

Franklin County, Virginia Comprehensive Annual Financial Report June 30, 2012



COUNTY OF FRANKLIN, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2012

Prepared by the Franklin County
Department of Finance

COUNTY OF FRANKLIN, VIRGINIA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FISCAL YEAR ENDED JUNE 30, 2012

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INTRODUCTORY SECTION



December 20, 2012

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

We are pleased to submit Franklin County's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2012. State law requires that all local governments have their accounts and records audited annually as of June 30 by an independent certified public accountant. This report has been prepared in accordance with the standards of financial reporting as prescribed by the Governmental Accounting Standards Board (GASB), the Financial Accounting Standards Board (FASB) and the Auditor of Public Accounts for the Commonwealth of Virginia.

The CAFR was prepared with an emphasis on full disclosure of the financial activities of the County. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the government and is based upon a comprehensive framework of internal controls that has been established for this purpose. Because the cost of internal controls should not exceed the anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The auditing firm of Robinson, Farmer, Cox Associates has issued an unqualified opinion on the County's financial statements as of and for the year ended June 30, 2012. The audit was conducted in accordance with professional standards which require that the independent auditors plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The independent auditors' report is located in the front of the financial section of this report.

Under generally accepted accounting principles, as promulgated by the Governmental Accounting Standards board (GASB), management is required to provide a narrative that precedes the basic financial statements. This Management's Discussion and Analysis (MD&A) provides an introduction, overview and analysis of financial results for fiscal year 2011-2012, along with summaries of the government wide financial statements that follow. Management's Discussion and Analysis is contained in the financial section of this report.

Profile of the Government

Within the boundaries of Franklin County lie the independent towns of Rocky Mount and Boones Mill. The County's population at June 30, 2012 is estimated at 56,419 with a population density of 78.2 people per square mile. Franklin County is included in the Roanoke Metropolitan Statistical Area (MSA) that has a total population of approximately 300,000.

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

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

Economic Conditions and Outlook

Franklin County, the seventh largest county in size in Virginia with an area of 721 square miles, is located in southwest Virginia. By offering close proximity to all markets along the East coast, the County is an excellent location for local industries and commerce. The local economy remained fairly strong this past fiscal year compared to the national economy with an average unemployment rate of 6.2%.

Much of fiscal year 2011-2012 was spent on a number of capital projects including new landfill development, site improvements at the County's Commerce Center Industrial Park, and new cashing and tax receivable software for the Commissioner of Revenue and Treasurer. The County continues to develop its' park system with various rehab projects being completed at a number of parks.

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

Major Initiatives

During the year, the Franklin 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 was completed on a new Center for Energy Efficient Design (CEED). This educational center will utilize numerous eco-technologies including electricity-producing wind turbines, rainwater harvesting, and energy efficient appliances.

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

For the Future

In conjunction with the Western Virginia Water Authority, the County continues to plan for future expansion of the County’s utilities. A wastewater treatment facility in the Westlake area of the County has been operational for several years bringing public sewer to that part of the County.

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

Long-Term Financial Planning

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

General Fund Balance (Unassigned). The Board of Supervisors has adopted a policy to keep the unassigned general fund balance at a minimum of two months of general fund operating revenues. Bond rating agencies have also recommended the unassigned general fund balance be maintained at this level. The unassigned general fund balance is 20.6 million for the year ended June 30, 2012. This is an increase of

approximately \$1 million from the prior fiscal year and is the result of the County's local property tax collections being stronger than anticipated.

Budgetary Controls. The budget function is used as a management control device during the year for the General Fund, 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 and Social Services Board are authorized to transfer amounts within their total appropriated funds.

Other Information

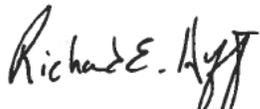
Independent Audit. State statutes require an annual audit by independent certified public accountants. The accounting firm of Robinson, Farmer, Cox Associates was selected by the County to perform this audit. In addition to meeting the requirements set forth in state statutes, the audit also was designed 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 States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County of Franklin, Virginia for its comprehensive annual financial report for the fiscal year ended June 30, 2011. This was the 12th consecutive year that Franklin County has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

Sincerely,



Richard E. Huff, II
County Administrator



Vincent K. Copenhaver, CPA
Director of Finance

A HISTORICAL SKETCH OF FRANKLIN COUNTY

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

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

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

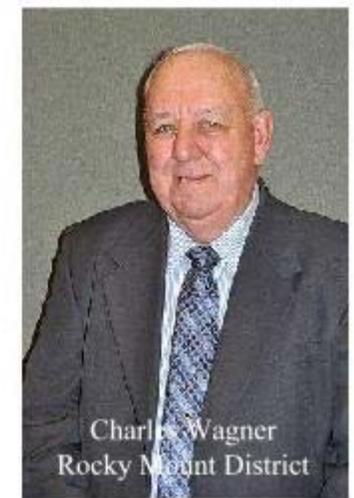
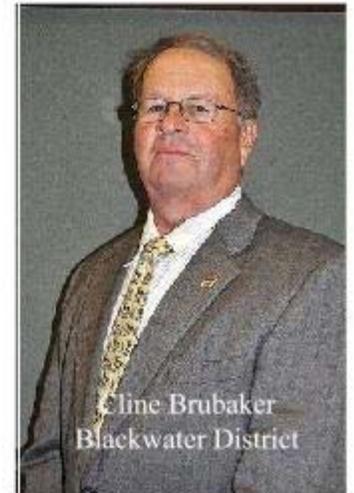
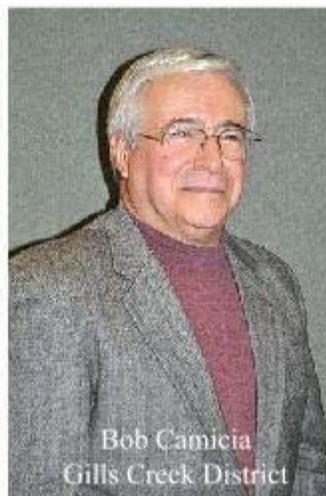
Agriculture has figured prominently in Franklin County's 200-year history, and was the occupation of most county residents until recent times. Tobacco was a leading crop in early Franklin County. Locally mined iron and copper were transported over the Carolina Road as far south as Georgia. The furnace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

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

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

Franklin County Board of Supervisors

June 30, 2012



Franklin County Officials

June 30, 2012

Board of Supervisors

David Cundiff, Chairman, Union Hall District
Leland Mitchell, Vice-Chairman, Snow Creek District
Cline Brubaker, Blackwater District
Bob Camicia, Gills Creek District
Ronnie Thompson, Boone District
Bobby Thompson, Blue Ridge District
Charles Wagner, Rocky Mount 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..... Michael Burnette
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 Franklin Center..... Kathy Hodges
Director of Family Resource Center..... Cynthia Treadway
Director of Social Services Deborah K. Powell
Chief Building Official Peter Ahrens
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..... Timothy Allen
Sheriff Bill Overton, Jr.
Treasurer Lynda Messenger

Franklin County Social Services Board Members

Wendie W. Dungan, Union Hall District
Danny Agee, Blackwater District
Charles Wagner, Rocky Mount District/BOS Representative
Pat Strike, Boone District
Howard Ferguson, Snow Creek District
Benson Beck, Gills Creek District
Martha H. Bowling, Blue Ridge District

**Franklin County Public Schools
June 30, 2012**

School Board Members

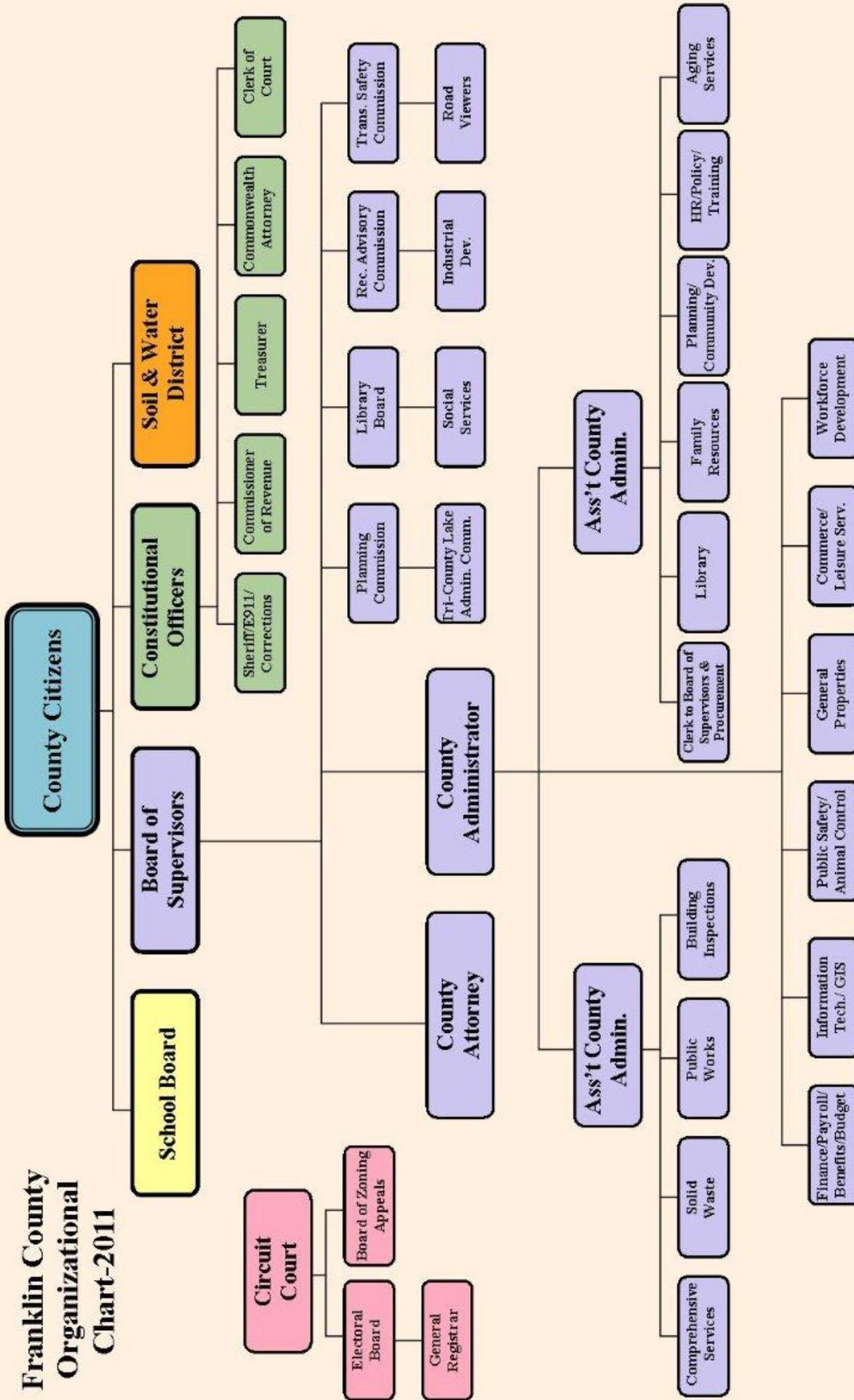
			
<u>Crystal Naff</u> Blackwater District	<u>Edward C. Jamison</u> <i>Chairman</i> Blue Ridge District	<u>Bill Brush</u> Gills Creek District	<u>Sarah Alexander</u> Rocky Mount District
			
<u>P.D. Hambrick</u> Union Hall District	<u>Thad Montgomery</u> Boone District	<u>William Helm</u> Member at Large	<u>G.B. Washburn, Jr.</u> <i>Vice Chair</i> 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
K-12 Director of Curriculum & Instruction.....	Keith Pennington
Coordinator of Federal Programs.....	Brenda McGrath
Coordinator of Testing.....	Elaine Hawkins
Director of Special Programs & Services.....	Gwendolyn A. Adkins
Special Education Coordinator.....	Lanessa Sharp
Director of Technology Services K-12.....	George F. Washington
Coordinator of Student Services/Clerk.....	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 Organizational Chart-2011



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, 2011

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.



Christopher P. Movill

President

Jeffrey R. Emen

Executive Director

FINANCIAL SECTION

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the County of Franklin, Virginia, as of and for the year ended June 30, 2012, 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the County of Franklin, Virginia, as of June 30, 2012, 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 19, 2012, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and Schedule of Funding Progress Defined Benefit and Healthcare Plan be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis and schedule of funding progress in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and

comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the management's discussion and analysis and schedule of funding progress because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Franklin, Virginia's financial statements as a whole. The introductory section, combining and individual fund financial statements and schedules, supporting schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The combining and individual fund financial statements and schedules, the supporting schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Robinson, Fauner, Cox Associates

Blacksburg, Virginia
December 19, 2012

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, 2012. 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 2012

- Total net assets for governmental activities were \$64.3 million at the end of FY 2012. This figure is based on assets totaling \$106.6 million and liabilities of \$42.3 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 assets for the County also include debt financed school properties (Exhibit 1).
- During the year, the County's taxes and other revenues for governmental programs were \$103,586 more than the \$75.2 million of expenses (Exhibit 2).
- The business-type activities net assets at June 30, 2012 totaled \$2.1 million. This figure is based on total assets of \$2.1 million and liabilities of \$47.
- Total general fund revenues were more than the final budgeted amount by \$1.5 million or approximately two percent. Actual expenditures were \$10.2 million less than the final expenditure budget.
- The County's total outstanding debt at fiscal year-end remained at approximately the same level as in the prior year. A new estimate for landfill closure and post closure added \$3 million. Retirements totaled \$3.1 million. See Note 7 for additional information on long-term obligations.
- Component Unit net assets were \$19.7 million at the end of FY2012. Of this amount, \$20.3 million is invested in capital assets, net of related debt (An unrestricted deficit of \$886,976 is shown on the statement as well).
- At the end of the current fiscal year, the general fund unassigned fund balance was approximately \$19.9 million. The Board of Supervisors has adopted a policy to keep the unassigned general fund balance at a minimum of two months of general fund operating 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 business-type activities consist of the County's utility services.

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 in exhibits 4 and 6 explains the relationship (or difference) between them.

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

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

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

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

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

Financial Analysis of the County as a Whole

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

Summary of Net Assets:

The following table reflects the condensed Statement of Net Assets at June 30, 2012 as presented in the government-wide financial statements (in millions):

	Governmental Activities		Business-type Activities		Total Primary Government		Component Unit	
	FY2012	FY2011	FY2012	FY2011	FY2012	FY2011	FY2012	FY2011
Current and other assets	\$39.3	\$37.9	\$0.9	\$0.3	\$40.2	\$38.2	\$3.1	\$3.0
Capital assets, net	67.3	68.3	1.2	1.0	68.5	69.3	20.3	20.2
Total assets	106.6	106.2	2.1	1.3	108.7	107.5	23.4	23.2
Other liabilities	2.1	1.8	0.0	0.0	2.1	1.8	1.2	2.3
Long-term liabilities	40.2	40.2	0.0	0.0	40.2	40.2	2.5	2.2
Total liabilities	42.3	42.0	0.0	0.0	42.3	42.0	3.7	4.5
Net assets:								
Invested in capital assets,								
net of related debt	40.5	38.5	1.2	1.0	41.7	39.5	20.3	20.2
Restricted	0.3	0.2	0.0	0.0	0.3	0.2	0.3	0.00
Unrestricted	23.5	25.5	0.9	0.3	24.4	25.8	(0.9)	(1.5)
Total net assets	\$64.3	\$64.2	\$2.1	\$1.3	\$66.4	\$65.5	\$19.7	\$18.7

The County's combined net assets increased from \$65.5 million to \$66.4. The increase is the result of stronger than anticipated revenues received during the fiscal year. Unrestricted net assets, the portion of net assets that can be used to finance the day-to-day activities of the County, totaled \$23.5 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.

Business-type net assets increased from \$1.3 million to \$2.1 million as a result of transfers from governmental activities and capital grants.

Component unit net assets increased from \$18.7 million to \$19.7 million as the result of local funding increases and federal stimulus funding.

