

**COUNTY OF FRANKLIN, VIRGINIA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FISCAL YEAR ENDED JUNE 30, 2009**

---

Prepared by the Franklin County  
Department of Finance

**COUNTY OF FRANKLIN, VIRGINIA  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 FISCAL YEAR ENDED JUNE 30, 2009**

**TABLE OF CONTENTS**

**INTRODUCTORY SECTION**

	<u>Page</u>
Letter of Transmittal.....	1-4
Historical Sketch of Franklin County.....	5
List of Elected and Appointed Officials.....	6-7
Organizational Chart.....	8
Certificate of Achievement for Excellence in Financial Reporting.....	9

**FINANCIAL SECTION**

Independent Auditors' Report .....		10-11
Management's Discussion and Analysis .....		12-20

		<u>Exhibit</u>	<u>Page</u>
<b>Basic Financial Statements:</b>			
Government-Wide Financial Statements:			
Statement of Net Assets .....	1		21
Statement of Activities.....	2		22
Fund Financial Statements:			
Governmental Fund Financial Statements:			
Balance Sheet – Governmental Funds .....	3		23
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets .....	4		24
Statement of Revenues, Expenditures and Change in Fund Balances – Governmental Funds.....	5		25
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	6		26
Proprietary Fund Financial Statements:			
Statement of Net Assets – Proprietary Fund .....	7		27
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Fund .....	8		28
Statement of Cash Flows – Proprietary Fund.....	9		29
Fiduciary Fund Financial Statements:			
Statement of Fiduciary Net Assets – Fiduciary Funds.....	10		30
Notes to Financial Statements .....			31-65

**COUNTY OF FRANKLIN, VIRGINIA  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 FISCAL YEAR ENDED JUNE 30, 2009**

**TABLE OF CONTENTS (CONTINUED)**

**FINANCIAL SECTION (Continued)**

	<u>Exhibit</u>	<u>Page</u>
<b>Required Supplementary Information:</b>		
Schedule of Funding Progress Defined Benefit and Healthcare Plans .....	11	66
Individual Fund Statements:		
Schedule of Revenues, Expenditures and Change in Fund Balances – Budget and Actual - General Fund .....	12	67

**OTHER SUPPLEMENTARY INFORMATION SECTION:**

**Supplementary Financial Statements:**

Combining and Individual Fund Statements and Schedules:		
Schedule of Revenues, Expenditures and Change in Fund Balances – Budget and Actual:		
County Capital Projects Fund – Major Fund.....	13	68
School Construction Fund – Major fund .....	14	69
Schedule of Revenues, Expenditures, and Changes in Fund Balances -- Budget and Actual -- Nonmajor Special Revenue Fund .....	15	70
Combining Statement of Fiduciary Net Assets – Fiduciary Funds .....	16	71
Combining Statement of Changes in Assets and Liabilities – Fiduciary Funds.....	17	72
Discretely Presented Component Unit – School Board:		
Balance Sheet .....	18	73
Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds .....	19	74
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual .....	20	75

	<u>Schedule</u>	<u>Page</u>
<b>Supporting Schedules:</b>		
Schedule of Revenues – Budget and Actual Governmental Funds .....	1	76-82
Schedule of Expenditures – Budget and Actual Governmental Funds .....	2	83-87

**COUNTY OF FRANKLIN, VIRGINIA  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 FISCAL YEAR ENDED JUNE 30, 2009**

**TABLE OF CONTENTS (CONTINUED)**

**STATISTICAL SECTION**

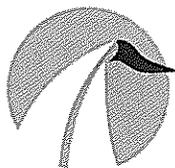
**Statistical Information:**

	<u>Table</u>	<u>Page</u>
Financial Trends:		
Net Assets by Component .....	1	88
Changes in Net Assets .....	2	89-90
Fund Balances of Governmental Funds .....	3	91
Changes in Fund Balances of Governmental Funds .....	4	92
Revenue Capacity:		
Tax Revenues by Source .....	5	93
Assessed Value and Estimated Actual Value of Taxable Property .....	6	94
Property Tax Rates .....	7	95
Principal Property Taxpayers .....	8	96
Property Tax Levies and Collections .....	9	97
Debt Capacity:		
Ratios of Outstanding Debt by Type .....	10	98
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita .....	11	99
Direct and Overlapping Governmental Activities Debt .....	12	100
Legal Debt Margin .....	13	101
Demographic and Economic Information:		
Demographic and Economic Statistics .....	14	102
Principal Employers .....	15	103
Operating Information:		
Full-time Equivalent County Government Employees by Function .....	16	104
Operating Indicators by Function .....	17	105
Capital Asset Statistics by Function .....	18	106

**COMPLIANCE SECTION**

	<u>Page</u>
<b>Compliance:</b>	
Report on Internal Control over Financial Reporting and on Compliance and on Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	107-108
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133 .....	109-110
Schedule of Expenditures of Federal Awards .....	111-113
Schedule of Findings and Questioned Costs .....	114-115

## **INTRODUCTORY SECTION**



# Franklin County

*A Natural Setting for Opportunity*

December 4, 2009

To the Honorable Chairman, Members of the Board of Supervisors, and Citizens of Franklin County, Virginia:

We are pleased to submit Franklin County's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2009. The CAFR was prepared with an emphasis on full disclosure of the financial activities of the County. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the government. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly, the financial position and results of operations of the various funds of the government. All disclosures necessary to enable the reader to gain understanding of the government's financial activities have been included.

The auditing firm of Robinson, Farmer, Cox Associates has issued an unqualified opinion on the County's financial statements as of and for the year ended June 30, 2009. The audit was conducted in accordance with professional standards which require that the independent auditors plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The independent auditors' report is located in the front of the financial section of this report.

Under generally accepted accounting principles, as promulgated by the Governmental Accounting Standards board (GASB), management is required to provide a narrative that precedes the basic financial statements. This Management's Discussion and Analysis (MD&A) provides as introduction, overview and analysis of financial results for fiscal year 2008-2009 along with summaries of the government wide financial statements that follow. Management's Discussion and Analysis is contained in the financial section of this report.

## **Profile of the Government**

Within the boundaries of Franklin County lie the independent towns of Rocky Mount and Boones Mill. The County's population at June 30 2009 is estimated at 52,841 with a population density of 72.4 people per square mile. Franklin County is included in the Roanoke Metropolitan Statistical Area (MSA) that has a total population of approximately 300,000.

The Board of Supervisors is the governing body of the County with one board member representing each of the seven magisterial districts. Board members are elected to four-year terms – a Chairman and Vice-Chairman are selected annually to serve one year terms. The Board appoints a County Administrator to act as the administrative head of the County. All department heads report to the County Administrator. Five constitutional officers (Commissioner of Revenue, Commonwealth’s Attorney, Clerk of the Circuit Court, Sheriff and Treasurer) are elected by the voters of the County and although are not accountable to the Board, do work closely with the Board, County Administrator and other departments.

The County provides a full range of services, including public safety and law enforcement, sanitation services, planning and zoning management, recreation and cultural activities, economic development and administrative services. The Franklin County School Board is also part of this reporting entity as a component unit. The annual budget serves as the basis for financial planning and control and is prepared by fund, function and department.

### **Economic Conditions and Outlook**

Franklin County, the seventh largest county in size in Virginia with an area of 721 square miles, is located in southwest Virginia. By offering close proximity to all markets along the East coast, the County is an excellent location for local industries and commerce. The local economy remained fairly strong this past fiscal year compared to the national economy with an average unemployment rate of 8.4%.

Much of fiscal year 2008-2009 was spent on a number of new capital projects including fire and rescue apparatus replacement and the adaptive reuse of a former grocery store into a government center for County offices. The County continues to develop its’ park system with major work being completed at the Smith Mountain Lake park and various rehab projects at other parks.

The future economic outlook for Franklin County looks very good. With space available in several industrial parks, a stable employment base, easy market access, low construction costs, quality work force and excellent quality of life, Franklin County and the region is ready to continue future economic growth. In the years to come, the County will focus on diversifying the employment opportunities within the County by recruiting various technology related companies and traditional manufacturing businesses to utilize the training provided by the local schools and colleges.

### **Major Initiatives**

During the year, the Franlin Center for Advanced Learning and Enterprise continued to expand its reach to provide employer and employee services in a “One Stop Environment”. The consortium, composed of 15 partners, provides opportunities in employment, training, and education. Representatives from the local school system,

colleges, government and community agencies work together to provide workforce development services to the citizens and employers of Franklin County.

Franklin County continues to place major emphasis upon the capital needs of the County School System. Construction continues on a new elementary school in the Windy Gap area of the County which will relieve overcrowding at neighboring existing elementary schools. This school is scheduled to open in August 2009.

The County is working on various projects to improve our community. In conjunction with the Western Virginia Water Authority, a new 12-inch water line is being constructed that will serve homes and businesses along the growing Route 220 Corridor. A new water line extension along Route 616 in the Westlake area of the County will improve public utilities in that area.

### **For the Future**

In conjunction with the Western Virginia Water Authority, the County is continuing to plan for future expansion of the county's utilities to include a wastewater treatment facility in the Westlake area of the County.

Public Safety increased its presence in the Westlake area of the County by continuing to staff the Westlake Public Safety complex, a facility that houses Sheriff's Office and Public Safety personnel who are on duty twenty-four hours a day, seven days a week. This facility is currently housed in leased space – plans are being developed for a future building to house these operations.

### **Long-Term Financial Planning**

**Capital Improvement Plan.** The Capital Improvement Plan (CIP) is a listing of capital needs projected over a 5-year period for County services. It is a planning document and provides a listing of projects requested by County departments and the School system. The CIP is updated annually. Projects are removed from the plan as they are completed or as priorities change. The plan is intended to assist the County Board of Supervisors in the preparation of the County budget.

**General Fund Balance (Undesignated).** The Board of Supervisors has adopted a policy to keep the undesignated general fund balance at a minimum of 10% of the County budget. Bond rating agencies also recommend the undesignated fund balance be maintained at a level between 10% and 15% of the general fund revenues. The undesignated general fund balance is 13.2% for the year ended June 30, 2009. This is a decrease from last year as a result of fund balance being used for capital projects.

**Budgetary Controls.** The budget function is used as a management control device during the year for the General Fund and Special Revenue and Component Unit Funds. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the County Board of Supervisors. Only the Board of Supervisors can revise the appropriation for each

department or category. The County Administrator is authorized to transfer amounts within general governmental departments; however, the School Board is authorized to transfer budgeted amounts within the school system's categories.

### **Other Information**

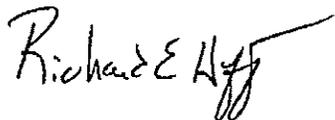
**Independent Audit.** State statutes require an annual audit by independent certified public accountants. The accounting firm of Robinson, Farmer, Cox Associates was selected by the County to perform this audit. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act Amendments of 1996 and related OMB Circular A-133. The independent auditors' report on the general purpose financial statements and combining and individual fund statements and schedules is included in the Financial Section of this report. The auditors reports related specifically to the single audit are included in the Compliance Section.

**Awards.** The Government Finance Officers Association of the United State and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County of Franklin, Virginia for its comprehensive annual financial report for the fiscal year ended June 30, 2008. This was the ninth consecutive year that Franklin County has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

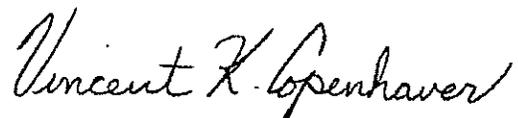
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

**Acknowledgements.** In closing, without the leadership and support of the Board of Supervisors of Franklin County, preparation of this report would not have been possible.

Sincerely,



Richard E. Huff, II  
County Administrator



Vincent K. Copenhaver, CPA  
Director of Finance

## ***A HISTORICAL SKETCH OF FRANKLIN COUNTY***

*In the 1740's, pioneers traveling by river and road from Eastern Virginia and Maryland, and Scotch-Irish and German families coming down the Carolina Road (originally known as the Great Indian Warrior Path) settled in what would become Franklin County, then the western-most county in Virginia. The County was formed in 1786 from parts of Bedford and Henry Counties by an act of the General Assembly. It was named for Benjamin Franklin, then governor of Pennsylvania, where many settlers originated.*

*The County lies in the western piedmont, a diverse terrain ranging from flatlands on the east to rugged peaks of the Blue Ridge on the west. The area was home to Native Americans as early as 10,000 B.C. In the 1600's an eastern Siouan tribe inhabited the region. Indian relics, arrowheads and artifacts found throughout the County remind us of the original settlers.*

*Since the County's early beginnings, its citizens have served as gallant soldiers in every war the U.S. has known. Notable Confederate General Jubal A. Early was born in the Red Valley community. He went to West Point for his education, represented Franklin County in the General Assembly, and served as commonwealth's attorney for many years. Another nationally known native son was Booker T. Washington, a black educator. Born a slave on a plantation near Hales Ford, Booker T. Washington founded the Tuskegee Institute in 1881. His birthplace is a national monument.*

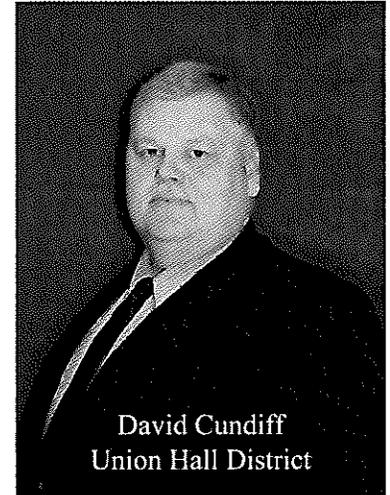
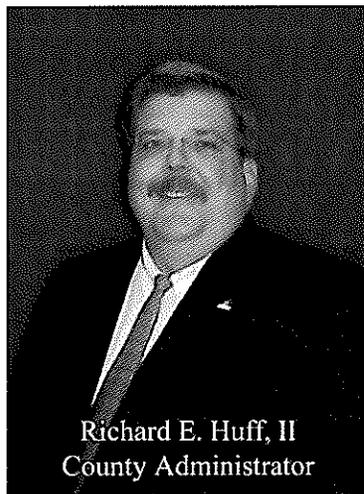
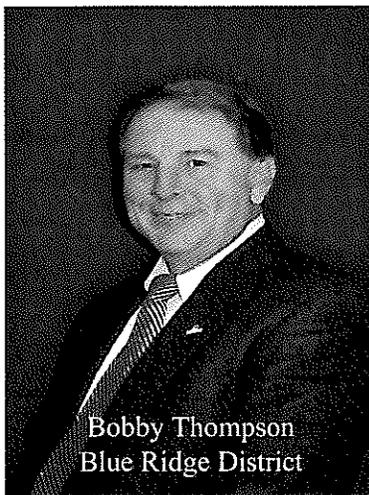
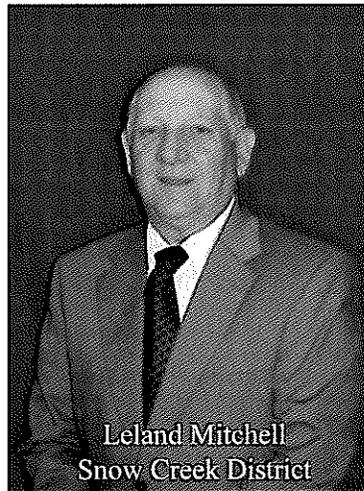
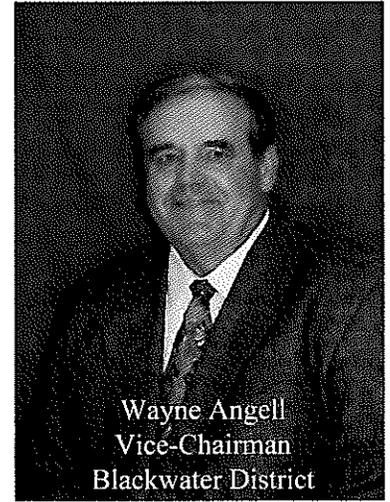
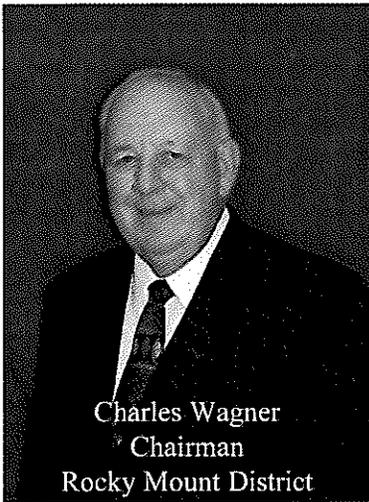
*Agriculture has figured prominently in Franklin County's 200-year history, and was the occupation of most county residents until recent times. Tobacco was a leading crop in early Franklin County. Locally mined iron and copper were transported over the Carolina Road as far south as Georgia. The furnace of the Washington Ironworks, the County's oldest landmark, stands as a monument where munitions for the Revolutionary Army were manufactured. A growing animal husbandry industry established Franklin County as one of Virginia's leading dairy producers.*

*The late nineteenth century saw increasing industrialization. With the entry of the Norfolk and Western railroad in 1892, the Punkin Vine route through the County provided new access for industry. Tobacco factories as well as diversified wood and textile-based industries became significant components of the County's economy.*

*The development of 2,880 acre Philpott Lake in 1953 and 20,600 acre Smith Mountain Lake in 1966 gave rise to Franklin County's current designation as the "Land Between the Lakes and the Blue Ridge Mountain." It is an apt description for a remarkable place – a land of compelling natural beauty, economic stability, recreational abundance, and rich heritage!*

# Franklin County Board of Supervisors

June 30, 2009



# COUNTY OF FRANKLIN, VIRGINIA

---

## BOARD OF SUPERVISORS

---

W. Wayne Angell, Vice Chair	Charles Wagner, Chair	Russell P. Johnson
David A. Hurt		W. Leland Mitchell
Bobby Thompson		David R. Cundiff
	Sharon Tudor, Clerk	

## COUNTY SCHOOL BOARD

---

Stephen E. Brubaker	Marilyn R. Starkey
Edward Jamison	Sarah Alexander
William O. Helm, Jr.	Evelyn T. Cundiff
G. B. Washburn, Jr.	Perry D. Hambrick

## SOCIAL SERVICES BOARD

---

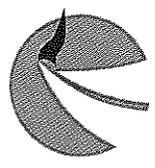
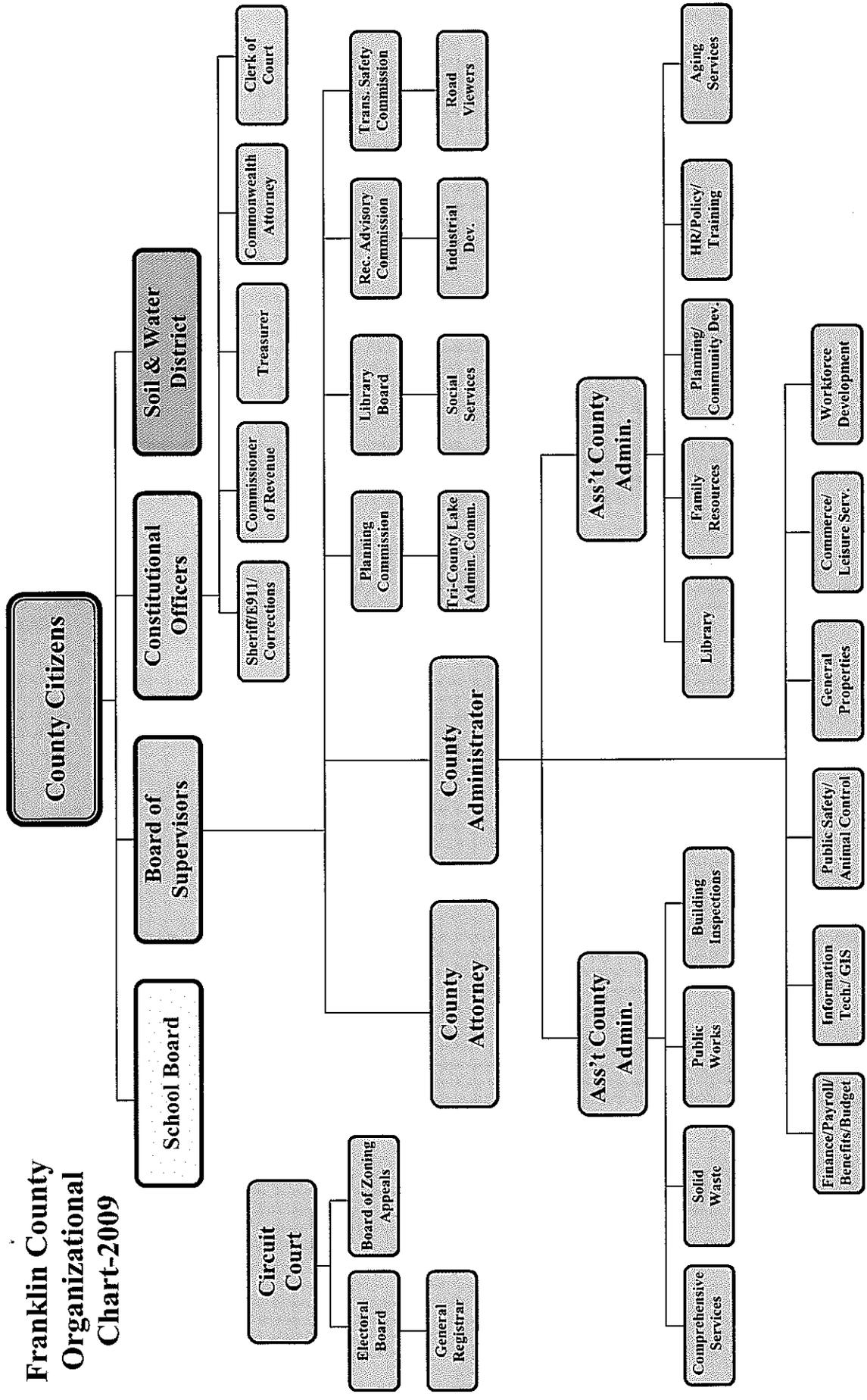
Joyce Ann Jamison	Douglas Beatty, Chair	Benson Beck
Norma Jean Akers		Pat Strike
Page A. Matherly		Betty P. Bryant
	Elizabeth P. Little, Director/Secretary	

## OTHER OFFICIALS

---

Judge of the Circuit Court.....	William N. Alexander, II
Clerk of the Circuit Court .....	Teresa J. Brown
Judge of the General District Court.....	George A. Jones, Jr.
Judge of the Juvenile & Domestic Relations Court.....	Sarah A. Rice
Commonwealth's Attorney .....	Clifford F. Hapgood
Commissioner of the Revenue .....	Margaret S. Torrence
Treasurer .....	Lynda F. Messenger
Sheriff .....	Ewell A. Hunt
Superintendent of Schools.....	Charles Lackey
Director of Social Services.....	Linda Nisbet
County Administrator .....	Richard E. Huff, II
County Attorney .....	B. James Jefferson
Director of Finance .....	Vincent K. Copenhaver

# Franklin County Organizational Chart-2009



**Franklin County**  
A Natural Setting for Opportunity

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of Franklin  
Virginia

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2008

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

## **FINANCIAL SECTION**

# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

## Independent Auditors' Report

### THE HONORABLE MEMBERS OF THE BOARD OF SUPERVISORS COUNTY OF FRANKLIN, VIRGINIA

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 the County of Franklin, Virginia, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of Franklin, Virginia's management. 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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 the County of Franklin, Virginia, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 11, the County implemented GASB Statement No. 45, *Accounting and Financial Reporting for Employers for Post-Employment Benefits other than Pensions*, effective July 1, 2008.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2009, on our consideration of the County of Franklin, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, the budgetary comparison information and the Schedule of Funding Progress Defined Benefit and Healthcare Plans as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain

limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Franklin, Virginia's basic financial statements. The introductory section, combining and individual fund financial statements, supporting schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal 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 is also not a required part of the basic financial statements of the County of Franklin, Virginia. The combining and individual fund financial statements, the budgetary comparison schedules, and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements, taken 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 express no opinion on them.

*Robinson, Turner, Co. Associates*

Christiansburg, Virginia  
December 3, 2009

## Management's Discussion and Analysis

As management of the County of Franklin, Virginia we offer the following discussion and analysis of the County's financial performance and overview of the County's financial activities for the fiscal year ended June 30, 2009. Please read it in conjunction with the transmittal letter at the front of this report and with the County's financial statements, which follow this section.

