

# County of Vance, North Carolina

## FINANCIAL STATEMENTS

June 30, 2015



**CRI** CARR  
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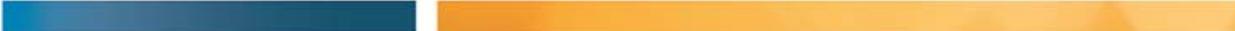
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## **INDEPENDENT AUDITORS' REPORT**

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, 2015, 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, 2015, 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 December 15, 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  
December 15, 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 for the fiscal year ended June 30, 2015. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the County's financial statements, which follow this narrative.

### Financial Highlights

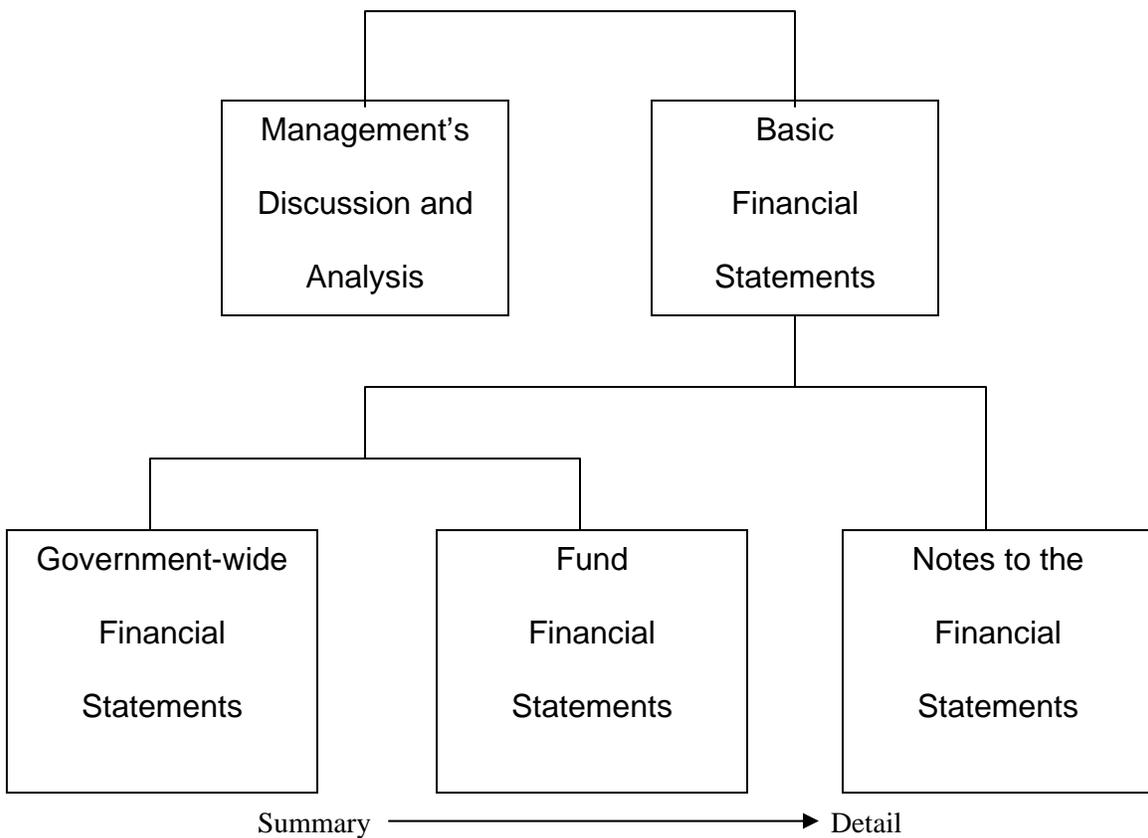
- The assets of Vance County exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$12,119,172 (*net position*).
- The government's total net position decreased by \$1,979,467 primarily due to decreases in net position in the Governmental Type funds.
- As of the close of the current fiscal year, Vance County's governmental funds reported combined ending fund balances of \$22,229,919, after a net increase in fund balance of \$3,273,459. Approximately 42.5 percent of this total amount or \$9,437,275 is restricted or non-spendable.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$13,213,882, or 29.8 percent of total general fund expenditures for the fiscal year.
- Vance County's total debt for governmental activities decreased by \$1,521,277 during the current fiscal year. The decrease is due to the maturity of some debt obligations.
- Vance County maintains a Moody's Investor Service A1 bond rating as well as an A+ bond rating from Standard and Poor's which was reaffirmed on May 13, 2013.

### 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 Supplementary Information. This section contains information about the County's post-employment obligations.

### **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 Vance County, the ABC Board is important 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 other component unit is the Vance County Tourism Development Authority, 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 following the notes to the financial statements section of this report.

### **Government-Wide Financial Analysis**

As noted earlier, net position may serve over time as one useful indicator of a government’s financial condition. The assets of Vance County exceeded liabilities by \$12,119,172 as of June 30, 2015. The County’s net position decreased by \$1,979,467 for the fiscal year ended June 30,

2015. One of the largest assets is the County's net investment in capital assets (e.g. land, buildings, machinery, and equipment) totaling \$28,695,986. 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	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 24,742,339	\$ 22,305,521	\$ 2,332,129	\$ 3,214,222	\$ 27,074,468	\$ 25,519,743
Capital Assets	15,020,471	21,375,098	13,675,515	12,990,527	28,695,986	34,365,625
Net Pension Asset	1,279,213	-	4,739	-	1,283,952	-
Total Assets	<u>\$ 41,042,023</u>	<u>\$ 43,680,619</u>	<u>\$ 16,012,383</u>	<u>\$ 16,204,749</u>	<u>\$ 57,054,406</u>	<u>\$ 59,885,368</u>
Deferred outflows of resources	\$ 846,938	\$ -	\$ 1,665,850	\$ -	\$ 2,512,788	\$ -
Long-term liabilities outstanding	\$ 28,225,943	\$ 29,051,162	\$ 2,876,896	\$ 14,393,892	\$ 31,102,839	\$ 43,445,054
Other liabilities	836,407	1,229,648	615,672	738,558	1,452,079	1,968,206
Total liabilities	<u>\$ 29,062,350</u>	<u>\$ 30,280,810</u>	<u>\$ 3,492,568</u>	<u>\$ 15,132,450</u>	<u>\$ 32,554,918</u>	<u>\$ 45,413,260</u>
Deferred inflows of resources	\$ 3,121,263	\$ 110,782	\$ 11,841	\$ 262,687	\$ 3,133,104	\$ 373,469
Net position:						
Net investment in capital						
assets	\$ 10,023,987	\$ 16,285,809	\$ 1,915,515	\$ 3,028,312	\$ 11,939,502	\$ 19,314,121
Restricted	8,495,893	7,429,427	-	-	8,495,893	7,429,427
Unrestricted	(8,814,532)	(10,426,209)	498,309	(2,218,700)	(8,316,223)	(12,644,909)
Total	<u>\$ 9,705,348</u>	<u>\$ 13,289,027</u>	<u>\$ 2,413,824</u>	<u>\$ 809,612</u>	<u>\$ 12,119,172</u>	<u>\$ 14,098,639</u>

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 95.64% in the prior fiscal year to 96.51% 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	
	2015	2014	2015	2014	2015	2014
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 2,809,022	\$ 2,636,866	\$ 2,315,159	\$ 2,140,512	\$ 5,124,181	\$ 4,777,378
Operating grants and contributions	11,624,545	10,544,770	231,209	118,158	11,855,754	10,662,928
Capital grants and contributions	1,086,675	1,516,255	1,551,355	-	2,638,030	1,516,255
General revenues:						
Property taxes	23,869,551	23,989,829	-	-	23,869,551	23,989,829
Other taxes	7,888,773	8,389,740	-	-	7,888,773	8,389,740
Grants and contributions not restricted to specific programs	298,984	202,977	-	-	298,984	202,977
Other	51,306	12,018	227,002	14,845	278,308	26,863
<b>Total revenues</b>	<b>\$ 47,628,856</b>	<b>\$ 47,292,455</b>	<b>\$ 4,324,725</b>	<b>\$ 2,273,515</b>	<b>\$ 51,953,581</b>	<b>\$ 49,565,970</b>
<b>Expenses:</b>						
General government	\$ 5,147,722	\$ 4,244,206	\$ -	\$ -	\$ 5,147,722	\$ 4,244,206
Public safety	13,080,706	13,111,944	-	-	13,080,706	13,111,944
Transportation	28,750	28,750	-	-	28,750	28,750
Environmental protection	50	350	-	-	50	350
Economic and physical development	1,408,983	2,140,022	-	-	1,408,983	2,140,022
Human services	12,641,955	13,312,635	-	-	12,641,955	13,312,635
Cultural and recreation	1,092,564	1,050,050	-	-	1,092,564	1,050,050
Education	9,739,329	9,091,942	-	-	9,739,329	9,091,942
Interest on long-term debt	699,324	1,038,999	-	-	699,324	1,038,999
Solid waste management	-	-	2,173,103	2,045,588	2,173,103	2,045,588
Water	-	-	520,246	127,899	520,246	127,899
<b>Total expenses</b>	<b>\$ 43,839,383</b>	<b>\$ 44,018,898</b>	<b>\$ 2,693,349</b>	<b>\$ 2,173,487</b>	<b>\$ 46,532,732</b>	<b>\$ 46,192,385</b>
Increase in net assets before transfers and special item	\$ 3,789,473	\$ 3,273,557	\$ 1,631,376	\$ 100,028	\$ 5,420,849	\$ 3,373,585
Transfers	(5,719,826)	(13,791,849)	-	-	(5,719,826)	(13,791,849)
Increase (decrease) in net assets	\$ (1,930,353)	\$ (10,517,933)	\$ 1,631,376	\$ 100,028	\$ (298,977)	\$ (10,418,264)
Net position, beginning, previously reported	13,289,027	23,771,325	809,612	305,430	14,098,639	24,076,755
Restatement	(1,653,326)	35,635	(27,164)	404,154	(1,680,490)	439,789
Net position, beginning, restated	11,635,701	23,806,960	782,448	709,584	12,418,149	24,516,544
<b>Net assets, ending</b>	<b>\$ 9,705,348</b>	<b>\$ 13,289,027</b>	<b>\$ 2,413,824</b>	<b>\$ 809,612</b>	<b>\$ 12,119,172</b>	<b>\$ 14,098,280</b>

**Governmental Activities.** Governmental activities decreased the County's net position by \$3,585,679. Key elements of this decrease are as follows:

- School capital projects were placed into service and came off the County's books.
- 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 \$1,605,212. Key elements of this increase are as follows:

- Increased collection of the Solid Waste User Household fee.
- The County Water System added additional customers in the 2<sup>nd</sup> phase of construction.
- 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 \$13,213,882, while total fund balance reached \$18,947,487. The County currently has an available fund balance of 28.9% of general fund expenditures, while total fund balance represents 41.4% of that same amount.

At June 30, 2015, the governmental funds of Vance County reported a combined fund balance of \$22,229,919, a 17.3% 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. Amendments to budgeted General Fund revenues totaled \$2,006,707 for the fiscal year ending June 30, 2015.

**Proprietary Funds.** The fund financial statements for the County's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Total net position of the Solid Waste Fund at the end of the fiscal year was \$751,736, and for the Water Fund equaled \$1,662,088. The change in net position before prior period adjustments for the Solid Waste Fund was \$20,513 while the change in net position before prior period adjustments

for the Water Fund was \$1,610,863. 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, 2015, totals \$28,695,986 (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 several new vehicles for public safety departments.
- Purchased 1 ambulance and 1 cardiac monitor for the Fire & EMS department.
- Installed a vehicle exhaust ventilation system for the Fire & EMS station.

**Vance County’s Capital Assets  
(Net of depreciation)**

**Figure 4**

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 794,119	\$ 794,119	\$ 872,857	\$ 872,857	\$ 1,666,976	\$ 1,666,976
Buildings and improvements	12,709,230	12,758,863	-	-	12,709,230	12,758,863
Equipment and vehicles	1,423,990	1,955,996	12,738	16,280	1,436,728	1,972,276
Computer Software	93,132	77,471	-	-	93,132	77,471
Construction in progress	-	5,788,649	12,789,920	12,101,390	12,789,920	17,890,089
<b>Total</b>	<b>\$ 15,020,471</b>	<b>\$ 21,375,098</b>	<b>\$ 13,675,515</b>	<b>\$ 12,990,527</b>	<b>\$ 28,695,986</b>	<b>\$ 34,365,625</b>

Additional information on the County’s capital assets can be found on Note 3.A.5.

**Long-term Debt.** As of June 30, 2015, Vance County had total long-term debt obligations of \$32,920,623 all of which is backed by the full faith and credit of the County.

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

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
General obligation bonds	\$ 1,750,000	\$ 2,205,000	\$ 11,760,000	\$ -	\$ 13,510,000	\$ 2,205,000
Capitalized leases	1,428,484	1,884,289	-	-	1,428,484	1,884,289
Installment purchases	17,982,139	18,592,611	-	-	17,982,139	18,592,611
Bond anticipation notes	-	-	-	11,760,000	-	11,760,000
<b>Total</b>	<b>\$ 21,160,623</b>	<b>\$ 22,681,900</b>	<b>\$ 11,760,000</b>	<b>\$ 11,760,000</b>	<b>\$ 32,920,623</b>	<b>\$ 34,441,900</b>

Vance County's total debt obligations decreased by \$1,521,277 during the past fiscal year due to the continued amortization of debt.

As mentioned in the financial highlights section of this document, Vance County maintained for the 24th consecutive year, its A1 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 borrowing costs low when the County issues 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 \$207,528,885.

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 current economic condition of Vance County:

- The local economy continues to struggle with unemployment as jobs have not been generated to replace the loss of the manufacturing base. The County is one of the higher ranked counties for unemployment at 9.4 percent with the state average at 6.1 percent as of June 30, 2015.
- 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.
- As of June 30, 2014, the most recent data available, the sales assessment ratio of real property in the County was 1.3889, which places Vance 99<sup>th</sup> out of 100 counties.
- Retail sales have increased, resulting in year over year growth in sales tax revenues.

### **Budget Highlights for the Fiscal Year Ending June 30, 2016**

**Governmental Activities** The ad valorem tax rate remains 79.2 cents per \$100.00. Ad valorem tax collections are expected to increase by 1.0 percent. The Fire Tax rate is to remain at 4.0 cents per \$100.00. Sales tax collections are projected to marginally increase by 2.3 percent. Due to a

change in the Medicaid reimbursement formula, DSS State revenues are projected to increase in excess of \$600,000. The County has appropriated \$200,000 from its fund balance to be set aside to address critical building maintenance needs during the fiscal year. Remaining revenue sources are projected to remain fairly 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 3.7 percent to \$45,771,716. The County saw a modest increase in health insurance benefit costs for employees for fiscal year 2016. Employees were awarded a 2% cost of living wage adjustment. The largest increases in the budget are for adding personnel in Emergency Medical Services to expand the stable of ambulance units to four as well as new positions and position upgrades in the Department of Social Services. In addition, the County took out nearly a million dollars in new debt to fund renovations and repairs at the main campus of Vance-Granville Community College. No other significant increases in expenditures are budgeted for the 2015-2016 fiscal year.

**Business – type Activities:** The solid waste rates in the County will remain the same at \$105.00 per household. The County will work with its contracted waste management provider in order to reduce cost and improve the quality of services offered. The County is finishing up the initial phases of 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, County of Vance, 122 Young Street, Suite B, Henderson, NC 27536.

Vance County, North Carolina  
Exhibit 1 – Statement of Net Position  
June 30, 2015

	Primary Government			Component Unit	
	Governmental Activities	Business-type Activities	Total	Vance County TDA	Vance County ABC Board
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 16,710,486	\$ 975,784	\$ 17,686,270	\$ 210,660	\$ 867,596
Restricted cash and cash equivalents	3,339,733	805,154	4,144,887	-	-
Receivables, net	4,692,120	551,191	5,243,311	-	-
Prepaid expenses	-	-	-	-	6,624
Inventory	-	-	-	-	220,926
<b>Total current assets</b>	<b>24,742,339</b>	<b>2,332,129</b>	<b>27,074,468</b>	<b>210,660</b>	<b>1,095,146</b>
Noncurrent assets:					
Net pension asset	1,279,213	4,739	1,283,952	10,898	15,157
Capital assets:					
Land, improvements, and construction in progress	794,119	13,662,777	14,456,896	461,267	-
Other capital assets, net of depreciation	14,226,352	12,738	14,239,090	-	834,265
<b>Total capital assets</b>	<b>15,020,471</b>	<b>13,675,515</b>	<b>28,695,986</b>	<b>461,267</b>	<b>834,265</b>
<b>Total assets</b>	<b>41,042,023</b>	<b>16,012,383</b>	<b>57,054,406</b>	<b>682,825</b>	<b>1,944,568</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>846,938</b>	<b>1,665,850</b>	<b>2,512,788</b>	<b>7,172</b>	<b>21,182</b>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable and accrued liabilities	836,407	615,672	1,452,079	1,709	228,181
Long-term liabilities:					
Payable from restricted assets	-	298,958	298,958	-	-
Due within one year	2,564,723	43,750	2,608,473	53,277	82,796
Due in more than one year	25,661,220	14,294,188	39,955,408	48,912	884,143
<b>Total long-term liabilities</b>	<b>28,225,943</b>	<b>14,636,896</b>	<b>42,862,839</b>	<b>102,189</b>	<b>966,939</b>
<b>Total liabilities</b>	<b>29,062,350</b>	<b>15,252,568</b>	<b>44,314,918</b>	<b>103,898</b>	<b>1,195,120</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>3,121,263</b>	<b>11,841</b>	<b>3,133,104</b>	<b>27,231</b>	<b>36,940</b>
<b>NET POSITION</b>					
Net investment in capital assets	10,023,987	1,915,515	11,939,502	407,990	189,319
Restricted for:					
Stabilization by state statute	4,458,429	-	4,458,429	-	-
General government	386,184	-	386,184	-	-
Public safety	343,599	-	343,599	-	-
Education	2,857,349	-	2,857,349	-	-
Facility improvements	16,377	-	16,377	-	-
Community development	433,955	-	433,955	-	-
Tourism	-	-	-	13,450	-
Working Capital	-	-	-	-	105,610
Unrestricted	(8,814,532)	498,309	(8,316,223)	137,428	438,761
<b>Total net position</b>	<b>\$ 9,705,348</b>	<b>2,413,824</b>	<b>\$ 12,119,172</b>	<b>\$ 558,868</b>	<b>\$ 733,690</b>

The accompanying notes are an integral part of the financial statements

Vance County, North Carolina  
Exhibit 2 – Statement of Activities  
Year ended June 30, 2015

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>PRIMARY GOVERNMENT</b>				
Governmental activities:				
General government	\$ 5,147,722	\$ 248,000	\$ 114,054	\$ -
Public safety	13,080,706	2,102,852	1,240,298	418,000
Transportation	28,750	-	-	-
Environmental protection	50	-	-	-
Economic & community development	1,408,983	314,506	479,475	273,720
Human services	12,641,955	72,032	8,858,233	-
Cultural and recreational	1,092,564	71,632	669,074	-
Education	9,739,329	-	263,411	394,955
Interest on debt	699,324	-	-	-
Total governmental activities	43,839,383	2,809,022	11,624,545	1,086,675
Business-type activities:				
Water	520,246	352,752	-	1,551,355
Landfill	2,173,103	1,962,407	231,209	-
Total primary government	\$ 46,532,732	\$ 5,124,181	\$ 11,855,754	\$ 2,638,030
Component Unit:				
Vance County TDA	\$ 310,890	\$ -	\$ -	\$ -
Vance County ABC Board	\$ 3,403,713	\$ 3,558,137	\$ -	\$ -
General revenues:				
Taxes:				
Property taxes, levied for general purposes				
Local option sales taxes				
Other taxes and licenses				
Grants and contributions not restricted to specific programs				
Investment earnings, unrestricted				
Miscellaneous, unrestricted				
Gain (loss) on sale of assets				
Special item - Capital assets transferred to School Board				
Transfers				
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  
Exhibit 2 – Statement of Activities (Continued)  
Year ended June 30, 2015

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	
\$ (4,785,668)	\$ -	\$ (4,785,668)	\$ -	\$ -	
(9,319,556)	-	(9,319,556)	-	-	
(28,750)	-	(28,750)	-	-	
(50)	-	(50)	-	-	
(341,282)	-	(341,282)	-	-	
(3,711,690)	-	(3,711,690)	-	-	
(351,858)	-	(351,858)	-	-	
(9,080,963)	-	(9,080,963)	-	-	
(699,324)	-	(699,324)	-	-	
(28,319,141)	-	(28,319,141)	-	-	
	1,383,861				
	-	20,513			
\$ (28,319,141)	\$ 1,404,374	\$ (28,298,628)	\$ -	\$ -	
\$ -	\$ -	\$ -	\$ (310,890)	\$ -	
\$ -	\$ -	\$ -	\$ -	\$ 154,424	
\$ 23,869,551	\$ -	\$ 23,869,551	\$ -	\$ -	
7,503,499	-	7,503,499	-	-	
60,467	-	60,467	354,297	-	
324,807	-	324,807	-	-	
3,216	12,002	15,218	21	558	
298,984	-	298,984	30,104	-	
48,090	-	48,090	-	-	
(5,504,826)	-	(5,504,826)	-	-	
(215,000)	215,000	-			
26,388,788	227,002	26,615,790	384,422	558	
(1,930,353)	1,631,376	(298,977)	73,532	154,982	
13,289,027	809,612	14,098,639	501,153	593,311	
(1,653,326)	(27,164)	(1,680,490)	(15,817)	(14,603)	
\$ 9,705,348	\$ 2,413,824	\$ 12,119,172	\$ 558,868	\$ 733,690	

The accompanying notes are an integral part of the financial statements

Vance County, North Carolina  
Exhibit 3 – Balance Sheet – Governmental Funds  
June 30, 2015

	Major		Non-Major	Total
	General Fund	School Capital Outlay Fund	Other Governmental Funds	
<b>ASSETS</b>				
Cash and cash equivalents	15,206,545	\$ -	\$ 1,503,941	\$ 16,710,486
Restricted cash and cash equivalents	575,542	1,830,175	934,016	3,339,733
Receivables (net)				
Property taxes	1,464,957	-	51,313	1,516,270
Accounts	2,827,166	-	58,833	2,885,999
Local option sales tax	243,248	43,060	3,543	289,851
Due from other funds	1,306,579	-	-	1,306,579
<b>Total assets</b>	<b>\$ 21,624,037</b>	<b>\$ 1,873,235</b>	<b>\$ 2,551,646</b>	<b>\$ 26,048,918</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities				
Accounts payable and accrued liabilities	817,479	2,863	\$ 16,065	\$ 836,407
Due to other funds	258,371	-	1,048,208	1,306,579
<b>Total liabilities</b>	<b>1,075,850</b>	<b>2,863</b>	<b>1,064,273</b>	<b>2,142,986</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>1,600,700</b>	<b>-</b>	<b>75,313</b>	<b>1,676,013</b>
Fund balances:				
Restricted				
Stabilization by state statute	4,376,993	43,060	38,376	4,458,429
Facility improvements	16,377	-	-	16,377
Public safety	12,669	-	63,818	76,487
Emergency services	-	-	267,112	267,112
Tax revaluation	386,184	-	-	386,184
School capital	-	1,827,312	1,030,037	2,857,349
Community development	-	-	433,955	433,955
Assigned				
Subsequent years' expenditures	941,382	-	-	941,382
Unassigned	13,213,882	-	(421,238)	12,792,644
<b>Total fund balances</b>	<b>18,947,487</b>	<b>1,870,372</b>	<b>1,412,060</b>	<b>22,229,919</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 21,624,037</b>	<b>\$ 1,873,235</b>	<b>\$ 2,551,646</b>	<b>\$ 26,048,918</b>

The accompanying notes are an integral part of the financial statements

Vance County, North Carolina  
 Exhibit 3 – Balance Sheet – Governmental Funds (Continued)  
 June 30, 2015

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

Total Fund Balance, Governmental Funds	\$ 22,229,919
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	15,020,471
Net pension asset	1,279,213
Contributions to pension plans in the current fiscal year are deferred outflows of resources on the Statement of Net Position	846,146
Deferred inflows of resources for taxes and notes receivable	1,540,270
Pension related deferrals	(2,984,728)
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.	(28,225,943)
Net position of governmental activities	\$ 9,705,348

The accompanying notes are an integral part of the financial statements

Vance County, North Carolina

Exhibit 4 – Statement of Revenues, Expenditures and Changes in Fund Balance –  
Governmental Funds  
June 30, 2015