Summary of Activities:

The following table shows the revenues and expenses of the governmental activities for the year ended June 30, 2012 (in millions):

	Governmental Activities		Business-type Activities		Total Primary Government		Component Unit	
	<u>FY2012</u>	<u>FY2011</u>	<u>FY2012</u>	<u>FY2011</u>	<u>FY2012</u>	<u>FY2011</u>	<u>FY2012</u>	<u>FY2011</u>
Revenues:								
Program revenues:								
Charges for Services	\$2.5	\$2.5	\$0.1	\$0.0	\$2.6	\$2.5	\$2.2	\$2.3
Operating Grants & Contributions	11.7	12.2	0.0	0.0	11.7	12.2	45.1	43.2
Capital Grants & Contributions	2.1	2.5	0.1	0.0	2.2	2.5	0.0	0.0
General Revenues								
Property Taxes	45.8	45.6	0.0	0.0	45.8	45.6	0.0	0.0
Other Taxes	7.8	7.8	0.0	0.0	7.8	7.8	0.0	0.0
Other	6.0	7.0	0.0	0.0	6.0	7.0	0.3	0.2
Payments from the County	0.0	0.0	0.0	0.0	0.0	0.0	29.9	31.8
Total Revenues	75.9	77.6	0.2	0.0	76.1	77.6	77.5	77.5
Expenses								
General Government	4.9	4.1	0.0	0.0	4.9	4.1	0.0	0.0
Judicial Administration	2.3	2.3	0.0	0.0	2.3	2.3	0.0	0.0
Public Safety	14.4	14.3	0.0	0.0	14.4	14.3	0.0	0.0
Public Works	6.9	5.0	0.0	0.0	6.9	5.0	0.0	0.0
Health and Welfare	10.4	10.4	0.0	0.0	10.4	10.4	0.0	0.0
Education	29.9	31.8	0.0	0.0	29.9	31.8	76.5	77.2
Parks, Recreation and Cultural	2.2	2.0	0.0	0.0	2.2	2.0	0.0	0.0
Community Development	3.0	4.9	0.0	0.0	3.0	4.9	0.0	0.0
Interest on Long-Term Debt	1.2	1.3	0.0	0.0	1.2	1.3	0.0	0.0

Water	0.0	0.0	0.0	0.1	0.0	0.1	0.0	0.0
Total Expenses	75.2	76.1	0.0	0.1	75.2	76.2	76.5	77.2
Excess or Deficiency Before Transfers	0.7	1.5	0.2	(0.1)	0.9	1.4	1.0	0.3
Transfers	(0.6)	0.0	0.6	(0.0)	0.0	0.0	0.0	0.0
Change in Net Assets	0.1	1.5	0.8	(0.1)	0.9	1.4	1.0	0.3
Net Assets, Beginning of Year	64.2	62.7	1.3	1.4	65.5	64.1	18.7	18.4
Net Assets, Ending	\$64.3	\$64.2	\$2.1	\$1.3	\$66.4	\$65.5	\$19.7	\$18.7

Revenues

For the fiscal year ended June 30, 2012, revenues from governmental activities totaled \$75.9 million, a decrease of \$1.7 million from the prior fiscal year primarily from less grants and contributions not restricted to specific programs. Property tax revenues, the County's largest local revenue source, were \$45.8 million, an increase of \$0.2 million over the prior fiscal year. The County assesses all real property every four years. The most recent reassessed values were effective January 1, 2012.

Other local taxes (including sales taxes, recordation taxes, and meals taxes) were \$7.8 million, which was approximately the same amount received in FY2011. Intergovernmental revenues totaled \$11.7 million, reflecting a small decrease from the prior fiscal year.

Business-type revenues consist of charges to customers for water consumption. During FY2010, almost all of the County's water systems were transferred to the Western Virginia Water Authority - a regional provider of water and sewer services. The County receives a small amount of water revenue from a system located in one of the County's industrial parks.

Component unit revenues total \$77.5 million, including a \$29.9 million payment from the general government. Revenues showed little change from the prior fiscal year.

Expenses

For the fiscal year ended June 30, 2012, expenses for governmental activities totaled \$75.2 million. Expenses contain the local county support of the school system.

Business-type activities account for the expenses of the County's small water system at the Commerce Center Industrial Park which serves approximately four commercial customers.

Education is a high priority in the Franklin County community; consequently the County contributed \$29.9 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, 2012, the County's general fund reflects total fund balances of \$20.6 million, roughly an increase of ½ million from the fiscal year ended June 30, 2011.

The County Capital Projects fund balance increased from FY2011 as general fund amounts were transferred to capital for various capital projects including the opening of a new landfill in the next several years.

Other Governmental Funds is comprised of the E911 fund. This fund balance remained basically unchanged from FY2011 to FY2012.

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, 2011.
- To re-appropriate monies to pay for commitments in the form of encumbrances established prior to June 30, 2011 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 FY2012 (in millions):

	Original Budget	Amended Budget	Actual
Revenues:			
Taxes	\$ 44.3	\$ 44.4	\$ 46.1
Intergovernmental	16.4	16.8	16.0
Other	11.4	11.8	12.4
Total	\$ <u>72.1</u>	\$ <u>73.0</u>	\$ <u>74.5</u>
Expenditures:			
Expenditures	\$ <u>70.1</u>	\$ <u>80.3</u>	\$ <u>70.2</u>
Total	<u>70.1</u>	<u>80.3</u>	<u>70.2</u>
Transfers	(2.7)	2.9	(3.6)
Net Change in Fund Balance	(0.7)	(4.5)	0.7
Fund Balances – Beginning	<u>0.7</u>	<u>4.5</u>	<u>19.9</u>
Fund Balances – Ending	\$ <u><u>0.0</u></u>	\$ <u><u>0.0</u></u>	\$ <u><u>20.6</u></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 increase in comparing original budget to final budget in the revenues is found in the budget for intergovernmental revenue and other revenue. Intergovernmental revenues were increased during the year from grants being received by the County.

There is a 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 more than anticipated due to the County collecting additional tax revenues generated by small growth in the value of all county property.

Actual expenditures were less than the final amended budget because of capital projects budgeted but not spent during the 2011-2012 fiscal year. It's the County's policy for unspent appropriated capital project budgets to carry forward into the next fiscal year so that the project may continue and be completed. In some cases, expenditures on a particular capital project may span multiple fiscal years.

Capital Assets

The following table displays the County and Schools (Component Unit) capital assets at June 30, 2012, in millions of dollars:

	Governmental Activities		Business-type Activities		Total Primary Government		Component Unit	
	<u>FY2012</u>	<u>FY2011</u>	<u>FY2012</u>	<u>FY2011</u>	<u>FY2012</u>	<u>FY2011</u>	<u>FY2012</u>	<u>FY2011</u>
Non-Depreciable Assets:								
Land	\$5.9	\$5.9	\$0.0	\$0.0	\$5.9	\$5.9	\$0.7	\$0.7
Construction in Progress	2.6	0.9	0.0	0.0	2.6	0.9	0.3	0.0
Other Capital Assets:								
Buildings and Systems	68.7	69.8	1.3	1.1	70.0	70.9	33.9	32.5
Machinery and Equipment	23.0	22.3	0.0	0.0	23.0	22.3	15.4	14.5
Accumulated Depreciation	(32.9)	(30.6)	(0.1)	(0.1)	(33.0)	(30.7)	(30.0)	(27.5)
Totals	<u>\$67.3</u>	<u>\$68.3</u>	<u>1.2</u>	<u>1.0</u>	<u>\$68.5</u>	<u>\$69.3</u>	<u>\$20.3</u>	<u>\$20.2</u>

The table below shows the change in capital assets for the fiscal year ended June 30, 2012 in millions of dollars:

	<u>Balance June 30, 2011</u>	<u>Net Additions/Deletions</u>	<u>Balance June 30, 2012</u>
Non-Depreciable Assets:			
Land	\$6.6	\$0.0	\$6.6
Construction in Progress	0.9	2.0	2.9
Other Capital Assets:			
Buildings and Systems	103.4	0.5	103.9
Machinery and Equipment	36.8	1.6	38.4
Accumulated Depreciation	(58.2)	(4.8)	(63.0)
Totals	<u>\$89.5</u>	<u>(\$0.7)</u>	<u>88.8</u>

During the FY2012 budget process, the Board of Supervisors approved a five-year Capital Improvement Program (CIP) that totaled \$3.1 million for FY2012. 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 \$1.1 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, 2012 and at June 30, 2011, in millions of dollars:

	Governmental Activities		Business-type Activities		Total Primary Government		Component Unit	
	<u>FY2012</u>	<u>FY2011</u>	<u>FY2012</u>	<u>FY2011</u>	<u>FY2012</u>	<u>FY2011</u>	<u>FY2012</u>	<u>FY2011</u>
General Obligation Bonds	\$25.7	\$28.0	\$0.0	\$0.0	\$25.7	\$28.0	\$0.0	\$0.0
Revenue Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Literary Loans	3.7	4.3	0.0	0.0	3.7	4.3	0.0	0.0
Capital Leases	0.2	0.3	0.0	0.0	0.2	0.3	0.0	0.0
Landfill Closure/Post								
Closure Liability	8.7	5.7	0.0	0.0	8.7	5.7	0.0	0.0
Compensated Absences	1.4	1.4	0.0	0.0	1.4	1.4	0.8	0.8
Other post employment benefits	0.5	0.5			0.5	0.5	1.7	1.3
Total	\$40.2	\$40.2	\$0.0	\$0.0	\$40.2	\$40.2	\$2.5	\$2.1

Additional detailed information on long-term debt activity can be found in Notes 7 and 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 Two (Aa2) from Moody's Investor's Services and Double A Minus (AA-) from Standard & Poor's.

Economic Factors and Future Budgets

Recent trends and revenue forecasts from the Commonwealth of Virginia indicate that the State is experiencing the same economic slowdown that is impacting our national economy. 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 49% of total County 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.
- 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, 1255 Franklin Street, Suite 111, Rocky Mount, Virginia 24151, telephone (540) 483-6624. The County's website address is www.franklincountyva.org.

Basic Financial Statements

County of Franklin, Virginia
Statement of Net Assets
June 30, 2012

	Primary Government			Component Unit School Board
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 33,735,255	\$ 943,858	\$ 34,679,113	\$ -
Receivables (net of allowance for uncollectibles):				
Taxes receivable	2,613,184	-	2,613,184	-
Accounts receivable	-	556	556	-
Other local taxes receivable	659,916	-	659,916	-
Due from other governmental units	2,005,573	-	2,005,573	2,802,781
Prepaid expenses	148,078	-	148,078	-
Deferred charges	144,410	-	144,410	-
Restricted assets:				
Temporarily restricted:				
Cash and cash equivalents (in custody of others)	-	-	-	305,255
Capital assets (net of accumulated depreciation):				
Land	5,876,498	-	5,876,498	725,315
Buildings	51,677,056	-	51,677,056	14,291,415
Machinery and equipment	7,065,188	-	7,065,188	5,043,983
Infrastructure	-	1,167,776	1,167,776	-
Construction in progress	2,682,882	-	2,682,882	261,973
Total assets	<u>\$ 106,608,040</u>	<u>\$ 2,112,190</u>	<u>\$ 108,720,230</u>	<u>\$ 23,430,722</u>
LIABILITIES				
Accounts payable	\$ 1,520,276	\$ 47	\$ 1,520,323	\$ 473,783
Accrued liabilities	-	-	-	675,799
Accrued interest payable	494,457	-	494,457	-
Unearned revenue	18,412	-	18,412	-
Long-term liabilities:				
Due within one year	4,145,176	-	4,145,176	638,247
Due in more than one year	36,091,692	-	36,091,692	1,901,928
Total liabilities	<u>\$ 42,270,013</u>	<u>\$ 47</u>	<u>\$ 42,270,060</u>	<u>\$ 3,689,757</u>
NET ASSETS				
Invested in capital assets, net of related debt	\$ 40,509,583	\$ 1,167,776	\$ 41,677,359	\$ 20,322,686
Restricted for:				
E-911	51,929	-	51,929	-
Law Library	85,435	-	85,435	-
Forfeited Assets	74,818	-	74,818	-
Courthouse maintenance	83,667	-	83,667	-
School cafeteria programs	-	-	-	305,255
Unrestricted (deficit)	23,532,595	944,367	24,476,962	(886,976)
Total net assets	<u>\$ 64,338,027</u>	<u>\$ 2,112,143</u>	<u>\$ 66,450,170</u>	<u>\$ 19,740,965</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, 2012

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Unit	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities			Total
						School Board			
PRIMARY GOVERNMENT:									
Governmental activities:									
General government administration	\$ 4,851,681	\$ 12,989	\$ 448,294	\$ -	\$ (4,390,398)	\$ -	\$ (4,390,398)	\$ -	
Judicial administration	2,344,133	49,506	890,678	-	(1,403,949)	-	(1,403,949)	-	
Public safety	14,445,531	1,601,892	2,965,539	119,573	(9,758,527)	-	(9,758,527)	-	
Public works	6,855,118	740,686	26,997	105,029	(5,982,406)	-	(5,982,406)	-	
Health and welfare	10,430,549	19,056	7,120,878	-	(3,290,615)	-	(3,290,615)	-	
Education	29,873,835	-	-	-	(29,873,835)	-	(29,873,835)	-	
Parks, recreation, and cultural	2,165,867	100,043	179,134	-	(1,886,690)	-	(1,886,690)	-	
Community development	3,029,603	-	90,847	769,755	(2,169,001)	-	(2,169,001)	-	
Interest on long-term debt	1,193,434	-	-	-	(1,193,434)	-	(1,193,434)	-	
Total governmental activities	\$ 75,189,751	\$ 2,524,172	\$ 11,722,367	\$ 994,357	\$ (59,948,855)	\$ -	\$ (59,948,855)	\$ -	
Business-type activities:									
Utility Fund	\$ 41,741	\$ 112,522	\$ -	\$ 164,456	\$ -	\$ 235,237	\$ 235,237	\$ -	
Total primary government	\$ 75,231,492	\$ 2,636,694	\$ 11,722,367	\$ 1,158,813	\$ (59,948,855)	\$ 235,237	\$ (59,713,618)	\$ -	
COMPONENT UNITS:									
School Board	\$ 76,510,179	\$ 2,206,886	\$ 45,058,618	\$ -	\$ -	\$ -	\$ -	\$ (29,244,675)	
Total component units	\$ 76,510,179	\$ 2,206,886	\$ 45,058,618	\$ -	\$ -	\$ -	\$ -	\$ (29,244,675)	
General revenues:									
General property taxes					\$ 45,783,087	\$ -	\$ 45,783,087	\$ -	
Other local taxes:									
Local sales and use taxes					3,867,957	-	3,867,957	-	
Consumers' utility taxes					971,693	-	971,693	-	
Business license taxes					4,585	-	4,585	-	
Utility license taxes					168,980	-	168,980	-	
Motor vehicle licenses					1,159,789	-	1,159,789	-	
Bank stock taxes					119,639	-	119,639	-	
E-911 taxes					1,934	-	1,934	-	
Taxes on recordation and wills					465,882	-	465,882	-	
Hotel and motel room taxes					91,628	-	91,628	-	
Restaurant food taxes					912,380	-	912,380	-	
Unrestricted revenues from use of money and property					1,139,124	-	1,139,124	-	
Miscellaneous					541,242	-	541,242	451,094	
Payments from County of Franklin					-	-	-	29,873,835	
Grants and contributions not restricted to specific programs					5,379,777	-	5,379,777	-	
Transfers					(555,256)	555,256	-	-	
Total general revenues					\$ 60,052,441	\$ 555,256	\$ 60,607,697	\$ 30,324,929	
Change in net assets					\$ 103,586	\$ 790,493	\$ 894,079	\$ 1,080,254	
Net assets - beginning					64,234,441	1,321,650	65,556,091	18,660,711	
Net assets - ending					\$ 64,338,027	\$ 2,112,143	\$ 66,450,170	\$ 19,740,965	

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

County of Franklin, Virginia
Balance Sheet
Governmental Funds
June 30, 2012

	<u>General</u>	<u>County Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 17,982,108	\$ 15,681,488	\$ 71,659	\$ 33,735,255
Receivables (net of allowance for uncollectibles):				
Taxes receivable	2,613,184	-	-	2,613,184
Other local taxes receivable	659,916	-	-	659,916
Due from other governmental units	2,005,573	-	-	2,005,573
Prepaid items	148,078	-	-	148,078
Total assets	<u>\$ 23,408,859</u>	<u>\$ 15,681,488</u>	<u>\$ 71,659</u>	<u>\$ 39,162,006</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 598,776	\$ 901,770	\$ 19,730	\$ 1,520,276
Deferred revenue	2,244,352	-	-	2,244,352
Total liabilities	<u>\$ 2,843,128</u>	<u>\$ 901,770</u>	<u>\$ 19,730</u>	<u>\$ 3,764,628</u>
Fund balances:				
Nonspendable	\$ 148,078	\$ -	\$ -	148,078
Restricted for:				
E-911	-	-	51,929	51,929
Law Library	85,435	-	-	85,435
Forfeited Assets	74,818	-	-	74,818
Courthouse maintenance	83,667	-	-	83,667
Assigned				
Debt service	210,233	-	-	210,233
Capital projects	-	14,779,718	-	14,779,718
Unassigned	19,963,500	-	-	19,963,500
Total fund balances	<u>\$ 20,565,731</u>	<u>\$ 14,779,718</u>	<u>\$ 51,929</u>	<u>\$ 35,397,378</u>
Total liabilities and fund balances	<u>\$ 23,408,859</u>	<u>\$ 15,681,488</u>	<u>\$ 71,659</u>	<u>\$ 39,162,006</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, 2012

