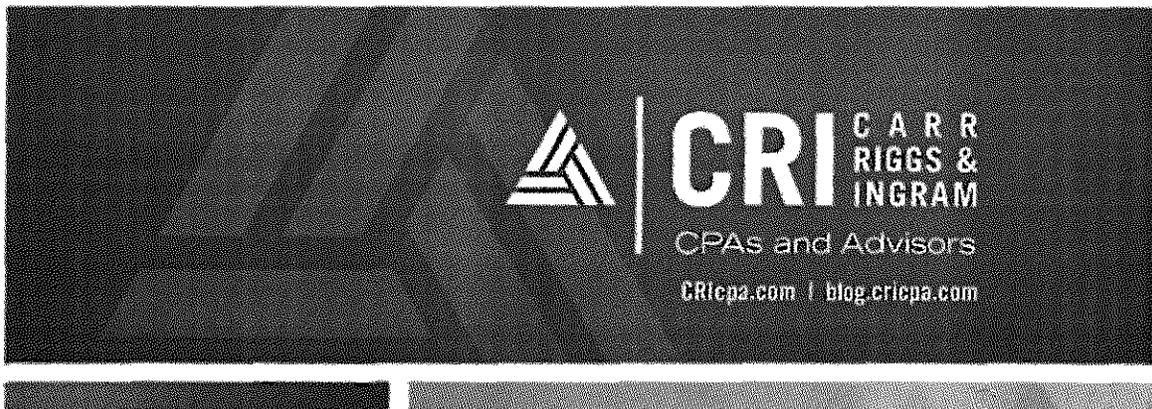


VANCE COUNTY, NORTH CAROLINA

FINANCIAL STATEMENTS

JUNE 30, 2014



Vance County, North Carolina
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**FINANCIAL
SECTION**



INDEPENDENT AUDITOR'S REPORT

To the Board of County Commissioners
Vance County, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Vance County, North Carolina (the "County") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller 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 County of Vance ABC Board and Vance County Tourism Development Authority were not audited in accordance with *Governmental Auditing Standards*.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Vance County, North Carolina, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows 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 the management's discussion and analysis and the Law Enforcement Officers' Special Separation Allowance and Other Post-employment Benefit schedules of funding progress and employer contributions on Statements 1 through 4 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The introductory section, combining and individual fund financial statements, budgetary schedules, other schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the *State Single Audit Implementation Act* and is also not a required part of the basic financial statements.

The combining and individual fund financial statements, budgetary schedules, other schedules, and the schedule of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, 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 and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 13, 2015, on our consideration of the 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 the County's internal control over financial reporting and compliance.

Carly Riggs & Ingram, L.L.C.

Raleigh, North Carolina
February 13, 2015

Management's Discussion and Analysis

As management of Vance County, we offer readers of Vance County's financial statements this narrative overview and analysis of the financial activities of Vance County for the fiscal year ended June 30, 2014. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the County's financial statements, which follow this narrative.

Financial Highlights

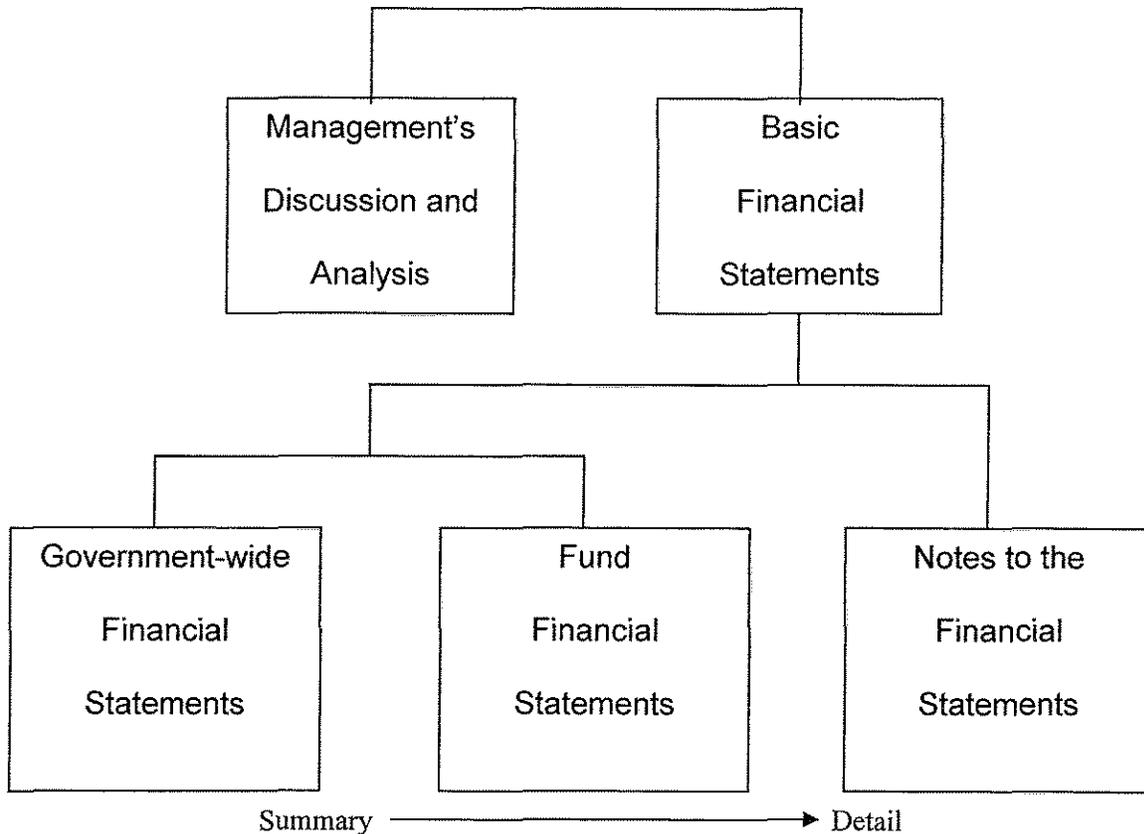
- The assets of Vance County exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$14,098,639 (*net position*).
- The government's total net position decreased by \$9,978,116 primarily due to decreases in net position in the Governmental Type funds.
- As of the close of the current fiscal year, Vance County's governmental funds reported combined ending fund balances of \$18,956,460, after a net increase in fund balance of \$1,201,292. Approximately 42 percent of this total amount or \$7,985,838 is restricted or non-spendable.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$11,477,151, or 24.51 percent of total general fund expenditures for the fiscal year.
- Vance County's total debt for governmental activities decreased by \$1,614,065 (5.3%) during the current fiscal year. The decrease is due to the maturity of some debt obligations.
- Vance County maintained a Moody's Investor Service "A3" bond rating, which it has had for the past twenty-three years. Standard and Poor's on May 13, 2013 reaffirmed its A+ bond rating on the County.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Vance 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 Vance 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 11) 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 and internal service funds, all of which are added together in one column on the basic financial statements. Budgetary information required by the General Statutes also can be found in this part of the statements.

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

Government-wide Financial Statements

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

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

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the County's basic services such as public safety, human services, and general administration. Property taxes, sales taxes, and state and federal grant funds finance most of these activities. The business-type activities are those that the County charges customers to provide. These include the water and solid waste management services offered by Vance County. The final category is the component units. Although legally separate from the County, the ABC Board is important to the County because 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 remaining component unit, the Vance County Tourism Development Authority, is a public authority operating under the local Government Budget and Fiscal Control Act. The Authority's purpose is to further the development of travel, tourism, and conventions in Vance County through advertising and promotions. The Authority is funded by a specific allocation of the countywide occupancy tax authorized by House Bill 765, Ratified Bill, 2001 session of the North Carolina General Assembly.

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. Vance County, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the County's budget ordinance. All of the funds of Vance 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 government activities (reported in the

Statement of Net position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

Vance 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.

Proprietary Funds – Vance County has one kind of proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. Vance County uses enterprise funds to account for its water activity and for its solid waste management operations. These funds are the same as those separate activities shown in the business-type activities in the Statement of Net position and the Statement of Activities.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Vance County has five fiduciary funds, one of which is a pension trust fund and four of which are agency funds.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements follow Exhibit 10 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning Vance County's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found in Section 3.B.1-4 of the notes.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of Vance County exceeded liabilities by \$14,098,639 as of June 30, 2014. The County's net position decreased by \$9,978,116 for the fiscal year ended June 30, 2014. One of the largest portions \$31,035,784 reflects the County's net investment in capital assets (e.g. land, buildings, machinery, and equipment). Vance County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Vance County's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

Vance County's Net Position

Figure 2

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 22,305,521	\$ 21,342,347	\$ 3,214,222	\$ 959,051	\$ 25,519,743	\$ 22,301,398
Capital Assets	21,375,098	33,944,836	12,990,527	7,621,184	34,365,625	41,566,020
Total Assets	\$ 43,680,619	\$ 55,287,183	\$ 16,204,749	\$ 8,580,235	\$ 59,885,368	\$ 63,867,418
Long-term liabilities outstanding	\$ 29,051,162	\$ 30,665,231	\$ 14,656,579	\$ 6,520,060	\$ 43,707,741	\$ 37,185,291
Other liabilities	1,229,648	731,811	738,558	1,543,359	1,968,206	2,275,170
Total liabilities	\$ 30,280,810	\$ 31,397,042	\$ 15,395,137	\$ 8,063,416	\$ 45,675,947	\$ 39,460,458
Deferred inflows of resources	\$ 110,782	\$ 118,816	\$ -	\$ 211,386	\$ 110,782	\$ 330,202
Net position:						
Net investment in capital assets	\$ 28,007,472	\$ 28,054,706	\$ 3,028,312	\$ 2,029,799	\$ 31,035,784	\$ 30,084,505
Restricted	7,429,427	8,127,677	-	-	7,429,427	8,127,677
Unrestricted	(22,147,872)	(12,411,058)	(2,218,700)	(1,724,369)	(24,366,572)	(14,135,427)
Total	\$ 13,289,027	\$ 23,771,325	\$ 809,612	\$ 305,430	\$ 14,098,639	\$ 24,076,755

Several particular aspects of the County's financial operations both positively and negatively influenced the total unrestricted governmental net position:

- Increase in the property tax collection rate from 94.24% in the prior fiscal year to 95.64% in the current fiscal year.
- Increase in sales tax collections, a major source of revenue for the County.
- Continued low cost of debt due to the County's high bond rating.
- Aggressive pursuit of grants funding for County projects.
- Diligent collection efforts on past due bills for taxes, utilities, and services.
- Maintaining expenditures within budgeted amounts.

Vance County's Changes in Net position
Figure 3

	Governmental Activities		Business Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$ 2,636,866	\$ 4,852,711	\$ 2,140,512	\$ 2,135,735	\$ 4,777,378	\$ 6,988,446
Operating grants and contributions	10,544,770	8,764,070	118,158	-	10,662,928	8,764,070
Capital grants and contributions	1,516,255	1,667,566	-	-	1,516,255	1,667,566
General revenues:						
Property taxes	23,989,829	23,026,257	-	-	23,989,829	23,026,257
Other taxes	8,389,740	7,128,356	-	-	8,389,740	7,128,356
Grants and contributions not restricted to specific programs	202,977	127,118	-	-	202,977	127,118
Other	12,018	113,255	14,845	4,108	26,863	117,363
Total revenues	\$ 47,292,455	\$ 45,679,333	\$ 2,273,515	\$ 2,139,843	\$ 49,565,970	\$ 47,819,176
Expenses:						
General government	\$ 4,244,206	\$ 4,319,656	\$ -	\$ -	\$ 4,244,206	\$ 4,319,656
Public safety	13,111,944	12,627,052	-	-	13,111,944	12,627,052
Transportation	28,750	28,750	-	-	28,750	28,750
Environmental protection	350	560	-	-	350	560
Economic and physical development	2,140,022	4,258,718	-	-	2,140,022	4,258,718
Human services	13,312,635	12,418,435	-	-	13,312,635	12,418,435
Cultural and recreation	1,050,050	1,198,174	-	-	1,050,050	1,198,174
Education	9,091,583	9,683,664	-	-	9,091,583	9,683,664
Interest on long-term debt	1,038,999	846,683	-	-	1,038,999	846,683
Solid waste management	-	-	2,045,588	2,011,690	2,045,588	2,011,690
Water	-	-	127,899	143,275	127,899	143,275
Total expenses	\$ 44,018,539	\$ 45,381,692	\$ 2,173,487	\$ 2,154,965	\$ 46,192,026	\$ 47,536,657
Increase in net assets before transfers and special item	\$ 3,273,916	\$ 297,641	\$ 100,028	\$ (15,122)	\$ 3,373,944	\$ 282,519
Capital asset transfer to School Board	(13,791,849)	-	-	-	(13,791,849)	-
Increase (decrease) in net assets	\$ (10,517,933)	\$ 297,641	\$ 100,028	\$ (15,122)	\$ (10,417,905)	\$ 282,519
Net position, beginning, previously reported	23,771,325	23,543,180	305,430	320,552	24,076,755	23,863,732
Restatement	35,635	(69,496)	404,154	-	439,789	(69,496)
Net position, beginning, restated	23,806,960	23,473,684	709,584	320,552	24,516,544	23,794,236
Net assets, ending	\$ 13,289,027	\$ 23,771,325	\$ 809,612	\$ 305,430	\$ 14,098,639	\$ 24,076,755

Governmental activities. Governmental activities increased the County's net position by \$1,239,358, thereby accounting for 72% of the total increase in the net position of Vance County. Key elements of this increase are as follows:

- Increase in the collection of property taxes during the year.
- Increase in revenue from charges for County provided services.
- Increase in sales tax collections, which is a major source of revenues.
- Maintained expenditures for education at prior year spending levels.

Business-type activities. Business-type activities increased Vance County's net position by \$504,179, accounting for 28% of the total growth in the government's net position. Key elements of this increase are as follows:

- Increased collection of the Solid Waste User Household fee.
- The County Water System is operational and serving customers.
- No significant increases in wages and benefits, transfer station fees, and the operation of convenience sites.

Financial Analysis of the County's Funds

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

Governmental Funds. The focus of Vance County's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing Vance County's financing requirements. Specifically, fund balance available for appropriation can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of Vance County. At the end of the current fiscal year, fund balance available in the General Fund was \$11,477,151, while total fund balance reached \$16,922,369. The County currently has an available fund balance of 24% of general fund expenditures, while total fund balance represents 36% of that same amount.

At June 30, 2014, the governmental funds of Vance County reported a combined fund balance of \$18,956,460, a 7.5% increase over last year. The primary reason for this increase is net income in the General Fund.

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 all revenues by only \$2,969,254.

Proprietary Funds. Vance County's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Solid Waste Fund at the end of the fiscal year amounted to negative \$151,036, and those for the Water Fund equaled negative \$2,067,664. The total growth in net position for the Solid Waste Fund was \$489,633. The total increase in net position for the Water Fund was \$14,546. Other factors concerning the finances of these funds have already been addressed in the discussion of Vance County's business-type activities.

Capital Asset and Debt Administration

Capital assets. Vance County's capital assets for its governmental and business – type activities as of June 30, 2014, totals \$46,087,288 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, vehicles and construction in progress.

Major capital asset transactions during the year include:

- Purchased ten new vehicles for the Sheriff's department.
- Purchased 1 vehicle and 1 cardiac monitor for the Fire & EMS department.

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

Figure 4

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 794,119	\$ 799,119	\$ 872,857	\$ 872,857	\$ 1,666,976	\$ 1,671,976
Buildings and improvements	12,758,863	13,371,384	-	-	12,758,863	13,371,384
Equipment and vehicles	1,955,996	2,161,015	16,280	13,758	1,972,276	2,174,773
Computer Software	77,471	103,006	-	-	77,471	103,006
Construction in progress	5,788,649	17,510,312	12,101,390	6,734,569	17,890,039	24,244,881
Total	\$ 21,375,098	\$ 33,944,836	\$ 12,990,527	\$ 7,621,184	\$ 34,365,625	\$ 41,566,020

Additional information on the County's capital assets can be found on Note 3.5.A.

Long-term Debt. As of June 30, 2014, Vance County had total long-term obligations of \$34,441,900 all of which is debt backed by the full faith and credit of the County.

**Figure 5
Vance County's Outstanding Debt**

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
General obligation bonds	\$ 2,205,000	\$ 2,795,000	\$ -	\$ -	\$ 2,205,000	\$ 2,795,000
Capitalized leases	1,884,289	2,020,130	-	-	1,884,289	2,020,130
Installment purchases	18,592,611	20,221,077	-	-	18,592,611	20,221,077
Bond Anticipation Notes	-	-	11,760,000	3,841,385	11,760,000	3,841,385
Total	\$ 22,681,900	\$ 25,036,207	\$ 11,760,000	\$ 3,841,385	\$ 34,441,900	\$ 28,877,592

Vance County's total debt increased by \$5,564,5308 (3 percent) during the past fiscal year, primarily due to the county selling Bond Anticipation Notes during the year.

As mentioned in the financial highlights section of this document, Vance County maintained for the 23rd consecutive year, its A3 bond rating from Moody's Investor Service and A+ rating from Standard and Poor's Corporation. This bond rating is a clear indication of the sound financial condition of Vance County. This achievement is a primary factor in keeping interest costs low on the County's outstanding debt.

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt limit for Vance County is \$196,747,964.

Additional information regarding Vance County's long-term debt can be found in Note 3.B.7 of this audited financial report.

Economic Factors and Next Year's Budgets and Rates

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

- A struggling local economy reflects the loss of agricultural and textile jobs, placing the County as one of the higher ranked counties for unemployment at 9.4 percent with the state average at 6.5 percent at June 30, 2014.
- Efforts continue to promote local economic development and draw new businesses to the county and several initiatives have been successful in recent years.
- Industrial parks have been developed which will target logistics, biotech, and high tech employment opportunities.
- A regional industrial hub development initiative is currently underway to attract prospective employers to the area.
- Retail sales have increased slightly, resulting in some growth in sales tax revenues.

Budget Highlights for the Fiscal Year Ending June 30, 2015

Governmental Activities A one cent tax increase to the ad valorem tax rate took effect on July 1, 2014. The rate becomes 79.2 cents per \$100.00. Ad valorem tax collections are expected to increase by 3.4%. The Fire Tax rate is to remain at 4.0 cents per \$100.00. Sales tax collections are projected to marginally increase. Remaining revenue sources are projected to remain constant compared to prior year amounts. The County will use these revenues to provide service levels at the same rate as the prior year.

Budgeted expenditures in the General Fund are expected to increase approximately 3.6% to \$44,182,199. The County saw a modest increase in health insurance rates for fiscal year 2015. Employees were awarded a cost of living wage adjustment. Full-time employees were awarded a raise of \$804.00 and part-time wages increased by \$0.35 per hour. The largest increases in the budget are for adding personnel in the Department of Social Services and additional equipment needed for the Fire and EMS Department. In addition, \$153,000 was set aside in the contingency account for additional County costs related to the management of a joint Parks and Recreation Department with the City of Henderson. No other significant increases in expenditures are budgeted for the 2014-2015 fiscal year.

Business – type Activities: The solid waste rates in the County will remain the same at \$105.00 per household. The County continues to negotiate new rates and to restructure services from

Waste Industries in order to reduce cost. The County is continuing the construction of a countywide water system with all phases serving customers during the fiscal year.

Requests for Information

This report is designed to provide an overview of the County's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to David C. Beck, Finance Director, Vance County, 122 Young Street, Suite B, Henderson, NC 27536.

Vance County, North Carolina
Statement of Net Position
June 30, 2014

EXHIBIT 1

	Primary Government			Component Unit	
	Governmental Activities	Business-type Activities	Total	Vance County TDA	Vance County ABC Board
ASSETS					
Current assets:					
Cash and cash equivalents	\$13,922,136	\$ 796,231	\$14,718,367	\$ 176,166	\$ 708,805
Restricted cash and cash equivalents	2,714,374	1,797,785	4,512,159	-	-
Receivables, net	5,669,011	620,206	6,289,217	-	-
Prepaid expenses	-	-	-	-	18,340
Inventory	-	-	-	-	197,513
Total current assets	22,305,521	3,214,222	25,519,742	176,166	924,658
Noncurrent assets:					
Capital assets:					
Land, improvements, and construction in progress	6,582,768	12,974,247	19,557,015	461,267	-
Other capital assets, net of depreciation	14,792,330	16,280	14,808,610	-	872,663
Total capital assets	21,375,098	12,990,527	34,365,625	461,267	872,663
Total assets	43,680,619	16,204,749	59,885,367	637,433	1,797,321
LIABILITIES					
Current liabilities:					
Accounts payable and accrued liabilities	1,229,648	738,558	1,968,206	1,748	190,313
Long-term liabilities:					
Due within one year	2,688,404	11,803,750	14,492,154	49,451	79,181
Due in more than one year	26,362,758	2,590,142	28,952,900	85,081	934,516
Total long-term liabilities	29,051,162	14,393,892	43,445,054	134,532	1,013,697
Total liabilities	30,280,810	15,132,450	45,413,260	136,280	1,204,010
DEFERRED INFLOWS OF RESOURCES	110,782	262,687	373,469	-	-
NET POSITION					
Net investment in capital assets	16,285,809	3,028,312	19,314,121	362,990	148,536
Restricted for:					
Stabilization by state statute	4,178,693	-	4,178,693	-	98,267.00
General government	525,396	-	525,396	-	-
Public safety	649,022	-	649,022	-	-
Education	1,759,889	-	1,759,889	-	-
Facility improvements	11,584	-	11,584	-	-
Community development	304,843	-	304,843	-	-
Tourism	-	-	-	10,098	-
Unrestricted	(10,426,209)	(2,218,700)	(12,644,909)	128,065	346,508
Total net position	\$13,289,027	809,612	\$14,098,639	\$ 501,153	\$ 593,311

The accompanying notes are an integral part of the financial statements.

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
Governmental activities:				
General government	\$ 4,244,206	\$ 82,353	\$ 288,415	\$ 85,240
Public safety	13,111,944	2,346,386	790,233	-
Transportation	28,750	-	-	79,394
Environmental protection	350	-	-	-
Economic & community development	2,140,022	9,634	196,717	879,266
Human services	13,312,635	72,128	8,374,363	-
Cultural and recreational	1,050,050	126,365	609,392	-
Education	9,091,942	-	285,650	472,355
Interest on debt	1,038,999	-	-	-
Total governmental activities	44,018,899	2,636,866	10,544,770	1,516,255
Business-type activities:				
Water	127,899	127,603	-	-
Landfill	2,045,588	2,012,909	118,158	-
Total primary government	\$ 46,064,487	\$ 4,649,775	\$ 10,662,928	\$ 1,516,255
Component Unit:				
Vance County TDA	\$ 310,204	\$ -	\$ -	\$ -
Vance County ABC Board	\$ 3,149,885	\$ 3,313,951	\$ -	\$ -

General revenues:

Property taxes, levied for general purposes
Local option sales taxes
Other taxes and licenses
Investment earnings, unrestricted
Miscellaneous, unrestricted

Gain (loss) on sale of assets

Total general revenues, special items, and transfers

Change in net position

Net position - beginning

Prior period adjustment

Net position - ending

The accompanying notes are an integral part of the financial statements.