	Major		Non-Major	Total
	General Fund	School Capital Project Fund	Other Governmental Funds	
<b>REVENUES</b>				
Ad valorem taxes	\$ 23,597,526	\$ -	\$ 764,387	\$24,361,913
Local option sales taxes	7,503,499	-	-	7,503,499
Other taxes and licenses	60,467	-	-	60,467
Unrestricted intergovernmental	324,807	-	-	324,807
Restricted intergovernmental	11,154,261	658,366	874,593	12,687,220
Sales and services	2,809,022	-	-	2,809,022
Investment earnings	2,778	234	204	3,216
Miscellaneous	298,984	-	-	298,984
<b>Total revenues</b>	<b>45,751,344</b>	<b>658,600</b>	<b>1,639,184</b>	<b>48,049,128</b>
<b>EXPENDITURES</b>				
Current:				
General government	4,084,764	-	-	4,084,764
Public safety	12,062,033	-	764,318	12,826,350
Transportation	28,750	-	-	28,750
Environmental protection	50	-	-	50
Economic & community development	1,247,658	-	197,008	1,444,666
Human services	12,858,615	-	-	12,858,615
Cultural and recreational	1,119,943	-	-	1,119,943
Intergovernmental:				
Education	9,668,700	287,413	70,629	10,026,742
Debt service				
Principal retirement	2,581,204	-	127,613	2,708,817
Interest and fees	689,148	-	10,176	699,324
<b>Total expenditures</b>	<b>44,340,865</b>	<b>287,413</b>	<b>1,169,744</b>	<b>45,798,022</b>
Excess (deficiency) of revenues over expenditures	1,410,479	371,187	469,440	2,251,106
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from other funds	3,568,926	1,880,941	264,282	5,714,149
Transfers to other funds	(3,173,641)	(2,183,202)	(572,306)	(5,929,149)
Proceeds from issuance of debt	169,540	-	1,018,000	1,187,540
Sale of fixed assets	49,814	-	-	49,814
<b>Total other financing sources (uses)</b>	<b>614,639</b>	<b>(302,261)</b>	<b>709,976</b>	<b>1,022,354</b>
Net change in fund balance	2,025,118	68,926	1,179,416	3,273,460
<b>FUND BALANCES, beginning of year</b>	<b>16,922,369</b>	<b>1,801,446</b>	<b>232,644</b>	<b>18,956,459</b>
<b>FUND BALANCES, end of year</b>	<b>\$ 18,947,487</b>	<b>\$ 1,870,372</b>	<b>\$ 1,412,060</b>	<b>\$22,229,919</b>

The accompanying notes are an integral part of the financial statements

Vance County, North Carolina

Exhibit 4 – Statement of Revenues, Expenditures and Changes in Fund Balance –  
Governmental Funds (Continued)  
June 30, 2015

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

Net changes in fund balances - total governmental funds	\$ 3,273,460
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.	(848,077)
Cost of capital assets disposed of during the year, not recognized on modified accrual basis	(1,724)
Cost of capital assets transferred to School Board upon completion of capital project	(5,504,826)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	846,146
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	(492,362)
Change in deferred inflows of resources for notes receivable	24,000
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	(2,020)
Pension expense	(52,189)
Net pension obligation	(24,542)
Net OPEB obligation	(669,496)
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.	1,521,277
Total changes in net position of governmental activities	\$ (1,930,353)

The accompanying notes are an integral part of the financial statements

Vance County, North Carolina

Exhibit 5 – General Fund and Annually Budgeted Major Special Revenue Fund  
Statement of Revenues, Expenditure and Changes in Fund Balance –  
Budget to Actual  
Year ended June 30, 2015

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Positive (Negative)
<b>REVENUES</b>				
Ad valorem taxes	\$ 22,596,969	\$ 23,368,268	\$ 23,597,526	\$ 229,258
Local option sales taxes	7,163,000	7,163,000	7,503,499	340,499
Other taxes and licenses	730,650	58,539	60,467	1,928
Unrestricted intergovernmental	133,000	326,733	324,807	(1,926)
Restricted intergovernmental	9,297,503	10,418,764	11,080,569	661,805
Sales and services	2,127,454	2,809,019	2,809,022	3
Investment earnings	6,025	2,220	2,223	3
Miscellaneous	184,020	287,156	298,977	11,821
Total revenues	42,238,621	44,433,699	45,677,090	1,243,392
<b>EXPENDITURES</b>				
Current:				
General government	3,629,305	4,031,784	3,878,524	153,260
Public safety	11,332,918	13,034,857	12,062,033	972,824
Transportation	28,750	28,750	28,750	-
Environmental protection	600	600	50	550
Economic & community development	1,271,162	1,277,244	1,109,253	167,991
Human services	12,763,737	13,486,515	12,858,615	627,900
Cultural and recreational	1,065,750	1,065,750	973,381	92,369.00
Intergovernmental:				
Education	9,712,792	9,668,700	9,668,700	-
Debt service				
Principal retirement	3,791,897	521,807	497,732	24,074
Interest and fees	744,803	32,203	27,883	4,320
Total expenditures	44,341,714	43,148,210	41,104,921	2,043,289
Revenues over (under) expenditures	(2,103,093)	1,285,488	4,572,169	3,286,681
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from other funds	3,888,555	502,223	502,223	-
Transfers to other funds	(2,108,510)	(3,097,364)	(3,129,424)	(32,060)
Proceeds from issuance of debt	589,802	589,802	169,540	(420,262)
Sale of fixed assets	44,000	44,000	49,814	5,814
Total other financing uses	2,413,847	(1,961,339)	(2,407,847)	(446,508)
Revenues and other financing sources over (under) expenditures and other financing uses	310,754	(675,851)	2,164,322	2,840,173
Appropriated fund balance	556,414	675,831	-	(675,831)
Revenues, other financing sources and appropriated fund balance over (under) expenditures and other financing uses	<u>\$ 867,168.00</u>	<u>\$ (20.00)</u>	2,164,322	<u>\$ 2,164,342</u>
FUND BALANCES, beginning of year			16,425,080	
FUND BALANCES, end of year			\$ 18,589,402	

The accompanying notes are an integral part of the financial statements

Vance County, North Carolina  
Exhibit 6 – Statement of Net Position – Proprietary Funds  
June 30, 2015

	Solid Waste Fund	Water Fund	Totals
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 625,560	\$ 350,224	\$ 975,784
Accounts receivable (net)	323,114	228,077	551,191
<b>Total current assets</b>	<b>948,674</b>	<b>578,301</b>	<b>1,526,975</b>
Noncurrent assets:			
Restricted cash and investments	-	805,154	805,154
Net pension asset	4,739	-	4,739
Capital assets:			
Land and improvements	872,857	-	872,857
Construction in process	-	12,789,920	12,789,920
Vehicles and motorized equipment	245,314	-	245,314
Less accumulated depreciation	(232,576)	-	(232,576)
<b>Total capital assets</b>	<b>885,595</b>	<b>12,789,920</b>	<b>13,675,515</b>
<b>Total noncurrent assets</b>	<b>890,334</b>	<b>13,595,074</b>	<b>14,485,408</b>
<b>Total assets</b>	<b>1,839,008</b>	<b>14,173,375</b>	<b>16,012,383</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Contributions to pension plan	3,350	-	3,350
Purchase of water capacity	-	1,662,500	1,662,500
<b>Total deferred outflows of resources</b>	<b>3,350</b>	<b>1,662,500</b>	<b>1,665,850</b>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued liabilities	163,343	452,329	615,672
Current maturities of long-term obligations	-	43,750	43,750
<b>Total current liabilities</b>	<b>163,343</b>	<b>496,079</b>	<b>659,422</b>
Noncurrent liabilities:			
Accrued landfill closure and postclosure costs	880,970	-	880,970
Compensated absences payable	4,217	-	4,217
General obligation bonds payable	-	11,760,000	11,760,000
Notes payable	-	1,618,750	1,618,750
Other postemployment benefits	30,251	-	30,251
Customer deposits	-	298,958	298,958
<b>Total noncurrent liabilities</b>	<b>915,438</b>	<b>13,677,708</b>	<b>14,593,146</b>
<b>Total liabilities</b>	<b>1,078,781</b>	<b>14,173,787</b>	<b>15,252,568</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension deferrals	11,841	-	11,841
<b>NET POSITION</b>			
Net investment in capital assets	885,595	1,029,920	1,915,515
Unrestricted	(133,859)	632,168	498,309
<b>Total net position</b>	<b>\$ 751,736</b>	<b>\$ 1,662,088</b>	<b>\$ 2,413,824</b>

The accompanying notes are an integral part of the financial statements

Vance County, North Carolina

Exhibit 7 – Statement of Revenues, Expenses and Changes in Net Position –  
Proprietary Funds  
Year ended June 30, 2015

	Solid Waste Fund	Water Fund	Totals
<b>OPERATING REVENUES:</b>			
Charges for services	\$ 1,962,407	\$ 336,713	\$ 2,299,120
Other operating revenues	15,020	16,039	31,059
<b>Total operating revenues</b>	<b>1,977,427</b>	<b>352,752</b>	<b>2,330,179</b>
<b>OPERATING EXPENSES:</b>			
Cost of operations	2,169,561	289,287	2,458,848
Amortization	-	43,750	43,750
Depreciation	3,542	-	3,542
<b>Total operating expenses</b>	<b>2,173,103</b>	<b>333,037</b>	<b>2,506,140</b>
Operating income (loss)	(195,676)	19,715	(175,961)
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Investment earnings	-	12,002	12,002
Federal, state, and local grants	13,210	1,551,355	1,564,565
Intergovernmental taxes and other revenues	202,979	-	202,979
Interest and other charges	-	(187,209)	(187,209)
<b>Net nonoperating revenues</b>	<b>216,189</b>	<b>1,376,148</b>	<b>1,592,337</b>
Income (loss) before contributions and transfers	20,513	1,395,863	1,416,376
Transfer from other funds	-	215,000	215,000
Change in net position	20,513	1,610,863	1,631,376
TOTAL NET POSITION, beginning of year	738,101	71,511	809,612
Prior period adjustment	(6,878)	(20,286)	(27,164)
<b>TOTAL NET POSITION, end of year</b>	<b>\$ 751,736</b>	<b>\$ 1,662,088</b>	<b>\$ 2,413,824</b>

The accompanying notes are an integral part of the financial statements

Vance County, North Carolina  
Exhibit 8 – Statement of Cash Flows – Proprietary Funds  
Year ended June 30, 2015

	Solid Waste Fund	Water Fund	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers	\$ 2,055,101	\$ 347,588	\$ 2,402,689
Cash paid for goods and services	(2,092,085)	(433,530)	(2,525,615)
Cash paid to employees for services	(71,448)	-	(71,448)
Customer deposits received	-	36,271	36,271
Other operating revenue	231,209	16,039	247,248
Net cash provided (used) by operating activities	122,777	(33,632)	89,145
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>			
Transfers in	-	215,000	215,000
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>			
Acquisition of capital assets	-	(2,438,530)	(2,438,530)
Capital contributions - federal and state grants	-	1,551,355	1,551,355
Proceeds from bond issuance	-	11,760,000	11,760,000
Principal paid on notes payable and bond anticipation notes	-	(11,803,750)	(11,803,750)
Interest payments on bond maturities	-	(187,209)	(187,209)
Net cash used by capital financing activities	-	(1,118,134)	(1,118,134)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest on investments	-	12,002	12,002
Net increase (decrease) in cash and cash equivalents	122,777	(924,764)	(801,987)
Cash and cash equivalents at beginning of year	502,783	2,091,233	2,594,016
Cash and cash equivalents at end of year	\$ 625,560	\$ 1,166,469	\$ 1,792,029
As presented in the financial statements:			
Cash and cash equivalents	\$ 625,560	\$ 350,224	\$ 975,784
Restricted cash and investments	-	805,154	805,154
Cash and cash equivalents at end of year	\$ 625,560	\$ 1,155,378	\$ 1,780,938

The accompanying notes are an integral part of the financial statements

Vance County, North Carolina  
 Exhibit 8 – Statement of Cash Flows – Proprietary Funds  
 Year ended June 30, 2015

**Reconciliation of operating loss to net cash provided (used) by operating activities:**

Operating loss	\$ (195,676)	\$ 19,715	\$ (175,961)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:			
Intergovernmental taxes and other revenues	216,189	-	216,189
Landfill closure and postclosure care costs	(6,870)	-	(6,870)
Amortization	-	43,750	43,750
Depreciation	3,542	-	3,542
Pension expense	224	-	224
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	92,694	10,875	103,569
Increase (decrease) in accounts payable and accrued liabilities	21,357	(144,243)	(122,886)
Increase (decrease) in customer deposits	-	36,271	36,271
Increase (decrease) in accrued vacation pay	91	-	91
Increase (decrease) in deferred outflows of resources for pensions	(3,350)	-	(3,350)
Increase (decrease) in OPEB payable	(5,424)	-	(5,424)
Total adjustments	318,453	(53,347)	265,106
<b>Net cash provided (used) by operating activities</b>	<b>\$ 122,777</b>	<b>\$ (33,632)</b>	<b>\$ 89,145</b>

The accompanying notes are an integral part of the financial statements

Vance County, North Carolina  
 Exhibit 9 – Statement of Fiduciary Net Position – Fiduciary Funds  
 June 30, 2015

	Pension Trust Fund	Agency Fund
<hr/>		
<b>ASSETS</b>		
Cash and cash equivalents	\$ 334,605	\$ 56,808
 <b>LIABILITIES AND NET POSITION</b>		
Accounts payable	-	56,808
<hr/>		
Net position - held for pension trust benefits	\$ 334,605	\$ -
<hr/> <hr/>		

Vance County, North Carolina

Exhibit 10 – Statement of Changes in Fiduciary Net Position – Fiduciary Funds

June 30, 2015

Additions:	
Employer contributions	\$ 20,000
Investment earnings	285
Total revenues	20,285
Deductions:	
Benefits paid	-
Change in net position	20,285
Net position, beginning of year	314,320
Net position, end of year	\$ 334,605

Vance County, North Carolina  
Notes to Financial Statements  
Year ended June 30, 2015

**NOTE 1 – 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

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B – Basis of Presentation, Basis of Accounting (Continued)**

*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.

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.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B – Basis of Presentation, Basis of Accounting (Continued)**

*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.

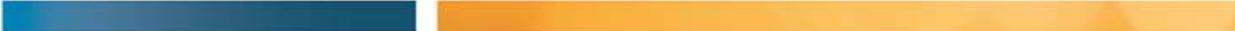
**Management Focus, Basis of Accounting**

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 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.



Vance County, North Carolina  
Notes to Financial Statements (Continued)  
Year ended June 30, 2015

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B – Basis of Presentation, Basis of Accounting (Continued)**

*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.

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.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C – Budgetary Data (Continued)**

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**

***D.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 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.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D – Assets, Liabilities, Deferred Inflows and Outflows, and Fund Equity (Continued)**

***D.1 – Deposits and Investments (Continued)***

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.

***D.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.

***D.3 – Restricted Assets***

Unexpended loan and bond anticipation note proceeds are classified as restricted assets on the balance sheet because their use is completely restricted to the purpose for which the loans and 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. Money in the Tax Revaluation Fund is classified as restricted assets because its use is restricted per North Carolina General Statute 153A-150. Money in the School Capital Outlay Fund is classified as restricted assets because its use is restricted per North Carolina General Statute 159-18 through 22.

Vance County, North Carolina  
Notes to Financial Statements (Continued)  
Year ended June 30, 2015

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D – Assets, Liabilities, Deferred Inflows and Outflows, and Fund Equity (Continued)**

***D.3 – Restricted Assets (Continued)***

Governmental Activities:		
General Fund	Sheriff vehicles	\$ 12,669
Tax Revaluation Fund	Tax revaluation	562,873
School Capital Outlay Fund	Unexpended Public School Building funds	1,830,175
General Capital Projects Fund	Unexpended loan proceeds	934,016
Total Governmental Activities		3,339,733
Business-type activities:		
Water District Capital Project Fund	Unexpended bonds anticipation note proceeds	805,154
Total Business-Type Activities		805,154
Total restricted cash		\$ 4,144,887

***D.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.

***D.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.

***D.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.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D – Assets, Liabilities, Deferred Inflows and Outflows, and Fund Equity (Continued)**

***D.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

***D. 8 – Deferred Inflows and Outflows 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

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D – Assets, Liabilities, Deferred Inflows and Outflows, and Fund Equity (Continued)**

***D. 8 – Deferred Inflows and Outflows of Resources (Continued)***

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.

***D.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.

***D.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.

***D.11 – Net Position and 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.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D – Assets, Liabilities, Deferred Inflows and Outflows, and Fund Equity (Continued)**

***D.11 – Net Position and Fund Balances***

*Fund Balances* – In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent. The governmental fund types classify fund balances as follows.

Nonspendable Fund Balance – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. 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, 2015.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D – Assets, Liabilities, Deferred Inflows and Outflows, and Fund Equity (Continued)**

***D.11 – Net Position and Fund Balances (continued)***

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 Financial Statements (Continued)  
Year ended June 30, 2015

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E – Reconciliation of Government-wide and Fund Financial Statements**

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 \$(12,524,571) 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)	\$ 34,538,145
Less accumulated depreciation	( 19,517,674)
Net capital assets	15,020,471
Net Pension Asset	1,279,213
Contributions to the pension plan in the current fiscal year	846,146
Deferred inflows of resources reported in the government-wide statement but not the fund statements	
Deferred inflows of resources for taxes and notes receivable	1,540,270
Pension related deferrals	( 2,984,728)
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	( 21,160,623)
Net pension obligation	( 397,304)
Other postemployment benefits	( 5,933,368)
Compensated absences	( 734,648)
<b>Total adjustment</b>	<b>\$ ( 12,524,571)</b>

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.

Vance County, North Carolina  
Notes to Financial Statements (Continued)  
Year ended June 30, 2015

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E – Reconciliation of Government-wide and Fund Financial Statements (Continued)**

There are several elements of that total adjustment of \$(5,203,813) as follows:

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 634,042
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.	( 1,482,119)
Construction costs of school facility transferred to School Board	( 5,504,826)
Cost of capital assets disposed of during the year, not recognized on modified accrual basis	( 1,724)
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	( 1,987,540)
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	3,508,817
Contribution to the pension plan in the current fiscal year are not included on the Statement of Activities	846,146
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.	
Compensated absence	( 2,020)
Pension expense	( 52,189)
Net pension obligation	( 24,542)
Other postemployment benefits	( 669,496)
Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements.	
Increase in note receivable	24,000
Reversal of deferred tax revenue recorded at 7/1/14	( 2,008,632)
Tax receipts deferred in the fund statements as of 6/30/15	1,516,270
<b>Total adjustment</b>	<b>\$ ( 5,203,813)</b>

Vance County, North Carolina  
Notes to Financial Statements (Continued)  
Year ended June 30, 2015

**NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

For the fiscal year ended June 30, 2015, the following funds had a deficit fund balance:

Community Development Fund	\$	9,384
Neighborhood Stabilization Fund	\$	394,079
CDBG Scattered Sites Fund	\$	17,775
Debt Service Fund	\$	869
School Debt Service Fund	\$	43,607

The deficit fund balance is due to expenditures in excess of grant reimbursements received as of the fiscal year end for the grant project funds and debt service expenditures in excess of transfers from other funds in the debt service funds. The County will appropriate and transfer money from other funds in fiscal year 2016 to remove deficit fund balances.

**NOTE 3 – DETAILED NOTES ON ALL FUNDS**

**A – Assets**

***A.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 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.

**NOTE 3 – DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A – Assets (Continued)**

**A.1 – Deposits (Continued)**

At June 30, 2015, the carrying amount of the County's deposits was \$18,943,496 and the bank balance was \$19,328,078. Of the bank balance, \$1,000,000 was covered by federal depository insurance and \$18,328,078 was covered by collateral held under the Pooling Method. At June 30, 2015, the County had \$950 cash on hand.

At June 30, 2015, the carrying amount of deposits for Vance County ABC Board was \$865,852 and the bank balance was \$868,627. Of this balance \$250,000 was covered by federal depository insurance and \$618,627 was maintained in financial institutions utilizing the Pooling Method of collateralization. At June 30, 2015, the ABC Board had \$1,744 cash on hand.

At June 30, 2015, the carrying amount of deposits for the Vance County Tourism Development Authority was \$99,820 and the bank balance was \$10,446. All of the balance was covered by federal depository insurance as the bank balance was below the \$250,000 threshold.

**A.2 – Investments**

At June 30, 2015, the County had \$1,562,261 invested with the North Carolina Capital Management Trust's Cash Portfolio and \$1,658,956 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, 2015, the Vance County Tourism Development Authority had \$110,840 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAM by Standard and Poor's. The Authority has no formal policy regarding credit risk.

At June 30, 2015 the ABC Board had no investments.

Vance County, North Carolina  
Notes to Financial Statements (Continued)  
Year ended June 30, 2015

**NOTE 3 – DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A – Assets (Continued)**

**A.4 – Receivables**

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

	Accounts	Taxes	Total
Governmental activities:			
General	\$ 3,581,504	\$ 1,848,891	\$ 5,430,395
Other Governmental	105,436	51,313	156,749
<u>Total receivables</u>	<u>3,686,940</u>	<u>1,900,204</u>	<u>5,587,144</u>
Allowance for doubtful accounts	(511,090)	(383,934)	(895,024)
<u>Total governmental activities</u>	<u>\$ 3,175,850</u>	<u>\$ 1,516,270</u>	<u>\$ 4,692,120</u>
Business-type activities:			
Solid Waste	\$ 323,114	\$ -	\$ 323,114
Water	228,077	-	228,077
<u>Total business-type activities</u>	<u>\$ 551,191</u>	<u>\$ -</u>	<u>\$ 551,191</u>

Included in accounts receivable for other governmental activities is a note receivable from Middleburg Steakhouse in the amount of \$24,000 payable to the City of Henderson in 80 monthly installments of \$300 without interest, beginning in July 2015 through February 2022. This loan is from the County's Economic Development Fund revolving loan grant project and is offset by deferred inflows of resources in the same amount of \$24,000.

**A.5 – Capital Assets**

*Primary Government* – Depreciation expense was charged to functions and programs of the primary government as follows:

General government	\$ 434,724
Public Safety	956,486
Economic and community development	15,994
Human Services	74,915
<u>Total depreciation expense</u>	<u>\$1,482,119</u>

Vance County, North Carolina  
Notes to Financial Statements (Continued)  
Year ended June 30, 2015

**NOTE 3 – DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A – Assets (Continued)**

**A.5 – Capital Assets (Continued)**

Capital asset activity for the year ended June 30, 2015, was as follows:

	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 794,119	\$ -	\$ -	\$ -	\$ 794,119
Construction in progress	5,788,649	292,574	-	(6,081,223)	-
<b>Total capital assets not being depreciated</b>	<b>6,582,768</b>	<b>292,574</b>	<b>-</b>	<b>(6,081,223)</b>	<b>794,119</b>
Capital assets being depreciated:					
Buildings	24,904,771	-	-	576,397	25,481,168
Vehicles	4,724,733	251,127	681,847	-	4,294,013
Equipment	3,503,753	44,241	31,289	-	3,516,705
Computer software	406,040	46,100	-	-	452,140
<b>Total capital assets being depreciated</b>	<b>33,539,297</b>	<b>341,468</b>	<b>713,136</b>	<b>576,397</b>	<b>33,744,026</b>
<b>Total capital assets</b>	<b>40,122,065</b>	<b>634,042</b>	<b>713,136</b>	<b>(5,504,826)</b>	<b>34,538,145</b>
Less accumulated depreciation for:					
Buildings	12,145,908	626,030	-		12,771,938
Vehicles	3,603,800	613,563	680,504		3,536,859
Equipment	2,668,690	212,087	30,908		2,849,869
Computer software	328,569	30,439	-		359,008
<b>Total accumulated depreciation</b>	<b>18,746,967</b>	<b>1,482,119</b>	<b>711,412</b>	<b>-</b>	<b>19,517,674</b>
<b>Total capital assets being depreciated, net</b>	<b>14,792,330</b>	<b>(1,140,651)</b>	<b>1,724</b>	<b>576,397</b>	<b>14,226,352</b>
 Governmental activity capital assets, net	 <b>\$ 21,375,098</b>				 <b>\$ 15,020,471</b>

Vance County, North Carolina  
Notes to Financial Statements (Continued)  
Year ended June 30, 2015

**NOTE 3 – DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A – Assets (Continued)**

**A.5 – Capital Assets (Continued)**

Capital asset activity for the year ended June 30, 2015, was as follows:

	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
Business-type activities:					
Solid Waste					
Capital assets not being depreciated:					
Land	\$ 872,857	\$ -	\$ -	\$ -	\$ 872,857
Total capital assets not being depreciated	872,857	-	-	-	872,857
Capital assets being depreciated:					
Improvements	4,109	-	-		4,109
Equipment	172,225	-	4,000		168,225
Vehicles	72,980	-	-	-	72,980
Total capital assets being depreciated	249,314	-	4,000	-	245,314
Total capital assets being depreciated	1,122,171	-	4,000	-	1,118,171
Less accumulated depreciation for:					
Improvements	4,109	-	-		4,109
Equipment	162,533	248	4,000		158,781
Vehicles	66,392	3,294	-	-	69,686
Total accumulated depreciation	233,034	3,542	4,000	-	232,576
Total capital assets being depreciated, net	16,280	(3,542)	-	-	12,738
Solid waste capital assets, net	\$ 889,137				\$ 885,595

Vance County, North Carolina  
Notes to Financial Statements (Continued)  
Year ended June 30, 2015

**NOTE 3 – DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A – Assets (Continued)**

**A.5 – Capital Assets (Continued)**

Capital asset activity for the year ended June 30, 2015, was as follows:

	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
Water District:					
Capital assets not being depreciated:					
Construction in progress	\$ 12,101,390	\$ 2,438,530	\$ -	\$ (1,750,000)	\$ 12,789,920
Water capital assets, net	\$ 12,101,390	\$ 2,438,530	\$ -	\$ (1,750,000)	\$ 12,789,920
Business-type activities capital assets, net	\$ 12,990,527				\$ 13,675,515

Activity for the Tourism Development Authority for the year ended June 30, 2015, was as follows:

	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
Capital assets not being depreciated:					
Land	\$ 403,455	\$ -	\$ -	\$ -	\$ 403,455
Construction in progress	57,812	-	-	-	57,812
Total capital assets not being depreciated	\$ 461,267	\$ -	\$ -	\$ -	\$ 461,267

Vance County, North Carolina  
Notes to Financial Statements (Continued)  
Year ended June 30, 2015

**NOTE 3 – DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A – Assets (Continued)**

**A.5 – Capital Assets (Continued)**

Activity for the ABC Board for the year ended June 30, 2015, was as follows:

	Beginning Balances	Increases	Decreases	Transfers	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:					
Building	659,416	-	-	-	659,416
Land improvements	86,180	-	-	-	86,180
Furniture and equipment	151,763	-	-	-	151,763
Total capital assets being depreciated	897,359	-	-	-	897,359
Total	1,090,257	-	-	-	1,090,257
Less accumulated depreciation for:					
Building	106,239	21,981	-	-	128,220
Furniture and equipment	79,416	9,809	-	-	89,225
Total accumulated depreciation	217,594	38,398	-	-	255,992
Total capital assets being depreciated, net	679,765	(38,398)	-	-	641,367
ABC Board capital assets, net	\$ 872,663				\$ 834,265

*Commitments* – The County has active general and school construction projects at June 30, 2015. 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	5,952,945	4,965,984
Total commitments	\$ 7,948,765	\$ 6,925,846

Vance County, North Carolina  
Notes to Financial Statements (Continued)  
Year ended June 30, 2015

**NOTE 3 – DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A – Assets (Continued)**

**A.5 – Capital Assets (Continued)**

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**

**B.1 – Payables**

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

	Accounts	Other	Total
<b>Governmental activities:</b>			
General	\$ 817,479	\$ -	\$ 817,479
Other Governmental	18,928	-	18,928
Internal Service Fund	-	-	-
<b>Total governmental activities</b>	<b>\$ 836,407</b>	<b>\$ -</b>	<b>\$ 836,407</b>
<b>Business-type activities:</b>			
Solid Waste	\$ 163,343	\$ -	\$ 163,343
Water	452,329	-	452,329
<b>Total business-type activities</b>	<b>\$ 615,672</b>	<b>\$ -</b>	<b>\$ 615,672</b>

**NOTE 3 – DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**B – Liabilities**

***B.2 – Pension Plan and Other Postemployment Obligations***

**Local Governmental Employee’s Retirement System**

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

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

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

**NOTE 3 – DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**B – Liabilities (Continued)**

***B.2 – Pension Plan and Other Postemployment Obligations (Continued)***

service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

*Contributions.* Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. County employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The County's contractually required contribution rate for the year ended June 30, 2015, was 7.41% of compensation for law enforcement officers and 7.07% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the County were \$846,532 for the year ended June 30, 2015.