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 35,397,378
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	67,301,624
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	2,225,940
Bond issuance cost are reported as an expenditure in the funds, however they are deferred and amortized in the government-wide statements	144,410
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(40,731,325)
Net assets of governmental activities	<u>\$ 64,338,027</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, 2012

	General	County Capital Projects	Other Governmental Funds	Total
REVENUES				
General property taxes	\$ 46,118,184	\$ -	\$ -	\$ 46,118,184
Other local taxes	7,762,533	-	1,934	7,764,467
Permits, privilege fees, and regulatory licenses	319,277	-	-	319,277
Fines and forfeitures	17,076	-	-	17,076
Revenue from the use of money and property	1,139,124	-	-	1,139,124
Charges for services	2,187,819	-	-	2,187,819
Miscellaneous	347,963	193,279	-	541,242
Recovered costs	609,920	-	-	609,920
Intergovernmental revenues:				
Commonwealth	13,240,695	824,357	1,147,571	15,212,623
Federal	2,713,878	170,000	-	2,883,878
Total revenues	<u>\$ 74,456,469</u>	<u>\$ 1,187,636</u>	<u>\$ 1,149,505</u>	<u>\$ 76,793,610</u>
EXPENDITURES				
Current:				
General government administration	\$ 4,194,731	\$ -	\$ -	\$ 4,194,731
Judicial administration	2,310,288	-	-	2,310,288
Public safety	12,939,398	-	1,126,191	14,065,589
Public works	3,315,563	-	-	3,315,563
Health and welfare	10,670,106	-	-	10,670,106
Education	28,249,720	-	-	28,249,720
Parks, recreation, and cultural	1,814,823	-	-	1,814,823
Community development	2,471,002	-	-	2,471,002
Capital projects	-	3,408,090	-	3,408,090
Debt service:				
Principal retirement	2,928,681	100,000	-	3,028,681
Interest and other fiscal charges	1,293,215	-	-	1,293,215
Total expenditures	<u>\$ 70,187,527</u>	<u>\$ 3,508,090</u>	<u>\$ 1,126,191</u>	<u>\$ 74,821,808</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 4,268,942</u>	<u>\$ (2,320,454)</u>	<u>\$ 23,314</u>	<u>\$ 1,971,802</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ 3,078,179	\$ -	\$ 3,078,179
Transfers out	(3,633,435)	-	-	(3,633,435)
Sale of capital assets	10,600	-	-	10,600
Total other financing sources (uses)	<u>\$ (3,622,835)</u>	<u>\$ 3,078,179</u>	<u>\$ -</u>	<u>\$ (544,656)</u>
Net change in fund balances	\$ 646,107	\$ 757,725	\$ 23,314	\$ 1,427,146
Fund balances - beginning	19,919,624	14,021,993	28,615	33,970,232
Fund balances - ending	<u>\$ 20,565,731</u>	<u>\$ 14,779,718</u>	<u>\$ 51,929</u>	<u>\$ 35,397,378</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, 2012

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

Net change in fund balances - total governmental funds	\$ 1,427,146
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 depreciation exceeded capital outlays in the current period.	(993,409)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(335,097)
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.	51,422
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.	(46,476)
Change in net assets of governmental activities	\$ 103,586

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

County of Franklin, Virginia
Statement of Net Assets
Proprietary Fund
June 30, 2012

	Enterprise Fund
	Utility Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 943,858
Accounts receivable, net of allowance for uncollectibles	556
Total current assets	\$ 944,414
Noncurrent assets:	
Capital assets:	
Infrastructure	\$ 1,319,774
Less accumulated depreciation	(151,998)
Total capital assets	\$ 1,167,776
Total noncurrent assets	\$ 1,167,776
Total assets	\$ 2,112,190
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 47
Total current liabilities	\$ 47
Total liabilities	\$ 47
NET ASSETS	
Invested in capital assets	\$ 1,167,776
Unrestricted (deficit)	944,367
Total net assets	\$ 2,112,143

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

County of Franklin, Virginia
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Fund
For the Year Ended June 30, 2012

	Enterprise Fund
	Utility Fund
OPERATING REVENUES	
Charges for services:	
Water and sewer revenue	\$ 6,680
Connection fees (operating)	105,842
Total operating revenues	\$ 112,522
OPERATING EXPENSES	
Utilities	\$ 2,584
Repairs and maintenance	53
Professional services	5,068
Depreciation	34,036
Total operating expenses	\$ 41,741
Operating income (loss)	\$ 70,781
Income before contributions and transfers	\$ 70,781
Capital contributions	\$ 164,456
Transfers in	\$ 555,256
Change in net assets	\$ 790,493
Total net assets - beginning	1,321,650
Total net assets - ending	\$ 2,112,143

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, 2012

	Enterprise Fund
	Utility Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 113,434
Payments for materials and supplies	(7,855)
Net cash provided by (used for) operating activities	\$ 105,579
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	\$ 555,256
Net cash provided by (used for) noncapital financing activities	\$ 555,256
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Additions to utility plant	\$ (174,935)
Capital contributions	164,456
Net cash provided by (used for) capital and related financing activities	\$ (10,479)
Net increase (decrease) in cash and cash equivalents	650,356
Cash and cash equivalents - beginning	\$ 293,502
Cash and cash equivalents - ending	\$ 943,858
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ 70,781
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation expense	\$ 34,036
(Increase) decrease in accounts receivable	912
Increase (decrease) in accounts payable	(150)
Total adjustments	\$ 34,798
Net cash provided by (used for) operating activities	\$ 105,579

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, 2012

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 123,659
Cash in custody of others	79,651
Total assets	\$ 203,310
 LIABILITIES	
Amounts held for social services clients	\$ 37,520
Amounts held for citizens	20,225
Amounts held for performance bonds	61,530
Amounts held for State agency	384
Amounts held for library	4,000
Amounts held for inmates	79,651
Total liabilities	\$ 203,310

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

COUNTY OF FRANKLIN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Note 1-Summary of Significant Accounting Policies:

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

A. Reporting Entity

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

Blended component units - None

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

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

Related Organizations - None

Jointly Governed Organizations - The County and the Counties of Roanoke and Craig and the Cities of Roanoke and Salem participate in supporting the Roanoke Valley Regional Board, an educational partnership. The governing body of this organization is appointed by the respective governing bodies of the participating jurisdictions. For the fiscal year ended June 30, 2012, the Franklin County School Board contributed \$719,756. Other organizations to which the County makes appointments and contributions are listed below:

Roanoke Valley Economic Development Partnership	\$ 110,058
Piedmont Community Services	90,737
Roanoke Valley Detention Commission	164,350
Western Virginia Regional Jail	2,305,155

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 and reports all financial resources of the general government, except those required to be accounted for and reported 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 and reports 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. It accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for capital facilities.

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

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

The County reports the following major proprietary fund:

Proprietary funds account for operations that are financed in a manner similar to those found in private business enterprises. The measurement focus is upon determination of net income, financial position, and changes in financial position. Proprietary Funds consist of Enterprise Funds.

Enterprise funds account for the financing of services to the general public where all or most of the operating expenses involved are recorded in the form of charges to users of such services. Enterprise Funds consist of the Utility Fund. Activity associated with the County's water system is accounted for in the Utility Fund.

The government reports the following non-major governmental funds:

Special Revenue Funds account for and report the proceeds of specific revenue sources (other than those dedicated for debt service or 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 (Trust and Agency 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 Fund, Library Fund, Fish Virginia Program 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.

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

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

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. 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 nonspendable fund balance 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.

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

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

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 \$763,215 at June 30, 2012 and is comprised solely of property taxes.

5. Use of Estimates

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

6. Capital assets

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

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset's life 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 unit, is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	10-40
Structures, lines, and accessories	20-40
Machinery and equipment	4-30

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

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

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.

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

The County of Franklin, Virginia follows provisions of GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The Statement provides fund balance categories to make the nature and extent of the constraints placed on a government's fund balance transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance – amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact (corpus of a permanent fund);
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;

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

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

9. Fund equity (continued)

- Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned fund balance – amounts a government intends to use for a specific purpose; intent is expressed by the governing body, as discussed below.
- Unassigned fund balance – amounts that are available for any purpose; positive amounts are only reported in the general fund.

When fund balance resources are available for a specific purpose in more than one classification, it is the County of Franklin, Virginia's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

The County of Franklin, Virginia establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the Board of Supervisors through adoption or amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

10. Net Assets

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

11. Prepaid Items

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

12. Inventories

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

13. Cash in the Custody of Others:

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

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

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

The governmental fund balance sheet includes a reconciliation between *fund balance-total governmental funds* and *net assets-governmental activities* as reported in the government-wide statements of net assets. One element of that reconciliation explains that long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. The details of these (\$40,731,325) and (\$2,540,175) differences for the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit
	<u> </u>	<u> </u>
General obligation bonds and notes	\$ (25,339,439)	\$ -
Literary loans payable	(3,702,750)	-
Capital leases	(163,141)	-
Premium on bond	(366,711)	-
Accrued interest payable	(494,457)	-
Landfill accrued closure and post-closure liability	(8,683,815)	-
Compensated absences	(1,415,852)	(850,995)
Other post-employment benefits	<u>(565,160)</u>	<u>(1,689,180)</u>
Net adjustment to reduce <i>fund balance-total governmental funds</i> to arrive at <i>net assets-governmental activities</i>	<u>\$ (40,731,325)</u>	<u>\$ (2,540,175)</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:

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 (\$993,409) and \$167,659 differences for the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit
	<u> </u>	<u> </u>
Capital outlays	\$ 3,484,377	\$ 1,680,719
Deleted assets (net of accumulated depreciation)	(158,524)	(1,000)
Depreciation expense	(3,643,002)	(2,188,320)
Transfer of assets to School Board	<u>(676,260)</u>	<u>676,260</u>
Net adjustment to increase (decrease) <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	 \$ <u>(993,409)</u>	 \$ <u>167,659</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 \$51,422 difference in the primary government are as follows:

	<u>Primary Government</u>
Debt Issued or incurred:	
Landfill closure/post-closure care liability	\$ (2,977,259)
Principal repayments:	
General obligation debt/leases	<u>3,028,681</u>
Net adjustment to decrease <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$ <u><u>51,422</u></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 (\$46,476) and (\$369,384) differences for the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit
(Increase) decrease in compensated absences	\$ (40,257)	\$ (16,384)
(Increase) decrease in accrued interest	94,907	-
Amortization of bond premium	26,980	-
Amortization of bond issuance cost	(22,106)	
(Increase) decrease in OPEB liability	<u>(106,000)</u>	<u>(353,000)</u>
Net adjustment to increase (decrease) <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ (46,476)</u>	<u>\$ (369,384)</u>

Note 3-Stewardship, Compliance, and Accountability:

A. Budgetary information

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

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

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

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

B. Excess of expenditures over appropriations

There were no expenditures exceeding appropriations for the year ended June 30, 2012.

C. Deficit fund equity

At June 30, 2012, there were no funds with deficit fund equity.

Note 4-Deposits and Investments:

Deposits:

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act"), Section 2.2-4400 et. Seq. of the Code of Virginia. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial Institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

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Note 4-Deposits and Investments: (Continued)

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, bankers acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP). As of June 30, 2012 and for the year then ended, the County did not have any investments.

Custodial Credit Risk (Investments)

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Neither the County nor its discretely presented component unit has an investment policy for custodial credit risk. As of June 30, 2012, the County and the Component Unit – School Board did not hold any investments that were subject to custodial credit risk.

Concentration of Credit Risk

At June 30, 2012, the County did not have any investments meeting the GASB 40 definition requiring concentration of credit risk disclosures that exceeded 5% of total investments.

Credit Risk of Debt Securities

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

Interest Rate Risk

At June 30, 2012, the County did not have any investments meeting the GASB 40 definition requiring interest rate risk disclosures.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

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	\$ 740,152	\$ -
State sales tax	-	619,463
Non-categorical aid	76,795	-
Categorical aid-shared expenses	327,637	-
Categorical aid-VPA funds	184,429	-
Categorical aid-CSA funds	457,915	-
<u>Federal Government:</u>		
Categorical aid-VPA funds	218,645	-
Other categorical aid	-	2,183,318
	\$ 2,005,573	\$ 2,802,781
Totals		

Note 6-Interfund Transfers:

Interfund transfers for the year ended June 30, 2012, consisted of the following:

Fund	Transfers In	Transfers Out
Primary Government:		
General Fund	\$ -	\$ 3,633,435
Utility Fund	555,256	-
County Capital Projects Fund	3,078,179	-
Total	\$ 3,633,435	\$ 3,633,435

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. The County transfers funds to the Capital Projects Fund as funds are needed to cover capital programs of that fund. Transfers to the Utility Fund are required to cover operating expenses of the fund.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

Note 7-Long-Term Obligations:

Primary Government - Governmental Activity Obligations:

The following is a summary of long-term obligation transactions of the County for the year ended June 30, 2012.

	Balance July 1, 2011	Issuances	Retirements	Balance June 30, 2012
General Obligation				
Bonds and Notes	\$ 27,583,770	\$ -	\$ (2,244,331)	\$ 25,339,439
Premiums on bonds	393,691	-	(26,980)	366,711
Literary loans	4,316,500	-	(613,750)	3,702,750
Capital leases	333,741	-	(170,600)	163,141
Landfill closure/postclosure liability	5,706,556	2,977,259	-	8,683,815
Compensated absences	1,375,595	955,121	(914,864)	1,415,852
Other post-employment benefits	459,160	179,000	(73,000)	565,160
Total	\$ 40,169,013	\$ 4,111,380	\$ (4,043,525)	\$ 40,236,868

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

Year Ending June 30,	General Obligation Bonds and Notes		Literary Fund Loans	
	Principal	Interest	Principal	Interest
2013	\$ 2,318,363	\$ 945,070	\$ 613,750	\$ 111,083
2014	2,368,334	868,424	613,750	92,670
2015	2,412,506	782,160	613,750	74,258
2016	1,939,886	702,520	613,750	55,845
2017	1,979,484	625,627	613,750	37,433
2018-2022	9,434,786	1,975,879	634,000	26,520
2023-2027	3,551,080	654,272	-	-
2028-2032	775,000	230,375	-	-
2033-2035	560,000	40,937	-	-
Totals	\$ 25,339,439	\$ 6,825,264	\$ 3,702,750	\$ 397,809

Note 7-Long-Term Obligations: (Continued)

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

Total assets acquired through capital leases are as follows:

Phone system	\$ 257,668
Track excavator	283,891
Building/Planning software	310,486
Phone system-social services	<u>54,978</u>
Total assets	\$ 907,023
Accumulated Depreciation	<u>(470,004)</u>
Net Book Value of Assets	<u><u>\$ 437,019</u></u>

Present value of future minimum lease payments:

Year Ending June 30,	Capital Leases
2013	\$ 157,304
2014	<u>12,609</u>
Total minimum lease payments	\$ 169,913
Less: amount representing interest	<u>(6,772)</u>
Present value of future minimum lease payments	<u><u>\$ 163,141</u></u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

Note 7-Long-Term Obligations: (continued)

Primary Government - Governmental Activity Obligations:

Details of long-term obligations:

	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Balance Governmental Activities	Amount Due Within One Year
General Obligation Bonds and Notes:						
GO bond ²	5.0-5.9%	11/16/2000	2020	6,285,526	\$ 3,099,927	\$ 320,707
GO bond ²	5.1-6.35%	5/18/2000	2021	3,400,000	1,530,000	170,000
GO bond ²	4.1-5.6%	11/10/2004	2025	2,500,000	1,625,000	125,000
GO bond ¹	3.710%	7/13/2005	2021	6,500,000	1,708,609	170,708
GO bond ²	4.225-5.1%	11/9/2006	2027	6,760,943	5,099,603	308,850
GO bond ¹	3.910%	12/20/2007	2023	4,253,000	3,396,500	266,369
GO bond ²	3.910%	12/20/2007	2023	4,897,000	3,909,800	306,729
GO bond ³	4.68%	6/12/2009	2035	2,905,000	2,780,000	65,000
Note Payable - WVCC ¹	0.00%	12/15/2009	2019	1,000,000	700,000	100,000
GO refunding bond ¹	1.615%	6/24/2010	2014	2,464,000	1,490,000	485,000
Total General Obligation Bonds and Notes					<u>\$ 25,339,439</u>	<u>\$ 2,318,363</u>
Literary Loans: (Bonded indebtedness) (School Construction) ²						
State Literary Fund Loan	3%	3/17/1997	2017	\$ 1,072,000	\$ 268,000	\$ 53,600
State Literary Fund Loan	3%	3/17/1997	2017	1,029,000	257,250	51,450
State Literary Fund Loan	3%	3/17/1997	2017	967,000	241,750	48,350
State Literary Fund Loan	3%	3/17/1997	2017	539,000	134,750	26,950
State Literary Fund Loan	3%	3/17/1997	2017	988,000	247,000	49,400
State Literary Fund Loan	3%	9/15/1997	2017	210,000	63,000	10,500
State Literary Fund Loan	3%	10/7/1997	2017	854,000	256,200	42,700
State Literary Fund Loan	3%	10/7/1997	2017	844,000	253,200	42,200
State Literary Fund Loan	3%	10/7/1997	2017	772,000	231,600	38,600
State Literary Fund Loan	3%	7/16/1998	2018	5,000,000	1,750,000	250,000
Total Literary Loans					<u>\$ 3,702,750</u>	<u>\$ 613,750</u>
Other Obligations:						
Landfill Closure/Post-closure						
Monitoring Costs	n/a	n/a	n/a	n/a	\$ 8,683,815	\$ -
Capital Leases	n/a	n/a	n/a	n/a	163,141	151,174
Premiums on GO Bonds	n/a	n/a	n/a	n/a	366,711	-
Compensated Absences	n/a	n/a	n/a	n/a	1,415,852	1,061,889
Other post-employment benefits	n/a	n/a	n/a	n/a	565,160	-
Total Other Obligations					<u>\$ 11,194,679</u>	<u>\$ 1,213,063</u>
Total Long-term obligations					<u>\$ 40,236,868</u>	<u>\$ 4,145,176</u>

¹ Denotes debt issued for General Government Projects

² Denotes debt issued for School Construction

³ Denotes debt issued for Utility Assets transferred to the Western Virginia Water Authority (Operating Debt)

For the governmental activities, landfill closure and post-closure monitoring costs, compensated absences, post employment benefits and pension obligations are generally liquidated by the General Fund.