Vance County, North Carolina
Statement of Activities
For the Fiscal Year Ended June 30, 2014

EXHIBIT 2

Net (Expense) Revenue and Changes in Net Position					
Primary Government			Component Unit		
Governmental Activities	Business-type Activities	Total	Vance County TDA	Vance County ABC Board	
\$ (3,788,198)	\$ -	\$ (3,788,198)	\$ -	\$ -	
(9,975,325)	-	(9,975,325)	-	-	
50,644	-	50,644	-	-	
(350)	-	(350)	-	-	
(1,054,405)	-	(1,054,405)	-	-	
(4,866,144)	-	(4,866,144)	-	-	
(314,293)	-	(314,293)	-	-	
(8,333,937)	-	(8,333,937)	-	-	
(1,038,999)	-	(1,038,999)	-	-	
(29,321,008)	-	(29,321,007)	-	-	
	(296)				
-	85,479	85,479	-	-	
\$ (29,321,008)	\$ 85,183	\$ (29,235,528)	\$ -	\$ -	
\$ -	\$ -	\$ -	\$ (310,204)	\$ -	
\$ -	\$ -	\$ -	\$ -	\$ 164,066	
\$ 23,989,829	\$ -	\$ 23,989,829	\$ -	\$ -	
7,486,197	-	7,486,197	-	-	
903,543	-	903,543	345,399	-	
7,573	14,845	22,418	14	440	
202,977	-	202,977	94,214	-	
(13,787,044)	-	(13,787,044)	-	-	
18,803,075	14,845	18,817,920	439,627	440	
(10,517,933)	100,028	(10,417,905)	129,423	164,506	
23,771,325	305,430	24,076,755	371,730	428,805	
35,635	404,154	439,789	-	-	
\$ 13,289,027	\$ 809,612	\$ 14,098,639	\$ 501,153	\$ 593,311	

The accompanying notes are an integral part of the financial statements.

Vance County, North Carolina
Balance Sheet
Governmental Funds
June 30, 2014

EXHIBIT 3

	Major		Non-Major	Total
	General Fund	School Capital Outlay Fund	Other Governmental Funds	
ASSETS				
Cash and cash equivalents	13,922,136	\$ -	\$ -	\$ 13,922,136
Restricted cash and cash equivalents	290,120	1,759,889	664,365	2,714,374
Receivables (net)				
Property taxes	1,938,697	-	69,935	2,008,632
Accounts	3,262,370	-	46,003	3,308,373
Local option sales tax	281,023	41,558	29,425	352,006
Due from other funds	518,314	-	-	518,314
Total assets	\$ 20,212,660	\$ 1,801,447	\$ 809,728	\$ 22,823,835
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable and accrued liabilities	1,196,331	\$ -	\$ 33,317	\$ 1,229,648
Due to other funds	44,482	-	473,832	518,314
Total liabilities	1,240,813	-	507,149	1,747,962
DEFERRED INFLOWS OF RESOURCES	2,049,478	-	69,935	2,119,413
Fund balances:				
Restricted				
Stabilization by state statute	4,061,707	41,558	75,428	4,178,693
Facility improvements	11,584	-	-	11,584
Public safety	290,120	-	74,803	364,923
Emergency services	-	-	284,099	284,099
Tax revaluation	525,396	-	-	525,396
School capital	-	1,759,889	-	1,759,889
Community development	-	-	304,843	304,843
Assigned				
Subsequent years' expenditures	556,411	-	-	556,411
Unassigned	11,477,151	-	(506,529)	10,970,622
Total fund balances	16,922,369	1,801,447	232,644	18,956,460
Total liabilities, deferred inflows of resources, and fund balances	\$ 20,212,660	\$ 1,801,447	\$ 809,728	

The accompanying notes are an integral part of the financial statements.

Vance County, North Carolina
Balance Sheet
Governmental Funds
June 30, 2014

EXHIBIT 3

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	21,375,098
Deferred inflows of resources for taxes and special assessments receivable	2,008,631
Some liabilities, including bonds payable and other postemployment benefits, are not due and payable in the current period and therefore are not reported in the funds.	(29,051,162)
<u>Net position of governmental activities</u>	<u>\$ 13,289,027</u>

The accompanying notes are an integral part of the financial statements.

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

EXHIBIT 4

	Major		Non-Major	Total
	General Fund	School Capital Project Fund	Other Governmental Funds	
REVENUES				
Ad valorem taxes	\$ 23,942,778	\$ -	\$ 774,972	\$ 24,717,750
Local option sales taxes	7,486,196	1	-	7,486,197
Other taxes and licenses	761,505	-	-	761,505
Unrestricted intergovernmental	142,038	-	-	142,038
Restricted intergovernmental	10,261,177	680,606	1,565,514	12,507,297
Sales and services	2,190,597	-	-	2,190,597
Investment earnings	6,666	759	148	7,573
Miscellaneous	202,977	-	-	202,977
Total revenues	44,993,934	681,366	2,340,634	48,015,934
EXPENDITURES				
Current:				
General government	3,785,539	-	-	3,785,539
Public safety	12,354,172	-	826,635	13,180,806
Transportation	28,750	-	-	28,750
Environmental protection	350	-	-	350
Economic & community development	1,212,769	-	874,676	2,087,445
Human services	12,196,518	-	-	12,196,518
Cultural and recreational	1,025,232	-	-	1,025,232
Intergovernmental:				
Education	9,663,178	1,498,590	-	11,161,768
Debt service				
Principal retirement	2,984,016	-	116,027	3,100,043
Interest and fees	742,319	-	8,662	750,981
Total expenditures	43,992,843	1,498,590	1,826,000	47,317,433
Excess (deficiency) of revenues over expenditures	1,001,091	(817,224)	514,634	698,501
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	3,914,083	2,139,832	261,682	6,315,597
Transfers to other funds	(3,287,000)	(2,361,041)	(667,556)	(6,315,597)
Proceeds from issuance of debt	457,715	-	-	457,715
Sale of fixed assets	9,445	-	-	9,445
Total other financing sources (uses)	1,094,243	(221,209)	(405,874)	467,160
Net change in fund balance	2,095,334	(1,038,433)	108,760	1,165,661
FUND BALANCES, beginning of year	14,791,400	2,839,880	123,884	17,755,164
Prior period adjustment	35,635	-	-	35,635
FUND BALANCES, end of year	\$ 16,922,369	\$ 1,801,447	\$ 232,644	\$ 18,956,460

The accompanying notes are an integral part of the financial statements.

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

EXHIBIT 4

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

Net changes in fund balances - total governmental funds	\$ 1,165,661
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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 depreciation exceeded capital outlay in the current period.	1,226,751
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Cost of capital assets disposed of during the year, not recognized on modified accrual basis	(5,000)
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Cost of capital assets transferred to School Board upon completion of capital project	(13,791,489)
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Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. Change in deferred inflows of resources for tax revenues	(727,921)
--	-----------

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. Compensated absences Net pension obligation Net OPEB obligation	114,605 (54,583) (800,264)
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	2,354,307
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Total changes in net position of governmental activities	\$(10,517,933)
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The accompanying notes are an integral part of the financial statements.

Vance County, North Carolina
 General Fund and Annually Budgeted Major Special Revenue Fund
 Statement of Revenues, Expenditures and Changes in Fund Balance -
 Budget and Actual
 For the Fiscal Year Ended June 30, 2014

EXHIBIT 5

	General Fund			Variance with Final Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES				
Ad valorem taxes	21,819,664	\$ 23,397,919	\$ 23,942,778	\$ 544,859
Local option sales taxes	6,853,660	6,853,660	7,486,196	632,536
Other taxes and licenses	699,650	714,800	761,505	46,705
Unrestricted intergovernmental	137,700	137,700	142,038	4,338
Restricted intergovernmental	8,763,508	10,044,207	10,184,085	139,878
Sales and services	2,078,750	2,210,070	2,190,597	(19,473)
Investment earnings	3,525	5,825	6,083	258
Miscellaneous	239,590	201,120	202,973	1,853
Total revenues	40,596,047	43,565,301	44,916,255	1,350,955
EXPENDITURES				
Current:				
General government	3,629,305	3,876,395	3,749,307	127,088
Public safety	11,244,804	12,946,743	12,354,172	592,571
Transportation	28,750	28,750	28,750	
Environmental protection	1,700	1,700	350	1,350
Economic & community development	1,296,011	1,302,093	1,212,769	89,324
Human services	12,239,370	12,962,148	12,196,518	765,630
Cultural and recreational	1,053,865	1,053,865	1,025,232	28,633.00
Intergovernmental:				
Education	9,712,792	9,764,178	9,663,178	101,000
Debt service				
Principal retirement	3,791,897	497,303	451,709	45,593
Interest and fees	744,803	31,607	29,124	2,483
Total expenditures	43,743,297	42,464,782	40,711,109	1,753,673
Revenues over (under) expenditures	(3,147,250)	1,100,518	4,205,146	3,104,628
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	3,888,555	592,572	581,600	(10,972)
Transfers to other funds	(2,108,510)	(3,128,268)	(3,250,796)	(122,528)
Proceeds from issuance of debt	459,500	459,500	457,715	(1,785)
Sale of fixed assets	30,000	30,000	9,445	(20,555)
Total other financing uses	2,269,545	(2,046,196)	(2,202,036)	(155,840)
Revenues and other financing sources over (under) expenditures and other financing uses	(877,705)	(945,678)	2,003,110	2,948,788
Appropriated fund balance	877,705	945,678	-	(945,678)
Revenues, other financing sources and appropriated fund balance over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	2,003,110	<u>\$ 2,003,110</u>
FUND BALANCES, beginning of year			14,386,335	
Prior period adjustment			35,635	
FUND BALANCES, end of year			\$ 16,425,080	

The accompanying notes are an integral part of the financial statements.

Vance County, North Carolina
Statement of Net Position
Proprietary Funds
June 30, 2014

EXHIBIT 6

	Solid Waste Fund	Water Fund	Totals
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 502,783	\$ 293,448	\$ 796,231
Accounts receivable (net)	415,809	204,397	620,206
Total current assets	918,592	497,845	1,416,437
Noncurrent assets:			
Restricted cash and investments	-	1,797,785	1,797,785
Capital assets:			
Land and improvements	872,857	-	872,857
Construction in process	-	12,101,390	12,101,390
Vehicles and motorized equipment	249,314	-	249,314
Less accumulated depreciation	(233,034)	-	(233,034)
Total capital assets	889,137	12,101,390	12,990,527
Total noncurrent assets	889,137	13,899,175	14,788,312
Total assets	1,807,729	14,397,020	16,204,749
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	141,986	596,572	738,558
Current maturities of long-term obligations	-	43,750	43,750
Bond anticipation notes payable	-	11,760,000	11,760,000
Total current liabilities	141,986	12,400,322	12,542,308
Noncurrent liabilities:			
Accrued landfill closure and postclosure costs	887,840	-	887,840
Compensated absences payable	4,126	-	4,126
Notes payable	-	1,662,500	1,662,500
Other postemployment benefits	35,675	-	35,675
Customer deposits	-	262,687	262,687
Total noncurrent liabilities	927,641	1,925,187	2,852,828
Total liabilities	1,069,627	14,325,509	15,395,136
NET POSITION			
Net investment in capital assets	889,137	2,139,175	3,028,312
Unrestricted	(151,036)	(2,067,664)	(2,218,700)
Total net position	\$ 738,101	\$ 71,511	\$ 809,612

The accompanying notes are an integral part of the financial statements.

Vance County, North Carolina
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2014

EXHIBIT 7

	Solid Waste Fund	Water Fund	Totals
OPERATING REVENUES:			
Charges for services	\$ 2,012,909	\$ 110,944	\$ 2,123,853
Other operating revenues	-	16,659	16,659
Total operating revenues	2,012,909	127,603	2,140,512
OPERATING EXPENSES:			
Cost of operations	2,038,441	127,899	2,166,340
Depreciation	7,147	-	7,147
Total operating expenses	2,045,588	127,899	2,173,487
Operating income (loss)	(32,679)	(296)	(32,975)
NONOPERATING REVENUES (EXPENSES):			
Investment earnings	-	14,845	14,845
Intergovernmental taxes and other revenues	118,158	-	118,158
Net nonoperating revenues	118,158	14,845	133,003
Income (loss) before contributions and transfers	85,479	14,549	100,028
Transfer from (to) other funds	-	-	-
Change in net position	85,479	14,549	100,028
TOTAL NET POSITION, beginning of year	248,468	56,962	305,430
Prior period adjustment	404,154	-	404,154
TOTAL NET POSITION, end of year	\$ 738,101	\$ 71,511	\$ 809,612

The accompanying notes are an integral part of the financial statements.

Vance County, North Carolina
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2014

EXHIBIT 8

	Solid Waste Fund	Water Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 2,038,252	\$ 46,177	\$ 2,084,429
Cash paid for goods and services	(1,855,131)	(246,057)	(2,101,188)
Cash paid to employees for services	(62,960)	-	(62,960)
Other operating revenue	-	118,158	118,158
Net cash provided (used) by operating activities	120,161	(81,722)	38,439
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Payments to other funds	-	(705,634)	(705,634)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES			
Acquisition of capital assets	(9,669)	(6,174,848)	(6,184,517)
Proceeds from debt issuance	-	7,918,615	7,918,615
Payments on notes payable	-	(43,750)	(43,750)
Net cash used by capital financing activities	(9,669)	1,700,017	1,690,348
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	-	14,845	14,845
Net increase (decrease) in cash and cash equivalents	110,492	927,506	1,037,998
Cash and cash equivalents at beginning of year	392,291	1,163,727	1,556,018
Cash and cash equivalents at end of year	\$ 502,783	\$ 2,091,233	\$ 2,594,016
As presented in the financial statements:			
Cash and cash equivalents	\$ 502,783	\$ 293,448	\$ 796,231
Restricted cash and investments	-	1,797,785	1,797,785
Cash and cash equivalents at end of year	\$ 502,783	\$ 2,091,233	\$ 2,594,016
Reconciliation of operating loss to net cash provided (used) by operating activities:			
Operating loss	\$ (32,679)	\$ (296)	\$ (32,975)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:			
Intergovernmental taxes and other revenues	118,158	-	118,158
Landfill closure and postclosure care costs	(6,042)	-	(6,042)
Depreciation	7,147	-	7,147
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	25,343	(132,727)	(107,384)
Increase (decrease) in accounts payable and accrued liabilities	3,223	-	3,223
Increase (decrease) in customer deposits	-	51,301	51,301
Increase (decrease) in accrued vacation pay	(413)	-	(413)
Increase (decrease) in OPEB payable	5,424	-	5,424
Total adjustments	152,840	(81,426)	71,414
Net cash provided (used) by operating activities	\$ 120,161	\$ (81,722)	\$ 38,439.0

The accompanying notes are an integral part of the financial statements.

Vance County, North Carolina
Statement of Fiduciary Net Position
For the Fiscal Year Ended June 30, 2014

EXHIBIT 9

	Pension Trust Fund	Agency Fund
ASSETS		
Cash and cash equivalents	\$ 314,320	\$ 107,178
LIABILITIES AND NET POSITION		
Accounts payable	-	107,178
Net position - held for pension trust benefits	\$ 314,320	\$ -

The accompanying notes are an integral part of the financial statements.

Vance County, North Carolina
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2014

Exhibit 10

Additions:	
Employer contributions	\$ 20,000
Investment earnings	300
Total revenues	20,300
Deductions:	
Benefits paid	-
Change in net position	20,300
Net position, beginning of year	294,020
Net position, end of year	\$ 314,320

The accompanying notes are an integral part of the financial statements.

Vance County, North Carolina
Notes to the Financial Statements
For The Fiscal Year Ended June 30, 2014

NOTE I. Summary of Significant Accounting Policies

The accounting policies of Vance County, North Carolina 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. The Vance County ABC Board (the Board) and the Vance County Tourism Development Authority (the Authority), which both have June 30 year-ends, are presented as if they were separate funds of the County (discrete presentation). Vance County Industrial Facility and Pollution Control Financing Authority (the Financing Authority) exists to issue and service revenue bond debt of private businesses for economic development purposes. The Authority has no financial transactions or account balances; therefore, it is not presented in the basic financial statements.

Component Unit	Reporting Method	Criteria for Inclusion	Separate Financial Statements
Vance County ABC Board	Discrete	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.	Vance County ABC Board PO Box 1417 Henderson, NC 27536
Vance County Tourism Development Authority	Discrete	The Authority exists to promote travel and tourism within the County. The members of the Tourism Authority's Board are appointed by the County.	Vance County Tourism Development Authority 943 I Andrews Ave.. Henderson, NC 27536
Vance County Industrial Facility and Pollution Control Financing Authority	Discrete	The Financing Authority is governed by a seven member board of commissioners that is appointed by the County commissioners. The County can remove any commissioner of the Authority with or without cause.	None issued

B. Basis of Presentation, Basis of Accounting

Basis of Presentation

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 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 displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

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

The County reports the following major governmental funds:

General Fund. This is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The Revaluation Reserve 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.

School Capital Projects and Capital Reserve Funds. These funds account for the construction of the new elementary school and construction of multipurpose rooms at three of the elementary schools, HVAC and mechanical renovations at Northern Vance High School, science lab renovations at Northern Vance High School, plumbing renovations at New Hope Elementary School, and renovations to eleven school facilities.

Vance County, North Carolina
Notes to the Financial Statements
For The Fiscal Year Ended June 30, 2014

The County reports the following major enterprise fund:

Solid Waste Enterprise Fund. This fund is used to account for the operations, maintenance, and development of the County's landfill and various disposal sites.

Water Fund. This fund accounts for the development of new water systems within the County.

The County reports the following fund types:

Pension Trust Fund. The County maintains a Pension Trust Fund – the Special Separation Allowance Fund. Pension trust funds are used to report resources that are required to be held in trust for the members and beneficiaries of the defined benefit pension plans, defined contribution plans, or other post-employment benefit plans. The Special Separation Fund accounts for the Law Enforcement Officers' Special Separation Allowance, a single-employer, public employee retirement system.

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 four agency funds: the Social Services Fund, which accounts for moneys deposited with the Social Services Department for the benefit of certain individuals; the Fines and Forfeitures Fund, which accounts for various legal fines and forfeitures that the County is required to remit to Vance County Board of Education; the City Ad Valorem and Motor Vehicle Tax Fund which accounts for the three percent interest on the first month of delinquent motor vehicle taxes that the County is required to remit to the North Carolina Department of Motor Vehicles and the property taxes collected on behalf of various municipalities within the County, and Register of Deeds Trust Fund which accounts for the five dollars of each fee collected by the register of deeds for registering or filing a deed of trust or mortgage.

Non-major Funds. The County maintains nine legally budgeted funds. The Emergency Telephone System Fund, Fire District Fund, Economic Development Fund, Community Development Fund, Neighborhood Stabilization Program Fund, Community Development Fund – Julia Avenue, Community Development Fund – Scattered Sites are reported as non-major special revenue funds. The General Capital Projects Fund is reported as a non-major capital project fund. The Capital Reserve Fund – General is consolidated into the General Capital Projects Fund in accordance with GASB Statement No. 54.

Measurement Focus, 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. The government-wide and proprietary 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

Vance County, North Carolina
Notes to the Financial Statements
For The Fiscal Year Ended June 30, 2014

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 program revenues. Likewise, general revenues include all taxes.

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

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

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

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

Sales taxes collected and held by the State at year-end on behalf of the County are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied.

Vance County, North Carolina
Notes to the Financial Statements
For The Fiscal Year Ended June 30, 2014

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.

C. Budgetary Data

The County's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General, Emergency Telephone, Facilities Fees Fund, Revaluation Fund, Fire District Fund, and the Enterprise Funds. All annual appropriations lapse at the fiscal year end. Project ordinances are adopted for the project and grants funds.

All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level (the legal level of budgetary control) for all annually budgeted funds and at the object level for the multi-year funds. Expenditures may not exceed appropriations at the fund level for the enterprise funds. Amendments are required for any appropriations that alter total expenditures of any fund or that change functional appropriations by more than \$5,000. All revisions to the budget and transfer appropriations must be approved by the governing board. During the year, several amendments to the original budget were necessary, the effects of which were not material.

A budget calendar is included in the North Carolina General Statutes, which prescribes the last day on which certain steps of the budget procedure are to be performed. The following schedule lists the tasks to be performed and the date by which each is required to be completed.

- April 30 Each department head will transmit to the budget officer the budget requests and revenue estimates for their department for the budget year.
- June 1 The budget and the budget message shall be submitted to the governing board. The public hearing on the budget should be scheduled at this time.
- July 1 The budget ordinance shall be adopted by the governing board.

As required by State law [G.S. 159-26(d)], the County maintains encumbrance accounts, which are considered to be "budgetary accounts". Encumbrances outstanding at year-end represent the estimated amounts of the expenditures ultimately to result if unperformed contracts in progress at year-end are completed. Encumbrances outstanding at year-end do not constitute expenditures or liabilities. The County has no encumbrances outstanding at year-end and any unencumbered appropriations lapse at year-end.

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

1. Deposits and Investments

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

Vance County, North Carolina
Notes to the Financial Statements
For The Fiscal Year Ended June 30, 2014

Carolina. Also, the County, the ABC Board, and the Authority 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 Tourism Development Authority, and the ABC Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT).

The County, the Tourism Development Authority, and the ABC Board's investments with a maturity of more than one year at acquisition and non-money market investments are carried at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, an SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost. Non-participating interest earnings and investment contracts are reported at cost.

2. Cash and Cash Equivalents

The County pools monies from several funds to facilitate disbursement and investment and maximize investment income. Investment earnings are allocated to all funds based on the cash balance outstanding at the end of each month. All cash and investments are essentially demand deposits and are considered cash and cash equivalents. The ABC Board considers all highly liquid investments (including restricted assets) with an original maturity of three months or less to be cash and cash equivalents, and records them at cost. The funds of the Tourism Development Authority are pooled with those of the County.

3. Restricted Assets

Unexpended bond proceeds are classified as restricted assets on the balance sheet because their use is completely restricted to the purpose for which the bonds were originally issued. Customer deposits held by the County before any services are supplied are restricted to the service for which the deposit was collected.

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the County levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, penalties and interest do not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2013.

5. Allowance for Doubtful Accounts

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

Vance County, North Carolina
Notes to the Financial Statements
For The Fiscal Year Ended June 30, 2014

6. Inventory and Prepaid Items

The inventory of the ABC Board is valued at the lower of cost (FIFO) or market, and consists of products held for consumption or resale. The cost of this inventory is charged to cost of sales or operating expenses as the inventory is sold or consumed. Occasionally, certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

7. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. The minimum capitalization cost is \$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.

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

Any interest incurred during the construction phase of proprietary fund type capital assets is reflected in the capitalized value of the asset constructed. Capital assets of the County are depreciated on a straight-line basis over the following estimated useful lives:

	<u>Useful Life</u>
Furniture and office equipment	7 years
Computer equipment and software	5 years
Building and improvements	40 years
Automobiles and trucks	5 years

Property, plant, and equipment of the ABC Board are depreciated over their useful lives on a straight-line basis as follows:

	<u>Useful Life</u>
Buildings	30 years
Furniture and equipment	5-15 years
Leasehold improvements	10-15 years

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The County has no deferred outflows of resources. In addition to liabilities, the statement of financial position can also report a separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The County has two items that meets the criterion for this category - prepaid taxes and special assessments receivable.

9. Long-term Obligations

In the government-wide financial statements and in the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

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

10. Compensated Absences

The vacation policy of the County the ABC Board, and the Tourism Development Authority provides for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the County's government-wide and proprietary funds, the ABC Board, and the Tourism Development Authority, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned.

The sick leave policies of the County, the ABC Board, and the Tourism Development Authority 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 entity has any obligation for accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

11. Net Position/Fund Balances

Net Position

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

Vance County, North Carolina
Notes to the Financial Statements
For The Fiscal Year Ended June 30, 2014

The governmental fund types classify fund balances as follows.

Nonspendable Fund Balance – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The County does not report any nonspendable fund balance.

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 Facility improvements – portion of fund balance that is restricted by revenue source to pay for the facility enhancements

Restricted for Public Safety– portion of fund balance that is restricted by revenue source for public safety expenditures.

Restricted for Emergency services– portion of fund balance that is restricted by revenue source for emergency service expenditures.

Restricted for Tax Revaluation – portion of fund balance that is restricted by revenue source for future revaluation of tax base.