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

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

At June 30, 2015, the County reported an asset of \$1,197,597 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension asset was based on a projection of the County's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2014, the County's proportion was .20307%, which was a decrease of .00863% from its proportion measured as of June 30, 2013.

Vance County, North Carolina  
Notes to Financial Statements (Continued)  
Year ended June 30, 2015

**NOTE 3 – DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**B – Liabilities (Continued)**

**B.2 – Pension Plan and Other Postemployment Obligations (Continued)**

For the year ended June 30, 2015, the County recognized pension expense of \$56,645. At June 30, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 130,858
Net difference between projected and actual		
Changes in proportion and difference between County contributions and proportionate share of contributions	-	73,569
County contributions subsequent to the measurement date	846,532	-
<b>Total</b>	<b>\$ 846,532</b>	<b>\$ 2,992,407</b>

Subsequent to the measurement date, \$846,532 reported as deferred outflows of resources related to pensions resulting from County contributions and will be recognized as an increase of the net pension asset in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:

2016	\$ (748,230)
2017	(748,230)
2018	(748,230)
2019	(747,717)
2020	-
Thereafter	-

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

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

**NOTE 3 – DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**B – Liabilities (Continued)**

***B.2 – Pension Plan and Other Postemployment Obligations (Continued)***

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

The actuarial assumptions used in the December 31, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009. Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2015 are summarized in the following table:

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

**NOTE 3 – DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**B – Liabilities (Continued)**

***B.2 – Pension Plan and Other Postemployment Obligations (Continued)***

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

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

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

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

	<b>1% Decrease (6.25%)</b>	<b>Discount Rate (7.25%)</b>	<b>1% Increase (8.25%)</b>
County's proportionate share of the net pension liability (asset)	\$ 4,065,165	\$ (1,197,597)	\$ (5,628,673)

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

**NOTE 3 – DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**B – Liabilities (Continued)**

***B.2 – Pension Plan and Other Postemployment Obligations (Continued)***

The Vance County ABC Board and the Tourism Development Authority are also participating employers in the statewide Local Governmental Employees’ Retirement System (LGERS). The ABC Board’s and Tourism Development Authority’s proportionate share of the net pension assets is not material relative to the primary government, Vance County.

Therefore, pension disclosures for the ABC Board and the Authority are not included in this report. Detailed information about the ABC Board’s and the Authority’s pension plans are included in the separately issued audit reports of the Vance County ABC Board and Vance County Tourism Development Authority.

**Law Enforcement Officers’ Special Separation Allowance**

*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, 2014, 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	34
	35

*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.

Vance County, North Carolina  
Notes to Financial Statements (Continued)  
Year ended June 30, 2015

**NOTE 3 – DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**B – Liabilities (Continued)**

***B.2 – Pension Plan and Other Postemployment Obligations (Continued)***

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

*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 \$10,611 or 0.75% 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, 2014 was 16 years.

Employer annual required contribution	\$ 63,210
Interest on net pension obligation	17,851
Adjustment to annual required contribution	(30,159)
Annual pension cost	50,902
Adjustment to beginning balance per actuarial study	(15,749)
Contributions made	(10,611)
Increase in net pension obligation	24,542
Net pension obligation beginning of year	372,762
Net pension obligation end of year	\$ 397,304

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/13	\$ 57,435	30.04%	\$ 318,179
6/30/14	53,196	27.00%	357,013
6/30/15	50,902	20.85%	397,304

**NOTE 3 – DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**B – Liabilities (Continued)**

***B.2 – Pension Plan and Other Postemployment Obligations (Continued)***

*Funded Status and Funding Progress* – As of December 31, 2014 the most recent actuarial valuation date, the plan was 18.55% funded. The actuarial accrued liability for benefits was \$547,887, and the actuarial value of assets was \$101,648, resulting in an unfunded actuarial liability (UAAL) of \$446,239.

The covered payroll (annual payroll of active employees covered by the plan) was \$1,413,304, and the ratio of the UAAL to the covered payroll was 31.57%.

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.

**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, 2015 were \$157,901, which consisted of \$71,575 from the County and \$86,326 from the employees.

**NOTE 3 – DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**B – Liabilities (Continued)**

***B.2 – Pension Plan and Other Postemployment Obligations (Continued)***

**Register of Deeds' Supplemental Pension Fund**

*Plan Description.* Vance County also contributes to the Registers of Deeds' Supplemental Pension Fund (RODSPF), a noncontributory, defined benefit plan administered by the North Carolina Department of State Treasurer. RODSPF provides supplemental pension benefits to any eligible county register of deeds who is retired under the Local Government Employees' Retirement System (LGERS) or an equivalent locally sponsored plan. Article 3 of G.S. Chapter 161 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Registers of Deeds' Supplemental Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Registers of Deeds' Supplemental Pension Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

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

*Contributions.* Benefits and administrative expenses are funded by investment income and 1.5% of the receipts collected by each County Commission under Article 1 of Chapter 161 of the North Carolina General Statutes. The statutory contribution currently has no relationship to the actuary's required contribution. The actuarially determined contribution this year and for the foreseeable future is zero. Registers of Deeds do not contribute. Contribution provisions are established by General Statute 161-50 and may be amended only by the North Carolina General Assembly. Contributions to the pension plan from the County were \$2,964 for the year ended June 30, 2015.

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

At June 30, 2015, the County reported an asset of \$86,355 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing update

Vance County, North Carolina  
Notes to Financial Statements (Continued)  
Year ended June 30, 2015

**NOTE 3 – DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**B – Liabilities (Continued)**

***B.2 – Pension Plan and Other Postemployment Obligations (Continued)***

procedures incorporating the actuarial assumptions. The County’s proportion of the net pension asset was based on the County’s share of contributions to the pension plan, relative to contributions to the pension plan of all participating RODSPF employers. At June 30, 2014, the County’s proportion was .38103%, which was an increase of .03061% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the County recognized pension expense of \$(4,232). June 30, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 792	\$ -
Net difference between projected and actual earnings on pension plan investments	-	465
Changes in proportion and difference between County contributions and proportionate share of contributions	-	4,489
County contributions subsequent to the measurement date	2,964	-
<b>Total</b>	<b>\$ 3,756</b>	<b>\$ 4,954</b>

County contributions of \$2,964 subsequent to the measurement date will be recognized as deferred outflows of resources related to pensions and as an increase of the net pension asset in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:

2017	(1,797)
2018	(452)
2019	(116)
2020	-
Thereafter	-

**NOTE 3 – DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**B – Liabilities (Continued)**

***B.2 – Pension Plan and Other Postemployment Obligations (Continued)***

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

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

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

The actuarial assumptions used in the December 31, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009. Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

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

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

*Discount rate.* The discount rate used to measure the total pension liability was 5.75%. The projection of cash flows used to determine the discount rate assumed that contributions from employers will be made at statutorily required rates. Based on these assumptions, the pension plan's fiduciary net position was

**NOTE 3 – DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**B – Liabilities (Continued)**

***B.2 – Pension Plan and Other Postemployment Obligations (Continued)***

projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	<b>1% Decrease (6.25%)</b>	<b>Discount Rate (7.25%)</b>	<b>1% Increase (8.25%)</b>
County's proportionate share of the net pension liability (asset)	\$ (77,543)	\$ (86,355)	\$ (93,929)

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

**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.

**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). As of July 1, 2011, 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 a) have at least 30 years of

Vance County, North Carolina  
Notes to Financial Statements (Continued)  
Year ended June 30, 2015

**NOTE 3 – DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**B – Liabilities (Continued)**

**B.2 – Pension Plan and Other Postemployment Obligations (Continued)**

creditable service with the County or b) have at least 15 years of creditable service with the County. The County pays the full cost of coverage for these benefits for lifetime for employees with 30 years of service. Employees with 15 years of service may purchase insurance through the County’s plan at their own expense until Medicare eligibility age. Prior to July 1, 2011, employees qualified for lifetime benefits after a minimum of 15 years of creditable service with the County. Retirees who qualify for coverage receive the same benefits as active employees. Coverage for all retirees who are eligible for Medicare will be transferred to a Medicare Supplement plan after qualifying for Medicare. 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.

Retired Employees’ Years of Creditable Service	Date Hired	
	Pre-July 1, 2011	On or after July 1, 2011
Less than 15 years	Not eligible for coverage	Not eligible for Coverage
15 – 30 years	Full coverage paid by the County	Coverage until Medicare eligibility paid by employee
30+ years	Full coverage paid by the County	Full coverage paid by the County

Membership of the HCB Plan consisted of the following at December 31, 2014, the date of the latest actuarial valuation:

	General Employees	Law Enforcement Officers
Retirees and dependents receiving benefits	70	13
Terminated plan members entitled to but not yet receiving benefits	-	-
Active plan members	280	29
<b>Total</b>	<b>350</b>	<b>42</b>

*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.

Vance County, North Carolina  
Notes to Financial Statements (Continued)  
Year ended June 30, 2015

**NOTE 3 – DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**B – Liabilities (Continued)**

***B.2 – Pension Plan and Other Postemployment Obligations (Continued)***

The current annual required contribution (ARC) rate is 11.46% of annual covered payroll. For the current year, the County contributed \$607,843 or 5.52% of annual covered payroll. The County obtains healthcare coverage through private insurers. The County's required contributions, under a County resolution, for employees represented 4.32% of covered payroll. The County's contributions totaled \$476,370 in fiscal year 2015. Contributions made by employees, including dependent coverage, were \$2,903. 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	\$	1,262,442
Interest on net OPEB obligation		211,982
Adjustment to annual required contribution		(202,509)
Annual OPEB cost (expense)		1,271,915
Contributions made		(607,843)
Increase in net OPEB obligation		664,072
Net OPEB obligation, beginning of year		5,299,547
Net OPEB obligation, end of year	\$	5,963,619

Vance County, North Carolina  
Notes to Financial Statements (Continued)  
Year ended June 30, 2015

**NOTE 3 – DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**B – Liabilities (Continued)**

***B.2 – Pension Plan and Other Postemployment Obligations (Continued)***

The County’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2015 were as follows:

For Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$1,232,422	44.3%	\$4,463,605
2014	\$1,233,651	32.2%	\$5,299,547
2015	\$1,271,915	47.8%	\$5,963,619

*Funded Status and Funding Progress* – As of December 31, 2014, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$14,373,793. The covered payroll (annual payroll of active employees covered by the plan) was \$11,020,341, and the ratio of the UAAL to the covered payroll was 130.4%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

*Actuarial Methods and Assumptions* – Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between 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, 2014 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 7.5% to 5.00% annually. Both rates included a 3.00% 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, 2014, was 30 years.

**NOTE 3 – DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**B – Liabilities (Continued)**

***B.2 – Pension Plan and Other Postemployment Obligations (Continued)***

**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 June 30, 2015, the date of the latest actuarial valuation:

	General Employees
Retirees and dependents receiving benefits	7
Active plan members	1
<b>Total</b>	<b>8</b>

*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 \$2,066 or 0.8% 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 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.

Vance County, North Carolina  
Notes to Financial Statements (Continued)  
Year ended June 30, 2015

**NOTE 3 – DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**B – Liabilities (Continued)**

***B.2 – Pension Plan and Other Postemployment Obligations (Continued)***

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	\$	34,618
Interest on net OPEB obligation		692
Adjustment to annual required contribution		-
Annual OPEB cost (expense)		35,310
Contributions made		(2,066)
Increase in net OPEB obligation		33,244
Net OPEB obligation, beginning of year		263,294
Net OPEB obligation, end of year		\$ 296,538

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
2013	\$28,745	9.20%	\$229,243
2014	\$34,051	7.50%	\$263,294
2015	\$33,244	5.85%	\$296,538

*Funded Status and Funding Progress* – As of June 30, 2015, the actuarial accrued liability for benefits was \$284,992, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$271,610, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 114%. 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.

**NOTE 3 – DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**B – Liabilities (Continued)**

***B.2 – Pension Plan and Other Postemployment Obligations (Continued)***

*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.

*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* – 2015 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, 2015 was approximately 18 years.

**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.

**NOTE 3 – DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**B – Liabilities (Continued)**

***B.2 – Pension Plan and Other Postemployment Obligations (Continued)***

Membership of the HCB Plan consisted of the following at December 31, 2014, 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.

*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.

Vance County, North Carolina  
Notes to Financial Statements (Continued)  
Year ended June 30, 2015

**NOTE 3 – DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**B – Liabilities (Continued)**

***B.2 – Pension Plan and Other Postemployment Obligations (Continued)***

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	\$	6,756
Interest on net OPEB obligation		893
Adjustment to annual required contribution		(853)
<hr/>		
Annual OPEB cost (expense)		6,796
Contributions made		-
<hr/>		
Increase in net OPEB obligation		6,796
 <hr/>		
Net OPEB obligation, beginning of year		22,315
 <hr/>		
Net OPEB obligation, end of year	\$	29,111
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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
<hr/>			
2013	\$3,847	0%	\$18,435
2014	\$3,880	0%	\$22,315
2015	\$6,796	0%	\$29,111

*Funded Status and Funding Progress* – As of December 31, 2014, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$52,711. The covered payroll (annual payroll of active employees covered by the plan) was \$101,738, and the ratio of the UAAL to the covered payroll was 51.81%. 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.

**NOTE 3 – DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**B – Liabilities (Continued)**

***B.2 – Pension Plan and Other Postemployment Obligations (Continued)***

*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, 2014 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 7.5% and 5.00% annually. Both rates included a 3.00% 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, 2014, was 30 years.

***B.3 – 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. Because all death benefit payments are made from the Death Benefit Plan and not by the County, the County does not determine the number of eligible participants. The County has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The County considers these contributions to be immaterial.

For the fiscal year ended June 30, 2015, the County made no contributions to the State for death. 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.

**NOTE 3 – DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**B – Liabilities (Continued)**

***B.3 – Other Employment Benefits (Continued)***

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:

No. Years Contributing	Years Relief	FY Contributions Resume
10 – 20	2	2015
20 or more	3	2016

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.

***B.4 – Closure and Post-closure 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 based on landfill capacity used as of each balance sheet date. The \$880,970 reported as landfill closure and post-closure care liability at June 30, 2015 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 2015.

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.

Vance County, North Carolina  
Notes to Financial Statements (Continued)  
Year ended June 30, 2015

**NOTE 3 – DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**B – Liabilities (Continued)**

***B.5 – Deferred Outflows and Inflows of Resources***

The following schedule summarizes deferred outflows and inflows of resources for the County as of June 30, 2015:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pensions - difference between expected and actual experience		
LGERS	\$ -	\$ 130,858
Pensions - change in proportion and difference between employer contributions and proportionate share of contributions		78,058
Contributions to pension plan in 2014-2015 fiscal year	849,496	
Purchase of water capacity - City of Henderson	1,662,500	
Note receivable - Economic Development Fund	-	24,000
Prepaid taxes not yet earned (General)	-	135,743
Prepaid taxes not yet earned (Special Revenue)	-	-
Taxes receivable, net, less penalties (General)	-	1,464,957
Taxes receivable, net, less penalties (Special Revenue)	-	51,313
<b>Total</b>	<b>\$ 2,512,788</b>	<b>\$ 4,673,374</b>

***B.6 – 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.

**NOTE 3 – DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**B – Liabilities (Continued)**

***B.6 – Risk Management (Continued)***

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.

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.

***B.6 – Contingent Liabilities***

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

Vance County, North Carolina  
Notes to Financial Statements (Continued)  
Year ended June 30, 2015

**NOTE 3 – DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**B – Liabilities (Continued)**

**B.7 – Long-Term Obligations**

*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, 2015 are comprised of the following individual issues:

\$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	\$	1,750,000
		\$ 1,750,000

Serviced by the County’s Water and Sewer District:

\$5,627,000 2014 General Obligation Water Bonds due in annual installments of \$78,000 to \$244,000 June 1, 2054, interest at 3.25%	\$	5,627,000
\$2,196,000 Series 2015A General Obligation Water Bonds due in annual installments of \$35,000 to \$89,000 June 1, 2054, interest at 2.75%		2,196,000
\$3,937,000 Series 2015B General Obligation Water Bonds due in annual installments of \$62,000 to \$161,000 June 1, 2054, interest at 2.75%		3,937,000
		\$ 11,760,000

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

Year Ending June 30,	Governmental Activities	
	Principal	Interest
2016	\$ 455,000	\$ 52,500
2017	440,000	39,150
2018	435,000	25,950
2019	430,000	12,900
Totals	\$ 1,750,000	\$ 130,500

Vance County, North Carolina  
Notes to Financial Statements (Continued)  
Year ended June 30, 2015

**NOTE 3 – DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**B – Liabilities (Continued)**

***B.7 – Long-Term Obligations (Continued)***

Year Ending June 30,	Business-Type Activities	
	Principal	Interest
2016	\$ -	\$ 351,535
2017	175,000	351,535
2018	177,000	346,333
2019	182,000	341,065
2020	188,000	335,650
2021	194,000	330,055
2022-2026	1,059,000	1,560,105
2027-2031	1,222,000	1,392,975
2032-2036	1,415,000	1,199,443
2037-2041	1,639,000	975,222
2042-2046	1,898,000	715,180
2047-2051	2,202,000	413,558
2052-2054	1,409,000	83,537
<b>Totals</b>	<b>\$ 11,760,000</b>	<b>\$ 8,396,193</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 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 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%.

Vance County, North Carolina  
Notes to Financial Statements (Continued)  
Year ended June 30, 2015

**NOTE 3 – DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**B – Liabilities (Continued)**

***B.7 – Long-Term Obligations (Continued)***

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%.

An agreement was entered into on November 26, 2014 for the purchase of an ambulance and animal control vehicle. The agreement was for 16 quarterly payments of \$10,981 including interest at 1.69%.

At June 30, 2015, the County leased vehicles and equipment was valued as follows:

	Cost	Accumulate Depreciation	Net Book Value
Equipment and vehicles	\$ 2,884,094	\$ 1,917,860	\$ 966,234

Vance County, North Carolina  
Notes to Financial Statements (Continued)  
Year ended June 30, 2015

**NOTE 3 – DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**B – Liabilities (Continued)**

***B.7 – Long-Term Obligations (Continued)***

For Vance County, the future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2015 are as follows:

Year Ending June 30,	Principal
2016	\$ 512,232
2017	450,298
2018	287,958
2019	70,271
2020	48,309
Thereafter	142,248
Total minimum lease payments	\$ 1,511,316
Less: amounts representing interest	82,832
Present value of minimum lease payments	\$ 1,428,484

*Installment Purchases* – The County has several installment purchase agreements in effect at June 30, 2015. 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, 2015 was \$119,097.

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 payments of 3.87% beginning on September 1, 2009. The outstanding principal balance as of June 30, 2015 was \$9,750,000.

On June 17, 2009, the County entered into a jail renovation installment purchase contract with the proceeds to be used for 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. This installment purchase contract was refinanced on June 9, 2015, and was paid in full.

**NOTE 3 – DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**B – Liabilities (Continued)**

***B.7 – Long-Term Obligations (Continued)***

On June 9, 2015, the County entered into a jail renovation installment purchase contract with the proceeds to be used for improvements to buildings at Vance Granville Community College totaling \$1,018,000 and to refinance a previous loan for the renovation of the County jail complex. The outstanding balance refinanced on the previous loan was \$800,000. \$980,000 of the new installment purchase contract is to be paid in 15 annual payments of \$65,000 to \$66,000 plus annual interest payments of 2.75% beginning on September 1, 2015. The remaining balance of \$838,000 will be paid in 4 annual installments of 203,000 to \$216,000 plus annual interest payments of 1.59% beginning June 1, 2016. The outstanding principal balance as of June 30, 2015 was \$1,818,000.

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, 2015 was \$600,643.

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, 2015 was \$1,083,230.

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, 2015 was \$2,877,835.

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, 2015 was \$1,733,334.

Vance County, North Carolina  
Notes to Financial Statements (Continued)  
Year ended June 30, 2015

**NOTE 3 – DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**B – Liabilities (Continued)**

***B.7 – Long-Term Obligations (Continued)***

The total future minimum payments of the County’s installment purchase obligations as of June 30, 2015, including interest of \$3,937,187 were as follows:

Year Ending June 30,	Governmental Activities	
	Principal	Interest
2016	\$ 1,624,401	\$ 531,852
2017	1,502,304	507,809
2018	1,497,305	464,153
2019	1,493,304	420,574
2020	1,290,304	377,062
2021-2025	6,273,297	1,281,171
2026-2030	4,301,224	354,566
<b>Totals</b>	<b>\$ 17,982,139</b>	<b>\$ 3,937,187</b>

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, 2015 was \$53,277 payable in fiscal year 2016.

*Bond Anticipation Notes* – The Water District within Vance County issued bond anticipation notes totaling \$11,760,000 in order to finance a water distribution system, beginning in 2012. This bond anticipation note was renewed on October 23, 2013 and matured on October 23, 2014. Only July 14, 2014, the bond anticipation notes were repaid in full with series 2014, 2015A and 2015B General Obligation Water Bonds payable to the United States Department of Agriculture as described in Note III Item 7. a. above with no outstanding principal balance as of June 30, 2015.

*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 31<sup>st</sup> of each year. The outstanding principal balance as of June 30, 2015 was \$1,662,500.

Vance County, North Carolina  
Notes to Financial Statements (Continued)  
Year ended June 30, 2015

**NOTE 3 – DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**B – Liabilities (Continued)**

***B.7 – Long-Term Obligations (Continued)***

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

Year Ending June 30,	Principal	Interest
2016	\$ 43,750	\$ -
2017	43,750	-
2018	43,750	-
2019	43,750	-
2020	43,750	-
2021-2025	218,750	-
2026-2030	218,750	-
2031-2035	218,750	-
2036-2040	218,750	-
2041-2045	218,750	-
2046-2050	218,750	-
2051-2054	131,250	-
<hr/>		
Principal payments	\$ 1,662,500	\$ -

***B.8 – Debt Related to Capital Activities***

Of the total Governmental Activities debt listed only \$4,996,484 relates to assets the County holds title.