Note 8-Long-Term Obligations-Component Unit School Board:

Discretely Presented Component Unit-School Board Obligations:

The following is a summary of long-term obligation transactions of the Component-Unit School Board for the year ended June 30, 2012.

	Balance July 1, 2011	Issuances	Retirements	Balance June 30, 2012
Compensated absences	\$ 834,611	\$ 642,343	\$ (625,959)	\$ 850,995
Other post-employment benefits	1,336,180	627,000	(274,000)	1,689,180
Total	\$ 2,170,791	\$ 1,269,343	\$ (899,959)	\$ 2,540,175

Details of long-term obligations:

<u>Other Obligations:</u>	Total Amount	Amount Due Within One Year
Compensated absences	\$ 850,995	\$ 638,246
Other post-employment benefits	1,689,180	-
Total Long-Term Obligations	\$ 2,540,175	\$ 638,246

For the governmental activities of the discretely presented component unit-School Board, compensated absences, pension obligations and post-employment benefits are generally liquidated by the School fund.

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Note 9-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)

All full-time, salaried permanent (professional) employees of public school divisions and employees of participating employers are automatically covered by VRS upon employment. Benefits vest after five years of service credit. Members earn one month of service credit for each month they are employed and their employer is paying into the VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as credit in their plan.

VRS administers two defined benefit plans for local government employees – Plan 1 and Plan 2:

Members hired before July 1, 2010 and who have service credits before July 1, 2010 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of service credit or at age 50 with at least 30 years of service credit. They may retire with a reduced benefit early at age 55 with at least five years of service credit or age 50 with at least 10 years of service credit.

Members hired or rehired on or after July 1, 2010 and who have no service credits before July 1, 2010 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.

Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.70%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.70% or 1.85% as elected by employer. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

Note 9-Employee Retirement System and Pension Plans: (continued)

A. Plan Description (continued)

Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1 of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5.00%; under Plan 2, the COLA cannot exceed 6.00%. During years of no inflation or deflation, the COLA is 0.00%. 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 the most recent report may be obtained from the VRS Web site at <http://www.varetire.org/Pdf/Publications/2011-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

B. Funding Policy

Primary Government:

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. In addition, the County of Franklin, Virginia is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The County of Franklin, Virginia's contribution rate for the fiscal year ended 2012 was 9.15% of annual covered payroll.

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

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. This 5.00% member contribution may be assumed by the employer. In addition, the County of Franklin, Virginia is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The County of Franklin, Virginia's contribution rate for the fiscal year ended 2012 was 8.01% of annual covered payroll.

Note 9-Employee Retirement System and Pension Plans: (continued)

C. Annual Pension Cost

For fiscal year 2012, the County of Franklin, Virginia's annual pension cost of \$1,060,487 and \$393,368 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	6/30/2010	\$ 865,122	100.00%	\$ -
	6/30/2011	1,052,708	100.00%	-
	6/30/2012	1,060,487	100.00%	-
Discretely Presented-Component Unit:				
School Board Non-Professional	6/30/2010	\$ 462,009	100.00%	\$ -
	6/30/2011	395,172	100.00%	-
	6/30/2012	393,368	100.00%	-

¹ Employer portion only

The FY 2012 required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2009 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the County and School Board'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 and School Board's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2009 for the Unfunded Actuarial Accrued Liability (UAAL) was 20 years.

D. Funded Status and Funding Progress

Primary Government:

As of June 30, 2011, the most recent actuarial valuation date, the plan was 80.66% funded. The actuarial accrued liability for benefits was \$50,058,269, and the actuarial value of assets was \$40,375,776, resulting in an unfunded actuarial accrued liability (UAAL) of \$9,682,493. The covered payroll (annual payroll of active employees covered by the plan) was \$11,460,168, and ratio of the UAAL to the covered payroll was 84.49%.

Note 9-Employee Retirement System and Pension Plans: (continued)

D. Funded Status and Funding Progress (continued)

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

As of June 30, 2011, the most recent actuarial valuation date, the plan was 76.94% funded. The actuarial accrued liability for benefits was \$17,935,655, and the actuarial value of assets was \$13,799,191, resulting in an unfunded actuarial accrued liability (UAAL) of \$4,136,464. The covered payroll (annual payroll of active employees covered by the plan) was \$4,908,069, and ratio of the UAAL to the covered payroll was 84.28%.

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.

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

Plan Description

The Franklin County School Board contributes to the Virginia Retirement System (VRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System. VRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Title 51.1 of the Code of Virginia (1950), 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 the most recent report may be obtained from the VRS Web site at <http://www.varetire.org/Pdf/Publications/2011-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. The employer may assume this 5.00% 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, not including the 5.00% member contribution, was \$2,325,721, \$1,441,558, and \$2,407,049, for the fiscal years ended 2012, 2011, and 2010, respectively. Required employer contributions represented 6.33% for 2012, 3.93% for 2011, 8.81% for July 2009 through March 2010 and 0.00% for April through June 2010 of covered payroll, respectively.

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Note 10-Other Postemployment Benefits (OPEB):

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

Primary Government

A. Plan Description

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

B. Funding Policy

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

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

The County is required to contribute the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Note 10-Other Postemployment Benefits (OPEB): (continued)

Primary Government (continued)

C. Annual OPEB Cost

For 2012, the County's annual contribution of \$73,000 did not equal the annual OPEB cost of \$179,000. The obligation calculation is as follows:

Annual required contribution	\$ 180,000
Interest on net OPEB obligation	18,000
Adjustment to annual required contribution	<u>(19,000)</u>
Annual OPEB cost (expense)	179,000
Contributions made	<u>73,000</u>
Increase in net OPEB obligation	106,000
Net OPEB obligation - beginning of year	<u>459,160</u>
Net OPEB obligation - ending of year	\$ 565,160

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2010	\$ 209,160	16.26%	\$ 349,160
6/30/2011	\$ 169,000	34.91%	\$ 459,160
6/30/2012	\$ 179,000	40.78%	\$ 565,160

D. Funded Status and Funding Progress

The funded status of the Plan as of July 1, 2011 (the most recent valuation), was as follows:

Actuarial accrued liability (AAL)	\$ 1,706,000
Actuarial value of plan assets	\$ -
Unfunded actuarial accrued liability (UAAL)	\$ 1,706,000
Funded ratio (actuarial value of plan assets/AAL)	0.00%
Covered payroll (active plan members)	\$ 11,460,168
UAAL as a percentage of covered payroll	14.89%

Note 10-Other Postemployment Benefits (OPEB): (continued)

Primary Government (continued)

D. Funded Status and Funding Progress (continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far in the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

E. Actuarial methods and Assumptions

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

In the July 1, 2011, actuarial valuation, the projected unit of credit actuarial cost method was used. Under this method, future benefits are projected and the present value of such benefits is allocated from date of hire to date of eligibility. The actuarial assumptions included: inflation at 2.5%, an investment rate of return at 4.0%, and a health care trend rate of 10% graded to 5% over 10 years. The UAAL is being amortized as a level percentage over the remaining closed amortization period, which at June 30, 2011, was 29 years.

Component Unit: School Board

A. Plan Description

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

Note 10-Other Postemployment Benefits (OPEB): (continued)

Component Unit: School Board: (continued)

B. Funding Policy

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

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

The Board is required to contribute the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

C. Annual OPEB Cost

For 2012, the Board's annual contribution of \$274,000 did not equal the annual OPEB cost of \$627,000. The obligation calculation is as follows:

Annual required contribution	\$ 628,000
Interest on net OPEB obligation	54,000
Adjustment to annual required contribution	(55,000)
Annual OPEB cost (expense)	<u>627,000</u>
Contributions made	<u>274,000</u>
Increase in net OPEB obligation	353,000
Net OPEB obligation - beginning of year	<u>1,336,180</u>
Net OPEB obligation - ending of year	\$ 1,689,180

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Note 10-Other Postemployment Benefits (OPEB): (continued)

Component Unit: School Board: (continued)

C. Annual OPEB Cost (continued)

The Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 and the prior two years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2010	\$ 701,180	31.52%	\$ 957,180
6/30/2011	\$ 597,000	36.52%	\$ 1,336,180
6/30/2012	\$ 627,000	43.70%	\$ 1,689,180

D. Funded Status and Funding Progress

The funded status of the Plan as of July 1, 2011 (the most recent valuation), was as follows:

Actuarial accrued liability (AAL)	\$ 6,126,000
Actuarial value of plan assets	\$ -
Unfunded actuarial accrued liability (UAAL)	\$ 6,126,000
Funded ratio (actuarial value of plan assets/AAL)	0.00%
Covered payroll (active plan members)	\$ 41,652,207
UAAL as a percentage of covered payroll	14.71%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far in the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Note 10-Other Postemployment Benefits (OPEB): (continued)

Component Unit: School Board: (continued)

E. Actuarial methods and Assumptions

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

In the July 1, 2011, actuarial valuation, the projected unit of credit actuarial cost method was used. Under this method, future benefits are projected and the present value of such benefits is allocated from date of hire to date of eligibility. The actuarial assumptions included: inflation at 2.5%, an investment rate of return at 4.0%, and a health care trend rate of 10% graded to 5% over 10 years. The UAAL is being amortized as a level percentage over the remaining closed amortization period, which at June 30, 2011, was 29 years.

Note 11-Deferred Revenue:

Deferred 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. Deferred revenue totaling \$2,244,352 is comprised of the following:

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2012, but paid in advance by the taxpayers totaled \$18,412 at June 30, 2012.

Uncollected Taxes – Property taxes receivable not collected within 60 days after year end are reflected as deferred revenues. These taxes totaled \$2,225,940 at June 30, 2012.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

Note 12-Capital Assets:

Capital asset activity for the year ended June 30, 2012 was as follows:

Primary Government:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 5,876,498	\$ -	\$ -	\$ 5,876,498
Construction in progress	871,666	1,811,216	-	2,682,882
Total capital assets not being depreciated	<u>\$ 6,748,164</u>	<u>\$ 1,811,216</u>	<u>\$ -</u>	<u>\$ 8,559,380</u>
Capital assets, being depreciated:				
Buildings	\$ 69,809,851	\$ 310,993	\$ (1,463,614)	\$ 68,657,230
Machinery and equipment	22,335,587	1,362,168	(706,639)	22,991,116
Total capital assets being depreciated	<u>\$ 92,145,438</u>	<u>\$ 1,673,161</u>	<u>\$ (2,170,253)</u>	<u>\$ 91,648,346</u>
Less: accumulated depreciation for:				
Buildings	\$ (15,850,265)	\$ (1,807,166)	\$ 677,257	\$ (16,980,174)
Machinery and equipment	(14,748,304)	(1,835,836)	658,212	(15,925,928)
Total accumulated depreciation	<u>\$ (30,598,569)</u>	<u>\$ (3,643,002)</u>	<u>\$ 1,335,469</u>	<u>\$ (32,906,102)</u>
Total capital assets being depreciated, net	<u>\$ 61,546,869</u>	<u>\$ (1,969,841)</u>	<u>\$ (834,784)</u>	<u>\$ 58,742,244</u>
Governmental activities capital assets, net	<u>\$ 68,295,033</u>	<u>\$ (158,625)</u>	<u>\$ (834,784)</u>	<u>\$ 67,301,624</u>

Note 12-Capital Assets: (continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type Activities:				
Capital assets, being depreciated:				
Infrastructure	\$ 1,144,839	\$ 174,935	\$ -	\$ 1,319,774
Total capital assets being depreciated	<u>\$ 1,144,839</u>	<u>\$ 174,935</u>	<u>\$ -</u>	<u>\$ 1,319,774</u>
Less: accumulated depreciation for:				
Infrastructure	\$ (117,962)	\$ (34,036)	\$ -	\$ (151,998)
Total accumulated depreciation	<u>\$ (117,962)</u>	<u>\$ (34,036)</u>	<u>\$ -</u>	<u>\$ (151,998)</u>
Total capital assets being depreciated, net	<u>\$ 1,026,877</u>	<u>\$ 140,899</u>	<u>\$ -</u>	<u>\$ 1,167,776</u>
Business-type activities capital assets, net	<u><u>\$ 1,026,877</u></u>	<u><u>\$ 140,899</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,167,776</u></u>

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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 administration	\$ 49,306
Judicial administration	87,805
Public safety	1,185,629
Public works	891,256
Health and welfare	46,730
Education	947,855
Parks, recreation, and cultural	279,094
Community development	<u>155,327</u>
Total depreciation expense-governmental activities	\$ <u><u>3,643,002</u></u>
Business-type activities	
Utility fund	\$ <u><u>34,036</u></u>

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Note 12-Capital Assets: (continued)

Capital asset activity for the School Board for the year ended June 30, 2012 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	-	261,973	-	261,973
Total capital assets not being depreciated	<u>\$ 725,315</u>	<u>\$ 261,973</u>	<u>\$ -</u>	<u>\$ 987,288</u>
Capital assets, being depreciated:				
Buildings	\$ 32,470,653	\$ 1,467,713	\$ -	\$ 33,938,366
Machinery and equipment	14,480,046	1,271,003	(266,735)	15,484,314
Total capital assets being depreciated	<u>\$ 46,950,699</u>	<u>\$ 2,738,716</u>	<u>\$ (266,735)</u>	<u>\$ 49,422,680</u>
Less: accumulated depreciation for:				
Buildings	\$ (18,135,548)	\$ (1,511,403)	\$ -	\$ (19,646,951)
Machinery and equipment	(9,385,439)	(1,320,627)	265,735	(10,440,331)
Total accumulated depreciation	<u>\$ (27,520,987)</u>	<u>\$ (2,832,030)</u>	<u>\$ 265,735</u>	<u>\$ (30,087,282)</u>
Total capital assets being depreciated, net	<u>\$ 19,429,712</u>	<u>\$ (93,314)</u>	<u>\$ (1,000)</u>	<u>\$ 19,335,398</u>
Governmental activities capital assets, net	<u>\$ 20,155,027</u>	<u>\$ 168,659</u>	<u>\$ (1,000)</u>	<u>\$ 20,322,686</u>

All depreciation of the component-unit School Board is posted to the education function in the financial statements.

Net assets of \$676,260 (\$1,319,970 gross less accumulated depreciation of \$643,710) were transferred to the School Board from the primary government during the fiscal year.