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

Restricted for community development – portion of fund balance that is restricted by revenue source for community development expenditures.

Committed Fund Balance – Portion of fund balance that can only be used for specific purpose imposed by majority vote of Vance County's governing body (highest level of decision-making authority). Any changes or removal of specific purposes requires majority action by the governing body. The County has no committed fund balance at June 30, 2014.

Assigned Fund Balance – portion of fund balance that the Vance County governing board has budgeted.

Subsequent year's expenditures - portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation; however, the budget ordinance authorizes the manager to modify the appropriations by resource or appropriation within funds up to \$100,000.

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

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

Vance County, North Carolina
Notes to the Financial Statements
For The Fiscal Year Ended June 30, 2014

E. Reconciliation of Government-wide and Fund Financial Statements

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

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. The net adjustment of \$(5,667,433) consists of several elements as follows:

Description	Amount
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column)	\$ 40,122,065
Less accumulated depreciation	(18,746,967)
Net capital assets	21,375,098
Liabilities for deferred inflow of resources reported in the fund statements but not the government-wide	2,008,631
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not reported in the fund statements:	
Bonds, leases, and installment financing	(22,681,900)
Net pension obligation	(372,762)
Other postemployment benefits	(5,263,872)
Compensated absences	(732,628)
Total adjustment	\$ (5,667,433)

Vance County, North Carolina
Notes to the Financial Statements
For The Fiscal Year Ended June 30, 2014

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. There are several elements of that total adjustment of \$(11,683,594) as follows:

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 2,586,171
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.	(1,359,420)
Construction costs of school facility transferred to School Board	(13,791,489)
Cost of capital assets disposed of during the year, not recognized on modified accrual basis	(5,000)
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 assets	(458,215)
Principal payments on debt owed are recorded as a use of funds on the fund statements but again affect only the statement of net assets in the government-wide statements	2,812,522
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.	
Differences in compensated absences accrued in the government-wide statements but not in the fund statements because they do not use current resources	114,605
Differences in net pension obligation accrued in the government-wide statements but not in the fund statements because they do not use current resources	(54,583)
Differences in the other postemployment benefits in the government-wide statements but not in the fund statements because they do not use current resources	(800,264)
Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements.	
Reversal of deferred tax revenue recorded at 7/1/13	(2,736,552)
Recording of tax receipts deferred in the fund statements as of 6/30/14	2,008,631
Total adjustment	<u>\$ (11,683,594)</u>

Vance County, North Carolina
Notes to the Financial Statements
For The Fiscal Year Ended June 30, 2014

Note II. Stewardship, Compliance, and Accountability

A. Deficit Fund Balance or Net Position of Individual Funds

For the fiscal year ended June 30, 2014, the following fund had a deficit fund balance:

Community Development Fund	\$	9,384
Neighborhood Stabilization Fund	\$	441,928
CDBG Scattered Sites Fund	\$	44,799
General Capital Projects Fund	\$	7,958

The deficit fund balance is due to accounts payable recorded at year end in these funds.

B. Excess of Expenditures over Appropriations

Budgets are adopted at the department level. The Budget Officer is authorized to transfer appropriations within a fund in amounts not to exceed 10% of the appropriated monies for the Department whose allocation is reduced. Any revisions that alter total expenditures of any fund must be approved by the governing board. For the fiscal year ended June 30, 2014, the following expenditures exceeded the authorized appropriations made by the governing board:

Fire District Fund		
Public Safety	\$	1,206

Management and the Board will more closely review the budget reports to ensure compliance in future years.

Note III. Detail Notes on All Funds

A. Assets

1. Deposits

All of the County, ABC Board, and Tourism Development Authority deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage are collateralized with securities held by the County, ABC Board, and the Authority. 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 ABC Board, and the Authority, 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 ABC Board, the Authority, or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the County, the ABC Board, or the Authority under the Pooling Method, the potential exists for undercollateralization, 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

Vance County, North Carolina
Notes to the Financial Statements
For The Fiscal Year Ended June 30, 2014

depository that collateralizes public deposits under the Pooling Method. The County has no formal policy regarding custodial credit risk. The State Treasurer enforces standards of minimum capitalization for all pooling method financial institutions. The County relies on the State Treasurer to monitor those financial institutions. The County analyzes the financial soundness of any other financial institution used by the County. The County complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured. The ABC Board and the Authority have no formal policy regarding custodial credit risk for deposits.

At June 30, 2014, the carrying amount of the County's deposits was \$14,176,525 and the bank balance was \$14,778,857. Of the bank balance, \$857,284 was covered by federal depository insurance and \$13,921,573 was covered by collateral held under the Pooling Method. At June 30, 2014, the County had \$950 cash on hand.

At June 30, 2014, the carrying amount of deposits for Vance County ABC Board was \$707,205 and the bank balance was \$699,616. Of this balance \$250,000 was covered by federal depository insurance and \$449,616 was maintained in financial institutions utilizing the Pooling Method of collateralization. At June 30, 2014, the ABC Board had \$1,600 cash on hand.

At June 30, 2014, the carrying amount of deposits for the Vance County Tourism Development Authority was \$176,166 and the bank balance was \$176,166. All of the balance was covered by federal depository insurance as the bank balance was below the \$250,000 threshold.

2. Investments

At June 30, 2014, the County had \$1,749,621 invested with the North Carolina Capital Management Trust's Cash Portfolio and \$3,724,928 invested with the North Carolina Capital Management Trust Term Portfolio, both of which carried a credit rating of AAAM by Standard and Poor's. The County has no formal policy regarding credit risk.

At June 30, 2014 the ABC Board and the Authority had no investments.

3. Property Tax - Use-Value Assessment on Certain Lands

In accordance with the general statutes, agriculture, horticulture, and forestland may be taxed by the County at the present-use value as opposed to market value. When the property loses its eligibility for use-value taxation, the property tax is recomputed at market value for the current year and the three preceding fiscal years, along with the accrued interest from the original due date. This tax is immediately due and payable. The following are property taxes that could become due if present use-value eligibility is lost. These amounts have not been recorded in the financial statements.

<u>Year Levied</u>	<u>Tax</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 1,140,749	\$ 65,594	\$ 1,206,343
2011	1,263,722	72,664	1,336,386
2012	1,262,698	72,605	1,335,303
2013	1,300,686	74,789	1,375,475
	<u>\$ 4,967,855</u>	<u>\$ 285,652</u>	<u>\$ 5,253,507</u>

Vance County, North Carolina
Notes to the Financial Statements
For The Fiscal Year Ended June 30, 2014

4. Receivables

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

	<u>Accounts</u>	<u>Taxes</u>	<u>Total</u>
Governmental Activities:			
General	\$ 4,054,483	\$ 2,419,080	\$ 6,473,563
Other Governmental	116,986	69,935	186,921
Total receivables	4,171,469	2,489,015	6,660,484
Allowance for doubtful accounts	(511,090)	(480,383)	(991,473)
Total governmental activities	<u>\$ 3,660,379</u>	<u>\$ 2,008,632</u>	<u>\$ 5,669,011</u>
Business-type Activities:			
Solid Waste	\$ 415,809	\$ -	\$ 415,809
Water	204,397	-	204,397
Total business-type activities	<u>\$ 620,206</u>	<u>\$ -</u>	<u>\$ 620,206</u>

5. Capital Assets

Capital asset activity for the year ended June 30, 2014, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balances</u>
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 799,119	\$ -	\$ 5,000	\$ -	\$ 794,119
Construction in progress	17,510,312	2,069,826	-	13,791,489	5,788,649
Total capital assets not being depreciated	<u>18,309,431</u>	<u>2,069,826</u>	<u>5,000</u>	<u>13,791,489</u>	<u>6,582,768</u>
Capital assets being depreciated:					
Buildings / improvements	24,949,771	-	45,000	-	24,904,771
Equipment / vehicles	7,712,141	516,345	-	-	8,228,486
Computer software	406,040	-	-	-	406,040
Total capital assets being depreciated:	<u>33,067,952</u>	<u>516,345</u>	<u>45,000</u>	<u>-</u>	<u>33,539,297</u>
Less accum. depreciation for:					
Buildings / improvements	11,578,387	612,521	45,000	-	12,145,908
Equipment / vehicles	5,551,126	721,364	-	-	6,272,490
Computer software	303,034	25,535	-	-	328,569
Total accum. depreciation	<u>17,432,547</u>	<u>1,359,420</u>	<u>45,000</u>	<u>-</u>	<u>18,746,967</u>
Total capital assets being depreciated, net	<u>15,635,405</u>				<u>14,792,330</u>
Governmental activity capital assets, net	<u>\$ 33,944,836</u>				<u>\$ 21,375,098</u>

Vance County, North Carolina
Notes to the Financial Statements
For The Fiscal Year Ended June 30, 2014

Primary Government

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

General government	\$ 472,959
Human services	801,469
Economic and community development	1,997
Public safety	82,995
Total depreciation expense	<u>\$ 1,359,420</u>

	Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Solid Waste				
Capital assets not being depreciated:				
Land	\$ 872,857	\$ -	\$ -	\$ 872,857
Capital assets being depreciated:				
Furniture & maintenance equip.	239,645	9,669	-	249,314
Less accum. depreciation for:				
Furniture & maintenance equip.	225,887	\$ 7,147	\$ -	233,034
Total capital assets being depreciated, net	13,758			16,280
Business-type capital assets, net	<u>\$ 886,615</u>			<u>\$ 889,137</u>
Water				
Capital assets not being depreciated:				
Construction in process	\$ 6,734,569	\$ 5,366,821	\$ -	\$ 12,101,390
Water capital assets, net	\$ 6,734,569	\$ 5,366,821	\$ -	\$ 12,101,390
Business-type capital assets, net	<u>\$ 7,621,184</u>			<u>\$ 12,990,527</u>

Discretely presented component units

Activity for the ABC Board for the year ended June 30, 2014, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 192,898	\$ -	\$ -	\$ 192,898
Total capital assets not being depreciated	192,898	-	-	192,898
Capital assets being depreciated:				
Buildings	659,416	-	-	659,416
Land improvements	86,180	-	-	86,180
Furniture & equipment	151,763	-	-	151,763
Total capital assets being depreciated:	897,359	-	-	897,359
Less accum. depreciation for:				
Buildings	84,259	21,980	-	106,239
Land improvements	25,331	6,608	-	31,939
Furniture & equipment	63,306	16,110	-	79,416
Total accumulated depreciation	172,896	44,698	-	217,594
ABC capital assets, net	<u>\$ 917,361</u>			<u>\$ 872,663</u>

Vance County, North Carolina
Notes to the Financial Statements
For The Fiscal Year Ended June 30, 2014

Activity for the Tourism Development Authority for the year ended June 30, 2014, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 403,455	\$ -	\$ -	\$ 403,455
Construction in process	-	57,812	-	57,812
Total capital assets not being depreciated	<u>\$ 403,455</u>	<u>\$ 57,812</u>	<u>\$ -</u>	<u>\$ 461,267</u>

Commitments

The County has active general and school construction projects at June 30, 2014. At year-end, the County's commitments with contractors are as follows:

	County Commitment	Spent To Date
Jail renovations	\$ 2,025,820	\$ 1,959,862
School construction projects	<u>\$ 20,515,340</u>	<u>\$ 20,495,758</u>

The ABC Board enters into annual contracts with the North Carolina Department of Crime Control and Public Safety, Division of Alcohol Law Enforcement to provide enforcement services. Contract payments are due quarterly.

B. Liabilities

1. Payables

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

	Vendors	Other	Total
Governmental activities:			
General	\$ 1,196,331	\$ -	\$ 1,196,331
Other Governmental	33,317	-	33,317
Total governmental activities	<u>\$ 1,229,648</u>	<u>\$ -</u>	<u>\$ 1,229,648</u>
Business-type activities:			
Solid Waste	\$ 141,986	\$ -	\$ 141,986
Water	596,572	-	596,872
Business-type activities:	<u>\$ 738,558</u>	<u>\$ -</u>	<u>\$ 738,558</u>

Vance County, North Carolina
Notes to the Financial Statements
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2. Pension Plan and Other Postemployment Obligations

a. Local Governmental Employee's Retirement System

Plan Description. Vance County, the ABC Board, and the Tourism Development Authority contribute to the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multi-employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Government 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 27669-1410, or by calling (919) 981-5454.

Funding Policy. Plan members are required to contribute six percent of their annual covered salary. The County, the ABC Board, and the Authority are required to contribute at an actuarially determined rate. For the County, the current rate for employees not engaged in law enforcement and for law enforcement officers is 7.07% and 7.55%, respectively, of annual covered payroll. For the ABC Board and the Authority, the current rate for employees not engaged in law enforcement is 7.07% and 6.98%, respectively, of annual covered payroll. The contribution requirements of members and of Vance County, the ABC Board, and the Authority are established and may be amended by the North Carolina General Assembly. The County's contributions to LGERS for the years ended June 30, 2014, 2013 and 2012 were \$813,590, \$745,502, and \$639,660, respectively. The ABC Board's contributions to LGERS for the years ended June 30, 2014, 2013 and 2012 were \$19,249, \$16,537, and \$15,566, respectively. The Authority's contributions to LGERS for the years ended June 30, 2014, 2013 and 2012 were \$6,935, \$6,695, and \$6,817, respectively. The contributions made by the County, the ABC Board, and the Authority equaled the required contributions for each year.

b. Law Enforcement Officers' Special Separation Allowance

1. Plan Description

Vance 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 0.85 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. There are no separate financial statements issued for the Separation Allowance.

All full-time County law enforcement officers are covered by the Separation Allowance. At December 31, 2013, the Separation Allowance's membership consisted of:

Retirees receiving benefits and terminated plan	1
Members entitled to but not yet receiving benefits	-
Active plan members	37

Vance County, North Carolina
Notes to the Financial Statements
For The Fiscal Year Ended June 30, 2014

2. Summary of Significant Accounting Policies:

Basis of Accounting. Financial statements for the Separation Allowance are prepared using the accrual basis of accounting. Employer contributions to the plan are recognized when due and when the County has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of the plan.

Method Used to Value Investments. Funds set aside to pay benefits and administrative costs are invested in North Carolina Capital Management Cash Portfolio.

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 by making contributions based on actuarial valuations. For the current year, the County contributed \$20,000 or 1.3% of annual covered payroll. There were no contributions made by employees. The County's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings.

The annual required contribution for the current year was determined as part of the December 31, 2012 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 increase ranging from 4.25% to 7.85% per year. Both (a) and (b) included an inflation component of 3.00%. The assumptions did not include post-retirement benefit increases. The actuarial value of assets was determined using the market value of investments. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2012 was 17 years.

Employer annual required contribution	\$ 63,210
Interest on net pension obligation	13,900
Adjustment to annual required contribution	<u>(17,300)</u>
Annual pension cost	59,810
Contributions made	<u>5,227</u>
Increase in net pension obligation	54,583
Net pension obligation beginning of year	<u>318,179</u>
Net pension obligation end of year	<u>\$ 372,762</u>

3 Year Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/12	\$ 58,465	44.35%	\$ 277,997
6/30/13	57,435	30.04%	318,179
6/30/14	59,810	8.74%	372,762

Vance County, North Carolina
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4. Funded Status and Funding Progress

As of December 31, 2012 the most recent actuarial valuation date, the plan was 16.9% funded. The actuarial accrued liability for benefits was \$492,111, and the actuarial value of assets was \$83,187, resulting in an unfunded actuarial liability (UAAL) of 408,924.

The covered payroll (annual payroll of active employees covered by the plan) was \$1,468,297, and the ratio of the UAAL to the covered payroll was 27.85%.

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

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 all employees 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 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. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Article 12E of G.S. Chapter 143 requires the County to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2014 were \$98,318, which consisted of \$72,798 from the County and \$25,520 from the employees.

d. Registers of Deeds' Supplemental Pension Fund

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

Funding Policy. On a monthly basis, the County remits to the Department of State Treasurer an amount equal to one and one-half percent (1.5%) of the monthly receipts collected pursuant to Article 1 of G.S. 161. Immediately following January 1 of each year, the Department of State Treasurer divides ninety-three percent (93%) of the amount in the Fund at the end of the

Vance County, North Carolina
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preceding calendar year into equal shares to be disbursed as monthly benefits. The remaining seven percent (7%) of the Fund's assets may be used by the State Treasurer in administering the Fund. For the fiscal year ended June 30, 2014, the County's required and actual contributions were \$3,111.

e. Firemen's and Rescue Squad Workers' Pension Fund

Plan Description. The State of North Carolina contributes, on behalf of Vance County, to the Firemen's and Rescue Squad Workers' Pension Fund (Fund), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. The Fund provides pension benefits to any eligible fire and rescue squad workers that have elected to become members of the fund. Article 86 of G.S. Chapter 58 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Firemen's and Rescue Squad Workers' 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 fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

f. Other Postemployment Benefits

Plan Description. Under the terms of the County resolution, the County administers a single-employer defined benefit Healthcare Benefits Plan (the HCB Plan). This plan provides postemployment healthcare benefits to retirees of the County, provided they participate in the North Carolina Local Governmental Employees' Retirement System (System) and have at least 5 years of creditable service with the County. The County pays the full cost of coverage for these benefits. The County obtains health care coverage through private insurers. Also, retirees can purchase coverage for their dependents at the County's group rates. The Board of Commissioners may amend the benefit provisions. A separate report was not issued for the plan.

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

	General Employees	Law Enforcement Officers
Retirees and dependents receiving benefits	74	13
Terminated plan members entitled to but not yet receiving benefits	-	-
Active plan members	265	34
Total	339	47

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 Commissioners. Dependent coverage costs must be 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 11.95% of annual covered payroll. For the current year, the County contributed \$397,710 or 3.9% of annual covered payroll. The County obtains healthcare

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Notes to the Financial Statements
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coverage through private insurers. The County's obligation to contribute to the HCB Plan is established and may be amended by the Board of Commissioners.

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

Annual required contribution	\$ 1,225,672
Interest on net OPEB obligation	178,544
Adjustment to annual required contribution	(170,565)
Annual OPEB cost (expense)	1,233,651
Contributions made	(397,710)
Increase in net OPEB obligation	835,941
Net OPEB obligation, beginning of year	4,463,605
Net OPEB obligation, end of year	\$ 5,299,547

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as follows:

For Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$1,340,183	25.8%	\$ 3,776,535
2013	\$1,232,422	44.3%	\$4,463,605
2014	\$1,233,651	32.2%	\$5,299,547

Funded Status and Funding Progress. As of December 31, 2012, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$14,042,311. The covered payroll (annual payroll of active employees covered by the plan) was \$10,259,576, and the ratio of the UAAL to the covered payroll was 136.9%. 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 information about the actuarial value of plan assets and the actuarial accrued liabilities for benefits.

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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 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 of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2012 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.00% 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 8.5% and 5.00% annually. Both rates included a 4.00% inflation assumption. The actuarial value of assets, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments over a 5 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, 2012, was 30 years.

g. Other Postemployment Benefits – Vance County ABC Board

Plan Description. The Vance County ABC Board administers a single-employer defined benefit healthcare plan (the Retiree Health Plan). The plan provides postemployment healthcare benefits to retirees of the Board, provided they participate in the North Carolina Local Governmental Employees' Retirement System, have at least 20 years of creditable service with the Board. The Board's retirees cannot purchase spouse or dependent coverage. A separate report was not issued for the plan.

Membership of the HCB Plan consisted of the following at December 31, 2013, the date of the latest actuarial valuation:

	General Employees
Retirees and dependents receiving benefits	7
Active plan members	1
Total	8

Funding Policy. The Board pays the full cost of coverage for the healthcare benefits paid to qualified retirees. The Board has chosen to fund the healthcare benefits on a pay as you go basis.

The current ARC rate is 13.4% of annual covered payroll. For the current year, the Board contributed \$2,769 or 1.0% of annual covered payroll. The Board obtains healthcare coverage through private insurers. The Board's obligation to contribute to the HCB Plan is established and may be amended by the Board.

Annual OPEB Cost and Net OPEB Obligation. The Board's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The Board has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement 45 for employers in plans with

Vance County, North Carolina
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fewer than one hundred total plan members. 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 Board's annual OPEB cost for the year, the amount actually contributed to the plan, and any changes in the Board's net OPEB obligation for the healthcare benefits:

Annual required contribution	\$	36,098
Interest on net OPEB obligation		722
Adjustment to annual required contribution		-
Annual OPEB cost (expense)		36,820
Contributions made		(2,769)
Increase in net OPEB obligation		34,051
Net OPEB obligation, beginning of year		229,243
Net OPEB obligation, end of year	\$	263,294

The Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as follows:

For Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$31,656	17.3%	\$203,132
2013	\$28,745	9.2%	\$229,243
2014	\$34,051	7.5%	\$263,294

Funded Status and Funding Progress. As of June 30, 2014, the actuarial accrued liability for benefits was \$309,576, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$273,789, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 113%. The projection of future benefit payments for an ongoing plan involves 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.

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 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 of assets, consistent with the long-term perspective of the calculations.

The following simplifying assumptions were made:

Retirement age for active employees – Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 65, or at the first subsequent year in which the member would qualify for benefits.

Vance County, North Carolina
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Healthcare cost trend rate – The expected rate of increase in healthcare insurance premiums was based on historical averages and discussions with private insurers. A rate of 3.0% was used.

Health insurance premiums – 2014 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

Inflation rate – The expected inflation rate of 3% was based on projections for the state of North Carolina and based on past decade's inflation rate.

Payroll growth rate – The expected long-term payroll growth rate was assumed to equal the rate of payroll growth, approximating 4%.

A discount rate of 2% was used. In addition, the ARC was calculated using the unit credit cost method with the present value of future normal costs amortized as a level dollar amount. The remaining amortization period at June 30, 2014 was approximately 18 years.

h. Other Postemployment Benefits – Vance County Tourism Development Authority

Plan Description. Under the terms of the Board resolution, the Authority administers a single-employer defined benefit Healthcare Benefits Plan (the HCB Plan). This plan provides postemployment healthcare benefits to retirees of the Authority, provided they participate in the North Carolina Local Governmental Employees' Retirement System (System) and have at least 5 years of creditable service with the Authority. The Authority pays the full cost of coverage for these benefits. The Authority obtains health care coverage through private insurers. Also, retirees can purchase coverage for their dependents at the County's group rates. The Board may amend the benefit provisions. A separate report was not issued for the plan.

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

	General Employees
Retirees and dependents receiving benefits	2
Active plan members	-
Total	2

Funding Policy. The Authority pays the full cost of coverage for the healthcare benefits paid to qualified retirees under a County resolution that can be amended by the Board. Dependent coverage costs must be paid in full by the retiree. The Authority has chosen to fund the healthcare benefits on a pay as you go basis.

The current ARC rate is 3.87% of annual covered payroll. For the current year, the Authority contributed \$0 or 0% of annual covered payroll. The Authority obtains healthcare coverage through private insurers. The Authority's obligation to contribute to the HCB Plan is established and may be amended by the Board.

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.

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Annual OPEB Cost and Net OPEB Obligation. The Authority'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 Authority's annual OPEB cost for the year, the amount actually contributed to the plan, and any changes in the Authority's net OPEB obligation for the healthcare benefits:

Annual required contribution	\$	3,847
Interest on net OPEB obligation		737
Adjustment to annual required contribution		(704)
Annual OPEB cost (expense)		3,880
Contributions made		-
Increase in net OPEB obligation		3,880
Net OPEB obligation, beginning of year		18,435
Net OPEB obligation, end of year	\$	22,315

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as follows:

For Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$4,226	0%	\$ 14,588
2013	\$3,847	0%	\$18,435
2014	\$3,880	0%	\$22,315

Funded Status and Funding Progress. As of December 31, 2012, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$25,045. The covered payroll (annual payroll of active employees covered by the plan) was \$98,367, and the ratio of the UAAL to the covered payroll was 25.49%. 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 information about the actuarial value of plan assets and 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 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 of assets, consistent with the long-term perspective of the calculations.