### **Financial Highlights for Fiscal Year 2009**

- Total net assets for governmental activities were \$56.7 million at the end of FY 2009. This figure is based on assets totaling \$100.5 million and liabilities of \$43.8 million. The liabilities amount includes a non-current component for long-term debt associated with the acquisition of assets for the County and School system. The total for assets does not include the school properties (Exhibit 1).
- During the year, the County's taxes and other revenues for governmental programs were \$3.2 million more than the \$71.1 million of expenses (Exhibit 2).
- The business-type activities total net assets at June 30, 2009 totaled \$2.4 million. This figure is based on total assets of \$2.4 million and liabilities of \$21 thousand.
- Total general fund revenues were more than the final budgeted amount by \$0.7 million or approximately 1.0 percent. Actual expenditures were \$4.5 million less than the final expenditure budget.
- The County's total outstanding debt at fiscal year end increased by a net amount of \$ 0.6 million. \$2.9 million in General Obligation Bonds were issued during the year for the Westlake Sewer System. Retirements totaled \$3.8 million.
- Component Unit net assets were \$18.8 million at the end of FY2009. Of this amount, \$19.5 million is invested in capital assets, net of related debt (An unrestricted deficit of \$0.7 million is shown on the statement as well).
- At the end of the current fiscal year, undesignated fund balance for the general fund was approximately \$16.8 million or 13.2% of fiscal year 2009 general, special revenue and component unit fund revenues. The Board of Supervisors has adopted a policy to keep the undesignated general fund balance at a minimum of 10% of general, special revenue and component unit fund revenues.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the County of Franklin's basic financial statements which comprise three sections: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements:** The *government-wide financial statements* are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave.)

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government, judicial administration, public safety, health and welfare, parks and recreation, solid waste and community development. The County does not have any business-type activities.

The government-wide financial statements include the County (known as the *primary government*) as well as funds of the Franklin County School Board known as the *component unit*). Financial information for this component unit is reported separately from the financial information presented for the primary government.

### **Fund Financial Statements**

Traditional users of governmental financial statements will find the fund financial statement presentation more familiar. The focus is now on the County's most significant funds, and the fund financial statements provide more information about these funds – not the County as a whole.

The County has three kinds of funds:

Governmental funds – Most of the County's basic services are included in governmental funds, which focus on how cash and other financial assets that can readily be converted to cash flow in and out and the balances left at year end that are available for spending. Consequently, the governmental funds statements report financial resources that can be spent in the near future to finance the County's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided at the bottom of the governmental funds statement that explains the relationship (or difference) between them.

Proprietary funds – When the County charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported with the full accrual accounting method as are all activities reported in the Statement of Net Assets and Statement of Activities. The County's enterprise fund, one type of proprietary fund, is the same as the government-wide business-type activities;

however, the fund financial statements provide more detail and additional information, such as cash flows. The County's enterprise fund is the Utility Fund.

Fiduciary funds – The County is the trustee, or fiduciary, for the County's agency funds. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the County's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. The County excludes these activities from the County's government-wide financial statements because the County cannot use these assets to finance its operations.

Notes to the basic financial statements. The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required supplementary information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the County's budgetary comparisons and progress in funding its obligation to provide pension benefits to its employees.

### **Financial Analysis of the County as a Whole**

A comparative analysis of government-wide information is as follows:

#### **Summary of Net Assets:**

The following table reflects the condensed Statement of Net Assets at June 30, 2009 as presented in the government-wide financial statements (in millions):

	Governmental Activities		Business-type Activities		Total Primary Government		Component Unit	
	FY2009	FY2008	FY2009	FY2008	FY2009	FY2008	FY2009	FY2008
Current and other assets	\$37.5	\$42.9	\$0.7	\$1.3	\$38.2	\$44.2	\$2.9	\$2.9
Capital assets, net	63.0	53.1	1.7	5.2	64.7	58.3	19.5	17.6
Total assets	100.5	96.0	2.4	6.5	102.9	102.5	22.4	20.5
Other liabilities	2.6	5.1	0.0	0.2	2.6	5.3	2.2	2.1
Long-term liabilities	41.2	37.5	0.0	2.0	41.2	39.5	1.4	0.7
Total liabilities	43.8	42.6	0.0	2.2	43.8	44.8	3.6	2.8
Net assets:								
Invested in capital assets,								
net of related debt	31.6	21.1	1.7	3.0	33.3	24.1	19.5	17.6
Restricted	0.2	0.2	0.0	0.0	0.2	0.2		0.0
Unrestricted	24.9	32.2	0.7	1.3	25.6	33.5	(0.7)	0.1
Total net assets	\$56.7	\$53.5	\$2.4	\$4.3	\$59.1	\$57.8	\$18.8	\$17.7

The County's combined net assets increased from \$57.8 million to \$59.1 million as a result of the increase in net activities of \$1.3 million. The increase is the result of stronger than anticipated revenues received during the fiscal year. Unrestricted net assets, the portion of net assets that can be used to finance the day-to-day activities of the County totaled \$25.1 million. Net assets invested in capital assets, net of related debt, represents the amount of capital assets owned by the County. Net assets are reported as restricted when constraints on asset use are externally imposed by creditors, grantors, contributors, regulators, or imposed by law through constitutional provisions or enabling legislation. E911 funds are restricted so that they can be used for the E911 purposes.

Business-type net assets decreased from \$4.3 million to \$2.4 million as a result of utility infrastructure being transferred to a regional water and sewer authority.

Component unit net assets increased slightly as the result of investment in school infrastructure.

**Summary of Activities:**

The following table shows the revenues and expenses of the governmental activities for the year ended June 30, 2009 (in millions):

	Governmental Activities		Business-type Activities		Total Primary Government		Component Unit	
	<u>FY2009</u>	<u>FY2008</u>	<u>FY2009</u>	<u>FY2008</u>	<u>FY2009</u>	<u>FY2008</u>	<u>FY2009</u>	<u>FY2008</u>
<b>Revenues:</b>								
<b>Program revenues:</b>								
Charges for Services	\$2.3	\$2.7	\$0.2	\$0.5	\$2.5	\$3.2	\$2.4	\$2.0
Operating Grants & Contributions	12.0	12.1	0.0	0.0	12.0	12.1	48.9	45.3
Capital Grants & Contributions	2.0	3.7	0.1	0.0	2.1	3.7	0.2	0.2
<b>General Revenues</b>								
Property Taxes	43.4	34.3	0.0	0.0	43.4	34.3	0.0	0.0
Other Taxes	10.0	10.8	0.0	0.0	10.0	10.8	0.0	0.0
Other	5.0	5.1	0.0	0.0	5.0	5.1	0.1	0.0
Payments from the County	0.0	0.0	0.0	0.0	0.0	0.0	29.6	23.2
<b>Total Revenues</b>	<b>74.7</b>	<b>68.7</b>	<b>0.3</b>	<b>0.5</b>	<b>75.0</b>	<b>69.2</b>	<b>81.2</b>	<b>70.7</b>
<b>Expenses</b>								
General Government	4.0	4.0	0.0	0.0	4.0	4.0	0.0	0.0
Judicial Administration	2.7	2.5	0.0	0.0	2.7	2.5	0.0	0.0
Public Safety	12.7	12.5	0.0	0.0	12.7	12.5	0.0	0.0
Public Works	3.1	3.4	0.0	0.0	3.1	3.4	0.0	0.0
Health and Welfare	10.0	9.3	0.0	0.0	10.0	9.3	0.0	0.0
Education	29.6	25.8	0.0	0.0	29.6	25.8	80.1	72.6
Parks, Recreation and Cultural	2.3	1.9	0.0	0.0	2.3	1.9	0.0	0.0

Community Development	5.2	4.8	0.0	0.0	5.2	4.8	0.0	0.0
Interest on Long-Term Debt	1.5	1.2	0.0	0.0	1.5	1.2	0.0	0.0
Water	0.0	0.0	2.6	0.4	2.6	0.4	0.0	0.0
<b>Total Expenses</b>	<b>71.1</b>	<b>65.3</b>	<b>2.6</b>	<b>0.4</b>	<b>73.7</b>	<b>65.7</b>	<b>80.1</b>	<b>72.6</b>
<b>Excess or Deficiency Before Transfers</b>	<b>3.6</b>	<b>3.4</b>	<b>(2.3)</b>	<b>0.1</b>	<b>1.3</b>	<b>3.5</b>	<b>1.1</b>	<b>(1.9)</b>
Transfers	(0.4)	(0.6)	0.4	0.6	0.0	0.0	0.0	0.0
Change in Net Assets	3.2	2.8	(1.9)	0.7	1.3	3.5	1.1	(1.9)
Net Assets, Beginning of Year	53.5	50.7	4.3	3.6	57.8	54.3	17.7	19.5
Net Assets, Ending	\$56.7	\$53.5	\$2.4	\$4.3	\$59.1	\$57.8	\$18.8	\$17.7

## **Revenues**

For the fiscal year ended June 30, 2009, revenues from governmental activities totaled \$74.7 million, an increase of \$6 million from the prior fiscal year. Property tax revenues, the County's largest local revenue source, were \$43.4 million, an increase of \$9.1 million over the prior fiscal year. This increase resulted from new assessed values that were effective January 1, 2008. The County assesses all real property every four years – increased taxes from the higher assessed values were collected in December 2008.

Other local taxes (including sales taxes, recordation taxes, and meals taxes) were \$10.0 million, which was a slight decrease from FY2008. This decrease points to the slowing local and national economy. Intergovernmental revenues totaled \$14.1 million, a decrease of \$1.7 million over the prior fiscal year. The decrease is due to special one-time grants received in FY08 towards the construction of the workforce center.

Business-type revenues consist of charges to customers for water consumption.

Component unit revenues total \$81.2 million, including a \$29.6 million transfer from the general fund. Increased revenues are due to additional federal and state grants being received by the School system.

## **Expenses**

For the fiscal year ended June 30, 2009, expenses for governmental activities totaled \$71.1 million. Included in the expenses are increases in employee compensation, transfers for educational expenses to the School Board, and interest on long-term debt.

Business-type activities account for the expenses of the County's water system and primarily include water purchased from a neighboring jurisdiction.

Education is a very high priority in the Franklin County community; consequently the Board of Supervisors contributed \$29.6 million to the operation of the Franklin County schools. This amount represented about 42% of the County's general fund expenses.

## Financial Analysis of the County's Funds

For the fiscal year ended June 30, 2009, the County's general fund reflects a fund balance of \$16.9 million, a decrease of \$1.1 million from the fiscal year ended June 30, 2008. This decrease is due to the use of fund balance for one-time capital projects.

The County Capital Projects fund balance increased from fiscal year 07-08 as additional revenues were transferred to various capital projects but remained unspent as of June 30, 2009.

The School Construction fund balance decreased \$7.6 million as bond proceeds were spent for the construction of a new elementary school in the northern part of the County.

Other Governmental Funds is comprised of the E911 fund. This fund balance remained basically unchanged from FY07-08 to FY08-09.

Total net assets decreased in the County's Utility Fund by \$2.0 million because of the transfer of the majority of the County's utility infrastructure to the Western Virginia Water Authority. Operations of the major water systems in the County will now be managed by this regional authority.

### **General Fund Budgetary Highlights**

The County's budget is prepared in accordance with the Code of Virginia. During the year, the County amended the original budget primarily for the following purposes:

- To reappropriate grants and other revenues authorized in the prior fiscal year but not expended as of June 30, 2008.
- To re-appropriate monies to pay for commitments in the form of encumbrances established prior to June 30, 2008 but not paid by that date.
- To appropriate grants and other revenues received in the current fiscal year.

The following table presents revenues and expenditures for the General Fund only for FY 2009 (in millions):

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>
<b>Revenues:</b>			
Taxes	\$ 42.1	\$ 42.1	\$ 43.3
Intergovernmental	16.0	15.3	15.1
Other	16.1	15.1	14.9
<b>Total</b>	<b>\$ 74.2</b>	<b>\$ 72.5</b>	<b>\$ 73.3</b>
<b>Expenditures and Transfers:</b>			
Expenditures	\$ 69.5	\$ 75.0	\$ 70.6
Transfers Out	5.6	7.0	3.8
<b>Total</b>	<b>75.1</b>	<b>82.0</b>	<b>74.4</b>
Net Change in Fund Balance	(0.9)	(9.5)	(1.1)
Fund Balances – Beginning	0.9	9.5	18.0
<b>Fund Balances – Ending</b>	<b>\$ 0.0</b>	<b>\$ 0.0</b>	<b>\$ 16.9</b>

A discussion of the budgetary variances between the original budget and the final budget and of the variance between the final budget and the actual results follows.

The most significant increase in comparing original budget to final budget in the revenues is found in the budget for intergovernmental revenue and other revenue. Intergovernmental revenues were reduced during the year because of a mid-year budget reduction from the State of Virginia. Other revenues were lowered as a result of the slow local economy.

There is significant increase in the final budget for expenditures over the original budget primarily due to budgeted capital expenditures not being spent during the fiscal year. These expenditures will be incurred and recognized in future years.

Actual revenues were slightly more than anticipated due to the County collecting additional tax revenues generated by the reassessment of all county property.

Actual expenditures were less than the final amended budget because of capital projects being budgeted but not spent during the 2008-2009 fiscal year. It's the County's policy for unspent appropriated capital project budgets to carry forward into the next fiscal year so that the project may continue and be completed. In some cases, expenditures on a particular capital project may span multiple fiscal years.

### **Capital Assets**

The following table displays the County and Schools (Component Unit) capital assets at June 30, 2009, in millions of dollars:

	Governmental Activities		Business-type Activities		Total Primary Government		Component Unit	
	<u>FY2009</u>	<u>FY2008</u>	<u>FY2009</u>	<u>FY2008</u>	<u>FY2009</u>	<u>FY2008</u>	<u>FY2009</u>	<u>FY2008</u>
<b>Non-Depreciable Assets:</b>								
Land	\$2.0	\$2.0	\$0.0	\$0.0	\$2.0	\$2.0	\$0.7	\$0.7
Construction in Progress	14.7	5.8	0.0	0.1	14.7	5.9	2.2	0.5
<b>Other Capital Assets:</b>								
Buildings and Systems	51.4	48.9	1.7	5.4	53.1	54.3	28.3	28.2
Machinery and Equipment	19.2	17.6	0.0	0.0	19.2	17.6	12.7	11.8
Accumulated Depreciation	(24.3)	(21.2)	(0.1)	(0.4)	(24.4)	(21.6)	(24.4)	(23.6)
Totals	\$63.0	\$53.1	1.6	5.1	\$64.6	\$58.2	\$19.5	\$17.6

The table below shows the change in capital assets for the fiscal year ended June 30, 2009 in millions of dollars:

	Balance June 30, 2008	Net Additions/Deletions	Balance June 30, 2009
<b>Non-Depreciable Assets:</b>			
Land	\$2.7	\$0.0	\$2.7
Construction in Progress	6.4	10.5	16.9
<b>Other Capital Assets:</b>			
Buildings and Systems	82.5	(1.1)	81.4
Machinery and Equipment	29.4	2.5	31.9
Accumulated Depreciation	(45.2)	(3.6)	(48.8)
Totals	<u>\$75.8</u>	<u>\$8.3</u>	<u>84.1</u>

During the FY09 budget process, the Board of Supervisors approved a five-year Capital Improvement Program (CIP) that totaled \$6.0 million. Various projects have been funded in the plan and include software and hardware upgrades for the information technology department, trail, park and field development for the parks and recreation department and \$1.3 million for various school projects. Smaller projects make up the balance of the funding and include such items as fire/rescue apparatus replacement and Landfill engineering and development.

Additional detailed capital asset information can be found in Note 13 in the "Notes to Financial Statements" section of the report.

### **Long Term Debt**

The following table displays the County and Schools (Component Unit) Outstanding Debt at June 30, 2009 and at June 30, 2008, in millions of dollars:

	Governmental Activities		Business-type Activities		Total Primary Government		Component Unit	
	<u>FY2009</u>	<u>FY2008</u>	<u>FY2009</u>	<u>FY2008</u>	<u>FY2009</u>	<u>FY2008</u>	<u>FY2009</u>	<u>FY2008</u>
General Obligation Bonds	\$31.3	\$30.2	\$0.0	\$0.0	\$31.3	\$30.2	\$0.0	\$0.0
Revenue Bonds	0.0	0.0	0.0	2.1	0.0	2.1	0.0	0.0
Literary Loans	5.5	6.1	0.0	0.0	5.5	6.1	0.0	0.0
Capital Leases	0.8	1.0	0.0	0.0	0.8	1.0	0.0	0.0
Landfill Closure/Post								
Closure Liability	2.1	2.0	0.0	0.0	2.1	2.0	0.0	0.0
Compensated Absences	1.3	1.3	0.0	0.0	1.3	1.3	0.9	0.8
Other post employment benefits	0.2				0.2		0.5	
Totals	<u>\$41.2</u>	<u>\$40.6</u>	<u>\$0.0</u>	<u>\$2.1</u>	<u>\$41.2</u>	<u>\$42.7</u>	<u>\$1.4</u>	<u>\$0.8</u>

Additional detailed information on long-term debt activity can be found in Notes 8 and 9 in the "Notes to Financial Statements" section of the report.

The Franklin County Board of Supervisors adopted the following debt policy on October 10, 1994:

1. Financing should be considered for County assets that are designed to serve the citizens for a period of time in excess of five years with debt issued for a similar period and designed to spread the cost of the asset to all users, both current and future, unless a more feasible alternative exists (grants, gifts, etc.); and
2. Debt issued for the purpose of financing water and sewer projects or other enterprise fund projects will primarily be supported by revenues generated by those projects; and
3. County debt as a percentage of assessments will not exceed 3.5%; and
4. The County's debt service as a percentage of general government expenditures will not exceed 10%; and
5. The County's debt per capita will not exceed \$1,500 per capita; and
6. Capital leases of longer than three (3) years duration will be included as debt for the purpose of computing the ratios expressed herein.

Franklin County maintains bond ratings of Double A Three from Moody's Investor's Services and A Plus from Standard & Poor's.

### **Economic Factors and Future Budgets**

Recent trends and revenue forecasts from the Commonwealth of Virginia indicate that the State is experiencing the economic slowdown that is impacting our national economy as well. Although Franklin County's population growth continues to be one of the fastest in the State of Virginia, the County is still very dependent on the State for support of the school system and constitutional officers including the Sheriff's office. Approximately 46% of total revenues are from the State of Virginia.

Factors that are expected to impact future budgets include:

- Projected increases in health insurance premiums and retirement contribution rates assessed by the Virginia Retirement System.
- Funding for the Capital Improvement Plan.
- The opening of a new Elementary School scheduled for August 2009.
- Uncertainty regarding the local and national economy especially including new housing starts.
- Future State funding for local Constitutional Officers and the School division.

### **Contacting the County's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the resources it receives and their uses. Questions concerning this report or requests for additional financial information should be directed to the Director of Finance, 70 East Court Street, Suite 301, Rocky Mount, Virginia 24151, telephone (540) 483-3030. The County's website address is [www.franklincountyva.org](http://www.franklincountyva.org).

---

## Basic Financial Statements

---

County of Franklin, Virginia  
Statement of Net Assets  
June 30, 2009

	Primary Government			Component Unit School Board
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 24,699,411	\$ 733,540	\$ 25,432,951	\$ -
Cash in custody of others	6,195,990	-	6,195,990	646,989
Receivables (net of allowance for uncollectibles):				
Taxes receivable	2,092,491	-	2,092,491	-
Accounts receivable	-	8,632	8,632	-
Other local taxes receivable	594,060	-	594,060	-
Due from component unit	1,420,337	-	1,420,337	-
Due from other governmental units	2,314,868	-	2,314,868	2,203,634
Deferred charges	137,916	-	137,916	-
Capital assets (net of accumulated depreciation):				
Land	1,991,172	-	1,991,172	725,315
Buildings and system	38,881,823	-	38,881,823	11,687,893
Machinery and equipment	7,376,193	-	7,376,193	4,828,291
Infrastructure	-	1,640,981	1,640,981	-
Construction in progress	14,761,003	-	14,761,003	2,240,769
Total assets	<u>\$ 100,465,264</u>	<u>\$ 2,383,153</u>	<u>\$ 102,848,417</u>	<u>\$ 22,332,891</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 1,778,582	\$ 18,858	\$ 1,797,440	\$ 783,297
Customers' deposits	-	1,685	1,685	-
Accrued interest payable	720,356	-	720,356	-
Due to primary government	-	-	-	1,420,337
Unearned revenue	40,613	-	40,613	-
Long-term liabilities:				
Due within one year	3,894,195	-	3,894,195	666,669
Due in more than one year	37,348,680	-	37,348,680	699,223
Total liabilities	<u>\$ 43,782,426</u>	<u>\$ 20,543</u>	<u>\$ 43,802,969</u>	<u>\$ 3,569,526</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	\$ 31,550,576	\$ 1,640,981	\$ 33,191,557	\$ 19,482,268
Restricted for:				
Law Library	43,839	-	43,839	-
Forfeited Assets	115,817	-	115,817	-
Unrestricted (deficit)	24,972,606	721,629	25,694,235	(718,903)
Total net assets	<u>\$ 56,682,838</u>	<u>\$ 2,362,610</u>	<u>\$ 59,045,448</u>	<u>\$ 18,763,365</u>

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

County of Franklin, Virginia  
Statement of Activities  
For the Year Ended June 30, 2009

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Unit	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities			School Board
						Total			
<b>PRIMARY GOVERNMENT:</b>									
Governmental activities:									
General government administration	\$ 4,027,157	\$ 16,548	\$ 434,907	\$ -	\$ (3,575,702)	\$ -	\$ (3,575,702)	\$ -	
Judicial administration	2,670,402	122,518	967,247	-	(1,580,637)	-	(1,580,637)	-	
Public safety	12,737,913	1,276,255	3,627,110	163,593	(7,670,955)	-	(7,670,955)	-	
Public works	3,135,781	685,917	15,557	-	(2,454,307)	-	(2,454,307)	-	
Health and welfare	9,952,103	16,737	6,723,956	-	(3,211,410)	-	(3,211,410)	-	
Education	29,621,387	-	-	745,557	(28,875,830)	-	(28,875,830)	-	
Parks, recreation, and cultural	2,310,267	114,806	158,686	27,830	(2,008,945)	-	(2,008,945)	-	
Community development	5,190,199	97,971	120,056	1,066,413	(3,905,759)	-	(3,905,759)	-	
Interest on long-term debt	1,541,431	-	-	-	(1,541,431)	-	(1,541,431)	-	
Total governmental activities	\$ 71,186,640	\$ 2,310,752	\$ 12,047,519	\$ 2,003,393	\$ (54,824,976)	\$ -	\$ (54,824,976)	\$ -	
Business-type activities:									
Utility Fund	\$ 2,630,752	\$ 190,471	\$ -	\$ 63,055	\$ -	\$ (2,377,226)	\$ (2,377,226)	\$ -	
Total primary government	\$ 73,817,392	\$ 2,501,223	\$ 12,047,519	\$ 2,066,448	\$ (54,824,976)	\$ (2,377,226)	\$ (57,202,202)	\$ -	
<b>COMPONENT UNITS:</b>									
School Board	\$ 80,149,275	\$ 2,365,198	\$ 48,918,476	\$ 191,643	\$ -	\$ -	\$ -	\$ (28,673,958)	
Total component units	\$ 80,149,275	\$ 2,365,198	\$ 48,918,476	\$ 191,643	\$ -	\$ -	\$ -	\$ (28,673,958)	
General revenues:									
General property taxes					\$ 43,374,361	\$ -	\$ 43,374,361	\$ -	
Other local taxes:									
Local sales and use taxes					3,742,268	-	3,742,268	-	
Consumers' utility taxes					969,161	-	969,161	-	
Business license taxes					4,444	-	4,444	-	
Utility license taxes					166,457	-	166,457	-	
Motor vehicle licenses					1,227,296	-	1,227,296	-	
Bank stock taxes					107,361	-	107,361	-	
Communications tax					2,315,431	-	2,315,431	-	
Taxes on recordation and wills					581,797	-	581,797	-	
Hotel and motel room taxes					103,696	-	103,696	-	
Restaurant food taxes					829,982	-	829,982	-	
Unrestricted revenues from use of money and property					8,481	8,481	1,587,015	10,894	
Miscellaneous					1,576,534	-	257,613	73,924	
Payments from County of Franklin					-	-	-	29,621,387	
Grants and contributions not restricted to specific programs					3,134,606	-	3,134,606	-	
Gain on disposal of capital assets					(400,479)	400,479	-	33,095	
Transfers					57,992,528	408,960	58,401,488	29,739,300	
Total general revenues					\$ 3,167,552	\$ (1,968,266)	\$ 1,199,286	\$ 1,065,342	
Change in net assets					53,515,286	4,330,876	57,846,162	17,698,023	
Net assets - beginning					56,682,838	2,362,610	59,045,448	18,763,365	
Net assets - ending									

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

County of Franklin, Virginia  
Balance Sheet  
Governmental Funds  
June 30, 2009

