,000	36,855	9,855	26,380
Miscellaneous Revenues				
Granville County ABC Board	172,000	232,411	60,411	214,744
Granville County Tourism Development Authority	-	-	-	-
Total	<u>172,000</u>	<u>232,411</u>	<u>60,411</u>	<u>214,744</u>
Total Revenues	<u>54,422,813</u>	<u>56,733,994</u>	<u>2,311,181</u>	<u>56,361,930</u>
<u>EXPENDITURES</u>				
General Government				
Board of Commissioners				
Salaries and employee benefits	160,178	158,290		
Other operating expenditures	61,061	62,035		
Capital outlay	-	1,209		
Total	<u>237,039</u>	<u>221,239</u>	<u>15,800</u>	<u>221,534</u>
Administration				
Salaries and employee benefits	269,144	259,089		
Other operating expenditures	11,484	11,924		
Capital outlay	-	1,209		
Total	<u>320,993</u>	<u>280,628</u>	<u>40,365</u>	<u>272,222</u>
Information Technology				
Salaries and employee benefits	185,688	169,310		
Other operating expenditures	2,811	3,206		
Capital outlay	3,358	1,390		
Total	<u>195,224</u>	<u>191,857</u>	<u>3,367</u>	<u>173,906</u>

EXHIBIT B-1 (Cont.)

**GRANVILLE COUNTY, NORTH CAROLINA
GENERAL FUND**
**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	2016		2015	
	Budget	Actual	Variance Positive (Negative)	Actual
Board of Elections				
Salaries and employee benefits		245,974		215,235
Other operating expenditures		246,176		100,806
Capital outlay		28,035		2,714
Total	609,737	520,185	89,552	318,755
Finance Department				
Salaries and employee benefits		316,397		323,138
Other operating expenditures		126,963		100,306
Capital outlay		1,297		5,018
Total	478,047	444,657	33,390	428,462
Tax Administration				
Salaries and employee benefits		418,022		401,880
Other operating expenditures		344,608		328,016
Capital outlay		9,601		-
Total	845,199	772,231	72,968	729,896
Register of Deeds				
Salaries and employee benefits		244,953		222,541
Other operating expenditures		51,151		33,684
Capital outlay		-		2,421
Total	304,687	296,104	8,583	258,646
General Services/Court Facilities				
Salaries and employee benefits		191,458		171,099
Other operating expenditures		301,258		329,763
Capital outlay		1,344		3,912
Total	553,918	494,060	59,858	504,774
Human Resources				
Salaries and employee benefits		62,115		60,149
Other operating expenditures		23,729		26,958
Capital outlay		-		342
Total	94,218	85,844	8,374	87,449
Internal Auditor				
Salaries and employee benefits		74,916		68,941
Other operating expenditures		2,909		5,840
Capital outlay		1,107		-
Total	84,025	78,932	5,093	74,781
Total General Government	3,723,087	3,385,737	337,350	3,070,425
<u>Public Safety</u>				
Other Emergency Services	50,000	39,550	10,450	41,903

**GRANVILLE COUNTY, NORTH CAROLINA
GENERAL FUND**
**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	2016		2015	
	Budget	Actual	Variance Positive (Negative)	Actual
Sheriff's Department/Detention Center				
Salaries and employee benefits		5,315,308		5,210,945
Other operating expenditures		1,851,753		1,652,030
Capital outlay		241,719		154,276
Total	7,663,937	7,408,780	255,157	7,017,251
Fire Service	928,779	928,779	-	907,363
Forestry				
Salaries and employee benefits		29,501		29,237
Other operating expenditures		81,314		71,426
Capital outlay		-		-
Total	112,850	110,815	2,035	100,663
Emergency Management				
Salaries and employee benefits		208,415		206,142
Other operating expenditures		86,645		56,615
Capital outlay		28,280		-
Total	383,390	323,340	60,050	262,757
Emergency Services				
Salaries and employee benefits		1,296,297		1,149,418
Other operating expenditures		237,425		230,073
Capital outlay		6,622		33,203
Total	1,687,319	1,540,344	146,975	1,412,694
Total Public Safety	10,826,275	10,351,608	474,667	9,742,631
<u>Community Services</u>				
Cooperative Extension Service				
Salaries and employee benefits		221,929		214,346
Other operating expenditures		74,109		51,494
Total	404,705	296,038	108,667	265,840
County Library System				
Salaries and employee benefits		677,424		629,728
Other operating expenditures		289,980		275,936
Capital outlay		15		8,435
Total	1,061,280	967,419	93,861	914,099
Recreation & Community Service				
Other operating expenditures		176,356		134,662
Total	183,289	176,356	6,933	134,662

**GRANVILLE COUNTY, NORTH CAROLINA
GENERAL FUND**
**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	2016		2015	
	Budget	Actual	Variance Positive (Negative)	Actual
Development Services				
Planning				
Salaries and employee benefits	300,852		283,730	
Other operating expenditures	42,926		20,441	
Capital outlay	702		4,556	
Inspection Department				
Salaries and employee benefits	464,571		419,363	
Other operating expenditures	23,267		23,600	
Capital outlay	21,640		22,653	
Construction Administration				
Other operating expenditures	317		618	
Capital outlay	1,568,655		329,792	
Total	3,592,503	2,422,930	1,169,573	1,104,753
Jonesland Park Operations				
Salaries and employee benefits	209,753		197,081	
Other operating expenditures	116,796		124,793	
Capital outlay	27,545		56,944	
Total	395,036	354,094	40,942	378,818
Economic Development				
Salaries and employee benefits	124,096		128,040	
Other operating expenditures	113,948		37,373	
Capital outlay	30,119		1,191	
Total	282,272	268,163	14,109	166,604
Tourism				
Salaries and employee benefits	60,280	59,231	1,049	33,934
Total Community Services	5,979,365	4,544,231	1,435,134	2,998,710
Human Services				
Health and Medical Services				
Granville Medical Center		1,047,368		848,368
Granville-Vance District Health Dept.		425,617		325,656
Area Mental Health		138,465		136,807
Total	1,611,022	1,611,450	(428)	1,310,831
Social Services				
Salaries and employee benefits	4,120,357		3,957,363	
Other operating expenditures	3,462,295		3,568,884	
Capital outlay	30,459		39,446	
Total	8,296,700	7,613,111	683,589	7,565,693

**GRANVILLE COUNTY, NORTH CAROLINA
GENERAL FUND**
**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	2016	2015		
	Budget	Actual	Variance Positive (Negative)	Actual
Veterans Services				
Salaries and employee benefits	20,595	12,055		
Other operating expenditures	3,345	1,035		
Total	1,489	-		
	28,957	25,429	3,528	13,090
Senior Services-Nutrition/In-Home Aid				
Salaries and employee benefits	594,253	610,887		
Other operating expenditures	595,428	621,555		
Total	1,355,561	1,189,681	165,880	1,232,442
Total Human Services	11,292,240	10,439,671	852,569	10,122,056
<u>Education</u>				
Granville County School System				
Current Expense	12,385,287	12,385,287	-	12,385,287
Capital	1,626,140	1,539,673	86,467	1,259,378
Total	14,011,427	13,924,960	86,467	13,644,665
Vance-Granville Community College				
Operating expenditures	626,965	626,965		
Capital Outlay	21,240	332,577		
Total	648,205	648,205	-	959,542
Total Education	14,659,632	14,573,165	86,467	14,604,207
<u>Non-Departmental & Special Areas</u>				
Special Projects	269,487	228,763	40,724	239,372
Pass Thru Funds	554,019	541,192	12,827	565,709
Non-Departmental	2,110,116	1,429,497	680,619	1,707,980
Granville County Tourism Development Authority	175,370	206,104	(30,734)	188,142
Total Non-Departmental & Special Areas	3,108,992	2,405,556	703,436	2,701,203
<u>Debt Service</u>				
Hospital Financing				
Principal	627,122	14,569,067		
Interest	648,486	717,147		
Total	1,275,713	1,275,608	105	15,286,214
Park Financing				
Principal	33,513	73,832		
Interest	7,628	10,842		
Total	41,137	41,141	(4)	84,674

**GRANVILLE COUNTY, NORTH CAROLINA
GENERAL FUND**
**SCHEUDLE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	2016	2015		
	Budget	Actual	Variance Positive (Negative)	Actual
Water & Sewer Allocation-Triangle North				
Principal	942,322	639,000		
Interest	246,082	191,558		
Total	<u>1,188,483</u>	<u>1,188,404</u>	79	<u>830,558</u>
Schools Debt Service				
Principal	4,275,471	3,389,152		
Interest	1,989,868	1,983,341		
	<u>6,808,087</u>	<u>6,265,339</u>	542,748	<u>5,372,493</u>
Library Series 2009				
Principal	400,000	400,000		
Interest	210,000	222,000		
Total	<u>610,000</u>	<u>610,000</u>	-	<u>622,000</u>
Total Debt Service	<u>9,923,420</u>	<u>9,380,492</u>	542,928	<u>22,195,939</u>
Total Expenditures	<u>59,513,011</u>	<u>55,080,460</u>	4,432,551	<u>65,435,171</u>
Revenues Over (Under) Expenditures	<u>(5,090,198)</u>	<u>1,653,534</u>	6,743,732	<u>(9,073,241)</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers-in:				
Library Expansion/Renovation Fund	-	-	-	552,671
2010 Southern Elementary School Fund	-	-	-	29,025
R. H. Thornton Library Memorial Fund	17,750	-	(17,750)	-
Expo and Conference Center Fund	-	42,163	42,163	-
GCHS Expansion Fund	-	445,257	445,257	-
Total transfers-in	<u>17,750</u>	<u>487,420</u>	469,670	<u>581,696</u>
Transfers-out:				
Emergency Telephone System Fund		(3,006)	(35,839)	
Total transfers-out	<u>(3,006)</u>	<u>(3,006)</u>	-	<u>(35,839)</u>
Contingency	(10,000)	-	10,000	-
Debt proceeds	-	-	-	14,000,000
Refunding bond proceeds	5,485,000	5,485,000	-	-
Payment to refunded bond escrow agent	(5,409,698)	(5,409,698)	-	-
Fund balance appropriated	<u>5,010,152</u>	-	(5,010,152)	-
Total Other Financial Sources (Uses)	<u>5,090,198</u>	<u>559,716</u>	(4,530,482)	<u>14,545,857</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$</u> <u>-</u>	<u>2,213,250</u>	<u>\$</u> <u>2,213,250</u>	<u>5,472,616</u>
Fund Balance-July 1		<u>37,633,543</u>		<u>32,160,927</u>
Fund Balance-June 30		<u>\$</u> <u>39,846,793</u>		<u>\$</u> <u>37,633,543</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.

- **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.
- **CDBG (Community Development Block Grant) Fund:** This fund is used to account for revenues and expenditures to rehabilitate substandard rural housing.
- **R. H. Thornton Library Memorial Fund:** This fund is used to account for the receipts and disbursements made on behalf of the R. H. Thornton Library.

Capital Project Funds

Capital Projects Funds are used to account for the acquisition and construction of major capital facilities and equipment.

- **Expo and Conference Center Fund:** This fund is used to account for funds associated with the Expo and Conference Center Project.
- **Granville Greenway Project Fund:** This fund is used to account for the funds associated with the Granville Greenway Project.
- **GCHS Expansion Fund:** This fund is used to account for the proceeds of debt to be used for expansion at Granville Central High School.

**GRANVILLE COUNTY, NORTH CAROLINA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2016**

	Special Revenue Funds			Capital Projects Funds			June 30, 2016
	Emergency Telephone System Fund	CDBG Fund	R. H. Thornton Library Memorial Fund	Expo and Conference Center Fund	Granville Greenway Project Fund	GCHS Expansion Fund	
ASSETS							
Current Assets:							
Cash and cash equivalents	\$ 374,769	\$ -	\$ 240,274	\$ -	\$ -	\$ -	\$ 615,043
Accounts receivable	34,910	-	-	-	-	-	34,910
Prepaid items	34,930	-	-	-	-	-	34,930
Total Assets	<u>\$ 444,609</u>	<u>\$ -</u>	<u>\$ 240,274</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 684,883</u>
LIABILITIES AND FUND EQUITY							
Liabilities:							
Accounts payable and accrued liabilities	\$ 25,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,000
Due to other funds	-	<u>577,118</u>	<u>-</u>	<u>-</u>	<u>65,590</u>	<u>-</u>	<u>642,708</u>
Total Liabilities	<u>25,000</u>	<u>577,118</u>	<u>-</u>	<u>-</u>	<u>65,590</u>	<u>-</u>	<u>667,708</u>
Fund Balances:							
Nonspendable:							
Prepaid items	34,930	-	-	-	-	-	34,930
Restricted:							
Stabilization by State Statute	34,910	-	-	-	-	-	34,910
Community Services	-	-	240,274	-	-	-	240,274
Public Safety	349,769	-	-	-	-	-	349,769
Unassigned:	-	<u>(577,118)</u>	<u>-</u>	<u>-</u>	<u>(65,590)</u>	<u>-</u>	<u>(642,708)</u>
Total Fund Equity	<u>419,609</u>	<u>(577,118)</u>	<u>240,274</u>	<u>-</u>	<u>(65,590)</u>	<u>-</u>	<u>17,175</u>
Total Liabilities and Fund Equity	<u>\$ 444,609</u>	<u>\$ -</u>	<u>\$ 240,274</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 684,883</u>

**GRANVILLE COUNTY, NORTH CAROLINA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2016**

	Special Revenue Funds			Capital Projects Funds			June 30, 2016
	Emergency Telephone System Fund	CDBG Fund	R. H. Thornton Library Memorial Fund	Expo and Conference Center Fund	Granville Greenway Project Fund	GCHS Expansion Fund	
REVENUES							
Restricted intergovernmental revenues	\$ 418,918	\$ 113,028	\$ -	\$ -	\$ 22,130	\$ -	\$ 554,076
Investment earnings	327	-	770	-	-	-	1,097
Miscellaneous	-	-	2,726	-	-	-	2,726
Total Revenues	<u>419,245</u>	<u>113,028</u>	<u>3,496</u>	<u>-</u>	<u>22,130</u>	<u>-</u>	<u>557,899</u>
EXPENDITURES							
Public safety	199,638	-	-	-	-	-	199,638
Economic development	-	103,287	-	-	-	-	103,287
Community services	-	-	19,448	-	-	-	19,448
Education	-	-	-	-	-	677,444	677,444
Capital outlay	-	1,341,600	-	-	97,270	3,124,737	4,563,607
Debt service							
Principal	91,531	-	-	-	-	-	91,531
Interest	7,719	-	-	-	-	-	7,719
Total Expenditures	<u>298,888</u>	<u>1,444,887</u>	<u>19,448</u>	<u>-</u>	<u>97,270</u>	<u>3,802,181</u>	<u>5,662,674</u>
Revenues Over (under) Expenditures	<u>120,357</u>	<u>(1,331,859)</u>	<u>(15,952)</u>	<u>-</u>	<u>(75,140)</u>	<u>(3,802,181)</u>	<u>(5,104,775)</u>
OTHER FINANCING SOURCES (USES)							
Transfers in							
General Fund	3,006	-	-	-	-	-	3,006
Transfers out							
General Fund	-	-	-	(42,163)	-	(445,257)	(487,420)
Total Other Financing Sources (Uses)	<u>3,006</u>	<u>-</u>	<u>-</u>	<u>(42,163)</u>	<u>-</u>	<u>(445,257)</u>	<u>(484,414)</u>
Net Change in Fund Balances	<u>123,363</u>	<u>(1,331,859)</u>	<u>(15,952)</u>	<u>(42,163)</u>	<u>(75,140)</u>	<u>(4,247,438)</u>	<u>(5,589,189)</u>
Fund Balance - July 1	<u>296,246</u>	<u>754,741</u>	<u>256,226</u>	<u>42,163</u>	<u>9,550</u>	<u>4,247,438</u>	<u>5,606,364</u>
Fund Balance - June 30	<u>\$ 419,609</u>	<u>\$ (577,118)</u>	<u>\$ 240,274</u>	<u>\$ -</u>	<u>\$ (65,590)</u>	<u>\$ -</u>	<u>\$ 17,175</u>