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In the December 31, 2012 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.00% 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 8.5% and 5.00% annually. Both rates included a 4.00% inflation assumption. The actuarial value of assets, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments over a 5 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, 2012, was 30 years.

i. 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 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. All death benefit payments are made from the Death Benefit Plan. 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. The County considers these contributions to be immaterial.

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

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

<u>No. Years Contributing</u>	<u>Years Relief</u>	<u>FY Contributions Resume</u>
Less than 10	1	2014
10 – 20	2	2015

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

3. Closure and Postclosure Care Costs – Vance County Landfill Facility

State and federal laws and regulations require the County to place a final cover on its landfill facilities when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and post-closure care costs as an operating expense in each period

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based on landfill capacity used as of each balance sheet date. The \$887,840 reported as landfill closure and post-closure care liability at June 30, 2014 represents a cumulative amount reported to date based on the use of 100 percent of the total estimated capacity of the. Final costs may be higher due to inflation, changes in technology, or changes in regulations. All of the above amounts are based on what it would cost to perform all closure and post-closure care in 2014.

The County has met the requirements of a local government financial test, one option under State and federal laws and regulations to help determine if a unit is financially able to meet closure and post-closure care requirements. The County is not currently required to fund the estimated closure costs of this facility based upon its present financial stability. However, if additional post closure care requirements are determined, 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

The balance in deferred inflows of resources at year-end is comprised of the following:

	Unavailable Revenue	Unearned Revenue
Taxes receivable, net (General)	\$ 1,938,696	\$ -
Taxes receivable, net (Special Revenue)	69,935	-
Prepaid connection fees (Water)	-	262,687
Prepaid taxes not yet earned (General)	-	110,782
Total	\$ 2,008,631	\$ 373,469

5. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disasters. The County obtains property insurance coverage and general liability coverage for these risks. The County participates in two self-funded risk-financing pools administered by the North Carolina Association of County Commissioners. Through these pools, the County obtains property coverage equal to replacement cost values of owned property subject to a limit of \$125.5 million for any one occurrence; general, auto, professional, and employment practices liability coverage of \$2 million per occurrence; and workers' compensation coverage up to the statutory limits. The pools are audited annually by certified public accountants, and the audited financial statements are available to the County upon request. Two of the 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, \$600,000 of aggregate of annual losses in excess of \$50,000 per occurrence for property, auto physical damage, and crime coverage, and single occurrence losses of \$350,000 for workers' compensation.

The County does not carry flood insurance. There have been no losses due to flooding in previous years and the County does not believe that flood insurance is necessary.

In accordance with G.S. 159-29, the County's employees that have access of \$100 or more at any given time of the County's funds are performance bonded through a commercial surety bond. The Director of Finance and the Tax Collector are individually bonded for \$100,000 and \$40,000, respectively. The remaining employees that have access to funds are bonded under a blanket bond for \$10,000.

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

Vance 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, workmen's compensation and employee health coverage. The Board also has liquor legal liability coverage. 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. In accordance with G.S. 18B-700(i) and G.S. 18B-803(b), each Vance County ABC Board member and the employees designated as the general manager and finance officer are bonded in the amount of \$50,000 secured by a corporate surety.

Vance County Tourism Development Authority 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 Authority does not carry flood insurance. The Authority is covered under a commercial insurance coverage carrier by Vance County, North Carolina. There have been not significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years. In accordance with G.S. 159-26, the Authority's funds are bonded under a spectrum policy in which a section of the policy covers employee dishonesty up to \$10,000. The finance officer is individually bonded in the amount of \$50,000.

6. Contingent Liabilities

At June 30, 2014, 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. 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.

The County's general obligation bonds payable at June 30, 2014 are comprised of the following individual issues:

Serviced by the County's General Fund:

\$4,140,000 2010 Refunded Courthouse Facility Serial Bonds, in annual installments of \$430,000 to \$510,000 through February 1, 2019, interest at 2.0 to 3.0 percent	\$ 2,205,000
	<u>\$ 2,205,000</u>

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

Year Ending June 30,	Governmental Activities	
	Principal	Interest
2015	\$ 455,000	\$ 63,875
2016	445,000	52,500
2017	440,000	39,150
2018	435,000	29,950
2019	430,000	12,900
Totals	<u>\$ 2,205,000</u>	<u>\$ 194,375</u>

As June 30, 2014, Vance County had a legal debt margin of \$196,747,964.

b. Capital Leases

The County has entered into agreements to lease certain equipment and vehicles. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

An agreement was entered into on August 30, 2010 with BB&T for the lease of VIPER radio systems for public safety departments. The agreement was for five yearly payments of \$85,545, including interest at 2.1%.

An agreement was entered into on September 27, 2010 with BB&T for the lease of a 2010 GMC chassis and refurbished EMS unit for the Fire and Ambulance Department. The agreement was for 16 quarterly payments of \$6,942, including interest at 2.03%.

An agreement was entered into on September 27, 2010 with BB&T for the lease of a 2010 E-One Fire tanker for the Fire and Ambulance Department. The agreement was for 10 annual payments of \$27,435, including interest at 2.77%.

An agreement was entered into on December 15, 2010 with BB&T for the refinancing of the Kerr Lake Volunteer Fire Department's assets for the Fire and Ambulance Department. The refinancing agreement called for 180 month payments of \$1,740, including interest at 4.09%.

An agreement was entered into on June 17, 2011 with BB&T for the lease of two Tahoes and nine Ford Crown Victoria for the Sheriff's Department. The agreement was for 16 quarterly payments of \$19,894, including interest at 1.97%.

An agreement was entered into on April 24, 2013, effective May 7, 2013, for the purchase of thirteen law enforcement vehicles. The agreement was for 16 quarterly payments of \$20,645 each including interest at 1.79%.

An agreement was entered into on October 24, 2012, effective for March 31, 2013, for the purchase of a Viper 911 system. The agreement was for 19 quarterly payments of \$23,455 each including interest at 1.69%.

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An agreement was entered into on April 18, 2013, effective July 28, 2013, for the purchase of 911 radio consoles. The agreement was for 20 quarterly payments of \$10,291 each including interest at 1.77%.

An agreement was entered into on June 2, 2013, effective December 6, 2013, for the purchase of twelve law enforcement vehicles. The agreement was for 8 semi-annual payments of \$41,951 each including interest at 1.59%.

An agreement was entered into on June 30, 2014 for the purchase of ten law enforcement vehicles. The agreement was for 16 quarterly payments of \$18,751 each including interest at 1.59%.

An agreement was entered into on March 14, 2014 for the purchase of an ambulance. The agreement was for 16 quarterly payments of \$10,883 including interest at 1.67%.

At June 30, 2014, the County leased vehicles and equipment was valued as follows:

	Cost	Accumulate Depreciation	Net Book Value
Equipment and vehicles	\$ 3,342,309	\$ 1,343,321	\$ 1,998,988

For Vance County, the future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2014 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>
2015	\$ 640,677
2016	468,308
2017	406,374
2018	244,033
2019	48,310
Thereafter	190,559
Total minimum lease payments	\$ 1,998,261
Less: amounts representing interest	113,972
Present value of minimum lease payments	\$ 1,884,289

c. Installment Purchases

The County has several installment purchase agreements in effect at June 30, 2014. A summary of those are as follows:

On December 17, 2003, the County entered into a building installment purchase contract with the proceeds to be use for the purchase of the Vance County Schools Administration Building. The purchase contract is to be paid in 144 month installments of \$17,014 plus monthly interest payments of 3.65% beginning on February 1, 2005. The outstanding principal balance as of June 30, 2014 was \$323,264.

On March 10, 2009, the County entered into a building installment purchase contract with the proceeds to be used in the construction of a new elementary school building. The installment purchase contract is to be paid in 20 annual payments of \$650,000 plus semiannual interest

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payments of 3.87% beginning on September 1, 2009. The outstanding principal balance as of June 30, 2014 was \$10,400,000.

On June 17, 2009, the County entered into a jail renovation installment purchase contract with the proceeds to be used in the renovation of the County jail complex. The installment purchase contract is to be paid in 10 annual payments of \$200,000 plus annual interest payments of 3.93% beginning on June 19, 2009. The outstanding principal balance as of June 30, 2014 was \$1,000,000.

On November 12, 2003, the County entered into a QZAB installment purchase contract with proceeds to be used for property improvements by the Vance County Board of Education. The installment purchase contract is to be paid in 15 semiannual installments of \$77,487 with no interest. The outstanding principal balance as of June 30, 2014 was \$678,130.

On November 15, 2005, the County entered into a QZAB installment purchase contract with proceeds to be used for property improvements by the Vance County Board of Education. The installment purchase contract is to be paid in 16 annual installments of \$101,863 with not interest. The outstanding principal balance as of June 30, 2014 was \$1,185,093.

On November 9, 2010, the County entered into a QSCB installment purchase contract with proceeds to be used for property improvements by the Vance County Board of Education. The installment purchase contract is to be paid in 15 annual installments of \$261,621 plus annual interest payments of 5.09%. The outstanding principal balance as of June 30, 2014 was \$3,139,456.

On June 26, 2013, the County entered into a QZAB installment purchase contract with proceeds to be used for property improvements by the Vance County Board of Education. The installment purchase contract is to be paid in 15 annual installments of \$133,333 with no interest. The outstanding principal balance as of June 30, 2014 was \$1,866,667.

The total future minimum payments of the County's installment purchase obligations as of June 30, 2014, including interest of \$4,385,423 were as follows:

<u>Year Ending June 30,</u>	Governmental Activities	
	Principal	Interest
2015	\$ 1,628,471	\$ 596,541
2016	1,543,401	544,124
2017	1,424,304	496,337
2018	1,424,304	450,006
2019	1,424,304	403,674
2020-2024	6,024,780	1,402,002
2025-2029	4,473,047	480,161
2030-2034	650,000	12,578
Totals	\$ 18,592,611	\$ 4,385,423

The Vance County Tourism Development Authority has entered into an agreement with Vance County to borrow funds to purchase a tract of land. The agreement was entered into in July, 2011. This agreement requires five annual payments without interest. The outstanding principal balance as of June 30, 2014 was \$98,277.

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Notes to the Financial Statements
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The total future minimum payments of the Authority's installment purchase obligations as of June 30, 2014 were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 45,000	\$ -
2016	43,277	-
Totals	<u>\$ 98,277</u>	<u>\$ -</u>

d. Bond Anticipation Note

The Water District within Vance County issued bond anticipation notes in order to finance a water distribution system, beginning in 2012. This bond anticipation note was renewed on October 23, 2013 and is set to mature on October 23, 2014.

Serviced by the County's Water District

\$11,760,000 2010 Water note issued on October 23, 2013 to be repaid from a bond issue expected to be sold in the next fiscal year	\$ 11,760,000
	<u>\$ 11,760,000</u>

Annual debt service requirements to maturity for the County's bond anticipation note is as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2015	<u>\$ 11,760,000</u>	<u>\$ -</u>

e. Notes Payable

Vance County entered into an agreement with the City of Henderson on July 23, 2012 to reserve a total of 175,000 gallons per day for Phase 2A and Phase 2B from the City of Henderson's water supply for the exclusive use of the Water District within Vance County and for the District's re-sale to its customers served by said two phases. In consideration of the reservation, Vance County agreed to pay a water allocation reservation fee to the City of Henderson in the amount of \$1,750,000, payable over 40 years without interest in equal annual periodic payments of \$43,750, due on July 31st of each year. The outstanding principal balance as of June 30, 2014 was \$1,706,250.

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Annual debt service requirements to maturity for the County's note payable is as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 43,750	\$ -
2016	43,750	-
2017	43,750	-
2018	43,750	-
2019	43,750	-
2020-2024	218,750	-
2025-2029	218,750	-
2030-2034	218,750	-
2035-2039	218,750	-
2040-2044	218,750	-
2045-2049	218,750	-
2050-2054	175,000	-
Principal payments	<u>\$ 1,706,250</u>	<u>\$ -</u>

The ABC Board obtained financing from BB&T in 2009 for the purchase and construction of a building and related land for a new retail store operation. The note is due in quarterly payments of \$27,593, including interest at 4.49%, beginning June 2009 and maturing in June, 2022. The Board may prepay the outstanding principal component, at its option, on any regularly schedule payment date, in whole but not in part, by paying (a) all payments then due and payable, (b) all interest accrued and unpaid to the prepayment date, and (c) 101% of the outstanding principal amount. BB&T will allow one additional payment per year, at par, on a scheduled payment date.

Annual note requirements to maturity for the ABC Board's notes payable are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>
2015	\$ 79,181
2016	82,796
2017	86,577
2018	90,530
2019	94,664
2020-2022	290,379
Principal payments	<u>\$ 724,127</u>
Total interest payments	

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Notes to the Financial Statements
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f. Long-Term Obligation Activity

The following is a summary of changes in the County's, ABC Board's, and Tourism Development Authority's long-term obligations for the fiscal year ended June 30, 2014:

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014	Current Portion of Balance
Governmental activities:					
General obligation debt	\$ 2,795,000	\$ -	\$ 590,000	\$ 2,205,000	\$ 455,000
Installment purchases	20,221,077	-	1,628,466	18,592,611	1,628,471
Capital lease	2,020,130	458,215	594,056	1,884,289	604,933
Compensated absences	847,233	-	114,605	732,628	-
Other postemployment benefit	4,463,608	800,264	-	5,263,872	-
Net pension obligation	318,179	54,583	-	372,762	-
Total governmental activities	<u>\$ 30,665,227</u>	<u>\$ 1,313,062</u>	<u>\$ 2,927,127</u>	<u>\$ 29,051,162</u>	<u>\$ 2,688,404</u>
Less: current maturities				<u>(2,688,404)</u>	
Net long-term obligations				<u>\$ 26,362,758</u>	

Business-type activities:					
Accrued landfill closure and postclosure care costs	\$ 893,882	\$ -	\$ 6,042	\$ 887,840	\$ -
Bond anticipation notes	3,841,385	7,918,615	-	11,760,000	11,760,000
Notes payable	1,750,000	-	43,750	1,706,250	43,750
Compensated absences	4,539	-	413	4,126	-
Other postemployment benefit	30,251	5,424	-	35,675	-
Total business-type	<u>\$ 6,520,057</u>	<u>\$ 7,924,039</u>	<u>\$ 50,205</u>	<u>\$ 14,393,891</u>	<u>\$ 11,803,750</u>
Less: current maturities				<u>(11,803,750)</u>	
Net long-term obligations				<u>\$ 2,590,141</u>	

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014	Current Portion of Balance
ABC Board:					
Notes payable	\$ 799,850	\$ -	\$ 75,723	\$ 724,127	\$ 79,181
Compensated absences	27,476	-	1,200	26,276	-
Other postemployment benefit	229,243	34,051	-	263,294	-
Total governmental activities	<u>\$ 1,056,569</u>	<u>\$ 34,051</u>	<u>\$ 76,923</u>	<u>\$ 1,013,697</u>	<u>\$ 79,181</u>
Less: current maturities				<u>(79,181)</u>	
Net long-term obligations				<u>\$ 934,516</u>	

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014	Current Portion of Balance
Vance County TDA:					
Installment purchase	\$ 198,277	\$ -	\$ 100,000	\$ 98,277	\$ 45,000
Compensated absences	11,258	7,133	4,451	13,940	4,451
Other postemployment benefit	18,435	3,880	-	22,315	-
Total governmental activities	<u>\$ 227,970</u>	<u>\$ 11,013</u>	<u>\$ 104,451</u>	<u>\$ 134,532</u>	<u>\$ 49,451</u>
Less: current maturities				<u>(49,451)</u>	
Net long-term obligations				<u>\$ 85,081</u>	

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f. Conduit Debt Obligation

Vance County Industrial Facility and Pollution Control Authority have issued industrial revenue bonds to provide financial assistance to private businesses for economic development purposes. These bonds are secured by the properties financed as well as letters of credit and are payable solely from payments received from the private businesses involved. Ownership of the acquired facilities is in the name of the private business served by the bond issuance. Neither the County, the Authority, the State, nor any political subdivision thereof is obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2014, there were three series of industrial revenue bonds outstanding, with an aggregate principal amount payable of \$1.48 million.

C. Interfund Balances and Activity

Transfers to/from other funds

Transfers to/from other funds at June 30, 2014, consist of the following:

From the General Fund to the School Capital Reserve Fund to cover capital Expenditures for school facility improvements.	\$ 2,139,832
From the General Fund to the Revaluation fund to provide funding for future revaluation the County's tax base.	87,000
From the General Fund to the Capital Reserve Fund to accumulate funds for future capital needs of the County.	247,010
From the General Fund to the Economic Development Fund to provide funds to help promote economic development within the County.	14,672
From the Fire Tax Fund to the General Fund in order to help pay administrative costs of the local fire departments.	259,347
From the General Capital Reserve Fund to the Debt Service Fund to help pay debt service obligations.	247,160
From the General Capital Reserve Fund to the General Fund to help pay operating costs.	75,000
From the Facilities Fees Fund to the General Fund to help pay operating costs on County facilities.	36,204
From the Emergency Telephone System Fund to the General Fund to help pay 911 communications costs.	86,049
From the School Capital Reserve Fund to the School Debt Service Fund to provide funding for school debt service payments.	2,162,177

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From the School Capital Reserve Fund to the Debt Service Fund to provide funding for debt service payments.	73,864
From the General Fund to the Debt Service Fund to provide funding for General debt service payments.	762,282
From the School Capital Reserve Fund to the General Fund for assistance with school administrative costs.	125,000
	\$ 6,315,597

D. Net Investment in Capital Assets

	Governmental	Business-type	
Capital assets	\$ 21,375,098	\$ 12,990,527	
Less: General obligation debt	(2,205,000)	-	
Capital leases	(1,884,289)	16,477,636	2,495
Installment debt - jail	(1,000,000)	-	
Bond anticipation notes	-	(11,760,000)	
Unexpended proceeds	-	1,797,785	
	\$ 16,285,809	\$ 3,028,312	

E. Fund Balance

Vance County has a revenue spending policy that provides policy for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-city funds, city 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 had 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:

Total fund balance – General Fund	\$ 16,922,369
Less:	
Stabilization by State Statute	(4,061,707)
Restricted for facility improvements	(11,584)
Restricted for public safety	(290,120)
Restricted for revaluation	(525,396)
Appropriated fund balance in 2015 budget	(556,411)
Remaining Fund Balance	\$ 11,477,151

Note IV. Joint Ventures

The County in conjunction with Granville 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

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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 the 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 \$933,540 to the Community College for operating purposes during the fiscal year ended June 30, 2014. The participating governments do not have any equity interest in the joint venture; therefore, no equity interest has been reflected in the County's financial statements at June 30, 2014. Complete financial statements for the Community College may be obtained from the Community College's administrative offices at P.O. Box 918, Henderson, NC 27536.

The Granville-Vance Health District is a district based board of health established under North Carolina General Statute 130A by both Granville County and Vance County to provide public health services. The joint venture is governed by a sixteen-member Board, which is composed of one County Commissioner from each of the two counties; and seven other members appointed by each of the two respective Boards of County Commissioners. The County contributed \$325,308 to the Health District during the fiscal year ended June 30, 2014. The participating governments do not have any equity interest in the joint venture, therefore no equity interest has been reflected in the financial statements at June 30, 2014. Complete financial statements for the Health District can be obtained from the Health District's administrative offices.

Cardinal Innovative Healthcare Solutions was established to provide mental health services for five counties: Vance, Warren, Granville, Franklin, and Halifax. Each county has one board member on the Cardinal Innovative Healthcare Solutions Authority Board, but none individually has authority to designate management. The County contributed \$192,950 to the Authority during the fiscal year ended June 30, 2014. The participating governments do not have any equity interest in the joint venture, therefore no equity interest has been reflected in the financial statements at June 30, 2014. Complete financial statements for the Five County Mental Health Authority can be obtained from their administrative offices.

The Kerr Area Rural Transportation Authority (KARTS) is an association of five county governments, including Vance County. KARTS is a joint venture of the participating counties for the purpose of providing a safe, adequate, and convenient transportation system for the jurisdictional area creating the Authority and its immediate environs. The counties served by KARTS, in addition to Vance County, are Granville, Franklin, Warren, and Person. General support of KARTS is provided by Federal, State, and local grants and user fees. Each county appoints two members of the Authority's managing body and this governing body determines the budget and financing requirements of the Authority. The criteria in NCGA Statement 3 were applied to the Authority, and while there were positive responses to some of the criteria, it was determined the County did not have significant influence over the Authority to justify inclusion of the Authority as part of the County reporting entity. The County contributed \$113,693 to KARTS during the fiscal year ended June 30, 2014. The participating governments do not have any equity interest in the joint ventures, therefore no equity interest has been reflected in the financial statements at June 30, 2014. Complete financial statements for KARTS can be obtained from their administrative offices.

Vance County, North Carolina
Notes to the Financial Statements
For The Fiscal Year Ended June 30, 2014

The Perry Memorial Library is supported through a joint effort by the County and the City of Henderson with various other grants comprising a majority of the operating revenues. Both the County and the City appoint six members to the Library's Board who serve in a non-authoritative capacity. The County contributed \$561,945 to the Library during the fiscal year ended June 30, 2013. The participating governments do not have any equity interest in the joint venture, therefore no equity interest has been reflected in the financial statements. Complete financial statements for Perry Memorial Library can be obtained at their administrative offices.

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, therefore no equity interest has been reflected in the financial statements at June 30, 2014. 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 can be obtained at their administrative offices.

Note V. Joint Governed Organization

The County has joined with four other counties and fifteen municipalities in the area to establish the Kerr-Tar Regional Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board. The County paid membership fees of \$14,140 to the Council during the fiscal year ended June 30, 2014. The County has no equity interest in the Council.

Note 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. Vance County personnel are involved with certain functions, primarily eligibility determinations that cause benefit payments to be issued by the state. These amounts disclose the additional aid to County recipients that do not appear in the general-purpose financial statements because they are not revenues and expenditures of the County.

	Federal	State
Special Supplemental Food Program for Women, Infants, and Children	\$ 1,198,791	\$ -
Temporary Assistance for Needy Families	572,767	-
IV-E Foster Care	222,190	57,430
IV-E Admin County	11,421	5,710
State Foster Home	-	39,392
Special Assistance to Adults	-	542,747
IV-E Adoptions Subsidy Payments	185,232	50,246
CWS Adoption Subsidy Payments	-	117,137
Food Stamp Program	21,968,550	-
Medical Assistance	61,124,644	34,012,416
SFHF Maximization	-	20,966
State Children's Insurance Program	1,162,649	367,108

Vance County, North Carolina
Notes to the Financial Statements
For The Fiscal Year Ended June 30, 2014

Note VIII. Summary Disclosure of Significant Commitments and Contingencies

Federal and State Assisted Programs

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

Note IX. Subsequent Events

On July 7, 2014, subsequent to year end, the Board of Commissioners approved the issuance of general obligations totaling \$5,627,000 to settle bond anticipation notes totaling the same amount. The general bond obligations were incurred for construction costs of Phase 1A of the County's water district construction project.

Subsequent events have been evaluated as of February 13, 2014, the date the financial statements were available for review.

Note X. Prior Period Adjustments

Two adjustments totaling \$455,223 and \$35,635 were posted to beginning balances of fund balances to account for solid waste and video programming receivables, respectively, as of June 30, 2013 that were not recorded in the prior period.