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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 classifications and rates into a designated cash reserve fund out of which expenses of the pool, claims and awards are to be paid. In the event of a loss deficit or depletion of all available excess insurance, the pool may assess all members in the proportion in which the premium of each bears to the total premiums of all members in the year in which such deficit occurs. The County and its component unit – School Board continue to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 14-Contingent Liabilities:

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

Note 15-Surety Bonds:

Primary Government:

<u>Fidelity & Deposit Company of Maryland-Surety:</u>	
Teresa J. Brown, Clerk of the Circuit Court	\$ 500,000
Lynda F. Messenger, Treasurer	500,000
Margaret S. Torrence, Commissioner of the Revenue	3,000
Bill Overton, Jr., 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, 2012

Note 15-Surety Bonds: (continued)

Component Unit – School Board:

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

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. The estimated total cost necessary to close and monitor the landfill is \$9,648,683. \$8,683,815 is the estimated closure and post-closure care liability at June 30, 2012 based on the capacity used as of the same date. The County will recognize the remaining closure and post-closure care totaling \$964,868 over the remaining useful life of the landfill which is one year.

The landfill has reached 90% of capacity and the County expects to close the landfill in 2013. This represents what it would cost to perform closure and post-closure care in 2012. Actual costs for closure and post-closure monitoring may change due to inflation, deflation, changes in technology or changes in applicable laws or 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.

Note 17 – Commitments and Contingencies:

The County was involved in major construction projects during the fiscal year as presented below, along with the anticipated funding source.

<u>Project</u>	<u>Contract Amount</u>	<u>Contract Amount Outstanding at June 30, 2012</u>	<u>Funding Source</u>
New Landfill Construction	\$ 5,199,700	\$ 3,918,780	Local Funds
Ramsey Kitchen Renovation - School Board	647,989	301,426	Local Funds

Note 18 – Arbitrage Rebate Compliance:

As of June 30, 2012 and for the year then ended, the County was not liable for any amounts due under current rules governing arbitrage earnings.

Note 19-New Accounting Standards:

The Government Accounting Standards Board (GASB) has issued Statement No. 61 *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements. Management does not believe the impact of this statement will have a material effect on the financial statements. This standard will be implemented for the fiscal year ending June 30, 2013.

In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The objective of this statement is to improve financial reporting by providing citizens and other users of state and local government financial reports with information about how past transactions will continue to impact a government’s financial statements in the future. This statement is effective for periods beginning after December 15, 2011.

In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The requirements of this statement will improve financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. This statement is effective for periods beginning after December 15, 2012.

The Governmental Accounting Standards Board (GASB) has issued Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 68, *Accounting and Financial Reporting for Pensions*. Statement No. 68 will require governments with defined benefit pension plans to disclose a “net pension liability” on their balance sheets. That liability equals the difference between the total pension liability and the value of assets set aside in a pension plan to pay benefits. The statement calls for immediate recognition of more pension expense than is currently required. This includes immediate recognition of annual service cost and interest on the pension liability, plus the effect of changes in benefit terms on the net pension liability. These standards will be effective for fiscal years ending June 30, 2014 (67) and June 30, 2015 (68). The County believes the implementation of Statement No. 68 will significantly impact the County and Component Unit School Board’s net position; however no formal study or estimate of the impact of this standard has been performed.

Required Supplementary Information

County of Franklin, Virginia
Required Supplementary Information

Schedule of Funding Progress Defined Benefit and Healthcare Plans
For the Year Ended June 30, 2012

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, 2011	\$ 40,375,776	\$ 50,058,269	9,682,493	80.66%	\$ 11,460,168	84.49%
June 30, 2010	38,740,316	47,085,761	8,345,445	82.28%	11,548,192	72.27%
June 30, 2009	37,926,618	42,315,620	4,389,002	89.63%	11,906,562	36.86%

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, 2011	\$ 13,799,191	\$ 17,935,655	4,136,464	76.94%	\$ 4,908,069	84.28%
June 30, 2010	13,363,308	17,249,917	3,886,609	77.47%	5,120,762	75.90%
June 30, 2009	13,023,595	15,456,816	2,433,221	84.26%	5,135,329	47.38%

County Healthcare Plan

Valuation as of* (1)	Actuarial Value of Assets (2)	Actuarial Accrued Liability (AAL) (3)	Unfunded AAL (UAAL) (3) - (2) (4)	Funded Ratio Assets as % of AAL (2)/(3) (5)	Annual Covered Payroll (6)	UAAL as a % of Covered Payroll (4)/(6) (7)
June 30, 2011	\$ -	\$ 1,706,000	\$ 1,706,000	0.00%	\$ 11,460,168	14.89%
June 30, 2010	-	1,596,000	1,596,000	0.00%	11,548,192	13.82%
June 30, 2008	-	1,802,000	1,802,000	0.00%	11,648,075	15.47%

School Board Healthcare Plan

Valuation as of* (1)	Actuarial Value of Assets (2)	Actuarial Accrued Liability (AAL) (3)	Unfunded AAL (UAAL) (3) - (2) (4)	Funded Ratio Assets as % of AAL (2)/(3) (5)	Annual Covered Payroll (6)	UAAL as a % of Covered Payroll (4)/(6) (7)
June 30, 2011	\$ -	\$ 6,126,000	\$ 6,126,000	0.00%	\$ 41,652,207	14.71%
June 30, 2010	-	5,752,000	5,752,000	0.00%	41,614,357	13.82%
June 30, 2008	-	6,636,000	6,636,000	0.00%	42,780,643	15.51%

County of Franklin, Virginia
General Fund
Schedule of Revenues, Expenditures, and Change in Fund Balances - Budget and Actual
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 44,341,025	\$ 44,401,025	\$ 46,118,184	\$ 1,717,159
Other local taxes	7,413,800	7,413,800	7,762,533	348,733
Permits, privilege fees, and regulatory licenses	340,000	340,000	319,277	(20,723)
Fines and forfeitures	15,600	15,600	17,076	1,476
Revenue from the use of money and property	932,000	932,073	1,139,124	207,051
Charges for services	1,822,000	2,154,231	2,187,819	33,588
Miscellaneous	247,000	321,516	347,963	26,447
Recovered costs	569,613	569,613	609,920	40,307
Intergovernmental revenues:				
Commonwealth	16,308,786	14,129,144	13,240,695	(888,449)
Federal	63,778	2,698,774	2,713,878	15,104
Total revenues	\$ 72,053,602	\$ 72,975,776	\$ 74,456,469	\$ 1,480,693
EXPENDITURES				
Current:				
General government administration	\$ 4,056,800	\$ 4,791,063	\$ 4,194,731	\$ 596,332
Judicial administration	2,353,572	2,377,907	2,310,288	67,619
Public safety	12,094,116	15,934,723	12,939,398	2,995,325
Public works	3,193,262	4,264,729	3,315,563	949,166
Health and welfare	11,044,533	11,374,473	10,670,106	704,367
Education	27,662,894	29,827,613	28,249,720	1,577,893
Parks, recreation, and cultural	1,773,458	2,150,612	1,814,823	335,789
Community development	2,543,538	5,051,390	2,471,002	2,580,388
Nondepartmental	787,601	223,721	-	223,721
Debt service:				
Principal retirement	3,358,781	2,928,681	2,928,681	-
Interest and other fiscal charges	1,266,049	1,418,234	1,293,215	125,019
Total expenditures	\$ 70,134,604	\$ 80,343,146	\$ 70,187,527	\$ 10,155,619
Excess (deficiency) of revenues over (under) expenditures	\$ 1,918,998	\$ (7,367,370)	\$ 4,268,942	\$ 11,636,312
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	2,899,779	\$ -	\$ (2,899,779)
Transfers out	(2,675,703)	-	(3,633,435)	(3,633,435)
Sale of capital assets	-	-	10,600	10,600
Total other financing sources and uses	\$ (2,675,703)	\$ 2,899,779	\$ (3,622,835)	\$ (6,522,614)
Net change in fund balances	\$ (756,705)	\$ (4,467,591)	\$ 646,107	\$ 5,113,698
Fund balances - beginning	\$ 756,705	4,467,591	19,919,624	15,452,033
Fund balances - ending	\$ -	\$ -	\$ 20,565,731	\$ 20,565,731

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

Other Supplementary Information Section

Supplementary Financial Statements

County of Franklin, Virginia
 Schedule of Revenues, Expenditures, and Change in Fund Balances - Budget and Actual
 Major Capital Projects Fund
 For the Year Ended June 30, 2012

	County Capital Projects			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Miscellaneous	\$ -	\$ 193,133	\$ 193,279	\$ 146
Intergovernmental revenues:				
Commonwealth	-	597,731	824,357	226,626
Federal	-	170,000	170,000	-
Total revenues	<u>\$ -</u>	<u>\$ 960,864</u>	<u>\$ 1,187,636</u>	<u>\$ 226,772</u>
EXPENDITURES				
Capital projects	\$ 1,781,705	\$ 11,143,740	\$ 3,408,090	7,735,650
Education:				
Contribution to County School Board	340,000	418,128	-	418,128
Total expenditures	<u>\$ 2,221,705</u>	<u>\$ 11,661,868</u>	<u>\$ 3,508,090</u>	<u>\$ 8,153,778</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (2,221,705)</u>	<u>\$ (10,701,004)</u>	<u>\$ (2,320,454)</u>	<u>\$ 8,380,550</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 2,221,705	\$ -	\$ 3,078,179	\$ 3,078,179
Transfers out	-	(3,455,035)	-	3,455,035
Total other financing sources (uses)	<u>\$ 2,221,705</u>	<u>\$ (3,455,035)</u>	<u>\$ 3,078,179</u>	<u>\$ 6,533,214</u>
Net change in fund balances	\$ -	\$ (14,156,039)	\$ 757,725	\$ 14,913,764
Fund balances - beginning	-	15,185,041	14,021,993	(1,163,048)
Fund balances - ending	<u>\$ -</u>	<u>\$ 1,029,002</u>	<u>\$ 14,779,718</u>	<u>\$ 13,750,716</u>

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

County of Franklin, Virginia
 Schedule of Revenues, Expenditures, and Change in Fund Balances - Budget and Actual
 Nonmajor Special Revenue Fund
 For the Year Ended June 30, 2012

	E-911 Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Other local taxes	\$ 500	\$ 500	\$ 1,934	\$ 1,434
Intergovernmental revenues:				
Commonwealth	1,119,098	1,147,451	1,147,571	120
Total revenues	<u>\$ 1,119,598</u>	<u>\$ 1,147,951</u>	<u>\$ 1,149,505</u>	<u>\$ 1,554</u>
EXPENDITURES				
Current:				
Public safety	\$ 1,119,598	\$ 1,176,568	\$ 1,126,191	\$ 50,377
Total expenditures	<u>\$ 1,119,598</u>	<u>\$ 1,176,568</u>	<u>\$ 1,126,191</u>	<u>\$ 50,377</u>
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ (28,617)	\$ 23,314	\$ 51,931
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ -	\$ -
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balances	\$ -	\$ (28,617)	\$ 23,314	\$ 51,931
Fund balances - beginning	-	28,617	28,615	(2)
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 51,929</u>	<u>\$ 51,929</u>

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

FIDUCIARY FUNDS

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

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

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

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

Fish Virginia Program – The Fish Virginia Program Fund accounts for funds held on behalf of the Fish Virginia Program, which serves multiple jurisdictions in the State of Virginia

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, 2012

	<u>Agency Funds</u>						
	<u>Special Welfare</u>	<u>Road Escrow Fund</u>	<u>Escrow Fund for Soil and Erosion Control Agreement</u>	<u>Fish VA Program</u>	<u>Library Fund</u>	<u>Inmate trust and Canteen Account Fund</u>	<u>Total</u>
ASSETS							
Cash and cash equivalents	\$ 37,520	\$ 20,225	\$ 61,530	\$ 384	\$ 4,000	\$ -	\$ 123,659
Cash in custody of others	-	-	-		-	79,651	79,651
Total assets	<u>\$ 37,520</u>	<u>\$ 20,225</u>	<u>\$ 61,530</u>	<u>\$ 384</u>	<u>\$ 4,000</u>	<u>\$ 79,651</u>	<u>\$ 203,310</u>
LIABILITIES							
Amounts held for social services clients	\$ 37,520	-	-		-	-	\$ 37,520
Amounts held for citizens	-	20,225	-		-	-	20,225
Amounts held for performance bonds	-	-	61,530		-	-	61,530
Amounts held for State agency	-	-		384	-	-	384
Amounts held for Library	-	-	-		4,000	-	4,000
Amounts held for inmates	-	-	-		-	79,651	79,651
Total liabilities	<u>\$ 37,520</u>	<u>\$ 20,225</u>	<u>\$ 61,530</u>	<u>\$ 384</u>	<u>\$ 4,000</u>	<u>\$ 79,651</u>	<u>\$ 203,310</u>

County of Franklin, Virginia
Combining Statement of Changes in Assets and Liabilities
Fiduciary Funds
For the Year Ended June 30, 2012

	Agency Funds			Balance June 30, 2012
	Balance July 1, 2011	Additions	Deductions	
ASSETS				
Cash and cash equivalents:				
Special Welfare Fund	\$ 27,307	\$ 79,059	\$ 68,846	\$ 37,520
Road Escrow Fund	19,894	331	-	20,225
Escrow Fund for Soil and Erosion Control Agreement	119,868	8,776	67,114	61,530
Library Fund	4,000	-	-	4,000
Fish Virginia Program	-	25,527	25,143	384
Cash in custody of others				
Inmate Trust and Canteen Funds	81,314	176,176	177,839	79,651
Total assets	<u>\$ 252,383</u>	<u>\$ 289,869</u>	<u>\$ 338,942</u>	<u>\$ 203,310</u>
LIABILITIES				
Amounts held for others:				
Social services clients	\$ 27,307	\$ 79,059	\$ 68,846	\$ 37,520
Citizens	19,894	331	-	20,225
Performance bonds	119,868	8,776	67,114	61,530
Library	4,000	-	-	4,000
State and local agency	-	25,527	25,143	384
Inmates	81,314	176,176	177,839	79,651
Total liabilities	<u>\$ 252,383</u>	<u>\$ 289,869</u>	<u>\$ 338,942</u>	<u>\$ 203,310</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 and reports 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, 2012

	<u>School Operating Fund</u>
ASSETS	
Due from other governmental units	\$ 2,802,781
Restricted assets:	
Temporarily restricted:	
Cash and cash equivalents	305,255
Total assets	<u>\$ 3,108,036</u>
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	\$ 473,783
Accrued liabilities	675,799
Total liabilities	<u>\$ 1,149,582</u>
Fund balances:	
Restricted	
Cafeteria program	\$ 305,255
Assigned	1,653,199
Total fund balances	<u>\$ 1,958,454</u>
Total liabilities and fund balances	<u>\$ 3,108,036</u>
Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:	
Total fund balances per above	\$ 1,958,454
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	20,322,686
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(2,540,175)
Net assets of governmental activities	<u>\$ 19,740,965</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, 2012

	<u>School Operating Fund</u>
REVENUES	
Charges for services	\$ 2,206,886
Miscellaneous	451,094
Recovered costs	1,250,232
Intergovernmental revenues:	
Local government	28,249,720
Commonwealth	35,875,807
Federal	9,182,811
Total revenues	<u>\$ 77,216,550</u>
EXPENDITURES	
Current:	
Education	\$ 75,962,178
Total expenditures	<u>\$ 75,962,178</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 1,254,372</u>
OTHER FINANCING SOURCES (USES)	
Sale of capital assets	\$ 27,606
Total other financing sources (uses)	<u>\$ 27,606</u>
Net change in fund balances	\$ 1,281,978
Fund balances - beginning	676,476
Fund balances - ending	<u>\$ 1,958,454</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	\$ 1,281,978
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.	167,659
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.	(369,383)
Change in net assets of governmental activities	<u>\$ 1,080,254</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, 2012

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Charges for services	\$ 3,096,308	\$ 3,334,208	\$ 2,206,886	\$ (1,127,322)
Miscellaneous	199,516	199,516	451,094	251,578
Recovered costs	411,517	436,517	1,250,232	813,715
Intergovernmental revenues:				
Local government	27,543,432	29,803,213	28,249,720	(1,553,493)
Commonwealth	36,084,740	36,380,384	35,875,807	(504,577)
Federal	7,034,556	8,596,323	9,182,811	586,488
Total revenues	<u>\$ 74,370,069</u>	<u>\$ 78,750,161</u>	<u>\$ 77,216,550</u>	<u>\$ (1,533,611)</u>
EXPENDITURES				
Current:				
Education	\$ 74,375,768	\$ 78,755,860	\$ 75,962,178	\$ 2,793,682
Total expenditures	<u>\$ 74,375,768</u>	<u>\$ 78,755,860</u>	<u>\$ 75,962,178</u>	<u>\$ 2,793,682</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (5,699)</u>	<u>\$ (5,699)</u>	<u>\$ 1,254,372</u>	<u>\$ 1,260,071</u>
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	\$ 5,699	\$ 5,699	\$ 27,606	\$ 21,907
Total other financing sources (uses)	<u>\$ 5,699</u>	<u>\$ 5,699</u>	<u>\$ 27,606</u>	<u>\$ 21,907</u>
Net change in fund balances	\$ -	\$ -	\$ 1,281,978	\$ 1,281,978
Fund balances - beginning	-	-	676,476	676,476
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,958,454</u>	<u>\$ 1,958,454</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, 2012