**GRANVILLE COUNTY, NORTH CAROLINA
EMERGENCY TELEPHONE SYSTEM FUND
SCHEDULE OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015**

	2016		Variance Positive (Negative)	2015
	Budget	Actual		Actual
<u>REVENUES</u>				
Restricted intergovernmental revenues:				
State Cell Surcharge	\$ 418,918	\$ 418,918	\$ -	\$ 386,154
Investment earnings	10	327	317	29
Total Revenues	<u>418,928</u>	<u>419,245</u>	<u>317</u>	<u>386,183</u>
<u>EXPENDITURES</u>				
Public safety:				
Telephone		135,318		135,956
Other operating expenditures		64,320		127,854
Capital outlay		-		4,173
Debt service:				
Principal		91,531		91,531
Interest		7,719		11,067
Total Expenditures	<u>418,928</u>	<u>298,888</u>	<u>120,040</u>	<u>370,581</u>
Revenues Over (Under) Expenditures	<u>-</u>	<u>120,357</u>	<u>120,357</u>	<u>15,602</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfer (to) from other funds				
General Fund	<u>-</u>	<u>3,006</u>	<u>3,006</u>	<u>35,839</u>
Fund balance appropriated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>-</u>	<u>3,006</u>	<u>3,006</u>	<u>35,839</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ -</u>	<u>123,363</u>	<u>\$ 123,363</u>	<u>51,441</u>
Fund Balance - July 1		<u>296,246</u>		<u>244,805</u>
Fund Balance - June 30		<u>\$ 419,609</u>		<u>\$ 296,246</u>
<u>Explanation for transfers</u>				
Transfer from the General Fund to adjust beginning balance to actual		<u>\$ 3,006</u>		<u>\$ 35,839</u>
<u>Emergency Telephone System Unspent Balance</u>				
Amounts reported above are different from the PSAP Revenue-Expenditure Report because:				
Net Change in Fund Balance, reported on Budget to Actual		\$ 123,363		\$ 51,441
Plus: Transfers to General Fund to adjust fund balance				
to the proper beginning balance		<u>(3,006)</u>		<u>(35,839)</u>
Net Change per PSAP Revenue-Expenditure Report		<u>120,357</u>		<u>15,602</u>
Beginning Balance, PSAP Revenue-Expenditure Report		<u>299,252</u>		<u>280,644</u>
Ending Balance, PSAP Revenue-Expenditure Report		<u>\$ 419,609</u>		<u>\$ 296,246</u>

GRANVILLE COUNTY, NORTH CAROLINA
CDBG FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016

	Project Authorization	Actual Prior Years	Actual Current Year	Actual Total to Date	Variance Positive (Negative)
<u>REVENUES</u>					
Restricted intergovernmental revenues					
Federal and State grants					
CDBG grant					
C-1 Scattered Site Housing Funds	\$ 288,340	\$ 288,340	\$ -	\$ 288,340	\$ -
L-1 Scattered Site Supplemental Funds	22,209	22,209	-	22,209	-
NC Grant 10-C-2143	481,105	481,105	-	481,105	-
2012 CDBG C-1	169,718	56,690	113,028	169,718	-
2012 CDBG L-1	21,588	21,588	-	21,588	-
Total restricted intergovernmental revenues	982,960	869,932	113,028	982,960	-
Miscellaneous revenues					
Other revenues	45,206	45,206	-	45,206	-
Total	1,028,166	915,138	113,028	1,028,166	-
<u>EXPENDITURES</u>					
Economic development					
CDBG grant expenditures					
C-1 Scattered Site Housing	288,340	288,340	-	288,340	-
L-1 Scattered Site Supplemental	22,209	22,209	-	22,209	-
2012 C-1 Scattered Site Housing	168,708	65,421	103,287	168,708	-
2012 L-1 Scattered Site Housing	22,500	22,500	-	22,500	-
Capital outlay					
NC Grant 10-C-2143					
Administration	12,317	12,317	-	12,317	-
Building Lease and Fit-up	347,516	347,516	-	347,516	-
Public Facilities Improvements	3,752,722	2,411,122	1,341,600	3,752,722	-
Total	4,614,312	3,169,425	1,444,887	4,614,312	-
Revenues Over (Under) Expenditures	(3,586,146)	(2,254,287)	(1,331,859)	(3,586,146)	-
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfers from other funds					
General Fund	3,586,244	3,009,028	-	3,009,028	(577,216)
General Fund	(98)	-	-	-	98
Total Other Financing Sources (Uses)	3,586,146	3,009,028	-	3,009,028	(577,118)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ -	\$ 754,741	(1,331,859)	\$ (577,118)	\$ (577,118)
Fund Balance - July 1			754,741		
Fund Balance - June 30			\$ (577,118)		

GRANVILLE COUNTY, NORTH CAROLINA
R. H. THORNTON LIBRARY FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016			2015
	Budget	Actual	Variance Positive (Negative)	Actual
<u>REVENUES</u>				
Donations	\$ 21,647	\$ 2,726	\$ (18,921)	\$ 8,520
Investment Earnings	<u>200</u>	<u>770</u>	<u>570</u>	<u>248</u>
Total Revenues	<u>21,847</u>	<u>3,496</u>	<u>(18,351)</u>	<u>8,768</u>
<u>EXPENDITURES</u>				
Projects	<u>21,847</u>	<u>19,448</u>	<u>2,399</u>	<u>33,044</u>
Total Expenditures	<u>21,847</u>	<u>19,448</u>	<u>2,399</u>	<u>33,044</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>(15,952)</u>	<u>\$ (15,952)</u>	<u>(24,276)</u>
FUND BALANCE				
Beginning of year - July 1		<u>256,226</u>		<u>280,502</u>
End of year - June 30		<u>\$ 240,274</u>		<u>\$ 256,226</u>

**GRANVILLE COUNTY, NORTH CAROLINA
EXPO AND CONFERENCE CENTER FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Project Authorization</u>	<u>Actual Prior Years</u>	<u>Actual Current Year</u>	<u>Actual Total to Date</u>	<u>Variance Favorable (Unfavorable)</u>
<u>REVENUES</u>					
Restricted intergovernmental					
Federal and state grants	\$ 387,000	\$ 387,000	\$ -	\$ 387,000	\$ -
Miscellaneous	<u>111,631</u>	<u>111,631</u>	<u>-</u>	<u>111,631</u>	<u>-</u>
Total Revenues	<u>498,631</u>	<u>498,631</u>	<u>-</u>	<u>498,631</u>	<u>-</u>
<u>EXPENDITURES</u>					
Capital Outlay					
Waterline Project	503,591	503,591	-	503,591	-
Total	<u>503,591</u>	<u>503,591</u>	<u>-</u>	<u>503,591</u>	<u>-</u>
Total Expenditures	<u>503,591</u>	<u>503,591</u>	<u>-</u>	<u>503,591</u>	<u>-</u>
Revenues Over (Under) Expenditures	<u>(4,960)</u>	<u>(4,960)</u>	<u>-</u>	<u>(4,960)</u>	<u>-</u>
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfer from (to) other funds					
General Fund	(42,163)	-	(42,163)	(42,163)	-
General Fund	<u>47,123</u>	<u>127,000</u>	<u>-</u>	<u>127,000</u>	<u>79,877</u>
Total Other Financing Sources (Uses)	<u>4,960</u>	<u>127,000</u>	<u>(42,163)</u>	<u>127,000</u>	<u>122,040</u>
Excess of Revenues and Other Sources Over (Under) Expenditures And Other Uses	<u>\$ -</u>	<u>\$ 122,040</u>	<u>(42,163)</u>	<u>\$ 122,040</u>	<u>\$ 122,040</u>
Fund Balance - July 1			<u>42,163</u>		
Fund Balance - June 30			<u>\$ -</u>		

**GRANVILLE COUNTY, NORTH CAROLINA
GRANVILLE GREENWAY PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
<u>REVENUES</u>					
Restricted intergovernmental revenues					
Federal and state grants	\$ 1,477,096	\$ 425,836	\$ 22,130	\$ 447,966	\$ (1,029,130)
Miscellaneous					
Donations	9,150	9,150	-	9,150	-
Other	203,280	29,260	-	29,260	174,020
Total Revenues	1,689,526	464,246	22,130	486,376	(855,110)
<u>EXPENDITURES</u>					
Professional Services		120,002	54,990	174,992	
Supplies and Materials		406	-	406	
Greenway Construction		439,563	42,280	481,843	
Total Expenditures	1,939,521	559,971	97,270	657,241	1,282,280
Revenues Over (Under) Expenditures	(249,995)	(95,725)	(75,140)	(170,865)	79,130
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfers-in (out)					
General Fund	249,995	105,275	-	105,275	(144,720)
Total	249,995	105,275	-	105,275	(144,720)
Excess of Revenues and Other Sources					
Over (Under) Expenditures and Other Uses	\$ -	\$ 9,550	(75,140)	\$ (65,590)	\$ (65,590)
Fund Balances:					
Beginning of year - July 1				9,550	
End of year - June 30				\$ (65,590)	

GRANVILLE COUNTY, NORTH CAROLINA
GCHS EXPANSION FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Project Authorization</u>	<u>Actual Prior Years</u>	<u>Actual Current Year</u>	<u>Actual Total to Date</u>	<u>Variance Favorable (Unfavorable)</u>
<u>REVENUES</u>					
Investment earnings	\$ -	\$ -	\$ -	\$ -	\$ -
Total Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>EXPENDITURES</u>					
Education	677,444	-	677,444	677,444	-
Capital Outlay					
Building & site construction	9,360,137	6,849,107	2,511,030	9,360,137	-
Architect & engineering fees	666,731	628,516	38,215	666,731	-
Program management fees	-	-	-	-	-
Other contracts & charges	933,831	358,339	575,492	933,831	-
Contingency	-	-	-	-	-
Total	<u>10,960,699</u>	<u>7,835,962</u>	<u>3,124,737</u>	<u>10,960,699</u>	<u>-</u>
Debt Service					
Issuance costs	111,857	111,857	-	111,857	-
Total	<u>111,857</u>	<u>111,857</u>	<u>-</u>	<u>111,857</u>	<u>-</u>
Total Expenditures	<u>11,750,000</u>	<u>7,947,819</u>	<u>3,802,181</u>	<u>11,750,000</u>	<u>-</u>
Revenues Over (Under) Expenditures	<u>(11,750,000)</u>	<u>(7,947,819)</u>	<u>(3,802,181)</u>	<u>(11,750,000)</u>	<u>-</u>
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfer from General Fund	445,257	445,257	-	445,257	-
Transfer to General Fund	(445,257)	-	(445,257)	(445,257)	-
Issuance of debt	<u>11,750,000</u>	<u>11,750,000</u>	<u>-</u>	<u>11,750,000</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>11,750,000</u>	<u>12,195,257</u>	<u>(445,257)</u>	<u>11,750,000</u>	<u>-</u>
Excess of Revenues and Other Sources Over (Under) Expenditures And Other Uses	<u>\$ -</u>	<u>\$ 4,247,438</u>	<u>(4,247,438)</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balance - July 1			<u>4,247,438</u>		
Fund Balance - June 30			<u>\$ -</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.

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

- **Stormwater Fund:** This fund is used to account for the operations of the County's stormwater activities.

EXHIBIT D-1

GRANVILLE COUNTY, NORTH CAROLINA
SOLID WASTE MANAGEMENT
SCHEDULE OF REVENUES AND EXPENDITURES-BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016		Variance Positive (Negative)	2015
	Budget	Actual		
REVENUES				
Restricted intergovernmental				
NC Electronics Management Funds	\$ 1,000	\$ -	\$ 1,000	\$ -
Operating revenues				
Landfill user fees	1,190,000	1,435,621	245,621	1,275,284
Solid waste charges	1,073,000	1,064,075	(8,925)	1,069,841
Other operating revenues				
White goods		19,766		18,432
Scrap tire disposal tax		77,059		89,650
Solid waste disposal tax		29,269		28,871
Compost/Mulch sales		1,960		8,770
Miscellaneous		128,399		38,028
Total	<u>161,678</u>	<u>256,453</u>	<u>94,775</u>	<u>183,751</u>
Total Operating Revenues	<u>2,425,678</u>	<u>2,756,149</u>	<u>331,471</u>	<u>2,528,876</u>
Nonoperating Revenues				
Interest earned on investments	700,400	4,863	(695,537)	1,534
Total Revenues	<u>3,126,078</u>	<u>2,761,012</u>	<u>(364,066)</u>	<u>2,530,410</u>
EXPENDITURES				
Solid Waste Operations				
Printing		160		408
Supplies and materials		582		595
Manned sites		365,070		361,836
Oil and Anti-Freeze Disposal		3,952		1,630
Freon Removal		1,920		1,260
Waste disposal		473,404		399,221
Container transportation		285,025		291,423
Maintenance and grounds		7,197		4,175
Miscellaneous		7,160		7,228
Total	<u>1,133,311</u>	<u>1,144,470</u>	<u>(11,159)</u>	<u>1,067,776</u>
Site remodeling and construction	<u>220,306</u>	<u>171,231</u>	<u>49,075</u>	<u>67,717</u>
Total Solid Waste Operations	<u>1,353,617</u>	<u>1,315,701</u>	<u>37,916</u>	<u>1,135,493</u>

EXHIBIT D-1 (Cont.)

GRANVILLE COUNTY, NORTH CAROLINA
SOLID WASTE MANAGEMENT
SCHEDULE OF REVENUES AND EXPENDITURES-BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016		Variance Positive (Negative)	2015
	Budget	Actual		
Landfill Operations				
Salaries and employee benefits	249,725			216,826
Administrative fee	15,000			-
Professional services	132,905			142,480
Credit card charges	8,520			6,288
Gas, oil, tires	2,772			5,358
Supplies and materials	5,585			4,796
Brush grinding	-			32,756
Travel	628			1,258
Telephone and postage	4,276			4,158
Utilities	8,209			7,391
Printing	55			228
Maintenance and grounds	21,181			3,898
Advertising	35			1,320
Tire disposal	63,508			79,881
Registration and training	12,072			10,332
Contract services	872,851			884,595
Computer service	1,367			1,274
Noncapitalized equipment	-			2,417
Miscellaneous	34,947			34,947
Total Landfill Operations	1,715,340	1,433,636	281,704	1,440,203
Convenience sites				
Professional services	95,120	-	95,120	-
Budgetary Appropriations				
Capital outlay - landfill	39,465	-	39,465	59,544
Capital outlay - convenience sites	566,415	63,745	502,670	61,319
Total	605,880	63,745	542,135	120,863
Total Expenditures	3,769,957	2,813,082	861,755	2,696,559
Revenues Over (Under) Expenditures	(643,879)	(52,070)	591,809	(166,149)
<u>OTHER FINANCING SOURCES (USES)</u>				
Fund Balance Appropriated				
Landfill	-	-	-	-
Solid Waste	275,717	-	(275,717)	-
Total Other Financing Sources (Uses)	643,879	-	(643,879)	-
Revenues Over (Under) Sources and Other Uses	\$ -	\$ (52,070)	\$ (52,070)	\$ (166,149)

EXHIBIT D-1 (Cont.)

