

COUNTY OF FRANKLIN, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2008

Prepared by the Franklin County
Department of Finance

**COUNTY OF FRANKLIN, VIRGINIA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FISCAL YEAR ENDED JUNE 30, 2008**

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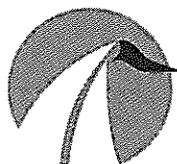
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INTRODUCTORY SECTION



Franklin County

A Natural Setting for Opportunity

December 10, 2008

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

We are pleased to submit the Comprehensive Annual Financial Report of the County of Franklin for the fiscal year ended June 30, 2008. 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 comprehensive annual financial report is presented in the following four sections: introductory, financial, statistical, and compliance. The introductory section includes this transmittal letter, a short history of the County, Directory of County Officials, the County's organizational chart and the Certificate of Achievement for Excellence in Financial Reporting. The financial section includes the independent auditors' report, Management's Discussion and Analysis (MD & A), the basic financial statements and the combining financial statements. The statistical section includes selected financial and demographic information, generally presented over a ten-year period and the compliance section contains various auditor reports on compliance with applicable laws and regulations and internal control structure as well as the Schedule of Expenditure of Federal Awards.

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 2007-2008 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.

This report includes all funds of the government. The Franklin County School Board (Component Unit) is part of this reporting entity and provides educational services. Other services include courts, public safety, sanitation and waste removal, parks and

recreation, libraries, planning and zoning management and general administrative services.

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 strong this past fiscal year with an average unemployment rate of 4.7%.

Much of fiscal year 2007-2008 was spent on a number of new capital projects. Projects included a new software system for the building inspections and planning and community development departments, fire and rescue apparatus equipment replacement and preliminary architect and engineering plans for a new government center. The County continues to develop its' park system with major work being completed at the Smith Mountain Lake Park, the Rocky Mount Elementary Playground for All and various rehab projects at existing parks. Plans are currently underway for a proposed whitewater park on a local river including the removal of an existing dam.

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 planned economic growth in the years ahead. 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 has completed numerous projects to improve our community such as the construction of a new 12-inch water line that will serve homes and businesses along the growing Route 220 Corridor and the continuing work on the new regional jail facility that will save the County a significant amount in prisoner transport costs and allow law

enforcement personnel to spend their time protecting citizens rather than driving inmates to jails throughout the region.

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 opening the Westlake Public Safety complex, a facility that houses the 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.

Financial Information

Management of the government is responsible for establishing and maintaining an effective internal control structure to ensure that the assets of the government are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met.

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.

General Government. During the 2007-2008 fiscal year, the most significant increase in actual revenues was in the area of general property taxes. The large increase was the result of new construction throughout the County and the increase in the County's population.

The most significant increase in expenditures continues to be in the area of education. Education increased largely due to salary increases and related benefits. Overall Debt Service expenditures continue to gradually increase as the County borrows funds for capital projects.

Debt Administration. At June 30, 2008, the County had a number of bonded debt issues outstanding. These include \$29.8 million of general obligation, \$6.2 million of outstanding literary loan debt and \$2.1 million of water system revenue bonds. The County has adopted a Debt Policy that establishes guidelines and limitations for the issuance of debt. The policy addresses the level of indebtedness the County can

reasonably expect to incur without jeopardizing its financial position and to ensure the efficient and effective operation of the County. The County will measure its level of debt through three ratios: 1) County debt as a percentage of assessments will not exceed 3.5%, 2) the County's debt service as a percentage of general government expenditures will not exceed 10%, and 3) the County's debt per capita will not exceed \$1,500 per capita. As of June 30, 2008, the County's overall debt and annual debt service was well below the established thresholds.

Cash Management. Under a pooled-cash concept, the County invests all funds cash with maturities planned to coincide with cash needs. The County's funds are invested in state approved financial institutions and collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.1 et. seq. of the code of Virginia or covered by federal depository insurance. The County earned \$1,415,942 in interest income on all investments for the year ended June 30, 2008.

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; injuries to employees; and natural disasters. The County participates with other localities in the Virginia Municipal Group Self Insurance, a public entity risk pool, for their coverage of worker's compensation. The County's component unit-School Board participates with other localities in the School Systems of Virginia Group Self Insurance Association, a public entity risk pool, for their coverage of worker's compensation. The County and its component unit-School Board pay an annual premium to the pools for their general insurance coverage. The agreement for the formation of the pools provides that the pool will be self-sustaining through member premiums. 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.

General Fund Balance (Undesignated). The undesignated general fund balance is 15.4% of the general fund, special revenue fund and component unit budget for the year ended June 30, 2008. This is a decrease from last year as a result of fund balance being used for capital projects. The Board of Supervisors has adopted a target to keep the undesignated general fund balance at a minimum of 10% of the County budget excluding capital projects.

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

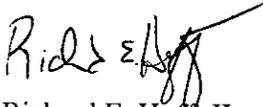
report. The auditors reports related specifically to the single audit are included in the Compliance Section.

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 by for its comprehensive annual financial report for the fiscal year ended June 30, 2007. This was the eighth 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.

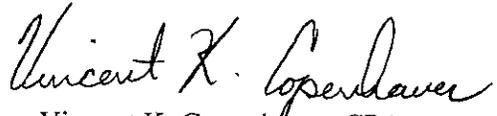
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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

Sincerely,



Richard E. Huff, II
County Administrator



Vincent K. Copenhagen, CPA
Director of Finance

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 Officials

June 30, 2008

Board of Supervisors

Charles Wagner, Chairman, Rocky Mount District
Wayne Angell, Vice-Chairman, Blackwater District
Charles Wagner, Vice-Chairman, Rocky Mount District
Russell Johnson, Gills Creek District
Leland Mitchell, Snow Creek District
David Hurt, Boones Mill District
Bobby Thompson, Blue Ridge District
David Cundiff, Union Hall District

County Administration

Richard E. Huff, II, County Administrator

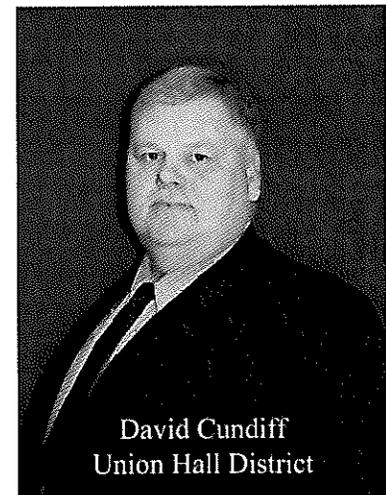
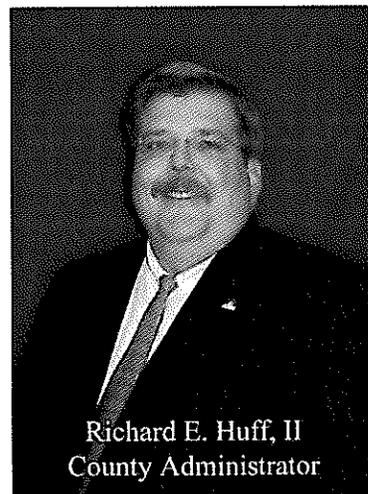
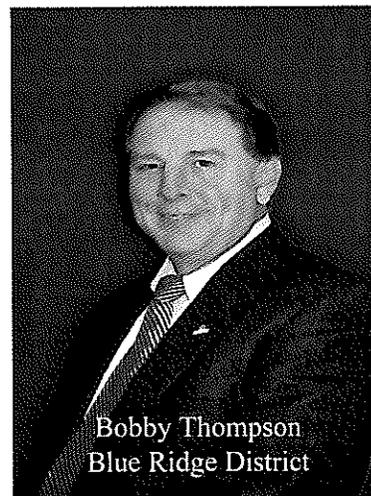
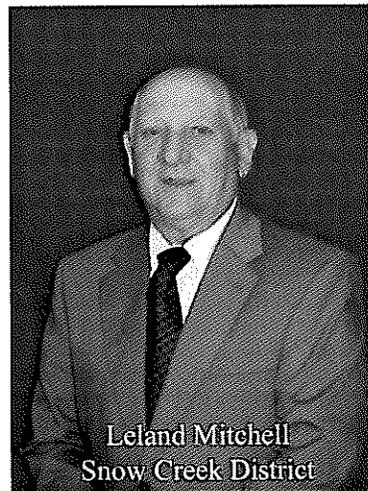
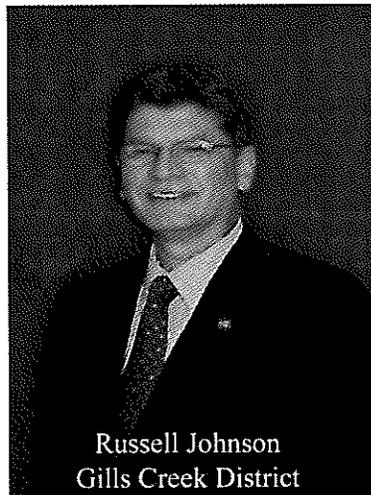
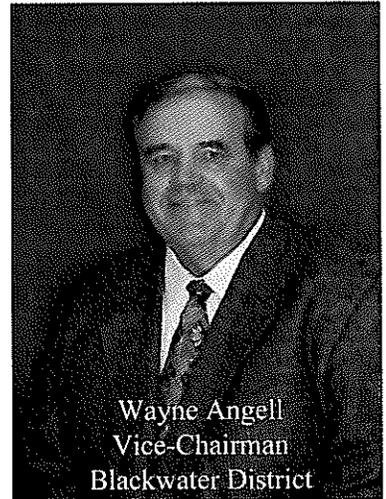
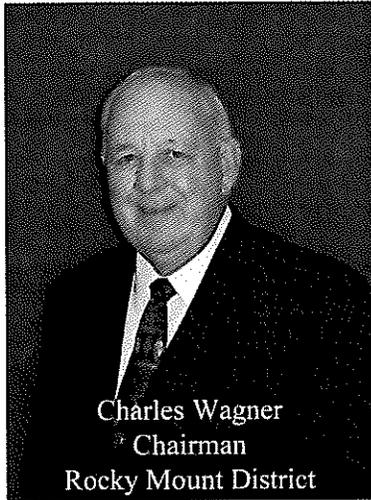
County Attorney B. James Jefferson
Assistant County Administrator Christopher Whitlow
Assistant County Administrator Larry Moore
Director of Finance Vincent Copenhaver
Director of Commerce & Leisure Services Scott Martin
Director of Information Technology Sandie Terry
Director of Planning Neil Holthouser
Director of Public Safety Daryl Hatcher
Director of General Properties Michael Thurman
Director of Solid Waste Barry Sink
Director of Aging Services Rose Boyd
Director of Library Services David Bass
Director of Workforce Consortium Kathy Hodges
Director of Family Resource Center Cynthia Treadway
Director of Utilities David Vogelsong
Director of Social Services Walter Zaumseil
Chief Building Official B. Donald Beard
Unit Coordinator of Va. Cooperative Extension Shewana Hairston
Registrar Kay Chitwood

Constitutional Officers

Clerk of the Circuit Court Teresa Brown
Commissioner of the Revenue Margaret Torrence
Commonwealth Attorney Cliff Hapgood
Sheriff Ewell Hunt
Treasurer Lynda Messenger

Franklin County Board of Supervisors

June 30, 2008



Franklin County Public Schools

Principal Officials

June 30, 2007

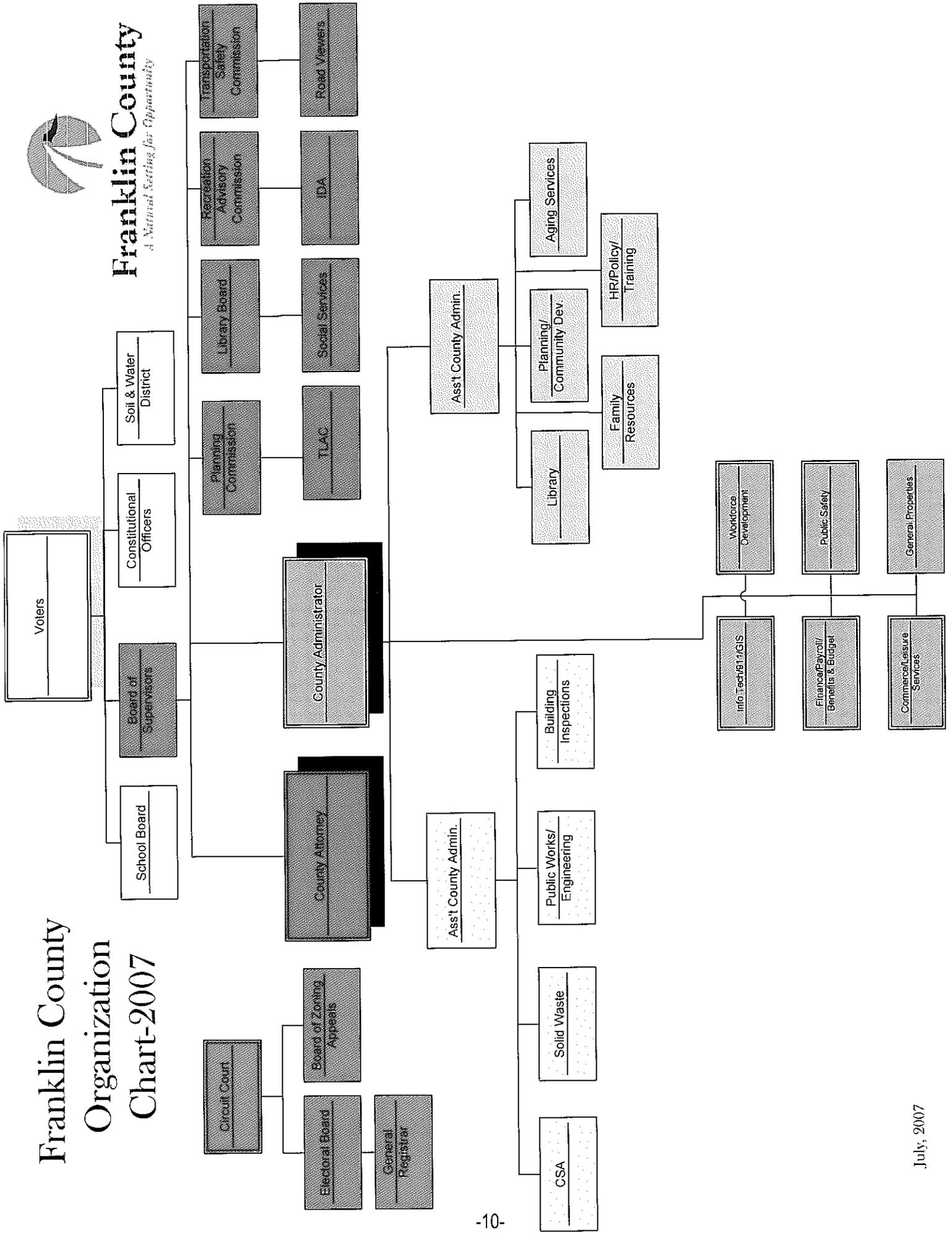
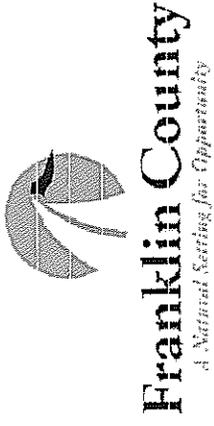
School Board Members

P. D. Hambrick, Chairman, Union Hall District
Evelyn Cundiff, Vice Chair, Gills Creek District
Stephen E. Brubaker, Blackwater District
Edward C. Jamison, Blue Ridge District
Marilyn R. Starkey, Boone District
William O. Helm, Jr., Member-At-Large
Sarah Alexander, Rocky Mount District
G. B. Washburn, Jr., Snow Creek District

School Administration

Dr. Charles H. Lackey, Superintendent of Schools
Assistant Superintendent Suzanne M. Rogers
Director of Human Resources Phillip L. Poff
Director of Business & Finance Lee E. Cheatham, CPA
Director of K-5 Curriculum & Instruction James H. Mullens, III
Director of 6-12 Curriculum & Instruction Dr. Jacqueline A. Giorgi
Coordinator of Federal Programs E. Kay Edmondson
Coordinator of Testing Elaine Hawkins
Director of Special Programs & Services Gwendolyn A. Adkins
Coordinator of Special Education Services Dr. W. Worth Bradley
Elementary Coordinator for Sp. Ed. Sherry Whitaker
Director of Technology Services K-12 George F. Washington
Coordinator of Gateway Robin Whitmer
Coordinator of Public Relations & Volunteers Janet J. Stockton
Supervisor of Food Services Chuck L. Hutto
Director of Facilities & Transportation Steven C. Oakes
Supervisor of Transportation Donna C. Carter
Supervisor of Maintenance Darryl K. Spencer
Coordinator of Purchasing David M. Leffue

Franklin County Organization Chart-2007



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, 2007

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

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, the major fund, and the aggregate remaining fund information of the County of Franklin, Virginia, as of and for the year ended June 30, 2008, 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, the major fund, and the aggregate remaining fund information of the County of Franklin, Virginia, as of June 30, 2008, 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. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental and fiduciary funds of the County of Franklin, Virginia, as of June 30, 2008, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2008, 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 important for assessing the results of our audit.