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 scheduled 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:

Vance County, North Carolina  
Notes to Financial Statements (Continued)  
Year ended June 30, 2015

**NOTE 3 – DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**B – Liabilities (Continued)**

***B.9 – Summary of Long-term Obligations***

The following is a summary of changes in the County's long-term obligations for the fiscal year ended June 30, 2015:

	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015	Current Portion of Balance
<b>Governmental Activities:</b>					
General obligation debt	\$ 2,205,000	\$ -	\$ 455,000	1,750,000	\$ 455,000
Installment purchases	18,592,611	1,818,000	2,428,472	17,982,139	1,624,401
Capital leases	1,884,289	169,540	625,345	1,428,484	485,322
Compensated absences	732,628	2,020	-	734,648	-
Net pension liability (LGERS)	2,541,700	-	2,541,700	-	-
Net pension obligation (LEOSSA)	372,762	50,902	26,360	397,304	-
Other postemployment benefits	5,263,872	1,271,915	602,419	5,933,368	-
<b>Total governmental activities</b>	<b>\$ 31,592,862</b>	<b>\$ 3,312,377</b>	<b>\$ 6,679,296</b>	<b>\$ 28,225,943</b>	<b>\$ 2,564,723</b>
<b>Business-Type Activities:</b>					
Accrued landfill closure and post-closure care costs	\$ 887,840	\$ -	\$ 6,870	\$ 880,970	\$ -
General obligation debt	-	11,760,000	-	11,760,000	-
Bond anticipation notes	11,760,000	-	11,760,000	-	-
Note payable	1,706,250	-	43,750	1,662,500	43,750
Compensated absences	4,126	91	-	4,217	-
Net pension liability (LGERS)	10,098	-	10,098	-	-
Other postemployment benefits	35,675	-	5,424	30,251	-
<b>Total business-type activities</b>	<b>\$ 14,403,989</b>	<b>\$ 11,760,091</b>	<b>\$ 11,826,142</b>	<b>\$ 14,337,938</b>	<b>\$ 43,750</b>

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

Vance County, North Carolina  
Notes to Financial Statements (Continued)  
Year ended June 30, 2015

**NOTE 3 – DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**B – Liabilities (Continued)**

***B.9 – Summary of Long-term Obligations (Continued)***

The following is a summary of changes in the ABC Board’s long-term obligations for the fiscal year ended June 30, 2015:

	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015	Current Portion of Balance
ABC Board:					
Notes payable	\$ 724,127	\$ -	\$ 79,181	\$ 644,946	\$ 82,796
Net pension liability (LGERS)	32,545	-	32,545	-	-
Compensated absences	26,276		821	25,455	-
Other postemployment benefits	263,294	35,310	2,066	296,538	-
<b>Total ABC Board</b>	<b>\$ 1,046,242</b>	<b>\$ 35,310</b>	<b>\$ 114,613</b>	<b>\$ 966,939</b>	<b>\$ 82,796</b>

The following is a summary of changes in the Tourism Development Authority’s long-term obligations for the fiscal year ended June 30, 2015:

	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015	Current Portion of Balance
Vance County TDA:					
Notes payable	\$ 98,277	\$ -	\$ 45,000	\$ 53,277	\$ 53,277
Net pension liability (LGERS)	-	-	-	-	-
Compensated absences	13,940	7,584	1,723	19,801	-
Other postemployment benefits	22,315	6,796	-	29,111	-
<b>Total ABC Board</b>	<b>\$ 134,532</b>	<b>\$ 14,380</b>	<b>\$ 46,723</b>	<b>\$ 102,189</b>	<b>\$ 53,277</b>

**NOTE 3 – DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**B – Liabilities (Continued)**

***B.10 – Conduit Debt***

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, 2015, there were three series of industrial revenue bonds outstanding, with an aggregate principal amount payable of \$1.24 million.

**C – Fund Balances**

***C.1 – Interfund Balances and Activity***

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

From the General Fund to the School Capital Reserve Fund to cover capital Expenditures for school facility improvements.	\$ 1,880,941
From the General Fund to the Revaluation fund to provide funding for future revaluation the County's tax base.	37,000
From the General Fund to the Capital Reserve Fund to accumulate funds for future capital needs of the County.	239,282
From the General Fund to the General Capital Projects Fund to provide funding for capital projects	25,000
From the General Fund to the Water Fund to provide funding for debt service payments.	215,000
From the General Fund to the Fiduciary Fund to accumulate resources for OPEB and LEO Separation obligations	20,000
From the Fire Tax Fund to the General Fund in order to help pay administrative costs of the local fire departments.	233,549

Vance County, North Carolina  
Notes to Financial Statements (Continued)  
Year ended June 30, 2015

**NOTE 3 – DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**C – Fund Balances (Continued)**

***C.1 – Interfund Balances and Activity (Continued)***

From the General Capital Reserve Fund to the Debt Service Fund to help pay debt service obligations	239,300
From the Tourism Development Authority to the General Fund for the repayment of debt owed to the County	45,000
From the General Capital Reserve Fund to the General Fund to help pay operating costs.	11,000
From the Facilities Fees Fund to the General Fund to help pay operating costs on County facilities.	44,217
From the Emergency Telephone System Fund to the General Fund to help pay 911 communications costs.	88,457
From the School Capital Reserve Fund to the School Debt Service Fund to provide funding for school debt service payments.	1,986,566
From the School Capital Reserve Fund to the Debt Service Fund to provide funding for debt service payments.	71,636
From the General Fund to the Debt Service Fund to provide funding for General debt service payments.	732,201
From the School Capital Reserve Fund to the General Fund for assistance with school administrative and capital outlay costs.	125,000
	\$ 5,994,149

Vance County, North Carolina  
Notes to Financial Statements (Continued)  
Year ended June 30, 2015

**NOTE 3 – DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**C – Fund Balances (Continued)**

***C.1 – Interfund Balances and Activity (Continued)***

Balances due to/from other funds as of June 30, 2015, consist of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Emergency Telephone Fund	\$ 509,583
General Fund	Community Development Fund	9,384
General Fund	Neighborhood Stabilization Fund	394,048
General Fund	CDBG Scattered Sites Fund	17,775
General Fund	General Capital Reserve Fund	117,418
	Total non-major governmental funds	1,048,208
General Fund	Revaluation Fund	176,689
General Fund	Debt Service Fund	38,075
General Fund	School Debt Service Fund	43,607
	Total other funds	258,371
	Total due to/from other funds	\$1,306,579

The interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

***C.2 – Net Investment in Capital Assets***

Net investment in capital assets at June 30, 2015 was comprised of the following as noted in the table below:

	Governmental Activities	Business-type Activities	Vance County TDA	Vance County ABC Board
Capital assets, net of depreciation	\$ 15,020,471	\$ 13,675,515	\$ 461,267	\$ 834,265
Less: General obligation debt	(1,750,000)	(11,760,000)	-	-
Installment debt - jail	(1,818,000)	-	(53,277)	-
Note payable	-	-	-	(644,946)
Capital leases	(1,428,484)	-	-	-
Net investment in capital assets	\$ 10,023,987	\$ 1,915,515	\$ 407,990	\$ 189,319

Vance County, North Carolina  
Notes to Financial Statements (Continued)  
Year ended June 30, 2015

**NOTE 3 – DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**C – Fund Balances (Continued)**

**C.3 – Fund Balances**

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-county funds, county funds. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Officer had the authority to deviate from this policy if it is in the best interest of the County.

The following schedule summarizes the portion of General fund balance that is available for appropriation at June 30, 2015:

Total fund balance - General Fund		\$ 18,947,487
Less:		
Stabilization by state statute		4,376,993
Restricted for facility improvements		16,377
Restricted for public safety		12,669
Restricted for revaluation		386,184
Appropriated Fund Balance in 2016 budget		941,382
Remaining Fund Balance		\$ 13,213,882

**NOTE 4 – 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 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 \$992,540 to the Community College for operating purposes during the fiscal year ended June 30, 2015. The participating governments do not have any equity interest in the joint venture; therefore, no equity interest has been reflected in the County's financial statements at June 30, 2015. Complete financial statements for the Community College may be obtained from the Community College's administrative offices at P.O. Box 918, Henderson, NC 27536.

**NOTE 4 – JOINT VENTURES (CONTINUED)**

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, 2015. 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, 2015. 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 \$191,338 to the Authority during the fiscal year ended June 30, 2015. The participating governments do not have any equity interest in the joint venture, therefore no equity interest has been reflected in the financial statements at June 30, 2015. 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 \$95,233 to KARTS during the fiscal year ended June 30, 2015. The participating governments do not have any equity interest in the joint venture, therefore no equity interest has been reflected in the financial statements at June 30, 2015. Complete financial statements for KARTS can be obtained from their administrative offices.

**NOTE 5 – 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.

Vance County, North Carolina  
Notes to Financial Statements (Continued)  
Year ended June 30, 2015

**NOTE 6 – BENEFIT PAYMENTS ISSUED BY THE STATE**

The amounts listed below were paid directly to individual recipients by the State from federal and state moneys during the year ended June 30, 2015. 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	\$ 558,263	\$ -
Temporary Assistance for Needy Families	606,317	-
IV-E Foster Care	206,084	53,186
IV-E Admin County	8,468	4,234
State Foster Home	-	34,463
Special Assistance to Adults	-	506,409
IV-E Adoptions Subsidy Payments	176,387	47,173
CWS Adoption Subsidy Payments	-	113,108
Food Stamp Program	22,054,052	-
Medical Assistance	62,773,245	34,285,812
SFHF Maximization	-	43,563
State Children’s Insurance Program	766,909	241,505

**NOTE 7 – 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.

**Unemployment Taxes**

The County has elected to pay direct costs of employment security benefits in lieu of employment security taxes on payroll. A liability for benefit payments could accrue in the year following discharge of employees.

Vance County, North Carolina  
Notes to Financial Statements (Continued)  
Year ended June 30, 2015

**NOTE 7 – SUMMARY DISCLOSURE OF SIGNIFICANT COMMITMENTS AND CONTINGENCIES (CONTINUED)**

**City of Henderson Joint Capital Projects**

Vance County has entered into several joint capital projects with the City of Henderson. Per the terms of interlocal agreements with the City of Henderson, the City borrowed the funds to finance these projects. Vance County will reimburse the City of its proportionate share of construction costs and debt service expenditures. The outstanding debt and the related principal and interest payments for these projects are recorded in the financial statements of the City of Henderson. The following schedule shows the outstanding commitment for Vance County's share of current fiscal year and future year's debt service payments through the final payment in the fiscal year ending June 30, 2017.

	City of Henderson			Vance County	
	Principal	Interest	Total	Share of Costs	Commitment
<b>Current Fiscal Year:</b>					
Aycock Recreation Center	\$ 264,266	\$ 28,858	\$ 293,124	50.00%	\$ 146,562
Northern Vance Sewer Line	62,226	4,543	66,769	100.00%	66,769
Ruin Creek Road Outfall Line	115,286	11,863	127,149	56.34%	71,636
<b>Total fiscal year ended June 30, 2015</b>	<b>\$ 441,778</b>	<b>\$ 45,264</b>	<b>\$ 487,042</b>		<b>\$ 284,967</b>
<b>Future Years:</b>					
Aycock Recreation Center	\$ 264,266	\$ 14,428	\$ 278,694	50.00%	\$ 139,347
Northern Vance Sewer Line	62,227	855	63,082	100.00%	63,082
Ruin Creek Road Outfall Line	115,285	7,909	123,194	56.34%	69,407
<b>Total fiscal year ending June 30, 2016</b>	<b>441,778</b>	<b>23,192</b>	<b>464,970</b>		<b>271,836</b>
Ruin Creek Road Outfall Line	115,286	3,954	119,240	56.34%	67,180
<b>Total fiscal year ending June 30, 2017</b>	<b>115,286</b>	<b>3,954</b>	<b>119,240</b>		<b>67,180</b>
<b>Total commitment for future years</b>	<b>\$ 557,064</b>	<b>\$ 27,146</b>	<b>\$ 584,210</b>		<b>\$ 339,016</b>

**NOTE 8 – SUBSEQUENT EVENTS**

On July 28, 2015, subsequent to year end, the County entered into a capital lease with BB&T in the amount of \$420,262 for the purchase of an ambulance and vehicles for the sheriff's department.

Subsequent events have been evaluated as of December 15, 2015, the date the financial statements were available for review.

**NOTE 9 – CHANGE IN ACCOUNTING PRINCIPAL, RESTATEMENT, AND PRIOR PERIOD ADJUSTMENT**

**Pensions**

The County implemented Governmental Accounting Standards Board (GASB) statement 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27)*, in the fiscal year ending June 30, 2015. The implementation of the statement required the County to record beginning net pension liability and the effects on net position of contributions made by the County during the measurement period (fiscal year ending June 30, 2014). As a result, net position for the governmental and business-type activities decreased by \$1,653,326 and \$6,878, respectively.

The ABC Board implemented Governmental Accounting Standards Board (GASB) statement 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27)*, in the fiscal year ending June 30, 2015. The implementation of the statement required the Board to record beginning net pension liability and the effects on net position of contributions made by the ABC Board during the measurement period (fiscal year ending June 30, 2014). As a result, net position for the ABC Board decreased by \$14,603.

The Tourism Development Authority implemented Governmental Accounting Standards Board (GASB) statement 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27)*, in the fiscal year ending June 30, 2015. The implementation of the statement required the Authority to record beginning net pension liability and the effects on net position of contributions made by the Authority during the measurement period (fiscal year ending June 30, 2014). As a result, net position for the Authority decreased by \$15,817.

**Amortization of Deferred Outflow for Purchase of Water Capacity**

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, beginning July 31, 2014. The purchase of water capacity was recorded as a deferred outflow of resources and is being amortized over the life of the agreement. A prior period adjustment was made to record amortization expense for the fiscal year ended June 30, 2014. As a result, net position for the business-type activities decreased by \$43,750.

Vance County, North Carolina  
Notes to Financial Statements (Continued)  
Year ended June 30, 2015

**NOTE 9 – CHANGE IN ACCOUNTING PRINCIPAL, RESTATEMENT, AND PRIOR PERIOD ADJUSTMENT  
(CONTINUED)**

A summary of prior period adjustments and changes in net position for the fiscal year ended June 30, 2015 is shown below:

	Governmental Activities	Business-type Activities	Total Primary Government	Vance County TDA	Vance County ABC Board
Net position beginning previously reported	\$ 13,289,027	\$ 809,612	\$ 14,098,639	\$ 501,153	\$ 593,311
Prior Period Adjustments					
GASB 68 LGERS Pension	(1,731,287)	(6,878)	(1,738,165)	(15,817)	(14,603)
GASB 68 Register of Deeds Pension	77,961	-	77,961	-	-
Amortization expense	-	(20,286)	(20,286)	-	-
<b>Total prior period adjustments</b>	<b>(1,653,326)</b>	<b>(27,164)</b>	<b>(1,680,490)</b>	<b>(15,817)</b>	<b>(14,603)</b>
<b>Net position beginning restated</b>	<b>\$ 11,635,701</b>	<b>\$ 782,448</b>	<b>\$ 12,418,149</b>	<b>\$ 485,336</b>	<b>\$ 578,708</b>

Vance County, North Carolina

Statement 1 – Law Enforcement Officers’ Special Separation Allowance –  
Schedule of Funding Progress  
June 30, 2015

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	\$ 66,956	\$ 396,599	\$ 329,643	16.88%	\$ 1,899,536	17.35%
12/31/2010	47,375	486,539	439,164	9.74%	1,888,466	23.26%
12/31/2012	83,187	492,111	408,924	16.90%	1,468,297	27.85%
12/31/2014	101,648	547,887	446,239	18.55%	1,413,304	31.57%

Vance County, North Carolina  
Statement 2 – Law Enforcement Officers’ Special Separation Allowance –  
Schedule of Employer Contributions  
Year ended June 30, 2015

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%
2015	63,210	17%

**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	12/31/2014
Actuarial cost method	Projected unit credit
Amortization method	Level dollar closed
Remaining amortization period	16 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	5.00%
Projected salary increases*	4.25% - 7.85%
*Includes inflation at	3.00%
Cost of living adjustments	N/A

Vance County, North Carolina  
Statement 3 – Other Postemployment Benefits –  
Schedule of Funding Progress  
June 30, 2015

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%	\$ 10,665,744	129.1%
12/31/2010	-	14,660,933	14,660,933	0%	11,757,209	124.7%
12/31/2012	-	14,042,311	14,042,311	0%	10,259,576	136.9%
12/31/2014	-	14,373,793	14,373,793	0%	11,020,341	130.4%

Vance County, North Carolina  
Statement 4 – Other Postemployment Benefits –  
Schedule of Employer Contributions  
Year ended June 30, 2015

Year Ended June 30,	Annual Required Contribution*	Percentage Contributed*
2012	\$ 1,340,183	0%
2013	1,225,672	44%
2014	1,225,672	32%
2015	1,262,442	48%

\* Presented for all years for which data is available.

**Notes to the Required Schedules:**

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

Valuation date	12/31/2014	
Actuarial cost method	Projected unit credit	
Amortization method	Level percent of pay open	
Remaining amortization period	30 years	
Amortization factor	26.1695	
Asset valuation method	Market value	
Actuarial assumptions:		
Investment rate of return*	4.00%	
Medical cost trend rate	7.50% - 5.00%	Pre-Medicare
	5.50% - 5.00%	Post-Medicare
Year of ultimate trend rate	2020	
*Includes inflation at	3.00%	

Vance County, North Carolina

Statement 5 – Local Government Employees’ Retirement System –  
 Schedule of the County’s Proportionate Share of the Net Pension Obligation  
 June 30, 2015

	2015	2014
County's proportion of the net pension liability (asset) %	0.20307%	0.21170%
County's proportion of the net pension liability (asset) \$	\$ (1,197,597)	\$ 2,551,798
County's covered-employee payroll	\$ 11,883,802	\$ 11,508,246
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-10.08%	22.17%
Plan fiduciary net position as a percentage of the total pension liability	102.64%	94.35%

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

Vance County, North Carolina  
Statement 6 – Local Government Employees’ Retirement System –  
Schedule of County Contributions  
Year ended June 30, 2015

	<b>2015</b>	<b>2014</b>
Contractually required contribution	\$ 846,532	\$ 813,633
Contributions in relation to the contractually required contribution	846,532	813,633
Contribution deficiency (excess)	\$ -	\$ -
County's covered-employee payroll	\$ 11,883,802	\$ 11,508,246
Contributions as a percentage of covered-employee payroll	7.12%	7.07%

Vance County, North Carolina

Statement 7 – Register of Deeds’ Supplemental Pension Fund –  
 Schedule of the County’s Proportionate Share of the Net Pension Obligation  
 June 30, 2015

	<b>2015</b>	<b>2014</b>
County's proportion of the net pension liability (asset) %	0.38103%	0.35042%
County's proportion of the net pension liability (asset) \$	\$ (86,355)	\$ (74,850)
County's covered-employee payroll	\$ 53,808	\$ 50,853
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-160.49%	-147.19%
Plan fiduciary net position as a percentage of the total pension liability	1.9388%	1.9050%

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

Vance County, North Carolina  
Statement 8 – Register of Deeds’ Supplemental Pension Fund –  
Schedule of County Contributions  
Year ended June 30, 2015

	<b>2015</b>	<b>2014</b>
Contractually required contribution	\$ 2,964	\$ 3,111
Contributions in relation to the contractually required contribution	2,964	3,111
Contribution deficiency (excess)	\$ -	\$ -
County's covered-employee payroll	\$ 53,808	\$ 50,853
Contributions as a percentage of covered-employee payroll	5.51%	6.12%

Vance County, North Carolina  
Statement 9 – Combining Balance Sheet – General Funds  
June 30, 2015

	General Fund	Revaluation Fund	Debt Service Fund	School Debt Service Fund	Facility Fees Fund	Totals
<b>ASSETS</b>						
Cash and investments	\$ 15,152,962	\$ -	\$ 37,206	\$ -	\$ 16,377	\$ 15,206,545
Restricted cash and investments	12,669	562,873	-	-	-	575,542
Receivables:						
Property taxes	1,464,957	-	-	-	-	1,464,957
Accounts receivable	2,827,166	-	-	-	-	2,827,166
Local option sales tax	243,248	-	-	-	-	243,248
Due from other funds	1,306,579	-	-	-	-	1,306,579
<b>Total assets</b>	<b>\$ 21,007,581</b>	<b>\$ 562,873</b>	<b>\$ 37,206</b>	<b>\$ -</b>	<b>\$ 16,377</b>	<b>\$ 21,624,037</b>
<b>LIABILITIES AND EQUITY</b>						
Liabilities:						
Accounts payable and accrued liabilities	\$ 817,479	\$ -	\$ -	\$ -	\$ -	\$ 817,479
Due to other funds	-	176,689	38,075	43,607	-	258,371
<b>Total liabilities</b>	<b>817,479</b>	<b>176,689</b>	<b>38,075</b>	<b>43,607</b>	<b>-</b>	<b>1,075,850</b>
Deferred inflows of resources	1,600,700	-	-	-	-	1,600,700
Fund balances:						
Restricted						
Stabilization by state statute	4,376,993	-	-	-	-	4,376,993
Register of deeds	-	-	-	-	-	-
Sheriff	12,669	-	-	-	-	12,669
Emergency services	-	-	-	-	-	-
Tax revaluation	-	386,184	-	-	-	386,184
Facility improvements	-	-	-	-	16,377	16,377
Assigned						
Subsequent years' expenditures	941,382	-	-	-	-	941,382
Unassigned	13,258,358	-	(869)	(43,607)	-	13,213,882
<b>Total equity</b>	<b>18,589,402</b>	<b>386,184</b>	<b>(869)</b>	<b>(43,607)</b>	<b>16,377</b>	<b>18,947,487</b>
<b>Total liabilities, deferred inflows of resources, and equity</b>	<b>\$ 21,007,581</b>	<b>\$ 562,873</b>	<b>\$ 37,206</b>	<b>\$ -</b>	<b>\$ 16,377</b>	<b>\$ 21,624,037</b>

Vance County, North Carolina  
Statement 10 – Combining Statement of Revenues, Expenses and  
Changes in Fund Balance – General Funds  
Year ended June 30, 2015

	General Fund	Revaluation Reserve Fund	Debt Service Fund	School Debt Service Fund	Facility Fees Fund	Total
<b>Revenues:</b>						
Ad valorem taxes	\$ 23,597,526	\$ -	\$ -	\$ -	\$ -	23,597,526
Local option sales taxes	7,503,499	-	-	-	-	7,503,499
Other taxes and licenses	60,467	-	-	-	-	60,467
Unrestricted intergovernmental	324,807	-	-	-	-	324,807
Restricted intergovernmental	11,080,569	-	-	-	73,692	11,154,261
Sales and services	2,809,022	-	-	-	-	2,809,022
Investment earnings	2,223	477	-	-	78	2,778
Miscellaneous other	298,977	-	7	-	-	298,984
<b>Total revenues</b>	<b>45,677,090</b>	<b>477</b>	<b>7</b>	<b>-</b>	<b>73,770</b>	<b>45,751,344</b>
<b>Expenditures:</b>						
General Government	3,878,524	176,689	-	-	29,551	4,084,764
Public safety	12,062,033	-	-	-	-	12,062,033
Transportation	28,750	-	-	-	-	28,750
Environmental protection	50	-	-	-	-	50
Economic and community development	1,109,253	-	138,405	-	-	1,247,658
Human services	12,858,615	-	-	-	-	12,858,615
Cultural and recreational	973,381	-	146,562	-	-	1,119,943
Education	9,668,700	-	-	-	-	9,668,700
Debt Service						
Principal	497,732	-	655,000	1,428,472	-	2,581,204
Interest and fees	27,883	-	103,175	558,090	-	689,148
<b>Total expenditures</b>	<b>41,104,921</b>	<b>176,689</b>	<b>1,043,142</b>	<b>1,986,562</b>	<b>29,551</b>	<b>44,340,865</b>
Revenues over (under) expenditures	4,572,169	(176,212)	(1,043,135)	(1,986,562)	44,219	1,410,479
<b>Other financing sources (uses):</b>						
Operating transfers in	502,223	37,000	1,043,137	1,986,566	-	3,568,926
Operating transfers out	(3,129,424)	-	-	-	(44,217)	(3,173,641)
Proceeds from lease obligations	169,540	-	-	-	-	169,540
Sales of fixed assets	49,814	-	-	-	-	49,814
<b>Total other financing sources (uses)</b>	<b>(2,407,847)</b>	<b>37,000</b>	<b>1,043,137</b>	<b>1,986,566</b>	<b>(44,217)</b>	<b>614,639</b>
Revenues and other financing sources over (under) expenditures and other financing uses	2,164,322	(139,212)	2	4	2	2,025,118
Fund balance, beginning of year	16,425,080	525,396	(871)	(43,611)	16,375	16,922,369
Fund balance, end of year	\$ 18,589,402	\$ 386,184	\$ (869)	\$ (43,607)	\$ 16,377	\$ 18,947,487

Vance County, North Carolina

Statement 11 – Statement of Revenues, Expenses and Changes in Fund Balance  
Budget and Actual – General Fund  
Year ended June 30, 2015

	Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Ad valorem taxes:			
Taxes	\$ 23,043,177	<b>\$ 23,272,435</b>	\$ 229,258
Penalties and interest	325,091	<b>325,091</b>	-
Total	23,368,268	<b>23,597,526</b>	229,258
Local option sales taxes:			
Article 39 one percent	3,700,000	<b>3,873,277</b>	173,277
Article 40 one-half of one percent	2,231,000	<b>2,401,944</b>	170,944
Article 42 one-half of one percent	1,767,000	<b>1,849,014</b>	82,014
Hold Harmless	(535,000)	<b>(620,736)</b>	(85,736)
Total	7,163,000	<b>7,503,499</b>	340,499
Other taxes and licenses:			
Real estate transfer tax	26,080	<b>26,141</b>	61
Motor vehicle rental tax	24,821	<b>24,822</b>	1
Privilege licenses	7,638	<b>9,504</b>	1,866
Total	58,539	60,467	1,928
Unrestricted intergovernmental :			
Beer and wine taxes	139,380	<b>139,380</b>	-
Video franchise fees	170,000	<b>168,074</b>	(1,926)
ABC profit distribution	17,353	<b>17,353</b>	-
Total	326,733	<b>324,807</b>	(1,926)
Restricted intergovernmental:			
Federal, State, and local grants	9,600,666	<b>10,250,392</b>	649,726
Library fees	32,750	<b>32,750</b>	-
911 fees	551,617	<b>554,937</b>	3,320
Elections	40,183	<b>40,362</b>	179
ABC bottle taxes	20,000	<b>21,990</b>	1,990
Occupancy and tourism tax	173,548	<b>180,138</b>	6,590
Total	10,418,764	<b>11,080,569</b>	661,805