GRANVILLE COUNTY, NORTH CAROLINA
SOLID WASTE MANAGEMENT
SCHEDULE OF REVENUES AND EXPENDITURES-BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016	Variance	2015
	Budget	Actual	Positive (Negative)
RECONCILIATION FROM BUDGETARY BASIS (MODIFIED ACCRUAL) TO FULL ACCRUAL			
Excess of revenues over (under) expenditures	\$ (52,070)		\$ (166,149)
Depreciation	(152,964)		(147,249)
Capital outlay	161,449		116,835
Contributions to the pension plan in the current fiscal year	-		10,586
Decrease in net pension asset	(16,320)		-
Increase in deferred outflows of resources - pensions	(2,358)		-
Increase in net pension liability	(16,113)		-
Decrease in deferred inflows of resources - pensions	31,401		-
(Increase) decrease in accrued landfill closure and postclosure care costs	(72,726)		(26,254)
(Increase) decrease in other postemployment benefits	(17,126)		(16,242)
(Increase) decrease in accrued vacation payable	(1,979)		(945)
Pension expense	-		(1,088)
Net Income (loss)	\$ (138,806)		\$ (230,506)

EXHIBIT D-2

GRANVILLE COUNTY, NORTH CAROLINA
STORMWATER FUND
SCHEDULE OF REVENUES AND EXPENDITURES-BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016			2015	
			Budget	Actual	Variance Positive (Negative)
	<u>REVENUES</u>				
Restricted intergovernmental revenue					
Federal grant	\$ 25,000	\$ 25,500	\$ 500	\$ 25,500	
Operating revenues					
Stormwater fees	229,781	303,627	73,846	257,086	
Other operating revenues					
Contributions	109,683	87,748	(21,935)	84,583	
Total Revenues	<u>364,464</u>	<u>416,875</u>	<u>52,411</u>	<u>367,169</u>	
 <u>EXPENDITURES</u>					
Stormwater Operations					
Salaries and employee benefits	82,018				81,302
Professional Services	122,852				94,284
Supplies and materials	602				899
Postage	-				5
Dues and subscriptions	58,995				53,359
Advertising	3,980				2,014
Waste disposal	1,046				339
Contracted services	30,946				39,730
Maintenance	897				1,601
Administration	10,000				-
Miscellaneous	4,203				3,868
Total	<u>364,464</u>	<u>315,539</u>	<u>48,925</u>	<u>277,401</u>	
Revenues Over (Under) Expenditures	<u>\$ -</u>	<u>\$ 101,336</u>	<u>\$ 101,336</u>	<u>\$ 89,768</u>	
 RECONCILIATION FROM BUDGETARY BASIS (MODIFIED ACCRUAL) TO FULL ACCRUAL					
Excess of revenues over (under) expenditures	\$ 101,336			\$ 89,768	
Contributions to the pension plan in the current fiscal year	-			3,600	
Decrease in net pension asset	(6,041)			-	
Increase in deferred outflows of resources - pensions	(10)			-	
Increase in net pension liability	(4,523)			-	
Decrease in deferred inflows of resources - pensions	12,373			-	
(Increase) decrease in other postemployment benefits	(5,535)			(6,013)	
Pension expense	-			(403)	
Net Income (loss)	<u>\$ 97,600</u>			<u>\$ 86,952</u>	

INTERNAL SERVICE FUND

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

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

**GRANVILLE COUNTY, NORTH CAROLINA
COUNTY HEALTH PLAN FUND**
SCHEDULE OF REVENUES AND EXPENDITURES-BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016		Variance Positive (Negative)	2015
	Budget	Actual		Actual
Revenues				
Contributions from employees	\$ 2,101,000	\$ 2,621,028	\$ 520,028	\$ 2,552,359
Insurance settlements	200,000	8,872	(191,128)	107,630
Miscellaneous	10,000	-	(10,000)	-
Total revenues	<u>2,311,000</u>	<u>2,629,900</u>	<u>318,900</u>	<u>2,659,989</u>
Expenditures				
Health insurance administration	513,000	550,477	(37,477)	440,354
Claims	1,798,000	1,807,934	(9,934)	1,832,813
Total expenditures	<u>2,311,000</u>	<u>2,358,411</u>	<u>(47,411)</u>	<u>2,273,167</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>271,489</u>	<u>\$ 271,489</u>	<u>386,822</u>
Fund balances				
Beginning of year, July 1		818,471		431,649
End of year, June 30		<u>\$ 1,089,960</u>		<u>\$ 818,471</u>
Reconciliation from financial plan basis (modified accrual) to full accrual:				
Total revenues	\$ 2,629,900			\$ 2,659,989
Total expenditures	2,358,411			2,273,167
Change in net position	<u>\$ 271,489</u>			<u>\$ 386,822</u>

AGENCY FUNDS

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

- **Social Services Fund:** This agency 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.
- **Granville County Tourism Development Authority Fund:** This agency fund is used to account for the expenditures of occupancy tax received from the County.
- **Inmate Trust Fund:** This agency fund is used to account for receipts and disbursements made by the County on behalf of inmates.
- **Sheriff's Evidence, Execution and Special Account Fund:** This agency fund is used to account for receipts and disbursements made by the County involving sheriff's funds.

GRANVILLE COUNTY, NORTH CAROLINA
COMBINING STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2016

	Agency Funds				Total Agency Funds
	Social Services Fund	Granville County Tourism Development Authority	Inmate Trust Fund	Sheriff's Evidence, Execution and Special Fund	
ASSETS					
Cash and investments	\$ 61,019	\$ -	\$ 3,334	\$ 218,486	\$ 282,839
Due from other fund	<u>-</u>	<u>39,734</u>	<u>-</u>	<u>-</u>	<u>39,734</u>
Total Assets	<u><u>\$ 61,019</u></u>	<u><u>\$ 39,734</u></u>	<u><u>\$ 3,334</u></u>	<u><u>\$ 218,486</u></u>	<u><u>\$ 322,573</u></u>
LIABILITIES AND NET POSITION					
Liabilities:					
Miscellaneous liabilities	\$ 61,019	\$ -	\$ 3,334	\$ 218,486	\$ 282,839
Due to component unit	<u>-</u>	<u>39,734</u>	<u>-</u>	<u>-</u>	<u>39,734</u>
Total Liabilities	<u><u>61,019</u></u>	<u><u>39,734</u></u>	<u><u>3,334</u></u>	<u><u>218,486</u></u>	<u><u>322,573</u></u>
Total Liabilities and Net Position	<u><u><u>\$ 61,019</u></u></u>	<u><u><u>\$ 39,734</u></u></u>	<u><u><u>\$ 3,334</u></u></u>	<u><u><u>\$ 218,486</u></u></u>	<u><u><u>\$ 322,573</u></u></u>

GRANVILLE COUNTY, NORTH CAROLINA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
<u>Social Services</u>				
Assets				
Cash and cash equivalents	<u>\$ 68,569</u>	<u>\$ 286,572</u>	<u>\$ 294,122</u>	<u>\$ 61,019</u>
Liabilities				
Miscellaneous liabilities	<u>\$ 68,569</u>	<u>\$ 286,572</u>	<u>\$ 294,122</u>	<u>\$ 61,019</u>
<u>Granville County Tourism Development Authority</u>				
Assets				
Due from other fund	<u>\$ 19,294</u>	<u>\$ 39,734</u>	<u>\$ 19,294</u>	<u>\$ 39,734</u>
Liabilities				
Due to component unit	<u>\$ 19,294</u>	<u>\$ 39,734</u>	<u>\$ 19,294</u>	<u>\$ 39,734</u>
<u>Inmate Trust Fund</u>				
Assets				
Cash and cash equivalents	<u>\$ 10,208</u>	<u>\$ 127,097</u>	<u>\$ 133,971</u>	<u>\$ 3,334</u>
Liabilities				
Miscellaneous liabilities	<u>\$ 10,208</u>	<u>\$ 127,097</u>	<u>\$ 133,971</u>	<u>\$ 3,334</u>
<u>Sheriff's Evidence, Execution and Special Account Fund</u>				
Assets				
Cash and cash equivalents	<u>\$ 150,266</u>	<u>\$ 115,994</u>	<u>\$ 47,774</u>	<u>\$ 218,486</u>
Liabilities				
Miscellaneous liabilities	<u>\$ 150,266</u>	<u>\$ 115,994</u>	<u>\$ 47,774</u>	<u>\$ 218,486</u>
<u>Total - All Agency Funds</u>				
Assets				
Cash and cash equivalents	<u>\$ 229,043</u>	<u>\$ 529,663</u>	<u>\$ 475,867</u>	<u>\$ 282,839</u>
Due from other fund	<u>19,294</u>	<u>39,734</u>	<u>19,294</u>	<u>39,734</u>
Total	<u><u>\$ 248,337</u></u>	<u><u>\$ 569,397</u></u>	<u><u>\$ 495,161</u></u>	<u><u>\$ 322,573</u></u>
Liabilities				
Miscellaneous liabilities	<u>\$ 229,043</u>	<u>\$ 529,663</u>	<u>\$ 475,867</u>	<u>\$ 282,839</u>
Due to component unit	<u>19,294</u>	<u>39,734</u>	<u>19,294</u>	<u>39,734</u>
Total	<u><u>\$ 248,337</u></u>	<u><u>\$ 569,397</u></u>	<u><u>\$ 495,161</u></u>	<u><u>\$ 322,573</u></u>

OTHER SCHEDULES

This schedule contains additional information required on property taxes.

- Schedule of Ad Valorem Taxes Receivable
- Analysis of Current Tax Levy

EXHIBIT G-1

GRANVILLE COUNTY, NORTH CAROLINA
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
GENERAL FUND
JUNE 30, 2016

Fiscal Year	Uncollected Balance June 30, 2015	Additions	Collections and Adjustments	Uncollected Balance June 30, 2016
2016	\$ -	\$ 34,878,662	\$ (34,581,206)	\$ 297,456
2015	406,101	-	(283,593)	122,508
2014	138,686	-	(63,328)	75,358
2013	94,007	-	(33,803)	60,204
2012	57,383	-	(14,295)	43,088
2011	52,460	-	(11,086)	41,374
2010	104,349	-	(5,484)	98,865
2009	41,636	-	(6,512)	35,124
2008	142,048	-	(6,379)	135,669
2007	196,631	-	(5,255)	191,376
2006	44,323	-	(44,323)	-
	<u>\$ 1,277,624</u>	<u>\$ 34,878,662</u>	<u>\$ (35,055,264)</u>	<u>\$ 1,101,022</u>
				<u>(150,000)</u>
				<u>\$ 951,022</u>

Reconcilement with revenues:

Taxes-ad valorem-General Fund	\$ 36,419,897
Interest and Discounts	(1,407,397)
	35,012,500

Amounts written off for tax year 2005 - 2006 per statute of limitations	<u>42,764</u>
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Total Collections and Credits	<u>\$ 35,055,264</u>
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GRANVILLE COUNTY, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY
COUNTY-WIDE LEVY
JUNE 30, 2016

	County-wide			Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
	Property Valuation	Rate	Total Levy		
Original levy:					
Property taxed at current year's rate	\$ 3,748,910,780	0.830	\$ 31,115,959	\$ 31,115,959	\$ -
Motor vehicles at current year's rate	453,337,711	0.830	3,762,703	-	3,762,703
Discoveries:					
Current and prior year's taxes	176,613,012	0.830	1,465,888	1,465,888	-
Abatements	(14,976,988)	0.830	(124,309)	(124,309)	-
Total Property Valuation	<u>\$ 4,363,884,515</u>				
Net Levy			36,220,241	32,457,538	3,762,703
Uncollected taxes at June 30, 2016			297,456	293,740	3,716
Current year's taxes collected			\$ 35,922,785	\$ 32,163,798	\$ 3,758,987
Current levy collection percentage			<u>99.18%</u>	<u>99.10%</u>	<u>99.90%</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.

Revenue Capacity

These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.

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.

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.

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.

TABLE 1

GRANVILLE COUNTY, NORTH CAROLINA
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental activities										
Net investment in capital assets	\$ 11,865,211	\$ 13,396,938	\$ 14,464,315	\$ 7,040,787	\$ 13,168,461	\$ 5,749,001	\$ 13,801,596	\$ 17,096,701	\$ 19,458,241	\$ 24,247,521
Restricted	-	30,967	-	-	13,824,466	22,894,879	11,770,892	10,140,935	10,995,235	6,348,920
Unrestricted	(20,032,740)	(19,228,369)	(16,983,575)	(8,000,642)	(35,778,192)	(46,031,350)	(52,503,720)	(46,402,671)	(41,556,680)	(37,992,005)
Total governmental activities net position	<u><u>(8,167,529)</u></u>	<u><u>(5,800,464)</u></u>	<u><u>(2,519,260)</u></u>	<u><u>(959,855)</u></u>	<u><u>(8,785,265)</u></u>	<u><u>(17,387,470)</u></u>	<u><u>(26,931,232)</u></u>	<u><u>(19,165,035)</u></u>	<u><u>(11,103,204)</u></u>	<u><u>(7,395,564)</u></u>
Business-type activities										
Net investment in capital assets	3,592,659	1,332,910	1,311,992	1,300,529	1,289,341	1,930,932	5,506,197	5,402,964	5,372,550	5,381,036
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	3,988,295	(2,694,898)	(3,148,445)	(3,692,801)	(740,690)	(1,654,823)	(7,718,231)	(7,217,508)	(7,320,965)	(7,366,313)
Total business-type activities net position	<u><u>7,580,954</u></u>	<u><u>(1,361,988)</u></u>	<u><u>(1,836,453)</u></u>	<u><u>(2,392,272)</u></u>	<u><u>548,651</u></u>	<u><u>276,109</u></u>	<u><u>(2,212,034)</u></u>	<u><u>(1,814,544)</u></u>	<u><u>(1,948,415)</u></u>	<u><u>(1,985,277)</u></u>
Primary government										
Net investment in capital assets	15,457,870	14,729,848	15,776,307	8,341,316	14,457,802	7,679,933	19,307,793	22,499,665	24,830,791	29,628,557
Restricted	-	30,967	-	-	13,824,466	22,894,879	11,770,892	10,140,935	10,995,235	6,348,920
Unrestircted	(16,044,445)	(21,923,267)	(20,132,020)	(11,693,443)	(36,518,882)	(47,686,173)	(60,221,951)	(53,620,179)	(48,877,645)	(45,358,318)
Total primary government net position	<u><u>\$ (586,575)</u></u>	<u><u>\$ (7,162,452)</u></u>	<u><u>\$ (4,355,713)</u></u>	<u><u>\$ (3,352,127)</u></u>	<u><u>\$ (8,236,614)</u></u>	<u><u>\$ (17,111,361)</u></u>	<u><u>\$ (29,143,266)</u></u>	<u><u>\$ (20,979,579)</u></u>	<u><u>\$ (13,051,619)</u></u>	<u><u>\$ (9,380,841)</u></u>