SUPPLEMENTARY
INFORMATION

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

STATEMENT 1

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
12/31/2008	\$ 66,956	\$ 396,599	\$ 329,643	16.9%	\$ 1,899,536	17.4%
12/31/2010	47,375	486,539	439,164	9.7%	1,888,466	23.3%
12/31/2012	83,137	492,111	408,924	16.9%	1,468,297	27.9%

Vance County, North Carolina
 Law Enforcement Officers' Special Separation Allowance
 Required Supplementary Information
 Schedule of Employer Contributions

STATEMENT 2

Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2006	\$ 28,052	100%
2007	28,052	100%
2008	28,052	125%
2009	49,098	79%
2010	49,098	79%
2011	49,098	79%
2012	49,098	79%
2013	60,835	33%
2014	63,210	8%

Notes to the Required Schedules:

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

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

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

STATEMENT 3

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
12/31/2008	\$ -	\$ 13,774,646	\$ 13,774,646	0.8%	\$ 10,665,744	129.1%
12/31/2010	-	14,660,933	14,660,933	0.9%	11,757,209	124.7%
12/31/2012	-	14,042,311	14,042,311	0%	10,259,576	136.9%

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

STATEMENT 4

Year Ended June 30,	Annual Required Contribution*	Percentage Contributed*
2012	\$ 1,340,183	0%
2013	1,225,672	44%
2014	1,225,672	32%

* Presented for all years for which data is available.

Notes to the Required Schedules:

actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows.

Valuation date	12/31/2012	
Actuarial cost method	Projected unit credit	
Amortization method	Level percent of pay open	
Remaining amortization period	30 years	
Asset valuation method	Market value	
Actuarial assumptions:		
Investment rate of return*	4.00%	
Medical cost trend rate	8.5% - 5.0%	Pre-Medicare
	6.25%-5.0%	Post-Medicare
Year of ultimate trend rate	2018	
*Includes inflation at	3.00%	

SUPPLEMENTAL SCHEDULES

Vance County, North Carolina
 General Funds
 Combining Balance Sheet
 June 30, 2014

STATEMENT 5

	General Fund	Revaluation Fund	Debt Service Fund	School Debt Service Fund	Facility Fees Fund	Totals
ASSETS						
Cash and investments	13,384,558	\$ 525,396	\$ -	\$ -	\$ 12,182	\$13,922,136
Restricted cash and investments	290,120	-	-	-	-	290,120
Receivables:						
Property taxes	1,938,697	-	-	-	-	1,938,697
Accounts receivable	3,257,579	-	-	-	4,791	3,262,370
Local option sales tax	281,023	-	-	-	-	281,023
Due from other funds	518,314	-	-	-	-	518,314
Total assets	\$19,670,291	\$ 525,396	\$ -	\$ -	\$ 16,973	\$20,212,660
LIABILITIES AND EQUITY						
Liabilities:						
Accounts payable and accrued liabilities	\$ 1,195,733	\$ -	\$ -	\$ -	598	\$ 1,196,331
Due to other funds	-	-	871	43,611	-	44,482
Total liabilities	1,195,733	-	871	43,611	598	1,240,813
Deferred inflows of resources	2,049,478	-	-	-	-	2,049,478
Fund balances:						
Restricted						
Stabilization by state statute	4,056,916	-	-	-	4,791	4,061,707
Register of deeds	-	-	-	-	-	-
Sheriff	290,120	-	-	-	-	290,120
Emergency services	-	-	-	-	-	-
Tax revaluation	-	525,396	-	-	-	525,396
Facility improvements	-	-	-	-	11,584	11,584
Assigned						
Subsequent years' expenditures	556,411	-	-	-	-	556,411
Unassigned	11,521,633	-	(871)	(43,611)	-	11,477,151
Total equity	16,425,080	525,396	(871)	(43,611)	16,375	16,922,369
Total liabilities, deferred inflows of resources, and equity	\$19,670,291	\$ 525,396	\$ -	\$ -	\$ 16,973	\$20,212,660

Vance County, North Carolina
General Funds
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For The Fiscal Year Ended June 30, 2014

STATEMENT 6

	General Fund	Revaluation Reserve Fund	Debt Service Fund	School Debt Service Fund	Facility Fees Fund	Total
Revenues:						
Ad valorem taxes	\$ 23,942,778	\$ -	\$ -	\$ -	\$ -	\$ 23,942,778.00
Local option sales taxes	7,486,196	-	-	-	-	7,486,196
Other taxes and licenses	761,505	-	-	-	-	761,505
Unrestricted intergovernmental	142,038	-	-	-	-	142,038
Restricted intergovernmental	10,184,085	-	-	-	77,092	10,261,177
Sales and services	2,190,597	-	-	-	-	2,190,597
Investment earnings	6,083	448	-	-	135	6,666
Miscellaneous other	202,973	-	4	-	-	202,977
Total revenues	44,916,255	448	4	-	77,227	44,993,934
Expenditures:						
General Government	3,749,307	-	-	-	36,232	3,785,539
Public safety	12,354,172	-	-	-	-	12,354,172
Transportation	28,750	-	-	-	-	28,750
Environmental protection	350	-	-	-	-	350
Economic and community development	1,212,769	-	-	-	-	1,212,769
Human services	12,196,518	-	-	-	-	12,196,518
Cultural and recreational	1,025,232	-	-	-	-	1,025,232
Education	9,663,178	-	-	-	-	9,663,178
Debt Service						
Principal	451,709	-	962,994	1,569,313	-	2,984,016
Interest and fees	29,124	-	120,335	592,860	-	742,319
Total expenditures	40,711,109	-	1,083,329	2,162,173	36,232	43,992,843
Revenues over (under) expenditures	4,205,146	448	(1,083,325)	(2,162,173)	40,995	1,001,091
Other financing sources (uses):						
Operating transfers in	581,600	87,000	1,083,306	2,162,177	-	3,914,083
Operating transfers out	(3,250,796)	-	-	-	(36,204)	(3,287,000)
Proceeds from lease obligations	457,715	-	-	-	-	457,715
Sales of fixed assets	9,445	-	-	-	-	9,445
Total other financing sources (uses)	(2,202,036)	87,000	1,083,306	2,162,177	(36,204)	1,094,243
Revenues and other financing sources over (under) expenditures and other financing uses	2,003,110	87,448	(19)	4	4,791	2,095,334
Fund balance, beginning of year	14,386,335	437,948	(852)	(43,615)	11,584	14,791,400
Prior period adjustment	35,635	-	-	-	-	35,635
Fund balance, end of year	\$ 16,425,080	\$ 525,396	\$ (871)	\$ (43,611)	\$ 16,375	\$ 16,922,369

Vance County, North Carolina
 General Fund
 Statement of Revenues, Expenditures, and
 Changes in Fund Balance - Budget and Actual
 For The Fiscal Year Ended June 30, 2014

STATEMENT 7

	2014		Variance Positive (Negative)
	Budget	Actual	
Revenues:			
Ad valorem taxes:			
Taxes	22,987,919	23,499,795	\$ 511,876
Penalties and interest	410,000	442,982	32,982
Total	23,397,919	23,942,778	544,859
Local option sales taxes:			
Article 39 one percent	3,570,000	3,885,500	315,500
Article 40 one-half of one percent	2,117,000	2,259,678	142,678
Article 42 one-half of one percent	1,686,660	1,861,894	175,234
Hold Harmless	(520,000)	(520,875)	(875)
Total	6,853,660	7,486,196	632,536
Other taxes and licenses:			
Real estate transfer tax	44,500	45,964	1,464
Motor vehicle rental tax	29,500	25,744	(3,756)
Register of deeds	235,800	226,667	(9,133)
Inspection fees	225,000	285,136	60,136
Privilege licenses	10,000	10,930	930
Franchise fees	170,000	167,065	(2,935)
Total	714,800	761,505	46,705
Unrestricted intergovernmental :			
Beer and wine taxes	130,000	129,956	(43.50)
ABC profit distribution	7,700	12,082	4,382
Total	137,700	142,038	4,338
Restricted intergovernmental:			
Federal, State, and local grants	9,217,812	9,398,507	\$ 180,695
Library fees	32,750	32,750	
911 fees	542,758	513,596	(29,162)
Elections	67,422	45,072	(22,350)
ABC bottle taxes	22,500	23,528	1,028
Occupancy and tourism tax	160,965	170,631	9,666
Total	10,044,207	10,184,085	139,878

Vance County, North Carolina
 General Fund
 Statement of Revenues, Expenditures, and
 Changes in Fund Balance - Budget and Actual
 For The Fiscal Year Ended June 30, 2014

STATEMENT 7

	2014		Variance Positive (Negative)
	Budget	Actual	
Sales and services:			
Animal shelter	60,600	39,210	(21,390)
4H services	23,050	16,194	(6,856)
DSS local fees	55,300	55,934	634
Extension services	10,125	9,634	(491)
Sale of maps and ordinances	75	130	55
Law enforcement fees	283,850	262,068	(21,782)
Jail fees	146,500	143,114	(3,386)
Ambulance fees	1,505,000	1,532,817	27,817
Tax foreclosure fees	-	5,131	5,131
Vance County TDA fees	125,570	126,365	795
Total	2,210,070	2,190,597	(19,473)
Investment earnings	5,825	6,083	258
Miscellaneous:			
Fines	350	3,050	2,700
Other revenues	200,770	199,923	(847)
Total revenues	43,565,301	44,916,255	1,350,955
Expenditures			
General Government:			
Governing body:			
Salaries and employee benefits		103,488	
Other operating expenditures		118,657	
Total	227,908	222,145	5,763
Administration:			
Salaries and employee benefits		730,283	
Other operating expenditures		70,423	
Total	811,198	800,706	10,492

Vance County, North Carolina
 General Fund
 Statement of Revenues, Expenditures, and
 Changes in Fund Balance - Budget and Actual
 For The Fiscal Year Ended June 30, 2014

STATEMENT 7

	2014		Variance Positive (Negative)
	Budget	Actual	
Board of Elections:			
Salaries and employee benefits		144,195	
Other operating expenditures		79,182	
Capital outlay		8,805	
Total	248,483	232,182	16,301
Tax Office:			
Salaries and employee benefits		424,174	
Other operating expenditures		312,445	
Capital outlay		1,485	
Total	709,676	738,104	(28,428)
County Attorney:			
Contracted services	56,961	53,827	\$ 3,134
Register of Deeds:			
Salaries and employee benefits		190,087	
Other operating expenditures		53,014	
Total	245,031	243,101	1,930
Public Buildings:			
Salaries and employee benefits		114,143	
Other operating expenditures		258,610	
Total	424,494	372,753	51,741
Court facilities:			
Salaries and employee benefits		107,557	
Other operating expenditures		184,875	
Total	305,694	292,432	13,262
Central Services:			
Retiree health insurance		417,710	
Other operating expenditures		247,570	
Total	711,083	665,280	45,803

Vance County, North Carolina
 General Fund
 Statement of Revenues, Expenditures, and
 Changes in Fund Balance - Budget and Actual
 For The Fiscal Year Ended June 30, 2014

STATEMENT 7

	2014		Variance Positive (Negative)
	Budget	Actual	
Management Information System:			
Salaries and employee benefits		89,125	
Other operating expenditures		37,739	
Capital outlay		1,913	
Total	135,867	128,777	7,090
Outside agencies	-	-	-
Total general government	3,876,395	3,749,307	127,088
 Public Safety:			
Sheriff:			
Salaries and employee benefits		2,586,240	
Other operating expenditures		631,808	
Capital outlay		252,534	
Total	3,624,965	3,470,582	
Jail:			
Salaries and employee benefits		2,178,879	
Other operating expenditures		1,125,463	
Total	3,561,905	3,304,342	
Total Sheriff and Jail	7,186,870	6,774,924	411,946
Sheriff's interdiction program:			
Salaries and employee benefits		-	
Other operating expenditures		65,195	
Total	68,475	65,195	3,280
Fire and ambulance:			
Salaries and employee benefits		2,025,725	
Other operating expenditures		838,418	
Capital outlay		239,567	
Total	3,103,682	3,103,710	(28)

Vance County, North Carolina
 General Fund
 Statement of Revenues, Expenditures, and
 Changes in Fund Balance - Budget and Actual
 For The Fiscal Year Ended June 30, 2014

STATEMENT 7

	2014		Variance Positive (Negative)
	Budget	Actual	
E911 communications:			
Salaries and employee benefits		1,866,314	
Other operating expenditures		122,084	
Total	2,112,610	1,988,398	124,212
Animal Control:			
Salaries and benefits		199,903	
Other expenditures		106,842	
Total	359,606	306,745	52,861
Fire:			
Contracted services	60,000	60,000	-
Medical examiner:			
Contracted services	51,000	50,700	300
Crimestoppers			
Other operating expenditures	500	500	-
Beaver management			
Other operating expenditures	4,000	4,000	-
Total public safety	12,946,743	12,354,172	592,571
Transportation:			
Contribution to regional airport	28,750	28,750	-
Environmental Protection:			
Demolitions and removals	1,700	350	1,350

Vance County, North Carolina
 General Fund
 Statement of Revenues, Expenditures, and
 Changes in Fund Balance - Budget and Actual
 For The Fiscal Year Ended June 30, 2014

STATEMENT 7

	2014		Variance Positive (Negative)
	Budget	Actual	
Economic and community development:			
Economic development:			
Salaries and employee benefits		142,801	
COG membership dues		14,140	
Contributions other agencies:		40,750	
Other operating expenditures		61,576	
Total	271,791	259,267	12,524
Community improvement:			
Salaries and employee benefits		20,922	
Other operating expenditures		31	
Total	24,075	20,953	3,122
Soil and water conservation:			
Salaries and employee benefits		93,943	
Other operating expenditures		5,917	
Total	100,041	99,860	181
Planning:			
Salaries and employee benefits		558,976	
Other operating expenditures		65,635	
Total	647,924	624,611	23,313
Contributions other agencies:	102,552	86,050	
Cooperative extension			
Salaries and employee benefits		6,046	
Other operating expenditures		35,150	
Contracted services		80,832	
Total	155,710	122,028	33,682
Total economic and community development	1,302,093	1,212,769	89,324

Vance County, North Carolina
 General Fund
 Statement of Revenues, Expenditures, and
 Changes in Fund Balance - Budget and Actual
 For The Fiscal Year Ended June 30, 2014

STATEMENT 7

	2014		Variance Positive (Negative)
	Budget	Actual	
Human Services:			
Health:			
Administration:			
Other operating expenditures		22,372	
Capital outlay		75,000	
Contracted services - GVHD		325,308	
Total	423,089	422,680	409
Mental health:			
Administration:			
Other operating expenditures	195,662	192,950	2,712.00
Social services:			
Administration:			
Salaries and employee benefits	4,956,370	4,730,388	225,982
Other operating expenditures	3,074,335	2,837,451	236,884
Public assistance payments	557,500	542,747	14,753
Work First assistance payments	222,000	227,224	(5,224)
Day Care assistance payments	2,230,333	2,059,618	170,715
Total	11,040,538	10,397,428	643,110
Aging Services:			
Administration			
Salaries and benefits		427,688	
Other operating expenditures		141,931	
Total	641,069	569,619	71,450
Nutritional Meals program:			
Salaries and benefits		9,947	
Other operating expenditures		25,484	
Purchased meals		77,974	
Total	148,193	113,405	34,788

Vance County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For The Fiscal Year Ended June 30, 2014

STATEMENT 7

	2014		Variance Positive (Negative)
	Budget	Actual	
Smart Start:			
Administration			
Salaries and benefits		8,301	
Contracted services		42,641	
Other operating expenditures		9,480	
Total	61,144	60,422	722
Veteran's services:			
Salaries and employee benefits		55,377	
Other operating expenditures		6,616	
Capital outlay		-	
Total	64,920	61,993	2,927
Nypum Program:			
Contracted services		129,841	
Other operating expenditures		19,063	
Capital outlay		1,556	
Total	152,702	150,460	2,242
Pal-to-Pal Program:			
Contracted services		41,341	
Other operating expenditures		17,063	
Capital outlay		778	
Total	60,319	59,182	1,137
Resolve Program:			
Contracted services		2,410	
Other operating expenditures		699	
Total	8,919	3,109	5,810

Vance County, North Carolina
 General Fund
 Statement of Revenues, Expenditures, and
 Changes in Fund Balance - Budget and Actual
 For The Fiscal Year Ended June 30, 2014

STATEMENT 7

	2014		Variance Positive (Negative)
	Budget	Actual	
Other Human Services Contributions:			
Lifeline	2,400	2,400	
FVW Opportunities	7,000	7,000	
K.A.R.T.S.	113,693	113,693	
Smart Start	3,500	3,500	
Boys and Girls Clubs	24,000	24,000	
JCPC administrative	15,000	14,677	-
Total human services	12,962,148	12,196,518	765,630
Cultural and recreational:			
Recreation:			
Operating expenditures	491,020	462,387	28,633
Arts Council:			
Operating expenditures	900	900	-
Libraries:			
Contribution to regional library	561,945	561,945	-
Total cultural and recreational	1,053,865	1,025,232	28,633
Education:			
Public schools - current	8,232,440	8,232,440	-
Public schools - capital outlay	526,000	425,000	101,000
Community college - current	933,540	933,540	-
Community college - capital outlay	72,198	72,198	-
Total education	9,764,178	9,663,178	101,000
Debt service:			
Lease principal	497,303	451,709	
Bond principal	0	0	
Interest and fees	31,607	29,124	
Total debt service	528,910	480,833	48,077
Total expenditures	42,464,782	40,711,109	1,753,673

Vance County, North Carolina
 General Fund
 Statement of Revenues, Expenditures, and
 Changes in Fund Balance - Budget and Actual
 For The Fiscal Year Ended June 30, 2014

STATEMENT 7

	2014		Variance Positive (Negative)
	Budget	Actual	
Revenues over (under) expenditures	1,100,518	4,205,146	3,104,628
Other financings sources (uses):			
Operating transfers from (to) other funds:			
Transfer from other funds	592,572	581,600	\$ 10,972
Transfer to other funds	(3,128,268)	(3,250,796)	122,528
Total operating transfers	(2,535,696)	(2,669,196)	133,500
Proceeds from lease obligations	459,500	457,715	(1,785)
Sales of fixed assets	30,000	9,445	(20,554)
Total other financing sources (uses)	(2,046,196)	(2,202,035)	111,161
Revenues and other financing sources over (under) expenditures and other financing uses	(945,678)	2,003,110	3,215,788
Appropriated fund balance	945,678	-	(945,678)
Revenues, other financing sources and appropriated fund balance over (under) expenditures and other financing uses	<u>\$ -</u>	2,003,110	<u>\$ 2,270,110</u>
Fund balance, beginning of year		14,386,335	
Prior period adjustment		35,635	
Fund balance, end of year		\$ 16,425,080	

Vance County, North Carolina
 Revaluation Fund
 Statement of Revenues, Expenditures, and
 Changes in Fund Balance - Budget and Actual
 For The Fiscal Year Ended June 30, 2014

STATEMENT 8

	2014		Variance Positive (Negative)
	Budget	Actual	
Revenues:			
Restricted intergovernmental	\$	\$	\$
Investment earnings	720	448	(272)
Total revenues	720	448	(272)
Expenditures:			
General Government			
Tax revaluation	525,229	-	525,229
Revenues over (under) expenditures	(524,509)	448	524,957
Other financing sources			
Transfer from General Fund	87,000	87,000	-
Revenues and other financing sources over (under) expenditures	\$ (437,509)	87,448	\$ 524,957
Appropriated fund balance	437,509	0	(437,509)
Revenues and appropriated fund balance over (under) expenditures	<u>\$ -</u>	87,448	<u>\$ 87,448</u>
Fund balance, beginning of year		437,948	
Fund balance, end of year		<u>\$ 525,396</u>	

Vance County, North Carolina
 Facility Fees Fund
 Statement of Revenues, Expenditures, and
 Changes in Fund Balance - Budget and Actual
 For The Fiscal Year Ended June 30, 2014

STATEMENT 9

	2014		Variance Positive (Negative)
	Budget	Actual	
Revenues:			
Restricted intergovernmental	80,000	77,092	\$ (2,908)
Investment earnings	200	135	(65)
Total revenues	80,200	77,227	(2,973)
Expenditures:			
General Government			
Tax revaluation	39,260	36,232	3,028
Revenues over (under) expenditures	40,940	40,995	55
Other financing sources			
Transfer to General Fund	(40,940)	(36,204)	4,736
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	4,791	<u>\$ 4,791</u>
Fund balance, beginning of year		11,584	
Fund balance, end of year		<u>\$ 16,375</u>	

Vance County, North Carolina
Debt Service Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For The Fiscal Year Ended June 30, 2014

STATEMENT 10

	2014		Variance Positive (Negative)
	Budget	Actual	
Revenues:			
Investment earnings	\$ 25	\$ 4	\$ (21)
Expenditures:			
Debt Service			
Principal retirement	962,996	962,994	2
Interest and fees	120,335	120,335	-
Total expenditures	1,083,331	1,083,329	2
Revenues over (under) expenditures	(1,083,306)	(1,083,325)	(19)
Other financing sources			
Transfer from General Fund	1,083,306	1,083,306	-
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>(19)</u>	<u>\$ (19)</u>
Fund balance, beginning of year		(852)	
Fund balance, end of year		\$ (871)	

Vance County, North Carolina
School Debt Service Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For The Fiscal Year Ended June 30, 2014

STATEMENT 11

	2014		Variance Positive (Negative)
	Budget	Actual	
Revenues:			
Investment earnings	-	-	\$ -
Expenditures:			
Debt Service			
Principal retirement	1,569,316	1,569,313	3
Interest and fees	592,861	592,860	1
Total expenditures	2,162,177	2,162,173	4
Revenues over (under) expenditures	(2,162,177)	(2,162,173)	4
Other financing sources			
Transfer from General Fund	2,162,177	2,162,177	-
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>4</u>	<u>\$ 4</u>
Fund balance, beginning of year		(43,615)	
Fund balance, end of year		\$ (43,611)	

Vance County, North Carolina
 Non-Major Governmental Funds
 Combining Balance Sheet
 June 30, 2014

STATEMENT 12

	Special Revenue Funds						Capital Project Funds		Total	
	Emergency Telephone System Fund	Fire District Fund	Economic Development Fund	Community Development Fund	Neighborhood Stabilization Fund	CDBG Julia Avenue Fund	CDBG Scattered Sites Fund	General Capital Projects Fund		General Capital Reserve Fund
ASSETS										
Cash and investments	71,123	213,596	304,843	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 74,803	\$ 664,365
Receivables:										
Property taxes	-	69,935	-	-	-	-	-	-	-	69,935
Accounts receivable	30,764	-	15,239	-	-	-	-	-	-	46,003
Local option sales tax	26,965	-	-	-	-	-	-	2,460	-	29,425
Due from other funds	-	-	-	-	-	-	-	-	-	-
Total assets	\$ 128,852	\$ 283,531	\$ 320,082	\$ -	\$ -	\$ -	\$ -	\$ 2,460	\$ 74,803	\$ 809,728
LIABILITIES AND EQUITY										
Liabilities:										
Accounts payable and accrued liabilities	\$ 620	\$ -	\$ -	\$ -	\$ 4,908	\$ -	\$ 27,024	\$ 765	\$ -	\$ 33,317
Due to other funds	-	-	-	9,384	437,020	-	17,775	9,653	-	473,832
Total liabilities	620	-	-	9,384	441,928	-	44,799	10,418	-	507,149
Deferred inflows of resources:										
Taxes receivable	-	69,935	-	-	-	-	-	-	-	69,935
Fund balances:										
Restricted										
Stabilization by state statute	57,729	-	15,239	-	-	-	-	2,460	-	75,428
Public Safety	-	-	-	-	-	-	-	-	74,803	74,803
Emergency services	70,503	213,596	-	-	-	-	-	-	-	284,099
Tax revaluation	-	-	-	-	-	-	-	-	-	-
Community development	-	-	304,843	-	-	-	-	-	-	304,843
Unassigned	-	-	-	(9,384)	(441,928)	-	(44,799)	(10,418)	-	(506,529)
Total equity	128,232	213,596	320,082	(9,384)	(441,928)	-	(44,799)	(7,958)	74,803	232,644
Total liabilities, deferred inflows of resources, and equity	\$ 128,852	\$ 283,531	\$ 320,082	\$ -	\$ -	\$ -	\$ -	\$ 2,460	\$ 74,803	\$ 809,728