The Management's Discussion and Analysis, Schedule of Funding Progress and budgetary comparison information 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 required 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 nonmajor fund financial statements, and the statistical tables 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 nonmajor fund financial statements 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, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables 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, Farmer, Cox Associates

Christiansburg, Virginia
December 10, 2008

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, 2008. 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 2008

- Total net assets for governmental activities were \$53.5 million at the end of FY 2008. This figure is based on assets totaling \$96 million and liabilities of \$42.5 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 \$2.8 million more than the \$65.3 million of expenses (Exhibit 2).
- The business-type activities total net assets at June 30, 2008 totaled \$4.3 million. This figure is based on total assets of \$6.5 million and liabilities of \$2.2 million. The liabilities amount includes a non-current component of long-term debt associated with the acquisition of assets for the County's water system.
- Total general fund revenues were less than the final budgeted amount by \$0.9 million or approximately 1.0 percent. Actual expenditures were \$4.3 million less than the final expenditure budget.
- The County's total outstanding debt at fiscal year end increased by a net amount of \$ 3.9 million. \$9.2 million in General Obligation Bonds were issued during the year for the Windy Gap Elementary School and the Government Center. Retirements totaled \$6.6 million.
- Component Unit net assets were \$17.7 million at the end of FY2008. Of this amount, \$17.6 million is invested in capital assets, net of related debt.
- At the end of the current fiscal year, undesignated fund balance for the general fund was approximately \$17.8 million or 15.4% of fiscal year 2008 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 as presented in the government-wide financial statements (in millions):

	Governmental Activities		Business-type Activities		Total Primary Government		Component Unit	
	FY2008	FY2007	FY2008	FY2007	FY2008	FY2007	FY2008	FY2007
Current and other assets	\$42.9	\$41.4	\$1.3	\$2.0	\$44.2	\$43.4	\$2.9	\$3.8
Capital assets, net	53.1	47.1	5.2	4.0	58.3	51.1	17.6	18.9
Total assets	96.0	88.5	6.5	6.0	102.5	94.5	20.5	22.7
Other liabilities	5.1	5.0	0.2	0.2	5.3	5.2	2.1	1.2
Long-term liabilities	37.5	34.1	2.0	2.1	39.5	36.2	0.7	0.7
Total liabilities	42.6	39.1	2.2	2.3	44.8	41.4	2.8	1.9
Net assets:								
Invested in capital assets,								
net of related debt	22.0	13.7	3.0	1.7	24.1	15.4	17.6	19.0
Restricted	0.2	6.9	0.0	0.0	0.2	6.9	0.0	0.0
Unrestricted	31.3	28.8	1.3	1.9	33.5	30.7	0.1	1.8
Total net assets	\$53.5	\$49.4	\$4.3	\$3.6	\$57.8	\$53.0	\$17.7	\$20.8

The County's combined net assets increased from \$53.0 million to \$57.8 million as a result of the increase in net activities of governmental activities of \$4.8 million. The increase is the result of debt proceeds being received but not expended 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 \$31.3 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 increased from \$3.6 million to \$4.3 million as a result of additional investment in utility infrastructure.

Component unit net assets decreased slightly as the result of lower than budgeted revenues and 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, 2008 (in millions):

	Governmental Activities		Business-type Activities		Total Primary Government		Component Unit	
	FY2008	FY2007	FY2008	FY2007	FY2008	FY2007	FY2008	FY2007
Revenues:								
Program revenues:								
Charges for Services	\$2.7	\$2.9	\$0.5	\$0.2	\$3.2	\$3.1	\$2.0	\$1.9
Operating Grants & Contributions	12.1	12.0	0.0	0.0	12.1	12.0	45.3	45.1
Capital Grants & Contributions	3.7	0.9	0.0	0.1	1.0	1.0	0.2	0.2
General Revenues								
Property Taxes	34.3	32.8	0.0	0.0	34.3	32.8	0.0	0.0
Other Taxes	10.8	10.8	0.0	0.0	10.8	10.8	0.0	0.0
Other	5.1	7.9	0.0	0.0	5.1	7.9	0.0	0.1
Payments from the County	0.0	0.0	0.0	0.1	0.0	0.1	23.2	28.4
Total Revenues	68.7	67.3	0.5	0.4	69.2	67.7	70.7	75.6
Expenses								
General Government	4.0	4.2	0.0	0.0	4.0	4.2	0.0	0.0
Judicial Administration	2.5	2.2	0.0	0.0	2.5	2.2	0.0	0.0
Public Safety	12.5	10.3	0.0	0.0	12.5	10.3	0.0	0.0
Public Works	3.4	2.0	0.0	0.0	3.4	2.0	0.0	0.0
Health and Welfare	9.3	9.7	0.0	0.0	9.3	9.7	0.0	0.0
Education	25.8	28.3	0.0	0.0	25.8	28.3	72.6	71.8
Parks, Recreation and Cultural	1.9	1.7	0.0	0.0	1.9	1.7	0.0	0.0
Community Development	4.8	3.9	0.0	0.0	4.8	3.9	0.0	0.0
Interest on Long-Term Debt	1.2	1.4	0.0	0.0	1.2	1.4	0.0	0.0
Water	0.0	0.0	0.4	0.6	0.4	0.6	0.0	0.0
Total Expenses	65.3	63.7	0.4	0.6	65.7	64.3	72.6	71.8
Excess or Deficiency Before Transfers								
	3.4	3.6	0.1	(0.2)	3.5	3.4	(1.9)	3.8
Transfers	(0.6)	(0.3)	0.6	0.4	0.0	0.1	0.0	0.0
Change in Net Assets	2.8	3.8	0.7	0.2	3.5	4.0	(1.9)	3.8
Net Assets, Beginning of Year	50.7	45.6	3.6	3.4	54.3	49.2	19.5	16.9
Net Assets, Ending	\$53.5	\$49.4	\$4.3	\$3.6	\$57.8	\$53.2	\$17.7	\$20.8

Revenues

For the fiscal year ended June 30, 2008, revenues from governmental activities totaled \$68.7 million, an increase of \$1.4 million from the prior fiscal year. Property tax revenues, the County's largest revenue source, were \$34.3 million, an increase of \$1.5 million over the prior fiscal year. This increase resulted from growth of new housing developments within the County and a 2% overall increase in the County's population.

Other local taxes (including sales taxes, recordation taxes, and meals taxes) were \$10.8 million, which represented no change over FY2007. Intergovernmental revenues totaled \$18.1 million, an increase of \$3.8 million over the prior fiscal year. The increase is due to special one time grants received towards the construction of the workforce center.

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

Component unit revenues total \$70.7 million, including a \$23.3 million transfer from the general fund. Decreased revenues are due to a decline in student population, resulting in less State revenues and local transfers.

Expenses

For the fiscal year ended June 30, 2008, expenses for governmental activities totaled \$68.7 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 \$25.8 million to the operation of the Franklin County schools. This amount represented about 40% of the County's general fund expenses.

Financial Analysis of the County's Funds

For the fiscal year ended June 30, 2008, the County's general fund reflects a fund balance of \$18.0 million, a decrease of \$3.4 million from the fiscal year ended June 30, 2007. This decrease is due to the use of fund balance to balance the budget in anticipation of the four year reassessment of all County property and also for one-time capital projects.

The County Capital Projects fund balance increased from fiscal year 06-07 as additional revenues were transferred to various capital projects but remained unspent as of June 30, 2008.

The School Construction fund balance increased \$2.2 million from an additional borrowing during the 07-08 fiscal year. These proceeds will be spent in the current fiscal year as construction continues on 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 FY06-07 to FY07-08.

Total net assets increased in the County's Utility Fund by \$0.7 million as additional amounts were spent on a new water and sewer system at one of the County's industrial parks.

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, 2007.
- To re-appropriate monies to pay for commitments in the form of encumbrances established prior to June 30, 2007 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 2008 (in millions):

	Original Budget		Amended Budget		Actual
Revenues:					
Taxes	\$ 33.6	\$	33.6	\$	33.7
Intergovernmental	15.0		15.8		15.3
Other	16.3		16.5		16.0
Total	<u>\$ 64.9</u>	\$	<u>65.9</u>	\$	<u>65.0</u>
Expenditures and Transfers:					
Expenditures	\$ 61.5	\$	65.9	\$	61.7
Transfers Out	6.5		6.3		5.9
Total	<u>68.0</u>		<u>72.2</u>		<u>67.6</u>
Net Change in Fund Balance	(3.1)		(6.3)		(2.6)
Fund Balances – Beginning	3.1		6.3		20.6
Fund Balances – Ending	<u>\$ 0.0</u>	\$	<u>0.0</u>	\$	<u>18.0</u>

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. Several grants that were not anticipated to be received at the time the budget was prepared were budgeted during the fiscal year in the general fund

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 less than anticipated due to a slowing national and local economy.

Actual expenditures were less than the final amended budget because of capital projects being budgeted but not spent during the 2007-2008 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 three or four or more fiscal years.

Capital Assets

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

	Governmental Activities		Business-type Activities		Total Primary Government		Component Unit	
	FY2008	FY2007	FY2008	FY2007	FY2008	FY2007	FY2008	FY2007
Non-Depreciable Assets:								
Land	\$2.0	\$2.0	\$0.0	\$0.0	\$2.0	\$2.0	\$0.7	\$0.7
Construction in Progress	5.8	1.9	0.1	0.0	5.9	1.9	0.5	0.5
Other Capital Assets:								
Buildings and Systems	48.9	41.1	5.4	4.2	54.3	45.2	28.2	26.2
Machinery and Equipment	17.6	15.3	0.0	0.0	17.6	15.3	11.8	10.3
Accumulated Depreciation	(21.2)	(18.1)	(0.4)	(0.2)	(21.6)	(18.2)	(23.6)	(21.2)
Totals	\$53.1	\$47.1	5.1	4.0	\$58.2	\$51.1	\$17.6	\$18.9

The table below shows the change in capital assets for the fiscal year ended June 30, 2008 in millions of dollars:

	Balance June 30, 2007	Net Additions/Deletions	Balance June 30, 2008
Non-Depreciable Assets:			
Land	\$2.7	\$0.0	\$2.7
Construction in Progress	7.5	(1.1)	6.4
Other Capital Assets:			
Buildings and Systems	74.7	7.8	82.5
Machinery and Equipment	26.9	2.5	29.4
Accumulated Depreciation	(41.8)	(3.4)	(45.2)
Totals	\$70.0	\$5.8	75.8

During the FY08 budget process, the Board of Supervisors approved a five-year Capital Improvement Program (CIP) that totaled \$5.1 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 12 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, 2008 and at June 30, 2007, in millions of dollars:

	Governmental Activities		Business-type Activities		Total Primary Government		Component Unit	
	FY2008	FY2007	FY2008	FY2007	FY2008	FY2007	FY2008	FY2007
General Obligation Bonds	\$30.2	\$26.3	\$0.0	\$0.0	\$30.2	\$26.3	\$0.0	\$0.0
Revenue Bonds	0.0	0.0	2.1	2.3	2.1	2.3	0.0	0.0
Literary Loans	6.1	6.7	0.0	0.0	6.1	6.7	0.0	0.0
Capital Leases	1.0	0.3	0.0	0.0	1.0	0.3	0.0	0.0
Landfill Closure/Post								
Closure Liability	2.0	2.0	0.0	0.0	2.0	2.0	0.0	0.0
Compensated Absences	1.3	1.4	0.0	0.0	1.3	1.4	0.8	0.8
Total	\$40.6	\$36.7	\$2.1	\$2.3	\$42.7	\$39.0	\$0.8	\$0.8

Additional detailed information on long-term debt activity can be found in Note 8 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 beginning to experience the national economic slowdown. 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 tentatively 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.

BASIC FINANCIAL STATEMENTS

County of Franklin, Virginia
Statement of Net Assets
June 30, 2008

	Primary Government			Component
	Governmental Activities	Business-type Activities	Total	Unit School Board
ASSETS				
Cash and cash equivalents	\$ 23,731,857	\$ 823,563	\$ 24,555,420	\$ -
Cash in custody of others	13,101,444	472,311	13,573,755	965,397
Receivables (net of allowance for uncollectibles):				
Taxes receivable	1,716,831	-	1,716,831	-
Accounts receivable	-	21,715	21,715	-
Other local taxes receivable	680,327	-	680,327	-
Due from component unit	1,450,147	-	1,450,147	-
Due from other governmental units	2,231,245	-	2,231,245	1,927,020
Deferred charges	69,099	-	69,099	-
Restricted assets:				
Other assets:				
Unamortized bond issue costs	-	25,238	25,238	-
Capital assets (net of accumulated depreciation):				
Land	1,991,172	-	1,991,172	725,315
Buildings and system	38,187,275	-	38,187,275	11,793,494
Machinery and equipment	7,159,793	-	7,159,793	4,581,566
Infrastructure	-	5,043,885	5,043,885	-
Construction in progress	5,766,322	119,187	5,885,509	475,128
Total assets	<u>\$ 96,085,512</u>	<u>\$ 6,505,899</u>	<u>\$ 102,591,411</u>	<u>\$ 20,467,920</u>
LIABILITIES				
Accounts payable	\$ 1,174,203	\$ 1,068	\$ 1,175,271	\$ 476,873
Customers' deposits	-	8,640	8,640	-
Accrued interest payable	802,924	29,615	832,539	-
Due to primary government	-	-	-	1,450,147
Unearned revenue	24,331	-	24,331	-
Long-term liabilities:				
Due within one year	3,073,793	156,300	3,230,093	84,288
Due in more than one year	37,494,975	1,979,400	39,474,375	758,589
Total liabilities	<u>\$ 42,570,226</u>	<u>\$ 2,175,023</u>	<u>\$ 44,745,249</u>	<u>\$ 2,769,897</u>
NET ASSETS				
Invested in capital assets, net of related debt	\$ 21,996,912	\$ 3,027,372	\$ 25,024,284	\$ 17,575,503
Restricted for:				
Law Library	29,193	-	29,193	-
Forfeited Assets	181,935	-	181,935	-
Unrestricted (deficit)	31,307,246	1,303,504	32,610,750	122,520
Total net assets	<u>\$ 53,515,286</u>	<u>\$ 4,330,876</u>	<u>\$ 57,846,162</u>	<u>\$ 17,698,023</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, 2008

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	Primary Government		Total	School Board
					Governmental Activities	Business-type Activities		
PRIMARY GOVERNMENT:								
Governmental activities:								
General government administration	\$ 4,042,082	\$ 22,205	\$ 441,380	\$ -	\$ (3,578,497)	\$ -	\$ (3,578,497)	\$ -
Judicial administration	2,475,749	154,556	974,097	-	(1,347,096)	-	(1,347,096)	-
Public safety	12,508,248	1,297,973	3,882,271	810,322	(6,517,682)	-	(6,517,682)	-
Public works	3,370,469	891,595	9,463	-	(2,469,411)	-	(2,469,411)	-
Health and welfare	9,324,129	22,513	6,578,675	-	(2,722,941)	-	(2,722,941)	-
Education	25,784,294	-	-	-	(25,784,294)	-	(25,784,294)	-
Parks, recreation, and cultural	1,916,529	140,640	155,257	223,027	(1,397,605)	-	(1,397,605)	-
Community development	4,757,659	195,433	85,359	2,700,149	(1,776,718)	-	(1,776,718)	-
Interest on long-term debt	1,161,205	-	-	-	(1,161,205)	-	(1,161,205)	-
Total governmental activities	\$ 65,340,364	\$ 2,724,915	\$ 12,126,502	\$ 3,733,498	\$ (46,755,449)	\$ -	\$ (46,755,449)	\$ -
Business-type activities:								
Utility Fund	\$ 428,708	\$ 466,359	\$ -	\$ 18,200	\$ -	\$ 55,851	\$ 55,851	\$ -
Total primary government	\$ 65,769,072	\$ 3,191,274	\$ 12,126,502	\$ 3,751,698	\$ (46,899,598)	\$ -	\$ (46,899,598)	\$ -
COMPONENT UNITS:								
School Board	\$ 72,604,451	\$ 1,967,356	\$ 45,296,249	\$ 190,986	\$ -	\$ -	\$ -	\$ (25,149,860)
Total component units	\$ 72,604,451	\$ 1,967,356	\$ 45,296,249	\$ 190,986	\$ -	\$ -	\$ -	\$ (25,149,860)

General revenues:								
General property taxes	\$ -	\$ 34,255,431	\$ -	\$ -	\$ 34,255,431	\$ -	\$ 34,255,431	\$ -
Other local taxes:								
Local sales and use taxes	4,153,451	-	-	-	4,153,451	-	4,153,451	-
Consumers' utility taxes	964,500	-	-	-	964,500	-	964,500	-
Communications taxes	2,547,497	-	-	-	2,547,497	-	2,547,497	-
E-911 telephone taxes	1,865	-	-	-	1,865	-	1,865	-
Business license taxes	4,697	-	-	-	4,697	-	4,697	-
Utility license taxes	212,074	-	-	-	212,074	-	212,074	-
Motor vehicle licenses	1,270,653	-	-	-	1,270,653	-	1,270,653	-
Bank stock taxes	99,550	-	-	-	99,550	-	99,550	-
Taxes on recordation and wills	658,226	-	-	-	658,226	-	658,226	-
Hotel and motel room taxes	112,944	-	-	-	112,944	-	112,944	-
Restaurant food taxes	815,584	-	-	-	815,584	-	815,584	-
Unrestricted revenues from use of money and property	1,520,629	-	-	-	1,520,629	15,158	1,535,787	-
Miscellaneous	345,570	-	-	-	345,570	-	345,570	72,022
Payments from County of Franklin	3,241,483	-	-	-	3,241,483	-	3,241,483	23,264,330
Grants and contributions not restricted to specific programs	(599,373)	599,373	-	-	-	-	-	-
Transfers	49,604,781	614,531	614,531	-	50,219,312	-	50,219,312	23,336,352
Total general revenues	\$ 2,849,332	\$ 670,382	\$ 3,519,714	\$ -	\$ 3,519,714	\$ -	\$ 3,519,714	\$ (1,813,508)
Change in net assets	50,665,954	3,660,494	54,326,448	19,511,531	57,846,162	57,846,162	57,846,162	17,698,023
Net assets - beginning - as restated	53,515,286	4,330,876	57,846,162	17,698,023	72,022	72,022	72,022	72,022
Net assets - ending	104,181,240	8,661,370	112,842,610	37,209,554	130,688,824	130,688,824	130,688,824	89,714,044