TABLE 2

GRANVILLE COUNTY, NORTH CAROLINA
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses										
Governmental activities:										
General government	\$ 2,496,066	\$ 2,764,176	\$ 4,253,006	\$ 4,318,453	\$ 3,557,567	\$ 4,259,610	\$ 4,555,774	\$ 4,405,781	\$ 4,442,094	\$ 4,938,658
Public safety	9,465,578	10,376,749	11,756,164	11,838,566	8,745,611	9,823,361	10,620,057	10,655,790	10,425,328	11,120,875
Transportation	161,752	228,242	142,623	161,465	161,525	135,410	148,296	156,779	173,068	192,910
Environmental Protection	28,224	333,567	357,293	1,142,750	560,181	9,772,776	797,499	476,826	753,782	668,747
Economic and physical development	12,612,304	11,196,564	10,841,983	9,883,423	11,189,177	11,590,347	23,560,271	12,744,738	10,524,184	11,357,664
Human Services	2,610,956	2,542,373	2,952,212	2,889,358	3,219,464	3,246,796	3,853,986	2,746,910	3,990,780	3,700,213
Community Services	35,180,474	16,596,758	14,935,997	15,247,427	24,697,465	17,583,181	14,864,489	14,859,485	21,994,864	18,380,346
Education	2,407,906	2,211,016	-	-	-	-	-	-	-	-
Non-departmental and special areas	1,938,828	2,115,040	2,053,147	1,985,372	2,423,796	2,425,015	2,507,886	2,303,425	2,658,358	2,574,030
Interest on long-term debt	-	-	-	-	-	-	-	-	-	-
Total governmental activities expenses	66,902,088	48,364,485	47,292,425	47,466,814	54,554,786	58,836,496	60,908,258	48,349,734	54,962,458	52,933,443
Business-type activities										
Water and Sewer	1,340,252	1,085,232	-	-	-	-	-	-	-	-
Solid Waste	1,642,393	6,520,539	2,197,983	2,088,641	1,721,247	1,822,661	4,318,099	2,046,765	2,720,941	2,895,474
Stormwater	-	-	-	-	-	-	209,073	261,089	280,217	319,275
Total business-type activities	2,982,645	7,605,771	2,197,983	2,088,641	1,721,247	1,822,661	4,527,172	2,307,854	3,001,158	3,214,749
Total primary government expenses	69,884,733	55,970,256	49,490,408	49,555,455	56,276,033	60,659,157	65,435,430	50,657,588	57,963,616	56,148,192
Program Revenues										
Governmental activities:										
Charges for services:										
General government	610,973	677,758	487,200	484,736	394,790	625,684	507,272	527,492	487,489	554,483
Public Safety	802,327	924,126	795,836	687,119	621,263	643,455	703,591	676,055	817,649	938,960
Environmental Protection	-	-	-	-	17,800	3,560	-	-	-	-
Economic and physical development	-	-	-	-	-	-	-	-	-	-
Human Services	1,137,207	1,499,949	1,763,894	1,987,299	299,919	89,602	97,873	84,399	37,670	20,681
Community Services	354,237	286,584	212,183	203,054	192,996	185,681	200,492	243,873	258,978	306,025
Education	-	-	-	-	1,488,000	-	-	-	-	-
Operating grants and contributions										
General government	14,732	11,808	14,568	37,694	149,436	55,955	69,878	29,930	65,893	55,016
Public Safety	357,011	526,668	676,647	645,268	678,364	1,057,350	1,711,479	926,318	918,182	948,876
Transportation	-	-	177,704	192,410	261,137	259,741	291,028	191,221	807,152	397,308
Economic and physical development	-	-	3,009	-	738,449	27,500	326,361	58,986	438,483	220,568
Human Services	5,756,078	5,967,518	6,055,551	6,247,734	5,868,017	6,421,666	6,237,855	6,547,155	7,246,267	7,250,217
Community Services	193,001	180,085	195,205	265,444	168,581	151,288	156,245	138,529	136,599	136,826
Education	-	-	-	-	800,000	1,060,202	1,000,000	848,881	848,881	397,280
Capital grants and contributions										
General government	-	-	-	28,758	-	-	-	-	-	-
Transportation	149,097	171,471	382,062	-	-	-	-	-	-	-
Economic and physical development	(14,349)	275,635	120,224	848,919	108,058	147,875	41,415	508,364	66,979	113,028
Community Services	108,513	370,000	417,650	80,000	90,000	-	-	498,631	378,019	22,130
Education	758,693	1,103,970	1,920,000	600,000	-	-	-	-	-	-
Total governmental activities program revenues	10,227,520	11,995,572	13,221,733	12,308,435	11,076,810	10,469,357	11,403,691	11,430,953	12,508,241	11,361,398

TABLE 2

GRANVILLE COUNTY, NORTH CAROLINA
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Business-type activities										
Charges for services:										
Water and Sewer	1,555,540	1,201,171	-	-	-	-	-	-	-	-
Solid Waste	1,592,925	1,595,705	1,525,736	1,527,300	1,680,396	1,540,903	1,686,107	2,325,500	2,528,876	2,756,149
Stormwater	-	-	-	-	-	-	248,572	249,597	257,086	303,627
Operating grants and contributions	-	-	-	-	-	-	-	24,222	25,500	25,500
Capital grants and contributions	-	-	-	-	4,137	4,692	3,493	-	-	-
Total business-type activities program revenues	<u>3,148,465</u>	<u>2,796,876</u>	<u>1,525,736</u>	<u>1,527,300</u>	<u>1,684,533</u>	<u>1,545,595</u>	<u>1,938,172</u>	<u>2,599,319</u>	<u>2,811,462</u>	<u>3,085,276</u>
Total primary government program revenues	<u>13,375,985</u>	<u>14,792,448</u>	<u>14,747,469</u>	<u>13,835,735</u>	<u>12,761,343</u>	<u>12,014,952</u>	<u>13,341,863</u>	<u>14,030,272</u>	<u>15,319,703</u>	<u>14,446,674</u>
Net (expenses)/revenue										
Governmental activities										
General Government	(1,870,361)	(2,074,610)	(3,751,238)	(3,767,265)	(3,013,341)	(3,577,971)	(3,978,624)	(3,848,359)	(3,888,712)	(4,329,159)
Public Safety	(8,306,240)	(8,925,955)	(10,283,681)	(10,506,179)	(7,445,984)	(8,122,556)	(8,204,987)	(9,053,417)	(8,689,497)	(9,233,039)
Transportation	(12,655)	(56,771)	417,143	30,945	99,612	124,331	142,732	34,442	634,084	204,398
Environmental Protection	-	-	-	-	-	-	-	-	-	-
Economic and physical development	(42,573)	(57,932)	(234,060)	(293,831)	304,126	(9,593,841)	(429,723)	90,524	(248,320)	(335,151)
Human Services	(5,719,019)	(3,729,097)	(3,022,538)	(1,648,390)	(5,021,241)	(5,079,079)	(17,224,543)	(6,113,184)	(3,240,247)	(4,086,766)
Community Services	(1,955,205)	(1,705,704)	(2,127,174)	(2,340,860)	(2,767,887)	(2,909,827)	(3,497,249)	(1,865,877)	(3,217,184)	(3,235,232)
Education	(34,421,781)	(15,492,788)	(13,015,997)	(14,647,427)	(23,209,465)	(16,783,181)	(13,804,287)	(13,859,485)	(21,145,983)	(17,983,066)
Non-departmental and special areas	(2,407,906)	(2,211,016)	-	-	-	-	-	-	-	-
Interest on long term debt	(1,938,828)	(2,115,040)	(2,053,147)	(1,985,372)	(2,423,796)	(2,425,015)	(2,507,886)	(2,303,425)	(2,658,358)	(2,574,030)
Business-type activities										
Water and sewer	215,288	115,939	-	-	-	-	-	-	-	-
Solid waste	(49,468)	(4,924,834)	(672,247)	(561,341)	(36,714)	(277,066)	(2,628,499)	278,735	(192,065)	(113,825)
Stormwater	-	-	-	-	-	-	39,499	(11,492)	(23,131)	(15,648)
Total primary government net expenses	<u>(56,508,748)</u>	<u>(41,177,808)</u>	<u>(34,742,939)</u>	<u>(35,719,720)</u>	<u>(43,514,690)</u>	<u>(48,644,205)</u>	<u>(52,133,066)</u>	<u>(36,640,046)</u>	<u>(42,646,282)</u>	<u>(41,701,518)</u>
General Revenues and Other Changes in Net Position										
Governmental activities:										
Property taxes	23,410,571	26,593,546	27,423,928	30,260,553	31,614,844	31,803,407	31,967,760	35,899,937	35,119,245	36,226,663
Local option sales tax	10,697,330	9,030,075	7,712,604	5,915,129	4,929,327	5,512,386	5,977,343	5,826,915	6,038,601	6,322,373
Other taxes and licenses	295,200	1,019,520	666,540	523,113	1,576,079	1,777,995	1,993,976	2,056,480	2,222,684	2,295,726
Investment earnings	1,878,138	1,317,899	536,617	182,190	127,862	61,598	49,130	41,765	26,657	37,952
Miscellaneous	578,191	180,056	265,978	(163,201)	378,224	609,548	297,442	354,724	303,684	396,971
Transfers	(810,551)	594,882	-	-	(2,973,770)	-	-	-	-	-
Total general revenues, special items and transfers	<u>36,048,879</u>	<u>38,735,978</u>	<u>36,605,667</u>	<u>36,717,784</u>	<u>35,652,566</u>	<u>39,764,934</u>	<u>40,285,651</u>	<u>44,179,821</u>	<u>43,710,871</u>	<u>45,279,685</u>
Total governmental activities	<u>36,048,879</u>	<u>38,735,978</u>	<u>36,605,667</u>	<u>36,717,784</u>	<u>35,652,566</u>	<u>39,764,934</u>	<u>40,285,651</u>	<u>44,179,821</u>	<u>43,710,871</u>	<u>45,279,685</u>
Business-type activities:										
Investment earnings	162,654	144,531	60,025	5,522	3,864	4,524	5,062	1,778	1,534	4,863
Miscellaneous	162,360	-	-	-	-	-	95,795	104,247	84,583	87,748
Transfers	810,551	(4,278,578)	-	-	2,973,770	-	-	-	-	-
Total general revenues, special items and transfers	<u>1,135,565</u>	<u>(4,134,047)</u>	<u>60,025</u>	<u>5,522</u>	<u>2,977,634</u>	<u>4,524</u>	<u>100,857</u>	<u>106,025</u>	<u>86,117</u>	<u>92,611</u>
Total business-type activities	<u>1,135,565</u>	<u>(4,134,047)</u>	<u>60,025</u>	<u>5,522</u>	<u>2,977,634</u>	<u>4,524</u>	<u>100,857</u>	<u>106,025</u>	<u>86,117</u>	<u>92,611</u>
Total primary government	<u>37,184,444</u>	<u>34,601,931</u>	<u>36,665,692</u>	<u>36,723,306</u>	<u>38,630,200</u>	<u>39,769,458</u>	<u>40,386,508</u>	<u>44,285,846</u>	<u>43,796,988</u>	<u>45,372,296</u>
Changes in Net Position										
Governmental activities	(20,625,689)	2,367,065	2,534,975	1,559,405	(7,825,410)	(8,602,205)	(9,218,916)	7,261,040	1,256,654	3,707,640
Business-type activities	1,301,385	(8,942,942)	(612,222)	(555,819)	2,940,920	(272,542)	(2,488,143)	373,268	(129,079)	(36,862)
Total primary government	<u>\$ (19,324,304)</u>	<u>\$ (6,575,877)</u>	<u>\$ 1,922,753</u>	<u>\$ 1,003,586</u>	<u>\$ (4,884,490)</u>	<u>\$ (8,874,747)</u>	<u>\$ (11,707,059)</u>	<u>\$ 7,634,308</u>	<u>\$ 1,127,575</u>	<u>\$ 3,670,778</u>

TABLE 3

GRANVILLE COUNTY, NORTH CAROLINA
GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

Fiscal Year	Property Tax	Local Sales Tax	Alcoholic Beverage Tax	Occupancy Tax*	Other Tax	Total
2007	\$ 23,410,571	\$ 10,697,330	\$ 22,856	\$ 112,187	\$ 160,157	\$ 34,403,101
2008	26,593,546	9,030,075	22,762	155,041	841,717	36,643,141
2009	27,423,928	7,712,604	23,582	202,191	440,767	35,803,072
2010	30,260,553	5,915,129	23,224	188,877	311,012	36,698,795
2011	31,614,844	4,929,327	23,213	185,671	1,367,195	38,120,250
2012	31,803,407	5,512,386	23,774	178,497	1,575,724	39,093,788
2013	31,967,760	5,977,343	24,334	167,032	1,802,610	39,939,079
2014	35,899,937	5,826,915	25,158	160,985	1,870,337	43,783,332
2015	35,119,245	6,038,601	26,254	189,714	2,006,716	43,380,530
2016	\$ 36,226,663	\$ 6,322,373	\$ 27,238	\$ 208,577	\$ 2,059,911	\$ 44,844,762

* Occupancy tax levy rate changed from 3% to 6% effective January 1, 2008.