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<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	\$ 35,612,265	\$ 35,672,265	\$ 36,572,757	\$ 900,492
Real and personal public service corporation taxes	720,000	720,000	786,819	66,819
Personal property taxes	6,266,730	6,266,730	6,794,482	527,752
Mobile home taxes	195,000	195,000	210,796	15,796
Machinery and tools taxes	513,308	513,308	521,952	8,644
Merchant's capital	584,722	584,722	652,897	68,175
Penalties	300,000	300,000	360,594	60,594
Interest	149,000	149,000	217,887	68,887
Total general property taxes	<u>\$ 44,341,025</u>	<u>\$ 44,401,025</u>	<u>\$ 46,118,184</u>	<u>\$ 1,717,159</u>
Other local taxes:				
Local sales and use taxes	\$ 3,494,400	\$ 3,494,400	\$ 3,867,957	\$ 373,557
Consumers' utility taxes	975,000	975,000	971,693	(3,307)
Business license taxes	4,400	4,400	4,585	185
Utility license taxes	225,000	225,000	168,980	(56,020)
Motor vehicle licenses	1,207,000	1,207,000	1,159,789	(47,211)
Bank stock taxes	125,000	125,000	119,639	(5,361)
Taxes on recordation and wills	450,000	450,000	452,775	2,775
Hotel and motel room taxes	98,000	98,000	91,628	(6,372)
Local probate tax	10,000	10,000	13,107	3,107
Restaurant food taxes	825,000	825,000	912,380	87,380
Total other local taxes	<u>\$ 7,413,800</u>	<u>\$ 7,413,800</u>	<u>\$ 7,762,533</u>	<u>\$ 348,733</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 30,000	\$ 30,000	\$ 20,855	\$ (9,145)
Zoning and planning fees	42,000	42,000	52,909	10,909
Erosion and sediment control	20,000	20,000	15,453	(4,547)
Building permits	233,000	233,000	214,991	(18,009)
Land use application fees	15,000	15,000	13,265	(1,735)
Transfer fees	-	-	1,804	1,804
Total permits, privilege fees, and regulatory licenses	<u>\$ 340,000</u>	<u>\$ 340,000</u>	<u>\$ 319,277</u>	<u>\$ (20,723)</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 15,600	\$ 15,600	\$ 17,076	\$ 1,476
Total fines and forfeitures	<u>\$ 15,600</u>	<u>\$ 15,600</u>	<u>\$ 17,076</u>	<u>\$ 1,476</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 875,000	\$ 875,073	\$ 1,029,145	\$ 154,072
Revenue from use of property	57,000	57,000	109,979	52,979
Total revenue from use of money and property	<u>\$ 932,000</u>	<u>\$ 932,073</u>	<u>\$ 1,139,124</u>	<u>\$ 207,051</u>
Charges for services:				
Charges for courthouse security	\$ 65,000	\$ 65,000	\$ 59,876	\$ (5,124)
Charges for courthouse maintenance	12,000	12,000	45,185	33,185
Charges for law enforcement and traffic control	31,000	44,504	51,012	6,508
Excess Clerk of Court fees	39,000	39,000	14,110	(24,890)
Charges for Commonwealth's Attorney	2,500	2,500	5,215	2,715
Prisoner's board	9,000	9,000	15,377	6,377
Miscellaneous jail and inmate fees	-	-	477	477
Miscellaneous animal fees	4,500	4,500	6,380	1,880
Charges for private landfills	25,000	25,000	28,428	3,428
Charges for sale of maps and codes and copies	20,000	20,000	12,989	(7,011)
Charges for emergency medical services billing	850,000	1,166,035	1,129,310	(36,725)
Charges for sanitation and waste removal	595,000	595,000	667,073	72,073
Charges for parks and recreation	87,500	88,162	71,064	(17,098)

County of Franklin, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012

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<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)				
Charges for aging services	\$ 19,500	\$ 19,500	\$ 19,056	\$ (444)
Charges for library	30,000	32,030	28,979	(3,051)
Charges for law library	12,000	12,000	13,105	1,105
Charges for concealed weapons permits	20,000	20,000	20,183	183
Total charges for services	<u>\$ 1,822,000</u>	<u>\$ 2,154,231</u>	<u>\$ 2,187,819</u>	<u>\$ 33,588</u>
Miscellaneous revenue:				
Miscellaneous	\$ 247,000	\$ 321,516	\$ 347,963	\$ 26,447
Total miscellaneous revenue	<u>\$ 247,000</u>	<u>\$ 321,516</u>	<u>\$ 347,963</u>	<u>\$ 26,447</u>
Recovered costs:				
Health department	\$ 205,865	\$ 205,865	\$ 51,295	\$ (154,570)
Court reporting fees	60,000	60,000	48,645	(11,355)
Armory reimbursement	-	-	540	540
School resource officer	86,658	86,658	86,658	-
Office on youth	-	-	214,106	214,106
Advertising	-	-	508	508
Blue ridge soil and water	217,090	217,090	208,168	(8,922)
Total recovered costs	<u>\$ 569,613</u>	<u>\$ 569,613</u>	<u>\$ 609,920</u>	<u>\$ 40,307</u>
Total revenue from local sources	<u>\$ 55,681,038</u>	<u>\$ 56,147,858</u>	<u>\$ 58,501,896</u>	<u>\$ 2,354,038</u>
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle carrier tax (rolling stock)	\$ 37,000	\$ 37,000	\$ 37,302	\$ 302
Mobile home titling tax	80,000	80,000	105,166	25,166
Grantor's tax	130,000	130,000	113,992	(16,008)
Motor vehicle rental tax	28,000	28,000	36,738	8,738
Communications tax	1,295,902	1,267,549	1,183,324	(84,225)
State recordation tax	195,000	195,000	176,748	(18,252)
Personal property tax relief funds	2,626,618	2,626,618	2,626,618	-
Total noncategorical aid	<u>\$ 4,392,520</u>	<u>\$ 4,364,167</u>	<u>\$ 4,279,888</u>	<u>\$ (84,279)</u>
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 490,000	\$ 490,000	\$ 492,977	\$ 2,977
Sheriff	2,989,000	2,989,000	3,061,348	72,348
Commissioner of revenue	150,000	150,000	143,960	(6,040)
Treasurer	140,000	140,000	141,304	1,304
Registrar/electoral board	50,000	81,489	77,519	(3,970)
Clerk of the Circuit Court	350,000	392,450	376,369	(16,081)
Reduction in State aid to localities	-	-	(390,993)	(390,993)
Total shared expenses	<u>\$ 4,169,000</u>	<u>\$ 4,242,939</u>	<u>\$ 3,902,484</u>	<u>\$ (340,455)</u>
Other categorical aid:				
Public assistance and welfare administration	\$ 4,340,476	\$ 1,885,480	\$ 1,937,041	\$ 51,561
Comprehensive services act	2,932,750	2,932,750	2,381,295	(551,455)
Office on youth-juvenile	21,200	21,200	21,332	132
Family resource center-family violence prevention	136,500	136,500	141,293	4,793
Family resource center-DHCD shelter grant	-	-	26,253	26,253
Four for life	-	54,567	54,567	-
Asset forfeiture funds	25,000	25,000	30,390	5,390
Library grants	151,520	149,134	149,134	-
Workforce development grants	63,000	63,000	88,315	25,315
Parks and recreation grant	-	30,000	30,000	-

County of Franklin, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2012

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<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: (Continued)				
Litter control grant	\$ -	\$ 10,682	\$ 10,682	\$ -
Animal friendly plates	-	923	923	-
VDA grant	-	-	16,315	16,315
Drug enhancement grant	36,328	36,328	12,008	(24,320)
Department of Emergency Management grant	-	70,732	70,732	-
DCJS grant	-	62,610	2,532	(60,078)
Other categorical aid	40,492	43,132	85,511	42,379
Total other categorical aid	<u>\$ 7,747,266</u>	<u>\$ 5,522,038</u>	<u>\$ 5,058,323</u>	<u>\$ (463,715)</u>
Total categorical aid	<u>\$ 11,916,266</u>	<u>\$ 9,764,977</u>	<u>\$ 8,960,807</u>	<u>\$ (804,170)</u>
Total revenue from the Commonwealth	<u>\$ 16,308,786</u>	<u>\$ 14,129,144</u>	<u>\$ 13,240,695</u>	<u>\$ (888,449)</u>
Revenue from the federal government:				
Non-categorical aid:				
Payments in lieu of taxes	\$ 16,750	\$ 16,750	\$ 17,438	\$ 688
Total non-categorical aid	<u>\$ 16,750</u>	<u>\$ 16,750</u>	<u>\$ 17,438</u>	<u>\$ 688</u>
Categorical aid:				
Department of Health and Human Services payments	\$ -	\$ 2,634,996	\$ 2,634,996	\$ -
State highway and community safety	-	-	8,630	8,630
State homeland security program	-	-	11,179	11,179
Temporary assistance for needy families	12,444	12,444	-	(12,444)
Domestic abuse prevention grant	-	-	41,635	41,635
Emergency management performance grant	34,584	34,584	-	(34,584)
Total categorical aid	<u>\$ 47,028</u>	<u>\$ 2,682,024</u>	<u>\$ 2,696,440</u>	<u>\$ 14,416</u>
Total revenue from the federal government	<u>\$ 63,778</u>	<u>\$ 2,698,774</u>	<u>\$ 2,713,878</u>	<u>\$ 15,104</u>
Total General Fund	<u>\$ 72,053,602</u>	<u>\$ 72,975,776</u>	<u>\$ 74,456,469</u>	<u>\$ 1,480,693</u>
County Capital Projects Fund:				
Miscellaneous revenue:				
Contribution from the Town of Rocky Mount	\$ -	\$ 125,352	\$ 125,353	\$ 1
Miscellaneous	-	67,781	67,926	145
Total miscellaneous revenue	<u>\$ -</u>	<u>\$ 193,133</u>	<u>\$ 193,279</u>	<u>\$ 146</u>
Total revenue from local sources	<u>\$ -</u>	<u>\$ 193,133</u>	<u>\$ 193,279</u>	<u>\$ 146</u>
Revenue from the Commonwealth:				
Categorical aid:				
Other categorical aid:				
Tobacco commission funds	\$ -	\$ 295,915	\$ 599,755	\$ 303,840
Virginia fire programs	-	131,487	117,347	(14,140)
Public safety grants	-	105,029	105,029	-
Wireless board funds	-	65,300	2,226	(63,074)
Total other categorical aid	<u>\$ -</u>	<u>\$ 597,731</u>	<u>\$ 824,357</u>	<u>\$ 226,626</u>
Total categorical aid	<u>\$ -</u>	<u>\$ 597,731</u>	<u>\$ 824,357</u>	<u>\$ 226,626</u>
Total revenue from the Commonwealth	<u>\$ -</u>	<u>\$ 597,731</u>	<u>\$ 824,357</u>	<u>\$ 226,626</u>

County of Franklin, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2012

Schedule 1
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<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 federal government:				
Categorical aid:				
Department of Mines, Minerals, and Energy	\$ -	\$ 170,000	\$ 170,000	\$ -
Total categorical aid	\$ -	\$ 170,000	\$ 170,000	\$ -
Total revenue from the federal government	\$ -	\$ 170,000	\$ 170,000	\$ -
Total County Capital Projects Fund	\$ -	\$ 960,864	\$ 1,187,636	\$ 226,772
Special Revenue Fund:				
E-911 Fund:				
Revenue from local sources:				
Other local taxes:				
E-911 taxes	\$ 500	\$ 500	\$ 1,934	\$ 1,434
Total other local taxes	\$ 500	\$ 500	\$ 1,934	\$ 1,434
Total revenue from local sources	\$ 500	\$ 500	\$ 1,934	\$ 1,434
Revenue from the Commonwealth:				
Noncategorical aid:				
Communication taxes	\$ 1,054,098	\$ 1,082,451	\$ 1,082,451	\$ -
Total noncategorical aid	\$ 1,054,098	\$ 1,082,451	\$ 1,082,451	\$ -
Categorical aid:				
Wireless board reimbursement	\$ 65,000	\$ 65,000	\$ 65,120	\$ 120
Total categorical aid	\$ 65,000	\$ 65,000	\$ 65,120	\$ 120
Total revenue from the Commonwealth	\$ 1,119,098	\$ 1,147,451	\$ 1,147,571	\$ 120
Total E-911 Fund	\$ 1,119,598	\$ 1,147,951	\$ 1,149,505	\$ 1,554
Total Primary Government	\$ 73,173,200	\$ 75,084,591	\$ 76,793,610	\$ 1,709,019
Discretely Presented Component Unit - School Board:				
Special Revenue Funds:				
School Operating Fund:				
Revenue from local sources:				
Charges for services:				
Other charges for education	\$ -	\$ -	\$ 48,225	\$ 48,225
Cafeteria sales	2,482,133	2,720,033	1,522,610	(1,197,423)
Payments from other localities	596,421	596,421	617,495	21,074
Cannery fees	17,754	17,754	18,556	802
Total charges for services	\$ 3,096,308	\$ 3,334,208	\$ 2,206,886	\$ (1,127,322)
Miscellaneous revenue:				
Miscellaneous	\$ 199,516	\$ 199,516	\$ 451,094	\$ 251,578
Total miscellaneous revenue	\$ 199,516	\$ 199,516	\$ 451,094	\$ 251,578
Recovered costs:				
Insurance recoveries and rebates	\$ 7,427	\$ 7,427	\$ 156,138	\$ 148,711
Sale of supplies	-	-	36,022	36,022
Famis/Medicare reimbursement	-	-	297,201	297,201
Other recovered costs	404,090	429,090	760,871	331,781
Total recovered costs	\$ 411,517	\$ 436,517	\$ 1,250,232	\$ 813,715
Total revenue from local sources	\$ 3,707,341	\$ 3,970,241	\$ 3,908,212	\$ (62,029)

County of Franklin, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2012

Schedule 1
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<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)				
Revenues from local governments:				
Contribution from County of Franklin, Virginia	\$ 27,543,432	\$ 29,803,213	\$ 28,249,720	\$ (1,553,493)
Total revenues from local governments	<u>\$ 27,543,432</u>	<u>\$ 29,803,213</u>	<u>\$ 28,249,720</u>	<u>\$ (1,553,493)</u>
Categorical aid:				
Adult literacy	\$ -	\$ -	\$ 262,035	\$ 262,035
Adult secondary education	-	68,144	45,078	(23,066)
At risk four-year olds	23,576	23,576	600,098	576,522
At risk payments	556,482	556,482	557,763	1,281
Basic school aid	17,602,543	17,602,543	17,634,519	31,976
Career Tech	-	-	10,432	10,432
English as a second language	60,014	60,014	56,057	(3,957)
Early reading intervention	72,788	72,788	63,689	(9,099)
Gifted and talented	190,810	190,810	191,241	431
GED funds	9,082	94,082	91,028	(3,054)
Group life	42,402	42,402	42,498	96
Homebound education	-	-	55,895	55,895
Mentor teacher program	-	-	38,970	38,970
Primary class size	597,196	597,196	623,666	26,470
Regional specialist	-	142,500	-	(142,500)
Regular foster care	165,910	165,910	93,700	(72,210)
Remedial education	483,384	483,384	484,477	1,093
Remedial summer education	117,399	117,399	137,971	20,572
Retirement fringe benefits	1,038,852	1,038,852	1,041,200	2,348
School food	41,683	41,683	42,141	458
Share of state sales tax	7,204,184	7,204,184	7,372,437	168,253
Social security fringe benefits	1,144,857	1,144,857	1,147,444	2,587
Special education	3,112,847	3,112,847	2,677,370	(435,477)
Special education - foster children	-	-	120,569	120,569
Special education-regional program	-	-	441,133	441,133
Standards of Learning algebra readiness	74,599	74,599	72,780	(1,819)
State lottery payments	-	-	226,939	226,939
Supplemental support	-	-	323,919	323,919
Technology	466,000	466,000	149,894	(316,106)
Textbook payment	171,983	171,983	172,372	389
Visually handicapped	2,509	2,509	3,645	1,136
Vocational adult education	699,510	699,510	717,481	17,971
Vocational education - equipment	-	-	14,856	14,856
Vocational occupational preparedness	-	-	26,330	26,330
National board certification	-	-	47,500	47,500
Other state funds	2,206,130	2,206,130	288,680	(1,917,450)
Total categorical aid	<u>\$ 36,084,740</u>	<u>\$ 36,380,384</u>	<u>\$ 35,875,807</u>	<u>\$ (504,577)</u>
Total revenue from the Commonwealth	<u>\$ 36,084,740</u>	<u>\$ 36,380,384</u>	<u>\$ 35,875,807</u>	<u>\$ (504,577)</u>