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

County of Franklin, Virginia
Balance Sheet
Governmental Funds
June 30, 2008

	General	County Capital Projects	School Construction	Other Governmental Funds	Total
ASSETS					
Cash and cash equivalents	\$ 14,676,420	\$ 9,030,144	\$ -	\$ 25,293	\$ 23,731,857
Cash in custody of others	-	4,272,531	8,828,913	-	13,101,444
Receivables (net of allowance for uncollectibles):					
Taxes receivable	1,716,831	-	-	-	1,716,831
Other local taxes receivable	680,327	-	-	-	680,327
Due from component unit	1,450,147	-	-	-	1,450,147
Due from other governmental units	2,231,245	-	-	-	2,231,245
Total assets	<u>\$ 20,754,970</u>	<u>\$ 13,302,675</u>	<u>\$ 8,828,913</u>	<u>\$ 25,293</u>	<u>\$ 42,911,851</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 1,012,283	\$ 150,754	\$ -	\$ 11,166	\$ 1,174,203
Deferred revenue	1,741,162	-	-	-	1,741,162
Total liabilities	<u>\$ 2,753,445</u>	<u>\$ 150,754</u>	<u>\$ -</u>	<u>\$ 11,166</u>	<u>\$ 2,915,365</u>
Fund balances:					
Reserved for:					
Law Library	\$ 29,193	\$ -	\$ -	\$ -	\$ 29,193
Forfeited Assets	181,935	-	-	-	181,935
Unreserved:					
Undesignated, reported in:					
General fund	17,786,397	-	-	-	17,786,397
Special revenue funds	-	-	-	14,127	14,127
Designated, reported in:					
General fund	4,000	-	-	-	4,000
Capital projects funds	-	13,151,921	8,828,913	-	21,980,834
Total fund balances	<u>\$ 18,001,525</u>	<u>\$ 13,151,921</u>	<u>\$ 8,828,913</u>	<u>\$ 14,127</u>	<u>\$ 39,996,486</u>
Total liabilities and fund balances	<u>\$ 20,754,970</u>	<u>\$ 13,302,675</u>	<u>\$ 8,828,913</u>	<u>\$ 25,293</u>	<u>\$ 42,911,851</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, 2008

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	39,996,486
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		53,104,562
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		1,716,831
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		(41,302,593)
Net assets of governmental activities	<u>\$</u>	<u>53,515,286</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, 2008

	<u>General</u>	<u>County Capital Projects</u>	<u>School Construction</u>	<u>Other Governmental Funds</u>	<u>Total</u>
REVENUES					
General property taxes	\$ 33,729,192	\$ -	\$ -	\$ -	\$ 33,729,192
Other local taxes	10,839,176	-	-	1,865	10,841,041
Permits, privilege fees, and regulatory licenses	573,664	-	-	-	573,664
Fines and forfeitures	10,772	-	-	-	10,772
Revenue from the use of money and property	1,109,625	66,209	344,795	-	1,520,629
Charges for services	2,140,479	-	-	-	2,140,479
Miscellaneous	345,482	-	-	88	345,570
Recovered costs	905,027	-	-	-	905,027
Intergovernmental revenues:					
Commonwealth	12,727,592	2,951,822	-	61,482	15,740,896
Federal	2,578,911	781,676	-	-	3,360,587
Total revenues	<u>\$ 64,959,920</u>	<u>\$ 3,799,707</u>	<u>\$ 344,795</u>	<u>\$ 63,435</u>	<u>\$ 69,167,857</u>
EXPENDITURES					
Current:					
General government administration	\$ 3,532,252	\$ -	\$ -	\$ -	\$ 3,532,252
Judicial administration	2,517,127	-	-	-	2,517,127
Public safety	10,526,026	-	-	978,529	11,504,555
Public works	2,324,278	-	-	-	2,324,278
Health and welfare	9,772,706	-	-	-	9,772,706
Education	25,084,849	-	-	-	25,084,849
Parks, recreation, and cultural	1,643,257	-	-	-	1,643,257
Community development	2,415,467	-	-	-	2,415,467
Nondepartmental	58,879	-	-	-	58,879
Capital projects	-	8,001,233	2,979,838	-	10,981,071
Debt service:					
Principal retirement	2,399,609	3,604,531	-	-	6,004,140
Interest and other fiscal charges	1,364,839	-	-	-	1,364,839
Total expenditures	<u>\$ 61,639,289</u>	<u>\$ 11,605,764</u>	<u>\$ 2,979,838</u>	<u>\$ 978,529</u>	<u>\$ 77,203,420</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 3,320,631</u>	<u>\$ (7,806,057)</u>	<u>\$ (2,635,043)</u>	<u>\$ (915,094)</u>	<u>\$ (8,035,563)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	\$ 970,459	\$ 5,043,621	\$ -	\$ 979,221	\$ 6,993,301
Transfers out	(6,862,662)	(648,976)	-	(81,036)	(7,592,674)
Issuance of debt	-	5,041,795	4,897,000	-	9,938,795
Bond issuance costs	-	(34,997)	(34,102)	-	(69,099)
Total other financing sources (uses)	<u>\$ (5,892,203)</u>	<u>\$ 9,401,443</u>	<u>\$ 4,862,898</u>	<u>\$ 898,185</u>	<u>\$ 9,270,323</u>
Net change in fund balances	\$ (2,571,572)	\$ 1,595,386	\$ 2,227,855	\$ (16,909)	\$ 1,234,760
Fund balances - beginning	20,573,097	11,556,535	6,601,058	31,036	38,761,726
Fund balances - ending	<u>\$ 18,001,525</u>	<u>\$ 13,151,921</u>	<u>\$ 8,828,913</u>	<u>\$ 14,127</u>	<u>\$ 39,996,486</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, 2008**

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

Net change in fund balances - total governmental funds	\$	1,234,760
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.		4,742,582
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		526,239
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.		(3,929,807)
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.		275,558
Change in net assets of governmental activities	<u>\$</u>	<u>2,849,332</u>

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

County of Franklin, Virginia
Statement of Net Assets
Proprietary Funds
June 30, 2008

	Enterprise Fund
	Utility Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 823,563
Cash in custody of others	472,311
Accounts receivables, net of allowance for uncollectibles	21,715
Total current assets	\$ 1,317,589
Noncurrent assets:	
Restricted current assets:	
Other assets:	
Unamortized bond issue costs	\$ 25,238
Capital assets:	
Infrastructure	\$ 5,415,862
Less accumulated depreciation	(371,977)
Construction in progress	119,187
Total capital assets	\$ 5,163,072
Total noncurrent assets	\$ 5,188,310
Total assets	\$ 6,505,899
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 1,068
Customers' deposits	8,640
Accrued interest payable	29,615
Bonds payable - current portion	156,300
Total current liabilities	\$ 195,623
Long Term Liabilities:	
Bonds payable - net of current portion	1,979,400
Total long-term liabilities	\$ 1,979,400
Total liabilities	\$ 2,175,023
NET ASSETS	
Invested in capital assets, net of related debt	\$ 3,027,372
Unrestricted (deficit)	1,303,504
Total net assets	\$ 4,330,876

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 Funds
 For the Year Ended June 30, 2008

	Enterprise Fund
	Utility Fund
OPERATING REVENUES	
Charges for services:	
Water and sewer revenue	\$ 465,060
Other revenues	1,299
Total operating revenues	\$ 466,359
OPERATING EXPENSES	
Commerce center	\$ 24,195
County water department	157,964
State water plan	17,929
Depreciation	136,440
Total operating expenses	\$ 336,528
Operating income (loss)	\$ 129,831
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	\$ 15,158
Issuance cost amortization	(2,295)
Interest expense	(89,885)
Total nonoperating revenues (expenses)	\$ (77,022)
Income before contributions and transfers	\$ 52,809
Capital contributions and construction grants	18,200
Transfers in	890,941
Transfers out	(291,568)
Change in net assets	\$ 670,382
Total net assets - beginning, as restated	3,660,494
Total net assets - ending	\$ 4,330,876

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, 2008

	Enterprise Fund
	Utility Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 461,602
Payments for materials and supplies	(201,405)
Net cash provided (used by) operating activities	\$ 260,197
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	\$ 618,885
Net cash provided (used) by noncapital financing activities	\$ 618,885
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Additions to utility plant	\$ (1,289,128)
Principal payments on bond obligations	(150,000)
Interest payments on bond obligations	(91,965)
Contributions in aid of construction	18,200
Net cash provided (used) by capital and related financing activities	\$ (1,512,893)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends received	\$ 15,158
Net cash provided (used) by investing activities	\$ 15,158
Net increase (decrease) in cash and cash equivalents	(618,653)
Cash and cash equivalents - beginning - including restricted	\$ 1,914,527
Cash and cash equivalents - ending - including restricted	\$ 1,295,874
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	\$ 129,831
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	\$ 136,440
(Increase) decrease in accounts receivable	(5,651)
Increase (decrease) in customer deposits	894
Increase (decrease) in accounts payable	(1,317)
Total adjustments	\$ 130,366
Net cash provided (used) by operating activities	\$ 260,197

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, 2008

		<u>Agency Funds</u>
ASSETS		
Cash and cash equivalents	\$	301,503
Cash in custody of others		96,899
Total assets	\$	<u>398,402</u>
 LIABILITIES		
Amounts held for social services clients	\$	22,052
Amounts held for citizens		16,630
Amounts held for performance bonds		262,821
Amounts held for inmates		96,899
Total liabilities	\$	<u>398,402</u>

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

COUNTY OF FRANKLIN, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

Note 1-Summary of Significant Accounting Policies:

The financial statements of the County conform to generally accepted accounting principles (GAAP) applicable to government 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 Botetourt 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, 2008, the Franklin County School Board contributed \$627,949. Other organizations to which the County makes appointments and contributions are listed below:

Roanoke Valley Economic Development Partnership	\$ 103,707
Roanoke Valley Convention and Visitors Bureau	20,000
Piedmont Community Services	82,900
Roanoke Valley Detention Commission	237,966

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:

During the fiscal year ended June 30, 2004, the County began constructing a water distribution system. The activity of this 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, 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 5th. Personal property taxes are due and collectible annually on December 5th. 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 \$250,896 at June 30, 2008 and is composed 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 SGAS 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.

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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 (\$41,302,593) and (\$842,877) differences for the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit
Bonds payable	\$ (29,817,038)	\$ -
Literary loans payable	(6,157,750)	-
Leases payable	(963,751)	-
Premium on bond	(339,273)	-
Bond issuance costs	69,099	-
Accrued interest payable	(802,924)	-
Landfill accrued closure and post-closure monitoring costs	(2,015,707)	-
Compensated absences	(1,275,249)	(842,877)
Net adjustment to reduce <i>fund balance-total governmental funds</i> to arrive at <i>net assets-governmental activities</i>	\$ (41,302,593)	\$ (842,877)

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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 \$4,742,582 and (\$122,623) differences for the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit
	<u> </u>	<u> </u>
Capital outlays	\$ 7,705,757	\$ 1,520,994
Deleted assets	(850,710)	(556,780)
Accumulated depreciation for assets removed	771,545	537,349
Depreciation expenses	<u>(2,884,010)</u>	<u>(1,624,186)</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>\$ 4,742,582</u>	 <u>\$ (122,623)</u>

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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 (\$3,929,807) difference in the primary government are as follows:

Debt Issued or incurred:	
Proceeds from general obligation bonds	\$ (9,150,000)
Less: Bond issuance costs	69,099
Capital lease	(788,795)
Landfill closure/post-closure care liability	(64,251)
Principal repayments:	
General obligation debt	5,238,788
Literary loans	613,750
Leases	<u>151,602</u>
Net adjustment to increase <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$ <u>(3,929,807)</u>

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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 \$275,558 and (\$79,994) differences for the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit
	<u> </u>	<u> </u>
(Increase) decrease in compensated absences	\$ 71,924	\$ (79,994)
(Increase) decrease in accrued interest	184,778	-
Amortization of bond premium	18,856	-
	<u> </u>	<u> </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>	 \$ 275,558	 \$ (79,994)
	<u> </u>	<u> </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. Budget 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, 2008.

C. Deficit fund equity

At June 30, 2008, there were no funds with deficit fund equity.

Note 4-Deposits and Investments:

Deposits:

All cash of the County of Franklin, Virginia and its discretely presented component unit is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act (a multiple financial institution collateral pool), Section 2.2-4400 et. seq. of the Code of Virginia or covered by federal depository insurance. Under the Act, banks holding public deposits in excess of the amounts insured by FDIC must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. Savings and Loan institutions are required to collateralize 100% of deposits in excess of FDIC limits. Deposits covered by the Act are considered insured since the Treasury Board is authorized to make additional assessments.

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).

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. The County's only investments consisted of the State's Non-Arbitrage Pool (SNAP) is an open-end management investment company registered with the Securities and Exchange Commission (SEC) and is not exposed to custodial credit risk.

Credit Risk of Debt Securities

The County's rated debt investments as of June 30, 2008, were rated by Stanard and Poor's and the ratings are presented below using Standard and Poor's rating scale.

County's Rated Debt Investments' Values	
Rated Debt Investments	Fair Quality Ratings
	AAAm
SNAP	\$ 3,909,155

Concentration of Credit Risk

At June 30, 2008, the County did not have any investments meeting the GASB 40 definition requiring concentration of credit risk disclosures that exceeded 5% of total investments.

Interest Rate Risk

At June 30, 2008, the County did not have any investments meeting the GASB 40 definition requiring interest rate risk disclosures.

The State Non-Arbitrage Pool (SNAP) is an open-end management investment company registered with the Securities and Exchange Commission (SEC). The fair value of the positions in the Local Government Investment Pool (LGIP) is the same as the value of the pool shares. As this pool is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP maintains a policy to operate in a manner consistent with SEC Rule 2a-7.

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	\$ 722,754	\$ -
State sales tax	-	619,017
Non-categorical aid	210,750	-
Categorical aid-shared expenses	430,783	-
Categorical aid-VPA funds	203,825	-
Categorical aid-CSA funds	461,671	-
<u>Federal Government:</u>		
Categorical aid-VPA funds	192,441	-
Other categorical aid	9,021	1,308,003
 Totals	 \$ 2,231,245	 \$ 1,927,020

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	\$ -	\$ 1,450,147
 <u>Component Unit - School Board:</u>		
School Fund	\$ 1,450,147	\$ -

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2008

Note 7-Interfund Transfers:

Interfund transfers for the year ended June 30, 2008, consisted of the following:

Fund	Transfers In	Transfers Out
Primary Government:		
General Fund	\$ 970,459	\$ 6,862,662
Utility Fund	890,941	291,568
County Capital Projects Fund	5,043,621	648,976
E-911	979,221	81,036
	<u>979,221</u>	<u>81,036</u>
Total	<u>\$ 7,884,242</u>	<u>\$ 7,884,242</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
2009	\$ 2,084,788	\$ 1,366,789	\$ 613,750	\$ 184,733
2010	2,193,715	1,226,006	613,750	166,320
2011	2,270,939	1,120,378	613,750	147,908
2012	2,339,130	1,012,509	613,750	129,495
2013	2,324,914	905,507	613,750	111,083
2014-2018	9,287,983	3,076,876	2,839,000	279,226
2019-2023	7,609,810	1,219,786	250,000	7,500
2024-2028	1,705,759	145,740	-	-
	<u>1,705,759</u>	<u>145,740</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 29,817,038</u>	<u>\$ 10,073,591</u>	<u>\$ 6,157,750</u>	<u>\$ 1,026,265</u>

Note 8-Long-Term Debt: (Continued)

The County has entered into capital leases for financial system software, a trackloader, phone system, 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
	<u>\$ 1,405,802</u>
Accumulated Depreciation	<u>(345,510)</u>
Net Book Value of Assets	<u>\$ 1,060,292</u>

Present value of future minimum lease payments:

Year Ending June 30,	Capital Leases
2009	\$ 254,585
2010	256,506
2011	221,585
2012	169,133
2013	148,413
Total minimum lease payments	<u>\$ 1,050,222</u>
Less: amount representing interest	<u>(86,471)</u>
Present value of future minimum lease payments	<u>\$ 963,751</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2008

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, 2008.

	Balance July 1, 2007	Issuances	Retirements	Balance June 30, 2008
General Obligation				
Bonds	\$ 25,905,826	\$ 9,150,000	\$ (5,238,788)	\$ 29,817,038
Premium on bond	358,129	-	(18,856)	339,273
Literary loans	6,771,500	-	(613,750)	6,157,750
Capital leases	326,558	788,795	(151,602)	963,751
Landfill closure/ postclosure liability	1,951,456	64,251	-	2,015,707
Compensated absences	1,347,173	551,105	(623,029)	1,275,249
 Total	 \$ 36,660,642	 \$ 10,554,151	 \$ (6,646,025)	 \$ 40,568,768

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COUNTY OF FRANKLIN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2008

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
General Obligation Bonds:						
GO refunding bond	4.0-5.0%	3/29/1999	2015	\$ 4,765,000	\$ 3,145,000	\$ 385,000
GO bond	4.85-6.6%	8/1/1991	2012	1,319,970	325,519	77,339
VPSA GO bond	5.0-5.9%	11/16/2000	2020	6,285,526	4,325,580	296,880
GO bond	5.1-6.35%	5/18/2000	2021	3,400,000	2,210,000	170,000
GO Bond	4.1-5.6%	11/10/2004	2025	2,500,000	2,125,000	125,000
GO Bond	3.710%	7/13/2005	2021	6,500,000	2,242,700	315,210
VPSA GO bond	4.225-5.1%	11/9/2006	2027	6,760,943	6,293,239	292,559
GO bond	3.910%	12/20/2007	2023	4,253,000	4,253,000	196,500
GO bond	3.910%	12/20/2007	2023	4,897,000	4,897,000	226,300
Total GO Bonds					\$ 29,817,038	\$ 2,084,788
Literary Loans:						
State Literary Fund Loan	3%	3/17/1997	2017	\$ 1,072,000	\$ 482,400	\$ 53,600
State Literary Fund Loan	3%	3/17/1997	2017	1,029,000	463,050	51,450
State Literary Fund Loan	3%	3/17/1997	2017	967,000	435,150	48,350
State Literary Fund Loan	3%	3/17/1997	2017	539,000	242,550	26,950
State Literary Fund Loan	3%	3/17/1997	2017	988,000	444,600	49,400
State Literary Fund Loan	3%	9/15/1997	2017	210,000	105,000	10,500
State Literary Fund Loan	3%	10/7/1997	2017	854,000	427,000	42,700
State Literary Fund Loan	3%	10/7/1997	2017	844,000	422,000	42,200
State Literary Fund Loan	3%	10/7/1997	2017	772,000	386,000	38,600
State Literary Fund Loan	3%	7/16/1998	2018	5,000,000	2,750,000	250,000
Total Literary Loans					\$ 6,157,750	\$ 613,750
Other Obligations:						
Landfill Closure/Post-closure Monitoring Costs	n/a	n/a	n/a	n/a	\$ 2,015,707	\$ -
Capital Leases	n/a	n/a	n/a	n/a	963,751	228,874
Premium on \$2,500,000 GO bond	n/a	n/a	n/a	n/a	161,297	9,489
Premium on \$6,760,943 GO bond	n/a	n/a	n/a	n/a	177,976	9,367
Compensated Absences	n/a	n/a	n/a	n/a	1,275,249	127,525
Total Other Obligations					\$ 4,593,980	\$ 375,255
Total Long-term debt					\$ 40,568,768	\$ 3,073,793

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2008

Note 8-Long-Term Debt: (continued)

Primary Government – Business-type Activity Indebtedness:

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

Year Ending June 30,	Revenue Bonds	
	Principal	Interest
2009	\$ 156,300	\$ 85,594
2010	163,000	78,953
2011	169,900	72,028
2012	177,100	64,811
2013	184,600	57,288
2014-2018	1,047,800	161,886
2019	237,000	4,930
Totals	\$ <u>2,135,700</u>	\$ <u>525,490</u>

The following is a summary of long-term debt transactions of the Utility Fund for the year ended June 30, 2008.