	<u>General</u>	<u>County Capital Projects</u>	<u>School Construction</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 12,966,685	\$ 11,678,201	\$ -	\$ 54,525	\$ 24,699,411
Cash in custody of others	-	4,298,062	1,897,928	-	6,195,990
Receivables (net of allowance for uncollectibles):					
Taxes receivable	2,092,491	-	-	-	2,092,491
Other local taxes receivable	594,060	-	-	-	594,060
Due from component unit	1,420,337	-	-	-	1,420,337
Due from other governmental units	2,314,868	-	-	-	2,314,868
Total assets	<u>\$ 19,388,441</u>	<u>\$ 15,976,263</u>	<u>\$ 1,897,928</u>	<u>\$ 54,525</u>	<u>\$ 37,317,157</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 616,777	\$ 467,035	\$ 692,200	\$ 2,570	\$ 1,778,582
Deferred revenue	1,842,591	-	-	-	1,842,591
Total liabilities	<u>\$ 2,459,368</u>	<u>\$ 467,035</u>	<u>\$ 692,200</u>	<u>\$ 2,570</u>	<u>\$ 3,621,173</u>
Fund balances:					
Reserved for:					
Law Library	\$ 43,839	\$ -	\$ -	\$ -	\$ 43,839
Forfeited Assets	115,817	-	-	-	115,817
Capital projects	-	3,843,962	1,205,728	-	5,049,690
Unreserved:					
Undesignated, reported in:					
General fund	16,769,417	-	-	-	16,769,417
Special revenue funds	-	-	-	51,955	51,955
Designated, reported in:					
Capital projects funds	-	11,665,266	-	-	11,665,266
Total fund balances	<u>\$ 16,929,073</u>	<u>\$ 15,509,228</u>	<u>\$ 1,205,728</u>	<u>\$ 51,955</u>	<u>\$ 33,695,984</u>
Total liabilities and fund balances	<u>\$ 19,388,441</u>	<u>\$ 15,976,263</u>	<u>\$ 1,897,928</u>	<u>\$ 54,525</u>	<u>\$ 37,317,157</u>

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

County of Franklin, Virginia  
Reconciliation of the Balance Sheet of Governmental Funds  
To the Statement of Net Assets  
June 30, 2009

---

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 33,695,984
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	63,010,191
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	1,801,978
Bond issuance cost are reported as an expenditure in the funds, however they are deferred and amortized in the government-wide statements	137,916
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(41,963,231)
Net assets of governmental activities	<u>\$ 56,682,838</u>

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

County of Franklin, Virginia  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2009

	General	County Capital Projects	School Construction	Other Governmental Funds	Total
<b>REVENUES</b>					
General property taxes	\$ 43,289,214	\$ -	\$ -	\$ -	\$ 43,289,214
Other local taxes	10,047,091	-	-	802	10,047,893
Permits, privilege fees, and regulatory licenses	413,467	-	-	-	413,467
Fines and forfeitures	10,082	-	-	-	10,082
Revenue from the use of money and property	1,502,370	26,503	49,661	-	1,578,534
Charges for services	1,887,203	-	-	-	1,887,203
Miscellaneous	250,461	7,152	-	-	257,613
Recovered costs	744,082	-	-	-	744,082
Intergovernmental revenues:					
Commonwealth	11,991,982	215,697	745,557	49,627	13,002,863
Federal	3,116,242	1,066,413	-	-	4,182,655
Total revenues	<u>\$ 73,252,194</u>	<u>\$ 1,315,765</u>	<u>\$ 795,218</u>	<u>\$ 50,429</u>	<u>\$ 75,413,606</u>
<b>EXPENDITURES</b>					
Current:					
General government administration	\$ 3,678,190	\$ -	\$ -	\$ -	\$ 3,678,190
Judicial administration	2,647,224	-	-	-	2,647,224
Public safety	12,559,586	-	-	1,059,994	13,619,580
Public works	2,759,763	-	-	-	2,759,763
Health and welfare	10,188,370	-	-	-	10,188,370
Education	26,734,619	-	-	-	26,734,619
Parks, recreation, and cultural	2,056,206	-	-	-	2,056,206
Community development	5,447,836	-	-	-	5,447,836
Nondepartmental	77,718	-	-	-	77,718
Capital projects	-	4,366,088	8,418,403	-	12,784,491
Debt service:					
Principal retirement	2,753,602	-	-	-	2,753,602
Interest and other fiscal charges	1,582,736	-	-	-	1,582,736
Bond issuance costs	73,424	-	-	-	73,424
Total expenditures	<u>\$ 70,559,274</u>	<u>\$ 4,366,088</u>	<u>\$ 8,418,403</u>	<u>\$ 1,059,994</u>	<u>\$ 84,403,759</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 2,692,920</u>	<u>\$ (3,050,323)</u>	<u>\$ (7,623,185)</u>	<u>\$ (1,009,565)</u>	<u>\$ (8,990,153)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	\$ 1,180,855	\$ 5,407,630	\$ -	\$ 1,047,393	\$ 7,635,878
Transfers out	(8,036,357)	-	-	-	(8,036,357)
Issuance of debt	2,905,000	-	-	-	2,905,000
Premium on debt issuance	130,152	-	-	-	130,152
Issuance of capital leases	54,978	-	-	-	54,978
Total other financing sources (uses)	<u>\$ (3,765,372)</u>	<u>\$ 5,407,630</u>	<u>\$ -</u>	<u>\$ 1,047,393</u>	<u>\$ 2,689,651</u>
Net change in fund balances	\$ (1,072,452)	\$ 2,357,307	\$ (7,623,185)	\$ 37,828	\$ (6,300,502)
Fund balances - beginning	18,001,525	13,151,921	8,828,913	14,127	39,996,486
Fund balances - ending	<u>\$ 16,929,073</u>	<u>\$ 15,509,228</u>	<u>\$ 1,205,728</u>	<u>\$ 51,955</u>	<u>\$ 33,695,984</u>

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

County of Franklin, Virginia  
 Reconciliation of Statement of Revenues,  
 Expenditures, and Changes in Fund Balances of Governmental Funds  
 To the Statement of Activities  
 For the Year Ended June 30, 2009

---

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

Net change in fund balances - total governmental funds	\$ (6,300,502)
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 the capital outlays exceeded depreciation in the current period.	9,905,627
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	85,147
The issuance of long-term debt (e.g. bonds, leases) 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, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(318,103)
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.	(204,617)
Change in net assets of governmental activities	<u>\$ 3,167,552</u>

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

County of Franklin, Virginia  
Statement of Net Assets  
Proprietary Fund  
June 30, 2009

	Enterprise Fund
	Utility Fund
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 733,540
Accounts receivable, net of allowance for uncollectibles	8,632
Total current assets	\$ 742,172
Noncurrent assets:	
Capital assets:	
Infrastructure	\$ 1,751,679
Less accumulated depreciation	(110,698)
Total capital assets	\$ 1,640,981
Total noncurrent assets	\$ 1,640,981
Total assets	\$ 2,383,153
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	\$ 18,858
Customers' deposits	1,685
Total current liabilities	\$ 20,543
Total liabilities	\$ 20,543
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	\$ 1,640,981
Unrestricted (deficit)	721,629
Total net assets	\$ 2,362,610

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

County of Franklin, Virginia  
Statement of Revenues, Expenses, and Changes in Fund Net Assets  
Proprietary Fund  
For the Year Ended June 30, 2009

	Enterprise Fund Utility Fund
<b>OPERATING REVENUES</b>	
Charges for services:	
Water and sewer revenue	\$ 190,471
Total operating revenues	\$ 190,471
<b>OPERATING EXPENSES</b>	
Utilities	\$ 4,162
Repairs and maintenance	3,098
Supplies	13,445
Purchased services	331,254
Depreciation	44,834
Total operating expenses	\$ 396,793
Operating income (loss)	\$ (206,322)
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Investment earnings	\$ 8,481
Loss on disposal of assets	(2,177,980)
Interest expense	(55,979)
Total nonoperating revenues (expenses)	\$ (2,225,478)
Income before contributions and transfers	\$ (2,431,800)
Capital contributions - connection fees	\$ 63,055
Transfers in	400,479
Change in net assets	\$ (1,968,266)
Total net assets - beginning	4,330,876
Total net assets - ending	\$ 2,362,610

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

County of Franklin, Virginia  
Statement of Cash Flows  
Proprietary Fund  
For the Year Ended June 30, 2009

	Enterprise Fund <u>Utility Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers and users	\$ 196,599
Payments for materials and supplies	(334,169)
Net cash provided (used) by operating activities	<u>\$ (137,570)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfers from other funds	\$ 400,479
Net cash provided (used) by noncapital financing activities	<u>\$ 400,479</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Additions to utility plant	\$ (27,591)
Principal payments on bond obligations	(2,135,700)
Interest payments on bond obligations	(60,356)
Connection fees	63,055
Proceeds from sales of capital assets	1,326,868
Net cash provided (used) by capital and related financing activities	<u>\$ (833,724)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest and dividends received	\$ 8,481
Net cash provided (used) by investing activities	<u>\$ 8,481</u>
Net increase (decrease) in cash and cash equivalents	(562,334)
Cash and cash equivalents - beginning - including restricted of \$472,311	\$ 1,295,874
Cash and cash equivalents - ending	<u>\$ 733,540</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>	
Operating income (loss)	<u>\$ (206,322)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	\$ 44,834
(Increase) decrease in accounts receivable	13,083
Increase (decrease) in customer deposits	(6,955)
Increase (decrease) in accounts payable	17,790
Total adjustments	<u>\$ 68,752</u>
Net cash provided (used) by operating activities	<u>\$ (137,570)</u>

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

County of Franklin, Virginia  
Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2009

---

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 243,886
Cash in custody of others	89,419
Total assets	\$ 333,305
 <b>LIABILITIES</b>	
Amounts held for social services clients	\$ 45,891
Amounts held for citizens	19,631
Amounts held for performance bonds	174,364
Amounts held for library	4,000
Amounts held for inmates	89,419
Total liabilities	\$ 333,305

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

COUNTY OF FRANKLIN, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2009

---

**Note 1-Summary of Significant Accounting Policies:**

The financial statements of the County conform to generally accepted accounting principles (GAAP) applicable to governmental units promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant policies:

A. Reporting Entity

The County of Franklin, Virginia (government) is a municipal corporation governed by an elected seven-member Board of Supervisors. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government.

Blended component units - None

Discretely Presented Component Units - The component unit columns in the financial statements include the financial data of the County's discretely presented component units. They are reported in a separate column to emphasize that they are legally separate from the County.

The Franklin County School Board operates the elementary and secondary public schools in the County. School Board members are popularly elected. The School Board is fiscally dependent upon the County because the County approves all debt issuances of the School Board and provides significant funding to operate the public schools since the School Board does not have separate taxing powers. The School Board is presented as a governmental fund type. The School Board does not issue separate financial statements.

Related Organizations - None

Jointly Governed Organizations - The County and the Counties of Roanoke and Craig and the Cities of Roanoke and Salem participate in supporting the Roanoke Valley Regional Board, an educational partnership. The governing body of this organization is appointed by the respective governing bodies of the participating jurisdictions. For the fiscal year ended June 30, 2009, the Franklin County School Board contributed \$744,170. Other organizations to which the County makes appointments and contributions are listed below:

Roanoke Valley Economic Development Partnership	\$ 103,707
Piedmont Community Services	89,349
Roanoke Valley Detention Commission	334,985

**Note 1-Summary of Significant Accounting Policies: (continued)**

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter is excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds, if any, are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Agency funds, which are a type of fiduciary fund do not have a measurement focus and therefore do not use the economic resource measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

**Note 1-Summary of Significant Accounting Policies: (continued)**

C. Measurement focus, basis of accounting, and financial statement presentation: (continued)

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within 60 days after year-end are reflected as deferred revenues.

Sales and utility taxes, which are collected by the state or utilities and subsequently remitted to the County, are recognized as revenues and receivables upon collection by the state or utility, which is generally in the month preceding receipt by the County.

Licenses, permits, fines and rents are recorded as revenues when received. Intergovernmental revenues, consisting primarily of federal, state and other grants for the purpose of funding specific expenditures, are recognized when earned or at the time of the specific expenditure. Revenues from general-purpose grants are recognized in the period to which the grant applies. All other revenue items are considered to be measurable and available only when the government receives cash.

The County reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in other funds. The general fund includes the activities of the Virginia Public Assistance, Law Library, Victim Witness, Landfill Closure, Capital Outlay, Landfill Replacement, Industrial Access, Forfeited Assets, Corporate Drive, Recreation Facilities Improvements, Capital Improvements, Public Safety Capital Improvements, Library Endowment, West Franklin Industrial Access Road, Smith Mountain Lake Park State Grant, and Economic Development Set-aside Funds.

The County reports the following major capital projects funds:

The County capital projects fund accounts for the financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by the Proprietary Fund and the School Construction Fund.

The School Construction Fund accounts for financial resources to be used for the acquisition or construction of major capital school facilities, other than those financed by Proprietary Funds and the County Capital Projects Fund.

The County reports the following major proprietary fund:

Activity associated with the County's water system is accounted for in the Utility Fund.

**Note 1-Summary of Significant Accounting Policies: (continued)**

C. Measurement focus, basis of accounting, and financial statement presentation: (continued)

The government reports the following non-major governmental funds:

Special Revenue Funds account for the proceeds of specific revenue sources (other than those dedicated for major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action. The E-911 Fund is reported as a non-major special revenue fund.

Additionally, the government reports the following fund types:

*Fiduciary funds* account for assets held by the government in a trustee capacity or as agent or custodian for individuals, private organizations, other governmental units, or other funds. Agency funds include the Special Welfare, Road Escrow, Escrow for Soil and Erosion Control Agreement, Library Fund and Inmate Trust and Canteen Account Funds.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between departments of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's enterprise fund 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 system. Operating expenses for enterprise funds include the cost of sales and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**Note 1-Summary of Significant Accounting Policies: (continued)**

C. Measurement focus, basis of accounting, and financial statement presentation: (continued)

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and then unrestricted resources as they are needed.

D. Assets, liabilities, and net assets or equity

1. Deposits and investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments for the government, as well as for its component units, are reported at fair value. The State Treasurer's Local Government Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Advances between funds, as reported in the fund financial statements, if any, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

3. Property Taxes

Property is assessed at its value on January 1. Property taxes attach as an enforceable lien on property as of January 1. Real estate taxes are payable on December 5<sup>th</sup>. Personal property taxes are due and collectible annually on December 5<sup>th</sup>. The County bills and collects its own property taxes.

4. Allowance for Uncollectible Accounts

The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$432,861 at June 30, 2009 and is comprised solely of property taxes.

**Note 1-Summary of Significant Accounting Policies: (continued)**

D. Assets, liabilities, and net assets or equity (continued)

5. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

6. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The County had no infrastructure that was acquired prior to the implementation of GASB 34.

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.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	40
Structures, lines, and accessories	20-40
Machinery and equipment	4-30

7. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. In accordance with the provisions of Government Accounting Standards No. 16, Accounting for Compensated Absences, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits. The County accrues salary-related payments associated with the payment of compensated absences. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

**Note 1-Summary of Significant Accounting Policies: (continued)**

D. Assets, liabilities, and net assets or equity (continued)

8. Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

10. Net Assets

Net assets are the difference between assets and liabilities. Net assets invested in capital assets represent capital assets, less accumulated depreciation less any outstanding debt related to the acquisition, construction or improvement of those assets.

11. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The consumption method is used in governmental funds to report prepaid items.

12. Inventories

All inventories are valued at cost using the first in/first out (FIFO) method. Inventories of governmental funds are recorded as expenditures when purchased.

13. Cash in the Custody of Others:

Certain bond proceeds, held by trustee(s) pursuant to the County's bond agreements, are reported in the financial statements as cash in the custody of others.

**Note 2-Reconciliation of Government-Wide and Fund Financial Statements:**

- A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets:

The governmental fund balance sheet includes a reconciliation between *fund balance-total governmental funds* and *net assets-governmental activities* as reported in the government-wide statements of net assets. One element of that reconciliation explains that long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. The details of these (\$41,963,231) and (\$1,365,892) differences for the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit
	<u>                    </u>	<u>                    </u>
Bonds payable	\$ (30,874,271)	\$ -
Literary loans payable	(5,544,000)	-
Leases payable	(789,682)	-
Premium on bond	(447,652)	-
Accrued interest payable	(720,356)	-
Landfill accrued closure and post-closure monitoring costs	(2,066,099)	-
Compensated absences	(1,347,171)	(888,892)
Other post-employment benefits	<u>(174,000)</u>	<u>(477,000)</u>
 Net adjustment to reduce <i>fund balance-total governmental funds</i> to arrive at <i>net assets-governmental activities</i>	 \$ <u>(41,963,231)</u>	 \$ <u>(1,365,892)</u>

The remainder of this page left blank intentionally.

**Note 2-Reconciliation of Government-Wide and Fund Financial Statements: (continued)**

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances-total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, "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." The details of these \$9,905,627 and \$1,906,765 differences for the primary government and discretely presented component unit, respectively, are as follows:

	<u>Primary Government</u>	<u>Component Unit</u>
Capital outlays	\$ 13,567,206	\$ 3,191,313
Deleted assets	(556,055)	(479,541)
Accumulated depreciation for assets removed	496,578	475,680
Depreciation expense	<u>(3,602,102)</u>	<u>(1,280,687)</u>
Net adjustment to increase (decrease) <i>net changes in fund balances</i> - <i>total governmental funds</i> to arrive at <i>changes in net assets of</i> <i>governmental activities</i>	 <u>\$ 9,905,627</u>	 <u>\$ 1,906,765</u>

The remainder of this page left blank intentionally.

**Note 2-Reconciliation of Government-Wide and Fund Financial Statements: (continued)**

- B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities (continued):

Another element of that reconciliation states "the issuance of long-term debt (e.g., bonds, leases) 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, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this (\$318,103) difference in the primary government are as follows:

	<u>Primary Government</u>
Debt Issued or incurred:	
Proceeds from general obligation bonds	\$ (2,905,000)
Proceeds from premium	(130,152)
Less: Bond issuance costs	73,424
Amortization of bond issuance costs	(4,607)
Capital lease	(54,978)
Landfill closure/post-closure care liability	(50,392)
Principal repayments:	
General obligation debt	1,910,805
Literary loans	613,750
Leases	<u>229,047</u>
 Net adjustment to decrease <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	 \$ <u><u>(318,103)</u></u>

The remainder of this page left blank intentionally.

**Note 2-Reconciliation of Government-Wide and Fund Financial Statements: (continued)**

- B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities (continued):

Another element of that reconciliation states, "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." The details of these (\$204,617) and (\$523,015) differences for the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit
(Increase) decrease in compensated absences	\$ (71,922)	\$ (46,015)
(Increase) decrease in accrued interest	19,531	-
Amortization of bond premium	21,774	-
(Increase) decrease in OPEB liability	<u>(174,000)</u>	<u>(477,000)</u>
Net adjustment to increase (decrease) <i>net changes in fund balances-total governmental funds to arrive at changes in net assets of governmental activities</i>	<u>\$ (204,617)</u>	<u>\$ (523,015)</u>

**Note 3-Stewardship, Compliance, and Accountability:**

- A. Budgetary information

The following procedures are used by the County in establishing the budgetary data reflected in the financial statements:

1. Prior to March 30, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them. The following funds have legally adopted budgets: General Fund and the School Operating Fund.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the function level. Only the Board of Supervisors can revise the appropriation for each department or category. The County Administrator is authorized to transfer budgeted amounts within general government departments; however, the School Board is authorized to transfer budgeted amounts within the school system's categories.

**Note 3-Stewardship, Compliance, and Accountability: (Continued)**

5. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds (except the School Fund), Debt Service Funds, and the General Capital Projects Funds. The School Fund and School Capital Projects Fund are integrated only at the level of legal adoption.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30, for all County units. The County's practice is to appropriate Capital Projects by Project. Several supplemental appropriations were necessary during this fiscal year.
8. Budgetary data presented in the accompanying financial statements is the revised budget as of June 30, and the original budget adopted by the Board of Supervisors.
9. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriations, is not part of the County's accounting system.

**B. Excess of expenditures over appropriations**

There was no over-expenditure of appropriations for fiscal year ended June 30, 2009.

**C. Deficit fund equity**

At June 30, 2009, there were no funds with deficit fund equity.

**Note 4-Deposits and Investments:**

Deposits:

All cash of the County of Franklin is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et. seq. of the Code of Virginia or covered by federal depository insurance.

Investments:

Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP). As of June 30, 2009, the County of Franklin did not have any investments.

**Note 4-Deposits and Investments: (Continued)**

Custodial Credit Risk (Investments)

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Neither the County nor its discretely presented component unit has an investment policy for custodial credit risk. As of June 30, 2009, the County and the Component Unit – School Board did not hold any investments that were subject to custodial credit risk.

Concentration of Credit Risk

At June 30, 2009, the County did not have any investments meeting the GASB 40 definition requiring concentration of credit risk disclosures that exceeded 5% of total investments.

Credit Risk of Debt Securities

State law limits investments in commercial paper to holdings rated by at least two of the following: Moody's Investors Service, Inc., within its NCO/Moody's rating of prime 1, by Standard & Poor's, Inc., within its rating of A-1, by Fitch Investor's Services, Inc., within its rating of F-1, by Duff and Phelps, Inc., within its rating of D-1. State law further limits investments in corporate notes and bonds to those with a rating of at least Aa by Moody's Investors Service, Inc., and a rating of at least AA by Standard & Poors, Inc. In addition, State law permits investments in Stocks, bonds, notes, and other evidences of indebtedness of the Commonwealth and those unconditionally guaranteed as to the payment of principal and interest by the Commonwealth. It is the government's policy to limit its investments to those allowed under State law.

Interest Rate Risk

At June 30, 2009, the County did not have any investments meeting the GASB 40 definition requiring interest rate risk disclosures.

The remainder of this page left blank intentionally

**Note 5-Due from Other Governmental Units:**

The following amounts represent receivables from other governments at year-end:

	Primary Government	Component Unit- School Board
<u>Commonwealth of Virginia:</u>		
Local sales tax	\$ 645,320	\$ -
State sales tax	-	506,403
Non-categorical aid	174,737	-
Categorical aid-shared expenses	415,726	-
Categorical aid-VPA funds	194,460	-
Categorical aid-CSA funds	707,878	-
<u>Federal Government:</u>		
Categorical aid-VPA funds	176,747	-
Other categorical aid	-	1,697,231
	\$ 2,314,868	\$ 2,203,634
Totals		

**Note 6-Interfund/Component-Unit Obligations:**

Fund	Due to Primary Government/ Component Unit	Due from Primary Government/ Component Unit
<u>Primary Government:</u>		
General Fund	\$ -	\$ 1,420,337
<u>Component Unit - School Board:</u>		
School Fund	\$ 1,420,337	\$ -

The remainder of this page left blank intentionally

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2009

**Note 7-Interfund Transfers:**

Interfund transfers for the year ended June 30, 2009, consisted of the following:

Fund	Transfers In	Transfers Out
Primary Government:		
General Fund	\$ 1,180,855	\$ 8,036,357
Utility Fund	400,479	-
County Capital Projects Fund	5,407,630	-
E-911	1,047,393	-
	<u>8,036,357</u>	<u>8,036,357</u>
Total	<u>\$ 8,036,357</u>	<u>\$ 8,036,357</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them, to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgeting authorization.

**Note 8-Long-Term Debt:**

Primary Government - Governmental Activity Indebtedness:

Annual requirements to amortize long-term debt and related interest are as follows:

Year Ending June 30,	General Obligation Bonds		Literary Fund Loans	
	Principal	Interest	Principal	Interest
2010	\$ 2,005,887	\$ 1,361,960	\$ 613,750	\$ 166,320
2011	2,128,614	1,280,441	613,750	147,908
2012	2,186,631	1,177,557	613,750	129,495
2013	2,156,537	1,075,762	613,750	111,083
2014	2,228,455	964,142	613,750	92,670
2015-2019	9,848,635	3,443,342	2,475,250	194,056
2020-2024	7,380,032	1,397,957	-	-
2025-2029	1,894,480	414,935	-	-
2030-2034	850,000	152,188	-	-
2035	195,000	4,669	-	-
Totals	<u>\$ 30,874,271</u>	<u>\$ 11,272,953</u>	<u>\$ 5,544,000</u>	<u>\$ 841,532</u>

**Note 8-Long-Term Debt: (Continued)**

The County has entered into capital leases for financial system software, a trackloader, phone systems, building/planning software, and a track excavator. These lease agreements qualify as capital leases for accounting purposes and therefore have been recorded at the present value of their future minimum lease payments as of the inception date.

Total assets acquired through capital leases are as follows:

Financial systems software	\$ 319,425
Trackloader	234,332
Phone system	257,668
Track excavator	283,891
Building/Planning software	310,486
Phone system-social services	<u>54,978</u>
Total assets	\$ 1,460,780
Accumulated Depreciation	<u>(498,735)</u>
Net Book Value of Assets	<u><u>\$ 962,045</u></u>

Present value of future minimum lease payments:

Year Ending June 30,	Capital Leases
2010	\$ 268,941
2011	234,194
2012	181,742
2013	161,022
2014	<u>12,609</u>
Total minimum lease payments	\$ 858,508
Less: amount representing interest	<u>(68,826)</u>
Present value of future minimum lease payments	<u><u>\$ 789,682</u></u>

**Note 8-Long-Term Debt: (continued)**

The following is a summary of long-term debt transactions of the County for the year ended June 30, 2009.