Vance County, North Carolina
 Non-Major Governmental Funds
 Combining Statement of Revenues, Expenditures, and
 Changes in Fund Balance
 For The Fiscal Year Ended June 30, 2014

STATEMENT 13

	Special Revenue Funds						Capital Project Funds		Totals	
	Emergency Telephone System Fund	Fire District Fund	Economic Development Fund	Community Development Fund	Neighborhood Stabilization Fund	CDBG Julia Avenue Fund	CDBG Scattered Sites Fund	General Capital Projects Fund		General Capital Reserve Fund
Revenues:										
Ad valorem taxes	\$ -	\$ 774,972	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 774,972
Restricted intergovernmental	369,177	-	167,634	-	72,037	322,996	162,156	471,514	-	1,565,514
Investment earnings	51	-	-	-	-	-	-	76	20	148
Other	-	-	-	-	-	-	-	-	-	-
Total revenues	369,228	774,972	167,634	-	72,037	322,996	162,156	471,590	20	2,340,634
Expenditures:										
Public safety	331,228	495,407	-	-	-	-	-	-	-	826,635
Economic and community development	-	-	3,715	-	119,981	25,078	154,666	571,236	-	874,676
Debt Service										
Principal	116,027	-	-	-	-	-	-	-	-	116,027
Interest and fees	8,662	-	-	-	-	-	-	-	-	8,662
Total expenditures	455,917	495,407	3,715	-	119,981	25,078	154,666	571,236	-	1,826,000
Revenues over (under) expenditures	(86,689)	279,565	163,919	-	(47,944)	297,918	7,490	(99,646)	20	514,634
Other financing sources (uses):										
Operating transfers out	(86,049)	(259,347)	-	-	-	-	-	-	(322,160)	(667,556)
Operating transfers in	-	-	14,672	-	-	-	-	-	247,010	261,682
Total other financing sources (uses)	(86,049)	(259,347)	14,672	-	-	-	-	-	(75,150)	(405,874)
Revenues and other financing sources over (under) expenditures and other financing uses	(172,738)	20,218	178,591	-	(47,944)	297,918	7,490	(99,646)	(75,130)	108,760
Fund balance, beginning of year	300,970	193,378	141,491	(9,384)	(393,984)	(297,918)	(52,289)	91,688	149,933	123,885
Fund balance, end of year	\$ 128,232	\$ 213,596	\$ 320,082	\$ (9,384)	\$ (441,928)	\$ -	\$ (44,799)	\$ (7,958)	\$ 74,803	\$ 232,644

Vance County, North Carolina
Emergency Telephone System Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For The Fiscal Year Ended June 30, 2014

STATEMENT 14

	2014		Variance Positive (Negative)
	Budget	Actual	
Revenues:			
Restricted intergovernmental	\$ 369,177	\$ 369,177	\$ -
Investment earnings	300	51	(249)
Total revenues	369,477	369,228	(249)
Expenditures:			
Public safety			
E-911 fund			
Operating expenditures	413,636	305,011	108,625
Capital outlay	60,364	26,217	34,147
Debt service			
Principal retirement	130,000	116,027	13,973
Interest expense	9,400	8,662	738
Total expenditures	613,400	455,917	157,483
Revenues over (under) expenditures	(243,923)	(86,689)	157,234
Other financing sources (uses):			
Transfer to other funds	(88,482)	(86,049)	2,433
Revenues and other financing sources over (under) expenditures	(332,405)	(172,738)	159,667
Appropriated fund balance	332,405	-	(332,405)
Revenues, other financing sources, and appropriated fund balance over (under) expenditures	<u>\$ -</u>	<u>(172,738)</u>	<u>\$ (172,738)</u>
Fund balance, beginning of year		300,970	
Fund balance, end of year		\$ 128,232	

Vance County, North Carolina
 Fire District Fund
 Statement of Revenues, Expenditures, and
 Changes in Fund Balance - Budget and Actual
 For The Fiscal Year Ended June 30, 2014

STATEMENT 15

	2014		Variance Positive (Negative)
	Budget	Actual	
Revenues:			
Ad valorem taxes	\$ 676,400	\$ 774,972	\$ 98,572
Investment earnings	-	-	-
Total revenues	676,400	774,972	98,572
Expenditures:			
Public Safety			
Contracted services	494,200	495,407	(1,207)
Revenues over (under) expenditures	182,200	279,565	97,366
Other financing uses:			
Transfer to other funds	259,348	259,347	1
Revenues and other financing sources over (under) expenditures	(77,148)	20,218	97,367
Fund balance appropriated	77,148	-	(77,148)
Revenues, other financing sources, and appropriated fund balance over expenditures	<u>\$ -</u>	20,218	<u>\$ 20,219</u>
Fund balance, beginning of year		193,378	
Fund balance, end of year		\$ 213,596	

Vance County, North Carolina
Economic Development Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance
From Inception And For The Fiscal Year Ended June 30, 2014

STATEMENT 16

	Actual			Totals to Date	Variance Positive (Negative)
	Project Authorization	Prior Years	Current Year		
Revenues:					
Restricted intergovernmental					
Golden Leaf Foundation grant	\$ 1,243,650	\$ 1,243,650	\$ -	\$ 1,243,650	\$ -
Federal and State Grants					
Community Development Block Grant	750,000	750,000	-	750,000	-
NC Rural Center Grant	550,000	550,000	-	550,000	-
One North Carolina Fund	600,000	-	-	-	(600,000)
Lease income	-	152,449	167,634	320,083	320,083
Total revenues	3,143,650	2,696,099	167,634	2,863,733	(279,917)
Expenditures:					
Economic & community development					
Administration	-	10,956	3,715	14,671	(14,671)
Construction and renovation	2,500,000	1,900,001	-	1,900,001	599,999
Equipment leasing	1,243,650	1,243,650	-	1,243,650	-
Total expenditures	3,743,650	3,154,607	3,715	3,158,322	585,328
Revenues over (under) expenditures	(600,000)	(458,508)	163,919	(294,589)	305,411
Other financing sources:					
Operating transfers in	\$ 600,000	\$ 600,000	14,672	\$ 614,672	\$ 14,672
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 141,492</u>	178,591	<u>\$ 320,083</u>	<u>\$ 320,083</u>
Fund balance, beginning of year			141,491		
Fund balance, end of year			\$ 320,082		

Vance County, North Carolina
Community Development Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance
From Inception And For The Fiscal Year Ended June 30, 2014

STATEMENT 17

	Actual				Variance Positive (Negative)
	Project Authorization	Prior Years	Current Year	Totals to Date	
Revenues:					
Restricted intergovernmental					
Federal grants					
Scattered Sites	\$ 360,000	\$ 333,245	\$ -	\$ 333,245	\$ (26,755)
Urgent Repairs	40,000	39,990	-	39,990	(10)
Total revenues	400,000	373,235	-	373,235	(26,765)
Expenditures:					
Economic & community development					
Scattered Sites	360,000	338,221	-	338,221	21,779
Urgent Repairs	40,000	39,604.00	-	39,604	396
Total expenditures	400,000	377,825	-	377,825	22,175
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ (4,590)</u>	-	<u>\$ (4,590)</u>	<u>\$ (4,590)</u>
Fund balance, beginning of year			(9,384)		
Fund balance, end of year			\$ (9,384)		

Vance County, North Carolina
 Neighborhood Stabilization Fund
 Schedule of Revenues, Expenditures, and
 Changes in Fund Balance
 From Inception And For The Fiscal Year Ended June 30, 2014

STATEMENT 18

	Actual				Variance Positive (Negative)
	Project Authorization	Prior Years	Current Year	Totals to Date	
Revenues:					
Restricted intergovernmental					
Federal grants					
Neighborhood Stabilization grant	\$2,100,000	\$ 941,246	\$ 72,037	\$1,013,283	\$ (1,086,717)
Total revenues	2,100,000	941,246	72,037	1,013,283	(1,086,717)
Expenditures:					
Economic & community development					
Administration	100,000	112,563	47,966	160,529	(60,529)
Construction and redevelopment	1,067,000	1,078,010	4,536	1,082,546	(15,546)
Purchase and rehabilitation	933,000	144,657	67,479	212,136	720,864
Total expenditures	2,100,000	1,335,230	119,981	1,455,211	644,789
Revenues over (under)					
expenditures	<u>\$ -</u>	<u>\$ (393,984)</u>	<u>(47,944)</u>	<u>\$ (441,928)</u>	<u>\$ (441,928)</u>
Fund balance, beginning of year			(393,984)		
Fund balance, end of year			\$(441,928)		

Vance County, North Carolina
Community Development Fund - Julia Avenue
Schedule of Revenues, Expenditures, and
Changes in Fund Balance
From Inception And For The Fiscal Year Ended June 30, 2014

STATEMENT 19

	Actual			Totals to Date	Variance Positive (Negative)
	Project Authorization	Prior Years	Current Year		
Revenues:					
Restricted intergovernmental					
Federal grants					
CDBG - Julia Avenue	\$ 850,000	\$ 308,745	\$ 322,996	\$ 631,741	\$(218,259)
Total revenues	850,000	308,745	322,996	631,741	(218,259)
Expenditures:					
Economic & community development					
2011 Catalyst 11-C-2375					
Administration	68,000	126,842	-	126,842	(58,842)
Public facilities and improvements	376,000	253,519	25,078	278,597	97,403
Clearance	5,000	-	-	-	5,000
Planning	3,500	942	-	942	2,558
Construction and rehabilitation	397,500	225,360	-	225,360	172,140
Total expenditures	850,000	606,663	25,078	631,741	218,259
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ (297,918)</u>	<u>297,918</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning of year			(297,918)		
Fund balance, end of year			\$ -		

Vance County, North Carolina
Community Development Fund - Scattered Sites
Schedule of Revenues, Expenditures, and
Changes in Fund Balance
From Inception And For The Fiscal Year Ended June 30, 2014

STATEMENT 20

	Actual				Variance Positive (Negative)
	Project Authorization	Prior Years	Current Year	Totals to Date	
Revenues:					
Restricted intergovernmental Community Development Block Grants					
Scatter Sites	\$ 360,000	\$ 109,339	\$ 162,156	\$ 271,495	\$ (88,505)
Urgent Repairs	40,000	-	-	-	(40,000)
Total revenues	400,000	109,339	162,156	271,495	(128,505)
Expenditures:					
Economic & community development 2011 Catalyst 11-C-2375					
Administration	33,770	23,232	16,439	39,671	(5,901)
Planning	6,230	-	-	-	6,230
Rehabilitation	320,000	138,396	138,227	276,623	43,377
Urgent Repairs	40,000	-	-	-	40,000
Total expenditures	400,000	161,628	154,666	316,294	83,706
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ (52,289)</u>	7,490	<u>\$ (44,799)</u>	<u>\$ (44,799)</u>
Fund balance, beginning of year				(52,289)	
Fund balance, end of year				\$ (44,799)	

Vance County, North Carolina
 General Capital Projects Fund
 Schedule of Revenues, Expenditures, and
 Changes in Fund Balance
 From Inception And For The Fiscal Year Ended June 30, 2014

STATEMENT 21

	Actual			Totals to Date	Variance Positive (Negative)
	Project Authorization	Prior Years	Current Year		
Revenues:					
Restricted intergovernmental					
Grants and donations - Farmers Market	\$ 577,448	\$ -	\$ 471,514	\$ 471,514	\$ (105,934)
Investments earnings	-	1,550	76	1,626	1,626
Total revenues	577,448	1,550	471,590	473,140	(104,308)
Expenditures:					
Economic & community development					
Farmers Market					
Administration	3,000	-	-	-	3,000
Contracted services	71,417	-	7,119	7,119	64,298
Constructions	29,754	-	564,117	564,117	(534,363)
Contingency	523,277	-	-	-	523,277
Public Safety					
Jail renovations	2,025,820	1,959,862	-	1,959,862	65,958
Total expenditures	2,653,268	1,959,862	571,236	2,531,098	122,170
Revenues over (under) expenditures	(2,075,820)	(1,958,312)	(99,646)	(2,057,958)	17,862
Other financing sources:					
Installment purchase obligations issued	2,000,000	2,000,000	-	2,000,000	-
Operating transfers in	75,820	50,000	-	50,000	(25,820)
Total other financing sources	2,075,820	2,050,000	-	2,050,000	(25,820)
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 91,688</u>	<u>(99,646)</u>	<u>\$ (7,958)</u>	<u>\$ (7,958)</u>
Fund balance, beginning of year			91,688		
Fund balance, end of year			<u>\$ (7,958)</u>		

Vance County, North Carolina
 Capital Reserve Fund - General
 Statement of Revenues, Expenditures, and
 Changes in Fund Balance - Budget and Actual
 For The Fiscal Year Ended June 30, 2014

STATEMENT 22

	2014		Variance Positive (Negative)
	Budget	Actual	
Revenues:			
Investment earnings	150	20	\$ -
Expenditures:			
Economic Development			
Operating expenditures	-	-	-
Revenues over (under) expenditures	150	20	(130)
Other financing sources (uses):			
Operating transfers in	247,010	247,010	-
Operating transfers out	(322,160)	(322,160)	-
Total other financing sources (uses)	(75,150)	(75,150)	-
Revenues and other financing sources over (under) expenditures	(75,000)	(75,130)	(130)
Fund balance appropriated	75,000	-	(75,000)
Revenues, other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>(75,130)</u>	<u>\$ (75,130)</u>
Fund balance, beginning of year		149,933	
Fund balance, end of year		<u>\$ 74,803</u>	

Vance County, North Carolina
School Capital Projects Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance
From Inception And For The Fiscal Year Ended June 30, 2014

STATEMENT 23

	Actual				Variance Favorable (Unfavorable)
	Project Authorization	Prior Years	Current Year	Totals to Date	
Revenues:					
Restricted intergovernmental:					
Lottery proceeds	\$ 931,154	\$ 931,154	\$ -	\$ 931,154	\$ -
Investment earnings	-	17,439	682	18,121	18,121
Total revenues	931,154	948,593	682	949,275	18,121
Expenditures:					
Education					
New Clarke Elementary School	14,016,545	13,789,232	-	13,789,232	227,313
Multi-purpose rooms, HVAC	3,952,945	3,651,049	-	3,651,049	301,896
Public School Facility Improvemen	2,000,000	70,031	991,070	1,061,101	938,899
NVHS Science labs	545,850		507,520	507,520	38,330
Total expenditures	20,515,340	17,510,312	1,498,590	19,008,903	1,506,437
Revenues over (under) expenditures	(19,584,186)	(16,561,719)	(1,497,908)	(18,059,627)	1,524,558
Other financing sources:					
Installment purchase obligations	18,924,320	18,924,320	-	18,924,320	-
Operating transfers in	659,866	206,418	-	206,418	(453,448)
Total other financing sources	19,584,186	19,130,738	-	19,130,738	(453,448)
Revenues and other financing sources over (under) expenditures	\$ -	\$ 2,569,019	(1,497,908)	\$ 1,071,111	\$ 1,071,111
Fund balance, beg. of year			2,569,019		
Fund balance, end of year			\$ 1,071,111		
Amounts reported for revenues, expenditures, and changes in fund balance are different from the budget/actual statement due to consolidation of the School Capital Reserve Fund:					
Investment earnings			77		
Reimbursements			125,000		
QSCB interest			394,955		
Lottery proceeds			160,651		
Transfers in			2,139,832		
Transfers out			(2,361,041)		
Fund balance, beginning, School Capital Reserve Fund			270,861		
Fund balance, ending, consolidated School Capital Projects			\$ 1,801,446		

Vance County, North Carolina
School Capital Reserve Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For The Fiscal Year Ended June 30, 2014

STATEMENT 24

	2014		Variance Positive (Negative)
	Budget	Actual	
Revenues:			
Restricted intergovernmental			
QSCB interest reimbursement	\$ 173,115	\$ 160,651	\$ (12,464)
Lottery proceeds	394,956	394,955	(1)
Local option sales tax	-	-	-
Other reimbursements	125,000	125,000	-
Investment earnings	400	77	(323)
Total revenues	693,471	680,683	(12,788)
Expenditures:			
Education			
Capital outlay	16,930	-	-
Total expenditures	16,930	-	16,930
Revenues over (under) expenditures	676,541	680,683	4,142
Other financing sources (uses):			
Operating transfers in	1,684,500	2,139,832	455,332.00
Operating transfers out	(2,361,041)	(2,361,041)	-
Proceeds from issuance of debt	-	-	-
Total other financing sources (uses)	(676,541)	(221,209)	455,332
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>459,474</u>	<u>\$ 459,474</u>
Fund balance, beginning of year		270,861	
Fund balance, end of year		<u>\$ 730,335</u>	

Vance County, North Carolina
Solid Waste Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For The Fiscal Year Ended June 30, 2014

STATEMENT 25

	2014		Variance Positive (Negative)
	Budget	Actual	
Revenues:			
Charges for services			
Household fees	\$ 1,940,373	\$ 1,974,947	\$ 34,574
Warren County manned site	33,500	37,962	4,462
Other operating revenues	30,000	-	(30,000)
Total operating revenues	2,003,873	2,012,909	9,037
Non-operating revenues			
Investment earnings	35	0	(35)
Reimbursements	5,500	13,110	7,610
Intergovernmental taxes and fees	189,180	105,048	(84,132)
Total non-operating revenues	194,715	118,158	(76,557)
Total revenues	2,198,588	2,131,067	(67,521)
Expenditures:			
Landfill operations			
Salaries and benefits		61,929	
Operating expenditures		95,243	
Contracted services		1,882,300	
Total	2,198,588	2,039,472	159,116
Capital outlay	0	9,669	(9,669)
Total expenditures	2,198,588	2,049,141	149,447
Revenues over (under) expenditures	\$ -	81,926	\$ 81,926
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Depreciation		(7,147)	
Increase in other postemployment benefits		(5,424)	
Decrease in compensated absences		413	
Capital outlay		9,669	
Decrease in landfill closure costs		6,042	
Net income (loss), full accrual basis		\$ 85,479	

Vance County, North Carolina
Water Fund
Statement of Revenues, Expenditures, and
Financial Plan and Actual
For The Fiscal Year Ended June 30, 2014

STATEMENT 26

	2014		Variance Positive (Negative)
	Budget	Actual	
Revenues:			
Charges for services			
Water sales and connection fees	\$ 119,096	\$ 110,944	\$ (8,152)
Other operating revenues	17,631	16,659	(972)
Total operating revenues	136,727	127,603	(9,123)
Nonoperating revenues			
Investment earnings	60	11	(49)
Total revenues	136,787	127,614	(9,173)
Expenditures:			
Landfill operations			
Purchased water		52,374	
Operating expenditures		2,838	
Contracted services		72,687	
Total	196,187	127,899	68,288
Capital outlay	15,600	-	15,600
Total expenditures	211,787	127,899	83,888
Revenues over (under) expenditures	(75,000)	(285)	74,715
Appropriated fund balance	75,000	-	(75,000)
Revenues, other financing sources, and appropriated fund balance over (under) expenditures and other financing uses	-	\$ (285)	\$ (285)
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Interest earnings from project		14,834	
Net income (loss), full accrual basis		\$ 14,549	

Vance County, North Carolina
Water District Capital Projects Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance
From Inception And For The Fiscal Year Ended June 30, 2014

STATEMENT 27

	Actual				Variance Favorable (Unfavorable)
	Project Authorization	Prior Years	Current Year	Totals to Date	
Revenues:					
Restricted intergovernmental:					
Federal and state grants	\$ 3,012,478	\$ -	\$ -	\$ -	\$ (3,012,478)
Investment earnings	-	5,342	14,834	20,176	20,176
Total revenues	3,012,478	5,342	14,834	20,176	(2,992,302)
Expenditures:					
Water capital project					
Professional fees	836,257	284,938	1,522,010	1,806,948	(970,691)
Interest expense	236,035	26,652	28,167	54,819	181,216
Construction and acquisition	7,462,866	4,672,979	3,816,644	8,489,623	(1,026,757)
Debt service	317,885	-	43,750	43,750	274,135
Total expenditures	8,853,043	4,984,569	5,410,571	10,395,141	(1,542,098)
Revenues over (under) expenditures	(5,840,565)	(4,979,227)	(5,395,737)	(10,374,964)	(4,534,400)
Other financing sources:					
Installment purchase obligations	5,627,000	3,841,385	7,918,615	11,760,000	6,133,000
Operating transfers in	213,565	-	-	-	(213,565)
Total other financing sources	5,840,565	3,841,385	7,918,615	11,760,000	5,919,435
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ (1,137,842)</u>	<u>2,522,878</u>	<u>\$ 1,385,036</u>	<u>\$ 1,385,036</u>
Fund balance, beg. of year			(1,137,842)		
Fund balance, end of year			<u>\$ 1,385,036</u>		

Vance County, North Carolina
Agency Funds
Combining Statement of Changes in Assets and Liabilities
For The Fiscal Year Ended June 30, 2014

STATEMENT 28

	Balance July 1, 2013	Deposits	Disbursements	Balance June 30, 2014
Social Services Fund:				
Assets, cash	\$ 86,152	\$ 268,788	\$ 247,911	\$ 107,029
Liabilities				
Accounts payable	\$ 86,152	\$ 268,788	\$ 247,911	\$ 107,029
Fines and Forfeitures Fund:				
Assets, cash	\$ -	\$ 225,137	\$ 225,137	\$ -
Liabilities				
Intergovernmental payable	\$ -	\$ 225,137	\$ 225,137	\$ -
City Ad Valorem and +Motor Vehicle Tax:				
Assets, cash	\$ -	\$6,143,195	\$ 6,143,195	\$ -
Liabilities				
Accounts payable	\$ -	\$6,143,195	\$ 6,143,195	\$ -
Register of Deeds Trust Fund:				
Assets, cash	162	5,103	5,116	149
Liabilities				
Intergovernmental payable	162	5,103	5,116	149
Totals - All Agency Funds:				
Assets, cash	\$ 86,314	\$6,642,223	\$ 6,621,359	\$ 107,178
Liabilities				
Accounts payable	\$ 86,152	\$6,417,086	\$ 6,396,222	\$ 107,016
Intergovernmental payable	162	225,137	225,137	162
Total liabilities	\$ 86,314	\$6,642,223	\$ 6,621,359	\$ 107,178

Vance County, North Carolina
 Schedule of Ad Valorem Taxes Receivable
 June 30, 2014

SCHEDULE 1

Fiscal Year	Uncollected Balance June 30, 2013	Additions	Collections and Credits	Adjustments	Uncollected Balance June 30, 2014
2013-2014	\$ -	\$ 23,078,459	\$ 22,073,356	\$ -	\$ 1,005,103
2012-2013	1,273,807	-	731,320	46,560	589,047
2011-2012	539,928	-	271,294	-	268,634
2010-2011	299,760	-	148,185	-	151,575
2009-2010	159,747	-	75,108	-	84,639
2008-2009	117,306	-	33,633	-	83,673
2007-2008	77,428	-	14,622	-	62,806
2006-2007	70,917	-	10,016	-	60,901
2005-2006	64,662	-	5,591	-	59,071
2004-2005	58,486	-	4,854	-	53,632
2003-2004	62,472	-	62,472	-	-
	<u>\$ 2,724,513</u>	<u>\$ 23,078,459</u>	<u>\$ 23,430,451</u>	<u>\$ 46,560</u>	<u>\$ 2,419,081</u>
Less allowance for uncollectible taxes					
General Fund					(480,384)
<u>Ad valorem taxes receivable - net</u>					<u>\$ 1,938,697</u>
Reconciliation with revenues:					
Ad valorem taxes - General Fund					\$ 23,942,778
Reconciling items					
Interest collected					(442,982)
Adjustments and write-offs					(69,345)
<u>Total reconciling items</u>					<u>(512,327)</u>
<u>Total collections and credits</u>					<u>\$ 23,430,451</u>