	Balance July 1, 2007	Issuances	Retirements	Balance June 30, 2008
Revenue bonds	\$ <u>2,285,700</u>	\$ <u>-</u>	\$ <u>(150,000)</u>	\$ <u>2,135,700</u>

Details of long-term indebtedness:

	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Balance Business-type Activities	Amount Due Within One Year
Revenue Bond:						
Revenue bond	4.16%	9/30/2003	2018	\$ 2,700,000	\$ <u>2,135,700 (1)</u>	\$ <u>156,300</u>

(1) Issued for construction of water and sewer infrastructure.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2008

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, 2008.

	Balance July 1, 2007	Issuances	Retirements	Balance June 30, 2008
Compensated absences	\$ 762,883	\$ 564,985	\$ (484,991)	\$ 842,877

Details of long-term indebtedness:

	Total Amount	Amount Due Within One Year
<u>Other Obligations:</u>		
Compensated absences	\$ 842,877	\$ 84,288

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

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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 contributes to the Virginia Retirement System (VRS). 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 1.7 percent of their average final compensation (AFC) for each year of credited service (1.85% for sheriffs and if the employer elects, to 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 increases limited to 5% per year beginning in their second year of retirement. 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/2007_annurept.pdf or obtained by writing to the System 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% of their annual salary to the VRS. The employer may assume this 5% member contribution. 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 2008 was 7.46% 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% of their annual salary to the VRS. The employer may assume this 5% member contribution. In addition, 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 2008 was 8.05% of annual covered payroll.

C. Annual Pension Cost

For fiscal year 2008, the County of Franklin, Virginia's annual pension cost of \$833,644 and \$365,013 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) ¹	Percentage of APC Contributed	Net Pension Obligation
Primary Government:				
County	6/30/2006	\$ 466,097	100.00%	\$ -
	6/30/2007	679,483	100.00%	-
	6/30/2008	833,644	100.00%	-
Discretely Presented-Component Unit:				
School Board Non-Professional	6/30/2006	\$ 265,514	100.00%	\$ -
	6/30/2007	351,692	100.00%	-
	6/30/2008	365,013	100.00%	-

¹ Employer portion only

The required contribution was determined as part of the June 30, 2005 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at June 30, 2007 included (a) 7.50% investment rate of return, (b) projected salary increases ranging from 3.50% to 5.60% per year, and (c) 2.50% per year cost-of-living adjustments. Both (a) and (b) included 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 payroll on an open basis within a period of 20 years.

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

D. Funded Status and Funding Progress

Primary Government:

As of June 30, 2007, the most recent actuarial valuation date, the plan was 97.49% funded. The actuarial accrued liability for benefits was \$34,236,170, and the actuarial value of assets was \$33,376,334, resulting in an unfunded actuarial accrued liability (UAAL) of \$859,836. The covered payroll (annual payroll of active employees covered by the plan) was \$10,577,228, and ratio of the UAAL to the covered payroll was 8.13%.

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

As of June 30, 2007, the most recent actuarial valuation date, the plan was 84.62% funded. The actuarial accrued liability for benefits was \$13,143,064, and the actuarial value of assets was \$11,121,573, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,021,491. The covered payroll (annual payroll of active employees covered by the plan) was \$4,435,717, and ratio of the UAAL to the covered payroll was 45.57%.

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

D. 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 State legislature. 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/2007annurept.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% of their annual salary to the VRS. The employer may assume this 5% member contribution. 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 \$3,745,318, \$3,233,137, and \$2,175,305 for the fiscal years ended 2008, 2007, and 2006 respectively. Employer contributions represented 10.30%, 9.20%, and 6.62% of covered payroll for the fiscal years ended 2008, 2007, and 2006 respectively.

Note 11-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 \$24,331 is comprised of the following:

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2008, but paid in advance by the taxpayers totaled \$24,331 at June 30, 2008.

Note 12-Capital Assets:

Capital asset activity for the year ended June 30, 2008 was as follows:

Primary Government:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 1,991,172	\$ -	\$ -	\$ 1,991,172
Construction in progress	6,965,952	5,541,699	(6,741,329)	5,766,322
Total capital assets not being depreciated	<u>\$ 8,957,124</u>	<u>\$ 5,541,699</u>	<u>\$ (6,741,329)</u>	<u>\$ 7,757,494</u>
Capital assets, being depreciated:				
Buildings	\$ 42,492,547	\$ 6,409,780	\$ (7,181)	\$ 48,895,146
Machinery and equipment	15,980,404	2,495,607	(843,529)	17,632,482
Total capital assets being depreciated	<u>\$ 58,472,951</u>	<u>\$ 8,905,387</u>	<u>\$ (850,710)</u>	<u>\$ 66,527,628</u>
Less: accumulated depreciation for:				
Buildings	\$ (9,456,200)	\$ (1,258,852)	\$ 7,181	\$ (10,707,871)
Machinery and equipment	(9,611,895)	(1,625,158)	764,364	(10,472,689)
Total accumulated depreciation	<u>\$ (19,068,095)</u>	<u>\$ (2,884,010)</u>	<u>\$ 771,545</u>	<u>\$ (21,180,560)</u>
Total capital assets being depreciated, net	<u>\$ 39,404,856</u>	<u>\$ 6,021,377</u>	<u>\$ (79,165)</u>	<u>\$ 45,347,068</u>
Governmental activities capital assets, net	<u>\$ 48,361,980</u>	<u>\$ 11,563,076</u>	<u>\$ (6,820,494)</u>	<u>\$ 53,104,562</u>

Note 12-Capital Assets: (continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities:				
Capital assets, not being depreciated:				
Construction in progress	\$ 245,185	\$ 111,160	\$ (237,158)	\$ 119,187
Total capital assets not being depreciated	\$ 245,185	\$ 111,160	\$ (237,158)	\$ 119,187
Capital assets, being depreciated:				
Infrastructure	\$ 4,237,894	\$ 1,177,968	\$ -	\$ 5,415,862
Total capital assets being depreciated	\$ 4,237,894	\$ 1,177,968	\$ -	\$ 5,415,862
Less: accumulated depreciation for:				
Infrastructure	\$ (235,537)	\$ (136,440)	\$ -	\$ (371,977)
Total accumulated depreciation	\$ (235,537)	\$ (136,440)	\$ -	\$ (371,977)
Total capital assets being depreciated, net	\$ 4,002,357	\$ 1,041,528	\$ -	\$ 5,043,885
Business-type activities capital assets, net	\$ 4,247,542	\$ 1,152,688	\$ (237,158)	\$ 5,163,072

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Note 12-Capital Assets: (continued)

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

Governmental activities:		
General government	\$	182,378
Judicial administration		6,179
Public safety		1,079,705
Public works		536,859
Health and welfare		28,484
Education		699,445
Parks, recreation, and culture		189,505
Community development		<u>161,455</u>
Total depreciation expense-governmental activities	\$	<u><u>2,884,010</u></u>
Business-type activities		
Utility fund	\$	<u><u>136,440</u></u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2008

Note 12-Capital Assets: (continued)

Capital asset activity for the School Board for the year ended June 30, 2008 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	475,128	-	-	475,128
Total capital assets not being depreciated	<u>\$ 1,200,443</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,200,443</u>
Capital assets, being depreciated:				
Buildings	\$ 28,117,319	\$ 80,700	\$ -	\$ 28,198,019
Machinery and equipment	10,903,974	1,440,294	(556,780)	11,787,488
Total capital assets being depreciated	<u>\$ 39,021,293</u>	<u>\$ 1,520,994</u>	<u>\$ (556,780)</u>	<u>\$ 39,985,507</u>
Less: accumulated depreciation for:				
Buildings	\$ (15,811,018)	\$ (593,507)	\$ -	\$ (16,404,525)
Machinery and equipment	(6,712,592)	(1,030,679)	537,349	(7,205,922)
Total accumulated depreciation	<u>\$ (22,523,610)</u>	<u>\$ (1,624,186)</u>	<u>\$ 537,349</u>	<u>\$ (23,610,447)</u>
Total capital assets being depreciated, net	<u>\$ 16,497,683</u>	<u>\$ (103,192)</u>	<u>\$ (19,431)</u>	<u>\$ 16,375,060</u>
Governmental activities capital assets, net	<u>\$ 17,698,126</u>	<u>\$ (103,192)</u>	<u>\$ (19,431)</u>	<u>\$ 17,575,503</u>

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Note 13-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 classification 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 and 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 14-Contingent Liabilities:

Federal programs in which the County and its component units 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 15-Surety Bonds:

Primary Government:

Fidelity & Deposit Company of Maryland-Surety:

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2008

Note 15-Surety Bonds: (continued)

Component Unit – School Board:

Fidelity and Casualty Company of New York:

Charles H. Lackey, Superintendent of Schools	\$	20,000
David Leffue		20,000
Lee Cheatham		20,000
Georgia Ferguson		20,000
Marguerite Whitmer		20,000

Pacific Employers Insurance Company:

All School Board employees-blanket bond	\$	100,000
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Note 16-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. \$2,015,707 is the total estimated closure and post-closure care liability at June 30, 2008 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 either 2011. This represents what it would cost to perform closure and post-closure care in 2008. 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.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2008

Note 17-Designated and Reserved Fund Balances/Restricted Net Assets:

Primary Government:

Reserved for law library	\$ 29,193
Reserved for forfeited assets	181,935
Designated for school capital projects	8,828,913
Designated for other capital projects	2,975,503
Designated for economic development	113,730
Designated for landfill closure	2,662,949
Designated for Workforce Building Project	1,211,957
Designated for general properties	4,586,920
Designated for library endowment	4,000
Designated for public safety capital improvements	<u>1,600,862</u>

Total Primary Government designations and reservations \$ 22,195,962

Primary Government:

Restricted for law library	\$ 29,193
Restricted for forfeited assets	<u>181,935</u>

Total Primary Government restrictions \$ 211,128

Note 18 –Restatement of Beginning Net Assets:

	General Fund	School Board Fund
Net Assets, as previously stated, June 30, 2007	\$ 49,392,550	\$ 20,784,935
Record debt financed assets from prior year	1,320,632	(1,320,632)
Record depreciation on assets from prior year	(47,228)	47,228
Net Assets, as restated, July 1, 2007	<u>\$ 50,665,954</u>	<u>\$ 19,511,531</u>

Utility Fund:

Net Assets, as previously stated, June 30, 2007	\$ 3,640,982
Record assets from prior year	237,158
Record adjustment for revenue reserves	(217,646)

Net Assets, as restated, July 1, 2007 \$ 3,660,494

REQUIRED SUPPLEMENTARY INFORMATION

County of Franklin, Virginia
Required Supplementary Information

Schedule of Funding Progress Defined Benefit Plan
For the Year Ended June 30, 2008

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, 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%
June 30, 2005	27,129,208	29,639,111	2,509,903	91.53%	8,731,421	28.75%

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, 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%
June 30, 2005	9,091,980	10,866,664	1,774,684	83.67%	3,814,854	46.52%

County of Franklin, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 33,585,418	\$ 33,585,418	\$ 33,729,192	\$ 143,774
Other local taxes	11,220,622	11,220,622	10,839,176	(381,446)
Permits, privilege fees, and regulatory licenses	672,700	672,700	573,664	(99,036)
Fines and forfeitures	16,000	16,000	10,772	(5,228)
Revenue from the use of money and property	1,457,000	1,465,654	1,109,625	(356,029)
Charges for services	2,154,641	2,171,733	2,140,479	(31,254)
Miscellaneous	287,000	322,463	345,482	23,019
Recovered costs	425,416	577,221	905,027	327,806
Intergovernmental revenues:				
Commonwealth	14,823,378	13,119,917	12,727,592	(392,325)
Federal	217,842	2,726,824	2,578,911	(147,913)
Total revenues	<u>\$ 64,860,017</u>	<u>\$ 65,878,552</u>	<u>\$ 64,959,920</u>	<u>\$ (918,632)</u>
EXPENDITURES				
Current:				
General government administration	\$ 4,233,159	\$ 3,716,577	\$ 3,532,252	\$ 184,325
Judicial administration	2,250,133	2,695,664	2,517,127	178,537
Public safety	9,069,102	11,048,718	10,526,026	522,692
Public works	2,094,686	2,342,458	2,324,278	18,180
Health and welfare	9,728,426	9,834,576	9,772,706	61,870
Education	25,082,401	26,782,351	25,084,849	1,697,502
Parks, recreation, and cultural	1,492,915	1,645,528	1,643,257	2,271
Community development	2,812,162	2,899,965	2,415,467	484,498
Nondepartmental	455,300	63,069	58,879	4,190
Debt service:				
Principal retirement	3,075,577	3,075,577	2,399,609	675,968
Interest and other fiscal charges	1,234,346	1,803,841	1,364,839	439,002
Total expenditures	<u>\$ 61,528,207</u>	<u>\$ 65,908,324</u>	<u>\$ 61,639,289</u>	<u>\$ 4,269,035</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 3,331,810</u>	<u>\$ (29,772)</u>	<u>\$ 3,320,631</u>	<u>\$ 3,350,403</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 1,091,459	\$ 1,091,459	\$ 970,459	\$ (121,000)
Transfers out	(7,644,967)	(7,371,692)	(6,862,662)	509,030
Total other financing sources and uses	<u>\$ (6,553,508)</u>	<u>\$ (6,280,233)</u>	<u>\$ (5,892,203)</u>	<u>\$ 388,030</u>
Net change in fund balances	<u>\$ (3,221,698)</u>	<u>\$ (6,310,005)</u>	<u>\$ (2,571,572)</u>	<u>\$ 3,738,433</u>
Fund balances - beginning	3,221,698	6,310,005	20,573,097	14,263,092
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,001,525</u>	<u>\$ 18,001,525</u>

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

OTHER SUPPLEMENTARY INFORMATION

County of Franklin, Virginia
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Major Capital Projects Fund
 For the Year Ended June 30, 2008

	County Capital Projects			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ -	\$ 65,570	\$ 66,209	\$ 639
Commonwealth	-	2,241,977	2,951,822	709,845
Federal	-	88,000	781,676	693,676
Total revenues	<u>\$ -</u>	<u>\$ 2,395,547</u>	<u>\$ 3,799,707</u>	<u>\$ 1,404,160</u>
EXPENDITURES				
Capital projects	\$ 5,066,876	\$ 26,685,447	\$ 8,001,233	\$ 18,684,214
Debt service:				
Principal retirement	-	3,604,531	3,604,531	-
Total expenditures	<u>\$ 5,066,876</u>	<u>\$ 30,289,978</u>	<u>\$ 11,605,764</u>	<u>\$ 18,684,214</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (5,066,876)</u>	<u>\$ (27,894,431)</u>	<u>\$ (7,806,057)</u>	<u>\$ 20,088,374</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 5,053,876	\$ 5,043,621	\$ 5,043,621	\$ -
Transfers out	(12,000)	(886,134)	(648,976)	237,158
Proceeds of general obligation bonds	-	5,041,795	5,041,795	-
Bond issuance costs	-	(34,997)	(34,997)	-
Total other financing sources and uses	<u>\$ 5,041,876</u>	<u>\$ 9,164,285</u>	<u>\$ 9,401,443</u>	<u>\$ 237,158</u>
Net change in fund balances	\$ (25,000)	\$ (18,730,146)	\$ 1,595,386	\$ 20,325,532
Fund balances - beginning	25,000	18,730,146	11,556,535	(7,173,611)
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,151,921</u>	<u>\$ 13,151,921</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 Changes in Fund Balances - Budget and Actual
 Nonmajor Capital Projects Fund
 For the Year Ended June 30, 2008

	School Construction			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 344,795	\$ 344,795
Total revenues	\$ -	\$ -	\$ 344,795	\$ 344,795
EXPENDITURES				
Capital projects	\$ -	\$ -	\$ 2,979,838	\$ (2,979,838)
Total expenditures	\$ -	\$ -	\$ 2,979,838	\$ (2,979,838)
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ (2,635,043)	\$ (2,635,043)
OTHER FINANCING SOURCES (USES)				
Proceeds of general obligation bonds	\$ -	\$ -	\$ 4,897,000	\$ 4,897,000
Bond issuance costs	-	-	(34,102)	(34,102)
Total other financing sources and uses	\$ -	\$ -	\$ 4,862,898	\$ 4,862,898
Net change in fund balances	\$ -	\$ -	\$ 2,227,855	\$ 2,227,855
Fund balances - beginning	-	-	6,601,058	6,601,058
Fund balances - ending	\$ -	\$ -	\$ 8,828,913	\$ 8,828,913

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

County of Franklin, Virginia
Balance Sheet
Nonmajor Governmental Funds
June 30, 2008

	<u>E-911</u> <u>Fund</u>
ASSETS	
Cash and cash equivalents	\$ 25,293
Total assets	<u>\$ 25,293</u>
 LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	\$ 11,166
Total liabilities	<u>\$ 11,166</u>
Fund balances:	
Reserved for:	
E-911	\$ 14,127
Total fund balances	<u>\$ 14,127</u>
Total liabilities and fund balances	<u>\$ 25,293</u>

County of Franklin, Virginia
 Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2008

		<u>E-911 Fund</u>
REVENUES		
Other local taxes	\$	1,865
Miscellaneous		88
Intergovernmental revenues:		
Commonwealth		61,482
Total revenues	\$	<u>63,435</u>
 EXPENDITURES		
Current:		
Public safety	\$	978,529
Total expenditures	\$	<u>978,529</u>
Excess (deficiency) of revenues over (under) expenditures	\$	<u>(915,094)</u>
 OTHER FINANCING SOURCES (USES)		
Transfers in	\$	979,221
Transfers out		<u>(81,036)</u>
Total other financing sources and uses	\$	<u>898,185</u>
Net change in fund balances	\$	(16,909)
Fund balances - beginning		<u>31,036</u>
Fund balances - ending	\$	<u><u>14,127</u></u>

County of Franklin, Virginia
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Nonmajor Special Revenue Fund
 For the Year Ended June 30, 2008

	E-911 Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Other local taxes	\$ -	\$ -	\$ 1,865	\$ 1,865
Miscellaneous	2,500	2,500	88	(2,412)
Intergovernmental revenues:				
Commonwealth	72,400	72,400	61,482	(10,918)
Total revenues	<u>\$ 74,900</u>	<u>\$ 74,900</u>	<u>\$ 63,435</u>	<u>\$ (11,465)</u>
EXPENDITURES				
Current:				
Public safety	\$ 944,537	\$ 1,004,121	\$ 978,529	\$ 25,592
Total expenditures	<u>\$ 944,537</u>	<u>\$ 1,004,121</u>	<u>\$ 978,529</u>	<u>\$ 25,592</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (869,637)</u>	<u>\$ (929,221)</u>	<u>\$ (915,094)</u>	<u>\$ 14,127</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 919,637	\$ 979,221	\$ 979,221	-
Transfers out	(50,000)	(81,036)	(81,036)	-
Total other financing sources and uses	<u>\$ 869,637</u>	<u>\$ 898,185</u>	<u>\$ 898,185</u>	<u>\$ -</u>
Net change in fund balances	\$ -	\$ (31,036)	\$ (16,909)	\$ 14,127
Fund balances - beginning	-	31,036	31,036	-
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,127</u>	<u>\$ 14,127</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.