	Balance July 1, 2008	Issuances	Retirements	Balance June 30, 2009
General Obligation				
Bonds	\$ 29,880,076	\$ 2,905,000	\$ (1,910,805)	\$ 30,874,271
Premiums on bonds	339,274	130,152	(21,774)	447,652
Literary loans	6,157,750	-	(613,750)	5,544,000
Capital leases	963,751	54,978	(229,047)	789,682
Landfill closure/ postclosure liability	2,015,707	50,392	-	2,066,099
Compensated absences	1,275,249	1,028,359	(956,437)	1,347,171
Other post-employment benefits	-	208,000	(34,000)	174,000
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total	\$ 40,631,807	\$ 4,376,881	\$ (3,765,813)	\$ 41,242,875

The remainder of this page left blank intentionally.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2009

**Note 8-Long-Term Debt: (continued)**

Primary Government - Governmental Activity Indebtedness:

Details of long-term indebtedness:

	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Balance Governmental Activities	Amount Due Within One Year
<b>General Obligation Bonds:</b>						
GO refunding bond <sup>1</sup>	4.0-5.0%	3/29/1999	2015	\$ 4,765,000	\$ 2,760,000	\$ 405,000
GO bond <sup>2</sup>	4.85-6.6%	8/1/1991	2012	1,319,970	248,180	79,913
GO bond <sup>2</sup>	5.0-5.9%	11/16/2000	2020	6,285,526	4,028,700	303,182
GO bond <sup>2</sup>	5.1-6.35%	5/18/2000	2021	3,400,000	2,040,000	170,000
GO bond <sup>2</sup>	4.1-5.6%	11/10/2004	2025	2,500,000	2,000,000	125,000
GO bond <sup>1</sup>	3.710%	7/13/2005	2021	6,500,000	2,164,511	146,466
GO bond <sup>2</sup>	4.225-5.1%	11/9/2006	2027	6,760,943	6,000,680	296,326
GO bond <sup>1</sup>	3.910%	12/20/2007	2023	4,253,000	4,056,500	223,100
GO bond <sup>2</sup>	3.910%	12/20/2007	2023	4,897,000	4,670,700	256,900
GO bond <sup>2</sup>	4.68%	6/12/2009	2035	2,905,000	2,905,000	-
<b>Total GO Bonds</b>					<b>\$ 30,874,271</b>	<b>\$ 2,005,887</b>
<b>Literary Loans: (Bonded indebtedness) (School Construction)<sup>2</sup></b>						
State Literary Fund Loan	3%	3/17/1997	2017	\$ 1,072,000	\$ 428,800	\$ 53,600
State Literary Fund Loan	3%	3/17/1997	2017	1,029,000	411,600	51,450
State Literary Fund Loan	3%	3/17/1997	2017	967,000	386,800	48,350
State Literary Fund Loan	3%	3/17/1997	2017	539,000	215,600	26,950
State Literary Fund Loan	3%	3/17/1997	2017	988,000	395,200	49,400
State Literary Fund Loan	3%	9/15/1997	2017	210,000	94,500	10,500
State Literary Fund Loan	3%	10/7/1997	2017	854,000	384,300	42,700
State Literary Fund Loan	3%	10/7/1997	2017	844,000	379,800	42,200
State Literary Fund Loan	3%	10/7/1997	2017	772,000	347,400	38,600
State Literary Fund Loan	3%	7/16/1998	2018	5,000,000	2,500,000	250,000
<b>Total Literary Loans</b>					<b>\$ 5,544,000</b>	<b>\$ 613,750</b>
<b>Other Obligations:</b>						
<b>Landfill Closure/Post-closure</b>						
Monitoring Costs	n/a	n/a	n/a	n/a	\$ 2,066,099	\$ -
Capital Leases	n/a	n/a	n/a	n/a	789,682	240,119
Premium on \$2,500,000 GO bond	n/a	n/a	n/a	n/a	148,890	9,489
Premium on \$6,760,943 GO bond	n/a	n/a	n/a	n/a	168,609	9,367
Premium on \$2,905,000 GO bond	n/a	n/a	n/a	n/a	130,153	5,206
Compensated Absences	n/a	n/a	n/a	n/a	1,347,171	1,010,377
Other post-employment benefits	n/a	n/a	n/a	n/a	174,000	-
<b>Total Other Obligations</b>					<b>\$ 4,824,604</b>	<b>\$ 1,274,558</b>
<b>Total Long-term debt</b>					<b>\$ 41,242,875</b>	<b>\$ 3,894,195</b>

<sup>1</sup> Indicates funding for General Government Project, <sup>2</sup> Indicates used to construct School Buildings and Improvements held by the County Board.

For the governmental activities, compensated absences are generally liquidated by the General Fund. Landfill closure and postclosure monitoring costs are generally liquidated by the General Fund.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2009

**Note 8-Long-Term Debt: (continued)**

Primary Government – Business-type Activity Indebtedness:

The following is a summary of long-term debt transactions of the Utility Fund for the year ended June 30, 2009.

	Balance July 1, 2008	Issuances	Retirements	Balance June 30, 2009
Revenue bonds	\$ 2,135,700	\$ -	\$ (2,135,700)	\$ -

**Note 9-Long-Term Debt-Component Unit School Board:**

Discretely Presented Component Unit-School Board-Indebtedness:

The following is a summary of long-term debt transactions of the Component-Unit School Board for the year ended June 30, 2009.

	Balance July 1, 2008	Issuances	Retirements	Balance June 30, 2009
Compensated absences	\$ 842,877	\$ 678,173	\$ (632,158)	\$ 888,892
Other post-employment benefits	-	698,000	(221,000)	477,000
Total	\$ 842,877	\$ 1,376,173	\$ (853,158)	\$ 1,365,892

Details of long-term indebtedness:

	Total Amount	Amount Due Within One Year
<u>Other Obligations:</u>		
Compensated absences	\$ 888,892	\$ 666,669
Other post-employment benefits	477,000	-
Total Long-Term Obligations	\$ 1,365,892	\$ 666,669

For the governmental activities of the discretely presented component unit-School Board, compensated absences are generally liquidated by the School fund.

**Note 10-Employee Retirement System and Pension Plans:**

A. Plan Description

Name of Plan:	Virginia Retirement System (VRS)
Identification of Plan:	Agent and Cost-Sharing Multiple-Employer Defined Benefit Pension Plan
Administering Entity:	Virginia Retirement System (System)

The County of Franklin, Virginia contributes to the Virginia Retirement System (VRS), an agent multiple-employer defined benefit pension plan that acts as a common investment and administrative agent for political subdivisions in the Commonwealth of Virginia.

All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 for participating local law enforcement officers, firefighters, and sheriffs) or at age 50 with at least 30 years of service if elected by the employer (age 50 with at least 25 years of service for participating local law enforcement officers, firefighters, and sheriffs) payable monthly for life in an amount equal to 1.70% of their average final compensation (AFC) for each year of credited service (1.85% for sheriffs and if the employer elects, for other employees in hazardous duty positions receiving enhanced benefits). Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living adjustments (COLA) beginning in their second year of retirement. The COLA is limited to 5.00% per year. AFC is defined as the highest consecutive 36 months of reported compensation. Participating local law enforcement officers, firefighters, and sheriffs may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The system issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from their website at <http://www.varetire.org/Pdf/Publications/2008annurept.pdf> or obtained by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

B. Funding Policy

Primary Government:

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their annual salary to the VRS. This 5.00% member contribution may be assumed by the employer. In addition, the County of Franklin, Virginia is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The County of Franklin, Virginia's contribution rate for the fiscal year ended 2009 was 7.41% of annual covered payroll.

**Note 10-Employee Retirement System and Pension Plans: (continued)**

B. Funding Policy (continued)

Discretely Presented Component Unit – School Board (Non-Professional Employees):

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their annual salary to the VRS. This 5.00% member contribution may be assumed by the employer. In addition, the County of Franklin, Virginia School Board is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The County of Franklin, Virginia School Board's contribution rate for the fiscal year ended 2009 was 9.02% of annual covered payroll.

C. Annual Pension Cost

For fiscal year 2009, the County of Franklin, Virginia's annual pension cost of \$898,427 and \$460,501 was equal to the County of Franklin, Virginia's required and actual contributions for the County and the School Board Non-Professionals, respectively.

Three-Year Trend Information

	Fiscal Year Ending	Annual Pension Cost (APC) <sup>1</sup>	Percentage of APC Contributed	Net Pension Obligation
Primary Government:				
County	6/30/2007	\$ 679,483	100.00%	\$ -
	6/30/2008	833,644	100.00%	-
	6/30/2009	898,427	100.00%	-
Discretely Presented-Component Unit:				
School Board Non-Professional	6/30/2007	\$ 351,692	100.00%	\$ -
	6/30/2008	365,013	100.00%	-
	6/30/2009	460,501	100.00%	-

<sup>1</sup> Employer portion only

The required contribution was determined as part of the June 30, 2007 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2007 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the County of Franklin, Virginia's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County of Franklin, Virginia's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2007 was 20 years.

**Note 10-Employee Retirement System and Pension Plans: (continued)**

D. Funded Status and Funding Progress

Primary Government:

As of June 30, 2008, the most recent actuarial valuation date, the plan was 94.30% funded. The actuarial accrued liability for benefits was \$38,771,088, and the actuarial value of assets was \$36,560,423, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,210,665. The covered payroll (annual payroll of active employees covered by the plan) was \$11,648,075, and ratio of the UAAL to the covered payroll was 18.98%.

Discretely Presented Component Unit – School Board (Non-Professional Employees)

As of June 30, 2008, the most recent actuarial valuation date, the plan was 88.42% funded. The actuarial accrued liability for benefits was \$14,068,566, and the actuarial value of assets was \$12,440,126, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,628,440. The covered payroll (annual payroll of active employees covered by the plan) was \$4,537,430, and ratio of the UAAL to the covered payroll was 35.89%.

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 liability (AAL) for benefits.

E. Discretely Presented Component Unit School Board (Professional Employees)

Plan Description

The Franklin County School Board contributes to the Virginia Retirement System (VRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System. VRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Title 51.1 of the Code of Virginia, as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia. The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from their website at <http://www.varetire.org/Pdf/Publications/2008annurept.pdf> or obtained by writing to the System at P.O. Box 2500, Richmond, VA, 23218-2500.

Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their annual salary to the VRS. This 5.00% member contribution may be assumed by the employer. In addition, the School Board is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The School Board's contribution to the statewide cost sharing pool for professional employees was \$3,369,227, \$3,745,318, and \$3,233,137 for the fiscal years ended 2009, 2008, and 2007 respectively. Employer contributions represented 8.81%, 10.30%, and 9.20% of covered payroll for the fiscal years ended 2009, 2008, and 2007 respectively.

**Note 11-Other Postemployment Benefits (OPEB):**

From an accrual accounting perspective, the cost of post-employment health care benefits (OPEB), like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in future years when it will be paid. In adopting the requirements of GASB Statement No. 45 during the year ended June 30, 2009, the County recognizes the cost of post-employment health care in the year when the employee services are rendered, reports the accumulating liability, and provides information useful in assessing potential demands on the County's future cash flows. Recognition of the liability accumulated from prior years will be phased in over 30 years, commencing with the 2009 liability.

Primary Government

A. Plan Description

The County of Franklin administers a single-employer healthcare plan ("the Plan"). The Plan provides for participation by eligible retirees of the County and their dependents in the health and dental insurance programs available to County employees. The Plan will provide retiring employees the option to continue health and dental insurance offered by the County. An eligible County retiree may receive this benefit until the retiree is eligible to receive Medicare. To be eligible for this benefit a retiree must have 12 years of service with the County and the employee must have attained the age of fifty (50). The benefits, employee contributions and the employer contributions are governed by the County Board and can be amended through Board action. The Plan does not issue a publicly available financial report.

B. Funding Policy

The County of Franklin, Virginia currently pays for post-retirement health care benefits on a pay-as-you-go basis. The County of Franklin, Virginia currently has 303 employees that are eligible for the program. In addition, for retirees of the County of Franklin, Virginia, 100 percent of premiums are the responsibility of the retiree. The rates were as follows:

Participants	Premiums	
	Health Insuarace	Dental
Employee	\$ 441.69	\$ 25.00
Employee / Spouse	927.55	40.42
Employee / Child	675.79	39.16
Family	1,143.98	76.92

The Board is required to contribute 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 costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

**Note 11-Other Postemployment Benefits (OPEB): (continued)**

Primary Government (continued)

C. Annual OPEB Cost

For 2009, the Board's annual OPEB cost (expense) of \$208,000 equaled the ARC of \$208,000. The obligation calculation is as follows:

Annual required contribution	\$ 208,000
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	208,000
Contributions made	34,000
Increase in net OPEB obligation	174,000
Net OPEB obligation - beginning of year	-
Net OPEB obligation - ending of year	\$ 174,000

The Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009 were as follows:

Fiscal Year Ended*	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2009	\$ 208,000	16%	\$ 174,000

\* Information has only been available for one year.

D. Funded Status and Funding Progress

The funded status of the Plan as of June 30, 2008 (the most recent valuation), was as follows:

Actuarial accrued liability (AAL)	\$ 1,802,000
Actuarial value of plan assets	\$ -
Unfunded actuarial accrued liability (UAAL)	\$ 1,802,000
Funded ratio (actuarial value of plan assets/AAL)	0.00%
Covered payroll (active plan members)	\$ 11,648,075
UAAL as a percentage of covered payroll	15.47%

**Note 11-Other Postemployment Benefits (OPEB): (continued)**

Primary Government (continued)

D. Funded Status and Funding Progress (continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far in the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. 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, will present multiyear trend information, as it becomes available, about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

E. Actuarial methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2008, actuarial valuation, the projected unit of credit actuarial cost method was used. Under this method, future benefits are projected and the present value of such benefits is allocated from date of hire to date of eligibility. The actuarial assumptions included: inflation at 2.5%, an investment rate of return at 4.0%, and a health care trend rate of 10% graded to 5% over 10 years. The UAAL is being amortized as a level percentage over the remaining amortization period, which at June 30, 2009, was 29 years.

Component Unit: School Board

A. Plan Description

The Component Unit - Franklin County School Board administers a single-employer healthcare plan ("the Plan"). The Plan provides for participation by eligible retirees of the School Board and their dependents in the health and dental insurance programs available to School Board employees. The Plan will provide retiring employees the option to continue health and dental insurance offered by the School Board. An eligible retiree may receive this benefit until the retiree is eligible to receive Medicare. To be eligible for this benefit a retiree must have 10 years of service with the School Board and the employee must have attained the age of fifty (50). The benefits, employee contributions and the employer contributions are governed by the School Board and can be amended through Board action. The Plan does not issue a publicly available financial report.

**Note 11-Other Postemployment Benefits (OPEB): (continued)**

Component Unit: School Board: (continued)

B. Funding Policy

The School Board currently pays for post-retirement health care benefits on a pay-as-you-go basis. The School Board currently has 1,138 employees that are eligible for the program. In addition, for retirees of the School Board, 100 percent of premiums are the responsibility of the retiree. The rates were as follows:

Participants	Premiums	
	Health Insurance	Dental
Employee	\$ 450.90	\$ 29.78
Employee / Spouse	954.82	59.25
Employee / Child	666.92	53.10
Family	1,060.91	91.75

The Board is required to contribute 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 costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

C. Annual OPEB Cost

For 2009, the Board's annual OPEB cost (expense) of \$698,000 equaled the ARC of \$698,000. The obligation calculation is as follows:

Annual required contribution	\$ 698,000
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	698,000
Contributions made	221,000
Increase in net OPEB obligation	477,000
Net OPEB obligation - beginning of year	-
Net OPEB obligation - ending of year	\$ 477,000

The Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009 were as follows:

**Note 11-Other Postemployment Benefits (OPEB): (continued)**

Component Unit: School Board: (continued)

C. Annual OPEB Cost (continued)

Fiscal Year Ended*	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2009	\$ 698,000	32%	\$ 477,000

\* Information has only been available for one year.

D. Funded Status and Funding Progress

The funded status of the Plan as of June 30, 2008 (the most recent valuation), was as follows:

Actuarial accrued liability (AAL)	\$ 6,636,000
Actuarial value of plan assets	\$ -
Unfunded actuarial accrued liability (UAAL)	\$ 6,636,000
Funded ratio (actuarial value of plan assets/AAL)	0.00%
Covered payroll (active plan members)	\$ 42,780,643
UAAL as a percentage of covered payroll	15.51%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far in the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. 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, will present multiyear trend information, as it becomes available, about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**Note 11-Other Postemployment Benefits (OPEB): (continued)**

Component Unit: School Board: (continued)

E. Actuarial methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2008, actuarial valuation, the projected unit of credit actuarial cost method was used. Under this method, future benefits are projected and the present value of such benefits is allocated from date of hire to date of eligibility. The actuarial assumptions included: inflation at 2.5%, an investment rate of return at 4.0%, and a health care trend rate of 10% graded to 5% over 10 years. The UAAL is being amortized as a level percentage over the remaining amortization period, which at June 30, 2009, was 29 years.

**Note 12-Unearned Revenue:**

Unearned revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Unearned revenue totaling \$40,613 is comprised of the following:

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2009, but paid in advance by the taxpayers totaled \$40,613 at June 30, 2009.

The remainder of this page left blank intentionally.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2009

**Note 13-Capital Assets:**

Capital asset activity for the year ended June 30, 2009 was as follows:

Primary Government:

	Beginning Balance	Increases	Decreases	Ending Balance
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 1,991,172	\$ -	\$ -	\$ 1,991,172
Construction in progress	<u>5,766,322</u>	<u>11,234,969</u>	<u>(2,240,288)</u>	<u>14,761,003</u>
Total capital assets not being depreciated	<u>\$ 7,757,494</u>	<u>\$ 11,234,969</u>	<u>\$ (2,240,288)</u>	<u>\$ 16,752,175</u>
Capital assets, being depreciated:				
Buildings	\$ 48,895,148	\$ 2,478,231	\$ -	\$ 51,373,379
Machinery and equipment	<u>17,632,482</u>	<u>2,094,294</u>	<u>(556,055)</u>	<u>19,170,721</u>
Total capital assets being depreciated	<u>\$ 66,527,630</u>	<u>\$ 4,572,525</u>	<u>\$ (556,055)</u>	<u>\$ 70,544,100</u>
Less: accumulated depreciation for:				
Buildings	\$ (10,707,871)	\$ (1,783,685)	\$ -	\$ (12,491,556)
Machinery and equipment	<u>(10,472,689)</u>	<u>(1,818,417)</u>	<u>496,578</u>	<u>(11,794,528)</u>
Total accumulated depreciation	<u>\$ (21,180,560)</u>	<u>\$ (3,602,102)</u>	<u>\$ 496,578</u>	<u>\$ (24,286,084)</u>
Total capital assets being depreciated, net	<u>\$ 45,347,070</u>	<u>\$ 970,423</u>	<u>\$ (59,477)</u>	<u>\$ 46,258,016</u>
Governmental activities capital assets, net	<u>\$ 53,104,564</u>	<u>\$ 12,205,392</u>	<u>\$ (2,299,765)</u>	<u>\$ 63,010,191</u>

**Note 13-Capital Assets: (continued)**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type Activities:				
Capital assets, not being depreciated:				
Construction in progress	\$ 119,187	\$ -	\$ (119,187)	\$ -
Total capital assets not being depreciated	<u>\$ 119,187</u>	<u>\$ -</u>	<u>\$ (119,187)</u>	<u>\$ -</u>
Capital assets, being depreciated:				
Infrastructure	\$ 5,415,862	\$ 27,591	\$ (3,691,774)	\$ 1,751,679
Total capital assets being depreciated	<u>\$ 5,415,862</u>	<u>\$ 27,591</u>	<u>\$ (3,691,774)</u>	<u>\$ 1,751,679</u>
Less: accumulated depreciation for:				
Infrastructure	\$ (371,977)	\$ (44,834)	\$ 306,113	\$ (110,698)
Total accumulated depreciation	<u>\$ (371,977)</u>	<u>\$ (44,834)</u>	<u>\$ 306,113</u>	<u>\$ (110,698)</u>
Total capital assets being depreciated, net	<u>\$ 5,043,885</u>	<u>\$ (17,243)</u>	<u>\$ (3,385,661)</u>	<u>\$ 1,640,981</u>
Business-type activities capital assets, net	<u>\$ 5,163,072</u>	<u>\$ (17,243)</u>	<u>\$ (3,504,848)</u>	<u>\$ 1,640,981</u>

The remainder of this page left blank intentionally.

**Note 13-Capital Assets: (continued)**

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

Governmental activities:		
General government administration	\$	191,920
Judicial administration		6,179
Public safety		1,209,099
Public works		536,221
Health and welfare		194,645
Education		1,121,126
Parks, recreation, and cultural		325,535
Community development		<u>17,378</u>
Total depreciation expense-governmental activities	\$	<u><u>3,602,103</u></u>
Business-type activities		
Utility fund	\$	<u><u>44,834</u></u>

The remainder of this page left blank intentionally.

**Note 13-Capital Assets: (continued)**

Capital asset activity for the School Board for the year ended June 30, 2009 was as follows:

Discretely Presented Component Unit:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 725,315	\$ -	\$ -	\$ 725,315
Construction in progress	<u>475,128</u>	<u>1,765,641</u>	<u>-</u>	<u>2,240,769</u>
Total capital assets not being depreciated	<u>\$ 1,200,443</u>	<u>\$ 1,765,641</u>	<u>\$ -</u>	<u>\$ 2,966,084</u>
Capital assets, being depreciated:				
Buildings	\$ 28,198,019	\$ 69,710	\$ -	\$ 28,267,729
Machinery and equipment	<u>11,787,488</u>	<u>1,355,962</u>	<u>(479,541)</u>	<u>12,663,909</u>
Total capital assets being depreciated	<u>\$ 39,985,507</u>	<u>\$ 1,425,672</u>	<u>\$ (479,541)</u>	<u>\$ 40,931,638</u>
Less: accumulated depreciation for:				
Buildings	\$ (16,404,525)	\$ (175,311)	\$ -	\$ (16,579,836)
Machinery and equipment	<u>(7,205,922)</u>	<u>(1,105,376)</u>	<u>475,680</u>	<u>(7,835,618)</u>
Total accumulated depreciation	<u>\$ (23,610,447)</u>	<u>\$ (1,280,687)</u>	<u>\$ 475,680</u>	<u>\$ (24,415,454)</u>
Total capital assets being depreciated, net	<u>\$ 16,375,060</u>	<u>\$ 144,985</u>	<u>\$ (3,861)</u>	<u>\$ 16,516,184</u>
Governmental activities capital assets, net	<u>\$ 17,575,503</u>	<u>\$ 1,910,626</u>	<u>\$ (3,861)</u>	<u>\$ 19,482,268</u>

The remainder of this page left blank intentionally.

**Note 14-Risk Management:**

The County and its component unit – School Board are exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The County and its component unit – School Board participate with other localities in a public entity risk pool for their coverage of general liability and auto insurance with the Virginia Municipal Liability Pool. Each member of this risk pool jointly and severally agrees to assume, pay and discharge any liability. The County and its component unit – School Board pay the Virginia Municipal Group contributions and assessments based upon classifications and rates into a designated cash reserve fund out of which expenses of the pool, claims and awards are to be paid. In the event of a loss deficit or depletion of all available excess insurance, the pool may assess all members in the proportion in which the premium of each bears to the total premiums of all members in the year in which such deficit occurs. The County and its component unit – School Board continue to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**Note 15-Contingent Liabilities:**

Federal programs in which the County and its component unit participate were audited in accordance with the provisions of U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Pursuant to the provisions of this circular all major programs and certain other programs were tested for compliance with applicable grant requirements. While no matters of noncompliance were disclosed by audit, the Federal Government may subject grant programs to additional compliance tests, which may result in disallowed expenditures. In the opinion of management, any future disallowances of current grant program expenditures, if any, would be immaterial.