Vance County, North Carolina

Statement 11 – Statement of Revenues, Expenses and Changes in Fund Balance  
Budget and Actual – General Fund (Continued)  
Year ended June 30, 2015

	Budget	Actual	Variance Positive (Negative)
<b>Sales and services:</b>			
Animal shelter	75,428	<b>73,008</b>	(2,420)
4H services	12,350	<b>5,785</b>	(6,565)
DSS local fees	69,742	<b>72,032</b>	2,290
Extension services	16,420	<b>12,556</b>	(3,864)
Sale of maps and ordinances	75	<b>447</b>	372
Fire incident billing reimbursement	-	<b>823</b>	823
Law enforcement fees	277,150	<b>245,981</b>	(31,169)
Jail fees	158,750	<b>163,526</b>	4,776
Ambulance fees	1,592,654	<b>1,619,514</b>	26,860
Register of deeds	236,200	<b>236,465</b>	265
Inspection fees	297,250	<b>296,165</b>	(1,085)
Tax foreclosure fees	3,000	<b>11,088</b>	8,088
Vance County TDA fees	70,000	<b>71,632</b>	1,632
Total	2,809,019	<b>2,809,022</b>	3
Investment earnings	2,220	<b>2,223</b>	3
<b>Miscellaneous:</b>			
Fines	200	<b>1,500</b>	1,300
Other revenues	286,956	<b>297,477</b>	10,521
<b>Total revenues</b>	44,433,699	<b>45,677,090</b>	1,243,391
<b>Expenditures</b>			
<b>General Government:</b>			
Governing body:			
Salaries and employee benefits		<b>99,304</b>	
Other operating expenditures		<b>95,178</b>	
Total	203,508	<b>194,482</b>	9,026

Vance County, North Carolina

Statement 11 – Statement of Revenues, Expenses and Changes in Fund Balance  
Budget and Actual – General Fund (Continued)  
Year ended June 30, 2015

	Budget	Actual	Variance Positive (Negative)
Administration:			
Salaries and employee benefits		776,336	
Other operating expenditures		87,476	
Total	893,419	863,812	29,607
Board of Elections:			
Salaries and employee benefits		142,586	
Other operating expenditures		85,355	
Capital outlay		9,482	
Total	247,978	237,423	10,555
Tax Office:			
Salaries and employee benefits		480,490	
Other operating expenditures		320,802	
Capital outlay		-	
Total	823,449	801,292	22,157
County Attorney:			
Contracted services	82,870	80,830	2,040
Register of Deeds:			
Salaries and employee benefits		197,611	
Other operating expenditures		52,020	
Total	270,317	249,631	20,686
Public Buildings:			
Salaries and employee benefits		145,718	
Other operating expenditures		219,995	
Total	393,109	365,713	27,396
Court facilities:			
Salaries and employee benefits		114,364	
Other operating expenditures		194,210	
Total	311,234	308,574	2,660

Vance County, North Carolina  
Statement 11 – Statement of Revenues, Expenses and Changes in Fund Balance  
Budget and Actual – General Fund (Continued)  
Year ended June 30, 2015

	Budget	Actual	Variance Positive (Negative)
Central Services:			
Retiree health insurance		538,146	
Other operating expenditures		113,246	
Total	671,668	651,392	20,276
Management Information System:			
Salaries and employee benefits		90,421	
Other operating expenditures		34,954	
Capital outlay		-	
Total	134,232	125,375	8,857
<b>Total general government</b>	<b>4,031,784</b>	<b>3,878,524</b>	<b>153,260</b>
<b>Public Safety:</b>			
Sheriff:			
Salaries and employee benefits		2,656,421	
Other operating expenditures		606,269	
Capital outlay		82,826	
Total	3,661,994	3,345,516	316,478
Jail:			
Salaries and employee benefits		2,029,953	
Other operating expenditures		1,027,247	
Total	3,305,706	3,057,200	248,506
Total Sheriff and Jail	6,967,700	6,402,716	564,984
Sheriff's interdiction program:			
Other operating expenditures		74,347	
Total	91,543	74,347	17,196
Fire and ambulance:			
Salaries and employee benefits		2,004,865	
Other operating expenditures		600,317	
Capital outlay		330,809	
Total	3,228,976	2,935,991	292,985

Vance County, North Carolina

Statement 11 – Statement of Revenues, Expenses and Changes in Fund Balance  
Budget and Actual – General Fund (Continued)  
Year ended June 30, 2015

	Budget	Actual	Variance Positive (Negative)
<b>E911 communications:</b>			
Salaries and employee benefits		<b>1,974,862</b>	
Other operating expenditures		<b>185,264</b>	
Total	2,191,248	<b>2,160,126</b>	31,122
<b>Animal Control:</b>			
Salaries and benefits		<b>229,811</b>	
Other expenditures		<b>116,882</b>	
Capital outlay		<b>57,810</b>	
Total	449,515	<b>404,503</b>	45,012
<b>Fire:</b>			
Contracted services	61,375	<b>60,000</b>	1,375
<b>Medical examiner:</b>			
Contracted services	40,000	<b>19,850</b>	20,150
<b>Crimestoppers</b>			
Other operating expenditures	500	<b>500</b>	-
<b>Beaver management</b>			
Other operating expenditures	4,000	<b>4,000</b>	-
<b>Total public safety</b>	13,034,857	<b>12,062,033</b>	972,824
<b>Transportation:</b>			
Contribution to regional airport	28,750	<b>28,750</b>	-
<b>Environmental Protection:</b>			
Demolitions and removals	600	<b>50</b>	550

Vance County, North Carolina

Statement 11 – Statement of Revenues, Expenses and Changes in Fund Balance  
Budget and Actual – General Fund (Continued)  
Year ended June 30, 2015

	Budget	Actual	Variance Positive (Negative)
<b>Economic and community development:</b>			
Economic development:			
Salaries and employee benefits		125,719	
COG membership dues		16,788	
Contributions other agencies:		40,750	
Other operating expenditures		59,238	
Total	272,331	242,495	29,836
Community improvement:			
Salaries and employee benefits		-	
Other operating expenditures		-	
Total	-	-	-
Soil and water conservation:			
Salaries and employee benefits		88,949	
Other operating expenditures		5,387	
Total	101,204	94,336	6,868
Planning:			
Salaries and employee benefits		522,528	
Other operating expenditures		59,920	
Total	691,777	582,448	109,329
Contributions other agencies:	65,002	64,809	193
Cooperative extension			
Salaries and employee benefits		5,142	
Other operating expenditures		34,041	
Contracted services		85,982	
Total	146,930	125,165	21,765
<b>Total economic and community development</b>	<b>1,277,244</b>	<b>1,109,253</b>	<b>167,991</b>

Vance County, North Carolina

Statement 11 – Statement of Revenues, Expenses and Changes in Fund Balance  
Budget and Actual – General Fund (Continued)  
Year ended June 30, 2015

	Budget	Actual	Variance Positive (Negative)
<b>Human Services:</b>			
<b>Health:</b>			
Administration:			
Other operating expenditures		10,324	
Contracted services - GVHD		325,308	
Total	336,155	335,632	523
<b>Mental health:</b>			
Administration:			
Other operating expenditures	191,992	191,338	654
<b>Social services:</b>			
Administration:			
Salaries and employee benefits	5,433,313	5,058,069	375,244
Other operating expenditures	3,160,797	3,035,970	124,827
Public assistance payments	550,000	511,134	38,866
Capital Outlay	7,550	7,576	(26)
Work First assistance payments	244,000	240,996	3,004
Day Care assistance payments	2,257,527	2,254,883	2,644
Total	11,653,187	11,108,628	544,559
<b>Aging Services:</b>			
Administration			
Salaries and benefits		452,712	
Other operating expenditures		159,677	
Total	652,967	612,389	40,578
Nutritional Meals program:			
Salaries and benefits		9,143	
Other operating expenditures		36,074	
Purchased meals		86,566	
Total	149,394	131,783	17,611

Vance County, North Carolina

Statement 11 – Statement of Revenues, Expenses and Changes in Fund Balance  
Budget and Actual – General Fund (Continued)  
Year ended June 30, 2015

	Budget	Actual	Variance Positive (Negative)
<b>Smart Start:</b>			
Administration			
Salaries and benefits		13,672	
Contracted services		38,385	
Other operating expenditures		7,844	
Total	65,602	59,901	5,701
<b>Veteran's services:</b>			
Salaries and employee benefits		55,786	
Other operating expenditures		6,336	
Capital outlay		-	
Total	63,284	62,122	1,162
<b>Nypum Program:</b>			
Contracted services		137,940	
Other operating expenditures		22,758	
Capital outlay		-	
Total	171,748	160,698	11,050
<b>Pal-to-Pal Program:</b>			
Contracted services		37,470	
Other operating expenditures		15,989	
Capital outlay		-	
Total	54,967	53,459	1,508
<b>Resolve Program:</b>			
Contracted services		2,130	
Other operating expenditures		-	
Total	6,575	2,130	4,445

Vance County, North Carolina

Statement 11 – Statement of Revenues, Expenses and Changes in Fund Balance  
Budget and Actual – General Fund (Continued)  
Year ended June 30, 2015

	Budget	Actual	Variance Positive (Negative)
<b>Other Human Services Contributions:</b>			
Lifeline	2,400	<b>2,400</b>	-
FVW Opportunities	7,000	<b>7,000</b>	-
K.A.R.T.S.	95,339	<b>95,233</b>	-
Smart Start	3,500	<b>3,500</b>	-
Boys and Girls Clubs	24,000	<b>24,000</b>	-
JCPC administrative	8,405	<b>8,402</b>	-
<b>Total human services</b>	13,486,515	<b>12,858,615</b>	627,900
<b>Cultural and recreational:</b>			
Recreation:			
Operating expenditures	502,650	<b>410,281</b>	92,369
Arts Council:			
Operating expenditures	900	<b>900</b>	-
Libraries:			
Contribution to regional library	562,200	<b>562,200</b>	-
<b>Total cultural and recreational</b>	1,065,750	<b>973,381</b>	92,369
<b>Education:</b>			
Public schools - current	8,232,440	<b>8,232,440</b>	-
Public schools - capital outlay	425,000	<b>425,000</b>	-
Community college - current	992,540	<b>992,540</b>	-
Community college - capital outlay	18,720	<b>18,720</b>	-
<b>Total education</b>	9,668,700	<b>9,668,700</b>	-
<b>Debt service:</b>			
Lease principal	521,807	<b>497,732</b>	-
Interest and fees	32,203	<b>27,883</b>	-
<b>Total debt service</b>	554,010	<b>525,615</b>	28,395
<b>Total expenditures</b>	43,148,210	<b>41,104,921</b>	2,043,289

Vance County, North Carolina

Statement 11 – Statement of Revenues, Expenses and Changes in Fund Balance  
Budget and Actual – General Fund (Continued)  
Year ended June 30, 2015

	Budget	Actual	Variance Positive (Negative)
Revenues over (under) expenditures	1,285,489	<b>4,572,169</b>	3,286,680
Other financings sources (uses):			
Operating transfers from (to) other funds:			
Transfer from other funds	502,223	<b>502,223</b>	-
Transfer to other funds	(3,097,364)	<b>(3,129,424)</b>	(32,060)
Total operating transfers	(2,595,141)	<b>(2,627,201)</b>	(32,060)
Proceeds from lease obligations	589,802	<b>169,540</b>	(420,262)
Sales of fixed assets	44,000	<b>49,814</b>	5,815
Total other financing sources (uses)	(1,961,339)	<b>(2,407,847)</b>	(446,507)
Revenues and other financing sources over (under) expenditures and other financing uses	(675,850)	<b>2,164,322</b>	2,840,172
Appropriated fund balance	675,831	-	(675,831)
Revenues, other financing sources and appropriated fund balance over (under) expenditures and other financing uses	<u>\$ (19)</u>	<b>2,164,322</b>	<u>\$ 2,164,341</u>
Fund balance, beginning of year		<b>16,425,080</b>	
Fund balance, end of year		<b>\$ 18,589,402</b>	

Vance County, North Carolina

Statement 12 – Statement of Revenues, Expenses and Changes in Fund Balance  
Budget and Actual – Revaluation Fund  
Year ended June 30, 2015

	Budget	Actual	Variance Positive (Negative)
<hr/>			
Revenues:			
Investment earnings	\$ 480	\$ 477	\$ (3)
Total revenues	480	477	(3)
<hr/>			
Expenditures:			
General Government			
Tax revaluation	563,388	176,689	386,699
<hr/>			
Revenues over (under) expenditures	(562,908)	(176,212)	386,696
Other financing sources			
Transfer from General Fund	37,000	37,000	-
<hr/>			
Revenues and other financing sources over (under) expenditures	\$ (525,908)	(139,212)	\$ 386,696
Appropriated fund balance	525,908	-	(525,908)
<hr/>			
Revenues and appropriated fund balance over (under) expenditures	<u>\$ -</u>	(139,212)	<u>\$ (139,212)</u>
Fund balance, beginning of year		525,396	
<hr/>			
Fund balance, end of year		\$ 386,184	
<hr/>			

Vance County, North Carolina

Statement 13 – Statement of Revenues, Expenses and Changes in Fund Balance  
Budget and Actual – Facility Fees Fund  
Year ended June 30, 2015

	Budget	Actual	Variance Positive (Negative)
<hr/>			
Revenues:			
Restricted intergovernmental	\$ 78,000	\$ 73,692	\$ (4,308)
Investment earnings	188	78	(110)
Total revenues	78,188	<b>73,770</b>	(4,418)
<hr/>			
Expenditures:			
General Government			
Courthouse facility fees	<b>33,971</b>	<b>29,551</b>	4,420
<hr/>			
Revenues over (under) expenditures	44,217	<b>44,219</b>	2
Other financing sources			
Transfer to General Fund	(44,217)	<b>(44,217)</b>	-
<hr/>			
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>2</u>	<u>\$ 2</u>
Fund balance, beginning of year		<b>16,375</b>	
<hr/>			
Fund balance, end of year		<b>\$ 16,377</b>	
<hr/> <hr/>			

Vance County, North Carolina

Statement 14 – Statement of Revenues, Expenses and Changes in Fund Balance  
Budget and Actual – Debt Service Fund  
Year ended June 30, 2015

	Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Investment earnings	\$ 5	\$ 7	\$ 2
<b>Expenditures:</b>			
Economic and community development			
Contribution to City of Henderson	138,405	<b>138,405</b>	-
Cultural and recreational			
Contribution to City of Henderson	146,562	<b>146,562</b>	-
Debt Service			
Principal retirement	655,000	<b>655,000</b>	-
Interest and fees	103,175	<b>103,175</b>	-
<b>Total</b>	<b>758,175</b>	<b>758,175</b>	-
<b>Total expenditures</b>	<b>1,043,142</b>	<b>1,043,142</b>	-
Revenues over (under) expenditures	(1,043,137)	(1,043,135)	2
Other financing sources			
Transfer from General Fund	1,043,137	<b>1,043,137</b>	-
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>2</u>	<u>\$ 2</u>
Fund balance, beginning of year		<b>(871)</b>	
Fund balance, end of year		<b>\$ (869)</b>	

Vance County, North Carolina

Statement 15 – Statement of Revenues, Expenses and Changes in Fund Balance  
Budget and Actual – School Debt Service Fund  
Year ended June 30, 2015

	Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Investment earnings	\$ -	\$ -	\$ -
<b>Expenditures:</b>			
Debt Service			
Principal retirement	1,436,864	<b>1,428,472</b>	8,392
Interest and fees	549,702	<b>558,090</b>	(8,388)
Total expenditures	<b>1,986,566</b>	<b>1,986,562</b>	4
Revenues over (under) expenditures	(1,986,566)	<b>(1,986,562)</b>	4
<b>Other financing sources</b>			
Transfer from General Fund	1,986,566	<b>1,986,566</b>	-
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>4</u>	<u>\$ 4</u>
Fund balance, beginning of year		<b>(43,611)</b>	
Fund balance, end of year		<b>\$ (43,607)</b>	

Vance County, North Carolina  
Statement 16 – Combining Balance Sheet – Non-Major Governmental Funds  
Year ended June 30, 2015

	Special Revenue Funds						Capital Project Funds		Total
	Emergency Telephone System Fund	Fire District Fund	Economic Development Fund	Community Development Fund	Neighborhood Stabilization Fund	CDBG Scattered Sites Fund	General Capital Projects Fund	General Capital Reserve Fund	
<b>ASSETS</b>									
Cash and investments	\$ 498,780	\$ 278,949	\$ 433,955	\$ -	\$ -	\$ -	\$ 111,021	\$ 181,236	\$ 1,503,941
Restricted cash	-	-	-	-	-	-	934,016	-	934,016
Receivables:									
Property taxes	-	51,313	-	-	-	-	-	-	51,313
Accounts receivable	34,833	-	24,000	-	-	-	-	-	58,833
Local option sales tax	1,056	-	-	-	-	-	2,487	-	3,543
Due from other funds	-	-	-	-	-	-	-	-	-
<b>Total assets</b>	<b>\$ 534,669</b>	<b>\$ 330,262</b>	<b>\$ 457,955</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,047,524</b>	<b>\$ 181,236</b>	<b>\$ 2,551,646</b>

Vance County, North Carolina  
Statement 16 – Combining Balance Sheet – Non-Major Governmental Funds (Continued)  
Year ended June 30, 2015

**LIABILITIES AND EQUITY**

Liabilities:

Accounts payable and accrued liabilities	\$ 965	\$ 69	\$ -	\$ -	\$ 31	\$ -	\$ 15,000	\$ -	\$ 16,065
Due to other funds	509,583	-	-	9,384	394,048	17,775	-	117,418	1,048,208
<b>Total liabilities</b>	<b>510,548</b>	<b>69</b>	<b>-</b>	<b>9,384</b>	<b>394,079</b>	<b>17,775</b>	<b>15,000</b>	<b>117,418</b>	<b>1,064,273</b>

Deferred inflows of resources:

Taxes receivable	-	51,313	-	-	-	-	-	-	51,313
Notes receivable	-	-	24,000	-	-	-	-	-	24,000
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>51,313</b>	<b>24,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>75,313</b>

Fund balances:

Restricted

Stabilization by state statute	35,889	-	-	-	-	-	2,487	-	38,376
Public Safety	-	-	-	-	-	-	-	63,818	63,818
Emergency services	(11,768)	278,880	-	-	-	-	-	-	267,112
Tax revaluation	-	-	-	-	-	-	-	-	-
School Capital	-	-	-	-	-	-	1,030,037	-	1,030,037
Community development	-	-	433,955	-	-	-	-	-	433,955
Unassigned	-	-	-	(9,384)	(394,079)	(17,775)	-	-	(421,238)
<b>Total equity</b>	<b>24,121</b>	<b>278,880</b>	<b>433,955</b>	<b>(9,384)</b>	<b>(394,079)</b>	<b>(17,775)</b>	<b>1,032,524</b>	<b>63,818</b>	<b>1,412,060</b>

<b>Total liabilities, deferred inflows of resources, and equity</b>	<b>\$ 534,669</b>	<b>\$ 330,262</b>	<b>\$ 457,955</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,047,524</b>	<b>\$ 181,236</b>	<b>\$ 2,551,646</b>
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Vance County, North Carolina  
Statement 17 – Combining Statement of Revenues, Expenditures and  
Changes in Fund Balance – Non-Major Governmental Funds  
Year ended June 30, 2015

	Special Revenue Funds						Capital Project Funds		Totals
	Emergency Telephone System Fund	Fire District Fund	Economic Development Fund	Community Development Fund	Neighborhood Stabilization Fund	CDBG Scattered Sites Fund	General Capital Projects Fund	General Capital Reserve Fund	
Revenues:									
Ad valorem taxes	\$ -	\$ 764,387	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 764,387
Restricted intergovernmental	418,000	-	182,873	-	89,799	107,921	76,000	-	874,593
Investment earnings	90	-	-	-	-	-	81	33	204
Other	-	-	-	-	-	-	-	-	-
<b>Total revenues</b>	<b>418,090</b>	<b>764,387</b>	<b>182,873</b>	<b>-</b>	<b>89,799</b>	<b>107,921</b>	<b>76,081</b>	<b>33</b>	<b>1,639,184</b>
Expenditures:									
Public safety	298,764	465,554	-	-	-	-	-	-	764,318
Economic and community development	-	-	69,000	-	41,950	80,897	5,161	-	197,008
Education	-	-	-	-	-	-	70,629	-	70,629
Debt Service									
Principal	127,613	-	-	-	-	-	-	-	127,613
Interest and fees	7,367	-	-	-	-	-	2,809	-	10,176
<b>Total expenditures</b>	<b>433,744</b>	<b>465,554</b>	<b>69,000</b>	<b>-</b>	<b>41,950</b>	<b>80,897</b>	<b>78,599</b>	<b>-</b>	<b>1,169,744</b>
Revenues over (under) expenditures	(15,654)	298,833	113,873	-	47,849	27,024	(2,518)	33	469,440

Vance County, North Carolina  
Statement 17 – Combining Statement of Revenues, Expenditures and  
Changes in Fund Balance – Non-Major Governmental Funds (Continued)  
Year ended June 30, 2015

	Special Revenue Funds						Capital Project Funds		Totals
	Emergency Telephone System Fund	Fire District Fund	Economic Development Fund	Community Development Fund	Neighborhood Stabilization Fund	CDBG Scattered Sites Fund	General Capital Projects Fund	General Capital Reserve Fund	
Other financing sources (uses):									
Installment financing proceeds	-	-	-	-	-	-	1,018,000	-	1,018,000
Operating transfers out	(88,457)	(233,549)	-	-	-	-	-	(250,300)	(572,306)
Operating transfers in	-	-	-	-	-	-	25,000	239,282	264,282
Total other financing sources (uses)	(88,457)	(233,549)	-	-	-	-	1,043,000	(11,018)	709,976
Revenues and other financing sources over (under) expenditures and other financing uses	(104,111)	65,284	113,873	-	47,849	27,024	1,040,482	(10,985)	1,179,416
Fund balance, beginning of year	128,232	213,596	320,082	(9,384)	(441,928)	(44,799)	(7,958)	74,803	232,644
Fund balance, end of year	\$ 24,121	\$ 278,880	\$ 433,955	\$ (9,384)	\$ (394,079)	\$ (17,775)	\$ 1,032,524	\$ 63,818	\$ 1,412,060

Vance County, North Carolina  
Statement 18 – Statement of Revenues, Expenditures and Changes in  
Fund Balance – Budget to Actual – Emergency Telephone System Fund  
Year ended June 30, 2015

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Restricted intergovernmental	\$ 417,999	\$ <b>418,000</b>	\$ 1
Investment earnings	50	<b>90</b>	40
Total revenues	418,049	<b>418,090</b>	41
Expenditures:			
Public safety			
E-911 fund			
Operating expenditures	284,177	<b>232,747</b>	51,430
Capital outlay	81,600	<b>66,017</b>	15,583
Debt service			
Principal retirement	127,613	<b>127,613</b>	-
Interest expense	7,368	<b>7,367</b>	1
Total expenditures	500,758	<b>433,744</b>	67,014
Revenues over (under) expenditures	(82,709)	<b>(15,654)</b>	67,055
Other financing sources (uses):			
Transfer to other funds	(88,457)	<b>(88,457)</b>	-
Revenues and other financing sources over (under) expenditures	(171,166)	<b>(104,111)</b>	67,055
Appropriated fund balance	171,166	-	(171,166)
Revenues, other financing sources, and appropriated fund balance over (under) expenditures	\$ -	<b>(104,111)</b>	\$ (104,111)
Fund balance, beginning of year		<b>128,232</b>	
Fund balance, end of year		<b>\$ 24,121</b>	

Vance County, North Carolina

Statement 19 – Statement of Revenues, Expenditures and Changes in  
Fund Balance – Budget to Actual – Fire District Fund  
Year ended June 30, 2015

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes	\$ 658,500	\$ <b>764,387</b>	\$ 105,887
Investment earnings	-	-	-
<b>Total revenues</b>	<b>658,500</b>	<b>764,387</b>	<b>105,887</b>
Expenditures:			
Public Safety			
Contracted services	467,200	<b>465,554</b>	1,646
<b>Revenues over (under) expenditures</b>	<b>191,300</b>	<b>298,833</b>	<b>107,534</b>
Other financing uses:			
Transfer to other funds	239,678	<b>233,549</b>	6,129
<b>Revenues and other financing sources over (under) expenditures</b>	<b>(48,378)</b>	<b>65,284</b>	<b>113,663</b>
<b>Fund balance appropriated</b>	<b>48,378</b>	<b>-</b>	<b>(48,378)</b>
<b>Revenues, other financing sources, and appropriated fund balance over expenditures</b>	<b>\$ -</b>	<b>65,284</b>	<b>\$ 65,285</b>
<b>Fund balance, beginning of year</b>		<b>213,596</b>	
<b>Fund balance, end of year</b>		<b>\$ 278,880</b>	

Vance County, North Carolina  
Statement 20 – Statement of Revenues, Expenditures and Changes in  
Fund Balance – Economic Development Fund  
Year ended June 30, 2015