TABLE 4

GRANVILLE COUNTY, NORTH CAROLINA
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year						
	Restated*	2010	2011	2012	2013	2014	2015
General Fund							
Nonspendable							
Prepaid items		\$ -	\$ 4,000	\$ 368	\$ 900	\$ 1,635	\$ 1,916
Restricted							
Stabilization by State Statute		3,334,751	2,831,605	2,694,795	2,092,758	3,247,393	3,997,815
Register of Deeds		-	12,748	33,561	-	12,618	35,050
Human Services		-	-	13,591,044	5,416,399	3,538,668	-
Education		739,572	-	-	695,447	1,043,189	1,390,935
Committed							
Tax Revaluation		110	98,122	196,283	294,687	392,987	491,351
Public Safety		-	-	591,606	945,368	1,022,524	1,091,381
Assigned							
Subsequent year's expenditures		990,730	768,172	1,418,657	1,735,002	1,874,511	1,884,639
Community Services		-	-	-	-	-	500,000
Economic & Physical Development		1,003,828	960,000	1,232,800	956,521	548,995	452,737
Unassigned		18,741,118	19,324,317	11,353,100	18,625,992	20,478,407	28,287,719
Total General Fund		<u>\$ 24,810,109</u>	<u>\$ 23,998,964</u>	<u>\$ 31,112,214</u>	<u>\$ 30,763,074</u>	<u>\$ 32,160,927</u>	<u>\$ 37,633,543</u>
							<u>\$ 39,846,793</u>
All other governmental funds							
Nonspendable							
Prepaid items		\$ -	\$ -	\$ -	\$ -	\$ 34,930	\$ 34,930
Restricted							
Stabilization by State Statute		39,779	39,779	135,549	83,357	30,034	32,179
Education		(62,241)	5,993,606	1,251,264	29,021	29,023	4,247,438
Community Services		8,206,046	3,687,890	2,002,241	986,837	837,938	265,776
Public Safety		1,204,897	1,258,838	194,485	158,231	179,841	229,137
Economic & Physical Development		-	-	2,644,258	2,308,842	1,222,231	796,905
Committed							
Economic & Physical Development		1,622,072	210,014	33,564	642	-	-
Unassigned							
Total other governmental funds		<u>\$ 11,010,553</u>	<u>\$ 11,190,127</u>	<u>\$ 6,261,361</u>	<u>\$ 3,566,930</u>	<u>\$ 2,115,432</u>	<u>\$ 5,606,365</u>
							<u>\$ 17,175</u>

	Fiscal Year			
	2007	2008	2009	2010
General fund				
Reserved by state statute	\$ 4,026,907	\$ 3,109,806	\$ 3,215,946	\$ 3,007,806
Reserved For Register of Deeds	-	30,967	-	-
Unreserved (available for appropriation)				
Designated for subsequent year's expenditures	2,259,481	724,520	492,435	870,530
Designated for repayment of economic incentives	-	-	-	1,003,828
Undesignated	<u>11,966,953</u>	<u>16,290,833</u>	<u>18,146,260</u>	<u>18,349,340</u>
Total General Fund	<u>18,253,341</u>	<u>20,156,126</u>	<u>21,854,641</u>	<u>23,231,504</u>
All other governmental funds				
Reserved by state statute	1,074,342	471,549	504,490	423,684
Reserved for school construction	-	-	-	-
Reserved for public improvement construction	632,366	-	-	-
Unreserved (available for appropriation)				
Designated for subsequent year's expenditures				
Special revenue funds	132,227	229,895	1,230,872	995,489
Capital Projects	(496,053)	231,450	324,125	120,200
Undesignated, reported in nonmajor				
Special revenue funds	3,262,041	4,781,019	3,455,655	2,771,931
Capital Projects	<u>2,823,396</u>	<u>1,668,041</u>	<u>935,099</u>	<u>8,277,854</u>
Total all other governmental funds	<u>\$ 7,428,319</u>	<u>\$ 7,381,954</u>	<u>\$ 6,450,244</u>	<u>\$ 12,589,158</u>

* Fiscal years 2007 through 2010 are presented in the Pre-GASB 54 format on the bottom table with Fiscal years 2010 through 2016 presented showing the GASB 54 format. Fiscal year 2010 was restated by County Finance Staff and represents and was not subject to audit procedures.

TABLE 5

GRANVILLE COUNTY, NORTH CAROLINA
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues										
Ad Valorem taxes	\$ 23,180,548	\$ 26,674,614	\$ 27,364,379	\$ 30,144,926	\$ 31,596,349	\$ 31,873,214	\$ 32,738,695	\$ 36,071,119	\$ 35,485,256	\$ 36,419,897
Sales and other taxes	10,921,364	9,711,264	8,256,308	6,327,694	5,432,983	7,271,408	7,844,912	7,706,195	8,109,374	8,460,686
Licenses, fees and other revenue	3,064,839	3,220,267	3,305,715	3,384,135	1,824,726	2,074,806	2,093,304	2,150,691	2,127,385	2,354,341
Unrestricted Intergovernmental Revenues	-	500	-	-	-	-	-	-	-	-
Restricted Intergovernmental Revenues	7,570,086	9,043,073	10,009,759	8,897,671	11,251,616	9,382,743	10,229,890	10,099,871	11,216,643	9,783,880
Investment earnings	1,870,843	1,361,872	536,617	182,190	127,862	61,598	49,130	41,765	26,657	37,952
Miscellaneous	241,952	250,119	324,509	341,778	371,189	293,653	177,404	350,646	236,566	235,137
Total Revenues	<u>46,849,632</u>	<u>50,261,709</u>	<u>49,797,287</u>	<u>49,278,394</u>	<u>50,604,725</u>	<u>50,957,422</u>	<u>53,133,335</u>	<u>56,420,287</u>	<u>57,201,881</u>	<u>57,291,893</u>
Expenditures										
Current:										
General government	2,248,000	2,504,483	2,949,824	2,939,723	2,670,103	2,912,726	3,005,461	3,112,460	3,070,425	3,385,737
Public safety	10,259,786	9,739,259	10,627,195	10,873,165	8,414,677	10,087,628	9,770,114	10,267,270	10,010,614	10,551,246
Community services	2,256,353	2,362,405	2,466,093	2,267,231	3,540,856	3,116,885	3,443,616	3,189,156	3,031,754	4,563,679
Economic and physical development	400	317,475	78,384	74,319	108,058	406,286	467,279	27,644	56,777	103,287
Human Services	12,648,743	11,223,967	10,178,787	9,204,421	10,683,498	10,683,159	10,907,712	10,461,480	10,122,056	10,439,671
Non-departmental & special areas	2,486,971	2,349,153	1,891,782	1,879,904	2,456,295	7,761,846	15,801,366	4,059,505	2,701,203	2,405,556
Capital Outlay	1,534,687	2,878,658	1,654,172	3,431,384	4,637,671	2,091,297	1,021,405	2,452,522	7,980,901	4,563,607
Intergovernmental:										
Education	35,180,474	16,606,743	14,935,997	15,247,427	24,698,148	17,583,181	14,864,489	14,859,485	14,604,207	15,250,609
Debt service:										
Bond issuance cost	32,302	-	-	42,653	235,107	-	345,343	-	-	-
Principal	2,079,937	2,762,535	2,916,266	3,558,017	4,325,081	5,317,182	4,649,290	5,186,772	19,162,582	6,369,959
Interest	1,896,828	2,115,253	2,078,214	2,021,963	2,493,032	2,812,748	2,711,060	2,857,638	3,247,813	3,109,783
Total expenditures	<u>70,624,481</u>	<u>52,859,931</u>	<u>49,776,714</u>	<u>51,540,207</u>	<u>64,262,526</u>	<u>62,772,938</u>	<u>66,987,135</u>	<u>56,473,932</u>	<u>73,988,332</u>	<u>60,743,134</u>
Excess of revenues over (under) expenditures	(23,774,849)	(2,598,222)	20,573	(2,261,813)	(13,657,801)	(11,815,516)	(13,853,800)	(53,645)	(16,786,451)	(3,451,241)
Other financing sources (uses)										
Debt proceeds	11,000,000	3,859,760	-	19,815,000	16,000,000	14,000,000	26,855,000	-	25,750,000	5,485,000
Premium on debt	48,122	-	-	463,302	-	-	2,525,946	-	-	-
Payments to refunded bond escrow agent	-	-	-	(10,500,708)	-	-	(18,350,717)	-	-	(5,409,698)
Transfers in from other funds	6,215,220	8,816,162	4,607,877	5,747,250	2,939,116	4,207,569	1,186,952	487,105	617,535	490,426
Transfers out to other funds	(7,025,771)	(8,221,280)	(4,607,877)	(5,747,250)	(5,912,886)	(4,207,569)	(1,406,952)	(487,105)	(617,535)	(490,426)
Total other financing sources (uses)	<u>10,237,571</u>	<u>4,454,642</u>	<u>-</u>	<u>9,777,594</u>	<u>13,026,230</u>	<u>14,000,000</u>	<u>10,810,229</u>	<u>-</u>	<u>25,750,000</u>	<u>75,302</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(13,537,278)</u>	<u>1,856,420</u>	<u>20,573</u>	<u>7,515,781</u>	<u>(631,571)</u>	<u>2,184,484</u>	<u>(3,043,571)</u>	<u>(53,645)</u>	<u>8,963,549</u>	<u>(3,375,939)</u>
Net change in fund balances	<u>\$ (13,537,278)</u>	<u>\$ 1,856,420</u>	<u>\$ 20,573</u>	<u>\$ 7,515,781</u>	<u>\$ (631,571)</u>	<u>\$ 2,184,484</u>	<u>\$ (3,043,571)</u>	<u>\$ (53,645)</u>	<u>\$ 8,963,549</u>	<u>\$ (3,375,939)</u>
Debt service as a percentage of noncapital expenditures	5.84%	9.74%	10.39%	11.40%	11.79%	15.05%	11.45%	14.88%	30.54%	16.51%

TABLE 6

GRANVILLE COUNTY, NORTH CAROLINA
GENERAL GOVERNMENTAL TAX REVENUES BY SOURCES
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)

Fiscal Year	Property Tax	Sales Tax	Alcoholic Beverage Tax	Other Taxes	Total
2007	\$ 23,180,548	\$ 10,068,167	\$ 11,428	\$ 617,735	\$ 33,877,878
2008	26,674,614	9,030,075	11,381	558,964	36,275,034
2009	27,364,379	7,712,604	11,791	531,913	35,620,687
2010	30,144,926	5,915,129	11,612	400,953	36,472,620
2011	31,596,349	4,929,327	11,606	503,656	37,040,938
2012	31,873,214	5,512,386	11,887	490,872	37,888,359
2013	32,738,695	5,977,343	12,167	481,307	39,209,512
2014	36,071,119	5,826,915	12,579	532,830	42,443,443
2015	35,485,256	6,038,601	13,127	591,103	42,128,087
2016	\$ 36,419,897	\$ 6,322,373	\$ 13,619	\$ 651,742	\$ 43,407,631

TABLE 7

GRANVILLE COUNTY, NORTH CAROLINA
ASSESSED VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS

Fiscal Year Ended June 30	Property Excluding Registered Motor Vehicles	Motor Vehicles	Plus Discoveries	Less Abatements	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Estimated Actual Taxable/Market Value	Assessed Value as a Percentage of Market Value
2007	\$ 2,834,801,060	\$ 433,685,429	\$ 126,242,857	\$ (72,754,857)	\$ 3,321,974,489	0.700	\$ 23,253,821	\$ 24,615,032	94.47%
2008	2,997,456,552	391,436,935	123,665,695	(7,263,444)	3,505,295,738	0.755	26,464,983	29,948,337	88.11%
2009	3,117,166,533	381,288,212	129,114,437	(9,028,382)	3,618,540,800	0.755	27,319,983	31,730,526	86.10%
2010	3,203,221,864	411,796,666	119,939,515	(65,594,788)	3,669,363,257	0.825	30,272,247	30,820,858	98.22%
2011	3,495,709,869	341,241,745	127,933,962	(9,200,000)	3,955,685,576	0.795	31,447,700	30,325,651	103.70%
2012	3,517,432,454	360,457,359	124,469,560	(7,083,396)	3,995,275,977	0.795	31,762,444	30,258,592	104.97%
2013	3,574,424,012	378,323,522	137,054,969	(10,881,132)	4,078,921,371	0.795	32,427,425	29,975,434	108.18%
2014	3,645,649,362	520,715,946	135,053,012	(5,627,108)	4,295,791,212	0.830	35,605,455	34,448,002	103.36%
2015	3,682,196,152	425,683,950	131,119,277	(5,085,060)	4,233,914,319	0.830	35,141,489	33,999,118	103.36%
2016	\$ 3,748,910,780	\$ 453,337,711	\$ 176,613,012	\$ (14,976,988)	\$ 4,363,884,515	0.830	\$ 36,220,241	\$ 35,042,803	103.36%

Source: Granville County Tax Department

TABLE 8

**GRANVILLE COUNTY, NORTH CAROLINA
PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS**

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
County Direct Rates*										
County-wide Rate	0.830	0.830	0.830	0.795	0.795	0.795	0.825	0.755	0.755	0.700
Municipality Rates										
City of Oxford	0.640	0.620	0.620	0.600	0.600	0.600	0.600	0.550	0.550	0.550
Town of Stem	0.450	0.450	0.450	0.450	0.450	0.450	0.450	0.450	0.450	0.450
Town of Stovall	0.490	0.490	0.490	0.490	0.490	0.490	0.490	0.490	0.490	0.490
City of Creedmoor	0.665	0.700	0.700	0.700	0.700	0.700	0.700	0.725	0.725	0.700
Town of Butner^	0.350	0.350	0.350	0.350	0.350	0.350	0.250	0.250	0.250	0.250
Lyon Station**	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.095	0.095
Oxford Parking Authority	0.100	0.100	0.100	0.100	0.100	0.100	0.100	0.100	0.100	0.100
Oxford Municipal Service District	0.200	0.200	0.200	0.200	0.200	0.200	0.200	0.200	0.200	0.200
Oxford Economic Development District	0.100	0.100	0.100	0.100	0.100	0.100	0.100	0.100	0.100	0.100

^ Town of Butner was incorporated in fiscal year 2007-2008, prior to then the tax was levied as the special taxing district named "Butner Police and Fire Protection"

** Lyon Station was turned over to South Granville Water and Sewer Authority and is no longer a taxing district as of January 1, 2008.

TABLE 9

GRANVILLE COUNTY, NORTH CAROLINA
PRINCIPAL PROPERTY TAXPAYERS
JUNE 30, 2015
CURRENT YEAR AND FIVE YEARS AGO*

Taxpayer	2016			2011			Percentage of Total Taxable Assessed Value
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank		
Revlon	\$ 87,424,183	1	2.00%	\$ 65,138,371	1		1.65%
Certaineed Corporation	58,688,022	2	1.34%	58,012,877	2		1.47%
Duke Energy Progress	41,711,670	3	0.96%	18,341,961	10		0.46%
Shalag	34,800,021	4	0.80%	-	-		0.00%
Bridgestone Commercial Solutions^	34,167,257	5	0.78%	26,244,055	4		0.66%
Public Service Co. of NC	33,681,620	6	0.77%	-	-		0.00%
SantaFe Natural Tobacco Company	32,146,138	7	0.74%	22,460,842	6		0.58%
WAKE EMC	26,761,157	8	0.61%	25,413,092	5		0.64%
Carefusion EIT LLC**	20,932,027	9	0.48%	-	-		0.00%
Newton Instrument Company	19,598,899	10	0.45%	19,598,899	7		0.50%
CP&L/Progress Energy	-	-	0.00%	38,550,121	3		0.97%
Verizon South	-	-	0.00%	18,661,474	8		0.47%
Cardinal Health	-	-	0.00%	18,646,251	9		0.47%
Totals	\$ 389,910,994		8.93%	\$ 311,067,943			7.87%

Source: Granville County Tax Department

* Management decided to present this table over a five year period rather than provide ten individual years of information to improve usefulness of the information. Given the changes in business environments, five years was determined to provide a clearer picture of economic change. (Note additional years information can be viewed on the County's web site under the Finance Department section: www.granvillecounty.org)

^ In 2007 Company name was Bandag Inc.