**Note 16-Surety Bonds:**

Primary Government:

Fidelity & Deposit Company of Maryland-Surety:	
Teresa J. Brown, Clerk of the Circuit Court	\$ 500,000
Lynda F. Messenger, Treasurer	500,000
Margaret S. Torrence, Commissioner of the Revenue	3,000
Ewell A. Hunt, Sheriff	30,000
All constitutional officers' employees: blanket bond	50,000
All Social Services employees-blanket bond	100,000

**Note 16-Surety Bonds: (continued)**

Component Unit – School Board:

<u>Fidelity and Casualty Company of New York:</u>	
Charles H. Lackey, Superintendent of Schools	\$ 20,000
David Leffue	20,000
Lee Cheatham	20,000
Georgia Ferguson	20,000
Marguerite Whitmer	20,000
 <u>Pacific Employers Insurance Company:</u>	
All School Board employees-blanket bond	\$ 100,000

**Note 17-Landfill Closure and Post-closure Care Cost:**

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site after closure. The estimated total cost necessary to close and monitor the landfill is \$2,174,841. \$2,066,099 is the estimated closure and post-closure care liability at June 30, 2009 based on the capacity used as of the same date. The landfill has reached 95% of capacity and the County expects to close the landfill in 2011. This represents what it would cost to perform closure and post-closure care in 2009. Actual costs for closure and post-closure monitoring may change due to inflation, deflation, changes in technology or changes in regulations. The County uses the Commonwealth of Virginia’s financial assurance mechanism to meet the Department of Environmental Quality’s assurance requirements for landfill closure and post-closure costs.

The remainder of this page left blank intentionally.

**Note 18-Designated and Reserved Fund Balances/Restricted Net Assets:**

Primary Government:		
Reserved for law library	\$	43,839
Reserved for forfeited assets		115,817
Reserved for school capital projects		1,205,728
Reserved for county capital projects		3,843,962
Designated for county capital projects		<u>11,665,266</u>
 Total Primary Government designations and reservations	 \$	 <u>16,874,612</u>

**Note 19-Contributions to the Western Virginia Water Authority:**

During the fiscal year ended June 30, 2009, the County transferred certain water/sewer assets to the Western Virginia Water Authority under two separate transactions.

Route 220 Water Line Project - The County transferred Phase 1 of the Route 220 Water Line Project to the Western Virginia Water Authority along with all remaining debt associated with the project.

Westlake Wastewater System – The County purchased the Westlake Wastewater System and entered into an agreement to lease the System to the Western Virginia Water Authority for a term of 10 years or until debt associated with the system is defeased. At the end of the lease term, title to the System will transfer to the Authority. In the current year, the County has shown a contribution to the Authority in the amount of \$2,957,349 (the purchase price of the System). The Authority will rebate all profit from operation of the System to the County annually during the lease term. No amount (receivable) has been recorded as such profit is not subject to estimation.

**Note 20 – Commitments and Contingencies:**

The County entered into major construction projects during the fiscal year as presented below along with the anticipated funding source.

<u>Project</u>	<u>Contract Amount</u>	<u>Contract Amount Outstanding at June 30, 2009</u>	<u>Funding Source</u>
Windy Gap School	\$ 12,163,435	\$ 177,187	Bond Proceeds
Governmental Center	4,253,000	771,523	Bond Proceeds

**Note 21-Subsequent Events:**

Subsequent to year end, the County joined the Western Virginia Water Authority as a member. As a result, the Regional Authority will provide water and wastewater services to the citizens of Franklin County in addition to the existing services provided in Franklin County as of fiscal year end.

---

**Required Supplementary Information**

---

County of Franklin, Virginia  
Required Supplementary Information

Schedule of Funding Progress Defined Benefit and Healthcare Plans  
For the Year Ended June 30, 2009

Primary Government: County Retirement Plan

Valuation as of (1)	Actuarial Value of Assets (2)	Actuarial Accrued Liability (AAL) (3)	Unfunded AAL (UAAL) (3) - (2) (4)	Funded Ratio Assets as % of AAL (2)/(3) (5)	Annual Covered Payroll (6)	UAAL as a % of Covered Payroll (4)/(6) (7)
June 30, 2008	\$ 36,560,423	\$ 38,771,088	\$ 2,210,665	94.30%	\$ 11,648,075	18.98%
June 30, 2007	33,376,334	34,236,170	859,836	97.49%	10,577,228	8.13%
June 30, 2006	29,393,827	30,404,249	1,010,422	96.68%	9,600,765	10.52%

Discretely Presented Component Unit:

School Board Non-Professional Retirement Plan

Valuation as of (1)	Actuarial Value of Assets (2)	Actuarial Accrued Liability (AAL) (3)	Unfunded AAL (UAAL) (3) - (2) (4)	Funded Ratio Assets as % of AAL (2)/(3) (5)	Annual Covered Payroll (6)	UAAL as a % of Covered Payroll (4)/(6) (7)
June 30, 2008	\$ 12,440,126	\$ 14,068,566	\$ 1,628,440	88.42%	\$ 4,537,430	35.89%
June 30, 2007	11,121,573	13,143,064	2,021,491	84.62%	4,435,717	45.57%
June 30, 2006	9,801,310	11,790,986	1,989,676	83.13%	4,118,928	48.31%

County Healthcare Plan\*

Valuation as of* (1)	Actuarial Value of Assets (2)	Actuarial Accrued Liability (AAL) (3)	Unfunded AAL (UAAL) (3) - (2) (4)	Funded Ratio Assets as % of AAL (2)/(3) (5)	Annual Covered Payroll (6)	UAAL as a % of Covered Payroll (4)/(6) (7)
June 30, 2008	\$ -	\$ 1,802,000	\$ 1,802,000	0.00%	\$ 11,648,075	15.47%

School Board Healthcare Plan\*

Valuation as of* (1)	Actuarial Value of Assets (2)	Actuarial Accrued Liability (AAL) (3)	Unfunded AAL (UAAL) (3) - (2) (4)	Funded Ratio Assets as % of AAL (2)/(3) (5)	Annual Covered Payroll (6)	UAAL as a % of Covered Payroll (4)/(6) (7)
June 30, 2008	\$ -	\$ 6,636,000	\$ 6,636,000	0.00%	\$ 42,780,643	15.51%

\*Only one year of data available

County of Franklin, Virginia  
 General Fund  
 Schedule of Revenues, Expenditures, and Change in Fund Balances - Budget and Actual  
 For the Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
General property taxes	\$ 42,070,553	\$ 42,070,554	\$ 43,289,214	\$ 1,218,660
Other local taxes	10,908,201	10,533,201	10,047,091	(486,110)
Permits, privilege fees, and regulatory licenses	750,000	388,033	413,467	25,434
Fines and forfeitures	16,000	16,000	10,082	(5,918)
Revenue from the use of money and property	1,469,000	1,469,000	1,502,370	33,370
Charges for services	2,189,641	1,959,172	1,887,203	(71,969)
Miscellaneous	281,000	348,027	250,461	(97,566)
Recovered costs	471,428	471,428	744,082	272,654
Intergovernmental revenues:				
Commonwealth	15,773,720	11,988,419	11,991,982	3,563
Federal	223,721	3,284,510	3,116,242	(168,268)
Total revenues	\$ 74,153,264	\$ 72,528,344	\$ 73,252,194	\$ 723,850
<b>EXPENDITURES</b>				
Current:				
General government administration	\$ 4,701,795	\$ 4,368,811	\$ 3,678,190	\$ 690,621
Judicial administration	2,538,314	2,754,083	2,647,224	106,859
Public safety	11,323,763	14,713,541	12,559,586	2,153,955
Public works	2,710,092	3,617,956	2,759,763	858,193
Health and welfare	11,023,318	10,293,467	10,188,370	105,097
Education	26,529,150	28,114,958	26,734,619	1,380,339
Parks, recreation, and cultural	2,048,909	2,536,859	2,056,206	480,653
Community development <sup>1</sup>	3,631,559	3,920,686	5,447,836	(1,527,150)
Nondepartmental	660,000	297,165	77,718	219,447
Debt service:				
Principal retirement	2,753,602	2,753,602	2,753,602	-
Interest and other fiscal charges	1,583,239	1,583,239	1,582,736	503
Bond issuance costs <sup>1</sup>	-	-	73,424	(73,424)
Total expenditures	\$ 69,503,741	\$ 74,954,367	\$ 70,559,274	\$ 4,395,093
Excess (deficiency) of revenues over (under) expenditures	\$ 4,649,523	\$ (2,426,023)	\$ 2,692,920	\$ 5,118,943
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ 1,180,855	\$ 1,180,855	\$ 1,180,855	\$ -
Transfers out	(6,730,378)	(8,238,879)	(8,036,357)	202,522
Issuance of debt	-	-	2,905,000	2,905,000
Premium on issuance of debt	-	-	130,152	130,152
Issuance of capital leases	-	-	54,978	54,978
Total other financing sources and uses	\$ (5,549,523)	\$ (7,058,024)	\$ (3,765,372)	\$ 3,292,652
Net change in fund balances	\$ (900,000)	\$ (9,484,047)	\$ (1,072,452)	\$ 8,411,595
Fund balances - beginning	900,000	9,484,047	18,001,525	8,517,478
Fund balances - ending	\$ -	\$ -	\$ 16,929,073	\$ 16,929,073

Note: All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

<sup>1</sup> Includes disbursements related to the Westlake Water System not subject to appropriation.

## **Other Supplementary Information Section**

---

**Supplementary Financial Statements**

---

County of Franklin, Virginia  
 Schedule of Revenues, Expenditures, and Change in Fund Balances - Budget and Actual  
 Major Capital Projects Fund  
 For the Year Ended June 30, 2009

	County Capital Projects			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<b>REVENUES</b>				
Revenue from the use of money and property	\$ -	\$ 25,531	\$ 26,503	\$ 972
Miscellaneous	-	7,152	7,152	-
Intergovernmental revenues:				
Commonwealth	-	315,918	215,697	(100,221)
Federal	-	-	1,066,413	1,066,413
Total revenues	\$ -	\$ 348,601	\$ 1,315,765	\$ 967,164
<b>EXPENDITURES</b>				
Capital projects	\$ 3,863,876	\$ 17,220,203	\$ 4,366,088	\$ 12,854,115
Total expenditures	\$ 3,863,876	\$ 17,220,203	\$ 4,366,088	\$ 12,854,115
Excess (deficiency) of revenues over (under) expenditures	\$ (3,863,876)	\$ (16,871,602)	\$ (3,050,323)	\$ 13,821,279
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ 3,863,876	\$ 5,407,630	\$ 5,407,630	\$ -
Total other financing sources and uses	\$ 3,863,876	\$ 5,407,630	\$ 5,407,630	\$ -
Net change in fund balances	\$ -	\$ (11,463,972)	\$ 2,357,307	\$ 13,821,279
Fund balances - beginning	-	11,463,972	13,151,921	1,687,949
Fund balances - ending	\$ -	\$ -	\$ 15,509,228	\$ 15,509,228

Note: All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

County of Franklin, Virginia  
 Schedule of Revenues, Expenditures, and Change in Fund Balances - Budget and Actual  
 Major Capital Projects Fund  
 For the Year Ended June 30, 2009

	School Construction			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<b>REVENUES</b>				
Revenue from the use of money and property	\$ -	\$ 49,661	\$ 49,661	\$ -
Intergovernmental revenues:				
Commonwealth	-	745,557	745,557	-
Total revenues	<u>\$ -</u>	<u>\$ 795,218</u>	<u>\$ 795,218</u>	<u>\$ -</u>
<b>EXPENDITURES</b>				
Capital projects	\$ -	\$ 9,624,130	\$ 8,418,403	\$ 1,205,727
Total expenditures	<u>\$ -</u>	<u>\$ 9,624,130</u>	<u>\$ 8,418,403</u>	<u>\$ 1,205,727</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ (8,828,912)</u>	<u>\$ (7,623,185)</u>	<u>\$ 1,205,727</u>
Net change in fund balances	\$ -	\$ (8,828,912)	\$ (7,623,185)	\$ 1,205,727
Fund balances - beginning	-	8,828,912	8,828,913	1
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,205,728</u>	<u>\$ 1,205,728</u>

Note: All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

County of Franklin, Virginia  
 Schedule of Revenues, Expenditures, and Change in Fund Balances - Budget and Actual  
 Nonmajor Special Revenue Fund  
 For the Year Ended June 30, 2009

	E-911 Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Other local taxes	\$ -	\$ -	\$ 802	\$ 802
Miscellaneous	2,500	2,500	-	(2,500)
Intergovernmental revenues:				
Commonwealth	49,000	49,000	49,627	627
Total revenues	<u>\$ 51,500</u>	<u>\$ 51,500</u>	<u>\$ 50,429</u>	<u>\$ (1,071)</u>
<b>EXPENDITURES</b>				
Current:				
Public safety	\$ 1,054,147	\$ 1,113,020	\$ 1,059,994	\$ 53,026
Total expenditures	<u>\$ 1,054,147</u>	<u>\$ 1,113,020</u>	<u>\$ 1,059,994</u>	<u>\$ 53,026</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (1,002,647)</u>	<u>\$ (1,061,520)</u>	<u>\$ (1,009,565)</u>	<u>\$ 51,955</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ 1,002,647	\$ 1,047,393	\$ 1,047,393	\$ -
Total other financing sources and uses	<u>\$ 1,002,647</u>	<u>\$ 1,047,393</u>	<u>\$ 1,047,393</u>	<u>\$ -</u>
Net change in fund balances	\$ -	\$ (14,127)	\$ 37,828	\$ 51,955
Fund balances - beginning	-	14,127	14,127	-
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 51,955</u>	<u>\$ 51,955</u>

Note: All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

## FIDUCIARY FUNDS

---

Special Welfare – The Special Welfare fund accounts for those funds belonging to individuals entrusted to the local social services agency, such as foster care children.

Road Escrow – The Road Escrow fund accounts for those funds belonging to County citizens for which road improvements are being made.

Escrow Fund for Soil and Erosion Control Agreement– The Soil and Erosion Control Agreement fund accounts for those funds held by the County on behalf of developers, corporations, or individuals to ensure performance under requirements set forth by the County.

Library Fund – The Library Fund is used to account for contributions made by donors to the Library.

Inmate Trust and Canteen – The Jail Inmate Trust and Canteen fund accounts for the inmate commissary, inmate trust, and inmate monitoring funds.

County of Franklin, Virginia  
 Combining Statement of Fiduciary Net Assets  
 Fiduciary Funds  
 June 30, 2009

	Agency Funds					Total
	Special Welfare	Road Escrow Fund	Escrow Fund for Soil and Erosion Control Agreement	Library Fund	Inmate trust and Canteen Account Fund	
<b>ASSETS</b>						
Cash and cash equivalents	\$ 45,891	\$ 19,631	\$ 174,364	\$ 4,000	\$ -	\$ 243,886
Cash in custody of others	-	-	-	-	89,419	89,419
Total assets	<u>\$ 45,891</u>	<u>\$ 19,631</u>	<u>\$ 174,364</u>	<u>\$ 4,000</u>	<u>\$ 89,419</u>	<u>\$ 333,305</u>
<b>LIABILITIES</b>						
Amounts held for social services clients	\$ 45,891	\$ -	\$ -	\$ -	\$ -	\$ 45,891
Amounts held for citizens	-	19,631	-	-	-	19,631
Amounts held for performance bonds	-	-	174,364	-	-	174,364
Amounts held in escrow for Library	-	-	-	4,000	-	4,000
Amounts held for inmates	-	-	-	-	89,419	89,419
Total liabilities	<u>\$ 45,891</u>	<u>\$ 19,631</u>	<u>\$ 174,364</u>	<u>\$ 4,000</u>	<u>\$ 89,419</u>	<u>\$ 333,305</u>

County of Franklin, Virginia  
Combining Statement of Changes in Assets and Liabilities  
Fiduciary Funds  
For the Year Ended June 30, 2009

	Agency Funds			Balance June 30, 2009
	Balance July 1, 2008	Additions	Deductions	
<b>ASSETS</b>				
Cash and cash equivalents:				
Special Welfare Fund	\$ 22,052	\$ 145,470	\$ 121,631	\$ 45,891
Road Escrow Fund	16,630	3,001	-	19,631
Escrow Fund for Soil and Erosion Control Agreement	262,821	151,796	240,253	174,364
Library Fund	4,000	-	-	4,000
Cash in custody of others				
Inmate Trust and Canteen Funds	96,899	226,620	234,100	89,419
Total assets	<u>\$ 402,402</u>	<u>\$ 526,887</u>	<u>\$ 595,984</u>	<u>\$ 333,305</u>
<b>LIABILITIES</b>				
Amounts held for others:				
Social services clients	\$ 22,052	\$ 145,470	\$ 121,631	\$ 45,891
Citizens	16,630	3,001	-	19,631
Performance bonds	262,821	151,796	240,253	174,364
Library	4,000	-	-	4,000
Inmates	96,899	226,620	234,100	89,419
Total liabilities	<u>\$ 402,402</u>	<u>\$ 526,887</u>	<u>\$ 595,984</u>	<u>\$ 333,305</u>

**DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD**

**MAJOR GOVERNMENTAL FUNDS**

School Operating Fund - The School Operating Fund is a special revenue fund that accounts for the operations of the County's school system. Financing is provided by the State and Federal governments as well as contributions from the General Fund.

County of Franklin, Virginia  
Balance Sheet  
Discretely Presented Component Unit - School Board  
June 30, 2009

---

	<u>School Operating Fund</u>
<b>ASSETS</b>	
Cash in custody of others	\$ 646,989
Due from other governmental units	2,203,634
Total assets	<u>\$ 2,850,623</u>
<b>LIABILITIES AND FUND BALANCES</b>	
Liabilities:	
Accounts payable	\$ 783,297
Due to primary government	1,420,337
Total liabilities	<u>\$ 2,203,634</u>
Fund balances:	
Unreserved:	
Undesignated	\$ 646,989
Total fund balances	<u>\$ 646,989</u>
Total liabilities and fund balances	<u>\$ 2,850,623</u>
Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:	
Total fund balances per above	\$ 646,989
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	19,482,268
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(1,365,892)
Net assets of governmental activities	<u>\$ 18,763,365</u>

County of Franklin, Virginia  
 Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Governmental Funds - Discretely Presented Component Unit - School Board  
 For the Year Ended June 30, 2009

	<u>School Operating Fund</u>
<b>REVENUES</b>	
Revenue from the use of money and property	\$ 10,894
Charges for services	2,365,198
Miscellaneous	73,924
Recovered costs	495,053
Intergovernmental revenues:	
Local government	26,734,619
Commonwealth	42,572,599
Federal	6,537,520
Total revenues	<u>\$ 78,789,807</u>
<b>EXPENDITURES</b>	
Current:	
Education	\$ 79,145,171
Total expenditures	<u>\$ 79,145,171</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (355,364)</u>
<b>OTHER FINANCING SOURCES (USES)</b>	
Sale of capital assets	\$ 36,956
Total other financing sources and uses	<u>\$ 36,956</u>
Net change in fund balances	\$ (318,408)
Fund balances - beginning	965,397
Fund balances - ending	<u>\$ 646,989</u>
Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:	
Net change in fund balances - total governmental funds - per above	\$ (318,408)
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 the capital outlays exceeded depreciation in the current period.	1,906,765
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.	(523,015)
Change in net assets of governmental activities	<u>\$ 1,065,342</u>

County of Franklin, Virginia  
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
 Discretely Presented Component Unit - School Board  
 For the Year Ended June 30, 2009

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<b>REVENUES</b>				
Revenue from the use of money and property	\$ -	\$ -	\$ 10,894	\$ 10,894
Charges for services	2,295,566	2,337,626	2,365,198	27,572
Miscellaneous	111,671	111,671	73,924	(37,747)
Recovered costs	421,898	421,898	495,053	73,155
Intergovernmental revenues:				
Local government	26,518,643	28,104,451	26,734,619	(1,369,832)
Commonwealth	42,706,647	43,490,078	42,572,599	(917,479)
Federal	6,038,632	6,038,632	6,537,520	498,888
Total revenues	<u>\$ 78,093,057</u>	<u>\$ 80,504,356</u>	<u>\$ 78,789,807</u>	<u>\$ (1,714,549)</u>
<b>EXPENDITURES</b>				
Current:				
Education	\$ 78,107,818	\$ 82,060,088	\$ 79,145,171	\$ 2,914,917
Total expenditures	<u>\$ 78,107,818</u>	<u>\$ 82,060,088</u>	<u>\$ 79,145,171</u>	<u>\$ 2,914,917</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (14,761)</u>	<u>\$ (1,555,732)</u>	<u>\$ (355,364)</u>	<u>\$ 1,200,368</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of capital assets	\$ 14,761	\$ 14,761	\$ 36,956	\$ 22,195
Total other financing sources and uses	<u>\$ 14,761</u>	<u>\$ 14,761</u>	<u>\$ 36,956</u>	<u>\$ 22,195</u>
Net change in fund balances	\$ -	\$ (1,540,971)	\$ (318,408)	\$ 1,222,563
Fund balances - beginning	-	1,540,971	965,397	(575,574)
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 646,989</u>	<u>\$ 646,989</u>

Note: All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

---

## Supporting Schedules

---

County of Franklin, Virginia  
 Schedule of Revenues - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2009

Schedule 1  
 Page 1 of 7

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>Primary Government:</b>				
<b>General Fund:</b>				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 33,468,557	\$ 33,468,558	\$ 34,265,866	\$ 797,308
Real and personal public service corporation taxes	517,994	517,994	686,768	168,774
Personal property taxes	6,248,879	6,248,879	6,543,110	294,231
Mobile home taxes	244,000	244,000	199,485	(44,515)
Machinery and tools taxes	444,670	444,670	456,116	11,446
Merchant's capital	762,153	762,153	684,802	(77,351)
Penalties	250,000	250,000	296,534	46,534
Interest	134,300	134,300	156,533	22,233
Total general property taxes	<u>\$ 42,070,553</u>	<u>\$ 42,070,554</u>	<u>\$ 43,289,214</u>	<u>\$ 1,218,660</u>
Other local taxes:				
Local sales and use taxes	\$ 4,151,000	\$ 3,851,000	\$ 3,742,268	\$ (108,732)
Consumers' utility taxes	950,000	950,000	969,161	19,161
Business license taxes	4,000	4,000	4,444	444
Utility license taxes	155,000	155,000	166,457	11,457
Motor vehicle licenses	1,342,116	1,342,116	1,227,296	(114,820)
Bank stock taxes	110,000	110,000	107,361	(2,639)
Communications tax	2,486,085	2,411,085	2,314,629	(96,456)
Taxes on recordation and wills	750,000	750,000	581,797	(168,203)
Hotel and motel room taxes	115,000	115,000	103,696	(11,304)
Restaurant food taxes	845,000	845,000	829,982	(15,018)
Total other local taxes	<u>\$ 10,908,201</u>	<u>\$ 10,533,201</u>	<u>\$ 10,047,091</u>	<u>\$ (486,110)</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 25,000	\$ 33,033	\$ 37,954	\$ 4,921
Zoning and planning fees	90,000	50,000	50,741	741
Erosion and sediment control	65,000	35,000	47,230	12,230
Building permits	555,000	255,000	257,568	2,568
Land use application fees	15,000	15,000	17,990	2,990
Transfer fees	-	-	1,954	1,954
Other permits and licenses	-	-	30	30
Total permits, privilege fees, and regulatory licenses	<u>\$ 750,000</u>	<u>\$ 388,033</u>	<u>\$ 413,467</u>	<u>\$ 25,434</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 16,000	\$ 16,000	\$ 10,082	\$ (5,918)
Total fines and forfeitures	<u>\$ 16,000</u>	<u>\$ 16,000</u>	<u>\$ 10,082</u>	<u>\$ (5,918)</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 1,400,000	\$ 1,400,000	\$ 1,401,761	\$ 1,761
Revenue from use of property	69,000	69,000	100,609	31,609
Total revenue from use of money and property	<u>\$ 1,469,000</u>	<u>\$ 1,469,000</u>	<u>\$ 1,502,370</u>	<u>\$ 33,370</u>
Charges for services:				
Charges for courthouse security	\$ 60,000	\$ 60,000	\$ 79,149	\$ 19,149
Charges for courthouse maintenance	12,000	12,000	13,812	1,812
Charges for law enforcement and traffic control	15,000	29,970	37,785	7,815
Excess Clerk of Court fees	140,000	140,000	93,718	(46,282)
Charges for Commonwealth's Attorney	3,000	3,000	2,896	(104)
Prisoner's board	9,000	34,249	32,233	(2,016)
Miscellaneous jail and inmate fees	-	-	870	870
Miscellaneous animal fees	6,000	6,000	3,696	(2,304)

County of Franklin, Virginia  
 Schedule of Revenues - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2009