	Actual				Variance
	Project Authorization	Prior Years	<b>Current Year</b>	Totals to Date	Positive (Negative)
Revenues:					
Restricted intergovernmental Lease income	\$ 182,873	\$ 320,082	<b>\$ 182,873</b>	\$ 502,955	\$ 320,082
Total revenues	182,873	320,082	<b>182,873</b>	502,955	320,082
Expenditures:					
Economic & community development Middleburg Steakhouse	69,000	-	<b>69,000</b>	69,000	-
Special projects	513,194	-	-	-	513,194
Total expenditures	582,194	-	69,000	69,000	513,194
Revenues over (under) expenditures	(399,321)	320,082	113,873	433,955	833,276
Fund balance appropriated	399,321	-	-	-	(399,321)
Revenues and fund balance appropriated over (under) expenditures	<u>\$ -</u>	<u>\$ 320,082</u>	113,873	<u>\$ 433,955</u>	<u>\$ 433,955</u>
Fund balance, beginning of year			<b>320,082</b>		
Fund balance, end of year			<b>\$ 433,955</b>		

Vance County, North Carolina  
Statement 21 – Statement of Revenues, Expenditures and Changes in  
Fund Balance – Community Development Fund  
Year ended June 30, 2015

	Actual				Variance
	Project Authorization	Prior Years	Current Year	Totals to Date	Positive (Negative)
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	343,015	-	343,015	16,985
Urgent Repairs	40,000	39,604	-	39,604	396
Total expenditures	400,000	382,619	-	382,619	17,381
Revenues over (under)					
expenditures	\$ -	\$ (9,384)	-	\$ (9,384)	\$ (9,384)
Fund balance, beginning of year			(9,384)		
Fund balance, end of year			\$ (9,384)		

Vance County, North Carolina

Statement 22 – Statement of Revenues, Expenditures and Changes in  
Fund Balance – Neighborhood Stabilization Fund  
Year ended June 30, 2015

	Actual				
	Project Authorization	Prior Years	<b>Current Year</b>	Totals to Date	Variance Positive (Negative)
Revenues:					
Restricted intergovernmental					
Federal grants					
Neighborhood Stabilization grant	\$ 2,100,000	\$ 1,013,283	<b>\$ 89,799</b>	\$ 1,103,082	\$ (996,918)
Total revenues	2,100,000	1,013,283	<b>89,799</b>	1,103,082	(996,918)
Expenditures:					
Economic & community development					
Administration	100,000	160,529	<b>4,721</b>	165,250	(65,250)
Construction and redevelopment	1,067,000	1,082,546	<b>13,454</b>	1,096,000	(29,000)
Purchase and rehabilitation	933,000	212,136	<b>23,775</b>	235,911	697,089
Total expenditures	2,100,000	1,455,211	<b>41,950</b>	1,497,161	602,839
Revenues over (under) expenditures	\$ -	\$ (441,928)	47,849	\$ (394,079)	\$ (394,079)
Fund balance, beginning of year			<b>(441,928)</b>		
Fund balance, end of year			<b>\$ (394,079)</b>		

Vance County, North Carolina

Statement 23 – Statement of Revenues, Expenditures and Changes in  
Fund Balance – Community Development Fund – Scattered Sites  
Year ended June 30, 2015

	Actual				
	Project Authorization	Prior Years	Current Year	Totals to Date	Variance Positive (Negative)
Revenues:					
Restricted intergovernmental					
Community Development Block Grants					
Scatter Sites	\$ 360,000	\$ 271,495	<b>\$ 107,921</b>	\$ 379,416	\$ 19,416
Urgent Repairs	40,000	-	-	-	(40,000)
<b>Total revenues</b>	<b>400,000</b>	<b>271,495</b>	<b>107,921</b>	<b>379,416</b>	<b>(20,584)</b>
Expenditures:					
Economic & community development					
2011 Catalyst 11-C-2375					
Administration	33,770	39,671	<b>(9,397)</b>	30,274	3,496
Planning	6,230	-	-	-	6,230
Rehabilitation	320,000	276,623	<b>90,294</b>	366,917	(46,917)
Urgent Repairs	40,000	-	-	-	40,000
<b>Total expenditures</b>	<b>400,000</b>	<b>316,294</b>	<b>80,897</b>	<b>397,191</b>	<b>2,809</b>
Revenues over (under) expenditures	\$ -	\$ (44,799)	27,024	\$ (17,775)	\$ (17,775)
Fund balance, beginning of year			<b>(44,799)</b>		
Fund balance, end of year			<b>\$ (17,775)</b>		

Vance County, North Carolina

Statement 24 – Statement of Revenues, Expenditures and Changes in  
Fund Balance – General Capital Projects Fund  
Year ended June 30, 2015

	Actual				
	Project Authorization	Prior Years	Current Year	Totals to Date	Variance Positive (Negative)
Revenues:					
Restricted intergovernmental					
Grants and donations - Farmers Market	\$ 577,448	\$ 471,514	\$ 76,000	\$ 547,514	\$ (29,934)
Grants - VGCC Granville County	311,209	-	-	-	(311,209)
Investments earnings	-	1,626	81	1,707	1,707
<b>Total revenues</b>	<b>888,657</b>	<b>473,140</b>	<b>76,081</b>	<b>549,221</b>	<b>(339,436)</b>
Expenditures:					
Economic & community development					
Farmers Market					
Administration	3,000	-	-	-	3,000
Contracted services	71,417	7,119	-	7,119	64,298
Construction	29,754	564,117	5,161	569,278	(539,524)
Contingency	523,277	-	-	-	523,277
Vance-Granville Community College					
Administration	47,862	-	70,629	70,629	(22,767)
Contracted services	42,180	-	-	-	42,180
Contingency	60,158	-	-	-	60,158
Construction	1,143,009	-	-	-	1,143,009
Debt service					
Debt issuance costs	-	-	2,809	2,809	(2,809)
<b>Total expenditures</b>	<b>1,920,657</b>	<b>571,236</b>	<b>78,599</b>	<b>649,835</b>	<b>1,270,822</b>
Revenues over (under) expenditures	(1,032,000)	(98,096)	(2,518)	(100,614)	931,386
Other financing sources:					
Installment financing proceeds	982,000	-	1,018,000	1,018,000	36,000
Installment purchase obligations issued	-	40,138	-	40,138	40,138
Operating transfers in	50,000	50,000	25,000	75,000	25,000
<b>Total other financing sources</b>	<b>1,032,000</b>	<b>90,138</b>	<b>1,043,000</b>	<b>1,133,138</b>	<b>101,138</b>
Revenues and other financing sources over (under) expenditures	\$ -	\$ (7,958)	<b>1,040,482</b>	<b>\$ 1,032,524</b>	<b>\$ 1,032,524</b>
Fund balance, beginning of year	<b>(7,958)</b>				
Fund balance, end of year	<b>\$ 1,032,524</b>				

Vance County, North Carolina  
Statement 25 – Statement of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual – Capital Reserve Fund – General  
Year ended June 30, 2015

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Investment earnings	\$ 18	\$ 33	\$ -
Expenditures:			
Economic Development			
Operating expenditures	-	-	-
Revenues over (under) expenditures	18	33	15
Other financing sources (uses):			
Operating transfers in	239,282	239,282	-
Operating transfers out	(250,300)	(250,300)	-
Total other financing sources (uses)	(11,018)	(11,018)	-
Revenues and other financing sources over (under) expenditures and other financing uses	(11,000)	(10,985)	15
Fund balance appropriated	11,000	-	(11,000)
Revenues, other financing sources over (under) expenditures and other financing uses	\$ -	(10,985)	\$ (10,985)
Fund balance, beginning of year		74,803	
Fund balance, end of year		\$ 63,818	

Vance County, North Carolina

Statement 26 – Statement of Revenues, Expenditures and Changes in  
Fund Balance – School Capital Projects Fund  
Year ended June 30, 2015

	Actual				
	Project Authorization	Prior Years	Current Year	Totals to Date	Variance Favorable (Unfavorable)
<b>Revenues:</b>					
Restricted intergovernmental:					
Lottery proceeds	\$ 931,154	\$ 931,154	\$ -	\$ 931,154	\$ -
Investment earnings	-	18,121	<b>100</b>	18,221	18,221
<b>Total revenues</b>	<b>931,154</b>	<b>949,275</b>	<b>100</b>	<b>949,375</b>	<b>18,221</b>
<b>Expenditures:</b>					
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 Improvement	2,000,000	1,061,101	<b>287,413</b>	1,348,514	651,486
NVHS Science labs	545,850	507,520	-	507,520	38,330
<b>Total expenditures</b>	<b>20,515,340</b>	<b>19,008,902</b>	<b>287,413</b>	<b>19,296,316</b>	<b>1,219,024</b>
Revenues over (under) expenditures	(19,584,186)	(18,059,627)	<b>(287,313)</b>	(18,346,940)	1,237,245
<b>Other financing sources:</b>					
Installment purchase obligations	18,924,320	18,924,320	-	18,924,320	-
Operating transfers in	659,866	206,418	-	206,418	(453,448)
<b>Total other financing sources</b>	<b>19,584,186</b>	<b>19,130,738</b>	<b>-</b>	<b>19,130,738</b>	<b>(453,448)</b>
Revenues and other financing sources over (under) expenditures	\$ -	\$ 1,071,111	<b>(287,313)</b>	\$ 783,798	\$ 783,798
<b>Fund balance, beg. of year</b>				<b>1,071,111</b>	
<b>Fund balance, end of year</b>				<b>\$ 783,798</b>	
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				<b>134</b>	
Reimbursements				<b>125,000</b>	
QSCB interest				<b>138,411</b>	
Lottery proceeds				<b>394,955</b>	
Transfers in				<b>1,880,941</b>	
Transfers out				<b>(2,183,202)</b>	
<b>Fund balance, beginning, School Capital Reserve Fund</b>				<b>730,335</b>	
<b>Fund balance, ending, consolidated School Capital Projects</b>				<b>\$ 1,870,372</b>	

Vance County, North Carolina

Statement 27 – Statement of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual – School Capital Reserve Fund  
Year ended June 30, 2015

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Restricted intergovernmental			
QSCB interest reimbursement	\$ 159,798	\$ 138,411	\$ (21,387)
Lottery proceeds	394,955	394,955	-
Other reimbursements	125,000	125,000	-
Investment earnings	80	134	54
Total revenues	679,833	658,500	(21,333)
Expenditures:			
Education	-	-	-
Capital outlay	265,580	-	265,580
Total expenditures	265,580	-	265,580
Revenues over (under) expenditures	414,253	658,500	244,247
Other financing sources (uses):			
Operating transfers in	1,768,949	1,880,941	111,992
Operating transfers out	(2,183,202)	(2,183,202)	-
Proceeds from issuance of debt	-	-	-
Total other financing sources (uses)	(414,253)	(302,261)	111,992
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	356,239	\$ 356,239
Fund balance, beginning of year		730,335	
Fund balance, end of year		\$ 1,086,574	

Vance County, North Carolina

Statement 28 – Statement of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual – Solid Waste Fund  
Year ended June 30, 2015

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Charges for services			
Household fees	\$ 1,940,000	\$ 1,922,126	\$ (17,874)
Warren County manned site	33,500	40,281	6,781
Other operating revenues	30,000	15,020	(14,980)
Total operating revenues	2,003,500	1,977,427	(26,072)
Non-operating revenues			
Investment earnings	-	-	-
Reimbursements	5,500	-	(5,500)
Federal, state, and local grants	-	13,210	13,210
Intergovernmental taxes and fees	186,793	202,979	16,186
Total non-operating revenues	192,293	216,189	23,896
Total revenues	2,195,793	2,193,616	(2,177)
Expenditures:			
Landfill operations			
Salaries and benefits		62,989	
Operating expenditures		229,982	
Contracted services		1,891,919	
Total	2,201,452	2,184,890	16,562
Capital outlay	-	-	-
Total expenditures	2,201,452	2,184,890	16,562
Revenues over (under) expenditures	\$ (5,659)	8,726	\$ 14,385
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Depreciation		(3,542)	
Contributions made to the pension plan in the current fiscal year		3,350	
Decrease in other postemployment benefits		5,424	
Increase in compensated absences		(91)	
Pension expense		(224)	
Capital outlay		-	
Decrease in landfill closure costs		6,870	
Change in net position		\$ 20,513	

Vance County, North Carolina  
Statement 29 – Statement of Revenues, Expenditures and Changes in  
Fund Balance – Financial Plan and Actual – Solid Waste Fund  
Year ended June 30, 2015

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Charges for services			
Water sales and connection fees	\$ 271,040	\$ 333,891	\$ 62,851
Debt setoff revenue	-	2,822	2,822
Other operating revenues	14,266	16,039	1,773
Total operating revenues	285,306	352,752	67,447
Nonoperating revenues			
Investment earnings	20	19	(1)
Total revenues	285,326	352,771	67,445
Expenditures:			
Water operations			
Purchased water		71,980	
Operating expenditures		73,168	
Contracted services		144,139	
Total	298,786	289,287	9,499
Debt service			
Interest and other charges	187,210	187,209	1
Debt Principal	43,750	43,750	-
Total	230,960	230,959	1
Capital outlay	-	-	-
Total expenditures	529,746	520,246	9,500
Revenues over (under) expenditures	(244,420)	(167,475)	76,945

Vance County, North Carolina

Statement 29 – Statement of Revenues, Expenditures and Changes in  
Fund Balance – Financial Plan and Actual – Solid Waste Fund (Continued)  
Year ended June 30, 2015

	Budget	Actual	Variance Positive (Negative)
Other financing sources (uses)			
Transfer in	240,000	<b>215,000</b>	(25,000)
Appropriated fund balance	4,420	-	(4,420)
	<u>244,420</u>	<u><b>215,000</b></u>	<u>(29,420)</u>
Revenues, other financing sources, and appropriated fund balance over (under) expenditures and other financing uses	<u>\$ -</u>	<u><b>47,525</b></u>	<u>\$ 47,525</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Debt principal		<b>43,750</b>	
Amortization		<b>(43,750)</b>	
Water District Capital Project Fund			
Federal and state grants		<b>1,551,355</b>	
Interest earnings from project		<b>11,983</b>	
Change in net position		<u><b>\$ 1,610,863</b></u>	

Vance County, North Carolina  
Statement 30 – Statement of Revenues, Expenditures and Changes in  
Fund Balance – Water District Capital Projects Fund  
Year ended June 30, 2015

	Project Authorization				Actual		Variance Favorable (Unfavorable)
	June 30, 2014	Amendments	June 30, 2015	Prior Years	Current Year	Totals to Date	
Revenues:							
Restricted intergovernmental:							
Federal and state grants	\$ 3,012,478	\$ (414,836)	\$ 2,597,642	\$ -	\$ 1,551,355	\$ 1,551,355	\$ (1,046,287)
Investment earnings	-	-	-	20,176	11,983	32,159	32,159
<b>Total revenues</b>	<b>3,012,478</b>	<b>(414,836)</b>	<b>2,597,642</b>	<b>20,176</b>	<b>1,563,338</b>	<b>1,583,514</b>	<b>(1,014,128)</b>
Expenditures:							
Water capital project							
Professional fees	836,257	569,361	1,405,618	1,806,948	414,569	2,221,517	(815,899)
Interest expense	236,035	(1,050)	234,985	54,819	98,284	153,103	81,882
Construction and acquisition	7,462,866	5,020,277	12,483,143	8,489,623	1,925,677	10,415,300	2,067,843
Contingency	-	813,330	813,330	-	-	-	813,330
Debt service	317,885	(317,885)	-	43,750	-	43,750	(43,750)
<b>Total expenditures</b>	<b>8,853,043</b>	<b>6,084,033</b>	<b>14,937,076</b>	<b>10,395,140</b>	<b>2,438,530</b>	<b>12,833,670</b>	<b>2,103,406</b>
Revenues over (under) expenditures	(5,840,565)	(6,498,869)	(12,339,434)	(10,374,964)	(875,192)	(11,250,156)	1,089,278

Vance County, North Carolina  
Statement 30 – Statement of Revenues, Expenditures and Changes in  
Fund Balance – Water District Capital Projects Fund (Continued)  
Year ended June 30, 2015

	Project Authorization				Actual		Variance Favorable (Unfavorable)
	June 30, 2014	Amendments	June 30, 2015	Prior Years	Current Year	Totals to Date	
Other financing sources:							
Installment purchase obligations	5,627,000	6,133,000	11,760,000	11,760,000	-	11,760,000	-
Operating transfers in	213,565	365,869	579,434	-	-	-	(579,434)
Total other financing sources	5,840,565	6,498,869	12,339,434	11,760,000	-	11,760,000	(579,434)
Revenues and other financing sources over (under) expenditures	\$ -	\$ -	\$ -	\$ 1,385,036	(875,192)	\$ 509,844	\$ 509,844
Fund balance, beg. of year					1,385,036		
Fund balance, end of year					\$ 509,844		

Vance County, North Carolina  
Statement 31 – Combining Statement of Changes in  
Assets and Liabilities – Agency Funds  
Year ended June 30, 2015

	Balance July 1, 2014	Deposits	Disbursements	Balance June 30, 2015
<b>Social Services Fund:</b>				
Assets, cash	\$ 107,029	\$ 238,157	\$ 288,527	\$ 56,659
Liabilities				
Accounts payable	\$ 107,029	238,157	288,527	\$ 56,659
<b>Fines and Forfeitures Fund:</b>				
Assets, cash	\$ -	205,996	205,996	\$ -
Liabilities				
Intergovernmental payable	\$ -	205,996	205,996	\$ -
<b>City Ad Valorem and +Motor Vehicle Tax:</b>				
Assets, cash	\$ -	5,386,131	5,386,131	\$ -
Liabilities				
Accounts payable	\$ -	5,386,131	5,386,131	\$ -
<b>Register of Deeds Trust Fund:</b>				
Assets, cash	\$ 149	4,520	4,520	\$ 149
Liabilities				
Intergovernmental payable	\$ 149	4,520	4,520	\$ 149
<b>Totals - All Agency Funds:</b>				
Assets, cash	\$ 107,178	\$ 5,834,804	\$ 5,885,174	\$ 56,808
Liabilities				
Accounts payable	\$ 107,029	\$ 5,628,808	\$ 5,679,178	\$ 56,659
Intergovernmental payable	149	205,996	205,996	149
Total liabilities	\$ 107,178	\$ 5,834,804	\$ 5,885,174	\$ 56,808

Vance County, North Carolina  
 Schedule 1 – Schedule of Ad Valorem Taxes Receivable  
 Year ended June 30, 2015

Fiscal Year	Uncollected Balance June 30, 2014	Additions	Collections and Credits	Adjustments	Uncollected Balance June 30, 2015
2014-2015	\$ -	\$ 22,677,349	\$ 21,886,241	\$ -	\$ 791,108
2013-2014	1,005,103	-	627,949	(19,090)	358,064
2012-2013	589,047	118,178	413,256	(53,703)	240,266
2011-2012	268,634	-	137,145	(510)	130,979
2010-2011	151,575	-	67,121	-	84,454
2009-2010	84,639	-	30,985	-	53,654
2008-2009	83,673	-	35,683	-	47,990
2007-2008	62,806	-	15,519	-	47,287
2006-2007	60,901	-	13,247	-	47,654
2005-2006	59,071	-	11,636	-	47,435
2004-2005	53,632	-	50,287	(3,345)	-
	<u>\$ 2,419,081</u>	<u>\$ 22,795,527</u>	<u>\$ 23,289,069</u>	<u>\$ (76,648)</u>	<u>\$ 1,848,891</u>
Less allowance for uncollectible taxes					
General Fund					(383,934)
<u>Ad valorem taxes receivable - net</u>					<u>\$ 1,464,957</u>
Reconciliation with revenues:					
Ad valorem taxes - General Fund					\$ 23,597,526
Reconciling items					
Interest collected					(325,091)
Adjustments and write-offs					93,282
<u>Total reconciling items</u>					<u>(231,809)</u>
<u>Total collections and credits</u>					<u>\$ 23,365,717</u>

Vance County, North Carolina  
 Schedule 2 – Schedule of Current Tax Levy – County-Wide Levy  
 Year ended June 30, 2015

	County Wide			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at current years rate	\$ 2,848,247,508	0.792	\$ 22,558,120	\$ 20,265,357	\$ 2,292,763
Motor vehicles taxed at prior years rate	\$ 346,960	0.782	\$ 2,713	\$ -	\$ 2,713
Penalties	-		38,018	38,018	-
	<u>2,848,594,468</u>		<u>22,598,851</u>	<u>20,303,375</u>	<u>2,295,476</u>
Discoveries:					
Discoveries and corrections	24,762,288		195,126	194,447	679
Releases	15,008		117	-	117
Total	<u>24,777,296</u>		<u>195,243</u>	<u>194,447</u>	<u>796</u>
Abatements	<u>(14,752,919)</u>		<u>(116,745)</u>	<u>(109,098)</u>	<u>(7,647)</u>
<u>Total property valuation</u>	<u>\$ 2,858,618,845</u>				
Net Levy			22,677,349	20,388,724	2,288,625
Uncollected taxes at June 30, 2014			791,108	790,658	450
Current years taxes collected			\$ 21,886,241	\$ 19,598,066	\$ 2,288,175
Current levy collection percentage			96.51%	96.12%	99.98%

Vance County, North Carolina  
 Schedule 3 – Analysis of Current Tax Levy  
 Year ended June 30, 2015

Secondary Market Disclosures:

	Taxed at Current Year's Rate	Taxed at Prior Year's Rate	Total
<b>Assessed Valuation:</b>			
Assessment Ratio	100%	100%	100%
Real property	\$ 2,207,130,563	\$ -	\$ 2,207,130,563
Personal property	563,094,373	11,475,765	574,570,138
Public service companies	76,918,144	-	76,918,144
<b>Total assessed valuation</b>	<b>2,847,143,080</b>	<b>11,475,765</b>	<b>2,858,618,845</b>
<b>Tax rate per \$100</b>	<b>\$ 0.792</b>	<b>\$ 0.782</b>	
Tax levy	22,549,471	89,860	22,639,331
Penalties	38,018	-	38,018
<b>Net levy</b>	<b>\$ 22,587,489</b>	<b>\$ 89,860</b>	<b>\$ 22,677,349</b>

Vance County, North Carolina  
 Schedule 4 – Ten Largest Tax Payers  
 Year ended June 30, 2015

Taxpayer	Type of Business	Assessed Valuation	Percentage of Total
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%
<b>Total</b>		<b>329,008,528</b>	<b>11.18%</b>

Vance County, North Carolina  
 Schedule 5 – Schedule of Cash and Investment Balances  
 Year ended June 30, 2015

	Carrying Value	Cost Value	Market Value
<b>Cash</b>			
On hand	\$ 950	\$ 950	\$ 950
In time deposits	1,009,380	1,009,380	1,009,380
In demand deposits	17,934,116	17,934,116	17,934,116
	<u>18,944,446</u>	<u>18,944,446</u>	<u>18,944,446</u>
<b>Other investments</b>			
North Carolina Cash Management Trust	3,221,217	3,221,217	3,221,217
	<u>\$ 22,165,663</u>	<u>\$ 22,165,663</u>	<u>\$ 22,165,663</u>

**Distribution by Funds**

	Carrying Value
<b>General Fund</b>	
General Fund	\$ 15,165,631
Revaluation Fund	562,873
Debt Service Fund	37,206
Facility Fees Fund	16,377
	<u>\$ 15,782,087</u>
<b>Special Revenue Funds</b>	
Emergency Telephone System Fund	498,780
Fire District Fund	278,949
Economic Development Fund	433,955
	<u>1,211,684</u>
<b>Capital Project Funds</b>	
School Capital Outlay Fund	464,989
School Capital Reserve Fund	1,365,186
General Capital Projects Fund	1,045,037
General Capital Reserve Fund	181,236
	<u>3,056,448</u>
<b>Enterprise Funds</b>	
Solid Waste Fund	625,560
Water Fund	1,155,378
	<u>1,780,938</u>
<b>Fiduciary Funds</b>	
Pension Trust Fund	334,605
<b>Agency Funds</b>	
Register of Deeds Trust Fund	149
Social Services Fund	56,659
	<u>391,413</u>
<b>Total cash and investments</b>	<u>\$ 22,222,570</u>



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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, 2015, and the related notes to the financial statements, which collectively comprise the County’s basic financial statements and have issued our report thereon dated December 15, 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 did not identify any deficiencies in internal control in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies (2015-1 through 2015-7).

**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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described on the accompanying schedule of findings and questioned costs (2015-8 through 2015-10).

### **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.

*Carly Riggs & Ingram, L.L.C.*

Raleigh, North Carolina  
December 15, 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.

### ***Opinion on Each Major Federal Program***

In our opinion, the County of Vance, 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 federal programs for the year ended June 30, 2015.

### ***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 2015-8 through 2015-10. 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 did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal

control over compliance, yet important enough to merit attention by those charged with governance. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies (2015-8 and 2015-10).

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.

*Cary, Riggs & Ingram, L.L.C.*

Raleigh, North Carolina  
December 15, 2015



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**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, 2015. 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, 2015.

### **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 2015-9. 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may not have been identified.

*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 did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We identified certain deficiencies in

internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies (2015-8 and 2015-10).