** In 2007 Company name was Alaris Medical Systems, Inc.

TABLE 10

**GRANVILLE COUNTY, NORTH CAROLINA
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS**

Fiscal Year Ended December 31	Collected within the Fiscal Year of the Levy			Total Collections to Date		
	Total Tax Levy for Fiscal Year	Amount	Percentage of Levy	Collections in Subsequent Years	Amount	Percentage of Levy
2007	\$ 23,253,821	\$ 21,965,301	94.46%	\$ 1,097,144	\$ 23,062,445	99.18%
2008	26,387,480	25,234,247	95.63%	1,017,564	26,251,811	99.49%
2009	27,319,983	26,261,609	96.13%	1,023,250	27,284,859	99.87%
2010	30,180,232	29,039,361	96.22%	1,042,006	30,081,367	99.67%
2011	31,512,371	30,623,639	97.18%	847,358	31,470,997	99.87%
2012	31,762,444	30,856,878	97.15%	862,478	31,719,356	99.86%
2013	32,427,425	31,513,749	97.18%	853,472	32,367,221	99.81%
2014	35,605,455	34,934,862	98.12%	595,235	35,530,097	99.79%
2015	35,141,489	34,735,388	98.84%	283,593	35,018,981	99.65%
2016	\$ 36,220,241	\$ 35,922,785	99.18%	\$ -	\$ 35,922,785	99.18%

Source: Granville County Tax Department

TABLE 11

GRANVILLE COUNTY, NORTH CAROLINA
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities					Business-type Activities			Total Primary Government	Per Capita *	Percentage of Personal Income*
	General Obligation Bonds	Installment Obligations	Financing Agreements	Certificates of Participation	Capital Leases	Capital Leases					
2007	\$ 47,415,000	\$ 1,481,608	\$ -	\$ -	\$ 380,581	\$ 539,157	\$ 49,816,346	885	3.34%		
2008	44,965,000	5,118,689	-	-	290,725	-	50,374,414	915	3.26%		
2009	42,515,000	4,745,717	-	-	197,431	-	47,458,148	844	3.11%		
2010	49,345,000	4,369,561	-	-	100,570	-	53,815,131	957	3.47%		
2011	46,635,414	3,990,096	-	16,000,000	-	-	66,625,510	1,100	3.92%		
2012	43,363,248	17,607,184	8,048,861	15,510,000	-	-	84,529,293	1,389	4.86%		
2013	41,650,118	27,935,125	7,198,333	15,020,000	-	-	91,803,576	1,582	5.15%		
2014	38,203,031	27,451,269	6,337,174	14,530,000	-	-	86,521,474	1,488	4.64%		
2015	34,770,946	37,865,337	6,870,000	14,040,000	-	-	93,546,283	1,605	4.56%		
2016	\$ 31,513,181	\$ 35,686,398	\$ 4,743,262	\$ 13,550,000	\$ -	\$ -	\$ 85,492,841	1,455	4.08%		

Note 1: Details regarding the county's outstanding debt can be found in the notes to the financial statements.

Note 2: Per Capita amounts are based on population numbers as of July 1 of the fiscal year.

* Total Personal income can be calculated using population and per capita income information found on Table 14

TABLE 12

GRANVILLE COUNTY, NORTH CAROLINA
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Personal Income*	Actual Taxable Value of Property	Percentage of Estimated Actual Taxable Value of Property	Per Capita
2007	\$ 47,415,000	\$ -	\$ 47,415,000	3.28%	1.43%	868	
2008	44,965,000	-	44,965,000	2.91%	1.28%	817	
2009	42,515,000	-	42,515,000	2.79%	1.17%	756	
2010	49,345,000	-	49,345,000	3.11%	1.34%	859	
2011	46,635,414	-	46,635,414	2.74%	1.18%	770	
2012	43,363,248	-	43,363,248	2.49%	1.09%	712	
2013	41,650,118	-	41,650,118	2.34%	1.02%	718	
2014	38,203,031	-	38,203,031	2.05%	0.89%	657	
2015	34,770,946	-	34,770,946	1.70%	0.82%	597	
2016	\$ 31,513,181	\$ -	\$ 31,513,181	1.50%	0.72%	536	

Note: Population figures are as of July 1 of the fiscal year.

* Total Personal income can be calculated using population and per capita income information found on Table 14

TABLE 13

**GRANVILLE COUNTY, NORTH CAOLINA
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS**

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt limit	\$ 265,757,959	\$ 280,423,659	\$ 289,483,264	\$ 293,549,061	\$ 316,454,846	\$ 319,622,078	\$ 326,313,710	\$ 343,663,297	\$ 338,713,146	\$ 349,110,761
Total net debt applicable to limit	<u>53,785,453</u>	<u>55,254,560</u>	<u>51,695,353</u>	<u>57,390,915</u>	<u>53,041,051</u>	<u>84,529,293</u>	<u>91,803,576</u>	<u>86,521,474</u>	<u>93,546,283</u>	<u>85,517,519</u>
Legal debt margin	<u>\$ 211,972,506</u>	<u>\$ 225,169,099</u>	<u>\$ 237,787,911</u>	<u>\$ 236,158,146</u>	<u>\$ 263,413,795</u>	<u>\$ 235,092,785</u>	<u>\$ 234,510,134</u>	<u>\$ 257,141,823</u>	<u>\$ 245,166,863</u>	<u>\$ 263,593,242</u>
Total net debt applicable to the limit as a percentage of debt limit	20.24%	19.70%	17.86%	19.55%	16.76%	26.45%	28.13%	25.18%	27.62%	24.50%
Legal Debt Margin Calculation for Fiscal Year 2016										
Assessed value										\$ 4,363,884,515
Add back: exempt real property										-
Total assessed value										4,363,884,515
Debt limit (8% of total assessed value)										349,110,761
Debt applicable to limit:										
General obligation bonds										31,537,859
Installment Obligations										35,686,398
Certificates of Participation										13,550,000
Lease Financing Agreements - Governmental Activities										4,743,262
Total net debt applicable to limit										85,517,519
Legal debt margin										\$ 263,593,242

TABLE 14

**GRANVILLE COUNTY, NORTH CAROLINA
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS**

Fiscal Year	(1) Population	(2) Per Capita Income	(3) Percent High School Graduate	Percent Bachelor's Degree or Higher	(4) School Enrollment	(5) Unemployment Rate
2007	54,606	26,492	66.9	13	8,756	5.2%
2008	55,045	28,098	60.7	13	8,831	6.5%
2009	56,250	27,104	58.4	13	8,786	10.4%
2010	57,434	27,588	65.3	14	8,637	9.9%
2011	60,547	28,085	78.3	14	8,545	10.5%
2012	60,863	28,590	79.9	14	8,505	10.1%
2013	58,036	30,722	81.7	15	8,479	9.8%
2014	58,162	32,087	81.7	15	8,100	6.8%
2015	58,284	35,194	82	17.7	7,988	4.9%
2016	58,750	35,652	82	17.7	7,868	5.1%

Source 1: Population figures are from the North Carolina Department of the State Demographer

Fiscal year 2015 figure based on 2014 Est from NC Dept. of Commerce ACCESSNC table.

Fiscal year 2016 base on FY 2015 figure and projected annual growth of 0.8%

Source 2: Per capita income figures are from the United States Department of Commerce

Bureau of Economic Analysis. Most recent data available thru 2010.

Fiscal year 2011 & 2012 were estimated based on NC Department of Commerce growth projections.

(Note: fiscal years 2003 - 2010 were restated to reflect a single source of information. Previous tables in prior year CAFR documents utilized a different source for this information)

Fiscal year 2015 figure based on 2014 Est. Median Worker Earnings from NC Dept. of Commerce ACCESSNC table.

Fiscal year 2016 base on FY 2015 figure and projected Per Capita income annual growth of 1.3%

Source 3: Percent high school graduates and percent bachelor's degree or higher are from the

North Carolina Department of Commerce files

Fiscal year 2015 figure based on 2014 Est from NC Dept. of Commerce ACCESSNC table.

Source 4: School Enrollment numbers are from the Department of Public Instruction - Average Daily Membership

Fiscal year 2016 figure based on Dept of Public Instruction - Average Daily Membership

Source 5: Unemployment rates are from the North Carolina Department of Commerce - Labor &

Economic Analysis Division

Fiscal year 2015 figure based on 2014 Est from NC Dept. of Commerce ACCESSNC table.

Fiscal year 2016 figure based on NC Dept of Commerce - D4 table

TABLE 15

GRANVILLE COUNTY, NORTH CAROLINA
PRINCIPAL EMPLOYERS
CURRENT YEAR AND SEVEN YEARS AGO*

2016				2010			
Employer	Employees	Rank	Percentage of Total County	Employer	Employees	Rank	Percentage of Total County
Revlon	1,336	1	4.80%	Revlon	2,000	1	7.71%
Altec Industries	500	2	1.80%	Altec Industries	300	2	1.16%
Food Lion Distribution	300	3	1.08%	Flextronics	325	3	1.25%
Ideal Fastner	285	4	1.02%	Food Lion Distribution	300	4	1.16%
Certaineed Corporation	242	5	0.87%	Ideal Fastener	300	5	1.16%
Bridgestone Bandag	207	6	0.74%	Certaineed Corporation	300	6	1.16%
Clayton Homes	200	7	0.72%	Clayton Homes	250	7	0.96%
Gate Precast	150	8	0.54%	Newton Instrument Co.	175	8	0.67%
Santa Fe Natural Tobacco	140	9	0.50%	Pallet One of North Carolina, Inc.	175	9	0.67%
Newton Instruments	135	10	0.49%	Bandag, Inc.	168	10	0.65%
Carolina Sunrock	113	11	0.41%	Carolina Sunrock	151	11	0.58%
Dill Air Controls	115	12	0.41%	Gate Precast	150	12	0.58%
	3,723		13.38%	Total	4,594		17.71%

Source: Information from Granville County Economic Development Commission

* Management decided to present this table over a three year period rather than provide ten individual years of information to improve usefulness of the information. Given the changes in business environments, a three year period was determined to provide a clearer picture of economic change. (Note additional years information can be viewed on the County's web site under the Finance Department section: www.granvillecounty.org)

TABLE 16

GRANVILLE COUNTY, NORTH CAROLINA
FULL-TIME EQUIVALENT COUNTY EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS
(UNAUDITED)

Function	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Government	39	38	40	35	35	35.5	35	36.5	39	39
Human Services	95	98	98	98.5	98.5	100	98	98	99.5	103.5
Community Services	35.5	37	37	40.5	42.5	44.5	49.5	56	56	58.5
Public Safety										
Sheriff's Dept./Detention Center	79.5	85	85	90.5	94.5	99.5	99	99.5	100	99.5
Emergency Services*	78.5	78.5	78.5	72.5	25	26	25	29	31	29
Emergency Management	3.5	3.5	3.5	3	3	4	3	3	4	3
Solid Waste	5	5	5	4	4	4.5	4.5	4.5	5.5	5.5
Water & Sewer	3	-	-	-	-	-	-	-	-	-
Total	339	345	347	344	302.5	314	314	326.5	335	338

Source: Granville County Human Resource Department & Granville County Finance Department

* Emergency Services includes, Forestry, EMS, Emergency Communications, & Animal Control. On July 1, 2010 EMS Services & Staff were transferred to Granville Health Systems.

TABLE 17

GRANVILLE COUNTY, NORTH CAROLINA
OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS
(UNAUDITED)

Function	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Public Safety/Sheriff										
Incident Reports**	2,069	1,780	2,072	7,641	8,773	10,220	8,920	8,918	8,763	8,446
Miscellaneous Incident Reports	5,611	6,566	6,051	-	-	-	-	-	-	-
Arrests	1,795	1,238	1,251	1,117	1,023	1,353	1,409	1,189	1,014	887
Court Papers	9,195	9,194	8,824	9,096	8,221	8,026	7,427	6,965	5,945	7,532
Public Safety/Emerg Mgmt/Fire										
Number of calls answered (includes fire & medical first response calls)	2,963	2,403	2,749	2,755	2,475	2,754	2,594	2,585	1,953	2,335
Inspections	167	170	206	141	172	205	233	263	216	235
Solid Waste										
MSW Landfill Tonnage (May 1, 2013 - present)										
C & D Landfill Tonnage	28,184	29,920	32,833	19,810	16,493	17,171	14,237	13,024	15,447	13,480
Convenience Sites Tonnage	7,548	8,563	8,808	8,572	8,635	8,248	8,069	7,643	7,543	8,625
Civil Citations	5	6	3	5	4	10	5	7	5	4
Criminal Citations	1	-	-	-	1	1	2	-	1	1
Community Services/Library										
Items Added to Physical Collection	7,931	9,060	9,465	8,231	2,429	8,903	7,297	6,904	5,468	6,079
Items Added to Virtual Collection^	-	-	-	-	-	-	4,067	160	N/A	n/a
Circulation	155,110	154,080	159,820	165,076	178,460	186,335	209,706	136,094	118,346	126,891
Internet Use	28,995	31,647	42,658	68,323	36,648	42,276	45,828	61,369	45,713	54,830
Program Attendance	7,762	11,803	10,564	6,347	4,378	4,261	6,594	6,584	14,160	17,367
Community Services/Planning & Inspections										
Number of Building Permits Issued	613	736	672	612	573	443	393	474	459	513
Number of Mobile Home Permits Issued	105	80	121	69	60	61	57	59	52	57
Number of Other Permits Issued (Includes Electrical, Plumbing & Mechanical)	848	507	431	466	548	574	588	695	768	825
Human Services/Social Services										
Average # Adult Medicaid Eligible Cases	2,253	2,300	2,327	2,317	2,293	2,340	2,464	2,525	2,515	3,000
Average # Family & Child Medicaid Cases	2,839	3,116	3,281	3,562	4,031	4,168	4,335	4,366	4,315	5,887
Average # Households Receiving Food Stamps	1,953	2,077	2,173	2,365	3,041	3,738	4,156	4,187	4,412	4,192
Average \$ Fraud Collections per Month	2,432	3,802	4,147	4,242	3,853	3,313	3,158	2,814	1,714	2,564
Education										
School enrollment	8,704	8,756	8,831	8,786	8,637	8,545	8,505	8,479	8,037	7,964

Sources: Various county government departments. School enrollment statistics are from the North Carolina Department of Public Instruction

^ Virtual collection includes e-books & downloadable audio books.

** Beginning fiscal year 2009, the Granville County Sheriff's Department combines miscellaneous incident reports and individually initiated incident reports.

TABLE 18

**GRANVILLE COUNTY, NORTH CAROLINA
CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS
(UNAUDITED)**

Function	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Public Safety										
Sheriff (Stations)	2	2	2	2	2	2	2	2	2	2
Fire stations	14	14	14	14	14	14	14	14	14	14
Highways and streets										
Streets (miles)	924	1508	1508	1510	1528	1534	1595	1513	1521	1542
Culture and recreation										
Parks	1	1	2	2	2	2	2	2	2	2
Libraries	4	4	4	4	4	4	4	4	4	4
Education										
Schools	18	18	18	19	19	20	20	20	20	20

Source: North Carolina Department of Public Instruction, Granville County
Granville County Finance Office

COMPLIANCE SECTION

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

Independent Auditor's Report

To The Board of County Commissioners
Granville County, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Granville County, North Carolina as of and for the year ended June 30, 2016 and the related notes to the financial statements, which collectively comprises Granville County's basic financial statements, and have issued our report thereon dated December 28, 2016. Our report includes a reference to other auditors who audited the financial statements of Granville Health System as described in our report on Granville County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors. The financial statements of Granville Health System, Granville County ABC Board, Granville County Tourism Development Authority, and South Granville Memorial Gardens 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 Granville 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 Granville 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.

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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 deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. [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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Granville 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 instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 16-1.

Granville County's Response to Findings

Granville 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 result 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 28, 2016

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

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

Independent Auditor's Report

To the Board of County Commissioners
Granville County, North Carolina

Report on Compliance for Each Major Federal Program

We have audited the Granville 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 each of Granville County's major federal programs for the year ended June 30, 2016. Granville 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 Granville 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 Granville County's

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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 Granville County's compliance.