Schedule 1  
 Page 2 of 7

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>Primary Government: (Continued)</b>				
<b>General Fund: (Continued)</b>				
Revenue from local sources: (Continued)				
Charges for services: (Continued)				
Charges for economic development private landfills	\$ -	\$ -	\$ 17,019	\$ 17,019
Charges for sale of maps and codes and copies	25,000	25,000	16,548	(8,452)
Charges for emergency medical services billing	870,000	870,000	779,845	(90,155)
Charges for sanitation and waste removal	900,000	608,962	635,086	26,124
Charges for parks and recreation	77,000	97,350	84,542	(12,808)
Charges for aging services	21,641	21,641	16,737	(4,904)
Charges for library	24,000	24,000	30,264	6,264
Charges for law library	12,000	12,000	15,822	3,822
Charges for concealed weapons permits	15,000	15,000	27,181	12,181
Total charges for services	<u>\$ 2,189,641</u>	<u>\$ 1,959,172</u>	<u>\$ 1,887,203</u>	<u>\$ (71,969)</u>
Miscellaneous revenue:				
Miscellaneous	\$ 281,000	\$ 348,027	\$ 250,461	\$ (97,566)
Total miscellaneous revenue	<u>\$ 281,000</u>	<u>\$ 348,027</u>	<u>\$ 250,461</u>	<u>\$ (97,566)</u>
Recovered costs:				
Health department	\$ 76,062	\$ 76,062	\$ 146,892	\$ 70,830
Court reporting fees	60,000	60,000	53,337	(6,663)
Armory reimbursement	15,000	15,000	14,612	(388)
School resource officer	86,658	86,658	86,658	-
Office on youth	-	-	176,615	176,615
U.S. marshall	-	-	56,739	56,739
Blue ridge soil and water	233,708	233,708	209,229	(24,479)
Total recovered costs	<u>\$ 471,428</u>	<u>\$ 471,428</u>	<u>\$ 744,082</u>	<u>\$ 272,654</u>
Total revenue from local sources	<u>\$ 58,155,823</u>	<u>\$ 57,255,415</u>	<u>\$ 58,143,970</u>	<u>\$ 888,555</u>
Revenue from the Commonwealth:				
Noncategorical aid:				
ABC profits	\$ 23,839	\$ 23,839	\$ -	\$ (23,839)
Wine taxes	24,955	24,955	-	(24,955)
Motor vehicle carrier tax (rolling stock)	30,688	30,688	34,722	4,034
Mobile home titling tax	118,250	118,250	68,429	(49,821)
Grantor's tax	160,000	160,000	134,240	(25,760)
Motor vehicle rental tax	20,812	20,812	27,991	7,179
State recordation tax	179,740	179,740	219,911	40,171
Personal property tax relief funds	2,626,618	2,626,618	2,626,618	-
Total noncategorical aid	<u>\$ 3,184,902</u>	<u>\$ 3,184,902</u>	<u>\$ 3,111,911</u>	<u>\$ (72,991)</u>
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 586,696	\$ 517,096	\$ 505,165	\$ (11,931)
Sheriff	3,267,821	2,504,948	2,493,314	(11,634)
Commissioner of revenue	166,212	166,212	167,855	1,643
Treasurer	166,840	166,840	168,241	1,401
Registrar/electoral board	51,084	66,419	74,107	7,688
Clerk of the Circuit Court	314,078	353,601	462,082	108,481
Total shared expenses	<u>\$ 4,552,731</u>	<u>\$ 3,775,116</u>	<u>\$ 3,870,764</u>	<u>\$ 95,648</u>

County of Franklin, Virginia  
 Schedule of Revenues - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2009

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>Primary Government: (Continued)</b>				
<b>General Fund: (Continued)</b>				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Other categorical aid:				
Public assistance and welfare administration	\$ 4,356,171	\$ 2,042,647	\$ 1,929,712	\$ (112,935)
Comprehensive services act	3,112,174	2,229,124	2,346,354	117,230
Asset forfeiture funds	25,000	89,941	22,327	(67,614)
Office on youth-juvenile	28,112	28,112	27,853	(259)
Family resource center-family violence prevention	185,000	185,000	150,940	(34,060)
Family resource center-DHCD shelter grant	-	-	11,086	11,086
Four for life	-	69,461	69,462	1
Commonwealth debit account	-	-	3,480	3,480
Asset forfeiture funds	-	-	10,138	10,138
Library grants	138,095	144,500	158,686	14,186
Workforce development grants	63,000	63,000	95,782	32,782
Department of Justice payments	16,600	26,389	41,044	14,655
Litter control grant	-	15,557	15,557	-
VDA grant	-	-	63,389	63,389
Department of Emergency Management equipment grant	-	22,735	42,273	19,538
Other categorical aid	111,935	111,935	21,224	(90,711)
Total other categorical aid	<u>\$ 8,036,087</u>	<u>\$ 5,028,401</u>	<u>\$ 5,009,307</u>	<u>\$ (19,094)</u>
Total categorical aid	<u>\$ 12,588,818</u>	<u>\$ 8,803,517</u>	<u>\$ 8,880,071</u>	<u>\$ 76,554</u>
Total revenue from the Commonwealth	<u>\$ 15,773,720</u>	<u>\$ 11,988,419</u>	<u>\$ 11,991,982</u>	<u>\$ 3,563</u>
Revenue from the federal government:				
Non-categorical aid:				
Payments in lieu of taxes	\$ 20,000	\$ 20,000	\$ 22,695	\$ 2,695
Total non-categorical aid	<u>\$ 20,000</u>	<u>\$ 20,000</u>	<u>\$ 22,695</u>	<u>\$ 2,695</u>
Categorical aid:				
Department of Health and Human Services payments	\$ -	\$ 2,163,002	\$ 2,163,002	\$ -
Department of Housing and Urban Development payments	19,137	19,137	31,620	12,483
Department of Homeland Security payments	34,584	34,584	34,584	-
Sheriff - ARRA funds	-	1,009,897	791,693	(218,204)
CDBG-indoor plumbing grant	150,000	-	-	-
Violence against women	-	-	27,515	27,515
Department of Transportation grants	-	-	45,133	45,133
DCJS grant	-	37,890	-	(37,890)
Total categorical aid	<u>\$ 203,721</u>	<u>\$ 3,264,510</u>	<u>\$ 3,093,547</u>	<u>\$ (170,963)</u>
Total revenue from the federal government	<u>\$ 223,721</u>	<u>\$ 3,284,510</u>	<u>\$ 3,116,242</u>	<u>\$ (168,268)</u>
Total General Fund	<u>\$ 74,153,264</u>	<u>\$ 72,528,344</u>	<u>\$ 73,252,194</u>	<u>\$ 723,850</u>
<b>County Capital Projects Fund:</b>				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ 25,531	\$ 25,531	\$ -
Revenue from use of property	-	-	972	972
Total revenue from use of money and property	<u>\$ -</u>	<u>\$ 25,531</u>	<u>\$ 26,503</u>	<u>\$ 972</u>

County of Franklin, Virginia  
 Schedule of Revenues - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2009

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>Primary Government: (Continued)</b>				
<b>County Capital Projects Fund: (Continued)</b>				
Revenue from local sources: (Continued)				
Miscellaneous revenue:				
Miscellaneous	\$ -	\$ 7,152	\$ 7,152	\$ -
Total miscellaneous revenue	\$ -	\$ 7,152	\$ 7,152	\$ -
 Total revenue from local sources	 \$ -	 \$ 32,683	 \$ 33,655	 \$ 972
Revenue from the Commonwealth:				
Categorical aid:				
Other categorical aid:				
Park and rec grants	\$ -	\$ 27,829	\$ 27,830	\$ 1
Tobacco commission funds	-	-	24,274	24,274
Virginia fire programs	-	116,840	116,840	-
Wireless board funds	-	171,249	46,753	(124,496)
Total other categorical aid	\$ -	\$ 315,918	\$ 215,697	\$ (100,221)
Total categorical aid	\$ -	\$ 315,918	\$ 215,697	\$ (100,221)
Total revenue from the Commonwealth	\$ -	\$ 315,918	\$ 215,697	\$ (100,221)
Revenue from the federal government:				
Categorical aid:				
CDBG block grant-States program	\$ -	\$ -	\$ 760,089	\$ 760,089
EDA grant	-	-	306,324	306,324
Total categorical aid	\$ -	\$ -	\$ 1,066,413	\$ 1,066,413
Total revenue from the federal government	\$ -	\$ -	\$ 1,066,413	\$ 1,066,413
Total County Capital Projects Fund	\$ -	\$ 348,601	\$ 1,315,765	\$ 967,164
<b>Special Revenue Fund:</b>				
<b>E-911 Fund:</b>				
Revenue from local sources:				
Other local taxes:				
E-911 taxes	\$ -	\$ -	\$ 802	\$ 802
Total other local taxes	\$ -	\$ -	\$ 802	\$ 802
Miscellaneous revenue:				
Other miscellaneous	\$ 2,500	\$ 2,500	\$ -	\$ (2,500)
Total miscellaneous revenue	\$ 2,500	\$ 2,500	\$ -	\$ (2,500)
Total revenue from local sources	\$ 2,500	\$ 2,500	\$ 802	\$ (1,698)
Categorical aid:				
Wireless board reimbursement	\$ 49,000	\$ 49,000	\$ 49,627	\$ 627
Total categorical aid	\$ 49,000	\$ 49,000	\$ 49,627	\$ 627
Total revenue from the Commonwealth	\$ 49,000	\$ 49,000	\$ 49,627	\$ 627
Total E-911 Fund	\$ 51,500	\$ 51,500	\$ 50,429	\$ (1,071)

County of Franklin, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2009

Schedule 1  
Page 5 of 7

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>Primary Government: (Continued)</b>				
<b>Capital Projects Fund:</b>				
<b>School Construction Fund:</b>				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ 49,661	\$ 49,661	\$ -
Total revenue from use of money and property	<u>\$ -</u>	<u>\$ 49,661</u>	<u>\$ 49,661</u>	<u>\$ -</u>
Total revenue from local sources	<u>\$ -</u>	<u>\$ 49,661</u>	<u>\$ 49,661</u>	<u>\$ -</u>
Revenue from the Commonwealth:				
Categorical aid:				
VPSA grant	\$ -	\$ 745,557	\$ 745,557	\$ -
Total categorical aid	<u>\$ -</u>	<u>\$ 745,557</u>	<u>\$ 745,557</u>	<u>\$ -</u>
Total revenue from the Commonwealth	<u>\$ -</u>	<u>\$ 745,557</u>	<u>\$ 745,557</u>	<u>\$ -</u>
Total School Construction Fund	<u>\$ -</u>	<u>\$ 795,218</u>	<u>\$ 795,218</u>	<u>\$ -</u>
Total Primary Government	<u>\$ 74,204,764</u>	<u>\$ 73,723,663</u>	<u>\$ 75,413,606</u>	<u>\$ 1,689,943</u>
<b>Discretely Presented Component Unit - School Board:</b>				
<b>Special Revenue Funds:</b>				
<b>School Operating Fund:</b>				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of property	\$ -	\$ -	\$ 10,894	\$ 10,894
Total revenue from use of money and property	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,894</u>	<u>\$ 10,894</u>
Charges for services:				
Other charges for education	\$ -	\$ -	\$ 37,897	\$ 37,897
Cafeteria sales	2,282,878	2,324,938	1,761,588	(563,350)
Payments from other localities	-	-	545,695	545,695
Cannery fees	12,688	12,688	20,018	7,330
Total charges for services	<u>\$ 2,295,566</u>	<u>\$ 2,337,626</u>	<u>\$ 2,365,198</u>	<u>\$ 27,572</u>
Miscellaneous revenue:				
Miscellaneous	\$ 111,671	\$ 111,671	\$ 73,924	\$ (37,747)
Total miscellaneous revenue	<u>\$ 111,671</u>	<u>\$ 111,671</u>	<u>\$ 73,924</u>	<u>\$ (37,747)</u>
Recovered costs:				
Insurance recoveries and rebates	\$ 9,143	\$ 9,143	\$ 27,948	\$ 18,805
Sale of supplies	-	-	29,244	29,244
Other recovered costs	412,755	412,755	437,861	25,106
Total recovered costs	<u>\$ 421,898</u>	<u>\$ 421,898</u>	<u>\$ 495,053</u>	<u>\$ 73,155</u>
Total revenue from local sources	<u>\$ 2,829,135</u>	<u>\$ 2,871,195</u>	<u>\$ 2,945,069</u>	<u>\$ 73,874</u>
Revenues from local governments:				
Contribution from County of Franklin, Virginia	\$ 26,518,643	\$ 28,104,451	\$ 26,734,619	\$ (1,369,832)
Total revenues from local governments	<u>\$ 26,518,643</u>	<u>\$ 28,104,451</u>	<u>\$ 26,734,619</u>	<u>\$ (1,369,832)</u>

County of Franklin, Virginia  
 Schedule of Revenues - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2009

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>Discretely Presented Component Unit - School Board: (Continued)</b>				
<b>Special Revenue Funds: (Continued)</b>				
<b>School Operating Fund: (Continued)</b>				
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Categorical aid:				
Adult literacy	\$ 9,082	\$ 9,082	\$ 100,000	\$ 90,918
Adult secondary education	-	-	37,625	37,625
AP virtual exam	-	-	546	546
At risk four-year olds	497,904	497,904	517,329	19,425
At risk payments	460,580	460,580	495,627	35,047
Basic school aid	23,329,735	23,930,720	22,586,174	(1,344,546)
Career Tech	-	-	17,493	17,493
E-rate rebate	244,301	244,301	113,232	(131,069)
Early reading intervention	89,996	89,996	91,931	1,935
English as a second language	103,524	103,524	71,266	(32,258)
Enrollment loss	-	-	151,801	151,801
GED funds	-	-	23,576	23,576
Gifted and talented	199,949	199,949	197,199	(2,750)
Group life	53,320	-	52,586	52,586
Homebound education	-	-	19,386	19,386
JROTC	41,727	41,727	1,126	(40,601)
Mentor teacher program	-	-	23,618	23,618
Milken award	-	-	2,000	2,000
National board certification	-	-	50,000	50,000
Primary class size	742,822	742,822	734,453	(8,369)
Race to GED	23,576	23,576	69,627	46,051
Regional specialist	-	-	50,000	50,000
Regular foster care	164,787	164,787	89,705	(75,082)
Remedial education	488,764	488,764	482,042	(6,722)
Remedial summer education	172,318	172,318	176,200	3,882
Retirement fringe benefits	1,581,818	1,581,818	1,560,063	(21,755)
School construction	95,714	95,714	191,643	95,929
School food	42,331	42,331	86,117	43,786
Share of state sales tax	7,412,027	7,412,027	6,853,079	(558,948)
Social security fringe benefits	1,221,910	1,221,910	1,205,105	(16,805)
Special education	3,154,749	3,154,749	3,111,362	(43,387)
Special education - foster children	-	-	112,908	112,908
Special education-regional program	369,043	369,043	449,818	80,775
Standards of Learning algebra readiness	72,773	72,773	70,944	(1,829)
State lottery payments	547,594	547,594	870,436	322,842
Technology	440,000	440,000	479,818	39,818
Textbook payment	526,621	526,621	519,378	(7,243)
Tobacco commission payments	-	-	25,955	25,955
Vocational adult education	615,579	615,579	622,724	7,145
Vocational education - equipment	-	-	16,857	16,857
Vocational occupational preparedness	-	235,766	22,918	(212,848)
Other state funds	4,103	4,103	218,932	214,829
Total categorical aid	\$ 42,706,647	\$ 43,490,078	\$ 42,572,599	\$ (917,479)
Total revenue from the Commonwealth	\$ 42,706,647	\$ 43,490,078	\$ 42,572,599	\$ (917,479)

County of Franklin, Virginia  
 Schedule of Revenues - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2009

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>Discretely Presented Component Unit - School Board: (Continued)</b>				
<b>Special Revenue Funds: (Continued)</b>				
<b>School Operating Fund: (Continued)</b>				
Intergovernmental revenues: (Continued)				
Revenue from the federal government:				
Categorical aid:				
Adult literacy	\$ 87,964	\$ 87,964	\$ 438,693	\$ 350,729
Drug free schools	34,491	34,491	28,271	(6,220)
Even Start Family Literacy	-	-	35,577	35,577
Literacy challenge grant	14,862	14,862	14,862	-
National school lunch program	1,664,609	1,664,609	1,347,203	(317,406)
Reading first	240,775	240,775	269,163	28,388
School breakfast program	-	-	566,913	566,913
Title I	1,467,958	1,467,958	1,376,551	(91,407)
Title II	327,176	327,176	321,902	(5,274)
Title III	-	-	17,915	17,915
Title VI	-	-	8,777	8,777
Title VI-B, special education flow-through	2,069,342	2,069,342	1,942,271	(127,071)
Title VI-B, special education pre-school	-	-	37,204	37,204
Vocational education	131,455	131,455	132,218	763
Total categorical aid	<u>\$ 6,038,632</u>	<u>\$ 6,038,632</u>	<u>\$ 6,537,520</u>	<u>\$ 498,868</u>
Total revenue from the federal government	<u>\$ 6,038,632</u>	<u>\$ 6,038,632</u>	<u>\$ 6,537,520</u>	<u>\$ 498,868</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 78,093,057</u>	<u>\$ 80,504,356</u>	<u>\$ 78,789,807</u>	<u>\$ (1,714,549)</u>

County of Franklin, Virginia  
 Schedule of Expenditures - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2009

Schedule 2  
 Page 1 of 5

<u>Fund, Function, Activity, and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>Primary Government:</b>				
<b>General Fund:</b>				
General government administration:				
Legislative:				
Board of supervisors	\$ 369,391	\$ 355,890	\$ 314,317	\$ 41,573
General and financial administration:				
County administrator	\$ 376,012	\$ 393,923	\$ 384,554	\$ 9,369
Risk management	353,735	336,048	306,836	29,212
Human resources	800,168	390,442	102,316	288,126
Commissioner of revenue	586,375	588,696	541,116	47,580
Reassessment	175,000	175,000	153	174,847
Land use	38,200	38,200	38,164	36
Treasurer	486,715	491,508	481,017	10,491
Director of finance	272,856	287,864	279,681	8,183
Information technology	971,416	989,769	952,823	36,946
Telecommunications	40,000	67,138	66,023	1,115
Total general and financial administration	\$ 4,100,477	\$ 3,758,588	\$ 3,152,683	\$ 605,905
Board of elections:				
Registrar	\$ 172,537	\$ 189,943	\$ 157,043	\$ 32,900
Electoral board	59,390	64,390	54,147	10,243
Total board of elections	\$ 231,927	\$ 254,333	\$ 211,190	\$ 43,143
Total general government administration	\$ 4,701,795	\$ 4,368,811	\$ 3,678,190	\$ 690,621
Judicial administration:				
Courts:				
Circuit court	\$ 90,285	\$ 95,107	\$ 91,470	\$ 3,637
General district court	11,243	13,743	12,673	1,070
Law library	12,000	12,000	-	12,000
Special magistrates	2,975	2,975	1,155	1,820
Juvenile and domestic relations court	23,900	24,900	17,312	7,588
Juvenile court services	484,238	525,783	478,119	47,664
Sheriff-courts	499,188	535,560	535,299	261
Clerk of the circuit court	670,777	866,907	847,632	19,275
Total courts	\$ 1,794,606	\$ 2,076,975	\$ 1,983,660	\$ 93,315
Commonwealth's attorney:				
Commonwealth's attorney	\$ 743,708	\$ 677,108	\$ 663,564	\$ 13,544
Total commonwealth's attorney	\$ 743,708	\$ 677,108	\$ 663,564	\$ 13,544
Total judicial administration	\$ 2,538,314	\$ 2,754,083	\$ 2,647,224	\$ 106,859
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 3,258,892	\$ 3,923,298	\$ 3,761,670	\$ 161,628
Total law enforcement and traffic control	\$ 3,258,892	\$ 3,923,298	\$ 3,761,670	\$ 161,628
Correction and detention:				
County operated institutions	\$ 3,783,323	\$ 3,909,393	\$ 3,780,761	\$ 128,632
Total correction and detention	\$ 3,783,323	\$ 3,909,393	\$ 3,780,761	\$ 128,632
Inspections:				
Building	\$ 462,495	\$ 477,793	\$ 446,022	\$ 31,771
Total inspections	\$ 462,495	\$ 477,793	\$ 446,022	\$ 31,771

County of Franklin, Virginia  
 Schedule of Expenditures - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2009

<u>Fund, Function, Activity, and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>Primary Government: (Continued)</b>				
<b>General Fund: (Continued)</b>				
Public safety: (Continued)				
Other protection:				
Director of public safety	\$ 2,611,858	\$ 4,944,735	\$ 3,371,822	\$ 1,572,913
Animal control	323,858	361,442	309,503	51,939
Department of forestry	13,337	18,672	18,671	1
EMS career billing	728,750	801,536	727,444	74,092
EMS volunteer billing	141,250	276,672	143,693	132,979
Total other protection	<u>\$ 3,819,053</u>	<u>\$ 6,403,057</u>	<u>\$ 4,571,133</u>	<u>\$ 1,831,924</u>
Total public safety	<u>\$ 11,323,763</u>	<u>\$ 14,713,541</u>	<u>\$ 12,559,586</u>	<u>\$ 2,153,955</u>
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Highways, streets, bridges and sidewalks	\$ 450	\$ 450	\$ -	\$ 450
Total maintenance of highways, streets, bridges & sidewalks	<u>\$ 450</u>	<u>\$ 450</u>	<u>\$ -</u>	<u>\$ 450</u>
Sanitation and waste removal:				
Refuse collection and disposal	\$ 1,262,786	\$ 1,877,386	\$ 1,510,182	\$ 367,204
Recycling program	91,979	51,200	29,370	21,830
Scale house	51,711	109,688	60,215	49,473
Total sanitation and waste removal	<u>\$ 1,406,476</u>	<u>\$ 2,038,274</u>	<u>\$ 1,599,767</u>	<u>\$ 438,507</u>
Maintenance of general buildings and grounds:				
General properties	\$ 1,045,685	\$ 1,297,973	\$ 901,011	\$ 396,962
Mechanic	201,856	211,495	211,666	(171)
Armory	43,625	43,625	25,175	18,450
Courthouse maintenance	12,000	26,139	22,144	3,995
Total maintenance of general buildings and grounds	<u>\$ 1,303,166</u>	<u>\$ 1,579,232</u>	<u>\$ 1,159,996</u>	<u>\$ 419,236</u>
Total public works	<u>\$ 2,710,092</u>	<u>\$ 3,617,956</u>	<u>\$ 2,759,763</u>	<u>\$ 858,193</u>
Health and welfare:				
Health:				
Supplement of local health department	\$ 360,000	\$ 360,000	\$ 360,000	\$ -
Total health	<u>\$ 360,000</u>	<u>\$ 360,000</u>	<u>\$ 360,000</u>	<u>\$ -</u>
Mental health and mental retardation:				
Development center of Franklin	\$ 53,500	\$ 70,878	\$ 56,890	\$ 13,988
Total mental health and mental retardation	<u>\$ 53,500</u>	<u>\$ 70,878</u>	<u>\$ 56,890</u>	<u>\$ 13,988</u>
Welfare:				
Public assistance and welfare administration	\$ 5,267,767	\$ 5,116,571	\$ 5,106,556	\$ 10,015
Youth services agency	4,607,844	3,960,878	3,896,840	64,038
Family resource center	255,638	312,209	312,208	1
Area agency on aging	360,806	355,168	338,113	17,055
Contribution to Special Welfare fund	89,349	89,349	89,349	-
Assistance - institutions	28,414	28,414	28,414	-
Total welfare	<u>\$ 10,609,818</u>	<u>\$ 9,862,589</u>	<u>\$ 9,771,480</u>	<u>\$ 91,109</u>
Total health and welfare	<u>\$ 11,023,318</u>	<u>\$ 10,293,467</u>	<u>\$ 10,188,370</u>	<u>\$ 105,097</u>

County of Franklin, Virginia  
 Schedule of Expenditures - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2009