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, 2008

	Agency Funds				<u>Total</u>
	<u>Special Welfare</u>	<u>Road Escrow Fund</u>	<u>Escrow Fund for Soil and Erosion Control Agreement</u>	<u>Inmate trust and Canteen Account Fund</u>	
ASSETS					
Cash and cash equivalents	\$ 22,052	\$ 16,630	\$ 262,821	\$ -	\$ 301,503
Cash in custody of others	-	-	-	96,899	96,899
Total assets	<u>\$ 22,052</u>	<u>\$ 16,630</u>	<u>\$ 262,821</u>	<u>\$ 96,899</u>	<u>\$ 398,402</u>
LIABILITIES					
Amounts held for social services clients	\$ 22,052	-	-	-	\$ 22,052
Amounts held for citizens	-	16,630	-	-	16,630
Amounts held for performance bonds	-	-	262,821	-	262,821
Amounts held for inmates	-	-	-	96,899	96,899
Total liabilities	<u>\$ 22,052</u>	<u>\$ 16,630</u>	<u>\$ 262,821</u>	<u>\$ 96,899</u>	<u>\$ 398,402</u>

County of Franklin, Virginia
Combining Statement of Changes in Assets and Liabilities
Fiduciary Funds
For the Year Ended June 30, 2007

	Agency Funds			Balance June 30, 2008
	Balance July 1, 2007	Additions	Deductions	
ASSETS				
Cash and cash equivalents:				
Special Welfare Fund	\$ 54,535	\$ 173,023	\$ 205,506	\$ 22,052
Road Escrow Fund	15,924	3,210	2,504	16,630
Escrow Fund for Soil and Erosion Control Agreement	52,337	254,360	43,876	262,821
Cash in custody of others				
Inmate Trust and Canteen Funds	94,982	220,570	218,653	96,899
Total assets	<u>\$ 217,778</u>	<u>\$ 651,163</u>	<u>\$ 470,539</u>	<u>\$ 398,402</u>
LIABILITIES				
Amounts held for others:				
Social services clients	\$ 54,535	\$ -	\$ 32,483	\$ 22,052
Citizens	15,924	706	-	16,630
Performance bonds	52,337	210,484	-	262,821
Inmates	94,982	1,917	-	96,899
Total liabilities	<u>\$ 217,778</u>	<u>\$ 213,107</u>	<u>\$ 32,483</u>	<u>\$ 398,402</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, 2008

	<u>School Operating Fund</u>
ASSETS	
Cash in custody of others	\$ 965,397
Due from other governmental units	1,927,020
Total assets	<u>\$ 2,892,417</u>
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	\$ 476,873
Due to primary government	1,450,147
Total liabilities	<u>\$ 1,927,020</u>
Fund balances:	
Unreserved:	
Undesignated	\$ 965,397
Total fund balances	<u>\$ 965,397</u>
Total liabilities and fund balances	<u>\$ 2,892,417</u>
Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:	
Total fund balances per above	\$ 965,397
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	17,575,503
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(842,877)
Net assets of governmental activities	<u>\$ 17,698,023</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, 2008

	<u>School Operating Fund</u>
REVENUES	
Charges for services	\$ 1,967,356
Miscellaneous	72,022
Recovered costs	531,719
Intergovernmental revenues:	
Local government	25,544,723
Commonwealth	39,224,058
Federal	6,263,177
Total revenues	<u>\$ 73,603,055</u>
EXPENDITURES	
Current:	
Education	\$ 75,213,946
Total expenditures	<u>\$ 75,213,946</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (1,610,891)</u>
Net change in fund balances	\$ (1,610,891)
Fund balances - beginning	<u>2,576,288</u>
Fund balances - ending	<u>\$ 965,397</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	\$ (1,610,891)
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.	(122,623)
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.	(79,994)
Change in net assets of governmental activities	<u>\$ (1,813,508)</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, 2008

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Charges for services	\$ 1,898,187	\$ 1,912,417	\$ 1,967,356	\$ 54,939
Miscellaneous	109,496	109,496	72,022	(37,474)
Recovered costs	388,240	388,240	531,719	143,479
Intergovernmental revenues:				
Local government	25,082,401	26,782,351	25,544,723	(1,237,628)
Commonwealth	39,667,259	40,135,615	39,224,058	(911,557)
Federal	6,187,774	6,443,006	6,263,177	(179,829)
Total revenues	<u>\$ 73,333,357</u>	<u>\$ 75,771,125</u>	<u>\$ 73,603,055</u>	<u>\$ (2,168,070)</u>
EXPENDITURES				
Current:				
Education	\$ 76,004,353	\$ 80,203,985	\$ 75,213,946	\$ 4,990,039
Total expenditures	<u>\$ 76,004,353</u>	<u>\$ 80,203,985</u>	<u>\$ 75,213,946</u>	<u>\$ 4,990,039</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (2,670,996)</u>	<u>\$ (4,432,860)</u>	<u>\$ (1,610,891)</u>	<u>\$ 2,821,969</u>
Net change in fund balances	\$ (2,670,996)	\$ (4,432,860)	\$ (1,610,891)	\$ 2,821,969
Fund balances - beginning	-	-	2,576,288	2,576,288
Fund balances - ending	<u>\$ (2,670,996)</u>	<u>\$ (4,432,860)</u>	<u>\$ 965,397</u>	<u>\$ 5,398,257</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, 2008

<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>
Primary Government:				
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 26,176,527	\$ 26,176,527	\$ 26,350,711	\$ 174,184
Real and personal public service corporation taxes	552,000	552,000	518,038	(33,962)
Personal property taxes	5,100,751	5,100,751	5,095,334	(5,417)
Mobile home taxes	247,000	247,000	250,328	3,328
Machinery and tools taxes	377,500	377,500	434,577	57,077
Merchant's capital	756,640	756,640	699,087	(57,553)
Penalties	245,625	245,625	234,627	(10,998)
Interest	129,375	129,375	146,490	17,115
Total general property taxes	<u>\$ 33,585,418</u>	<u>\$ 33,585,418</u>	<u>\$ 33,729,192</u>	<u>\$ 143,774</u>
Other local taxes:				
Local sales and use taxes	\$ 4,479,153	\$ 4,479,153	\$ 4,153,451	\$ (325,702)
Consumers' utility taxes	950,000	950,000	964,500	14,500
Communications tax	2,444,580	2,444,580	2,547,497	102,917
Business license taxes	3,500	3,500	4,697	1,197
Utility license taxes	152,589	152,589	212,074	59,485
Motor vehicle licenses	1,315,800	1,315,800	1,270,653	(45,147)
Bank stock taxes	145,000	145,000	99,550	(45,450)
Taxes on recordation and wills	840,000	840,000	658,226	(181,774)
Hotel and motel room taxes	112,000	112,000	112,944	944
Restaurant food taxes	778,000	778,000	815,584	37,584
Total other local taxes	<u>\$ 11,220,622</u>	<u>\$ 11,220,622</u>	<u>\$ 10,839,176</u>	<u>\$ (381,446)</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 16,700	\$ 16,700	\$ 48,550	\$ 31,850
Land use application fees	18,000	18,000	28,540	10,540
Transfer fees	3,000	3,000	2,241	(759)
Zoning and planning fees	90,000	90,000	95,632	5,632
Erosion and sediment control	130,000	130,000	99,801	(30,199)
Building permits	415,000	415,000	298,860	(116,140)
Other permits and licenses	-	-	40	40
Total permits, privilege fees, and regulatory licenses	<u>\$ 672,700</u>	<u>\$ 672,700</u>	<u>\$ 573,664</u>	<u>\$ (99,036)</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 16,000	\$ 16,000	\$ 10,772	\$ (5,228)
Total fines and forfeitures	<u>\$ 16,000</u>	<u>\$ 16,000</u>	<u>\$ 10,772</u>	<u>\$ (5,228)</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 1,400,000	\$ 1,400,000	\$ 1,014,431	\$ (385,569)
Revenue from use of property	57,000	65,654	95,194	29,540
Total revenue from use of money and property	<u>\$ 1,457,000</u>	<u>\$ 1,465,654</u>	<u>\$ 1,109,625</u>	<u>\$ (356,029)</u>
Charges for services:				
Charges for courthouse security	\$ 60,000	\$ 60,000	\$ 72,299	\$ 12,299
Charges for law enforcement and traffic control	27,000	27,000	26,032	(968)
Charges for courthouse maintenance	12,000	12,000	14,872	2,872
Charges for law library	12,000	12,000	20,076	8,076
Excess Clerk of Court fees	140,000	140,000	121,052	(18,948)
Charges for Commonwealth's Attorney	3,000	3,000	2,656	(344)
Prisoner's board	9,000	9,000	12,159	3,159
Concealed weapons permits	9,000	9,000	22,145	13,145

County of Franklin, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2008

<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>
Primary Government: (Continued)				
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Charges for services: (Continued)				
Miscellaneous animal fees	\$ 2,000	\$ 2,000	\$ 4,933	\$ 2,933
Miscellaneous jail and inmate fees	-	-	925	925
Charges for economic development private landfills	30,000	30,000	36,597	6,597
Charges for sale of maps and codes and copies	39,000	39,000	22,205	(16,795)
Charges for emergency medical services billing	800,000	800,000	781,249	(18,751)
Charges for sanitation and waste removal	920,000	920,000	840,126	(79,874)
Charges for parks and recreation	47,000	64,092	115,314	51,222
Charges for aging services	21,641	21,641	22,513	872
Charges for library	23,000	23,000	25,326	2,326
Total charges for services	<u>\$ 2,154,641</u>	<u>\$ 2,171,733</u>	<u>\$ 2,140,479</u>	<u>\$ (31,254)</u>
Miscellaneous revenue:				
Miscellaneous	\$ 287,000	\$ 322,463	\$ 345,482	\$ 23,019
Total miscellaneous revenue	<u>\$ 287,000</u>	<u>\$ 322,463</u>	<u>\$ 345,482</u>	<u>\$ 23,019</u>
Recovered costs:				
Forfeited asset seizures	\$ 25,000	\$ 71,290	\$ 63,896	\$ (7,394)
Health department	68,000	68,000	126,254	58,254
Court reporting fees	48,000	48,000	51,535	3,535
Armory reimbursement	7,758	7,758	14,457	6,699
School resource officer	86,658	86,658	86,658	-
Office on youth	-	-	266,712	266,712
U.S. marshal	-	93,538	93,538	-
Blue ridge soil and water	190,000	201,977	201,977	-
Total recovered costs	<u>\$ 425,416</u>	<u>\$ 577,221</u>	<u>\$ 905,027</u>	<u>\$ 327,806</u>
Total revenue from local sources	<u>\$ 49,818,797</u>	<u>\$ 50,031,811</u>	<u>\$ 49,653,417</u>	<u>\$ (378,394)</u>
Revenue from the Commonwealth:				
Noncategorical aid:				
ABC profits	\$ 25,234	\$ 25,234	\$ 32	\$ (25,202)
Wine taxes	26,383	26,383	-	(26,383)
Motor vehicle carrier tax (rolling stock)	31,400	31,400	35,582	4,182
Mobile home titling tax	125,000	125,000	197,315	72,315
Motor vehicle rental tax	19,375	19,375	29,855	10,480
Grantor's tax	200,000	200,000	140,514	(59,486)
State recordation tax	204,000	204,000	201,488	(2,512)
Personal property tax relief funds	2,626,618	2,626,618	2,626,618	-
Total noncategorical aid	<u>\$ 3,258,010</u>	<u>\$ 3,258,010</u>	<u>\$ 3,231,404</u>	<u>\$ (26,606)</u>
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 430,000	\$ 492,620	\$ 490,465	\$ (2,155)
Sheriff	3,253,362	3,476,833	3,473,630	(3,203)
Commissioner of revenue	186,149	186,149	180,491	(5,658)
Treasurer	163,164	180,234	174,136	(6,098)
Medical examiner	300	300	-	(300)
Registrar/electoral board	54,000	55,700	59,548	3,848
Clerk of the Circuit Court	324,700	523,700	469,738	(53,962)
Total shared expenses	<u>\$ 4,411,675</u>	<u>\$ 4,915,536</u>	<u>\$ 4,848,008</u>	<u>\$ (67,528)</u>

County of Franklin, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2008

<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>
Primary Government: (Continued)				
General Fund: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Other categorical aid:				
Public assistance and welfare administration	\$ 4,048,065	\$ 1,753,911	\$ 1,602,736	\$ (151,175)
Comprehensive services act	2,588,750	2,588,750	2,391,341	(197,409)
Office on youth-juvenile	29,811	29,811	29,066	(745)
Family resource center-family violence prevention	37,000	161,210	161,210	-
Family resource center-DHCD shelter grant	148,000	23,790	73,953	50,163
Four for life	-	85,836	85,836	-
Fire programs	-	-	16,970	16,970
Library grants	133,570	155,296	155,257	(39)
Litter control grant	-	9,463	9,463	-
Workforce grants	63,000	63,000	78,273	15,273
Department of Emergency Management equipment grant	-	61,742	16,870	(44,872)
Other categorical aid	105,497	13,562	27,205	13,643
Total other categorical aid	<u>\$ 7,153,693</u>	<u>\$ 4,946,371</u>	<u>\$ 4,648,180</u>	<u>\$ (298,191)</u>
Total categorical aid	<u>\$ 11,565,368</u>	<u>\$ 9,861,907</u>	<u>\$ 9,496,188</u>	<u>\$ (365,719)</u>
Total revenue from the Commonwealth	<u>\$ 14,823,378</u>	<u>\$ 13,119,917</u>	<u>\$ 12,727,592</u>	<u>\$ (392,325)</u>
Revenue from the federal government:				
Payments in lieu of taxes	\$ 15,258	\$ 15,258	\$ 10,079	\$ (5,179)
Categorical aid:				
Department of Health and Human Services payments	\$ -	\$ 2,294,154	\$ 2,294,154	\$ -
Department of Justice payments	-	13,894	13,894	-
Department of Housing and Urban Development payments	18,000	18,000	26,215	8,215
Department of Homeland Security payments	34,584	34,584	34,584	-
CDBG-indoor plumbing grant	150,000	150,000	7,086	(142,914)
Sheriff technology grant	-	67,434	67,434	-
Violence against women	-	36,086	31,707	(4,379)
VDA grant	-	71,935	66,778	(5,157)
DMV Safety grants	-	25,479	26,980	1,501
Total categorical aid	<u>\$ 202,584</u>	<u>\$ 2,711,566</u>	<u>\$ 2,568,832</u>	<u>\$ (142,734)</u>
Total revenue from the federal government	<u>\$ 217,842</u>	<u>\$ 2,726,824</u>	<u>\$ 2,578,911</u>	<u>\$ (147,913)</u>
Total General Fund	<u>\$ 64,860,017</u>	<u>\$ 65,878,552</u>	<u>\$ 64,959,920</u>	<u>\$ (918,632)</u>
County Capital Projects Fund:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ 56,716	\$ 56,716	\$ -
Revenue from use of property	-	8,854	9,493	639
Total revenue from use of money and property	<u>\$ -</u>	<u>\$ 65,570</u>	<u>\$ 66,209</u>	<u>\$ 639</u>
Revenue from the Commonwealth:				
Categorical aid:				
Other categorical aid:				
Fire programs	\$ -	\$ 543,181	\$ 113,181	\$ (430,000)
Franklin center contributions	-	52,875	52,875	-
Wireless board funds	-	497,000	213,968	(283,032)
Park and rec grants	-	223,027	223,027	-