Basis for Adverse Opinion on the Medical Assistance Program

As described in the accompanying schedule of findings and questioned costs, Granville County did not comply with requirements regarding the CFDA 93.778 Medical Assistance Program as described in finding numbers 16-2, 16-3, 16-4, 16-5, and 16-6 for Eligibility and 16-8 for Internal Control. Compliance with such requirements is necessary, in our opinion, for Granville County to comply with the requirements applicable to this program.

Adverse Opinion on the Medical Assistance Program

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion paragraph, Granville County did not comply, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Medical Assistance Program for the year ended June 30, 2016.

Basis for Qualified Opinion on the Temporary Assistance for Needy Families (TANF) Program

As described in the accompanying schedule of findings and questioned costs, Granville County did not comply with requirements regarding the CFDA 93.558 Temporary Assistance for Needy Families (TANF) Program as described in finding numbers 16-5 and 16-9 for Eligibility and 16-8 for Internal Control. Compliance with such requirements is necessary, in our opinion, for Granville County to comply with the requirements applicable to this program.

Qualified Opinion on the Temporary Assistance for Needy Families (TANF) Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Granville County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Temporary Assistance for Needy Families (TANF) Program for the year ended June 30, 2016.

Other matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 16-2, 16-3, 16-4, 16-5, 16-6, 16-7, 16-8, and 16-9. Our opinion on each major federal program is not modified with respect to these matters.

Granville 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. Granville 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 Granville 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 Granville County's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 16-2, 16-3, 16-4, 16-5, 16-6, 16-8, 16-9 to be material weaknesses.

A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 16-7 to be a significant deficiency.

Granville 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. Granville 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 28, 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
Granville County, North Carolina

Report on Compliance for the Major State Program

We have audited the Granville County, North Carolina, compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of Granville County's major state programs for the year ended June 30, 2016. Granville 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 Granville County's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable sections of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about Granville County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

Basis for Adverse Opinion on the Medical Assistance Program

As described in the accompanying schedule of findings and questioned costs, Granville County did not comply with requirements regarding CFDA 93.778 Medical Assistance Program as described in finding number 16-2, 16-3, 16-4, 16-5, and 16-6 for Eligibility and 16-8 for Internal Control. Compliance with such requirements is necessary, in our opinion, for Granville County to comply with the requirements applicable to this program.

Adverse Opinion on the Medical Assistance Program

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion paragraph, Granville County did not comply, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Medical Assistance Program for the year ended June 30, 2016.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 16-2, 16-3, 16-4, 16-5, 16-6, 16-7, and 16-8. Our opinion on each major state program is not modified with respect to these matters.

Granville 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. Granville 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 Granville 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 Granville 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 the major state program and to test and report on internal control over compliance in accordance with OMB Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph 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. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 16-2, 16-3, 16-4, 16-5, 16-6, and 16-8 to be material weaknesses.

A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 16-7 to be a significant deficiency.

Granville 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. Granville 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 28, 2016

GRANVILLE 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: Modified for the Temporary Assistance for Needy Families (TANF) Program and Adverse for the Medical Assistance Program.

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:

CFDA#	Program Name
93.778	Medical Assistance Program
93.558	Temporary Assistance for Needy Families (TANF)

Dollar threshold used to distinguish between Type A and Type B Programs \$ 1,405,875

Auditee qualified as low-risk auditee? Yes No

GRANVILLE 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 No
- Significant Deficiency(s) identified? Yes None reported

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

Any audit findings disclosed that are required
to be reported in accordance with the State
Single Audit Implementation Act

Yes No

Identification of major State programs:

Program Name
Medical Assistance

Section II – Financial Statement Findings

Finding 16-1

Excess of Expenditures over Appropriations

MATERIAL WEAKNESS
MATERIAL NONCOMPLIANCE

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

Condition: Granville County expended funds for the County Health Plan Fund before a budget ordinance was approved in November 2015 for this fund. The County had left off this ordinance as part of the annual budget ordinance and it did not come to their attention until November 2015.

Effect: Expenditures were spent during the fiscal year before the appropriation was approved.

Cause: There is a lack of review of routine transactions and of the budget implications and amendments. The County Health Plan Fund was inadvertently left out of the budget ordinance for the prior year as well as fiscal year 15-16. Upon knowledge of this, the finance officer had the board approve the ordinance for this fund for 15-16.

Recommendation: The budget for the County Health Plan Fund should be included with the annual budget ordinance. The finance officer should review all funds and their budgets to ensure that all funds are included in the annual budget ordinance as necessary.

Views of Responsible officials and corrective action plans: The County agrees with this finding. The County will budget this fund in the future at the same time as the original budget ordinance is passed.

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

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

MATERIAL WEAKNESS

MATERIAL NONCOMPLIANCE

Verification of Liquid Assets

Criteria: Medicaid for Aged, Blind and Disabled case records should contain documentation that liquid assets were verified and whether countable or non-countable for purposes of determining eligibility. Liquid Assets include cash, bank accounts, certificates of deposits, securities, or any asset which can be converted to cash. The record should contain verification of liquid assets and whether countable or non-countable for the purposes of eligibility. The countable reserves are then compared to and must be below the State-provided reserve limits for the particular Medicaid program.

Condition: Ten cases did not verify liquid assets appropriately.

Questioned Costs: Questioned costs totaled \$72,928 for these cases.

Context: A total of 44 adult Medicaid files were examined that included 62 certifications/recertifications of benefits. One file entered the checking account balance incorrectly into evidence in NCFast and another file did not question the cash on hand for the applicant. There was one file with two certification periods in which neither period was the cash surrender value of the life insurance policy entered into NCFast. Another case file in which three certification periods were reviewed showed inconclusive DMV results for all periods and there was no documentation that there was further follow up on vehicle ownership. There were two files that included 3 certification periods in which the rebuttal of a vehicle value was not maintained in the file as stated by policy.

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 to ineligible applicants.

Cause: Improper application of the rules for reserves.

Recommendation: Files should be reviewed internally to ensure proper documentation is in place for eligibility determination and that information gathered is correctly and completely entered into NCFast. Workers should be retrained on what files should contain and the importance of complete and accurate record keeping should be stressed. Workers should be retrained on the rules for reserve calculations.

Views of responsible officials and planned corrective actions: The County agrees with the finding and will perform internal reviews on a test basis to ensure proper documentation is taking place for eligibility. The county will continue to conduct refresher trainings of employees on what information is required to be kept in files.

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

**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

MATERIAL WEAKNESS
MATERIAL NONCOMPLIANCE

Eligibility Recertifications

Criteria: Medicaid for Family and Children requires that cases be reviewed at least annually to determine that the person(s) are still eligible to continue receiving medical assistance benefits. During the implementation of NCFast, cases were automatically extended on a month-to-month basis to allow counties to catch up on their case backlog. A person covered by Medicaid is also required to receive timely notice if their benefits are changing. If there is not enough time before a certification ends, those benefits may be extended for a month.

Condition: One case did not have a review for eligibility completed and benefits were extended for a total coverage period of 31 months.

Questioned Costs: Questioned costs totaled \$2,110 for this case.

Context: A total of 47 Medicaid for Family and Children cases were examined. One case was noted to have been extended a total of 19 months for a total coverage period of 31 months under one certification.

Effect: Applicant continued to receive Medical Assistance benefits paid on their behalf when there was no determination for this fiscal year that the person was eligible for coverage.

Cause: Ineffective review of case file list to determine that cases are redetermined timely for eligibility.

Recommendation: Files should be reviewed internally to ensure reviews are completed timely. Task lists within NCFast should be utilized to aid in identifying and working cases that are due for recertification of eligibility. Work with NCFast help desk to determine if there are exception reports that would help identify cases that have not been recertified or are due for recertification within a period of time.

Views of responsible officials and planned corrective actions: The County agrees with the finding and will perform internal reviews on to ensure reviews and recertifications are taking place for eligibility.

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

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

Finding 16-4

MATERIAL WEAKNESS
MATERIAL NONCOMPLIANCE

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

Income Verification and Budget Calculations for Eligibility

Criteria: Case files should contain income verification such as pay stubs, wage verification forms, award letters for benefits, online verification, etc. Earned income is converted to a monthly amount. 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 the budget / eligibility determination. Total countable income from a completed budget is then compared to and must be lower than the State-provided income maintenance amounts for the respective Medicaid program.

Condition: There were 18 cases that contained 22 errors regarding budget calculations and income verification.

Questioned Costs: Questioned costs are \$53,313 for these cases.

Context: A total of 91 Medicaid files were examined that included 115 certifications/recertifications of benefits. There were 2 files that did not correctly reflect child support in the budget. 3 files included online verification of Employment Security Commission wages that were not included in the budgets and there was no documentation as to why those wages were excluded. There were 2 cases that contained errors in the conversion of earned income to a monthly amount. 3 budgets included the wrong needs unit. There were a total of 5 certifications/recertifications that did not use the correct State-provided income maintenance amounts. One file utilized a food stamp file to calculate budget instead of updated information on income that was provided. There were 3 cases where income was incorrectly keyed into evidence in NCFast. 1 file incorrectly input income on the budget. 2 files indicated that the State instructed the County to force eligibility under traditional Medicaid however there was no budget in the file to support the forced eligibility. Forced cases are supposed to contain the support in a separate file since the system will not calculate a budget.

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 could be paid to ineligible applicants.

Cause: Ineffective case review process and incomplete documentation to support eligibility determination.

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.

Views of responsible officials and planned corrective actions: The County agrees with the finding and will perform internal reviews on a test basis to ensure proper documentation is taking place for eligibility. Additional training of employees will take place to ensure they are aware of what information is required to be kept in files, how to calculate income, and the appropriate deductions.

**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 and Temporary Assistance for Needy Families (TANF)
CFDA #: 93.778, 93.558

Finding 16-5

MATERIAL WEAKNESS
MATERIAL NONCOMPLIANCE

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

Files not on site

Criteria: Record keeping is required for documentation of eligibility and expenditures of State Awards. Accurate and up-to-date record keeping is required to substantiate all actions taken. All files should be available with all required documentation.

Condition: Two files could not be located by the County for our Medicaid testing. Four files could not be located by the County for our TANF testing.

Questioned Costs: There were questioned costs of \$6,011 for these Medicaid cases and \$4,807 for our TANF testing.

Context: There were 91 files selected for testing for Medicaid Eligibility. Two files from the testing sample could not be located by the County. There were 60 files selected for testing for TANF Eligibility. Four files from the testing sample could not be located by the County. Of these 4 files, 1 file could not be located at all. The other 3 files could not find 1 of the periods needed for our testing but another period required was located.

Effect: Files are incomplete or incorrect and do not support the eligibility criteria.

Cause: Ineffective record keeping.

Recommendation: Workers should be retrained on what files should contain and the importance of complete and accurate record keeping stressed.

Views of responsible officials and planned corrective actions: The County agrees with the finding.

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 16-6

MATERIAL WEAKNESS

MATERIAL NONCOMPLIANCE

Real Property Verification

Criteria: Medicaid for Aged, Blind and Disabled case records should contain documentation that tax records and Register of Deeds were checked to verify if the individual owns property. The files should also contain documentation on any property found as to whether it is a countable resource or is exempt from the resources calculation.

Condition: There were 6 cases that did not have documentation that the Register of Deeds or tax records were checked for property ownership.

Questioned Costs: There were questioned costs of \$75,784 for these cases.

Context: There were 44 adult Medicaid files that included 62 certifications/recertifications of benefits examined. Two files showed the property was searched and there were hits on their names but that the property was not there. There was no documentation to support that the property did not belong to the applicant. Four files contained no documentation that the Register of Deeds or tax records were checked to verify property ownership.

Effect: For those certifications / recertifications that there was no documentation this is a chance that property was owned that would not have been treated as a non-countable resource and a person could have been approved for benefits that they were not eligible.

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

Cause: Ineffective record keeping and ineffective review of cases to ensure proper documentation to support eligibility determinations.

Recommendation: We recommend that all files include a print out as evidence that the Register of Deeds was checked and the results found or documentation made in case notes that clearly indicates what actions were performed and the results of those actions.

Views of responsible officials and planned corrective actions: The County agrees with the finding.

**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 16-7

SIGNIFICANT DEFICIENCY

SIGNIFICANT NONCOMPLIANCE

Verification of Residency

Criteria: The case record should contain two acceptable verifications of the State Residence as determined by the County or the applicant's declaration that he is unable to obtain two sources of verification. As a last resort, if two forms can not be provided, an applicant may sign a NC Residency Declaration.

Condition: Two files did not properly verify residency. There is an over-reliance on the NC Residency Declaration in the Medicaid files tested.

Questioned Costs: Questioned costs were \$3,679 for these cases.

Context: A total of 91 Medicaid files were reviewed for eligibility testing. There were two case files that did not verify NC residency. For one file there was only one form of verification for NC residency. A second case noted two acceptable verifications had been checked but there was only one form located in the file. In many of the cases reviewed, there was a NC Residency Declaration in the file. It is not used as a last resort by the County – there will be NC Residency declarations that they do not have two forms of verification when there are acceptable forms in the file.

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.

Views of responsible officials and planned corrective actions: The County agrees with the finding and will perform internal reviews on a test basis to ensure proper documentation is taking place for eligibility. The county will continue to conduct refresher trainings of employees on what information is required to be kept in files.

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

**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, Temporary Assistance for Needy Families (TANF)
CFDA #: 93.778, 93.558

Finding 16-8

**MATERIAL WEAKNESS
MATERIAL NONCOMPLIANCE**

Program Internal Control

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

Condition: The internal controls for 2nd party reviews and training are weak. With the implementation of NC Fast over 2 years ago, the introduction of the Integrated Eligibility Manual, the change to the use of Modified Adjusted Gross Income rules for income (MAGI), the inability to retain qualified workers, and state-wide publicity regarding the Medicaid administration; the morale of workers continues to decrease. These conditions had been appearing state-wide in the past several years but appear to be worse in the County. Due to the State's decentralization of the eligibility determination, internal controls are addressed at the county level. Most counties in the State have decreased their backlog of cases to an acceptable level; however it was noted that this County has a backlog of approximately 4,000 cases.

Questioned Costs: Unable to determine questioned costs. There are many costs associated with errors made and training new employees due to turnover.

Context: One key internal control for eligibility is the 2nd party review process. The idea behind this is to spot check a randomly selected sample of files for accuracy. After the files have been reviewed the idea is to retrain workers in any ineffective areas. All programs should have a formal system for 2nd party reviews. No 2nd party reviews have been done. Supervisors are spending time answering questions about policy, dealing with NC Fast issues, and reviewing new workers cases, leaving little time to do 2nd party reviews.

The Affordable Care Act, NC FAST, and the universal caseworker idea have impacted DSS negatively. With cases from the marketplace, DSS had to increase the caseload for workers, causing the morale among workers to decrease. With a caseload of approximately 225 for Adult and 2,000 for Family and Children, workers feel stressed and over worked. When morale is low, workers may be less dedicated to the assigned duties for a given day. With the pressure to clear backlog and to keep their ongoing cases, workers are more likely to rush thru tasks to be performed and not check their own work. With no incentive for overtime (and sometimes no approval for overtime), workers are not completing the task effectively in the given time frame.