County of Franklin, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2012

<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)				
Revenue from the federal government:				
Categorical aid:				
Adult literacy	\$ 87,964	\$ 702,450	\$ 483,325	\$ (219,125)
Literacy challenge grant	12,224	12,224	16,192	3,968
National school lunch program	-	-	1,546,566	1,546,566
School breakfast program	2,107,441	2,107,441	646,942	(1,460,499)
Title I	2,224,033	2,698,376	1,997,173	(701,203)
Title II	325,000	325,000	289,148	(35,852)
Title III	11,155	13,366	13,850	484
Title VI	1,956,009	1,956,009	-	(1,956,009)
ARRA Education Technology Grant	-	40,994	40,994	-
ARRA Title 1	-	19,171	318,915	299,744
ARRA Special Education	-	322,319	365,763	43,444
ARRA Special Education pre-school	-	62,558	62,558	-
ARRA Education Jobs Funds	-	-	1,638,929	1,638,929
Title VI-B, special education flow-through	149,564	175,249	1,543,932	1,368,683
Title VI-B, special education pre-school	35,726	35,726	71,457	35,731
Vocational education	125,440	125,440	147,067	21,627
Total categorical aid	<u>\$ 7,034,556</u>	<u>\$ 8,596,323</u>	<u>\$ 9,182,811</u>	<u>\$ 586,488</u>
Total revenue from the federal government	<u>\$ 7,034,556</u>	<u>\$ 8,596,323</u>	<u>\$ 9,182,811</u>	<u>\$ 586,488</u>
Total School Operating Fund	<u>\$ 74,370,069</u>	<u>\$ 78,750,161</u>	<u>\$ 77,216,550</u>	<u>\$ (1,533,611)</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 74,370,069</u>	<u>\$ 78,750,161</u>	<u>\$ 77,216,550</u>	<u>\$ (1,533,611)</u>

County of Franklin, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2012

<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	\$ 329,644	\$ 358,658	\$ 314,800	\$ 43,858
General and financial administration:				
County administrator	\$ 385,359	\$ 387,622	\$ 385,385	\$ 2,237
Risk management	352,210	347,310	335,392	11,918
Human resources	117,882	397,642	231,038	166,604
Commissioner of revenue	490,059	463,776	450,681	13,095
Reassessment	150,000	125,000	120,931	4,069
Land use	38,563	39,624	39,132	492
Treasurer	485,621	494,964	478,740	16,224
Director of finance	279,276	284,915	276,715	8,200
Information technology	1,129,880	1,509,086	1,251,771	257,315
Telecommunications and Postage	50,000	45,000	41,205	3,795
Total general and financial administration	<u>\$ 3,478,850</u>	<u>\$ 4,094,939</u>	<u>\$ 3,610,990</u>	<u>\$ 483,949</u>
Board of elections:				
Registrar	\$ 169,042	\$ 200,512	\$ 179,354	\$ 21,158
Electoral board	79,264	136,954	89,587	47,367
Total board of elections	<u>\$ 248,306</u>	<u>\$ 337,466</u>	<u>\$ 268,941</u>	<u>\$ 68,525</u>
Total general government administration	<u>\$ 4,056,800</u>	<u>\$ 4,791,063</u>	<u>\$ 4,194,731</u>	<u>\$ 596,332</u>
Judicial administration:				
Courts:				
Circuit court	\$ 92,113	\$ 96,502	\$ 96,334	\$ 168
General district court	8,074	19,382	18,527	855
Law library	12,000	12,000	-	12,000
Special magistrates	1,575	1,575	976	599
Juvenile and domestic relations court	16,650	16,650	12,857	3,793
Juvenile court services	447,735	369,035	341,414	27,621
Sheriff-courts	491,288	467,588	467,587	1
Clerk of the circuit court	605,771	666,990	650,664	16,326
Total courts	<u>\$ 1,675,206</u>	<u>\$ 1,649,722</u>	<u>\$ 1,588,359</u>	<u>\$ 61,363</u>
Commonwealth's attorney:				
Commonwealth's attorney	\$ 678,366	\$ 728,185	\$ 721,929	\$ 6,256
Total commonwealth's attorney	<u>\$ 678,366</u>	<u>\$ 728,185</u>	<u>\$ 721,929</u>	<u>\$ 6,256</u>
Total judicial administration	<u>\$ 2,353,572</u>	<u>\$ 2,377,907</u>	<u>\$ 2,310,288</u>	<u>\$ 67,619</u>
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 3,254,037	\$ 5,002,295	\$ 3,725,681	\$ 1,276,614
Total law enforcement and traffic control	<u>\$ 3,254,037</u>	<u>\$ 5,002,295</u>	<u>\$ 3,725,681</u>	<u>\$ 1,276,614</u>
Correction and detention:				
County operated institutions and regional jail	\$ 4,941,222	\$ 4,744,602	\$ 4,744,602	\$ -
Total correction and detention	<u>\$ 4,941,222</u>	<u>\$ 4,744,602</u>	<u>\$ 4,744,602</u>	<u>\$ -</u>
Inspections:				
Building	\$ 412,954	\$ 442,712	\$ 418,112	\$ 24,600
Total inspections	<u>\$ 412,954</u>	<u>\$ 442,712</u>	<u>\$ 418,112</u>	<u>\$ 24,600</u>

County of Franklin, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2012

<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)				
Other protection:				
Director of public safety	\$ 2,355,404	\$ 4,516,468	\$ 2,918,304	\$ 1,598,164
Animal control	256,493	330,229	234,794	95,435
Department of forestry	24,006	24,006	23,531	475
EMS career billing	683,000	700,308	700,307	1
EMS volunteer billing	167,000	174,103	174,067	36
Total other protection	<u>\$ 3,485,903</u>	<u>\$ 5,745,114</u>	<u>\$ 4,051,003</u>	<u>\$ 1,694,111</u>
Total public safety	<u>\$ 12,094,116</u>	<u>\$ 15,934,723</u>	<u>\$ 12,939,398</u>	<u>\$ 2,995,325</u>
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Highways, streets, bridges and sidewalks	\$ 450	\$ 450	\$ -	\$ 450
Total maintenance of highways, streets, bridges & sidewalks	<u>\$ 450</u>	<u>\$ 450</u>	<u>\$ -</u>	<u>\$ 450</u>
Sanitation and waste removal:				
Refuse collection and disposal	\$ 1,473,841	\$ 2,578,807	\$ 1,757,763	\$ 821,044
Recycling program	85,868	86,350	69,054	17,296
Scale house	65,755	65,936	50,715	15,221
Public works	238,699	272,765	222,912	49,853
Total sanitation and waste removal	<u>\$ 1,864,163</u>	<u>\$ 3,003,858</u>	<u>\$ 2,100,444</u>	<u>\$ 903,414</u>
Maintenance of general buildings and grounds:				
General properties	\$ 1,100,513	\$ 1,029,758	\$ 1,006,405	\$ 23,353
Mechanic	216,136	218,663	208,714	9,949
Courthouse maintenance	12,000	12,000	-	12,000
Total maintenance of general buildings and grounds	<u>\$ 1,328,649</u>	<u>\$ 1,260,421</u>	<u>\$ 1,215,119</u>	<u>\$ 45,302</u>
Total public works	<u>\$ 3,193,262</u>	<u>\$ 4,264,729</u>	<u>\$ 3,315,563</u>	<u>\$ 949,166</u>
Health and welfare:				
Health:				
Supplement of local health department	\$ 330,000	\$ 330,000	\$ 330,000	\$ -
Total health	<u>\$ 330,000</u>	<u>\$ 330,000</u>	<u>\$ 330,000</u>	<u>\$ -</u>
Mental health and mental retardation:				
Development center of Franklin	\$ 50,000	\$ 50,000	\$ 50,000	\$ -
Total mental health and mental retardation	<u>\$ 50,000</u>	<u>\$ 50,000</u>	<u>\$ 50,000</u>	<u>\$ -</u>
Welfare:				
Public assistance and welfare administration	\$ 5,555,992	\$ 5,926,669	\$ 5,878,409	\$ 48,260
Youth services agency (CSA)	4,458,305	4,411,716	3,820,571	591,145
Family resource center	176,066	213,047	207,297	5,750
Area agency on aging	354,482	323,353	264,141	59,212
Contribution to health and welfare organizations	90,737	90,737	90,737	-
Assistance - institutions	28,951	28,951	28,951	-
Total welfare	<u>\$ 10,664,533</u>	<u>\$ 10,994,473</u>	<u>\$ 10,290,106</u>	<u>\$ 704,367</u>
Total health and welfare	<u>\$ 11,044,533</u>	<u>\$ 11,374,473</u>	<u>\$ 10,670,106</u>	<u>\$ 704,367</u>

County of Franklin, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012

<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)				
Education:				
Other instructional costs:				
Contribution to County School Board	\$ 27,662,894	\$ 29,827,613	\$ 28,249,720	\$ 1,577,893
Total education	<u>\$ 27,662,894</u>	<u>\$ 29,827,613</u>	<u>\$ 28,249,720</u>	<u>\$ 1,577,893</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Parks and recreation	\$ 922,580	\$ 1,286,870	\$ 965,714	\$ 321,156
Total parks and recreation	<u>\$ 922,580</u>	<u>\$ 1,286,870</u>	<u>\$ 965,714</u>	<u>\$ 321,156</u>
Library:				
Library administration	\$ 647,433	\$ 628,415	\$ 622,960	\$ 5,455
Westlake branch library	203,445	235,327	226,149	9,178
Total library	<u>\$ 850,878</u>	<u>\$ 863,742</u>	<u>\$ 849,109</u>	<u>\$ 14,633</u>
Total parks, recreation, and cultural	<u>\$ 1,773,458</u>	<u>\$ 2,150,612</u>	<u>\$ 1,814,823</u>	<u>\$ 335,789</u>
Community development:				
Planning and community development:				
Community development	\$ 544,743	\$ 627,600	\$ 509,162	\$ 118,438
Economic development	917,840	2,993,210	745,801	2,247,409
Tourism	95,000	125,000	112,933	12,067
GIS and mapping	163,074	159,115	145,881	13,234
4-H youth	3,750	3,750	3,750	-
Planning	194,847	231,483	183,605	47,878
Franklin career center	191,860	197,893	179,486	18,407
Commodity storage initiative	-	220,915	172,347	48,568
Contributions to other entities	122,129	182,129	150,617	31,512
Total planning and community development	<u>\$ 2,233,243</u>	<u>\$ 4,741,095</u>	<u>\$ 2,203,582</u>	<u>\$ 2,537,513</u>
Environmental management:				
Contribution to soil and water district	\$ 220,240	\$ 220,240	\$ 214,443	\$ 5,797
Total environmental management	<u>\$ 220,240</u>	<u>\$ 220,240</u>	<u>\$ 214,443</u>	<u>\$ 5,797</u>
Cooperative extension program:				
Extension office	\$ 90,055	\$ 90,055	\$ 52,977	\$ 37,078
Total cooperative extension program	<u>\$ 90,055</u>	<u>\$ 90,055</u>	<u>\$ 52,977</u>	<u>\$ 37,078</u>
Total community development	<u>\$ 2,543,538</u>	<u>\$ 5,051,390</u>	<u>\$ 2,471,002</u>	<u>\$ 2,580,388</u>
Nondepartmental:				
Contingencies	\$ 787,601	\$ 223,721	\$ -	\$ 223,721
Total nondepartmental	<u>\$ 787,601</u>	<u>\$ 223,721</u>	<u>\$ -</u>	<u>\$ 223,721</u>
Debt service:				
Principal retirement	\$ 3,358,781	\$ 2,928,681	\$ 2,928,681	\$ -
Interest and other fiscal charges	1,266,049	1,418,234	1,293,215	125,019
Total debt service	<u>\$ 4,624,830</u>	<u>\$ 4,346,915</u>	<u>\$ 4,221,896</u>	<u>\$ 125,019</u>
Total General Fund	<u>\$ 70,134,604</u>	<u>\$ 80,343,146</u>	<u>\$ 70,187,527</u>	<u>\$ 10,155,619</u>

County of Franklin, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2012

<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)				
County Capital Projects Fund:				
Capital projects:				
Burn building	\$ -	\$ 4,425	\$ 4,425	\$ -
Landfill construction	50,000	7,139,399	1,647,545	5,491,854
Recreation park development	70,000	338,488	76,986	261,502
Roof replacement projects	-	65,080	47,830	17,250
School capital projects	1,426,705	-	-	-
Commerce Center Improvements	-	402,181	280,822	121,359
Courthouse improvements	-	87,762	-	87,762
Smith Park Project	110,000	110,000	-	110,000
Department of mines, minerals, and energy	-	170,000	170,000	-
Cental maintenance facility	10,000	167,682	-	167,682
Westlake public safety center	-	100,000	-	100,000
Franklin Center lower level project	-	87,875	28,334	59,541
Jail Improvements	-	101,933	-	101,933
Stream Mitigation	-	455,908	455,908	-
WFDC interiors	-	11,016	-	11,016
E-911 Project	-	71,850	55,706	16,144
Capital outlays	115,000	1,830,141	640,534	1,189,607
Total capital projects	<u>\$ 1,781,705</u>	<u>\$ 11,143,740</u>	<u>\$ 3,408,090</u>	<u>\$ 7,735,650</u>
Education:				
Other instructional costs:				
Contribution to County School Board	\$ 340,000	\$ 418,128	\$ -	\$ 418,128
Total education	<u>\$ 340,000</u>	<u>\$ 418,128</u>	<u>\$ -</u>	<u>\$ 418,128</u>
Debt service:				
Principal Payments	\$ 100,000	\$ 100,000	\$ 100,000	\$ -
Total debt service	<u>\$ 100,000</u>	<u>\$ 100,000</u>	<u>\$ 100,000</u>	<u>\$ -</u>
Total County Capital Projects Fund	<u>\$ 2,221,705</u>	<u>\$ 11,661,868</u>	<u>\$ 3,508,090</u>	<u>\$ 8,153,778</u>
Special Revenue Fund:				
E-911 Fund:				
Public safety:				
Other protection:				
E-911 Administration	\$ 1,119,598	\$ 1,176,568	\$ 1,126,191	\$ 50,377
Total other protection	<u>\$ 1,119,598</u>	<u>\$ 1,176,568</u>	<u>\$ 1,126,191</u>	<u>\$ 50,377</u>
Total public safety	<u>\$ 1,119,598</u>	<u>\$ 1,176,568</u>	<u>\$ 1,126,191</u>	<u>\$ 50,377</u>
Total E-911 Fund	<u>\$ 1,119,598</u>	<u>\$ 1,176,568</u>	<u>\$ 1,126,191</u>	<u>\$ 50,377</u>
Total Primary Government	<u>\$ 73,475,907</u>	<u>\$ 93,181,582</u>	<u>\$ 74,821,808</u>	<u>\$ 18,359,774</u>

County of Franklin, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2012

<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>
Discretely Presented Component Unit - School Board:				
Special revenue funds:				
School Operating Fund:				
Education:				
Administration of schools:				
Administration cost	\$ 2,328,373	\$ 2,343,443	\$ 2,182,405	\$ 161,038
Total administration of schools	<u>\$ 2,328,373</u>	<u>\$ 2,343,443</u>	<u>\$ 2,182,405</u>	<u>\$ 161,038</u>
Instruction costs:				
Instruction cost	\$ 54,487,585	\$ 56,482,298	\$ 55,517,982	\$ 964,316
Total instruction costs	<u>\$ 54,487,585</u>	<u>\$ 56,482,298</u>	<u>\$ 55,517,982</u>	<u>\$ 964,316</u>
Operating costs:				
Pupil transportation	\$ 5,471,583	\$ 6,620,036	\$ 6,423,420	\$ 196,616
Operation and maintenance of school plant	7,406,230	7,319,570	6,959,999	359,571
School food and non-instructional	4,681,997	4,920,329	4,075,279	845,050
Facilities	-	1,070,184	803,093	267,091
Total operating costs	<u>\$ 17,559,810</u>	<u>\$ 19,930,119</u>	<u>\$ 18,261,791</u>	<u>\$ 1,668,328</u>
Total education	<u>\$ 74,375,768</u>	<u>\$ 78,755,860</u>	<u>\$ 75,962,178</u>	<u>\$ 2,793,682</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 74,375,768</u>	<u>\$ 78,755,860</u>	<u>\$ 75,962,178</u>	<u>\$ 2,793,682</u>

Note 1: School Board appropriations occur at the fund level

STATISTICAL SECTION

Statistical Section

<u>Contents</u>	<u>Tables</u>
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 - 13
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.	14 - 15
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.	16 - 18

Sources: Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial reports for the relevant year.