Vance County, North Carolina
 Analysis of Current Tax Levy-County-Wide Levy
 June 30, 2014

SCHEDULE 2

	County Wide			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at current years rate	\$ 2,643,145,893	0.782	\$ 22,263,026	\$ 20,190,661	\$ 2,072,366
Motor vehicles taxed at prior years rate	\$ 106,793,997	0.782	\$ 835,129	\$ -	\$ 835,129
Penalties	-		42,515	42,515	-
	<u>2,749,939,890</u>		<u>23,140,670</u>	<u>20,233,176</u>	<u>2,907,495</u>
Discoveries:					
Discoveries and corrections	16,220,257		127,021	122,121	4,899
Releases	(20,965,543)		(171,080)	(154,038)	(17,042)
Total	<u>(4,745,286)</u>		<u>(44,059)</u>	<u>(31,917)</u>	<u>(12,143)</u>
Abatements	<u>(2,321,301)</u>		<u>(18,152)</u>	<u>-</u>	<u>(18,152)</u>
<u>Total property valuation</u>	<u>\$ 2,742,873,303</u>				
Net Levy			23,078,459	20,201,259	2,877,200
Uncollected taxes at June 30, 2014			1,005,103	895,568	109,535
Current years taxes collected			<u>\$ 22,073,356</u>	<u>\$ 19,305,691</u>	<u>\$ 2,767,665</u>
Current levy collection percentage			95.64%	95.57%	96.19%

Vance County, North Carolina
 Analysis Of Current Tax Levy
 For the Fiscal Year Ended June 30, 2014

SCHEDULE 3

Secondary Market Disclosures:

	Taxed at Current Year's Rate	Taxed at Prior Year's Rate	Total
Assessed Valuation:			
Assessment Ratio	100%	100%	100%
Real property	\$ 2,206,168,115	\$ -	\$ 2,206,168,115
Personal property	660,846,322	946,562	661,792,884
Public service companies	77,789,058	-	77,789,058
Total assessed valuation	2,944,803,495	946,562	2,945,750,057
Tax rate per \$100	0.782	0.798	
Tax levy	23,028,363	7,581	23,035,944
Penalties	42,515	-	42,515
Net levy	\$ 23,070,878	\$ 7,581	\$ 23,078,459

Vance County, North Carolina
 Ten Largest Taxpayers
 June 30, 2014

SCHEDULE 4

Taxpayer	Type of Business	Assessed Valuation	Percentage of Total Assessed
DLP Maria Parham Medical	Private Hospital	65,964,843	2.24%
I AMS Company	Manufacturing	63,356,297	2.15%
Saint Gobain Containers Inc.	Manufacturing	48,537,192	1.65%
Progress Energy Carolinas	Utilities	46,162,174	1.57%
Wal-Mart Stores East LP	Retail	26,030,379	0.88%
Variety Wholesalers	Retail	19,330,994	0.66%
W&W Properties and Rentals LLC	Property Management	17,616,979	0.60%
Sempri US	Manufacturing	14,568,544	0.49%
Carolina Telephone	Utilities	13,720,563	0.47%
Wal-Mart Real Estate Business Trust	Retail	13,720,563	0.47%
Total		329,008,528	11.18%

Vance County, North Carolina
 Schedule Of Cash And Investment Balances
 June 30, 2014

SCHEDULE 5

	Carrying Value	Cost Value	Market Value
Cash			
On hand	\$ 3,115	\$ 3,115	\$ 3,115
In demand deposits	12,824,009	12,824,009	12,824,009
	12,827,124	12,827,124	12,827,124
Other investments			
North Carolina Cash Management Trust	24,871,328	24,871,328	24,871,328
Total cash and investments	\$ 37,698,452	\$ 37,698,452	\$ 37,698,452

Distribution by Funds

	Carrying Value
General Fund	\$ 23,207,012
Special Revenue Funds	
Vehicle Replacement Fund	177,371
State Controlled Substance Fund	64,675
Revaluation Reserve Fund	34,861
Federally Seized Property Fund	168,820
School Capital Outlay Fund	4,857,514
Emergency Telephone System Fund	510,454
Family and Caregiver Education Fund	4,455
Automation Preservation Fund	85,053
Scrap Tire Disposal Fund	187,489
Fire District Funds (Consolidated)	59,574
	6,150,266
Capital Project Funds	
Capital Improvement Fund	3,774,672
	3,774,672
Enterprise Funds	
Landfill Fund	4,076,168
Internal Service Fund	
Employee Insurance Fund	473,609
Agency Fund	
Social Services Fund	16,725
Total cash and investments	\$ 37,698,452

COMPLIANCE SECTION



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INDEPENDENT AUDITOR'S 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

To the Board of County Commissioners
Vance 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 financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Vance County, North Carolina (the "County"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated February 13, 2015. The financial statements of Vance County Tourism Development Authority were not audited in accordance with *Governmental Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses (2014-1 through 2014-6, 2014-9, and 2014-10), significant deficiencies (2014-7, 2014-8, and 2014-11 through 2014-13), and control deficiencies other than material weaknesses and significant deficiencies (2014-14 and 2014-15).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Case, Riggs & Ingram, L.L.C.

La Grange, North Carolina

February 13, 2015



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133 AND THE
STATE SINGLE AUDIT IMPLEMENTATION ACT**

To the Board of County Commissioners
Vance County, North Carolina

Report on Compliance for Each Major Federal Program

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

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

Basis for Qualified Opinion on the Subsidized Child Care Program

As described in the accompanying schedule of findings and questioned costs, the County did not comply with requirements regarding Activities Allowed and Unallowed for the Subsidized Child Care Program (CFDAs 93.558, 93.575, 93.596, and 93.667, see finding 2014-2). Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to that program.

Qualified Opinion on the Subsidized Child Care Program

In our opinion, except for the noncompliance described in the Basis in the Qualified Opinion paragraph, the 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 major programs identified in the accompanying schedule of findings and questioned costs of the County for the year ended June 30, 2014.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2014-3 through 2014-8. Our opinion on each major federal program is not modified with respect to these matters.

Vance County, North Carolina's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of Vance County, North Carolina, 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 the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

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 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 deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2014-1 to be a material weakness.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Carly Riggs & Ingram, L.L.C.

Raleigh, North Carolina
February 13, 2015



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133 AND THE
STATE SINGLE AUDIT IMPLEMENTATION ACT**

To the Board of County Commissioners
Vance County, North Carolina

Report on Compliance for Each Major State Program

We have audited Vance County, North Carolina's (the "County") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the County's major state programs for the year ended June 30, 2014. The 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 federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the 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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the *State Single Audit Implementation Act*. Those standards, OMB Circular A-133, and the *State Single Audit Implementation Act* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major State Program

In our opinion, Vance County, North Carolina, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2014.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2014-9. Our opinion on each major state program is not modified with respect to this matter.

Vance County, North Carolina's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of Vance County, North Carolina, 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 the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

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 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 deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2014-1 to be a material weakness.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Carr, Riggs & Ingram, L.L.C.

La Grange, North Carolina
February 13, 2015

Vance County, North Carolina
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2014

Section I - Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weaknesses identified? X Yes No

- Significant deficiencies identified that are not considered to be material weaknesses? X Yes No

Noncompliance material to financial statements noted? X Yes No

Federal Awards:

Internal control over financial reporting:

- Material weaknesses identified? X Yes No

- Significant deficiencies identified that are not considered to be material weaknesses? Yes X No

Noncompliance material to federal awards noted? X Yes No

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

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

Identification of major federal programs:

CDFA Number	Name of Federal Program or Cluster
93.778	Medical Assistance
93.575	Subsidized Child Care Cluster
93.596	
93.558	
93.667	
93.658	Foster Care and Adoption Assistance Cluster
93.659	

Vance County, North Carolina
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014

Effect: Partially as a result of these conditions, an alleged embezzlement totaling an estimated \$352,000 over a seven-year period was detected in July 2014. These circumstances constitute a material weakness in internal control.

Cause: Turnover of personnel, a limited number of finance office personnel, and varying processes for approving cash disbursements among county departments partially resulted in the lack of segregation of duties.

Recommendation: Segregation of duties over cash disbursements and bank reconciliations should be implemented to reduce the risk of errors, misstatements, and fraud and illegal acts. Where duties cannot be segregated due to limitations on resources, additional monitoring controls should be implemented mitigate any associated risks.

Views of responsible official and planned corrective action: Management agrees with this finding and accepts its responsibility and role in maintaining adequate internal controls. The Finance Officer has begun looking for areas to separate cash disbursements and bank reconciliation responsibilities to foster more effective segregation of duties. Additionally, after detection of the aforementioned alleged embezzlement, the Finance Officer implemented additional controls over cash disbursements and purchasing activities to mitigate future risks of fraud and illegal acts.

Finding: 2014-10

Material Weakness
Material to Noncompliance

Criteria: Management is responsible for establishing and maintaining internal control, including monitoring of key internal controls and ensuring appropriate segregation of duties have been implemented.

Condition: Controls had not been implemented over purchasing and accounts payable processes during the fiscal year, including the failure to implement a purchase order system to control the requisitioning of goods or services prior to their purchase. Additionally, the County had not implemented mitigating monitoring controls including supervisory reviews of requisitions of goods or services prior to their purchase for costs incurred by the County that did not require approval from the Board of Commissioners. These factors, in combination with the material weakness resulting from the lack of segregation of duties, partially resulted in the embezzlement discussed in finding 2014-1.

Effect: Partially as a result of these conditions, an alleged embezzlement totaling an estimated \$352,000 over a seven-year period was detected in July 2014. These circumstances constitute a material weakness in internal control.

Cause: Turnover of personnel, a limited number of finance office personnel, and a lack of a centralized and formal system for requesting and approval of purchases of goods and services.

Vance County, North Carolina
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014

Recommendation: The County should implement a formal policy for requisitioning goods and services such that requested costs must receive supervisory approval prior to their purchase. A formally implemented purchase order system should be considered to control costs incurred for the purchase of good and services.

Views of responsible official and planned corrective action: Management agrees with this finding and accepts its responsibility and role in maintaining adequate internal controls. The Finance Officer began implementation of a purchase order system in August 2014. Management will continue to monitor and improve the purchase order system to ensure its effectiveness in controlling requisitioning activities in the future.

Finding: 2014-11

Significant Deficiency
Immaterial to Noncompliance

Criteria: Management is responsible for managing and monitoring the County's borrowing obligations.

Condition: The County did not maintain a schedule of long-term debt, detailing total obligations outstanding, current maturities of principle and interest payments, and a description of the obligations' interest rates, maturity dates, and other information necessary to appropriately manage County borrowings.

Effect: The County's debt obligations outstanding, including current maturities, interest rates and interest payment amounts, and long-term obligations could not be ascertained without difficulty or referring directly to loan and obligation agreements.

Cause: The County did not maintain a debt schedule or track debt obligations through the general ledger system.

Recommendation: The County should develop a schedule of debt and long-term loan obligations that regularly maintained, reviewed, and approved by a party independent of the preparer in order to provide visibility into the County's leveraged position and future cash flows associated with long-term borrowings.

Views of responsible official and planned corrective action: Management agrees with this finding. The Finance Director will create a schedule of long-term debt and obligations to assist the County in managing its borrowings.

Finding: 2014-12

Significant Deficiency
Immaterial to Noncompliance

Criteria: Management is responsible for maintaining control over billing activities for its water district, services partially provided by a provided by third party service organizations.

Condition: The County had not implemented a process to monitor the sales of water as measured and invoiced by third party service providers.

Effect: The County did not have a process in place to ensure invoicing, collections, and reporting for water district sales were complete and accurate.

Vance County, North Carolina
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014

Cause: The County had not implemented a process to monitor the sales of water, information provided and invoiced by a third party.

Recommendation: The County should implement a process to compare water sales measured by the third party compared to a sales expectation based on the number of customers, base rates, and expected use prior to recording monthly water sales.

Views of responsible official and planned corrective action: Management agrees with this finding. The Finance Officer will develop a process to monitor monthly water district revenues as provided by the third party service organization compared to the County's monthly sales expectations.

Finding: 2014-13

Significant Deficiency
Immaterial to Noncompliance

Criteria: Management is responsible for assessing the effects of controls of service organizations contracted by the County on the County's system of internal control.'

Condition: The County has contracted with a service organization to process tax office and water district billing and invoicing information. The County had not assessed the effects of the service organization's internal controls upon its own system of internal controls within the current fiscal year.

Effect: Internal control weaknesses within the service organization's system of internal control could potentially have a direct and material effect on information provided to the county. Because the County had not assessed the effect of the service organization's internal controls on its own system of internal control, the County's controls may not have been detected potential errors in information provided by the service organization.

Cause: The County had not assessed the internal controls of the service organization their potential effects on the County's system of internal controls relative to tax office and water district activities.

Recommendation: The County should maintain a documented understanding of the service provider's controls and their impact on the County's internal controls and processes relative to the affected activity areas.

Views of responsible official and planned corrective action: Management agrees with this finding. The Finance Director will develop a process for assessing and documenting the affect of the service organization's controls on the County's internal control system.

Vance County, North Carolina
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014

Finding: 2014-14

**Control Deficiency Other Than Significant Deficiencies or Material Weaknesses
Immaterial to Noncompliance**

Criteria: Management is responsible for ensuring the security of data created by and stored by the County's information technology assets.

Condition: The County was utilizing fifteen workstations utilizing the Microsoft XP operating system during the fiscal year. The developer ceased supporting the Microsoft XP operating system in January 2014, exposing the County to security risks associated with the use of an operating system no longer receiving security updates and patches.

Effect: County information secured on the fifteen workstations making use of the unsupported operating system were exposed to an elevated level of security risk during the fiscal year because they were no longer receiving operating system security updates and patches after January 2014.

Cause: The developer of the Microsoft XP operating system ceased supporting the product in January 2014, and the workstations still using that operating system were not upgraded to a supported version prior to this time frame.

Recommendation: The County should upgrade the operating systems of workstations utilizing the Microsoft XP operating system to an operating system still supported by the by developer and receiving regular security updates and patches.

Views of responsible official and planned corrective action: Management agrees with this finding. The County will update the identified workstations to a supported operating system.

Finding: 2014-15

**Control Deficiency Other Than Significant Deficiencies or Material Weaknesses
Immaterial to Noncompliance**

Criteria: Management is responsible for monitoring and tracking funds received by, disbursed by, and maintained in the custody of the County.

Condition: Ad valorem tax revenues were received by the County for the cities of Henderson, Kittrell, and Middleburg along with the County's ad valorem tax revenue. Tax revenues received for the cities within the County were not recorded in the County's general ledger or recorded in agency funds.

Effect: The County was not maintaining accounting records to document the inflow and outflow of agency funds received by the County for other governments.

Cause: The County was not recording ad valorem tax revenues with the exception of those received specifically for the County, though the County received and disbursed tax revenues for three other governments.

Vance County, North Carolina
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014

Recommendation: The County should begin tracking all tax revenues received and disbursed, including those for other governments, through the use of agency funds in the County's general ledger.

Views of responsible official and planned corrective action: Management agrees with this finding. The Finance Director and tax office will begin tracking funds received by the County tax office for other governments through agency funds in the County general ledger to maintain appropriate accounting records over third party funds in the custody of the County.

Section III - Federal Award Findings and Questioned Costs

U.S. Department of Health and Human Services
Division of Child Development
Program Name: Subsidized Child Care Cluster
CFDA Numbers: 93.596, 93.575, 93.558, 93.658

Finding: 2014-2

Material Weakness
Material to Noncompliance
Activities Allowed and Unallowed

Criteria: Local case files for subsidized child care applicants are required to specific forms and supporting documentation, including applications, income and budget information and other required documentation.

Condition: Seven providers received subsidized child care payments, of which four had incomplete application forms, two were missing signed agreement forms, and one provider missing both the application and the agreement forms.

Questioned costs: \$131,873

Context: Payments to the providers noted above were identified in nine of sixty sampled subsidized child care benefit payments.

Effect: Benefit payments were made to providers who have not completed the required documentation.

Cause: Human error during the provider annual recertification process, and the lack of a monitoring system for program case files.

Recommendation: Consider implementing review procedures to monitor program case files to ensure documentation supports the eligibility of the applicants receiving benefits.

Views of responsible official and planned corrective action: The County agrees with this finding and is currently investigating the implementation of a case file monitoring process.

Vance County, North Carolina
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014

U.S. Department of Health and Human Services
DSS-1571 -- Federal Crosscutting Report

Finding: 2014-3

Material Weakness
Immaterial to Noncompliance
Reporting

Criteria: Information reported for reimbursement on the DSS-1571 report must agree with the county general ledger upon submission.

Condition: Indirect costs reported on two DSS-1571 reports selected for examination did not tie to the general ledger for those months. Reimbursed costs were corrected in subsequent months to ensure the County did not receive more reimbursement.

Questioned costs: Unknown

Context: Indirect costs for two monthly DSS-1571 reports did not tie to the general ledger out of four selected for examination.

Effect: The County was over-reimbursed for DSS program costs during the two months examined, though the amounts reimbursed were corrected in subsequent months.

Cause: Cost reports required to prepare the monthly DSS-1571 reports were not received from the finance office with sufficient time to reconcile the reported costs to the general ledger prior to submission.

Recommendation: Cost reports should be obtained from the finance office for reconciliation prior to submission of the monthly DSS-1571. Additionally, the report should be reviewed by a department member independent of the report preparer to ensure the report agrees with the general ledger prior to submission.

Views of responsible official and planned corrective action: The County agrees with this finding and is developing a process for the business officer to review the monthly DSS-1571 reports prior to filing. Additionally, members of the department have communicated with the finance office the need for receiving the required cost reports on a more timely basis for report reconciliation.

Vance County, North Carolina
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014

U.S. Department of Health and Human Services
Passed through the North Carolina Department of Health and Human Services
Program Name: Medical Assistance Program
CFDA Numbers: 93.778

Finding: 2014-4

Material Weakness
Immaterial to Noncompliance
Eligibility

Criteria: Case files for applicants of medical assistance benefits must contain specific forms and supporting documentation to establish their eligibility prior to receiving benefits. Case files must include applications for benefits, budget and income verifications, and other supporting documentation as necessary.

Condition: The case files for three applicants transferred from another county could not be located because the case files had not been obtained from the transferring county. Additionally, the case file for one applicant receiving benefits could not be found. Finally, one applicant's case file did not include a completed budget or income verification documentation.

Questioned costs: Unknown

Context: The noted case files represented five selections out of a sample of sixty case files for examination.

Effect: Benefit payments were made to five ineligible applicants.

Cause: Human error when establishing and maintaining case file documentation, failure to obtain case files from the transferring county, and the lack of a monitoring system for program case files.

Recommendation: Consider implementing review procedures to monitor program case files to ensure documentation supports the eligibility of the applicants receiving benefits. Additionally, if case workers are unable to obtain case files from transferring counties for program applicants, the case workers should establish new eligibility documentation.

Views of responsible official and planned corrective action: The County agrees with this finding and is currently investigating the implementation of a case file monitoring process as noted in the finding above. Additionally, case workers will establish new eligibility files for program applicants who have transferred from other counties but for whom case files cannot be obtained.

Vance County, North Carolina
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014

U.S. Department of Health and Human Services
Passed through the North Carolina Department of Health and Human Services
Program Name: Medical Assistance Program
CFDA Numbers: 93.778

Finding: 2014-5

Material Weakness
Immaterial to Noncompliance
Eligibility

Criteria: Applicants with income above the State-determined thresholds are not eligible for benefits payments through the medical assistance program. Case workers must review applicant income to ensure the household income of those receiving benefits does not exceed the income threshold.

Condition: The household income for one applicant case file was above the State-determined threshold.

Questioned costs: Unknown

Context: The applicant's case file was one of sixty sampled case files.

Effect: Benefit payments were made to an ineligible applicant.

Cause: Human error when establishing and maintaining case file documentation, and the lack of a monitoring system for program case files.

Recommendation: Consider implementing review procedures to monitor program case files to ensure documentation supports the eligibility of the applicants receiving benefits.

Views of responsible official and planned corrective action: The County agrees with this finding and is currently investigating the implementation of a case file monitoring process as noted in the finding above.

U.S. Department of Health and Human Services
Passed through the North Carolina Department of Health and Human Services
Program Name: Foster Care and Adoption Cluster
CFDA Numbers: 93.658, 93.659

Finding: 2014-6

Material Weakness
Immaterial to Noncompliance
Eligibility

Criteria: Case files for applicants receiving adoption benefits must contain appropriate documentation supporting the children's adoptions.

Condition: Two applicants received assistance though their case files did not contain adequate documentation

Vance County, North Carolina
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014

Questioned costs: Unknown

Context: The identified case files were two of fourteen receiving benefits during fiscal year 2014.

Effect: Benefit payments were made to applicants that may not be eligible.

Cause: Human error when establishing and maintaining case file documentation, and the lack of a monitoring system for program case files.

Recommendation: Consider implementing review procedures to monitor program case files to ensure documentation supports the eligibility of the applicants receiving benefits.

Views of responsible official and planned corrective action: The County agrees with this finding and is currently investigating the implementation of a case file monitoring process as noted in the finding above.

U.S. Department of Health and Human Services
Division of Child Development
Program Name: Subsidized Child Care Cluster
CFDA Numbers: 93.596, 93.575, 93.558, 93.658

Finding: 2014-7

Significant Deficiency
Immaterial to Noncompliance
Eligibility

Criteria: If the household income for families applying for subsidized child care benefits exceeds program-determined thresholds, the family is responsible for making payments for a portion of the cost. Caseworkers are responsible for calculating the parent fees during the eligibility determination or annual recertification process.

Condition: The parent fee for one household was incorrectly calculated by the caseworker, resulting in overpayment of the parent fee to the county.

Questioned costs: \$(192)

Context: The case file identified was one of sixty sampled subsidized child care benefit payments.

Effect: The county was overpaid for subsidized child care benefits, resulting in under-reimbursement for county costs.

Cause: Human error when establishing and maintaining case file documentation, and the lack of a monitoring system for program case files.

Recommendation: Consider implementing review procedures to monitor program case files to ensure documentation supports the eligibility of the applicants receiving benefits.

Views of responsible official and planned corrective action: The County agrees with this finding and is currently investigating the implementation of a case file monitoring process.

Vance County, North Carolina
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014

U.S. Department of Health and Human Services
Form DSS-1571 Federal Crosscutting

Finding: 2014-8

Significant Deficiency
Immaterial to Noncompliance
Reporting

Criteria: Information reported for reimbursement on the DSS-1571 report must agree with the county general ledger upon submission and include reimbursements that have been calculated in accordance with federal policies.

Condition: Though the federal mileage reimbursement rate was updated as of January 1, 2014, the mileage reimbursement rate was not updated by the county for DSS-1571 reporting purposes until February 2014.

Questioned costs: Unknown

Context: This circumstance was noted during examination of one of a sample of four monthly DSS-1571 reports.

Effect: County employees and the County were over-reimbursed for usage of personal vehicles.

Cause: Human error in failing to update the departmental policy for the change in mileage reimbursement and a lack of a review process over the submission of the DSS-1571 reports.

Recommendation: The accounting specialist and business officer should review the monthly DSS-1571 reports prior to submission to ensure any changes in reimbursement policy have been implemented.

Views of responsible official and planned corrective action: The County agrees with this finding and is currently

Vance County, North Carolina
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014

Section IV - State Award Findings and Questioned Costs

North Carolina Department of Health and Human Services
Division of Social Services
Program Name: State/County Special Assistance for Adults

Finding: 2014-9

Material Weakness
Immaterial to Noncompliance
Eligibility

Criteria: Case files for applicants receiving special assistance benefits must contain specific forms that must agree to consumer information in order to satisfy their eligibility for payments.