<u>Fund, Function, Activity, and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>Primary Government: (Continued)</b>				
<b>General Fund: (Continued)</b>				
Education:				
Other instructional costs:				
Contribution to County School Board	\$ 26,529,150	\$ 28,114,958	\$ 26,734,619	\$ 1,380,339
Total education	<u>\$ 26,529,150</u>	<u>\$ 28,114,958</u>	<u>\$ 26,734,619</u>	<u>\$ 1,380,339</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Parks and recreation	\$ 1,194,653	\$ 1,655,953	\$ 1,181,426	\$ 474,527
Total parks and recreation	<u>\$ 1,194,653</u>	<u>\$ 1,655,953</u>	<u>\$ 1,181,426</u>	<u>\$ 474,527</u>
Library:				
Library administration	\$ 652,794	\$ 680,102	\$ 679,313	\$ 789
Westlake branch library	201,462	200,804	195,467	5,337
Total library	<u>\$ 854,256</u>	<u>\$ 880,906</u>	<u>\$ 874,780</u>	<u>\$ 6,126</u>
Total parks, recreation, and cultural	<u>\$ 2,048,909</u>	<u>\$ 2,536,859</u>	<u>\$ 2,056,206</u>	<u>\$ 480,653</u>
Community development:				
Planning and community development:				
Community development	\$ 726,004	\$ 741,729	\$ 578,665	\$ 163,064
Economic development	1,092,628	1,341,199	331,523	1,009,676
Tourism	100,000	170,120	170,116	4
Public works	338,906	349,542	305,811	43,731
GIS and mapping	265,634	288,838	196,062	92,776
4-H youth	7,500	7,500	7,500	-
IPR grant	150,000	-	-	-
Planning	227,414	292,146	225,094	67,052
Franklin career center	210,896	216,035	205,526	10,509
Contribution to Western Virginia Water Authority <sup>1</sup>	-	-	2,957,349	(2,957,349)
Contributions to other entities	176,975	177,975	162,975	15,000
Total planning and community development	<u>\$ 3,295,957</u>	<u>\$ 3,585,084</u>	<u>\$ 5,140,621</u>	<u>\$ (1,555,537)</u>
Environmental management:				
Contribution to soil and water district	\$ 236,150	\$ 236,150	\$ 217,043	\$ 19,107
Total environmental management	<u>\$ 236,150</u>	<u>\$ 236,150</u>	<u>\$ 217,043</u>	<u>\$ 19,107</u>
Cooperative extension program:				
Extension office	\$ 99,452	\$ 99,452	\$ 90,172	\$ 9,280
Total cooperative extension program	<u>\$ 99,452</u>	<u>\$ 99,452</u>	<u>\$ 90,172</u>	<u>\$ 9,280</u>
Total community development	<u>\$ 3,631,559</u>	<u>\$ 3,920,686</u>	<u>\$ 5,447,836</u>	<u>\$ (1,527,150)</u>
Nondepartmental:				
Contingencies	\$ 660,000	\$ 297,165	\$ 77,718	\$ 219,447
Total nondepartmental	<u>\$ 660,000</u>	<u>\$ 297,165</u>	<u>\$ 77,718</u>	<u>\$ 219,447</u>
Debt service:				
Principal retirement	\$ 2,753,602	\$ 2,753,602	\$ 2,753,602	\$ -
Interest and other fiscal charges	1,583,239	1,583,239	1,582,736	503
Bond issuance costs <sup>1</sup>	-	-	73,424	(73,424)
Total debt service	<u>\$ 4,336,841</u>	<u>\$ 4,336,841</u>	<u>\$ 4,409,762</u>	<u>\$ (72,921)</u>
Total General Fund	<u>\$ 69,503,741</u>	<u>\$ 74,954,367</u>	<u>\$ 70,559,274</u>	<u>\$ 4,395,093</u>

<sup>1</sup>Amounts not subject to appropriation

County of Franklin, Virginia  
 Schedule of Expenditures - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2009

<u>Fund, Function, Activity, and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>Primary Government: (Continued)</b>				
<b>County Capital Projects Fund:</b>				
Capital projects:				
Burn building	\$ 50,000	\$ 515,722	\$ 99,154	\$ 416,568
Development center renovations	-	125,887	11,425	114,462
Government center	-	7,341,698	3,178,251	4,163,447
Jail improvements	100,000	115,000	9,072	105,928
Landfill design and construction	1,840,000	7,110,459	425,632	6,684,827
Westlake library	-	89,551	80,637	8,914
Recreation park development	525,000	1,527,349	360,390	1,166,959
Public safety center	-	100,000	-	100,000
Roof replacement projects	-	92,393	-	92,393
School capital projects	1,348,876	-	-	-
Career center	-	202,144	201,527	617
Total capital projects	<u>\$ 3,863,876</u>	<u>\$ 17,220,203</u>	<u>\$ 4,366,088</u>	<u>\$ 12,854,115</u>
Total County Capital Projects Fund	<u>\$ 3,863,876</u>	<u>\$ 17,220,203</u>	<u>\$ 4,366,088</u>	<u>\$ 12,854,115</u>
<b>Special Revenue Fund:</b>				
<b>E-911 Fund:</b>				
Public safety:				
Other protection:				
E-911 Administration	\$ 1,054,147	\$ 1,113,020	\$ 1,059,994	\$ 53,026
Total other protection	<u>\$ 1,054,147</u>	<u>\$ 1,113,020</u>	<u>\$ 1,059,994</u>	<u>\$ 53,026</u>
Total public safety	<u>\$ 1,054,147</u>	<u>\$ 1,113,020</u>	<u>\$ 1,059,994</u>	<u>\$ 53,026</u>
Total E-911 Fund	<u>\$ 1,054,147</u>	<u>\$ 1,113,020</u>	<u>\$ 1,059,994</u>	<u>\$ 53,026</u>
<b>Capital Projects Fund:</b>				
<b>School Construction Fund</b>				
Capital projects:				
Capital projects expenditures:				
Capital projects expenditures	\$ -	\$ 9,624,130	\$ 8,418,403	\$ 1,205,727
Total capital projects	<u>\$ -</u>	<u>\$ 9,624,130</u>	<u>\$ 8,418,403</u>	<u>\$ 1,205,727</u>
Total School Construction Fund	<u>\$ -</u>	<u>\$ 9,624,130</u>	<u>\$ 8,418,403</u>	<u>\$ 1,205,727</u>
Total Primary Government	<u>\$ 74,421,764</u>	<u>\$ 102,911,720</u>	<u>\$ 84,403,759</u>	<u>\$ 18,507,961</u>
<b>Discretely Presented Component Unit - School Board:</b>				
<b>Special revenue funds:</b>				
<b>School Operating Fund:</b>				
Education:				
Administration of schools:				
Administration cost	\$ 2,339,968	\$ 2,339,968	\$ 2,361,349	\$ (21,381)
Total administration of schools	<u>\$ 2,339,968</u>	<u>\$ 2,339,968</u>	<u>\$ 2,361,349</u>	<u>\$ (21,381)</u>

County of Franklin, Virginia  
 Schedule of Expenditures - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2009

<u>Fund, Function, Activity, and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>Discretely Presented Component Unit - School Board: (Continued)</b>				
<b>Special revenue funds: (Continued)</b>				
<b>School Operating Fund: (Continued)</b>				
Education: (Continued)				
Instruction costs:				
Instruction cost	\$ 54,679,769	\$ 58,632,039	\$ 57,345,455	\$ 1,286,584
Total instruction costs	<u>\$ 54,679,769</u>	<u>\$ 58,632,039</u>	<u>\$ 57,345,455</u>	<u>\$ 1,286,584</u>
Operating costs:				
Pupil transportation	\$ 6,594,734	\$ 6,594,734	\$ 6,349,654	\$ 245,080
Operation and maintenance of school plant	8,126,377	8,126,377	7,225,760	900,617
School food and non-instructional	3,989,818	3,989,818	4,114,352	(124,534)
Facilities	2,377,152	2,377,152	1,748,601	628,551
Total operating costs	<u>\$ 21,088,081</u>	<u>\$ 21,088,081</u>	<u>\$ 19,438,367</u>	<u>\$ 1,649,714</u>
Total education	<u>\$ 78,107,818</u>	<u>\$ 82,060,088</u>	<u>\$ 79,145,171</u>	<u>\$ 2,914,917</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 78,107,818</u>	<u>\$ 82,060,088</u>	<u>\$ 79,145,171</u>	<u>\$ 2,914,917</u>

Note 1: School Board appropriations occur at the fund level

## **STATISTICAL SECTION**

## Statistical Section

<u>Contents</u>	<u>Tables</u>
<b>Financial Trends</b> These tables contain trend information to help the reader understand how the the County's financial performance and well-being have changed over time.	1 - 5
<b>Revenue Capacity</b> These tables contain information to help the reader assess the factors affecting the County's ability to generate its property and sales taxes.	6 - 9
<b>Debt Capacity</b> These tables present information to help the reader assess the affordability of the County's current levels of outstanding debt and the County's ability to issue debt in the future.	10 - 13
<b>Demographic and Economic Information</b> These tables offer demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place and to help make comparisons over time and with other governments.	14 - 15
<b>Operating Information</b> These tables contain information about the County's operations and resources to help the reader understand how the County's financial information relate to the services the County provides and the activities it performs.	16 - 18

*Sources:* Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial reports for the relevant year. The County implemented GASB Statement 34 in fiscal year 2003; schedules presenting government-wide information include information beginning in that year.

COUNTY OF FRANKLIN, VIRGINIA

Table 1

Net Assets by Component  
Last Seven Fiscal Years  
(*accrual basis of accounting*)

	2003	2004	2005	2006	2007	2008	2009
<b>Governmental activities</b>							
Invested in capital assets, net of related debt	13,158,358	16,145,464	16,433,828	13,464,803	13,726,563	21,996,912	31,550,576
Restricted	-	134,201	200,123	174,252	6,853,227	211,128	159,656
Unrestricted	18,036,357	17,381,645	21,556,678	32,261,985	28,812,760	31,307,246	24,972,606
<b>Total governmental activities net assets</b>	<b>31,194,715</b>	<b>33,661,310</b>	<b>38,190,629</b>	<b>45,901,040</b>	<b>49,392,550</b>	<b>53,515,286</b>	<b>56,682,838</b>
<b>Business-type activities</b>							
Invested in capital assets, net of related debt	-	551,803	628,315	1,547,373	1,724,684	3,027,372	1,640,981
Restricted	-	-	-	-	-	-	-
Unrestricted	-	(315,892)	1,667,338	1,758,683	1,916,298	1,303,504	721,629
<b>Total business-type activities net assets</b>	<b>-</b>	<b>235,911</b>	<b>2,295,653</b>	<b>3,306,056</b>	<b>3,640,982</b>	<b>4,330,876</b>	<b>2,362,610</b>
<b>Primary government</b>							
Invested in capital assets, net of related debt	13,158,358	16,697,267	17,062,143	15,012,176	15,451,247	25,024,284	33,191,557
Restricted	-	134,201	200,123	174,252	6,853,227	211,128	159,656
Unrestricted	18,036,357	17,065,753	23,224,016	34,020,668	30,729,058	32,610,750	25,694,235
<b>Total primary government net assets</b>	<b>31,194,715</b>	<b>33,897,221</b>	<b>40,486,282</b>	<b>49,207,096</b>	<b>53,033,532</b>	<b>57,846,162</b>	<b>59,045,448</b>

Note: Accrual-basis financial information is available back to fiscal year 2003 when the County implemented GASB 34

COUNTY OF FRANKLIN, VIRGINIA

Changes in Net Assets  
Last Seven Fiscal Years  
(accrual basis of accounting)

	2003	2004	2005	2006	2007	2008	2009
<b>Expenses</b>							
Governmental activities:							
General government	2,715,918	2,991,740	3,004,469	3,463,168	4,157,343	4,042,082	4,027,157
Judicial administration	1,628,330	1,891,174	1,970,309	3,326,151	2,160,555	2,475,749	2,670,402
Public safety	6,987,025	7,759,941	8,205,130	8,464,171	10,347,921	12,508,248	12,737,913
Public works	1,609,720	1,290,295	2,012,628	986,891	1,982,292	3,370,469	3,135,781
Health and welfare	5,772,246	7,107,058	7,486,945	8,070,657	9,732,455	9,324,129	9,962,103
Education	21,540,338	21,027,314	23,380,369	24,078,623	28,332,013	25,784,294	29,621,387
Parks, recreation and cultural	1,045,509	976,713	1,078,612	1,284,696	1,656,664	1,916,529	2,310,267
Community development	3,363,765	2,545,117	1,706,253	1,887,256	3,873,631	4,757,659	5,190,199
Interest on long-term debt	1,084,452	988,256	943,084	1,274,457	1,435,334	1,161,205	1,541,431
Total governmental activities expenses	45,757,303	46,577,608	49,787,799	52,836,070	63,678,208	65,340,364	71,186,640
Business-type activities:							
Water	-	480,817	60,868	413,450	581,355	428,708	2,630,752
Total business-type activities expenses	-	480,817	60,868	413,450	581,355	428,708	2,630,752
Total primary government expenses	45,757,303	47,058,425	49,848,667	53,249,520	64,259,563	65,769,072	73,817,392
<b>Program Revenues</b>							
Governmental activities:							
Charges for services:							
General government	43,924	380,442	313,868	788,901	45,684	22,205	16,548
Judicial administration	56,304	451,852	508,486	463,421	1,317,116	1,54,556	122,518
Public safety	685,487	811,993	919,688	920,146	947,685	1,297,973	1,276,255
Public works	26,059	184,900	180,009	19,005	25,398	891,595	665,917
Health and welfare	45,783	72,615	84,531	86,633	-	22,513	16,737
Education	18,382	149,187	-	293,449	85,315	140,640	114,806
Parks, recreation and cultural	8,351,117	9,471,293	9,286,324	10,348,984	11,965,531	195,433	97,971
Community development	-	592,704	832,018	412,417	854,268	12,126,502	12,047,519
Operating grants and contributions	9,227,056	12,115,016	12,310,062	13,332,956	15,727,545	3,733,498	2,003,393
Capital grants and contributions	-	-	-	-	-	-	-
Total governmental activities program revenues	9,227,056	12,115,016	12,310,062	13,332,956	15,727,545	18,584,915	16,361,664
Business-type activities:							
Charges for services:							
Water	-	6,325	37,496	333,003	145,464	466,359	190,471
Capital grants and contributions	-	158,600	915,400	422,022	141,761	18,200	63,055
Total business-type activities program revenues	-	164,925	952,896	755,025	287,225	484,559	253,526
Total primary government program revenues	9,227,056	12,279,941	13,262,958	14,087,981	16,014,770	19,069,474	16,615,190

COUNTY OF FRANKLIN, VIRGINIA

Changes in Net Assets  
Last Seven Fiscal Years

(accrual basis of accounting)

	2003	2004	2005	2006	2007	2008	2009
Net (expense) / revenue							
Governmental activities	(36,530,247)	(34,462,592)	(37,477,737)	(39,503,114)	(47,950,663)	(46,755,449)	(54,824,976)
Business-type activities	-	(315,892)	892,028	341,575	(294,130)	55,851	(2,377,226)
Total primary government net expense	(36,530,247)	(34,778,484)	(36,585,709)	(39,161,539)	(48,244,793)	(46,699,598)	(57,202,202)
<b>General Revenues and Other Changes in Net Assets</b>							
Governmental activities:							
Taxes							
Property taxes	22,839,897	23,919,026	28,631,256	30,887,533	32,824,967	34,255,431	43,374,361
Local sales and use taxes	-	3,468,199	3,795,054	4,163,629	4,242,805	4,153,451	3,742,268
Taxes on recordation and wills	-	474,457	917,206	993,726	842,747	658,226	581,797
Motor vehicle licenses taxes	-	1,195,147	1,237,090	1,265,605	1,279,225	1,270,653	1,227,296
Consumer utility taxes	-	2,412,622	2,427,461	2,468,539	1,715,239	964,500	969,161
Business licenses taxes	-	3,922	3,394	4,261	4,998	4,697	4,444
Other local taxes	8,437,529	1,640,641	1,758,704	2,078,429	2,975,802	3,789,514	3,522,927
Permits, privilege fees and regulatory licenses	443,193	-	-	-	-	-	-
Unrestricted grants and contributions	3,330,174	3,462,993	2,973,473	3,579,663	5,351,267	3,241,483	3,134,606
Unrestricted revenues from use of money and property	444,966	325,696	610,065	1,293,731	2,532,079	1,520,629	1,578,534
Miscellaneous	635,270	578,287	793,590	1,122,032	356,373	345,570	257,613
Transfers	36,045	(271,507)	(1,140,237)	(643,621)	(347,878)	(599,373)	(400,479)
Total governmental activities	36,167,074	37,209,483	42,007,056	47,213,527	51,777,624	49,604,781	57,992,528
Business-type activities:							
Unrestricted grants and contributions	-	-	-	-	137,663	-	-
Transfers	-	271,507	1,140,237	643,621	347,878	599,373	400,479
Unrestricted revenues from use of money and property	-	-	27,477	25,207	21,332	15,158	8,481
Total business-type activities	-	271,507	1,167,714	668,828	506,873	614,531	408,960
Total primary government	36,167,074	37,480,990	43,174,770	47,882,355	52,284,497	50,219,312	58,401,488
<b>Change in Net Assets</b>							
Governmental activities	(363,173)	2,746,891	4,529,319	7,710,413	3,826,961	2,849,332	3,167,552
Business-type activities	-	(44,385)	2,059,742	1,010,403	212,743	670,382	(1,968,266)
Total primary government	(363,173)	2,702,506	6,589,061	8,720,816	4,039,704	3,519,714	1,199,286

Note: Accrual-basis financial information is available back to fiscal year 2003 when the County implemented GASB 34

COUNTY OF FRANKLIN, VIRGINIA

Fund Balances of Governmental Funds  
 Last Ten Fiscal Years  
 (modified accrual basis of accounting)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General fund										
Reserved	17,196,618	19,109,944	18,485,155	-	11,379	33,436	85,811	221,133	211,128	159,656
Unreserved	17,196,618	19,109,944	18,485,155	18,756,057	19,026,439	23,649,911	35,092,881	31,908,499	17,790,397	16,769,417
Total general fund	17,196,618	19,109,944	18,485,155	18,756,057	19,037,818	23,683,347	35,178,692	32,129,632	18,001,525	16,929,073
All other governmental funds										
Reserved	-	-	-	-	122,822	2,237,117	88,441	6,632,094	-	5,049,690
Unreserved, reported in:										
Special revenue funds	137,428	136,330	45,496	288,363	-	-	-	-	14,127	51,955
Capital projects funds	2,862,106	2,808,993	2,639,442	1,129,671	627,965	556,871	-	-	21,980,834	11,665,266
Total all other governmental funds	2,999,534	2,945,323	2,684,938	1,418,034	750,787	2,793,988	88,441	6,632,094	21,994,961	16,766,911

COUNTY OF FRANKLIN, VIRGINIA

Table 4

Changes in Fund Balances of Governmental Funds  
Last Ten Fiscal Years  
(modified accrual basis of accounting)

Note: FY 2006 and prior years include the Component Unit School Board

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
<b>Revenues</b>										
General property taxes	18,299,563	20,400,584	20,776,235	22,799,617	23,728,713	28,585,380	30,816,386	32,707,564	33,729,192	43,289,214
Other local taxes	6,756,077	7,616,475	7,738,185	8,437,529	9,194,988	10,138,909	10,974,189	691,500	10,841,041	10,047,893
Permits, privilege fees and regulatory licenses	325,306	315,694	342,874	443,193	535,956	620,966	764,826	691,500	573,664	413,467
Fines and forfeitures	5,884	8,922	6,009	5,488	26,594	23,516	16,968	16,378	10,082	10,082
Revenue from use of money and property	1,129,429	1,828,072	983,815	459,049	335,508	626,119	1,319,687	2,532,079	1,520,629	1,578,534
Charges for services	2,209,296	2,173,111	2,161,503	2,287,154	2,988,197	3,164,906	3,628,164	2,199,868	2,140,479	1,887,203
Miscellaneous	746,410	938,870	941,233	1,117,340	1,100,148	1,329,195	1,750,210	371,305	345,570	257,613
Recovered costs	1,027,833	619,277	828,401	656,811	1,194,949	907,568	1,782,271	731,213	905,027	744,082
Intergovernmental:										
Commonwealth	32,153,858	35,347,353	36,032,514	36,231,910	38,803,598	42,650,111	45,471,062	14,723,153	15,740,896	13,002,863
Federal	5,315,848	5,744,328	6,047,396	6,452,040	7,229,534	8,668,290	9,135,829	3,432,981	3,360,587	4,182,655
Total revenues	67,969,504	74,992,686	75,858,165	78,870,131	85,118,185	96,714,960	105,661,612	58,097,541	69,167,857	75,413,606
<b>Expenditures</b>										
General government administration	2,293,779	2,281,829	2,441,919	2,707,339	2,971,402	3,491,287	3,591,991	3,939,015	3,532,252	3,678,190
Judicial administration	1,420,223	1,462,185	1,719,941	1,692,142	1,929,484	2,014,628	2,082,436	2,214,118	2,517,127	2,647,224
Public safety	5,727,227	6,772,877	6,796,796	7,093,902	7,956,964	8,012,239	10,499,222	11,125,314	11,504,555	13,619,580
Public works	1,070,664	1,576,674	1,759,923	1,723,695	2,131,223	2,024,491	2,567,643	3,763,333	2,324,278	2,759,763
Health and welfare	4,808,838	5,183,115	5,578,251	5,851,028	7,083,647	7,472,930	8,383,152	9,685,059	9,772,708	10,188,370
Education	44,489,647	48,402,552	50,477,643	52,026,264	54,975,876	61,488,183	66,045,924	25,640,822	25,084,649	26,734,619
Parks, recreation and cultural	1,022,702	1,068,034	945,366	1,224,957	2,393,733	2,019,168	1,616,131	2,300,706	1,643,257	2,056,206
Community development	840,493	907,132	1,370,015	3,545,022	2,963,825	1,818,675	1,765,265	8,510,072	2,415,467	5,447,836
Nondepartmental								40,097	58,879	77,718
Capital projects	4,623,355	8,903,737	4,561,691	778,025	-	619,332	3,265,505	521,917	10,981,071	12,784,491
Debt service										
Principal	2,372,360	9,769,940	2,783,178	2,233,556	1,985,865	1,806,075	1,848,143	2,076,767	6,004,140	2,753,602
Interest and other fiscal charges	1,198,965	1,042,306	1,276,851	1,126,740	1,026,506	961,179	1,035,008	1,232,658	1,364,839	1,582,736
Bond issuance costs	-	-	-	-	-	-	-	-	69,069	73,424
Total expenditures	69,868,253	87,390,381	79,711,574	80,002,670	85,418,525	91,728,187	102,700,420	71,049,878	77,272,519	84,403,759
Excess of revenues over (under) expenditures	(1,898,749)	(12,397,695)	(3,853,409)	(1,132,539)	(300,340)	4,986,773	2,961,192	(12,952,337)	(8,104,662)	(8,980,153)
Other financing sources (uses)										
Transfers in	-	-	-	-	604,185	416,279	807,277	1,094,447	6,993,301	7,635,878
Transfers out	-	-	-	-	(875,692)	(1,556,516)	(1,450,896)	(1,442,325)	(7,582,674)	(8,036,357)
Bonds issued	10,900,000	6,853,636	1,060,611	-	-	2,689,762	6,500,000	6,573,600	9,938,795	2,905,000
Premium on debt issuance	-	-	-	-	-	-	-	187,343	-	130,152
Capital leases	-	-	-	-	272,235	234,024	234,332	-	-	54,978
Sale of capital assets	10,589	10,275	-	-	-	-	-	-	-	-
Total other financing sources (uses)	10,910,589	6,863,911	1,060,611	-	728	1,783,549	6,090,713	6,413,065	9,339,422	2,689,651
Net change in fund balances	9,011,840	(5,533,784)	(2,792,799)	(1,132,539)	(299,612)	6,770,322	9,051,905	(6,539,272)	1,234,760	(6,300,502)
Debt service as a percentage of noncapital expenditures	6%	16%	6%	4%	4%	3%	3%	5%	12%	7%
Total Debt Service Expenditures	3,571,325	10,812,246	4,060,029	3,360,296	3,012,371	2,767,254	2,883,151	3,309,425	7,368,979	4,336,338
Total Governmental Funds Expenditures	61,673,573	67,674,398	71,089,854	75,864,349	82,406,154	88,341,601	96,551,764	67,218,536	62,128,684	66,426,791

General Governmental Tax Revenues by Source  
 Last Ten Fiscal Years  
 (modified accrual basis of accounting)

<b>Fiscal Year</b>	<b>Property Tax</b>	<b>Local sales and use Tax</b>	<b>Consumer Utility Tax</b>	<b>Motor Vehicle License Tax</b>	<b>Record-ation and Wills Tax</b>	<b>Business License Tax</b>	<b>Total</b>
2009	43,289,214	3,742,268	969,161	1,227,296	581,797	4,444	49,814,180
2008	33,729,192	4,153,451	964,500	1,270,653	658,226	NA	40,776,022
2007	32,707,564	4,242,805	1,715,239	1,279,225	842,747	NA	40,787,580
2006	30,818,386	4,163,629	1,880,168	1,265,605	993,726	NA	39,121,514
2005	28,585,380	3,795,054	2,231,212	1,237,090	917,206	NA	36,765,942
2004	23,728,713	3,468,199	2,220,250	1,195,147	474,457	NA	31,086,766
2003	22,799,617	3,219,293	1,963,300	1,161,540	406,001	NA	29,549,751
2002	20,776,235	3,285,950	1,772,190	928,387	320,890	NA	27,083,652
2001	20,400,584	3,364,569	1,799,513	904,076	238,917	NA	26,707,659
2000	18,299,563	2,892,372	1,537,038	870,657	206,476	NA	23,806,106

COUNTY OF FRANKLIN, VIRGINIA

Table 6

Assessed Value and Estimated Actual Value of Taxable Property  
Last Ten Fiscal Years