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  
December 15, 2015

Vance County, North Carolina  
 Schedule of Findings and Questioned Costs  
 Year ended June 30, 2015

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

---

**Financial Statements:**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weaknesses identified? \_\_\_\_\_ Yes   X   No

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

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

**Federal Awards:**

Internal control over financial reporting:

- Material weaknesses identified? \_\_\_\_\_ Yes   X   No

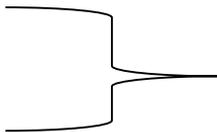
- Significant deficiencies identified that are not considered to be material weaknesses?   X   Yes \_\_\_\_\_ No

Noncompliance material to federal awards noted? \_\_\_\_\_ Yes   X   No

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

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

Identification of major federal programs:

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

Vance County, North Carolina  
 Schedule of Findings and Questioned Costs (Continued)  
 Year ended June 30, 2015

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**Section I - Summary of Auditor's Results (continued)**

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Dollar threshold used to distinguish between Type A and Type B Program \$ 2,174,635

Auditee qualified as a low risk auditee?        Yes   X   No

**State Awards:**

Internal control over financial reporting:

- Material weaknesses identified?        Yes   X   No

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

Noncompliance material to state awards noted?        Yes   X   No

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

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

Identification of major state programs:

Program Name

State/County Special Assistance for Adults

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**Section II - Financial Statement Findings**

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Finding: 2015-1

**Significant Deficiencies  
 Immaterial 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: Management does not have a process for requiring supervisory approval of manual general journal entries recorded to the general ledger prior to posting. Manual general journal entries are those that override standard system controls over general ledger account coding.

Effect: The County's system of internal control may not be designed to detect material misstatements due either to mistakes or fraud and illegal acts prior to their posting to the County general ledger.

Vance County, North Carolina  
Schedule of Findings and Questioned Costs (Continued)  
Year ended June 30, 2015

Cause: The limited number of individuals in the finance department during the fiscal year resulted in the inability to implement a process for reviewing and approving manual general journal entries.

Recommendation: We recommend the County design a process for supervisory review and approval of manual general journal entries to be recorded by the County prior to posting in the general ledger.

Views of responsible official and planned corrective action: The County agrees with this finding. The County has a level of review for general journal entries, but the process is not formalized. The County will require a notation on the general journal entry document when supervisory review has taken place.

Finding: 2015-2

**Significant Deficiencies**  
**Immaterial 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: Bank reconciliations performed by the finance office were not reviewed and approved by an individual independent of the reconciliation preparers.

Effect: Independent reviews over bank reconciliations performed by the finance office were not present to review for and identify potential issues or misstatements due to mistake or fraud, and to document management's review and approval of the bank reconciliations.

Cause: Turnover of personnel and a limited number of finance office personnel during the majority of the fiscal year resulted in the control deficiency.

Recommendation: We recommend the County modify the process for reconciling County bank statements by ensuring an individual independent of the reconciliation preparers reviews and formally approves the monthly bank reconciliations.

Views of responsible official and planned corrective action: The County agrees with this finding. With the addition of a new finance office staff position, a process is now in place where the assistance finance director reviews bank reconciliations after they are completed by the finance director.

Finding: 2015-3

**Significant Deficiency**  
**Immaterial to Noncompliance**

Criteria: Management is responsible for managing and monitoring balances of capital assets.

Vance County, North Carolina  
Schedule of Findings and Questioned Costs (Continued)  
Year ended June 30, 2015

Condition: The County recorded the acquisition of assets and related debt for purchases not yet approved by the Board of Commissioners and for which the assets had not yet been received or debt agreements finalized.

Effect: Capital assets, proceeds of financing debt obligations, and long-term capital lease obligations were overstated at the balance sheet date.

Cause: The County had budgeted for the purchases to occur in fiscal year 2015, though the transactions were not completed until after the fiscal year.

Recommendation: We recommend the County review acquisitions and disposals of capital assets at and near period end dates to ensure these transactions are recorded in the appropriate accounting periods.

Views of responsible official and planned corrective action: The County agrees with this finding. The finance director and assistant finance director will perform a comprehensive review of all capital asset acquisitions and disposals at and near period end dates to ensure they are recorded in the appropriate accounting periods.

Finding: 2015-4

**Significant Deficiency**  
**Immaterial to Noncompliance**

Criteria: Management is responsible for maintaining control over payroll processes and related activities.

Condition: Review of a sample of payroll records revealed County documentation required to document changes in employee files affecting payroll were not included in the employee payroll files.

Effect: Though no misstatements were identified, misstatements in employee pay are possible as a result of the control deficiency.

Cause: Appropriate documentation was not completed by County supervisory personnel and provided to the payroll department to be included in personnel files.

Recommendation: We recommend the County design a process to ensure employee supervisors provide the required documentation to the payroll department, and to ensure these documents are included in the employee payroll files.

Views of responsible official and planned corrective action: The County agrees with this finding. Currently, the County does not generate a Personnel Action Form for each employee when across-the-board pay adjustments are awarded to employees during the annual budget process. In the future, Personnel Action Forms will be generated for each individual employee when cost of living wage adjustments are awarded to all employees.

Vance County, North Carolina  
Schedule of Findings and Questioned Costs (Continued)  
Year ended June 30, 2015

Finding: 2015-5

**Significant Deficiency**  
**Immaterial to Noncompliance**

Criteria: Management is responsible for maintaining and monitoring the use of information technology (IT) and maintaining a system of internal control over IT processes and IT assets.

Condition: Review of IT general controls revealed the following:

- The County's committee charged with oversight over IT does not meet regularly in exercising oversight over IT assets, nor does the County have an IT strategic plan in place.
- Review of user permissions in the County tax software revealed the presence of 20 generic user accounts whose access may not be required for operation of the software and may represent security
- Two workstations were utilizing the Microsoft XP operating system (OS), an OS no longer supported by the software developer.

Effect: Governance over the use of IT processes and assets are not directly monitored and reviewed on a regular basis, and the County does not have a strategic plan to guide the planned use of IT assets and take into account anticipated changes. Additionally, the operation of generic user accounts and the continued use of the Microsoft XP OS represent potential security vulnerabilities to the County's IT assets.

Cause: Direct monitoring and a lack of personnel within the IT department during the fiscal year contributed to the control deficiency.

Recommendation: We recommend the County:

- Establish the committee charged with governance of IT begin meeting regularly to monitor risks and uses of IT assets, and establishing a strategic plan for the County's use of IT assets.
- Review the generic user accounts and disable accounts or remove access where not required for operation.
- Establish a plan to upgrade these assets from Microsoft XP to a supported OS.

Views of responsible official and planned corrective action: The County agrees with this finding. The County has in place a technology committee comprised of three commissioners from the governing board. The committee has not met on a regular basis historically. The County will review the meeting schedule for this committee and establish a more focused plan of work for the committee. The County IT and finance departments will work with the tax administrator to reduce and/or eliminate the use of generic user accounts within the tax office software. The County is on track to replace the last two workstations running on the Microsoft XP platform during the current fiscal year.

Vance County, North Carolina  
Schedule of Findings and Questioned Costs (Continued)  
Year ended June 30, 2015

Finding: 2015-6

**Significant Deficiency**  
**Immaterial to Noncompliance**

Criteria: Management is responsible for monitoring fund balances and changes occurring during each accounting period.

Condition: The County does not maintain a schedule of fund balances to monitor changes from period to period based on fund financial performance, interfund transfers, fund balance restrictions and fund balance assignments.

Effect: The County does not have sufficient visibility into changes in fund balances occurring during each fiscal period and to track changes in fund balances, including new or removed restrictions and assignments.

Cause: Limited personnel in the County finance office had not allowed for the development of a process to track and reconcile changes in fund balances to the general ledger.

Recommendation: We recommend the County create a fund balance rollforward schedule to track changes in fund balances for each period to monitor changes and reconcile fund balances to the general ledger.

Views of responsible official and planned corrective action: The County agrees with this finding. The finance director will maintain a fund balance rollforward schedule that is updated on a periodic basis during the fiscal year.

Finding: 2015-7

**Significant Deficiency**  
**Immaterial to Noncompliance**

Criteria: Management is responsible for calculating costs associated with the closure of the County's municipal landfill that is no longer in use based on an independent valuation.

Condition: The County's valuation of the remaining costs to close the County's municipal landfill is based on a valuation report performed in 2002 by a valuation firm no longer in operation.

Effect: The County's valuation of the cost to close the municipal landfill are based on non-current data and may not reflect current conditions and costs.

Cause: The County has not received an updated valuation of the cost to close the municipal landfill since 2002.

Vance County, North Carolina  
Schedule of Findings and Questioned Costs (Continued)  
Year ended June 30, 2015

Recommendation: During the audit, we noted the County engaged a third party firm in September 2015 to provide an updated valuation on the landfill closure obligation, which is expected to be completed in early 2016. We also noted the County is considering obtaining updated valuations on a five-year basis.

Views of responsible official and planned corrective action: Management agrees with this finding. The County has secured the services of an engineering firm to update the landfill closure obligation. The updated data will be available during the current fiscal year.

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

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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: 2015-8

**Significant Deficiency**  
**Immaterial to Noncompliance**  
**Eligibility**

Criteria: 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 Condition: Out of a sample of case files reviewed, one file for the child of a benefit recipient received automatic eligibility. The original application for benefits could not be identified in the parent's case file to establish both the parent's eligibility and that of the sample selection.

Questioned costs: Unknown

Context: The eligibility for one file of a sample of sixty case files could not be substantiated.

Effect: The applicant received benefits without having the correct documentation showing original eligibility for benefits due to the missing original application.

Cause: Human error in maintaining case files based on the State-provided standards resulted in the finding.

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

Vance County, North Carolina  
Schedule of Findings and Questioned Costs (Continued)  
Year ended June 30, 2015

Views of responsible official and planned corrective action: The County agrees with this finding. Workers will pull entire case files to ensure that all pertinent information is in the files. The intake team will check NCFAST to ensure that all new cases are assigned to the correct workers. All workers will separate terminated case files and retain them for three months before scanning. The caseworker will complete a tracking sheet for all files to be scanned and a technician will make sure the files are scanned according to the tracking sheet. Ten case files with multiple records will be reviewed quarterly and all findings will be reported to the Medicaid supervisor.

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: 2015-9

**Significant Deficiency**  
**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 supporting their eligibility. One case file was missing the approval signature of a county representative, while the adoption checklist was not completed for a second case file.

Questioned costs: Unknown

Context: The identified cases files were two of a sample of twelve receiving benefits during fiscal year

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 program administrator will randomly select six files per quarter to review to ensure all files are complete and accurate. Any errors found will have five days to be corrected. Tracking forms for records for each file review will be kept in the file, and the administrator will perform the first review in September 2015. The administrator and supervisor will provide in-house training to the case workers on adoption eligibility. All adoption eligibility packets will undergo a four-part review for accuracy and completeness.

Vance County, North Carolina  
Schedule of Findings and Questioned Costs (Continued)  
Year ended June 30, 2015

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

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

Finding: 2015-10

**Significant Deficiency**  
**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: Benefit payments were made for two months after the Form FL-2 expired for one client file in a sample of 60.

Questioned Costs: \$876

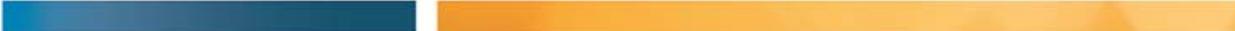
Context: Of sixty total case files were examined, form FL-2 had expired for two months during which benefits were paid for one case file.

Effect: Benefit payments were issued to an individual during a time when the applicant was ineligible due to the expiration of form FL-2.

Cause: Upon implementation of the NCFAST system, county employees were not notified of expiring FL-2 forms to enable them to follow-up with program applicants.

Recommendation: The NCFAST system is now generating notifications to allow county employees to follow-up on FL-2s that will be expiring. The County has adopted this process to prevent the issue going

Views of responsible official and planned corrective action: The County agrees with this finding. In addition, supervisors will monitor special assistance caseloads and track all FL-2 expirations dates manually to supplement the NCFAST system, staff will be informed at the beginning of the month of expiring FL-2 forms due that month, the program administrator and/or QA staff will review 10 special assistance cases on a quarterly basis to ensure FL-2s are completed and current, and the program



Vance County, North Carolina  
Schedule of Findings and Questioned Costs (Continued)  
Year ended June 30, 2015

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**Section V - Summary of Prior Audit Findings**

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Finding: 2014-1

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: The County has not corrected this finding. See finding 2015-2

Finding: 2014-2

Summary: Case files for subsidized child care applicants and providers must contain specific forms and supporting documentation including applications, income and budget information and other required documentation.

Status: The County has corrected this finding.

Finding: 2014-3

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

Status: The County has corrected this finding.

Finding: 2014-4

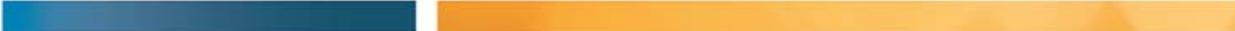
Summary: Case files for applicants of medical assistance benefits must contain specific forms and documentation to support eligibility prior to receiving benefits.

Status: The County has not corrected this finding. See finding 2015-8

Finding: 2014-5

Summary: Applicants with income above State-determined thresholds are not eligible for benefit payments through the medical assistance program.

Status: The County has corrected this finding.



Vance County, North Carolina  
Schedule of Findings and Questioned Costs (Continued)  
Year ended June 30, 2015

Finding: 2014-6

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

Status: The County has not corrected this finding. See finding 2015-9

Finding: 2014-7

Summary: If 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.

Status: The County has corrected this finding.

Finding: 2014-8

Summary: 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.

Status: The County has corrected this finding.

Finding: 2014-9

Summary: 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.

Status: The County has not corrected this finding. See finding 2015-10

Finding: 2014-10

Summary: Management is responsible for maintaining control over purchasing and accounts payable processes. The County had not fully implemented the purchase order process during the prior audit.

Status: The County has corrected this finding.



Vance County, North Carolina  
Schedule of Findings and Questioned Costs (Continued)  
Year ended June 30, 2015

Finding: 2014-11

Summary: Management is responsible for managing and monitoring the County's borrowing obligations. The County had not maintained a schedule of long-term debt.

Status: The County has corrected this finding.

Finding: 2014-12

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

Status: The County has corrected this finding.

Finding: 2014-13

Summary: The County had 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 control.

Status: The County has corrected this finding.

Finding: 2014-14

Summary: The County was utilizing fifteen workstations operating on the Microsoft XP operating system during the fiscal year.

Status: The County has not corrected this finding. See finding 2015-5

Finding: 2014-15

Summary: Ad valorem tax revenues received for other governments were not appropriately recorded in the County's general ledger each month.

Status: The County has corrected this finding.

Vance County, North Carolina  
 Schedule of Findings and Questioned Costs  
 Year ended June 30, 2015

Grantor/Passthrough Grantor/Program Title	Federal CFDA Number	Federal (Direct & Passthrough) Expenditures	State Expenditures	Local Expenditures
<b>Federal Awards:</b>				
<b><u>U.S. Department of Agriculture:</u></b>				
Rural Utilities Service				
Water and Waste Disposal Grants	10.770	\$ 1,255,936	\$ -	-
Food and Nutrition Service				
Passed through NC Department of Health and Human Services Division of Social Services:				
Administration:				
<u>Food Stamp Cluster: State Administrative Matching Grants for the Supplemental Nutrition Assistance Program</u>	10.561	\$ 558,263	\$ -	\$ 558,263
<b>Total U.S. Department of Agriculture</b>		<b>1,814,199</b>	<b>-</b>	<b>558,263</b>
<b><u>U.S. Department of Housing and Urban Development:</u></b>				
Passed through NC Department of Commerce:				
Community Development Block Grant	14.228	107,921	295,419	-
<b>Total U.S. Department of Housing and Urban Development</b>		<b>107,921</b>	<b>295,419</b>	<b>-</b>
<b><u>U.S. Department of Homeland Security:</u></b>				
Passed through NC Department of Public Safety:				
Emergency Management Performance Grants	97.042	55,816	-	-
<b>Total U.S. Department of Homeland Security</b>		<b>55,816</b>	<b>-</b>	<b>-</b>

Vance County, North Carolina  
Notes to Schedule of Findings and Questioned Costs  
Year ended June 30, 2015

**U.S. Department of Health and Human Services:**

Passed through the NC Department of Health and Human Services Division of Social Services:

Foster Care and Adoption Cluster:

TITLE IV-E Foster Care Administration	93.658	8,468	4,234	4,234
TITLE IV-E Foster Care	93.658	118,510	30,722	30,721
TITLE IV-E Family Foster Maximum	93.658	984	-	509
TITLE IV-E Family Foster In Excess	93.658	86,590	22,464	22,464
Foster Care Direct Benefit Payments	93.658	218,145	-	175,950
Foster Care Benefits	93.658	79,121	70,644	46,122
Adoption Assistance - Direct Benefit Payments	93.659	176,387	47,173	47,173
Adoption Assistance - Optional Adoption	93.659	2,436	-	2,436
<b>Total Foster Care and Adoption Cluster</b>		<b>690,639</b>	<b>175,236</b>	<b>329,608</b>
<u>Temporary Assistance for Needy Families Cluster</u>				
Work First/Temporary Assistance for Needy Families (TANF)	93.558	600,247	-	645,673
Temporary Assistance for Needy Families (TANF) - Direct Benefit Payments	93.558	606,317	(122)	-
<b>Total Temporary Assistance for Needy Families Cluster</b>		<b>\$ 1,206,564</b>	<b>\$ (122)</b>	<b>\$ 645,673</b>
N.C. Child Support Enforcement Section	93.563	\$ 618,884	\$ -	\$ 318,819
Low-Income Home Energy Assistance Block Grant	93.568	911,506	-	-
ADFC Payments and Penalties	93.560	(219)	(60)	(60)
Child Welfare Services - State Grants Permanency Planning - Families for Kids	93.645	11,839	-	3,946
Family Preservation	93.556	16,862	-	-
Social Services Block Grant - Other Services and Training	93.667	207,522	25,827	77,783
Independent Living Grant	93.674	7,000	1,750	-
Independent Living Grant - Direct Benefit Payments	93.674	680	-	-
<b>Total Division of Social Services</b>		<b>3,671,278</b>	<b>202,631</b>	<b>1,375,769</b>

Vance County, North Carolina  
 Schedule of Findings and Questioned Costs (Continued)  
 Year ended June 30, 2015

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	644,075	-	-
Child Care and Development Fund - Mandatory	93.596	217,924	-	-
Child Care and Development Fund - Match	93.596	657,724	329,651	-
<b>Total Child Care Cluster</b>		<b>1,599,723</b>	<b>329,651</b>	<b>-</b>
Temporary Assistance for Needy Families	93.558	156,627	-	-
Foster Care Title IV-E	93.658	14,070	7,287	-
Smart Start	N/A	-	142,556	-
State Appropriations	N/A	-	159,746	-
TANF-Maintenance of Effort	N/A	-	14,495	-
<b>Total Subsidized Child Care Cluster</b>		<b>1,770,420</b>	<b>653,734</b>	<b>-</b>
Passed through the NC Department of Health and Human Services Division of Medical Assistance:				
Medical Assistance Program - Direct Benefit Payments	93.778	62,773,245	34,285,812	368,152
Passed through the NC Department of Health and Human Services Division of Social Services:				
Medical Assistance Program Administration	93.778	1,269,041	1,390	493,534
State Children's Insurance Program - NC Health Choice - Direct Benefit Payments	N/A	766,909	241,505	-
State Children's Insurance Program - NC Health Choice	93.767	21,733	2,393	4,433
<b>Total Child Care Cluster</b>		<b>2,057,684</b>	<b>245,288</b>	<b>497,967</b>

Vance County, North Carolina  
 Schedule of Findings and Questioned Costs (Continued)  
 Year ended June 30, 2015

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	40,627	160,488	-
Special Programs for the Aging - Title IIIC				
Grants for Supportive Services and Senior Centers	93.045	78,555	56,042	-
Nutrition Services Incentive Program	93.052	17,856	-	-
Family Caregiver Support	93.053	9,182	612	-
Total Passed through Kerr Tar Regional Council of Governments		146,220	217,142	-
Social services Block Grant (SSBG) - In Home Services	93.667	91,065	-	13,009
Total US Department of Health & Human Services		\$ 70,509,911	\$ 35,604,608	\$ 2,254,897

Vance County, North Carolina  
 Schedule of Findings and Questioned Costs (Continued)  
 Year ended June 30, 2015

**State Awards:**

**NC Department of Health and Human Services:**

Division of Social Services:

County Funded Programs	\$	-	\$	-	\$ 189,254
Energy Assistance Private GRA		-		8,314	-
Non-Allocating County COS		-		-	99,431
AFDC Incentive/Program Integrity		-		1,578	-
Enterprise Program Integrity Control System		-		74,515	-
Direct Benefit Payments:					
Child Welfare Services Adoption Subsidy		-		113,108	20,910
State/County Special Assistance Domiciliary Care		-		506,409	510,363
SFHF Maximization		-		43,563	43,562
State Child Welfare/CPS/CS LD		-		80,883	-
State Foster Home		-		34,463	34,463
DCD - Smart Start		-		31,685	-
Smart Start - Incredible Years		-		57,932	-
Passed through Kerr Tar Regional Council of Governments:					
Senior Center Development		-		11,680	-
<b>Total N.C. Department of Health and Human Services</b>		-		<b>964,130</b>	<b>897,984</b>

**NC Department of Public Safety:**

Division of Youth Services

Juvenile Crime Prevention Commission		-		160,352	-
DCC - Judicial Services		-		105	-
DCC - Regular Probation Officer		-		9	-

<b>Total NC Department of Public Safety</b>		-		<b>160,466</b>	-
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Vance County, North Carolina  
 Schedule of Findings and Questioned Costs (Continued)  
 Year ended June 30, 2015

<b><u>NC Department of Administration:</u></b>			
Division of Veterans Affairs:			
Veterans Service Officer	-	1,074	-
<b><u>NC Department of Environmental and Natural Resources</u></b>			
Division of Waste Management			
Electronics Management	-	3,471	-
Scrap Tire Fund	-	29,238	-
White Goods Fund	-	85,356	-
Total NC Department of Environmental and Natural Resources	-	118,066	-
<b><u>NC Department of Transportation</u></b>			
ROAP Elderly and Disabled Transportation Assistance Program	-	67,535	-
ROAP Employment	-	12,799	-
ROAP Rural General Public Transportation	-	60,672	-
Total NC Department of Transportation	-	141,006	-
<b><u>NC Department of Public Instruction:</u></b>			
Public School Building Capital Fund	-	287,313	-
<b><u>NC Department of Agriculture:</u></b>			
Farmland Preservation Trust Grant	-	80,161	-
<b><u>NC Department of Commerce</u></b>			
Rural Economic Development Division			
Rural Economic Development Center	-	295,419	-
Total Awards		\$ 72,487,847	\$ 37,947,661
		\$ 3,711,145	-

Vance County, North Carolina  
Notes to Schedule of Findings and Questioned Costs  
Year ended June 30, 2015

**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	\$ 287,313

**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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December 15, 2015

Board of Commissioners and Management of the  
County of Vance, North Carolina

Dear Board of Commissioners and Management:

We are pleased to present the results of our audit of the 2015 financial statements of the County of Vance (the "County").

This report to the Board of Commissioners (the "Board") and Management summarizes our audit, the report issued and various analyses and observations related to the Board's accounting and reporting. The document also contains the communications required by our professional standards.

Our audit was designed to express an opinion on the County's 2015 financial statements. We considered the County's current and emerging business needs, along with an assessment of risks that could materially affect the financial statements, and aligned our audit procedures accordingly. We conducted the audit with the objectivity and independence that you, the Board and Management, expect. We received the full support and assistance of the County's personnel.

At Carr, Riggs & Ingram, LLC (CRI), we are continually evaluating the quality of our professionals' work in order to deliver audit services of the highest quality that will meet or exceed your expectations. We encourage you to provide any feedback you believe is appropriate to ensure that we do not overlook a single detail as it relates to the quality of our services.

This report is intended solely for the information and use of the Board, Management and others within the County and should not be used by anyone other than these specified parties.

We appreciate this opportunity to work with you. If you have any questions or comments, please contact me at 919-751-8297 or [dhorne@cricpa.com](mailto:dhorne@cricpa.com).

Very truly yours,

*Carr, Riggs & Ingram, LLC*

Carr, Riggs & Ingram, LLC

## Required Communications

As discussed with the Board and Management during our planning process, our audit plan represented an approach responsive to the assessment of risk for the County. Specifically, we planned and performed our audit to:

- Perform an annual audit, as required by North Carolina General Statutes, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, in order to express an opinion on the Board's financial statements for the year ended June 30, 2015;
- Conduct an audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act and issue a report on the Board's 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 and state programs for the year ended June 30, 2015;
- Communicate directly with the County regarding the results of our procedures;
- Address with the County any accounting and financial reporting issues;
- Anticipate and respond to concerns of the County; and
- Other audit-related projects as they arise and upon request.