Condition: Of sixty sampled special assistance benefit payments, form DSS-8190 did not agree to applicant eligibility in 10 case files, a current form DSS-8190 was missing from three casefiles, and incomplete DSS-8190 forms were noted in two applicant case files. Additionally, two case files did not contain FL-2 forms that were signed and dated by a physician, physician assistant, or nurse practitioner.

Questioned Costs: \$53,718

Context: Of sixty total case files were examined invalid or missing DSS-8190s forms were noted in 15 case files and two files were missing FL-2 forms.

Effect: Benefit payments were issued to sixteen individuals during a time for which fifteen of the case files had incomplete or were missing DSS-8190 forms and two were missing current FL-2 forms.

Cause: A lack of a monitoring system for program case files enabled the incomplete case files to go undetected.

Recommendation: Consider implementing review procedures to monitor program case files to ensure documentation supports the eligibility of the applicants receiving benefits.

Views of responsible official and planned corrective action: The County agrees with this finding and is currently investigating the implementation of a case file monitoring process as noted in the finding above.

Section V - Summary of Prior Audit Findings

Finding: 2013-01

Summary: Management did not establish and maintain internal controls to ensure bank statements were reconciled and reviewed by a responsible official in a timely manner.

Status: This finding has not been corrected. See finding 2014-1.

Vance County, North Carolina
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014

Finding: 2013-02

Summary: Amounts reported for reimbursement on DSS-1751 reports did not match expenses reported on the County general ledger.

Status: This finding has not been corrected. See finding 2014-3

Finding: 2013-03

Summary: Four of six adoption assistance case files examined did not contain adequate supporting documentation. Additionally, three of these four case files did not including appropriate medical documentation to support pre-existing medical conditions prior to adoption,

Status: This finding has not been corrected. See finding 2014-6.

Finding: 2013-04

Summary: Of sixty medical assistance program files examined, supporting documentation was not present in nine case files resulting in questionable program eligibility

Status: This finding has not been corrected. See findings 2014-4 and 2014-5.

Finding: 2013-05

Summary: Of eight supplemental nutrition assistance program (SNAP) case files reviewed, the claim was under-calculated based on file information for one of the sample selections.

Status: This County has corrected this finding.

Finding: 2013-06

Summary: Examination of EPICS claims for all twelve months revealed that more than 10% of referrals were more than 180 days old in each month.

Status: This County has corrected this finding.

Finding: 2013-07

Summary: Time coded on day sheets for three case workers did not match the time requested for reimbursement on the TEC reports.

Status: This County has corrected this finding.

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

Grantor/Passthrough Grantor/Program Title	Federal CFDA Number	State/ Passthrough Grantor's Number	Federal (Direct & Passthrough) Expenditures	State Expenditures	Local Expenditures
Federal Awards:					
<u>U.S. Department of Agriculture:</u>					
Food and Nutrition Service Passed through Kerr Tar Regional Council of Governments Elderly Feeding Program	10.570		\$ 19,826	\$ -	-
Passed through NC Department of Health and Human Services Division of Social Services: Administration: <u>Food Stamp Cluster:</u> State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		608,968	-	608,968
Total U.S. Department of Agriculture			628,794	-	608,968
<u>U.S. Department of Housing and Urban Development:</u>					
Passed through NC Department of Commerce: Community Development Block Grant	14.228		561,608	-	-
Emergency Shelter Grant	14.231		15,581	-	-
Total U.S. Department of Housing and Urban Development			577,189	-	-
<u>U.S. Department of Justice:</u>					
Local Law Enforcement Block Grant	16.592		6,234	-	-
Total U.S. Department of Justice			6,234	-	-
<u>U.S. Department of Homeland Security:</u>					
Passed through NC Department of Public Safety: Emergency Management Performance Grants	97.042		20,625	-	-
Total U.S. Department of Homeland Security			20,625	-	-
<u>U.S. Department of Health and Human Services:</u>					
Passed through the NC Department of Health and Human Services Division of Social Services:					
<u>Foster Care and Adoption Cluster:</u>					
TITLE IV-E Foster Care Administration	93.658		11,421	5,710	5,710
TITLE IV-E Foster Care	93.658		172,541	45,021	45,022
TITLE IV-E Family Foster Maximum	93.658		1,944	-	1,018
TITLE IV-E Family Foster In Excess	93.658		47,705	12,409	12,409
Foster Care Direct Benefit Payments	93.658		216,532	64,113	31,339
Foster Care Benefits	93.658		43,288	3,542	158
Adoption Assistance - Direct Benefit Payments	93.659		185,232	50,246	50,246
Adoption Assistance - Optional Adoption	93.659		964	-	938
Total Foster Care and Adoption Cluster			679,627	181,042	146,840
<u>Temporary Assistance for Needy Families Cluster</u>					
Work First/Temporary Assistance for Needy Families (TANF)	93.558		472,779	-	677,261
Temporary Assistance for Needy Families (TANF) - Direct Benefit Payments	93.558		572,766	(191)	-
Total Temporary Assistance for Needy Families Cluster			\$ 1,045,545	\$ (191)	\$ 677,261

Vance County, North Carolina
 Schedule of Expenditures of Federal and State Awards
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Grantor/Passthrough Grantor/Program Title	Federal CFDA Number	State/ Passthrough Grantor's Number	Federal (Direct & Passthrough) Expenditures	State Expenditures	Local Expenditures
Federal Awards (continued):					
N.C. Child Support Enforcement Section	93.563		\$ 582,038	\$ -	\$ 299,837
Refugee and Entrant Assistance - State Administered Program - Direct Benefit Payments	93.566		362	-	-
Low-income Home Energy Assistance Block Grant	93.568		844,845		
ADFC Payments and Penalties	93.560		(269)	(74)	(74)
Child Welfare Services - State Grants Permanency Planning - Families for Kids	93.645		36,058	-	12,019
Family Preservation	93.556		13,123	-	-
Social Services Block Grant - Other Services and Training	93.667		206,633	25,827	77,486
Independent Living Grant	93.674		7,560	1,890	-
Independent Living Grant - Direct Benefit Payments	93.674		1,486		
Total Division of Social Services			3,417,008	208,494	1,213,371
Division of Child Development					
<u>Subsidized Child Care Cluster</u>					
Division of Social Services:					
Child Care Development Fund - Administration	93.596		80,000	-	-
Division of Child Development:					
Child Care and Development Fund - Discretionary	93.575		434,899	-	-
Child Care and Development Fund - Mandatory	93.596		247,805	-	-
Child Care and Development Fund - Match	93.596		521,704	242,565	-
Total Child Care Cluster			1,284,408	242,565	-
Temporary Assistance for Needy Families	93.558		268,304		
Foster Care Title IV-E	93.658		13,972	7,341	-
Smart Start	N/A		-	127,660	-
State Appropriations	N/A		-	125,900	-
TANF-MOE	N/A		-	28,988	-
Total Subsidized Child Care Cluster			1,566,684	532,453	-
Passed through the NC Department of Health and Human Services					
Division of Medical Assistance:					
Medical Assistance Program - Direct Benefit Payments	93.778		61,124,644	34,012,416	-
Passed through the NC Department of Health and Human Services					
Division of Social Services:					
Medical Assistance Program Administration	93.778		745,409	18,661	644,213
State Children's Insurance Program - NC Health Choice - Direct Benefit Payments			1,162,644	367,100	-
State Children's Insurance Program - NC Health Choice	93.767		29,394	2,306	6,974
Total Child Care Cluster			1,937,447	388,068	651,187
Division of Services for the Blind - Direct Benefit Payments Aid to the Blind	93.667		29,236	-	4,177
Administration on Aging Division of Aging and Adult Services					
Passed through Kerr Tar Regional Council of Governments					
Aging Cluster					
Special Programs for the Aging - Title IIIB					
Grants for Supportive Services and Senior Centers	93.044		172,356	10,138	-
Special Programs for the Aging - Title IIIC					
Grants for Supportive Services and Senior Centers	93.045		122,329	7,195	-
Total Passed through Kerr Tar Regional Council of Governments			294,685	17,333	-
Social services Block Grant (SSBG) - In Home Services	93.667		44,294	-	6,328
Total US Department of Health & Human Services			\$ 68,413,998	\$ 35,158,764	\$ 1,875,062

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

Grantor/Passthrough Grantor/Program Title	Federal CFDA Number	State/ Passthrough Grantor's Number	Federal (Direct & Passthrough) Expenditures	State Expenditures	Local Expenditures
State Awards:					
<u>NC Department of Health and Human Services:</u>					
Division of Social Services:					
County Funded Programs			\$ -	\$ -	\$ 194,711
Energy Assistance Private GRA			-	8,648	-
Non-Allocating County COS			-	-	209,924
AFDC Incentive/Program Integrity			-	2,176	-
Direct Benefit Payments:					
Child Welfare Services Adoption Subsidy			-	117,137	22,354
State/County Special Assistance Domiciliary Care			-	542,747	542,747
SFHF Maximization			-	20,966	20,966
Work First Non Reimbursable			-	-	71
State Foster Home			-	39,392	39,392
DCD - Smart Start			-	31,685	-
Passed through Kerr Tar Regional Council of Governments:					
Senior Center Development			-	77,866	-
Total N.C. Department of Health and Human Services			-	840,617	1,030,165
<u>NC Department of Public Safety:</u>					
Division of Youth Services					
Friends of Youth			-	29,549	-
Restitution/Teen Court			-	94,394	-
Juvenile Crime Prevention Commission			-	19,549	-
Conflict Management			-	6,857	-
Total NC Department of Public Safety			-	150,349	-
<u>NC Department of Administration:</u>					
Division of Veterans Affairs:					
Veterans Service Officer			-	1,452	-
<u>NC Department of Environmental and Natural Resources</u>					
Division of Soil and Water Conservation					
Soil Technician Grant			-	3,600	-
<u>NC Department of Transportation</u>					
ROAP Elderly and Disabled Transportation Assistance Program			-	63,493	-
ROAP Employment			-	13,252	-
ROAP Rural General Public Transportation			-	79,394	-
Total NC Department of Transportation			-	156,139	-
<u>NC Department of Public Instruction:</u>					
Public School Building Capital Fund			-	394,955	-
<u>NC Department of Agriculture:</u>					
NC Tobacco Trust Fund Commission Grant - Farmers' Market			-	369,114	-
Farmland Preservation Trust Grant			-	25,000	-
Total Department of Agriculture			-	394,114	-
Total Awards			\$ 69,646,840	\$ 37,099,990	\$ 3,514,195

Notes to the Schedule of Expenditures of Federal and State Awards

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal and state awards includes the federal and state grant activity of Vance County, North Carolina and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and the State Single Audit Implementation Act. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements. Benefit payments are paid directly to recipients and are not included in the basic financial statements. However, due to the County's involvement in determining eligibility, they are considered federal awards to the County and are included in this schedule.

NOTE 2 – SUBRECIPIENTS

Of the federal and state expenditures presented in the schedule, Vance County, North Carolina provided state awards to subrecipients as follows:

State Program Title	Subrecipient	State Expenditures
Public School Building Capital Fund	Vance County Board of Education	\$ 394,955

NOTE 3 – PROGRAM CLUSTERS

The following are clustered by the North Carolina Department of Health and Human Services and are treated separately for state audit requirement purposes:

- Subsidized Child Care
- Foster Care and Adoption



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To the Board of Commissioners
Vance County, North Carolina

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Vance County, North Carolina (the "County") as of and for the year ended June 30, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered the County's internal control over financial reporting (internal control) as a basis for designing 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 the County's internal control. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. 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 discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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

An appropriate segregation of duties was not present within the County's cash disbursements and bank reconciliation processes during the fiscal year. A former employee within the finance department had access to modify vendor information, had access to check stock, had the responsibility to select vendor invoices to be paid and create check registers, and was responsible for printing vendor checks and maintaining the beginning and ending check batch numbers and voided checks. Additionally, it was noted that individuals in the finance office and tax office who were responsible for reconciling bank statements were receiving, opening, and reconciling bank statements without secondary review during the fiscal year. Observation of the bank reconciliation process revealed that reviews of cancelled checks were not included in bank reconciliation processes within the County. Finally, bank account for the tax office is reconciled by the same individual responsible for making cash disbursements out of the tax office account. The combined effect of these control deficiencies partially resulted in a \$352,000 embezzlement covering a seven-year period occurring within the finance department that was detected in July 2014.

Controls had not been implemented over purchasing and accounts payable processes during the fiscal year, including the failure to implement a purchase order system to control the requisitioning of goods or services prior to the purchase. Additionally, the County had not implemented mitigating monitoring controls such including formalized supervisory reviews of requisitions of goods or services prior to their purchase for costs incurred by the County that did not require Board of Commissioners approval. These factors, in combination with the material weakness resulting from the lack of segregation of duties, partially resulted in the embezzlement discussed above.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in internal control to be significant deficiencies:

The county does not maintain a schedule of long-term debt, detailing total obligations outstanding, current maturities of principle and interest payments, and a description of the obligations' interest rates, dates of maturity, and other important information. Creation of a debt schedule that is maintained regularly and

reviewed and approved by a party independent of the preparer will provide additional visibility into the county's future cash flows associated with long-term obligations.

A control process has not been implemented to monitor sales of water as measured by a third party service organization. The County should implement a process to compare water sales measured by the third party compared to an expectation based on the number of customers, base rates, and expected use prior to recording water sales revenues each month.

The County utilizes a service organization who processes tax office and water district billing and invoicing information. The County has not assessed the impact of the service provider's controls on the County's processes and controls within the current fiscal year. The County should maintain a documented understanding of the service provider's controls and their impact on the County's processes and revenues.

During our audit, we also became aware of the following deficiencies in internal control other than significant deficiencies or material weaknesses, and other matters that are opportunities for strengthening internal controls and operating efficiency:

The county was utilizing fifteen workstations utilizing the Microsoft XP operating system during the fiscal year. Microsoft XP is no longer supported by the developer, exposing the County to security risks associated with the use of an operating system no longer receiving security updates and patches. Because of the sensitivity of data maintained by certain County departments, the County must maintaining security of County information technology assets.

Funds received by the County tax office were deposited together with the County's ad valorem tax revenue. These funds were not maintained and tracked within an agency fund of the general ledger. Because of the County's custodial relationship over these funds when received but not yet disbursed, the County is responsible for maintaining accounting records over these tax receipts due to other local governments.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various governmental unit personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Management's responses to the material weaknesses and significant deficiencies identified in our audit have not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This communication is intended solely for the information and use of management the Board of Commissioners, others within the County, and the North Carolina Local Government Commission and is not intended to be, and should not be, used by anyone other than these specified parties.

Carr, Riggs & Ingram, L.L.C.

Carr, Riggs, & Ingram, LLC
Raleigh, North Carolina
February 13, 2015



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February 13, 2014

To the Board of Commissioners
Vance County, North Carolina

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Vance, North Carolina (the "County") for the year ended June 30, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and OMB Circular A-133), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 29, 2014. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the County are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the County during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the County's financial statements were:

Management's estimate of the property tax value, ad valorem tax revenue, and tax receivables is based on periodic assessments performed by the County and billing data provided by third parties. We evaluated the key factors and assumptions used to develop the revenue and receivable balances in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the funding status of other postretirement benefit obligations is based on census data and actuarial studies performed by third party actuaries on a periodic basis, and upon funding provided by the County. We evaluated the key factors and assumptions used to develop the estimated obligation and the related funding status in determining that they were reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

The disclosure of the reconciliation of fund balances from the modified cash basis of accrual for governmental fund reporting to accrual accounting for the government-wide statements as noted in Note 1 to the financial statements. This disclosure is sensitive because of the requirement that transactions be recorded to conform to the modified accrual basis of accounting, but be reported on both the modified accrual and accrual bases of accounting.

Disclosures of long-term debt obligations as noted in Note 1 are sensitive because of their effect on the long-term cash flows of the County and because of the material long-term debt incurred for construction of the County's water district.

The disclosure of interfund balances as noted in Note 1 is sensitive because of its effect on the presentation of fund balances in the County's departments.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

As a result of a material alleged embezzlement totaling \$352,000 occurring over a seven-year period, we could not begin fieldwork until December 2014, five months after the period end. Management was unable to prepare for fieldwork because of the time required to fully isolate and investigate the alleged embezzlement.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements, both material and immaterial, as noted in the attached schedule.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated February 13, 2015.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the County's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the County's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the Schedules of Funding Progress and Schedules of Employer Contributions for the Law Enforcement Officers' Special Separation Allowance and Other Postretirement obligations and to the Changes in Fund Balance – Budget to Actual fund schedules, Combining Statement of Changes in Assets and Liabilities – Agency Funds, and Schedule of Ad Valorem Taxes Receivable which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were not engaged to report on the Analysis of Current Tax Levy – County-Wide Levy and Ten Largest Taxpayers, which accompany the financial statements but are not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.

Restriction on Use

This communication is intended solely for the information and use of management the Board of Commissioners, others within the County, and the North Carolina Local Government Commission and is not intended to be, and should not be, used by anyone other than these specified parties.

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County Manager's Office
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Kelly H. Grissom
Clerk to Board
Telephone (252) 738-2001

February 13, 2015

Carr, Riggs & Ingram, LLC
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Raleigh, North Carolina 27615

This representation letter is provided in connection with your audit of the financial statements of the County of Vance, North Carolina, which comprise the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of February 13, 2015, the following representations made to you during your audit.

Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated May 29, 2014, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government required by generally accepted accounting principles to be included in the financial reporting entity.
- 3) We acknowledge our responsibility for 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.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- 6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
- 7) Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements or in the schedule of findings and questioned costs.

- 8) We are in agreement with the adjusting journal entries you have proposed, and they have been posted to the accounts.
- 9) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 10) Guarantees, whether written or oral, under which the County is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

- 11) We have provided you with:
 - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters and all audit or relevant monitoring reports, if any, received from funding sources.
 - b) Additional information that you have requested from us for the purpose of the audit.
 - c) Unrestricted access to persons within the County from whom you determined it necessary to obtain audit evidence.
 - d) Minutes of the meetings of Board of Commissioners or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 12) All material transactions have been recorded in the accounting records and are reflected in the financial statements and the schedule of expenditures of federal awards.
- 13) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 14) Except as made known to you regarding the alleged embezzlement detected in July 2014, we have no knowledge of any fraud or suspected fraud that affects the County and involves:
 - Management,
 - Employees who have significant roles in internal control, or
 - Others where the fraud could have a material effect on the financial statements.
- 15) Except as made known to you regarding the alleged embezzlement detected in July 2014, we have no knowledge of any allegations of fraud or suspected fraud affecting the County's financial statements communicated by employees, former employees, regulators, or others.
- 16) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
- 17) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
- 18) We have disclosed to you the identity of the County's related parties and all the related party relationships and transactions of which we are aware.

Government—specific

- 19) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 20) We have taken timely and appropriate steps to remedy fraud, noncompliance with provisions of laws, regulations, contracts, and grant agreements, or abuse that you have reported to us.
- 21) We have a process to track the status of audit findings and recommendations.
- 22) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- 23) We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.

- 24) The County has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
- 25) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and legal and contractual provisions for reporting specific activities in separate funds.
- 26) We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
- 27) We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
- 28) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
- 29) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
- 30) As part of your audit, you assisted with preparation of the financial statements and related notes and schedule of expenditures of federal awards. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and related notes and schedule of expenditures of federal awards.
- 31) The County has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 32) The County has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 33) The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
- 34) The financial statements properly classify all funds and activities, in accordance with GASB Statement No. 34.
- 35) All funds that meet the quantitative criteria in GASBS Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
- 36) Components of net position (net investment in capital assets; restricted; and unrestricted), and components of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
- 37) Provisions for uncollectible receivables have been properly identified and recorded.
- 38) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
- 39) Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- 40) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
- 41) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
- 42) We have appropriately disclosed the County's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.

- 43) We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.
- 44) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
- 45) With respect to the combining and individual fund statements, budgetary schedules, other schedules, and Schedule of Expenditures of Federal and State Awards:
- a) We acknowledge our responsibility for presenting the combining and individual fund statements, budgetary schedules, other schedules, and Schedule of Expenditures of Federal and State Awards in accordance with accounting principles generally accepted in the United States of America, and we believe the combining and individual fund statements, budgetary schedules, other schedules, and Schedule of Expenditures of Federal and State Awards, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the combining and individual fund statements, budgetary schedules, other schedules, and Schedule of Expenditures of Federal and State Awards have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
 - b) If the combining and individual fund statements, budgetary schedules, other schedules, and Schedule of Expenditures of Federal and State Awards are not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.
- 46) With respect to federal award programs:
- a) We are responsible for understanding and complying with and have complied with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, including requirements relating to preparation of the schedule of expenditures of federal awards.
 - b) We acknowledge our responsibility for presenting the schedule of expenditures of federal awards (SEFA) in accordance with the requirements of OMB Circular A-133 §310.b, and we believe the SEFA, including its form and content, is fairly presented in accordance with OMB Circular A-133 §310.b. The methods of measurement or presentation of the SEFA have not changed from those used in the prior period and we have disclosed to you any significant assumptions and interpretations underlying the measurement or presentation of the SEFA.
 - c) We have identified and disclosed to you all of our government programs and related activities subject to OMB Circular A-133, and have included in the SEFA expenditures made during the audit period for all awards provided by federal agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance.
 - d) We are responsible for understanding and complying with, and have complied with, the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of our federal programs and have identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major program.
 - e) We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal programs that provides reasonable assurance that we are managing our federal awards in compliance with laws, regulations, and the provisions of contracts and grant agreements that could have a material effect on our federal programs. We believe the internal control system is adequate and is functioning as intended.
 - f) We have made available to you all contracts and grant agreements and any other correspondence with federal agencies or pass-through entities relevant to federal programs and related activities.

- g) We have received no requests from a federal agency to audit one or more specific programs as a major program.
- h) We have complied with the direct and material compliance requirements except for noncompliance disclosed to you, including when applicable, those set forth in the *OMB Circular A-133 Compliance Supplement*, relating to federal awards and have identified and disclosed to you all amounts questioned and all known noncompliance with the direct and material compliance requirements of federal awards.
- i) We have disclosed any communications from grantors and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.
- j) We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.
- k) Amounts claimed or used for matching were determined in accordance with relevant guidelines in OMB Circular A-87, *Cost Principles for State, Local, and Tribal Governments*, and OMB's *Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*.
- l) We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.
- m) We have made available to you all documentation related to compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- n) We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.
- o) There are no such known instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditor's report.
- p) No changes have been made in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies or material weaknesses in internal control over compliance, subsequent to the date as of which compliance was audited.
- q) Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared.
- r) The copies of federal program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.
- s) We have monitored subrecipients to determine that they have expended pass-through assistance in accordance with applicable laws and regulations and have met the requirements of OMB Circular A-133.
- t) We have taken appropriate action, including issuing management decisions, on a timely basis after receipt of subrecipients' auditor's reports that identified noncompliance with laws, regulations, or the provisions of contracts or grant agreements and have ensured that subrecipients have taken the appropriate and timely corrective action on findings.
- u) We have considered the results of subrecipient audits and have made any necessary adjustments to our books and records.
- v) We have charged costs to federal awards in accordance with applicable cost principles.
- w) We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by OMB Circular A-133 and we have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.
- x) We are responsible for the auditee section of the Data Collection Form as required by OMB Circular A-133.
- y) We are responsible for preparing and implementing a corrective action plan for each audit finding.

z) We have disclosed to you all contracts or other agreements with service organizations, and we have disclosed to you all communications from the service organizations relating to noncompliance at the service organizations.

Signature: Red Meyer

Signature: Dr. C. Bl

Title: Interim County Manager

Title: Finance Director