County of Franklin, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2008

<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>
Primary Government: (Continued)				
County Capital Projects Fund: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Public safety purchase reimbursement	\$ -	\$ 333,173	\$ 333,173	\$ -
Public safety grants	-	150,000	150,000	-
Workforce grants	-	226,000	165,911	(60,089)
Tobacco indemnification funds	-	216,721	1,699,687	1,482,966
Total other categorical aid	<u>\$ -</u>	<u>\$ 2,241,977</u>	<u>\$ 2,951,822</u>	<u>\$ 709,845</u>
Total categorical aid	<u>\$ -</u>	<u>\$ 2,241,977</u>	<u>\$ 2,951,822</u>	<u>\$ 709,845</u>
Total revenue from the Commonwealth	<u>\$ -</u>	<u>\$ 2,241,977</u>	<u>\$ 2,951,822</u>	<u>\$ 709,845</u>
Revenue from the federal government:				
Categorical aid:				
CDBG block grant-States program	\$ -	\$ 88,000	\$ 88,000	\$ -
EDA grant	-	-	693,676	693,676
Total categorical aid	<u>\$ -</u>	<u>\$ 88,000</u>	<u>\$ 781,676</u>	<u>\$ 693,676</u>
Total revenue from the federal government	<u>\$ -</u>	<u>\$ 88,000</u>	<u>\$ 781,676</u>	<u>\$ 693,676</u>
Total County Capital Projects Fund	<u>\$ -</u>	<u>\$ 2,395,547</u>	<u>\$ 3,799,707</u>	<u>\$ 1,404,160</u>
Total Primary Government	<u>\$ 64,860,017</u>	<u>\$ 68,274,099</u>	<u>\$ 68,759,627</u>	<u>\$ 485,528</u>
Nonmajor Special Revenue Fund:				
E-911 Fund:				
Revenue from local sources:				
Other local taxes:				
E-911 taxes	\$ -	-	\$ 1,865	\$ 1,865
Total other local taxes	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,865</u>	<u>\$ 1,865</u>
Miscellaneous revenue:				
Other miscellaneous	\$ 2,500	\$ 2,500	\$ 88	\$ (2,412)
Total revenue from local sources	<u>\$ 2,500</u>	<u>\$ 2,500</u>	<u>\$ 1,953</u>	<u>\$ (547)</u>
Categorical aid:				
Wireless board reimbursement	\$ 72,400	\$ 72,400	\$ 61,482	\$ (10,918)
Total categorical aid	<u>\$ 72,400</u>	<u>\$ 72,400</u>	<u>\$ 61,482</u>	<u>\$ (10,918)</u>
Total revenue from the Commonwealth	<u>\$ 72,400</u>	<u>\$ 72,400</u>	<u>\$ 61,482</u>	<u>\$ (10,918)</u>
Total E-911 Fund	<u>\$ 74,900</u>	<u>\$ 74,900</u>	<u>\$ 63,435</u>	<u>\$ (11,465)</u>

County of Franklin, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2008

<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>
Nonmajor Capital Projects Funds:				
School Construction Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 344,795	\$ 344,795
Total revenue from use of money and property	\$ -	\$ -	\$ 344,795	\$ 344,795
Total revenue from local sources	\$ -	\$ -	\$ 344,795	\$ 344,795
Total School Construction Fund	\$ -	\$ -	\$ 344,795	\$ 344,795
Total Primary Government	\$ 64,934,917	\$ 65,953,452	\$ 65,368,150	\$ (585,302)
Discretely Presented Component Unit - School Board:				
Special Revenue Funds:				
School Operating Fund:				
Revenue from local sources:				
Charges for services:				
Other charges for education	\$ -	\$ -	\$ 49,192	\$ 49,192
Cafeteria sales	1,898,187	1,898,187	1,905,476	7,289
Cannery fees	-	14,230	12,688	(1,542)
Total charges for services	\$ 1,898,187	\$ 1,912,417	\$ 1,967,356	\$ 54,939
Miscellaneous revenue:				
Miscellaneous	\$ 109,496	\$ 109,496	\$ 72,022	\$ (37,474)
Total miscellaneous revenue	\$ 109,496	\$ 109,496	\$ 72,022	\$ (37,474)
Recovered costs:				
Insurance recoveries and rebates	\$ 9,624	\$ 9,624	\$ 25,696	\$ 16,072
Sale of supplies	-	-	23,457	23,457
Sale of school buses	-	-	11,700	11,700
Sale of other equipment	14,163	14,163	30,574	16,411
Other recovered costs	364,453	364,453	440,292	75,839
Total recovered costs	\$ 388,240	\$ 388,240	\$ 531,719	\$ 143,479
Total revenue from local sources	\$ 2,395,923	\$ 2,410,153	\$ 2,571,097	\$ 160,944
Revenues from local governments:				
Contribution from County of Franklin, Virginia	\$ 25,082,401	\$ 26,782,351	\$ 25,084,849	\$ (1,697,502)
Payments from other localities	-	-	459,874	459,874
Total revenues from local governments	\$ 25,082,401	\$ 26,782,351	\$ 25,544,723	\$ (1,237,628)
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Categorical aid:				
Adult literacy	\$ -	\$ -	\$ 100,000	\$ 100,000
Adult secondary education	9,082	-	10,305	10,305
At risk four-year olds	472,445	472,445	472,445	-
At risk payments	409,330	409,330	413,539	4,209
Basic school aid	19,276,273	19,276,273	19,288,412	12,139
E-rate rebate	271,446	271,446	269,697	(1,749)
Early reading intervention	84,725	84,725	79,741	(4,984)
English as a second language	85,067	85,067	80,174	(4,893)
GED funds	23,576	32,658	23,576	(9,082)

County of Franklin, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2008

<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>
Discretely Presented Component Unit - School Board: (Continued)				
Special Revenue Funds: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental revenues: (continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Gifted and talented	\$ 177,386	\$ 177,386	\$ 176,014	\$ (1,372)
Homebound education	-	-	22,270	22,270
Mentor teacher program	-	-	6,233	6,233
Primary class size	573,145	573,145	559,898	(13,247)
Race to GED	-	-	72,513	72,513
Regular foster care	164,410	192,536	70,918	(121,618)
Remedial education	407,988	407,988	404,832	(3,156)
Remedial summer education	168,001	168,001	172,318	4,317
Retirement fringe benefits	1,587,605	1,645,255	1,610,528	(34,727)
Salary supplement	1,294,918	1,294,918	1,298,103	3,185
School construction	191,274	191,274	190,986	(288)
School food	41,742	41,742	62,681	20,939
Share of state sales tax	7,437,141	7,437,141	6,598,886	(838,255)
Social security fringe benefits	1,082,055	1,082,055	1,073,685	(8,370)
Special education	2,647,486	3,091,974	2,627,008	(464,966)
Special education - foster children	-	-	97,619	97,619
Special education-regional program	444,488	695,462	367,301	(328,161)
Standards of Learning algebra readiness	62,927	62,927	63,008	81
State lottery payments	980,014	980,014	980,398	384
Technology	440,000	440,000	549,006	109,006
Textbook payment	444,707	444,707	441,267	(3,440)
Vocational adult education	549,897	549,897	586,432	36,535
Vocational education - equipment	27,249	27,249	25,143	(2,106)
Vocational occupational preparedness	-	-	22,149	22,149
Career Tech	-	-	10,185	10,185
RPP - Regional Specialist	-	-	41,140	41,140
Group Life	57,650	-	57,205	57,205
Enrollment Loss	-	-	37,722	37,722
National Board Certified Teacher	-	-	7,573	7,573
Teacher Licensure	-	-	47,427	47,427
Famis/Medicaid Reimbursement	208,196	-	145,854	145,854
Vision Impaired Grant	3,883	-	3,817	3,817
AFJROTC	43,153	-	39,809	39,809
State Funds	-	-	16,241	16,241
Total categorical aid	<u>\$ 39,667,259</u>	<u>\$ 40,135,615</u>	<u>\$ 39,224,058</u>	<u>\$ (911,557)</u>
Total revenue from the Commonwealth	<u>\$ 39,667,259</u>	<u>\$ 40,135,615</u>	<u>\$ 39,224,058</u>	<u>\$ (911,557)</u>
Revenue from the federal government:				
Categorical aid:				
Adult basic education	\$ 86,405	\$ 86,405	\$ 411,597	\$ 325,192
Advanced placement grant	-	-	689	689
Drug free schools	34,594	-	34,491	34,491
Even Start Family Literacy	117,051	117,051	167,829	50,778
Learn and serve grant	-	-	11,126	11,126
Literacy challenge grant	16,662	-	15,975	15,975
Title II	335,023	335,023	321,753	(13,270)
Title III	-	-	33,480	33,480
Learning grant	-	271,894	-	(271,894)

County of Franklin, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2008

<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>
Discretely Presented Component Unit - School Board: (Continued)				
Special Revenue Funds: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental revenues: (Continued)				
Revenue from the federal government: (Continued)				
Categorical aid: (Continued)				
Reading first	\$ 359,024	\$ 359,024	\$ 285,169	\$ (73,855)
School food	1,646,415	1,646,415	1,752,277	105,862
Title I	1,568,603	1,587,444	1,583,886	(3,558)
Title V	18,841	34,594	39,363	4,769
Title VI-B, special education flow-through	1,830,913	1,830,913	1,436,181	(394,732)
Title VI-B, special education pre-school	37,204	37,204	37,589	385
Vocational education	137,039	137,039	131,772	(5,267)
Total categorical aid	<u>\$ 6,187,774</u>	<u>\$ 6,443,006</u>	<u>\$ 6,263,177</u>	<u>\$ (179,829)</u>
Total revenue from the federal government	<u>\$ 6,187,774</u>	<u>\$ 6,443,006</u>	<u>\$ 6,263,177</u>	<u>\$ (179,829)</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 73,333,357</u>	<u>\$ 75,771,125</u>	<u>\$ 73,603,055</u>	<u>\$ (2,168,070)</u>

County of Franklin, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2008

<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>
Primary Government:				
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	\$ 356,217	\$ 346,217	\$ 342,108	\$ 4,109
General and financial administration:				
County administrator	\$ 350,764	\$ 393,818	\$ 371,926	\$ 21,892
Risk management	312,950	287,950	266,608	21,342
Human resources	794,229	147,768	143,869	3,899
County planner	-	50,000	-	50,000
Land use	36,073	37,703	37,372	331
Commissioner of revenue	517,463	475,735	439,637	36,098
Reassessment	200,000	226,236	226,236	-
Treasurer	452,436	469,701	465,565	4,136
Finance	248,806	268,520	264,008	4,512
Information technology	700,998	713,533	710,587	2,946
Telecommunications	43,800	57,521	57,521	-
Total general and financial administration	<u>\$ 3,657,519</u>	<u>\$ 3,128,485</u>	<u>\$ 2,983,329</u>	<u>\$ 145,156</u>
Board of elections:				
Registrar	\$ 160,033	\$ 176,485	\$ 154,970	\$ 21,515
Electoral board and officials	59,390	65,390	51,845	13,545
Total board of elections	<u>\$ 219,423</u>	<u>\$ 241,875</u>	<u>\$ 206,815</u>	<u>\$ 35,060</u>
Total general government administration	<u>\$ 4,233,159</u>	<u>\$ 3,716,577</u>	<u>\$ 3,532,252</u>	<u>\$ 184,325</u>
Judicial administration:				
Courts:				
Circuit court	\$ 89,318	\$ 75,866	\$ 73,348	\$ 2,518
General district court	11,243	22,317	20,397	1,920
Law library	12,000	21,619	1,743	19,876
Special magistrates	2,975	2,975	1,199	1,776
Juvenile and domestic relations court	419,112	508,897	508,892	5
Juvenile court services	57,823	63,866	62,036	1,830
Sheriff-courts	458,486	497,487	497,295	192
Clerk of the circuit court	609,961	843,302	696,123	147,179
Total courts	<u>\$ 1,660,918</u>	<u>\$ 2,036,329</u>	<u>\$ 1,861,033</u>	<u>\$ 175,296</u>
Commonwealth's attorney:				
Commonwealth's attorney	\$ 589,215	\$ 659,335	\$ 656,094	\$ 3,241
Total commonwealth's attorney	<u>\$ 589,215</u>	<u>\$ 659,335</u>	<u>\$ 656,094</u>	<u>\$ 3,241</u>
Total judicial administration	<u>\$ 2,250,133</u>	<u>\$ 2,695,664</u>	<u>\$ 2,517,127</u>	<u>\$ 178,537</u>
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 2,843,465	\$ 3,489,320	\$ 3,468,138	\$ 21,182
Total law enforcement and traffic control	<u>\$ 2,843,465</u>	<u>\$ 3,489,320</u>	<u>\$ 3,468,138</u>	<u>\$ 21,182</u>
Correction and detention:				
County operated institutions	\$ 2,912,487	\$ 3,327,954	\$ 3,216,817	\$ 111,137
Total correction and detention	<u>\$ 2,912,487</u>	<u>\$ 3,327,954</u>	<u>\$ 3,216,817</u>	<u>\$ 111,137</u>

County of Franklin, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2008

<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>
Primary Government: (Continued)				
General Fund: (Continued)				
Public safety: (Continued)				
Inspections:				
Building	\$ 426,107	\$ 454,248	\$ 454,088	\$ 160
Total inspections	<u>\$ 426,107</u>	<u>\$ 454,248</u>	<u>\$ 454,088</u>	<u>\$ 160</u>
Other protection:				
Animal control	\$ 257,503	\$ 298,078	\$ 295,345	\$ 2,733
Director of public safety	1,791,203	2,108,224	2,075,740	32,484
Department of forestry	13,337	13,337	13,337	-
Emergency medical services	800,000	1,032,456	859,394	173,062
Asset forfeiture	25,000	325,101	143,167	181,934
Total other protection	<u>\$ 2,887,043</u>	<u>\$ 3,777,196</u>	<u>\$ 3,386,983</u>	<u>\$ 390,213</u>
Total public safety	<u>\$ 9,069,102</u>	<u>\$ 11,048,718</u>	<u>\$ 10,526,026</u>	<u>\$ 522,692</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	\$ 923,003	\$ 1,195,619	\$ 1,195,250	\$ 369
Scale house	45,659	50,575	50,527	48
Recycling program	97,771	44,169	44,073	96
Total sanitation and waste removal	<u>\$ 1,066,433</u>	<u>\$ 1,290,363</u>	<u>\$ 1,289,850</u>	<u>\$ 513</u>
Maintenance of general buildings and grounds:				
General properties	\$ 792,159	\$ 803,060	\$ 798,486	\$ 4,574
Mechanic	187,769	200,710	200,656	54
Armory	35,875	35,875	35,286	589
Courthouse maintenance	12,000	12,000	-	12,000
Total maintenance of general buildings and grounds	<u>\$ 1,027,803</u>	<u>\$ 1,051,645</u>	<u>\$ 1,034,428</u>	<u>\$ 17,217</u>
Total public works	<u>\$ 2,094,686</u>	<u>\$ 2,342,458</u>	<u>\$ 2,324,278</u>	<u>\$ 18,180</u>
Health and welfare:				
Health:				
Supplement of local health department	\$ 329,852	\$ 329,852	\$ 329,852	\$ -
Total health	<u>\$ 329,852</u>	<u>\$ 329,852</u>	<u>\$ 329,852</u>	<u>\$ -</u>
Mental health and mental retardation:				
Developmental Center of Franklin	\$ 51,500	\$ 51,500	\$ 51,500	\$ -
Total mental health and mental retardation	<u>\$ 51,500</u>	<u>\$ 51,500</u>	<u>\$ 51,500</u>	<u>\$ -</u>

County of Franklin, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2008

<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>
Primary Government: (Continued)				
General Fund: (Continued)				
Health and welfare: (Continued)				
Welfare:				
Public assistance and welfare administration	\$ 4,884,749	\$ 4,809,749	\$ 4,768,556	\$ 41,193
Youth services agency	3,838,249	3,932,884	3,932,803	81
Family resource center	249,362	289,200	268,779	20,421
Area agency on aging	270,301	316,978	316,803	175
Contribution to Special Welfare fund	87,075	87,075	87,075	-
Assistance - institutions	17,338	17,338	17,338	-
Total welfare	<u>\$ 9,347,074</u>	<u>\$ 9,453,224</u>	<u>\$ 9,391,354</u>	<u>\$ 61,870</u>
Total health and welfare	<u>\$ 9,728,426</u>	<u>\$ 9,834,576</u>	<u>\$ 9,772,706</u>	<u>\$ 61,870</u>
Education:				
Other instructional costs:				
Contribution to County School Board	\$ 25,082,401	\$ 26,782,351	\$ 25,084,849	\$ 1,697,502
Total education	<u>\$ 25,082,401</u>	<u>\$ 26,782,351</u>	<u>\$ 25,084,849</u>	<u>\$ 1,697,502</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Parks and recreation	\$ 867,674	\$ 926,867	\$ 924,724	\$ 2,143
Total parks and recreation	<u>\$ 867,674</u>	<u>\$ 926,867</u>	<u>\$ 924,724</u>	<u>\$ 2,143</u>
Library:				
Library administration	\$ 625,241	\$ 718,661	\$ 718,533	\$ 128
Total library	<u>\$ 625,241</u>	<u>\$ 718,661</u>	<u>\$ 718,533</u>	<u>\$ 128</u>
Total parks, recreation, and cultural	<u>\$ 1,492,915</u>	<u>\$ 1,645,528</u>	<u>\$ 1,643,257</u>	<u>\$ 2,271</u>
Community development:				
Planning and community development:				
Community development	\$ 749,561	\$ 748,161	\$ 591,442	\$ 156,719
Ferrum T-21 project	-	14,927	8,481	6,446
Economic development	519,985	443,036	334,068	108,968
Tourism	67,000	67,000	65,443	1,557
Public works	327,492	341,821	338,786	3,035
GIS and mapping	179,163	201,853	191,017	10,836
4-H youth	7,500	7,500	7,500	-
IPR grant	150,000	150,000	59,731	90,269
Planning	188,583	249,132	171,440	77,692
Franklin center	195,383	220,383	195,032	25,351
Contributions to other entities	163,750	169,330	168,330	1,000
Total planning and community development	<u>\$ 2,548,417</u>	<u>\$ 2,613,143</u>	<u>\$ 2,131,270</u>	<u>\$ 481,873</u>
Environmental management:				
Contribution to soil and water district	\$ 167,700	\$ 206,777	\$ 206,761	\$ 16
Total environmental management	<u>\$ 167,700</u>	<u>\$ 206,777</u>	<u>\$ 206,761</u>	<u>\$ 16</u>
Cooperative extension program:				
Extension office	\$ 96,045	\$ 80,045	\$ 77,436	\$ 2,609
Total cooperative extension program	<u>\$ 96,045</u>	<u>\$ 80,045</u>	<u>\$ 77,436</u>	<u>\$ 2,609</u>
Total community development	<u>\$ 2,812,162</u>	<u>\$ 2,899,965</u>	<u>\$ 2,415,467</u>	<u>\$ 484,498</u>