## Required Communications

We have audited the financial statements of the County as of and for the year ended June 30, 2015, and have issued our report thereon dated December 15, 2015. Professional standards require that we provide you with the following information related to our audit:

MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
<p><b>Auditor's responsibility under Generally Accepted Auditing Standards, Government Auditing Standards, and OMB A-133</b></p>	<p>As stated in our engagement letter dated May 15, 2015, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America (GAAP). Our audit of the financial statements does not relieve you or management of your responsibilities.</p> <p>As part of our audit, we considered the internal control of the Board. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.</p> <p>Our audit also consisted of issuing reports regarding the Board's internal control, in accordance with <i>Government Auditing Standards</i>, and compliance with certain compliance requirements as it relates to the Board's major federal and / or state programs, in accordance OMB A-133 and the State Single Audit Implementation Act.</p>
<p><b>Client's responsibility</b></p>	<p>Management, with oversight from those charged with governance, is responsible for establishing and maintaining internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; and for the fair presentation in the financial statements of financial position, results of operations, and cash flows in conformity with the applicable framework. Management is responsible for the design and implementation of programs and controls to prevent and detect fraud.</p>
<p><b>Planned scope and timing of the audit</b></p>	<p>Our initial audit plan was not significantly altered during our fieldwork.</p>
<p><b>Management judgments and accounting estimates</b> <i>The process used by management in forming particularly sensitive accounting estimates and the basis for the auditors' conclusion regarding the reasonableness of those estimates.</i></p>	<p>Please see the following section titled "Accounting Policies, Judgments and Sensitive Estimates and CRI Comments on Quality."</p>
<p><b>Potential effect on the financial statements of any significant risks and exposures</b> <i>Major risks and exposures facing the County and how they are disclosed.</i></p>	<p>No such risks or exposures were noted.</p>

## Required Communications

MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
<p><b>Significant accounting policies, including critical accounting policies and alternative treatments within generally accepted accounting principles and the auditor's judgment about the quality of accounting principles</b></p> <ul style="list-style-type: none"> <li>• <i>The initial selection of and changes in significant accounting policies or their application; methods used to account for significant unusual transactions; and effect of significant unusual transactions; and effect of significant policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.</i></li> <li>• <i>The auditor should also discuss the auditors' judgment about the quality, not just the acceptability, of the County's accounting policies as applied in its financial reporting. The discussion should include such matters as consistency of accounting policies and their application, and clarity and completeness of the consolidated financial statements, including disclosures. Critical accounting policies and practices applied by the County in its financial statements and our assessment of management's disclosures regarding such policies and practices (including any significant modifications to such disclosures proposed by us but rejected by management), the reasons why certain policies and practices are or are not considered critical, and how current and anticipated future events impact those determinations.</i></li> <li>• <i>Alternative treatments within GAAP for accounting policies and practices related to material items, including recognition, measurement, presentation and disclosure alternatives, that have been discussed with client management during the current audit period, the ramifications of the use of such alternative, that have been discussed with client management during the current audit period, the ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the auditor. Furthermore, if the accounting policy selected by management is not the policy preferred by the auditor. Furthermore, if the accounting policy selected by management is not the policy preferred by us, discuss the reasons why management selected that policy, the policy preferred by us, and the reason we preferred the other policy.</i></li> </ul>	<p>The County adopted <i>GASB 68 – Accounting and Reporting for Pensions</i>, an updated of GASB 27, in fiscal year 2015.</p>

## Required Communications

MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
<p><b>Significant difficulties encountered in the audit</b>  <i>Any significant difficulties, for example, unreasonable logistical constraints or lack of cooperation by management.</i></p>	None.
<p><b>Disagreements with management</b>  <i>Disagreements, whether or not subsequently resolved, about matters significant to the financial statements or auditors' report. This does not include those that came about based on incomplete facts or preliminary information.</i></p>	None.
<p><b>Other findings or issues</b>  <i>Matters significant to oversight of the financial reporting practices by those charged with governance. For example, an entity's failure to obtain the necessary type audit, such as one under Governmental Auditing Standards, in addition to GAAS.</i></p>	None.
<p><b>Matters arising from the audit that were discussed with, or the subject of correspondence with, management</b>  <i>Business conditions that might affect risk or discussions regarding accounting practices or application of auditing standards.</i></p>	None.
<p><b>Corrected and uncorrected misstatements</b>  <i>All significant audit adjustments arising from the audit, whether or not recorded by the County, that could individually or in the aggregate have a significant effect on the financial statements. We should also inform the County about uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented, that were determined by management to be immaterial both individually and in the aggregate, to the financial statements taken as a whole. Any internal control deficiencies that could have prevented the misstatements.</i></p>	Please see the following section titled "Summary of Audit Adjustments."
<p><b>Major issues discussed with management prior to retention</b>  <i>Any major accounting, auditing or reporting issues discussed with management in connection with our initial or recurring retention.</i></p>	None.
<p><b>Consultations with other accountants</b>  <i>When management has consulted with other accountants about significant accounting or auditing matters.</i></p>	The financial statements of the Vance County Alcoholic Beverage Control Board and Vance Count Tourism Development Authority, discretely presented component units, were audited by Winston, Williams, Creech, Evans & Company, LLP, as agreed upon by the County, Board, and Management.

## Required Communications

MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
<p><b>Written representations</b>  <i>A description of the written representations the auditor requested (or a copy of the representation letter).</i></p>	See "Management Representation Letter" section.
<p><b>Internal control deficiencies</b>  <i>Any significant deficiencies or material weaknesses in internal control that came to the auditors' attention during the audit.</i></p>	See "Internal Control Findings" section.
<p><b>Fraud and illegal acts</b>  <i>Fraud involving senior management of the County or those responsible for internal controls, or causing a material misstatement of the financial statements, where the auditor determines there is evidence that such fraud may exist. Any illegal acts coming to the auditors' attention involving senior management and any other illegal acts, unless clearly inconsequential.</i></p>	Other than, the alleged embezzlement discovered in July 2014, we are unaware of any fraud or illegal acts involving management or causing material misstatement of the financial statements.
<p><b>Parties in interest and prohibited transactions</b></p>	No prohibited transactions were noted. Transactions with parties in interest and other reportable transactions were properly disclosed in the notes to the financial statements, in accordance with GAAP.
<p><b>Other information in documents containing audited financial statements</b>  <i>The external auditors' responsibility for information in a document containing audited financial statements, as well as any procedures performed and the results.</i></p>	<p>Our responsibility related to documents (including annual reports, websites, etc.) containing the financial statements is to read the other information to consider whether:</p> <ul style="list-style-type: none"> <li>• Such information is materially inconsistent with the financial statements; and</li> <li>• We believe such information represents a material misstatement of fact.</li> </ul> <p>We have not been provided any such items to date and are unaware of any other documents that contain the audited financial statements.</p>

## Accounting Policies, Judgments and Sensitive Estimates & CRI Comments on Quality

We are required to communicate our judgments about the quality, not just the acceptability, of the County's accounting principles as applied in its financial reporting. We are also required to communicate critical accounting policies and sensitive accounting estimates. The County may wish to monitor throughout the year the process used to compute and record these accounting estimates. The table below summarizes our communications regarding these matters.

AREA	ACCOUNTING POLICY	CRITICAL POLICY?	JUDGMENTS & SENSITIVE ESTIMATE	COMMENTS ON QUALITY OF ACCOUNTING POLICY & APPLICATION
Allowance for Uncollectible Receivables	The County estimates uncollectible ad valorem taxes receivable based on historical collectability percentages by age.	X	The County's estimated of collectability based on the County's historical experience in collecting aged receivables.	No material findings were noted
Capital Assets	Based upon our audit procedures, with respect to the County's capital assets, we noted that it estimates the annual provision for depreciation expense on estimated useful life of the capital assets in accordance with all applicable standards and guidelines.  The County calculates depreciation expense using the straight-line method.	X	The County estimate of the useful life of its capital assets.  The estimated useful lives, of County's capital assets, are based on a detailed management review.	See "Management Letter" section for significant deficiency

## Accounting Policies, Judgments and Sensitive Estimates & CRI Comments on Quality

Compensated Absences	The County estimates the accrued liability at year-end for amounts owed to its employees for compensated absences based on prevailing rates of compensation.	X	The County's estimate of its accrued liability for compensated absences is based upon the established compensation levels at year-end which may differ from the actual amounts.	No material findings were noted
Unfunded Obligations of Pensions and Other Postemployment Benefits (OPEBs)	The County utilizes actuarial valuations to calculate the unfunded obligations for defined benefit pensions and OPEBs.	X	The County's estimate of the funding status of defined benefit pensions and OPEBs is based on actuarial studies performed by a third party firm hired by the State of North Carolina. The studies are based on employee and payroll data, discount factors, contributions, pension assets and investment gains, and actuarial assumptions.	No material findings were noted

## Summary of Audit Adjustments

During the course of our audit, we accumulate differences between amounts recorded by the County and amounts that we believe are required to be recorded under GAAP. Those adjustments are either recorded (corrected) by the County or passed (uncorrected).

The County did not have any passed adjustments during the year ended June 30, 2015. All proposed audit adjustments have been recorded.

See attached schedule.

### QUALITATIVE MATERIALITY CONSIDERATIONS

In evaluating the materiality of audit differences when they do arise, we consider both quantitative and qualitative factors, for example:

- Whether the difference arises from an item capable of precise measurement or whether it arises from an estimate, and, if so, the degree of imprecision inherent in the estimate.
- Whether the difference masks a change in earnings or other trends.
- Whether the difference changes a net decrease in assets to addition, or vice versa.
- Whether the difference concerns an area of the County's operating environment that has been identified as playing a significant role in the County's operations or viability.
- Whether the difference affects compliance with regulatory requirements.
- Whether the difference has the effect of increasing management's compensation – for example, by satisfying requirements for the award of bonuses or other forms of incentive compensation.
- Whether the difference involves concealment of an unlawful transaction.
- Whether the difference involves concealment of a prohibited transaction, or transaction with a party in interest, as defined by GAAP or any applicable federal, state or local laws.

## Summary of Audit Adjustments

Account	Description	Debit	Credit
<b>Adjusting Journal Entries JE # 1</b>			
to adjust post closure liability beg bal			
30-000-999000	FUND BALANCE UNRESERVED	13,408.00	
30-210-221000	LANDFILL CLOSURE PAYABLE	6,042.00	
30-000-999000	FUND BALANCE UNRESERVED		19,450.00
<b>Total</b>		<b><u>19,450.00</u></b>	<b><u>19,450.00</u></b>
<b>Adjusting Journal Entries JE # 2</b>			
to adjust post closure liability to actual			
30-210-221000	LANDFILL CLOSURE PAYABLE	6,870.00	
30-608-500350	LANDFILL CLOSURE	12,430.00	
30-608-500044	SPECIAL CONTRACTED SERVICES		19,300.00
<b>Total</b>		<b><u>19,300.00</u></b>	<b><u>19,300.00</u></b>
<b>Adjusting Journal Entries JE # 3</b>			
to adjust Warren County manned site revenue and receivable to actual			
30-153-115302	ACCTS.REC-ACCRUED REVENUE	6,606.45	
30-608-500245	MANNED DISPOSAL SITES	2,700.25	
30-390-439019	WARREN COUNTY MANNED SITE		9,306.70
<b>Total</b>		<b><u>9,306.70</u></b>	<b><u>9,306.70</u></b>
<b>Adjusting Journal Entries JE # 5001</b>			
to adjust solid waste & allowance for doubtful accts			
30-390-439009	SOLID WASTE HOUSEHOLD FEE	88,336.20	
30-390-439009	SOLID WASTE HOUSEHOLD FEE	9,578.20	
30-153-115300	ACCOUNTS RECEIVABLE		88,336.20
30-153-115306	ACCT REC-ALLOW.DOUBTFUL ACCTS		9,578.20
<b>Total</b>		<b><u>97,914.40</u></b>	<b><u>97,914.40</u></b>
<b>Adjusting Journal Entries JE # 5002</b>			
PBC-to adjust water system receivable			
16-375-437500	METERED WATER SALES	32,008.07	
16-375-437501	NON-METERED WATER REVENUE	7,606.50	
16-376-437508	LATE PAYMENT FEES	1,117.39	
16-153-115302	ACCTS. REC.-ACCRUED REVENUE		40,731.96
<b>Total</b>		<b><u>40,731.96</u></b>	<b><u>40,731.96</u></b>

## Summary of Audit Adjustments

Account	Description	Debit	Credit
<b>Adjusting Journal Entries JE # 5003</b>			
PBC-to adjust water system receivable			
16-153-115300	ACCOUNTS RECEIVABLE	42,876.86	
16-153-115300	ACCOUNTS RECEIVABLE	20,257.65	
16-375-437500	METERED WATER SALES		20,257.65
16-375-437501	NON-METERED WATER REVENUE		42,876.86
<b>Total</b>		<b><u>63,134.51</u></b>	<b><u>63,134.51</u></b>
<b>Adjusting Journal Entries JE # 5004</b>			
PBC-To adjust water allowance			
16-153-115306	A/R-ALLOW. DOUBFUL ACCOUNTS	2,672.55	
16-375-437501	NON-METERED WATER REVENUE	4,287.69	
16-153-115306	A/R-ALLOW. DOUBFUL ACCOUNTS		4,287.69
16-375-437500	METERED WATER SALES		2,672.55
<b>Total</b>		<b><u>6,960.24</u></b>	<b><u>6,960.24</u></b>
<b>Adjusting Journal Entries JE # 5007</b>			
To reverse proceeds of capital lease and related capital outlay recorded in FY 2015.			
Loan did not close & equipment purchased in FY 2016.			
10-000-201001	ACCTS PAYABLE PRIOR YEAR	388,168.38	
10-370-437024	LEASE PROCEEDS	420,262.00	
10-153-115302	ACCTS.REC-ACCRUED REVENUE		420,262.00
10-510-500074	CAPITAL OUTLAY		219,907.00
10-530-500074	CAPITAL OUTLAY		168,261.38
<b>Total</b>		<b><u>808,430.38</u></b>	<b><u>808,430.38</u></b>

## Summary of Audit Adjustments

Account	Description	Debit	Credit
<b>Adjusting Journal Entries JE # 5008</b>			
To adjust loan proceeds to actual & record bank fees withheld & to reclass interest on Scholl Admin Building			
21-660-500617	QSCB 2010 INTEREST	8,389.54	
66-683-500179	INTEREST & FEES	2,809.50	
21-660-500615	SCHOOL ADMIN BLDG		8,389.54
66-385-437024	VGCC INSTALLMENT FINANCING PROCEEDS		2,809.50
<b>Total</b>		<b><u>11,199.04</u></b>	<b><u>11,199.04</u></b>
<b>Adjusting Journal Entries JE # 5011</b>			
To adjust beginning balance in fixed assets			
16-155-115460	CONSTRUCTION IN PROGRESS	12,101,390.00	
30-000-999000	FUND BALANCE UNRESERVED	865,391.38	
30-155-115450	LAND	872,857.20	
30-155-115470	BUILDINGS & IMPROVEMENTS	4,109.00	
30-155-115480	VEHICLES	72,980.00	
30-155-115500	FIXED ASSETS-EQUIPMENT	172,225.25	
16-000-990000	INVESTMENT IN CAPITAL ASSETS		12,101,390.00
30-000-990000	INVESTMENT IN CAPITAL ASSETS		23,746.32
30-000-990000	INVESTMENT IN CAPITAL ASSETS		865,391.38
30-155-115500	FIXED ASSETS-EQUIPMENT		1,091,278.20
30-155-115501	FIXED ASSET-ACCUM.DEPRECIATION		7,146.93
<b>Total</b>		<b><u>14,088,952.83</u></b>	<b><u>14,088,952.83</u></b>
<b>Adjusting Journal Entries JE # 5012</b>			
Record depreciation expense per schedule			
30-000-990000	INVESTMENT IN CAPITAL ASSETS	3,542.06	
30-155-115501	FIXED ASSET-ACCUM.DEPRECIATION	4,000.00	
30-608-500390	DEPRECIATION EXPENSE	3,542.06	
30-000-999000	FUND BALANCE UNRESERVED		3,542.06
30-155-115480	VEHICLES		4,000.00
30-155-115501	FIXED ASSET-ACCUM.DEPRECIATION		3,542.06
<b>Total</b>		<b><u>11,084.12</u></b>	<b><u>11,084.12</u></b>

## Summary of Audit Adjustments

Account	Description	Debit	Credit
<b>Adjusting Journal Entries JE # 5015</b>			
To reclassify interest income on bond anticipation notes			
63-386-438463	BOND PROCESSES WATER	10,926.08	
63-329-432900	INVESTMENT EARNINGS		10,926.08
<b>Total</b>		<b><u>10,926.08</u></b>	<b><u>10,926.08</u></b>
<b>Adjusting Journal Entries JE # 5016</b>			
To record construction in progress in water fund			
16-155-115460	CONSTRUCTION IN PROGRESS	2,438,529.65	
16-000-990000	INVESTMENT IN CAPITAL ASSETS		2,438,529.65
<b>Total</b>		<b><u>2,438,529.65</u></b>	<b><u>2,438,529.65</u></b>
<b>Adjusting Journal Entries JE # 5018</b>			
To reclassify purchase of water capacity from City of Henderson & record 2 years amortization expense.			
16-000-990000	INVESTMENT IN CAPITAL ASSETS	1,750,000.00	
16-000-999000	FUND BALANCE UNRESERVED	87,500.00	
16-160-116054	PURCHASE OF WATER CAPACITY	1,750,000.00	
16-000-999000	FUND BALANCE UNRESERVED		1,750,000.00
16-155-115460	CONSTRUCTION IN PROGRESS		1,750,000.00
16-160-116054	PURCHASE OF WATER CAPACITY		87,500.00
<b>Total</b>		<b><u>3,587,500.00</u></b>	<b><u>3,587,500.00</u></b>
<b>Adjusting Journal Entries JE # 5019</b>			
To adjust taxes receivable to actual per tax office			
10-110-111000	TAX RECEIVABLE-CURRENT YEAR	76,335.46	
10-110-111001	TAX RECEIVABLE-1ST PRIOR YR	0.38	
10-110-111003	TAX RECEIVABLE-3RD PRIOR YR	0.37	
10-110-111004	TAX RECEIVABLE-ALL OTHER YRS	0.44	
10-110-111000	TAX RECEIVABLE-CURRENT YEAR		0.48
10-110-111002	TAX RECEIVABLE-2ND PRIOR YR		0.31
10-110-111007	TAX RECEIVABLES-FUTURE YEAR		0.40
10-110-111007	TAX RECEIVABLES-FUTURE YEAR		76,335.46
<b>Total</b>		<b><u>76,336.65</u></b>	<b><u>76,336.65</u></b>

## Summary of Audit Adjustments

Account	Description	Debit	Credit
<b>Adjusting Journal Entries JE # 5021</b>			
To Record Note Receivable from Middleburg Steakhouse & to Reverse PY Accounts Receivable			
47-153-115300	NOTE RECEIVABLE MIDDLEBURG	24,000.00	
47-380-438705	LEASE INCOME	15,239.41	
47-153-115302	ACCTS REC-ACCRUED REVENUE		15,239.41
47-243-224300	DEFERRED REVENUE - NOTE RECEIVABLE		24,000.00
<b>Total</b>		<b><u>39,239.41</u></b>	<b><u>39,239.41</u></b>
<b>Adjusting Journal Entries JE # 5022</b>			
To adjust beginning fund balance in Fund 71 Emergency Telephone to actual per PY audit			
71-751-500016	MAINTENANCE EQUIPMENT	529.87	
71-000-999000	FUND BALANCE UNRESERVED		529.87
<b>Total</b>		<b><u>529.87</u></b>	<b><u>529.87</u></b>
<b>Adjusting Journal Entries JE # 5023</b>			
To adjust beginning fund balance to actual per FY 2014 CAFR.			
10-332-437005	MISCELLANEOUS REVENUES	1,949.54	
10-000-999000	FUND BALANCE UNRESERVED		1,949.54
<b>Total</b>		<b><u>1,949.54</u></b>	<b><u>1,949.54</u></b>
<b>Adjusting Journal Entries JE # 5024</b>			
To correct due to/from central depository			
00-000-223010	DUE TO/FROM GENERAL FUND	4.80	
00-000-223063	DUE TO/FROM WATER CAPITAL PROJ	8,255.00	
00-000-223071	DUE TO/FROM ETS-WIRELESS	407,683.53	
10-151-115102	PNC BANK - MMA	84.22	
00-000-223016	DUE/TO WATER FUND		8,255.00
00-000-223041	DUE TO/FROM RETIREMENT/PENSION		4.80
00-000-223070	DUE TO/FROM ETS-LAND		407,683.53
10-151-115101	BB&T PROJECT ACCOUNT		84.22
<b>Total</b>		<b><u>416,027.55</u></b>	<b><u>416,027.55</u></b>

## Summary of Audit Adjustments

Account	Description	Debit	Credit
<b>Adjusting Journal Entries JE # 5025</b>			
To correct posting of transfer from Tax Office Bank Account to new Finance Dept Account			
10-000-101000	EQUITY IN POOLED CASH	239,615.10	
10-301-430102	AD VALOREM TAX-2ND PRIOR YR		215,141.10
10-301-430103	AD VALOREM TAX-3RD PRIOR YR		24,474.00
<b>Total</b>		<b><u>239,615.10</u></b>	<b><u>239,615.10</u></b>
<b>Adjusting Journal Entries JE # 5026</b>			
to record unbilled revenue accrual for current and prior period			
16-153-115302	ACCTS. REC.-ACCRUED REVENUE	34,555.02	
16-000-994000	ESTIMATED REVENUES		23,463.62
16-375-437500	METERED WATER SALES		11,091.40
<b>Total</b>		<b><u>34,555.02</u></b>	<b><u>34,555.02</u></b>

## Management Representation Letter

December 15, 2015

Carr, Riggs & Ingram, LLC  
911 Paverstone Drive, Suite A  
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, 2015, 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 December 15, 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 15, 2015, 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.

## Management Representation Letter

- 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 and state 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.

## Management Representation Letter

- 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, schedule of expenditures of federal awards, and federal and state data collection forms. 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.

## Management Representation Letter

- 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 and state 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 and state awards.
- b) We acknowledge our responsibility for presenting the schedule of expenditures of federal and state awards (SEFSA) in accordance with the requirements of OMB Circular A-133 §310.b, and we believe the SEFSA, 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 SEFSA.
- 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 SEFSA expenditures made during the audit period for all awards provided by federal and state agencies in the form of grants, federal and state 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 and state 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 and state 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 and state awards and have identified and

## Management Representation Letter

disclosed to you all amounts questioned and all known noncompliance with the direct and material compliance requirements of federal and state 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 and state 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 and state 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.

## Management Representation Letter

- v) We have charged costs to federal and state 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: \_\_\_\_\_

Signature: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_



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December 15, 2015

Board of Commissioners and Management of  
County of Vance, North Carolina

In planning and performing our audit of the financial statements of County of Vance (the "County") as of and for the year ended June 30, 2015, in accordance with auditing standards generally accepted in the United States of America ("GAAS"), we considered the County's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing opinions 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.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The chart that follows this letter summarizes our comments and suggestions regarding those matters. A separate report dated December 15, 2015, contains our communication on material weaknesses and significant deficiencies in the Board's internal control.) This letter does not affect our report dated December 15, 2015, on the financial statements of the County.

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 management, 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.

This communication is intended solely for the information and use of the County and Management, and others within the County, and is not intended to be and should not be used by anyone other than these specified parties.

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

## Internal Control Findings

The following legend should be used in conjunction with reviewing the “Rating” of each of the identified internal control items:

<b>IP =</b> <b>Improvement Point</b>	<b>D =</b> <b>Control Deficiency</b>	<b>SD =</b> <b>Significant Deficiency</b>	<b>MW =</b> <b>Material Weakness</b>
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CONTROL NUMBER	RATING	AREA	ITEM NOTED	SUGGESTION
15-01	SD	General Journal Entries	Supervisory approval was not required prior to posting for manual general journal entries.	We recommend the County design a system of documenting formalized approvals of manual general journal entries to be processed by the County prior to posting.
15-02	SD	Bank Reconciliations (prior year finding)	Bank reconciliations performed by the finance office are not reviewed and approved by an individual independent of preparers.	We recommend the County modify the process for reconciling County bank statements by ensuring an individual independent of the reconciliation preparers reviews and formally approves the monthly bank reconciliations.
15-03	SD	Capital Asset Acquisitions	The County recorded the acquisition of assets and related debt for purchases not yet approved by the Board of Commissioners and for which the assets had not yet been received or debt agreements finalized.	We recommend the County review acquisitions and disposals of capital assets at and near period end dates to ensure these transactions are recorded in the appropriate periods.
15-04	SD	Payroll	Review of a sample of payroll records revealed County documentation required to document changes in employee files affecting payroll were not included in the employee payroll files.	We recommend the County design a process to ensure employee supervisors provide the required documentation to the payroll department, and to ensure these documents are included in employee payroll files.

## Internal Control Findings

15-05	SD	Information Technology (IT)	<p>Review of IT general controls revealed the following:</p> <ul style="list-style-type: none"> <li>• The County's committee charged with oversight over IT does not meet regularly in exercising oversight over IT assets, nor does the County have an IT strategic plan.</li> <li>• Review of user permissions in the County tax software revealed the presence of 20 generic user accounts whose access may not be required for operation of the software and may represent security vulnerabilities.</li> <li>• Two workstations were utilizing the Microsoft XP operating system (OS), an OS no longer supported by the software developer.</li> </ul>	<p>We recommend the following:</p> <ul style="list-style-type: none"> <li>• The County ensure the committee charged with governance of IT begin meeting regularly to monitor risks and uses of IT processes and assets, and establishing a strategic plan for the County's use of IT.</li> <li>• The County review these users and their associated permissions and disable the accounts or remove access where not required for operation of the software.</li> <li>• Establish a plan to upgrade these assets from Microsoft XP to a supported OS.</li> </ul>
15-06	SD	Fund Balances	<p>The County does not maintain a schedule of fund balances to monitor changes from period to period based on fund financial performance, inter-fund transfers, fund balance restrictions, and fund balance assignments.</p>	<p>We recommend the County create a fund balance rollforward schedule to track changes in fund balances for each period to monitor changes and reconcile fund balances to the general ledger.</p>

## Internal Control Findings

15-07	SD	Municipal Landfill Closure Obligation	The County's valuation of the remaining costs to close the County's now-closed municipal landfill is based on a valuation report performed in 2002 by a firm no longer in operation.	During the audit, we noted the County engaged a third party firm in September 2015 to provide an updated valuation on the landfill closure obligation, which is expected to be completed in early 2016. We also noted the County is considering obtaining updated valuations on a five-year basis.
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