With NC FAST being a system that is constantly undergoing changes, workers have to be trained in the system. Proper training has not taken place with workers. With technology changing daily, it is

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

hard for workers to keep up with all the changes and handle their caseload each day. Workers are making errors due to changes in the system or not being able to understand the technology.

The introduction of Modified Adjusted Gross Income (MAGI) budgeting methodology has also caused an increase in the amount of time it takes to work a case (initial application or redetermination). Due to the process of household determination and composition, you may have several budgets to encompass all members of a “physical” household that are applying for services instead of being able to do one budget for all members of the household previously.

The universal caseworker and uncharacteristically high employee turnover continues to highlight issues in training. Many caseworkers are now handling Medicaid cases that did not receive adequate training of Medicaid’s complicated rules for eligibility. Training for Medicaid caseworkers currently consists of approximately 3 weeks of training, supervision and shadowing of a seasoned caseworker. This is significantly less than what is seen in surrounding counties. The lack of knowledge/training of the Medicaid and TANF criteria, for income especially, proves to be an issue since this is different depending on the program being considered. There are staff members that have requested additional training as new responsibilities were placed on that person and they have not been allowed to get that training due to backlog and turnover.

Another key control in internal control is the “Tone at the Top”. This is defined as the leadership and commitment of management towards things like honesty and integrity. This is set by all levels of management and often has a trickle-down effect on all employees. All managers should lead by example and demonstrate their commitment through their actions. Management should place more emphasis on the importance of proper, timely and adequate training and review of work by employees to ensure they have the tools to perform at the levels expected.

Effect: Applicants that have been approved to receive benefits may actually not be eligible and those that were denied may actually be eligible due to errors made in determining eligibility. Stressed and/or overworked workers may seek other employment and thus increase the turnover rate at DSS. The risk of fraud increases as morale decreases.

Cause: Overwhelming changes from the Affordable Care Act, the ongoing changes of NC FAST and NC Tracks, turnover in DSS staff, and budget pressures.

Recommendation: 2nd party reviews must take place to ensure that eligibility is determined correctly and timely. Group training sessions should be held on system and policy changes to allow time for team members to share best practices or tricks learned. Consider the additional role of a quality control reviewer or an internal auditor to assist in 2nd party reviews; that way supervisors can spend more time training and supervising workers. Morale boosters should be sought out. These do not have to be monetary, but some manner/means to make workers feel appreciated for the work that they take on. Management must clearly communicate their ethics and values throughout DSS. This should also be demonstrated through their own actions. Integrity demonstrated by employees should be awarded in some manner to further communicate management’s commitment to integrity and encourage others to act similarly.

Views of responsible officials and planned corrective actions: The County agrees with the finding.

**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: Temporary Assistance for Needy Families (TANF)

CFDA #: 93.558

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

Finding 16-9

MATERIAL WEAKNESS
MATERIAL NONCOMPLIANCE

Budget and Income Verification

Criteria: Income: Case files should contain documentation to support eligibility determinations. They should contain income verification such as pay stubs, wage verification forms, award letters for benefits, online verification, etc. On-line Verifications (OLV) are required to be run at every certification and recertification and any hits documented and then hits are determined whether to be included in budget/eligibility determination. Budgets should be completed timely and approved using the rules for the TANF program.

Condition: There were 14 errors regarding the budget and income verification.

Questioned Costs: Total questioned costs for the errors above total \$4,126.

Context: Out of 60 cases tested, there were 14 cases that contained errors. Two files contained incorrect information on its budget. One file did not complete a budget. Two files contained errors regarding the approval of reviews that were untimely and did not miss the 1st month as a penalty month. Two files did not transfer cases timely. One file contained a review that was incomplete but approved. One file contained a notice that used the wrong reason. One file approved with a non-cooperation at application. One file showed type 2 payments not being issued timely. Three files did not run OLV per NCFAST.

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.

Views of responsible officials and planned corrective actions: The County agrees with the finding and will perform internal reviews on a test basis to ensure proper documentation is taking place for eligibility. Management will seek additional training for staff to ensure proper knowledge of the program requirements.

Section IV – State Award Findings and Questioned Costs

See Findings 16-2, 16-3, 16-4, 16-5, 16-6, 16-7, and 16-8

**GRANVILLE 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: Steve McNally, Finance Officer

Corrective Action: The County will approve the budget ordinance for the County Health Plan Fund at same time as the annual budget ordinance. The budget ordinance for fiscal year 16-17 was approved by the board on June 6, 2016.

Proposed Completion Date: June 30, 2016

Section III – Federal Award Findings and Questioned Costs

Finding: 16-2

Name of contact person: Ernestine Howard

Corrective Action: The County will perform internal reviews on a test basis to ensure proper documentation is taking place for eligibility. The county will continue to conduct refresher trainings of employees on what information is required to be kept in files.

Proposed Completion Date: June 30, 2017

Finding: 16-3

Name of Contact Person: Ernestine Howard

Corrective Action: The County will perform internal reviews on to ensure reviews and recertifications are taking place for eligibility.

Proposed Completion Date: June 30, 2017

Finding: 16-4

Name of Contact Person: Ernestine Howard

Corrective Action: The County will perform internal reviews on a test basis to ensure proper documentation is taking place for eligibility. Additional training of employees will take place to ensure they are aware of what information is required to be kept in files, how to calculate income, and the appropriate deductions.

Proposed Completion Date: June 30, 2017

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

Finding: 16-5

Name of Contact Person: Ernestine Howard

Corrective Action: Workers will be retrained on what files should contain and the importance of complete and accurate record keeping stressed.

Proposed Completion Date: June 30, 2017

Finding: 16-6

Name of Contact Person: Ernestine Howard

Corrective Action: The County will ensure all files include a print out as evidence that the Register of Deeds was checked and the results found or documentation made in case notes that clearly indicates what actions were performed and the results of those actions.

Proposed Completion Date: June 30, 2017

Finding: 16-7

Name of Contact Person: Ernestine Howard

Corrective Action: The County will perform internal reviews on a test basis to ensure proper documentation is taking place for eligibility. The county will continue to conduct refresher trainings of employees on what information is required to be kept in files.

Proposed Completion Date: June 30, 2017

Finding: 16-8

Name of Contact Person: Ernestine Howard

Corrective Action: We have knowledgeable staff members that are able to train and the staff members are asked to read their policies and job aides.

Proposed Completion Date: June 30, 2017

Finding: 16-9

Name of Contact Person: Ernestine Howard

Corrective Action: The County agrees with the finding and will perform internal reviews on a test basis to ensure proper documentation is taking place for eligibility. Management will seek additional training for staff to ensure proper knowledge of the program requirements.

Proposed Completion Date: June 30, 2017

**GRANVILLE 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, 16-3, 16-4, 16-5, 16-6, 16-7, and 16-8

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

Finding: 15-1

Status: See Finding 16-1.

Finding: 15-2

Status: Complete

Finding: 15-3

Status: Complete

Finding: 15-4

Status: Complete

Finding: 15-5

Status: See finding 16-4

Finding: 15-6

Status: See finding 16-2

Finding: 15-7

Status: Complete

Finding: 15-8

Status: See finding 16-7. While 16-7 is for a different program, the eligibility rules are basically the same and issues were encountered in the application of those rules.

Finding: 15-9

Status: Complete

Finding: 15-10

Status: See finding 16-4. While 16-4 is for a different program, the eligibility rules are basically the same and issues were encountered in the application of those rules.

Finding: 15-11

Status: See finding 16-8

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

Finding: 14-1

Status: See Finding 16-1.

Finding: 14-4

Status: Complete

Finding: 14-6

Status: See Finding 15-11 and 16-8

GRANVILLE 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	FEDERAL (DIRECT & PASS- THROUGH) EXPENDITURES	STATE EXPENDITURES
FEDERAL AWARDS:			
<u>U.S. Dept. of Agriculture</u>			
Food and Nutrition Service			
Passed-through the N.C. Dept. of Health and Human Services: Division of Social Services			
Food and Nutrition Services Cluster:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	475,224	14
U.S. Dept. of Homeland Security			
Passed-through N.C. Dept. of Public Safety:			
Homeland Security Grant Program	97.067	51,859	-
Emergency Management Performance Grant	97.042	14,913	-
Total U.S. Dept. of Homeland Security		66,772	-
U.S. Dept. of Housing and Urban Development			
Office of Community Planning and Development			
Passed-through the N.C. Dept. of Commerce:			
Community Development Block Grant	14.228	113,028	-
U.S. Dept. of Justice			
Bureau of Justice Assistance			
State Criminal Alien Assistance Program	16.606	3,733	-
Criminal Division			
Equitable Sharing Program	16.922	147,129	-
Total U.S. Dept. of Justice		150,862	-
U.S. Dept. of Transportation			
Federal Transit Administration (FTA)			
Passed-through the N.C. Dept. of Transportation:			
ARRA Highway Planning and Construction	20.205	22,130	-
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	136,124	17,016
Total U.S. Dept. of Transportation		158,254	17,016
U.S. Dept. of Health & Human Services			
Administration for Community Living			
Passed-through Kerr-Tar Council of Governments:			
National Family Caregiver Support, Title III, Part E	93.052	8,978	598
Aging Cluster:			
Special Programs for the Aging-Title III, Part B-Grants for Supportive Services and Senior Centers	93.044	45,663	2,686
Special Programs for the Aging-Title III, Part C-Nutrition Services:			
Congregate Nutrition	93.045	115,082	6,770
Nutrition Services Incentive Program	93.053	25,832	-
Total Aging Cluster		186,577	9,456
Total Administration for Community Living		195,555	10,054

GRANVILLE 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	FEDERAL (DIRECT & PASS- THROUGH) EXPENDITURES	STATE EXPENDITURES
<u>Administration for Children and Families</u>			
Passed-through the N.C. Dept. of Health and Human Services, Division of Social Services:			
<u>Foster Care and Adoption Cluster:</u>			
Foster Care-Title IV-E	93.658	75,905	12,105
Adoption Assistance	93.659	14,285	-
Title IV-E Foster Care - Administration	93.658	9,857	5,053
Foster Care - Title IV-E - Direct Benefit Payments	93.658	88,882	22,827
Adoption Assistance - Direct Benefit Payments	93.659	186,878	48,378
Total Foster Care and Adoption Cluster		375,807	88,363
Temporary Assistance for Needy Families:			
Temporary Assistance for Needy Families (TANF)	93.558	155,022	-
TANF - Direct Benefit Payments	93.558	341,308	(19)
Child Support Enforcement	93.563	524,801	-
Refugee and Entrant Assistance-State Administered Programs:			
Refugee and Entrant Assistance	93.566	467	-
Promoting Safe and Stable Families	93.556	9,729	-
Low-Income Home Energy Assistance:			
Administration	93.568	33,003	-
Energy Assistance Payments- Direct Benefit Payments	93.568	165,800	-
Crisis Intervention Program	93.568	166,706	-
Stephanie Tubbs Jones Child Welfare Services Program	93.645	1,958	-
Social Services Block Grant (SSBG):			
Social Service Block Grant	93.667	11,885	340
SSBG-Other Services and Training	93.667	202,825	49,303
Chafee Foster Care Independence Program	93.674	7,874	1,969
Chafee Foster Care Independence Program	93.674	8,654	-
Total Division of Social Services		2,005,839	139,956
Passed-through the N.C. Dept. of Health and Human Services, Division of Child Development:			
<u>Subsidized Child Care Cluster:</u>			
<u>Child Care Development Fund Cluster:</u>			
Division of Social Services:			
Child Care Development Mandatory and Match Fund - Administration	93.596	80,093	-
Division of Child Development:			
Child Care and Development Block Grant	93.575	479,862	-
Child Care and Development Fund - Mandatory	93.596	163,208	-
Child Care and Development Fund - Match	93.596	271,458	107,535
Total Child Care Development Fund Cluster		994,621	107,535
Temporary Assistance for Needy Families	93.558	139,390	-
TANF-Maintenance of Effort		-	88,064
State Appropriations		-	117,749
Smart Start		-	(9,371)
Total Subsidized Child Care Cluster		1,134,011	303,977
<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	40,039,733	21,708,472
Passed-through the N.C. Dept. of Health and Human Services, Division of Social Services:			
Administration:			
Medical Assistance Program	93.778	1,189,037	4,401
Total Medical Assistance Program		41,228,770	21,712,873
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	1,319,811	54,396
Passed-through the N.C. Dept. of Health and Human Services, Division of Social Services:			
Administration:			
Children's Health Insurance Program	93.767	10,369	(486)
Total Children's Health Insurance Program		1,330,180	53,910
Passed-through the N.C. Dept. of Insurance, Division of SHIIP			
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations, and Evaluations	93.779	4,006	-
Total U.S. Dept. of Health and Human Services		45,898,361	22,220,770
Total federal awards		46,862,501	22,237,800

GRANVILLE 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>FEDERAL (DIRECT & PASS- THROUGH) EXPENDITURES</u>	<u>STATE EXPENDITURES</u>
STATE AWARDS:			
<u>N.C. Dept. of Administration</u>			
Veterans Service			1,525
<u>N.C. Dept. of Cultural Resources</u>			
Division of State Library			
State Aid to Public Libraries			108,926
<u>N.C. Dept. of Agriculture and Consumer Services</u>			
Division of Soil and Water Conservation			
SWC - Administration			25,500
<u>N.C. Dept. of Health and Human Services</u>			
Division of Aging and Adult Services:			
Passed-through the Kerr-Tar Council of Governments:			
Home Delivered Meals, Access & In-Home and Supportive Services		-	218,201
Senior Center Development		-	19,001
Division of Social Services:			
State/County Special Assistance for Adults - Direct Benefit Payments		-	357,764
CWS Adoption Subsidy - Direct		-	142,054
Child Welfare/CPS		-	64,548
Energy Assistance		-	5,795
Incentive/Program Integrity		-	655
Smart Start		-	27,094
State Foster Home - Direct		-	27,448
SFHF Maximization - Direct		-	38,783
Total N.C. Dept. of Health and Human Services			683,142
<u>N.C. Department of Public Instruction</u>			
Public School Building Capital Fund			
Lottery Funds			397,280
<u>N.C. Dept. of Environmental and Natural Resources</u>			
Division of Waste Management			
Electronics Management			4,088
<u>N.C. Dept. of Transportation</u>			
<u>Rural Operating Assistance Program (ROAP) Cluster:</u>			
Granville Hub Road Extension		-	86,224
ROAP Elderly and Disabled Transportation Assistance Program		-	67,451
ROAP Rural General Public Program		-	79,949
ROAP Work First Transitional-Employment		-	7,993
Total N.C. Dept. of Transportation			241,617
<u>N.C. Dept. of Commerce</u>			
N.C. Rural Economic Development Center			
Economic Infrastructure			162,288
<u>N.C. Dept. of Public Safety</u>			
Juvenile Crime Prevention Programs			191,494
Total State awards			2,034,061
Total federal and State awards	\$ 46,862,501	\$ 24,271,861	

GRANVILLE COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

NOTES TO PRECEDING SCHEDULE OF FEDERAL AND STATE AWARDS:

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal and state awards (SEFA) includes the federal and state grant activity of Granville 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 SEFA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Costs 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 Granville County, it is not intended to and does not present the financial position, changes in net position or cash flows of Granville County.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported in the SEFA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Granville 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 NC Department of Health and Human Services and are treated separately for state audit requirement purposes: Subsidized Child Care and Foster Care and Adoption.