Fiscal Year	Real Estate/ Mobile Homes	Personal Property	Merchants' Capital	Machinery & Tools	Public Service	Total Taxable Assessed Value
2009	7,495,611,081	502,466,388	68,422,417	77,815,711	148,209,734	8,292,525,331
2008	5,312,089,342	472,049,385	70,569,752	74,111,761	97,234,892	6,026,055,132
2007	4,807,045,787	510,854,136	76,847,910	62,916,661	102,235,038	5,559,899,532
2006	4,585,493,371	471,380,050	65,344,989	60,749,046	116,612,320	5,299,579,776
2005	4,382,613,489	424,712,961	56,610,940	51,162,556	123,952,019	5,039,051,965
2004	3,020,413,294	405,063,547	55,518,495	55,576,183	114,165,109	3,650,736,628
2003	2,889,431,935	390,942,638	53,583,066	53,638,744	114,645,858	3,502,242,241
2002	2,746,712,053	393,899,206	53,988,297	54,044,396	119,385,761	3,368,029,713
2001	2,652,573,388	369,796,503	50,684,752	50,737,417	117,823,499	3,241,615,559
2000	2,235,349,548	347,790,790	47,668,622	47,718,154	96,965,856	2,775,492,970

Fiscal Year	Real Property Total Direct Tax Rate	Personal Property Tax Rate	Merchants' Capital Tax Rate	Machinery and Tools Tax Rate	Total Direct Rate (Weighted Average)	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
2009	0.46	1.89	1.08	0.60	0.55	8,027,547,143	103.30%
2008	0.53	1.67	1.08	0.54	0.63	5,633,589,940	106.97%
2007	0.53	1.67	1.08	0.54	0.64	5,473,576,675	101.58%
2006	0.53	1.67	1.08	0.60	0.64	5,247,621,108	100.99%
2005	0.52	1.67	1.08	0.54	0.62	4,862,156,452	103.64%
2004	0.60	1.67	1.08	0.54	0.73	3,570,721,262	102.24%
2003	0.60	1.67	1.08	0.54	0.73	3,402,529,942	102.93%
2002	0.55	1.67	1.08	0.54	0.69	3,317,207,813	101.53%
2001	0.55	1.67	1.08	0.54	0.69	3,080,072,572	105.24%
2000	0.55	1.67	1.08	0.54	0.70	2,677,432,837	103.66%

Source: Commissioner of Revenue

Property Tax Rates (1)  
 Direct and Overlapping Governments  
 Last Ten Fiscal Years

Fiscal Years	Direct Rates				Total Direct Rate Weighted Average	Overlapping Rates Town of Rocky Mount	
	Real Estate	Personal Property	Machinery and Tools	Merchant's Capital		Real Estate	Personal Property
2009	0.46	1.89	0.60	1.08	0.55	0.12	0.51
2008	0.53	1.67	0.54	1.08	0.63	0.12	0.51
2007	0.53	1.67	0.54	1.08	0.64	0.14	0.51
2006	0.53	1.67	0.60	1.08	0.64	0.14	0.51
2005	0.52	1.67	0.54	1.08	0.62	0.11	0.51
2004	0.60	1.67	0.54	1.08	0.73	0.12	0.51
2003	0.60	1.67	0.54	1.08	0.73	0.12	0.51
2002	0.55	1.67	0.54	1.08	0.69	0.12	0.51
2001	0.55	1.67	0.54	1.08	0.69	0.12	0.51
2000	0.55	1.67	0.54	1.08	0.70	0.12	0.51

(1) Per \$100 of assessed value

Source: Franklin County Commissioner of Revenue, Town of Rocky Mount Finance Department

**COUNTY OF FRANKLIN, VIRGINIA**

**Table 8**

Principal Property Taxpayers  
Current Year and the Period Nine Years Prior

Taxpayer	Type Business	Fiscal Year 2009		Fiscal Year 2000	
		Assessed Valuation (Millions)	% of Total Assessed Valuation	Assessed Valuation (Millions)	% of Total Assessed Valuation
American Electric Power	Electric Utility	105	1.41%	48	2.15%
Franklin Real Estate Company	Real Estate	48	0.64%	18	0.81%
Bridgewater Pointe Partners LLC	Real Estate	38	0.51%		
Central Telephone Company	Telephone Utility	32	0.43%	24	1.07%
Lake Watch LLC	Real Estate	22	0.30%		
Willard Construction Company	Construction	17	0.23%	17	0.76%
Windstar Properties LLC	Real Estate	16	0.21%		
RKL Holdings	Real Estate	16	0.21%		
Bayview Holdings LLC	Real Estate	15	0.20%		
Edward C. Park, III	Real Estate	12	0.16%		
Southgate Associates II LLP	Shopping Center			7	0.31%
Wal Mart	Retail			7	0.31%
MW Manufacturers Inc.	Manufacturing			8	0.36%
Lane Company	Manufacturing			8	0.36%
Snyder Hunt Corporation	Real Estate			5	0.22%
Fleetwood Homes of Virginia	Manufacturing			5	0.22%
		<u>321</u>	<u>4.31%</u>	<u>147</u>	<u>6.58%</u>

Source: Franklin County Commissioner of Revenue

Table 9

COUNTY OF FRANKLIN, VIRGINIA

Property Tax Levies and Collections  
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2009	43,103,676	41,569,680	96.44%	-	41,569,680	96.44%
2008	36,542,153	35,370,019	96.79%	1,096,252	36,466,271	99.79%
2007	35,220,150	34,085,239	96.78%	1,062,355	35,147,594	99.79%
2006	33,219,244	32,075,823	96.56%	1,083,167	33,158,990	99.82%
2005	30,889,511	29,883,296	96.74%	943,797	30,827,093	99.80%
2004	26,061,495	25,699,189	98.61%	255,102	25,954,291	99.59%
2003	24,944,600	24,233,719	97.15%	649,080	24,882,799	99.75%
2002	22,712,734	22,406,720	98.65%	211,494	22,618,214	99.58%
2001	21,541,571	20,959,641	97.30%	524,977	21,484,618	99.74%
2000	18,818,283	18,390,955	97.73%	368,492	18,759,447	99.69%

Source: Commissioner of Revenue, County Treasurer's office

Table 10

COUNTY OF FRANKLIN, VIRGINIA

Ratios of Outstanding Debt by Type  
Last Ten Fiscal Years

Fiscal Years	Governmental Activities			Business-Type Activities			Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Literary Fund Loans	Other Notes/Bonds	General Obligation Bonds	Capital Leases	Capital Leases			
2009	30,874,271	5,544,000	447,652	-	-	-	37,655,605	0.08%	713
2008	29,817,038	6,157,750	339,273	2,135,700	-	-	39,413,512	0.07%	755
2007	25,905,826	6,771,500	358,129	2,285,700	-	-	35,647,712	0.08%	698
2006	20,667,755	7,385,250	180,274	2,429,600	-	-	38,502,175	0.07%	769
2005	15,151,697	8,072,000	189,762	2,567,600	-	-	26,378,224	0.10%	530
2004	13,490,375	8,792,200	-	2,700,000	-	-	25,392,913	0.10%	518
2003	14,409,416	9,512,400	-	-	-	-	24,406,543	0.10%	501
2002	12,289,500	10,301,500	-	-	-	-	24,500,324	0.10%	511
2001	13,463,179	11,122,900	-	-	-	-	24,957,751	0.09%	528
2000	11,629,703	19,456,800	-	-	-	-	31,278,971	0.07%	680

Note: Details regarding the County's outstanding debt can be found in the note 8 in the notes to the financial statements.

(1) See the Schedule of Demographic and Economic Statistics - Table 13

Ratio of Net General Bonded Debt to  
Assessed Value and Net Bonded Debt Per Capita  
Last Ten Fiscal Years

<b>Fiscal Year</b>	<b>Gross Bonded Debt</b>	<b>Less: Amounts Reserved for Debt Service</b>	<b>Gross and Net Bonded Debt (3)</b>	<b>Ratio of Net General Obligation Debt to Assessed Value (2)</b>	<b>Net Bonded Debt per Capita (1)</b>
2009	36,418,271	-	36,418,271	0.44%	689.20
2008	36,938,539	-	36,938,539	0.61%	707.61
2007	33,003,883	-	33,003,883	0.59%	645.84
2006	28,507,051	-	28,507,051	0.54%	569.00
2005	23,223,697	-	23,223,697	0.46%	466.89
2004	22,282,575	-	22,282,575	0.61%	454.75
2003	23,921,816	-	23,921,816	0.68%	491.21
2002	25,685,437	-	25,685,437	0.76%	535.93
2001	27,990,991	-	27,990,991	0.86%	591.95
2000	31,086,503	-	31,086,503	1.12%	675.79

(1) Population data can be found in the Schedule of Demographic and Economic Statistics - Table 13

(2) See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property - Table 6

(3) Includes all long-term general obligation bonded debt, Literary Fund Loans, excludes revenue bonds, capital leases, and compensated absences.

(4) Literary loans are considered bonded indebtedness.

Direct and Overlapping Governmental Activities Debt  
As of June 30, 2009

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable (1)</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes: Town of Rocky Mount	10,926,856	100%	<u>\$ 10,926,856</u>
Subtotal, overlapping debt			<u>\$ 10,926,856</u>
County of Franklin, direct debt			<u>\$ 36,418,271</u>
Total direct and overlapping debt			<u><u>\$ 47,345,127</u></u>

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the County. This table estimates the portion of the outstanding debt of those overlapping government's that is borne by the residents and businesses of the County of Franklin. This process recognizes that, when considering the County's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident and therefore responsible for repaying the debt, of each overlapping government.

(1) The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the Town's taxable assessed value that is within the government's boundaries and dividing it by the Town's total taxable assessed value.

COUNTY OF FRANKLIN, VIRGINIA

Legal Debt Margin Information  
Last Ten Fiscal Years

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Debt limit	223,534,955	265,257,339	274,671,205	288,943,194	302,041,329	438,261,349	458,549,337	480,704,579	531,208,934	749,561,108
Total net debt applicable to limit	31,086,503	27,990,991	25,685,437	23,921,816	22,282,575	23,223,697	28,507,051	32,677,326	36,938,539	36,418,271
Legal debt margin	192,448,452	237,266,348	248,985,768	265,021,378	279,758,754	415,037,652	430,042,286	448,027,253	494,270,395	713,142,837
Total net debt applicable to the limit as a percentage of debt limit	13.91%	10.55%	9.35%	8.28%	7.38%	5.30%	6.22%	6.80%	6.95%	4.86%

Legal Debt Margin Calculation for Fiscal Year 2009

Assessed value of real estate	7,495,611,081
Debt limit (10% of total assessed value)	749,561,108
Net debt applicable to limit	36,418,271
Legal debt margin	713,142,837

Demographic and Economic Statistics  
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Population</u>	<u>Per Capita Personal Income</u>	<u>Total Personal Income</u>	<u>Median Age</u>	<u>School Enrollment</u>	<u>Unemployment Rate</u>
2009	52,841	\$ 28,893	\$ 1,455,109	40	7,166	8.40%
2008	52,202	28,893	1,455,109	40	7,183	4.70%
2007	51,102	27,082	1,383,935	40	7,305	3.80%
2006	50,100	26,622	Not Available	40	7,183	2.80%
2005	49,741	25,249	"	40	7,103	3.60%
2004	49,000	25,249	"	Not Available	7,096	3.60%
2003	48,700	24,727	"	"	7,114	4.50%
2002	47,927	24,089	"	"	7,031	6.20%
2001	47,286	23,436	"	"	7,039	5.30%
2000	46,000	22,074	"	"	7,044	4.30%

Source: Weldon Cooper Center, Annual school report - prepared by the County School Board, [www.fedstats.gov](http://www.fedstats.gov)  
Bureau of Economic Analysis

Principal Employers  
Current Year and Nine Years Ago

Employer	Fiscal Year 2009			Fiscal Year 2000		
	Employees	Rank	% of Total County Employment	Employees	Rank	% of Total County Employment
Franklin County Public Schools	1,097	1	4.02%	1,281	1	5.36%
MW Manufacturers, Inc	1,000	2	3.67%	1,200	2	5.02%
Wal-Mart	400	3	1.47%	361	5	1.51%
Franklin County	328	4	1.20%	250	9	1.05%
Trinity Packaging, Inc.	300	5	1.10%			
Ronile. Inc.	300	6	1.10%	350	6	1.46%
Carilion Franklin Memorial Hospital	270	7	0.99%	270	8	1.13%
Uttermost Company	168	8	0.62%	150	10	0.63%
The Willard Companies						
Mod-U-Kraf Homes, Inc.	100	9	0.37%			
Fleetwood Homes of Virginia	65	10	0.24%	436	4	1.82%
Cooper Wood Products				308	7	1.29%
Lane Company				500	3	2.09%
<b>Totals</b>	<u>4,028</u>		<u>15.43%</u>	<u>5,106</u>		<u>19.55%</u>

Source: Individual companies

COUNTY OF FRANKLIN, VIRGINIA

Table 16

Full-time Equivalent County Government Employees by Function  
 Last Nine Fiscal Years  
 (Data not available prior to June 30, 2001)

Function	Full-time Equivalent Employees as of June 30								
	2001	2002	2003	2004	2005	2006	2007	2008	2009
General Government									
Legislative	7	7	7	7	7	7	7	7	7
General and financial administration	30	30	30	30	31	31	34	36	36
Judicial Administration									
Courts	10	10	10	11	13	13	11	11	11
Clerk of Court	10	10	10	9	9	9	10	11	11
Commonwealth Attorney	6	6	6	8	7	7	7	8	8
Public Safety									
Sheriffs department	54	54	54	54	41	43	44	41	38
Correction and Detention	26	26	26	26	26	27	32	35	37
Building inspections	6	6	6	6	7	7	8	8	7
Animal control	3	3	3	3	3	3	4	4	4
Public Safety E911	8	8	8	8	13	16	24	24	24
	1	1	1	1	14	14	14	14	14
Public Works									
Solid Waste	13	13	13	13	13	14	16	16	16
General buildings and grounds	4	4	4	4	4	5	8	8	7
Public Works					2	3	4	4	4
Health and Welfare									
Department of social services	54	54	54	61	61	61	61	62	62
CSA	1	1	1	1	1	2	2	2	2
Family Resources	5	6	6	6	6	6	6	5	5
Aging Services	3	3	3	3	3	3	2	2	2
Recreation and Cultural									
Parks and recreation	7	7	7	7	7	8	10	10	10
Library	5	5	5	5	5	6	6	8	8
Community Development									
GIS and Mapping							2	2	2
Economic Development						1	1	1	1
Work Force Consortium	2	2	2	2	2	2	3	3	3
Planning	4	5	5	5	8	8	11	11	9
Totals	259	261	261	270	283	296	327	333	328

Source: Franklin County Adopted Budgets

Operating Indicators by Function  
 Last Six Fiscal Years  
 (Information not available prior to June 30, 2004)

Function	Fiscal Year					
	2004	2005	2006	2007	2008	2009
General and financial administration						
<b>Commissioner of Revenue:</b>						
Personal Property tax assessments					98,719	106,470
<b>Information Technology:</b>						
Tech support (In Days)	11.4	9.3	4.5	4.5	3	5
<b>Voter Registrar:</b>						
Number of Registered Voters	28,020	29,769	30,170	31,413	31,892	34,003
Judicial Administration						
<b>Clerk of Court:</b>						
Criminal Cases Commenced		1,902	1,927	1,817	1,704	2,250
Deeds Recorded		15,808	14,234	12,736	11,033	10,832
Public safety						
<b>Sheriffs department:</b>						
Calls for service	15,000	15,707	16,000	26,047	19,501	18,877
<b>Fire and rescue:</b>						
Number of fire calls		1,074	1,298	1,225	1,348	1,115
Number of rescue calls		3,509	4,057	4,254	4,679	5,989
Fire Investigations	54	81	118	165	182	132
<b>Building inspections:</b>						
Permits issued	1,656	1,569	1,552	1,358	1,018	1,042
Total Value of Permits						133,737,342
Public works						
<b>Landfill:</b>						
Refuse collected (tons)	60,652	59,698	61,866	61,367	59,842	55,491
Health and Welfare						
<b>CSA:</b>						
Case Load - Number of Children	132	167	177	242	260	279
<b>Aging Services:</b>						
Transportation Clients		490	894	1,104	572	553
Culture and recreation						
<b>Parks and recreation:</b>						
Sports registration/classes	4,406	4,566	4,655	4,700	4,566	5,746
Shelter reservations	269	283	250	252	283	301
Park Acreage	692	692	692	692	692	696
<b>Library:</b>						
Program Attendance					22,806	24,928
Circulation					180,738	191,267
Community development						
<b>Planning and Community Development:</b>						
Zoning permits issued					816	941
Component Unit - School Board						
<b>Education:</b>						
Local expenditures per pupil	3,245	3,407	3,523	3,569	3,995	4,326

Source: Individual county departments and the Franklin County School Board

COUNTY OF FRANKLIN, VIRGINIA

Table 18

Capital Asset Statistics by Function  
Last Ten Fiscal Years

Function	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General government Administration buildings	1	1	1	1	1	1	1	1	1	1
Judicial Administration Courthouses	1	1	1	1	1	1	1	1	1	1
Public safety Sheriffs department: Patrol units	58	58	58	58	58	58	58	58	58	58
Building inspections: Vehicles	5	5	5	5	5	5	5	6	6	6
Animal control: Vehicles	3	3	3	3	3	3	3	3	3	3
Public Safety: Fire Stations	10	10	10	10	10	10	10	10	10	10
Public works Landfill: Collection Trucks Green Box Sites	7 74									
Health and welfare Department of Social Services: Vehicles	8	8	8	8	8	8	8	8	8	8
Culture and recreation Parks and recreation: Parks Libraries	9 1	9 2	9 2							
Component Unit - School Board Education: Schools School buses	14 162									

Source: Individual county departments

## **COMPLIANCE SECTION**

# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

## 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 Members of the Board  
County of Franklin, Virginia  
Rocky Mount, Virginia

We have audited the financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Franklin, Virginia as of and for the year ended June 30, 2009, which collectively comprise the County of Franklin, Virginia's basic financial statements and have issued our report thereon dated December 3, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the Specifications for Audits of Counties, Cities and Towns, issued by the Auditor of Public Accounts of the Commonwealth of Virginia; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County of Franklin, Virginia's internal control over financial reporting as a basis for designing our auditing procedures 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 of Franklin, Virginia's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County of Franklin, Virginia's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County of Franklin, Virginia's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County of Franklin, Virginia's financial statements that is more than inconsequential will not be prevented or detected by the County of Franklin, Virginia's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County of Franklin, Virginia's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Franklin, Virginia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the

determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the County of Franklin, Virginia in a separate letter dated December 3, 2009.

This report is intended solely for the information and use of members of the Board, management, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Robinson, Fauser, Cox Associates*

Christiansburg, Virginia  
December 3, 2009

# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

## REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

---

To the Members of the Board  
County of Franklin, Virginia  
Rocky Mount, Virginia

### Compliance

We have audited the compliance of the County of Franklin, Virginia with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The County of Franklin, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of County of Franklin, Virginia's management. Our responsibility is to express an opinion on County of Franklin, Virginia's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 County of Franklin, Virginia'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. Our audit does not provide a legal determination of County of Franklin, Virginia's compliance with those requirements.

In our opinion, the County of Franklin, Virginia complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

### **Internal Control Over Compliance**

The management of the County of Franklin, Virginia is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County of Franklin, Virginia's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 of Franklin, Virginia's internal control over compliance.

*A control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. *A significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

*A material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board, management, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Robinson, Faure, Cox Associates*

Christiansburg, Virginia  
December 3, 2009

County of Franklin, Virginia  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2009

Federal Grantor/State Pass - Through Grantor/ Program Title (Pass - Through Grantor's Number)	Federal Catalog Number	Federal Awards
Department of Health and Human Services:		
Pass Through Payments:		
Department of Social Services:		
Promoting Safe and Stable Families	93.556	\$ 9,434
Temporary Assistance for Needy Families (TANF)	93.558	345,649
Refugee and Entrant Assistance - State Administered Programs	93.566	683
Low Income Home Energy Assistance	93.568	15,133
Child Care and Development Block grant	93.575	197,900
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	131,893
Chafee Education and Training Vouchers Program	93.599	15,474
Child Welfare Services - State Grants	93.645	1,788
Foster Care - Title IV-E	93.658	381,002
Adoption Assistance	93.659	130,142
Social Services Block Grant	93.667	213,215
Chafee Foster Care Independence Program	93.674	30,097
Foster Care - Title IV-E - ARRA	93.658	28,899
Adoption Assistance - ARRA	93.659	11,863
State Children's Insurance Program	93.767	27,327
Medical Assistance Program	93.778	241,242
		<hr/>
Total Department of Health and Human Services		\$ 1,781,741
Department of Agriculture:		
Pass Through Payments:		
Department of Agriculture:		
Child Nutrition Cluster-Food Distribution (Note 2)	10.555	\$ 173,856
Department of Education:		
Child Nutrition Cluster-National school breakfast program	10.553	566,913
Child Nutrition Cluster-National school lunch program	10.555	1,347,203
Department of Social Services:		
State Admin Matching Grants for the Supplemental Nutrition Assistance Program	10.561	381,261
		<hr/>
Total Department of Agriculture		\$ 2,469,233
Department of Justice:		
Pass Through Payments:		
Department of Criminal Justice Services:		
Violence against women formula grants	16.588	\$ 27,515
		<hr/>
Total Department of Justice		\$ 27,515

County of Franklin, Virginia  
Schedule of Expenditures of Federal Awards (Continued)  
For the Year Ended June 30, 2009

Federal Grantor/State Pass - Through Grantor/ Program Title (Pass - Through Grantor's Number)	Federal Catalog Number	Federal Awards
Department of Interior:		
Direct Payments:		
Bureau of Land Management:		
Payments to States in Lieu of Real Estate Taxes	12.112	\$ <u>22,695</u>
Department of Commerce:		
Direct:		
Investments for Public Works and Economic Development Facilities	11.300	\$ <u>306,324</u>
Department of Education:		
Pass Through Payments:		
State Compensation Board:		
State Fiscal Stabilization Funds	84.397	\$ 791,693
Pass Through Payments:		
Department of Education:		
Adult Education - Basic Grants to States	84.002	\$ 438,693
Title I Grants to Local Educational Agencies	84.010	1,376,551
Special Education_Grants to States	84.027	1,942,271
Career and Technical Education -- Basic Grants to States	84.048	132,218
Special Education_Preschool Grants	84.173	37,204
Safe and Drug-Free Schools and Communities_National Programs	84.184	35,577
Safe and Drug-Free Schools and Communities_State Grants	84.186	28,271
Education Technology State Grants	84.318	14,862
English language acquisition grants	84.365	17,915
Reading First State Grants	84.357	269,163
Improving Teacher Quality State Grants	84.367	<u>330,679</u>
Total Department of Education		\$ <u>5,415,097</u>
Department of Transportation:		
Pass Through Payments:		
Department of Motor Vehicles:		
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	\$ 2,600
Alcohol Open Container Requirements	20.607	<u>42,533</u>
Total Department of Transportation		\$ <u>45,133</u>
Department of Housing and Urban Development:		
Pass Through Payments:		
Department of Housing and Community Development:		
Emergency shelter grants program	14.231	\$ 31,620
Community Development Block Grant	14.228	<u>760,089</u>
Total Department of Housing and Urban Development		\$ <u>791,709</u>

County of Franklin, Virginia  
Schedule of Expenditures of Federal Awards (Continued)  
For the Year Ended June 30, 2009

Federal Grantor/State Pass - Through Grantor/ Program Title (Pass - Through Grantor's Number)	Federal Catalog Number	Federal Awards
U.S. Department of Homeland Security: Pass Through Payments: Department of Emergency Management: Emergency Management Performance Grants	97.042	\$ <u>34,584</u>
Total U.S. Department of Homeland Security		\$ <u>34,584</u>
Total Federal Assistance		\$ <u><u>10,894,031</u></u>

NOTE 1--BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the County of Franklin, Virginia 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. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2 -- Food Distribution

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed.

Note 3 -- Relationship to the Financial Statements:

Federal expenditures, revenues and capital contributions are reported in the County's basic financial statements as follows:

Intergovernmental federal revenues per the basic financial statements:

Primary government:	
General Fund	\$ 3,116,242
Capital Projects Fund	1,066,413
Total primary government:	<u>\$ 4,182,655</u>
Component Unit Schools:	
School Operating Fund	<u>\$ 6,537,520</u>
Non-cash expenditures - value of donated commodities	<u>\$ 173,856</u>
Total federal expenditures per the Schedule of Expenditures of Federal Awards	<u><u>\$ 10,894,031</u></u>

**COUNTY OF FRANKLIN, VIRGINIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2009**

---

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510 (a)?	No

Identification of major programs:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I Grants to Local Educational Agencies
84.027/84.173	Special Education_Grants to States
84.397	State Fiscal Stabilization Fund Cluster
93.558	Temporary Assistance for Needy Families

Dollar threshold used to distinguish between Type A and Type B programs	\$	326,821
Auditee qualified as low-risk auditee?	Yes	

COUNTY OF FRANKLIN, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2009

---

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

Section IV – Status of Prior Audit Findings and Questioned Costs

None