County of Franklin, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2008

Fund, Function, Activity, and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Primary Government: (Continued)				
General Fund: (Continued)				
Nondepartmental:				
Contingencies	\$ 455,300	\$ 63,069	\$ 58,879	\$ 4,190
Total nondepartmental	<u>\$ 455,300</u>	<u>\$ 63,069</u>	<u>\$ 58,879</u>	<u>\$ 4,190</u>
Debt service:				
Principal retirement	3,075,577	3,075,577	2,399,609	\$ 675,968
Interest and other fiscal charges	1,234,346	1,803,841	1,364,839	439,002
Total debt service	<u>\$ 4,309,923</u>	<u>\$ 4,879,418</u>	<u>\$ 3,764,448</u>	<u>\$ 1,114,970</u>
 Total General Fund	 <u>\$ 61,528,207</u>	 <u>\$ 65,908,324</u>	 <u>\$ 61,639,289</u>	 <u>\$ 4,269,035</u>
 County Capital Projects Fund:				
Capital projects:				
Board of supervisors	1,348,876	248,876	-	248,876
County administrator	-	17,886	-	17,886
Planning and community development	-	50,000	-	50,000
Information technology	312,120	917,196	782,473	134,723
Registrar	25,000	80,603	80,603	-
Sheriff	340,250	569,664	284,856	284,808
Building inspections	-	29,486	10,567	18,919
Public safety	806,250	2,452,443	851,582	1,600,861
General properties	152,000	4,963,009	401,088	4,561,921
Aging services	9,600	10,668	8,084	2,584
Parks and recreation	1,460,000	2,567,153	860,759	1,706,394
Library	30,000	362,103	283,882	78,221
Economic development	93,000	2,613,730	2,500,000	113,730
Franklin center	65,550	5,790,734	822,974	4,967,760
E911	117,700	1,280,617	502,105	778,512
Public works	306,530	4,731,279	612,260	4,119,019
Total capital projects	<u>\$ 5,066,876</u>	<u>\$ 26,685,447</u>	<u>\$ 8,001,233</u>	<u>\$ 18,684,214</u>
Debt service:				
Principal retirement	\$ -	\$ 3,604,531	\$ 3,604,531	\$ -
 Total County Capital Projects Fund	 <u>\$ 5,066,876</u>	 <u>\$ 30,289,978</u>	 <u>\$ 11,605,764</u>	 <u>\$ 18,684,214</u>
 Total Primary Government	 <u>\$ 66,595,083</u>	 <u>\$ 96,198,302</u>	 <u>\$ 73,245,053</u>	 <u>\$ 22,953,249</u>
 Nonmajor Special Revenue Fund:				
E-911 Fund:				
Public safety:				
Other protection:				
E-911 Administration	\$ 944,537	\$ 1,004,121	\$ 978,529	\$ 25,592
Total other protection	<u>\$ 944,537</u>	<u>\$ 1,004,121</u>	<u>\$ 978,529</u>	<u>\$ 25,592</u>
 Total public safety	 <u>\$ 944,537</u>	 <u>\$ 1,004,121</u>	 <u>\$ 978,529</u>	 <u>\$ 25,592</u>
 Total E-911 Fund	 <u>\$ 944,537</u>	 <u>\$ 1,004,121</u>	 <u>\$ 978,529</u>	 <u>\$ 25,592</u>

County of Franklin, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2008

<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>
Nonmajor Capital Projects Funds:				
School Construction Fund				
Capital projects:				
Capital projects expenditures:				
Capital projects expenditures	\$ -	\$ -	\$ 2,979,838	\$ (2,979,838)
Total capital projects	\$ -	\$ -	\$ 2,979,838	\$ (2,979,838)
Total School Construction Fund	\$ -	\$ -	\$ 2,979,838	\$ (2,979,838)
Total Primary Government	\$ 62,472,744	\$ 66,912,445	\$ 65,597,656	\$ 1,314,789
Discretely Presented Component Unit - School Board				
Special revenue funds:				
School Operating Fund:				
Education:				
Administration of schools:				
Administration cost	\$ 2,107,221	\$ 2,223,656	\$ 2,493,694	\$ (270,038)
Total administration of schools	\$ 2,107,221	\$ 2,223,656	\$ 2,493,694	\$ (270,038)
Instruction costs:				
Instruction cost	\$ 57,375,732	\$ 60,546,036	\$ 54,532,723	\$ 6,013,313
Total instruction costs	\$ 57,375,732	\$ 60,546,036	\$ 54,532,723	\$ 6,013,313
Operating costs:				
Pupil transportation	\$ 5,843,270	\$ 6,166,141	\$ 6,062,791	\$ 103,350
Operation and maintenance of school plant	7,046,308	7,435,653	6,734,362	701,291
School food and non-instructional	3,631,822	3,832,499	3,904,433	(71,934)
Facilities	-	-	1,485,943	(1,485,943)
Total operating costs	\$ 16,521,400	\$ 17,434,293	\$ 18,187,529	\$ (753,236)
Total education	\$ 76,004,353	\$ 80,203,985	\$ 75,213,946	\$ 4,990,039
Total Discretely Presented Component Unit - School Board	\$ 76,004,353	\$ 80,203,985	\$ 75,213,946	\$ 4,990,039

STATISTICAL SECTION

Statistical Section

Contents

Tables

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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 - 12

Demographic and Economic Information

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.

13 - 14

Operating Information

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.

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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.

Table 1

COUNTY OF FRANKLIN, VIRGINIA

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

	2003	2004	2005	2006	2007	2008
Governmental activities						
Invested in capital assets, net of related debt	\$ 13,158,358	\$ 16,145,464	\$ 16,433,828	\$ 13,464,803	\$ 13,726,563	\$ 21,130,878
Restricted	-	134,201	200,123	174,252	6,853,227	211,128
Unrestricted	18,036,357	17,381,645	21,556,678	32,261,985	28,812,760	32,173,280
Total governmental activities net assets	\$ 31,194,715	\$ 33,661,310	\$ 38,190,629	\$ 45,901,040	\$ 49,392,550	\$ 53,515,286
Business-type activities						
Invested in capital assets, net of related debt	\$ -	\$ 551,803	\$ 628,315	\$ 1,547,373	\$ 1,724,684	\$ 3,027,372
Restricted	-	-	-	-	-	-
Unrestricted	-	(315,892)	1,667,338	1,758,683	1,916,298	1,303,504
Total business-type activities net assets	\$ -	\$ 235,911	\$ 2,295,653	\$ 3,306,056	\$ 3,640,982	\$ 4,330,876
Primary government						
Invested in capital assets, net of related debt	\$ 13,158,358	\$ 16,697,267	\$ 17,062,143	\$ 15,012,176	\$ 15,451,247	\$ 24,158,250
Restricted	-	134,201	200,123	174,252	6,853,227	211,128
Unrestricted	18,036,357	17,065,753	23,224,016	34,020,668	30,729,058	33,476,784
Total primary government net assets	\$ 31,194,715	\$ 33,897,221	\$ 40,486,282	\$ 49,207,096	\$ 53,033,532	\$ 57,846,162

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

COUNTY OF FRANKLIN, VIRGINIA

Table 2
Page 1 of 2

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

	2003	2004	2005	2006	2007	2008
Expenses						
Governmental activities:						
General government administration	\$ 2,715,918	\$ 2,991,740	\$ 3,004,469	\$ 3,463,168	\$ 4,157,343	\$ 4,042,082
Judicial administration	1,628,330	1,891,174	1,970,309	3,326,151	2,160,555	2,475,749
Public safety	6,997,025	7,759,941	8,205,130	8,464,171	10,347,921	12,508,248
Public works	1,609,720	1,290,295	2,012,628	986,891	1,982,292	3,370,469
Health and welfare	5,772,246	7,107,058	7,486,945	8,070,657	9,732,455	9,324,129
Education	21,540,338	21,027,314	23,380,369	24,078,623	28,332,013	25,784,294
Parks, recreation and cultural	1,045,509	976,713	1,078,612	1,284,696	1,656,664	1,916,529
Community development	3,363,765	2,545,117	1,706,253	1,887,256	3,873,631	4,757,659
Interest on long-term debt	1,084,452	988,256	943,084	1,274,457	1,435,334	1,161,205
Total governmental activities expenses	45,757,303	46,577,608	49,787,799	52,836,070	63,678,208	65,340,364
Business-type activities:						
Water	-	480,817	60,868	413,450	581,355	428,708
Total business-type activities expenses	-	480,817	60,868	413,450	581,355	428,708
Total primary government expenses	\$ 45,757,303	\$ 47,058,425	\$ 49,848,667	\$ 53,249,520	\$ 64,259,563	\$ 65,769,072
Program Revenues						
Governmental activities:						
Charges for services:						
General government administration	\$ -	\$ 30	\$ 183,138	\$ -	\$ 45,684	\$ 22,205
Judicial administration	43,924	380,442	313,868	788,901	200,374	154,556
Public safety	56,304	451,852	508,486	463,421	1,317,116	1,297,973
Public works	685,487	811,993	919,688	920,146	947,685	891,595
Health and welfare	26,059	184,900	180,009	19,005	25,398	22,513
Education	-	-	-	-	-	-
Parks, recreation and cultural	45,783	72,615	84,531	86,633	85,315	140,640
Community development	18,382	149,187	-	293,449	286,174	195,433
Operating grants and contributions	8,351,117	9,471,293	9,288,324	10,348,984	11,965,531	12,126,502
Capital grants and contributions	-	592,704	832,018	412,417	854,268	3,733,498
Total governmental activities program revenues	9,227,066	12,115,016	12,310,062	13,332,956	15,727,545	18,584,915
Business-type activities:						
Charges for services:						
Water	-	6,325	37,496	333,003	145,464	466,359
Operating grants and contributions	-	-	-	422,022	-	-
Capital grants and contributions	-	158,600	915,400	-	141,761	18,200
Total business-type activities program revenues	-	164,925	952,896	755,025	287,225	484,559
Total primary government program revenues	\$ -	\$ 164,925	\$ 952,896	\$ 755,025	\$ 287,225	\$ 484,559

COUNTY OF FRANKLIN, VIRGINIA

Table 2
Page 2 of 2

Changes in Net Assets
Last Six Fiscal Years

(*accrual basis of accounting*)

	2003	2004	2005	2006	2007	2008
Business-type activities:						
Charges for services:						
Water	\$ -	\$ 6,325	\$ 37,496	\$ 333,003	\$ 145,464	\$ 466,359
Operating grants and contributions	-	158,600	915,400	422,022	141,761	18,200
Capital grants and contributions	-	164,925	982,896	755,025	287,225	484,559
Total business-type activities program revenues	\$ 9,227,056	\$ 12,279,941	\$ 13,262,958	\$ 14,087,981	\$ 16,014,770	\$ 19,069,474
Total primary government program revenues						
Net (expense) / revenue	\$ (36,530,247)	\$ (34,462,592)	\$ (37,477,737)	\$ (39,503,114)	\$ (47,950,663)	\$ (46,755,449)
Governmental activities	-	(315,892)	892,028	341,575	(294,130)	55,851
Business-type activities	\$ (36,530,247)	\$ (34,778,484)	\$ (36,585,709)	\$ (39,161,539)	\$ (48,244,793)	\$ (46,699,598)
Total primary government net expense						
General Revenues and Other Changes in Net Assets						
Governmental activities:						
Taxes						
Property taxes	\$ 22,839,897	\$ 23,919,026	\$ 28,631,256	\$ 30,887,533	\$ 32,824,967	\$ 34,255,431
Local sales and use taxes		3,468,199	3,795,054	4,163,629	4,242,805	4,153,451
Taxes on recordation and wills		474,457	917,206	993,726	842,747	658,226
Motor vehicle licenses taxes		1,195,147	1,237,090	1,265,605	1,279,225	1,270,653
Consumer utility taxes		2,412,622	2,427,461	2,468,539	1,715,239	964,500
Business licenses taxes		3,922	3,394	4,261	4,998	4,697
Other local taxes	8,437,529	1,640,641	1,758,704	2,078,429	2,975,802	3,789,514
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
Unrestricted revenues from use of money and property	444,966	325,696	610,065	1,293,731	2,532,078	1,520,629
Miscellaneous	635,270	578,287	793,590	1,122,032	356,373	345,570
Transfers	36,045	(271,507)	(1,140,237)	(643,621)	(347,878)	(599,373)
Total governmental activities	\$ 36,167,074	\$ 37,209,483	\$ 42,007,056	\$ 47,213,527	\$ 51,777,624	\$ 49,604,781
Business-type activities:						
Unrestricted grants and contributions	-	-	-	-	137,663	-
Transfers	-	271,507	1,140,237	643,621	347,878	599,373
Unrestricted revenues from use of money and property	-	-	27,477	25,207	21,332	15,158
Total business-type activities	-	271,507	1,167,714	668,828	506,873	614,531
Total primary government	\$ 36,167,074	\$ 37,480,990	\$ 43,174,770	\$ 47,882,355	\$ 52,284,497	\$ 50,219,312
Change in Net Assets						
Governmental activities	\$ (363,173)	\$ 2,746,891	\$ 4,529,319	\$ 7,710,413	\$ 3,826,961	\$ 2,849,332
Business-type activities	-	(44,385)	2,059,742	1,010,403	212,743	670,382
Total primary government	\$ (363,173)	\$ 2,702,506	\$ 6,589,061	\$ 8,720,816	\$ 4,039,704	\$ 3,519,714

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

Table 3

COUNTY OF FRANKLIN, VIRGINIA

Fund Balances of Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General fund										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,379	\$ 33,436	\$ 85,811	\$ 221,133	\$ 211,128
Unreserved	16,383,147	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
Total general fund	\$16,383,147	\$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
All other governmental funds										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 122,822	\$ 2,237,117	\$ 88,441	\$ 6,632,094	\$ -
Unreserved, reported in:										
Special revenue funds	218,544	137,428	136,330	45,496	288,363	-	-	-	-	14,127
Capital projects funds	2,094,089	2,862,106	2,808,993	2,639,442	1,129,671	627,965	556,871	-	-	21,980,834
Debt service funds	-	-	-	-	-	-	-	-	-	-
Permanent funds	-	-	-	-	-	-	-	-	-	-
Total all other governmental funds	\$ 2,312,633	\$ 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

Table 4

COUNTY OF FRANKLIN, VIRGINIA

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

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Revenues										
General property taxes	\$ 18,318,491	\$ 18,259,563	\$ 20,400,584	\$ 20,776,235	\$ 22,759,617	\$ 23,728,713	\$ 28,585,380	\$ 30,818,386	\$ 32,707,564	\$ 33,729,192
Other local taxes	6,282,585	6,756,077	7,616,475	7,738,185	8,437,529	9,194,988	10,138,909	10,974,189	11,060,816	10,841,041
Permits, privilege fees and regulatory licenses	331,334	325,306	315,694	342,874	443,193	535,956	620,966	764,826	691,500	573,664
Fines and forfeitures	10,892	5,884	8,922	6,009	23,516	26,594	16,968	16,968	16,378	10,772
Revenue from use of money and property	1,054,254	1,129,429	1,828,072	983,815	459,049	335,508	626,119	1,319,687	2,532,079	1,520,629
Charges for services	2,283,705	2,209,296	2,173,111	2,161,503	2,267,154	2,968,197	3,164,906	3,628,164	2,198,868	2,140,479
Miscellaneous	649,967	746,410	938,870	941,233	1,117,340	1,100,148	1,329,195	1,750,210	371,305	345,570
Recovered costs	486,875	1,027,833	619,277	828,401	656,811	1,194,949	907,568	1,782,271	731,213	905,027
Intergovernmental:										
Commonwealth	28,907,447	32,153,858	35,347,353	36,032,514	36,231,910	38,803,598	42,650,111	45,471,082	14,723,153	15,740,886
Federal	5,008,097	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
Total revenues	63,313,647	67,969,504	74,992,686	75,858,165	78,870,131	85,118,185	96,714,960	105,661,612	68,466,857	69,167,857
Expenditures										
General government administration	2,182,542	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
Judicial administration	1,185,261	1,420,223	1,482,185	1,719,941	1,692,142	1,929,484	2,014,628	2,082,436	2,214,118	2,517,127
Public safety	5,707,617	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
Public works	1,275,032	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
Health and welfare	3,707,451	4,808,838	5,183,115	5,578,251	5,851,028	7,083,647	7,472,930	8,383,152	9,685,059	9,772,706
Education	40,765,517	44,489,647	48,402,552	50,477,643	52,026,264	54,975,876	61,488,183	66,045,924	25,640,822	25,084,849
Parks, recreation and cultural	896,967	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
Community development	2,237,929	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
Nondepartmental capital projects	1,707,034	4,623,355	8,903,737	4,561,691	778,025	-	619,332	3,265,505	521,917	10,981,071
Debt service	2,259,873	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
Principal	973,928	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
Interest and other fiscal charges	62,899,149	69,868,253	87,390,381	79,711,574	80,002,670	85,418,525	91,728,187	102,700,420	71,049,878	77,203,420
Total expenditures	414,498	(1,898,749)	(12,397,695)	(3,853,409)	(1,132,539)	(300,340)	4,986,773	2,961,192	(2,583,021)	(8,035,563)
Excess of revenues over (under) expenditures										
Other financing sources (uses)										
Transfers in	-	-	-	-	-	604,185	416,279	807,277	1,094,447	6,993,301
Transfers out	-	-	-	-	-	(875,692)	(1,536,516)	(1,450,896)	(1,442,325)	(7,592,674)
Bond issuance costs	10,105,088	10,900,000	6,853,636	1,060,611	-	-	2,689,762	6,500,000	6,573,600	9,938,795
Capital leases	-	-	-	-	-	-	-	-	187,343	(68,099)
Sale of capital assets	-	10,589	10,275	-	-	272,235	234,024	234,332	-	-
Total other financing sources (uses)	10,105,088	10,910,589	6,863,911	1,060,611	-	728	1,783,549	6,090,713	6,413,065	9,270,323
Net change in fund balances	\$ 10,519,586	\$ 9,011,840	\$ (5,533,784)	\$ (2,792,798)	\$ (1,132,539)	\$ (299,612)	\$ 6,770,322	\$ 9,051,905	\$ 3,830,044	\$ 1,234,760
Debt service as a percentage of noncapital expenditures	6%	6%	16%	6%	4%	4%	3%	3%	5%	13%
Total Debt Service Expenditures	\$ 3,233,799	\$ 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
Total Governmental Funds Expenditures	57,958,316	61,673,573	67,674,398	71,089,854	75,864,349	82,406,154	88,341,601	96,551,764	67,218,536	58,853,370

COUNTY OF FRANKLIN, VIRGINIA

Table 5

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

Fiscal Year	Property Tax	Local sales and use Tax	Consumer Utility Tax	Motor Vehicle License Tax	Recordation and Wills Tax	Business License Tax	Total
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
1999	18,318,491	2,543,409	1,533,898	845,831	252,560	NA	23,494,189

Table 6

COUNTY OF FRANKLIN, VIRGINIA

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

Fiscal Year	Real Estate		Personal Property/ Mobile Homes		Public Service		Total Taxable Assessed Value		Real Property Total Direct Tax Rate		Personal Property Tax Rate		Estimated Actual Taxable Value		Assessed Value as a Percentage of Actual Value	
	\$		\$		\$		\$						\$			
2008	5,262,810,081		665,844,501		97,400,550		6,026,055,132		0.53		1.67		5,633,755,598		106.96%	
2007	4,807,045,787		650,618,707		102,235,038		5,559,899,532		0.53		1.67		5,473,576,675		101.58%	
2006	4,585,493,371		597,474,085		116,612,320		5,299,579,776		0.53		1.67		5,247,621,108		100.99%	
2005	4,382,613,489		532,486,457		123,952,019		5,039,051,965		0.52		1.67		4,862,156,452		103.64%	
2004	3,020,413,294		516,158,225		114,165,109		3,650,736,628		0.60		1.67		3,570,721,262		102.24%	
2003	2,889,431,935		498,164,448		114,645,858		3,502,242,241		0.60		1.67		3,402,529,942		102.93%	
2002	2,746,712,053		501,931,899		119,385,761		3,368,029,713		0.55		1.67		3,317,207,813		101.53%	
2001	2,652,573,388		471,218,672		117,823,499		3,241,615,559		0.55		1.67		3,080,072,572		105.24%	
2000	2,235,349,548		443,177,566		96,965,856		2,775,492,970		0.55		1.67		2,677,432,837		103.66%	
1999	2,159,381,113		421,983,233		98,194,451		2,679,558,797		0.55		1.67		2,615,571,473		102.45%	

Source: Commissioner of Revenue

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

Fiscal Years	Direct Rates				Overlapping Rates Town of Rocky Mount	
	Real Estate	Personal Property	Machinery and Tools	Merchant's Capital	Real Estate	Personal Property
2008	0.53	1.67	0.54	1.08	0.12	0.51
2007	0.53	1.67	0.54	1.08	0.14	0.51
2006	0.53	1.67	0.60	1.08	0.14	0.51
2005	0.52	1.67	0.54	1.08	0.11	0.51
2004	0.60	1.67	0.54	1.08	0.12	0.51
2003	0.60	1.67	0.54	1.08	0.12	0.51
2002	0.55	1.67	0.54	1.08	0.12	0.51
2001	0.55	1.67	0.54	1.08	0.12	0.51
2000	0.55	1.67	0.54	1.08	0.12	0.51
1999	0.55	1.67	0.54	1.08	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 Eight Years Prior
 (Data not available before June 30, 2000)

Taxpayer	Type Business	Fiscal Year 2008		Fiscal Year 2000	
		Assessed Valuation (Millions)	% of Total Assessed Valuation	Assessed Valuation (Millions)	% of Total Assessed Valuation
American Electric Power	Electric Utility	\$ 83	1.58%	\$ 48	2.15%
Franklin Real Estate Company	Real Estate	48	0.91%	18	0.81%
Bridgewater Pointe Partners LLC	Real Estate	38	0.72%		
Central Telephone Company	Telephone Utility	30	0.57%	24	1.07%
Lake Watch LLC	Real Estate	27	0.51%		
Willard Construction Company	Construction	17	0.32%	17	0.76%
Windstar Properties LLC	Real Estate	17	0.32%		
Bayview Holdings LLC	Real Estate	16	0.30%		
Edward C. Park, III	Real Estate	14	0.27%		
Southgate Associates II LLP	Shopping Center	10	0.19%	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%
		\$ 300	5.70%	\$ 147	6.58%

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
2008	\$ 36,542,153	\$ 35,370,019	96.79%	\$ 604,674	\$ 35,974,693	98.45%
2007	35,220,150	34,085,239	96.78%	1,085,155	35,170,394	99.86%
2006	33,219,244	32,075,823	96.56%	966,584	33,042,407	99.47%
2005	30,889,511	29,883,296	96.74%	550,783	30,434,079	98.53%
2004	26,061,495	25,699,189	98.61%	520,400	26,219,589	100.61%
2003	24,944,600	24,233,719	97.15%	375,537	24,609,256	98.66%
2002	22,712,734	22,406,720	98.65%	424,327	22,831,047	100.52%
2001	21,541,571	20,959,641	97.30%	400,790	21,360,431	99.16%
2000	18,818,283	18,390,955	97.73%	462,471	18,853,426	100.19%
1999	18,024,019	17,564,449	97.45%	392,736	17,957,185	99.63%

Source: Commissioner of Revenue, County Treasurer's office

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	Capital Leases	General Obligation Bonds	Capital Leases				
2008	\$ 29,817,038	\$ 6,157,750	\$ 339,273	\$ 963,751	\$ 2,135,700	\$ -	\$ 39,413,512	0.07%	\$ 755	
2007	25,905,826	6,771,500	358,129	326,557	2,285,700	-	35,647,712	0.08%	698	
2006	20,667,755	7,385,250	180,274	454,046	2,429,600	-	38,502,175	0.07%	769	
2005	15,151,697	8,072,000	189,762	397,165	2,567,600	-	26,378,224	0.10%	530	
2004	13,490,375	8,792,200	-	410,338	2,700,000	-	25,392,913	0.10%	518	
2003	14,409,416	9,512,400	-	484,727	-	-	24,406,543	0.10%	501	
2002	12,289,500	10,301,500	-	954,662	-	-	24,500,324	0.10%	511	
2001	13,463,179	11,122,900	-	371,672	-	-	24,957,751	0.09%	528	
2000	11,629,703	19,456,800	-	192,468	-	-	31,278,971	0.07%	680	
1999	9,285,611	12,790,700	-	520,456	-	-	22,596,767	0.09%	491	

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

Fiscal Year	Gross Bonded Debt	Less: Amounts Reserved for Debt Service	Gross and Net Bonded Debt (3)	Ratio of Net General Obligation Debt to Assessed Value (2)	Net Bonded Debt per Capita (1)
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
1999	22,076,311	-	22,076,311	0.82%	479.92

(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.

COUNTY OF FRANKLIN, VIRGINIA

Legal Debt Margin Information
Last Ten Fiscal Years

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Debt limit	\$ 267,955,880	\$ 277,549,297	\$ 324,161,556	\$ 336,802,971	\$ 350,224,224	\$ 365,073,663	\$ 503,905,197	\$ 529,957,978	\$ 555,989,953	\$ 602,605,513
Total net debt applicable to limit	22,076,311	31,086,503	27,990,991	25,685,437	23,921,816	22,282,575	23,223,687	28,507,051	33,003,883	36,938,539
Legal debt margin	\$ 245,879,569	\$ 246,462,794	\$ 296,170,565	\$ 311,117,534	\$ 326,302,408	\$ 342,791,088	\$ 480,681,500	\$ 501,450,927	\$ 522,986,070	\$ 565,666,974
Total net debt applicable to the limit as a percentage of debt limit	8.24%	11.20%	8.63%	7.63%	6.83%	6.10%	4.61%	5.38%	5.94%	6.13%

Legal Debt Margin Calculation for Fiscal Year 2008

Assessed value	\$ 6,026,055,132
Add back: exempt real property	-
Total assessed value	6,026,055,132
Debt limit (10% of total assessed value)	602,605,513
Net debt applicable to limit	36,938,539
Legal debt margin	\$ 565,666,974

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>
2008	52,202	\$ 28,893	\$ 1,455,109,000	40	7,183	4.70%
2007	51,102	27,082	1,383,935,000	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%
1999	46,000	21,262	"	"	6,930	4.10%

Source: Weldon Cooper Center, Annual school report - prepared by the county, www.fedstats.gov
Bureau of Economic Analysis

Principal Employers
 Current Year and Eight Years Ago
 (Data not available prior to June 30,2000)

Employer	Fiscal Year 2008			Fiscal Year 2000		
	Employees	Rank	% of Total County Employment	Employees	Rank	% of Total County Employment
MW Manufacturers, Inc	1,367	1	5.23%	1,200	2	5.02%
Franklin County Public Schools	1,196	2	4.58%	1,281	1	5.36%
Wal-Mart	400	3	1.53%	361	5	1.51%
Franklin County	332	4	1.27%	250	9	1.05%
Trinity Packaging, Inc.	300	5	1.15%			
Ronile, Inc.	300	6	1.15%	350	6	1.46%
Uttermost Company	178	7	0.68%	150	10	0.63%
Carilion Franklin Memorial Hospital	270	8	1.03%	270	8	1.13%
The Willard Companies	235	9	0.90%			
Mod-U-Kraf Homes, Inc.	225	10	0.86%			
Fleetwood Homes of Virginia				436	4	1.82%
Cooper Wood Products				308	7	1.29%
Lane Company				500	3	2.09%
Totals	<u>4,803</u>		<u>18.39%</u>	<u>5,106</u>		<u>19.55%</u>

Source: Individual companies

COUNTY OF FRANKLIN, VIRGINIA

Table 15

Full-time Equivalent County Government Employees by Function
 Last Seven 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
General Government								
Legislative	7	7	7	7	7	7	7	7
General and financial administration	30	30	30	30	31	31	34	36
Judicial Administration								
Courts	10	10	10	11	13	13	11	11
Clerk of Court	10	10	10	9	9	9	10	11
Commonwealth Attorney	6	6	6	8	7	7	7	8
Public Safety								
Sheriffs department	54	54	54	54	41	43	44	41
Correction and Detention	26	26	26	26	26	27	32	35
Building inspections	6	6	6	6	7	7	8	8
Animal control	3	3	3	3	3	3	4	4
Public Safety	8	8	8	8	13	16	24	24
E911	1	1	1	1	14	14	14	14
Public Works								
Solid Waste	13	13	13	13	13	14	16	16
General buildings and grounds	4	4	4	4	4	5	8	8
Public Works					2	3	4	4
Health and Welfare								
Department of social services	54	54	54	61	61	61	61	61
CSA	1	1	1	1	1	2	2	2
Family Resources	5	6	6	6	6	6	6	5
Aging Services	3	3	3	3	3	3	2	2
Recreation and Cultural								
Parks and recreation	7	7	7	7	7	8	10	10
Library	5	5	5	5	5	6	6	8
Community Development								
GIS and Mapping						1	2	2
Economic Development							1	1
Work Force Consortium	2	2	2	2	2	2	3	3
Planning	4	5	5	5	8	8	11	11
Totals	259	261	261	270	283	296	327	332

Source: Franklin County Adopted Budgets

COUNTY OF FRANKLIN, VIRGINIA

Table 16

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

Function	Fiscal Year				
	2004	2005	2006	2007	2008
General and financial administration Information Technology: Hardware Response Time (in Days)	11.4	9.3	4.5	4.5	3
Voter Registrar: Number of Registered Voters	28,020	29,769	30,170	31,413	31,892
Public safety Sheriffs department: Physical arrests Calls for service	15,000	15,707	16,000	26,047	27,000
Fire and rescue: Number of fire calls Number of rescue calls Fire Investigations	54	1,074 3,509 81	1,298 4,057 118	1,225 4,254 165	1,348 4,679 182
Building inspections: Permits issued	1,656	1,569	1,552	1,358	1,018
Public works Landfill: Refuse collected (tons)	60,652	59,698	61,866	61,367	59,842
Health and Welfare CSA: Case Load - Number of Children	132	167	177	242	266
Aging Services: Transportation Clients		490	894	692	1,104
Culture and recreation Parks and recreation: Sports registration/classes Shelter reservations	4,406 269	4,566 283	4,655 250	4,700 252	4,566 283
Community development Planning: Zoning permits issued			2,836	2,883	2,600
Component Unit - School Board Education: Local expenditures per pupil	3,245	3,407	3,523	3,569	4,522

Source: Individual county departments and the Franklin County School Board

COUNTY OF FRANKLIN, VIRGINIA

Table 17

Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
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	5	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								
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 HONORABLE MEMBERS OF THE BOARD OF SUPERVISORS COUNTY OF FRANKLIN, VIRGINIA

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, the major fund, and the aggregate remaining fund information of the County of Franklin, Virginia as of and for the year ended June 30, 2008, which collectively comprise the County of Franklin, Virginia's basic financial statements and have issued our report thereon dated December 10, 2008. 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.

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 entity'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 entity's financial statements 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 a material misstatement of the financial statements will not be prevented or detected by the entity'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*.

This report is intended solely for the information and use of management, the Board of Supervisors, 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.

Koblenz, Farmer, Cox Associates

Christiansburg, Virginia
December 10, 2008

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

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, 2008. 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, 2008.

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 of Supervisors, management, others within the organization, 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, Farmer, Co. Associates

Christiansburg, Virginia
December 10, 2008

County of Franklin, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008

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:		
Family Preservation and Support	93.556	\$ 53,848
Temporary Assistance to Needy Families (TANF)	93.558	229,693
Refugee and Entrant Assistance - Discretionary Grants	93.566	1,383
Low Income Home Energy Assistance	93.568	6,335
Child Care Cluster-Payments to States for Child Care Assistance	93.575	217,938
Child Care Cluster-Child Care and Development Fund	93.596	177,125
Chafee Education and Training Vouchers	93.599	9,021
Foster Care - Title IV-E	93.658	449,766
Adoption Assistance	93.659	120,903
Social Services Block Grant	93.667	427,051
Chafee FC Independence	93.674	16,700
Medical Assistance Program (Title XIX)	93.778	243,225
		<hr/>
Total Department of Social Services		\$ 1,952,988
Virginia Department for the Aging:		
Special Programs for the Aging - Title III, Part B- Grants for Supportive Services and Senior Centers	93.044	\$ 62,549
Special Programs for the Aging - Title III, Part D- Disease Prevention and Health Promotion Services	93.043	4,229
		<hr/>
Total Virginia Department for the Aging		\$ 66,778
		<hr/>
Total Department of Health and Human Services		\$ 2,019,766
Department of Agriculture:		
Pass Through Payments:		
Department of Agriculture:		
Child Nutrition Cluster-Food Distribution (Note 2)	10.555	\$ 246,487
Department of Education:		
Child Nutrition Cluster-National school breakfast program	10.553	515,937
Child Nutrition Cluster-National school lunch program	10.555	1,236,340
Department of Social Services:		
State Admin Matching Grants for Food Stamp Program	10.561	341,166
		<hr/>
Total Department of Agriculture		\$ 2,339,930
Department of Justice:		
Pass Through Payments:		
Department of Criminal Justice Service:		
Junvenile justice and delinquency prevention	16.540	\$ 13,894
COPS Grant	16.710	67,434
Violence against women formula grants	16.588	31,707
		<hr/>
Total Department of Justice		\$ 113,035

County of Franklin, Virginia
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2008

Federal Grantor/State Pass - Through Grantor/ Program Title (Pass - Through Grantor's Number)	Federal Catalog Number	Federal Awards
Department of National Community Services:		
Pass Through Payments:		
Department of Education:		
Learn and Serve	94.004	\$ 11,126
Department of Commerce:		
Pass Through Payments:		
Investments for Public Works and Economic Development Facilities	11.300	\$ 693,676
Department of Education:		
Pass Through Payments:		
Department of Education:		
Adult Basic Education	84.002	\$ 411,597
Title I: Educationally deprived children	84.010	1,583,886
Special Education Cluster-Title VI-B: Handicapped state grants	84.027	1,436,181
Vocational Education: Basic grants to states	84.048	131,772
Special Education Cluster-Title VI-B: Handicapped preschool incentive grant	84.173	37,589
Drug free schools	84.186	34,491
Title VI: Improving school programs state block grant	84.298	39,363
Advanced Placement Incentive Program	84.330	689
Even start	84.213	167,829
Literacy Challenge Grant	84.318	15,975
Title III	84.365	33,480
Reading first	84.357	285,169
Title II-Part A: Improving Teacher Quality	84.367	321,753
Total Department of Education		\$ 4,499,774
Department of Transportation:		
Pass Through Payments:		
Department of Motor Vehicles:		
Occupant Protection Grant	20.602	\$ 3,500
Open Container Grant	20.607	23,479
Total Department of Transportation		\$ 26,979
Department of Housing and Urban Development:		
Pass Through Payments:		
Department of Housing and Community Development:		
Home Investment Partnerships Program (HOME)	14.239	\$ 16,763
Emergency shelter grants program	14.231	16,538
Community Development Block Grant	14.228	88,000
Total Department of Housing and Urban Development		\$ 121,301

County of Franklin, Virginia
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2008

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 Preparedness Grant	97.042	
State Homeland Security Grant	97.004	\$ 34,585
Citizen Corps	83.564	-
Total Federal Emergency Management Agency		\$ 34,585
Total Federal Assistance		\$ 9,860,172
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		\$ 2,578,911
Less: Payment in lieu of taxes		(10,079)
Capital Projects Fund		781,676
Total primary government:		\$ 3,350,508
Component Unit Schools:		
School Operating Fund		\$ 6,263,177
Non-cash expenditures - value of donated commodities		\$ 246,487
Total federal expenditures per the Schedule of Expenditures of Federal Awards		\$ 9,860,172

COUNTY OF FRANKLIN, VIRGINIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008**

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:

CFDA #	Name of Federal Program or Cluster
10.553/10.555	Child Nutrition Cluster
10.561	State Admin Matching Grants for Food Stamps
11.300	Investment in Public Works Grant
84.367	Improving Teacher Quality
93.575/93.596	Child Care Cluster
93.658	Foster Care Title VI E

Dollar threshold used to distinguish between Type A
and Type B programs \$ 300,000

COUNTY OF FRANKLIN, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2008

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