COUNTY OF FRANKLIN, VIRGINIA

Table 1

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental activities										
Invested in capital assets, net of related debt	16,286,336	19,273,442	19,561,806	16,592,783	17,067,811	24,045,244	33,598,908	37,125,995	38,512,330	40,509,583
Restricted	-	134,201	200,123	174,252	6,853,227	211,128	159,656	295,455	202,014	295,849
Unrestricted	18,036,357	17,381,645	21,556,678	32,261,985	28,812,760	31,307,246	24,972,606	25,245,759	25,520,097	23,532,595
Total governmental activities net assets	34,322,693	36,789,288	41,318,607	49,029,020	52,733,798	55,563,618	58,731,170	62,667,209	64,234,441	64,338,027
Business-type activities										
Invested in capital assets, net of related debt	-	551,803	628,315	1,547,373	1,724,684	3,027,372	1,640,981	1,056,539	1,026,877	1,167,776
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	-	(315,892)	1,667,338	1,758,683	1,916,298	1,303,504	721,629	296,579	294,773	944,367
Total business-type activities net assets	-	235,911	2,295,653	3,306,056	3,640,982	4,330,876	2,362,610	1,353,118	1,321,650	2,112,143
Primary government										
Invested in capital assets, net of related debt	16,286,336	19,825,245	20,190,121	18,140,156	18,792,495	27,072,616	35,239,889	38,182,534	39,539,207	41,677,359
Restricted	-	134,201	200,123	174,252	6,853,227	211,128	159,656	295,455	202,014	295,849
Unrestricted	18,036,357	17,065,753	23,224,016	34,020,668	30,729,058	32,610,750	25,694,235	25,542,338	25,814,870	24,476,962
Total primary government net assets	34,322,693	37,025,199	43,614,260	52,335,076	56,374,780	59,894,494	61,093,780	64,020,327	65,556,091	66,450,170

COUNTY OF FRANKLIN, VIRGINIA

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses										
Governmental activities:										
General government	2,715,918	2,991,740	3,004,469	3,463,168	4,157,343	4,042,082	4,027,157	3,934,191	4,171,457	4,851,681
Judicial administration	1,628,330	1,891,174	1,970,309	3,326,151	2,160,555	2,475,749	2,670,402	2,354,044	2,327,750	2,344,133
Public safety	6,997,025	7,759,941	8,205,130	8,464,171	10,347,921	12,508,248	12,737,913	14,444,078	14,252,682	14,445,531
Public works	1,609,720	1,290,295	2,012,628	986,891	1,982,292	3,370,469	3,135,781	5,397,533	4,966,247	6,855,118
Health and welfare	5,772,246	7,107,058	7,486,945	8,070,657	9,732,455	9,324,129	9,952,103	10,201,556	10,367,270	10,430,549
Education	21,540,338	21,027,314	23,380,369	24,078,623	28,332,013	25,784,294	29,621,387	27,011,085	31,797,712	29,873,835
Parks, recreation and cultural	1,045,509	976,713	1,078,612	1,284,696	1,656,664	1,916,529	2,310,267	2,132,551	2,013,395	2,165,867
Community development	3,363,765	2,545,117	1,706,253	1,887,256	3,873,631	4,757,659	5,190,199	5,126,182	4,875,629	3,029,603
Interest on long-term debt	1,084,452	988,256	943,084	1,274,457	1,435,334	1,161,205	1,541,431	1,496,120	1,313,522	1,193,434
Total governmental activities expenses	45,757,303	46,577,608	49,787,799	52,836,070	63,678,208	65,340,364	71,186,640	72,097,340	76,085,664	75,189,751
Business-type activities:										
Water	-	480,817	60,868	413,450	581,355	428,708	2,630,752	615,957	56,909	41,741
Total business-type activities expenses	-	480,817	60,868	413,450	581,355	428,708	2,630,752	615,957	56,909	41,741
Total primary government expenses	45,757,303	47,058,425	49,848,667	53,249,520	64,259,563	65,769,072	73,817,392	72,713,297	76,142,573	75,231,492
Program Revenues										
Governmental activities:										
Charges for services:										
General government	43,924	380,442	313,868	788,901	200,374	154,556	122,518	144,054	111,612	12,989
Judicial administration	56,304	451,852	508,486	463,421	1,317,116	1,297,973	1,276,255	1,561,354	1,466,223	1,601,892
Public safety	685,487	811,993	919,688	920,146	947,685	891,595	665,917	637,029	776,572	740,686
Public works	26,059	184,900	180,009	19,005	25,398	22,513	16,737	22,198	16,986	19,056
Health and welfare	-	-	-	-	-	-	-	-	-	-
Education	45,763	72,615	84,531	86,633	85,315	140,640	114,806	107,936	103,406	100,043
Parks, recreation and cultural	18,382	149,187	-	293,449	286,174	195,433	97,971	-	-	-
Community development	8,351,117	9,471,293	9,288,324	10,348,984	11,965,531	12,126,502	12,047,519	11,858,743	12,230,679	11,722,367
Operating grants and contributions	-	592,704	832,018	412,417	854,268	3,733,498	2,003,393	2,259,154	2,461,498	994,357
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-
Total governmental activities program revenues	9,227,056	12,115,016	12,310,062	13,332,956	15,727,545	18,584,915	16,361,664	16,613,243	17,180,421	15,240,896
Business-type activities:										
Charges for services:										
Water	-	6,325	37,496	333,003	145,464	466,359	190,471	26,031	8,096	112,522
Capital grants and contributions	-	158,600	915,400	422,022	141,761	18,200	63,055	-	-	164,456
Total business-type activities program revenues	-	164,925	952,896	755,025	287,225	484,559	253,526	26,031	8,096	276,978
Total primary government program revenues	9,227,056	12,279,941	13,262,958	14,087,981	16,014,770	19,069,474	16,615,190	16,639,274	17,188,517	15,517,874

COUNTY OF FRANKLIN, VIRGINIA

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Net (expense) / revenue	(36,530,247)	(34,462,592)	(37,477,737)	(39,503,114)	(47,950,663)	(46,755,449)	(54,824,976)	(55,484,097)	(58,905,243)	(59,948,855)
Governmental activities	-	(315,892)	892,028	341,575	(294,130)	55,851	(2,377,226)	(589,926)	(48,813)	235,237
Business-type activities	(36,530,247)	(34,778,484)	(36,585,709)	(39,161,539)	(48,244,793)	(46,699,598)	(57,202,202)	(56,074,023)	(58,954,056)	(59,713,618)
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	43,374,361	42,935,336	45,616,322	45,783,087
Local sales and use taxes	-	3,468,199	3,795,054	4,163,629	4,242,805	4,153,451	3,742,268	3,634,351	3,795,733	3,867,957
Taxes on recordation and wills	-	474,457	917,206	993,726	842,747	658,226	581,797	507,081	513,861	465,882
Motor vehicle licenses taxes	-	1,195,147	1,237,090	1,265,605	1,279,225	1,270,653	1,227,296	1,207,504	1,182,088	1,159,789
Consumers' utility taxes	-	2,412,622	2,427,461	2,468,539	1,715,239	964,500	969,161	970,934	972,419	971,693
Business licenses taxes	-	3,922	3,394	4,261	4,998	4,697	4,444	4,440	3,829	4,585
Other local taxes	8,437,529	1,640,641	1,758,704	2,078,429	2,975,802	3,789,514	3,522,927	1,342,836	1,297,445	1,294,561
Permits, privilege fees and regulatory licenses	443,193	-	-	-	-	-	-	-	-	-
Unrestricted grants and contributions	3,330,174	3,462,993	2,973,473	3,579,663	5,351,267	3,241,483	3,134,606	5,483,807	5,463,983	5,379,777
Unrestricted revenues from use of money and property	444,966	325,696	610,065	1,293,731	2,532,079	1,520,629	1,578,534	1,064,806	1,071,595	1,139,124
Miscellaneous	635,270	578,287	793,590	1,122,032	356,373	345,570	257,613	1,849,101	572,545	541,242
Transfers	36,045	(271,507)	(1,140,237)	(643,621)	(347,878)	(599,373)	(400,479)	419,940	(17,345)	(555,256)
Total governmental activities	36,167,074	37,209,483	42,007,056	47,213,527	51,777,624	49,604,781	57,992,528	59,420,136	60,472,475	60,052,441
Business-type activities:										
Unrestricted grants and contributions	-	-	-	-	137,663	-	-	-	-	-
Transfers	-	271,507	1,140,237	643,621	347,878	599,373	400,479	(419,940)	17,345	555,256
Unrestricted revenues from use of money and property	-	-	27,477	25,207	21,332	15,158	8,481	374	-	-
Total business-type activities	-	271,507	1,167,714	668,828	506,873	614,531	408,960	(419,566)	17,345	555,256
Total primary government	36,167,074	37,480,990	43,174,770	47,882,355	52,284,497	50,219,312	58,401,488	59,000,570	60,489,820	60,607,697
Change in Net Assets										
Governmental activities	(363,173)	2,746,891	4,529,319	7,710,413	3,826,961	2,849,332	3,167,552	3,936,039	1,567,232	103,586
Business-type activities	-	(44,385)	2,059,742	1,010,403	212,743	670,382	(1,988,266)	(1,009,492)	(31,468)	790,493
Total primary government	(363,173)	2,702,506	6,589,061	8,720,816	4,039,704	3,519,714	1,199,286	2,926,547	1,535,764	894,079

2. Beginning in 2010, communications tax is classified as revenue from the Commonwealth

COUNTY OF FRANKLIN, VIRGINIA

Table 3

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General fund										
Reserved	-	11,379	33,436	85,811	221,133	211,128	159,656	-	-	-
Unreserved	18,756,057	19,026,439	23,649,911	35,092,881	31,908,499	17,790,397	16,769,417	19,872,220	-	-
Nonspendable	-	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	-	173,399	148,078
Assigned	-	-	-	-	-	-	-	-	92,994	243,920
Unassigned	-	-	-	-	-	-	-	-	19,653,231	210,233
										19,963,500
Total general fund	18,756,057	19,037,818	23,683,347	35,178,692	32,129,632	18,001,525	16,929,073	19,872,220	19,919,624	20,565,731
All other governmental funds										
Reserved	-	122,822	2,237,117	88,441	6,632,094	-	5,049,690	295,455	-	-
Unreserved, reported in:										
Special revenue funds	288,363	-	-	-	-	14,127	51,955	46,367	-	-
Capital projects funds	1,129,671	627,965	556,871	-	-	21,980,834	11,665,266	13,037,850	-	-
Restricted, reported in:										
Special revenue funds	-	-	-	-	-	-	-	-	28,615	51,929
Assigned, reported in:										
Capital projects funds	-	-	-	-	-	-	-	-	14,021,993	14,779,718
Total all other governmental funds	1,418,034	750,787	2,793,988	88,441	6,632,094	21,994,961	16,766,911	13,379,672	14,050,608	14,831,647

Provisions of Governmental Accounting Standards Board Statement 54 (GASB 54) were implemented in the 2011 fiscal year.

COUNTY OF FRANKLIN, VIRGINIA

Table 4

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

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues										
General property taxes	22,799,617	23,728,713	28,585,380	30,818,386	32,707,564	33,729,192	43,289,214	42,515,165	45,277,434	46,118,184
Other local taxes	8,437,529	9,194,988	10,138,909	10,974,189	11,060,816	10,841,041	10,047,893	7,667,146	7,765,375	7,764,467
Permits, privilege fees and regulatory licenses	443,193	535,956	620,966	764,826	691,500	573,664	413,467	359,451	359,111	319,277
Fines and forfeitures	5,488	26,594	23,516	16,968	16,378	10,772	10,082	15,002	13,032	17,076
Revenue from use of money and property	459,049	335,508	626,119	1,319,687	2,532,079	1,520,629	1,578,534	1,064,806	1,071,595	1,139,124
Charges for services	2,267,154	2,968,197	3,164,906	3,628,164	2,199,868	2,140,479	1,887,203	2,120,893	2,116,101	2,187,819
Miscellaneous	1,117,340	1,100,148	1,329,195	1,750,210	371,305	345,570	257,613	1,849,101	572,545	541,242
Recovered costs	656,811	1,194,949	907,568	1,782,271	731,213	905,027	744,082	646,857	683,734	609,920
Intergovernmental:										
Commonwealth	36,231,910	38,803,598	42,650,111	45,471,082	14,723,153	15,740,896	13,002,863	13,120,657	16,918,858	15,212,623
Federal	6,452,040	7,229,534	8,668,290	9,135,829	3,432,981	3,360,587	4,182,655	4,156,767	3,237,302	2,883,878
Total revenues	78,870,131	85,118,185	96,714,960	105,661,612	68,466,857	69,167,857	75,413,806	73,515,845	78,015,087	76,793,610
Expenditures										
General government administration	2,707,339	2,971,402	3,491,287	3,591,991	3,939,015	3,532,252	3,678,190	3,703,759	4,254,794	4,194,731
Judicial administration	1,692,142	1,929,484	2,014,628	2,082,436	2,214,118	2,517,127	2,647,224	2,406,096	2,273,717	2,310,288
Public safety	7,093,902	7,956,964	8,012,239	10,499,222	11,125,314	11,504,555	13,619,580	13,705,018	13,035,802	14,065,589
Public works	1,723,695	2,131,223	2,024,491	2,567,643	3,763,333	2,324,278	2,759,763	3,293,949	3,722,272	3,315,563
Health and welfare	8,851,028	7,083,647	7,472,930	8,383,152	9,685,059	9,772,706	10,188,370	10,357,762	10,854,862	10,670,106
Education	52,026,264	54,975,876	61,488,183	66,045,924	25,640,822	25,084,849	26,734,619	26,058,965	30,813,204	28,249,720
Parks, recreation and cultural	1,224,957	2,393,733	2,019,168	1,616,131	2,300,706	1,643,257	2,056,206	1,868,801	1,733,929	1,814,823
Community development	3,545,022	2,963,825	1,818,675	1,765,265	8,510,072	2,415,467	5,447,836	2,044,767	3,021,430	2,471,002
Nondepartmental					40,097	58,879	77,718	-	135	-
Capital projects	778,025	-	619,332	3,265,505	521,917	10,981,071	12,784,491	9,752,250	3,084,911	3,408,090
Debt service										
Principal	2,233,556	1,985,865	1,806,075	1,848,143	2,076,767	6,004,140	2,753,602	2,960,922	3,122,020	3,028,681
Interest and other fiscal charges	1,126,740	1,026,506	961,179	1,035,008	1,232,658	1,364,839	1,582,736	1,602,618	1,362,326	1,293,215
Bond issuance costs	-	-	-	-	-	69,099	73,424	58,250	-	-
Total expenditures	80,002,670	85,418,525	91,728,187	102,700,420	71,049,878	77,272,519	84,403,759	77,813,157	77,279,402	74,821,808
Excess of revenues over (under) expenditures	(1,132,539)	(300,340)	4,986,773	2,961,192	(2,583,021)	(8,104,662)	(8,990,153)	(4,297,312)	735,685	1,971,802
Other financing sources (uses)										
Transfers in	-	604,185	416,279	807,277	1,094,447	6,993,301	7,635,878	2,585,653	2,719,846	3,078,179
Transfers out	-	(875,692)	(1,556,516)	(1,450,896)	(1,442,325)	(7,592,674)	(8,036,357)	(2,165,713)	(2,737,191)	(3,633,435)
Bonds and notes issued	-	-	2,689,762	6,500,000	6,573,600	9,938,795	2,905,000	1,109,000	-	-
Premium on debt issuance	-	-	-	-	187,343	-	130,152	-	-	-
Capital leases	-	272,235	234,024	234,332	-	-	54,978	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-	10,600
Total other financing sources (uses)	-	728	1,783,549	6,090,713	6,413,065	9,339,422	2,689,651	1,528,940	(17,345)	(544,656)
Net change in fund balances	(1,132,539)	(299,612)	6,770,322	9,051,905	3,830,044	1,234,760	(6,300,502)	(2,766,372)	718,340	1,427,146
Debt service as a percentage of noncapital expenditures	4%	4%	3%	3%	5%	13%	6%	7%	6%	6%
Total Debt Service Expenditures	3,360,296	3,012,371	2,787,254	2,883,151	3,309,425	7,368,979	4,336,338	4,621,790	4,484,346	4,321,896
Total Governmental Non-capital Expenditures	75,864,349	82,406,154	88,341,601	96,551,764	67,218,536	58,853,370	67,209,506	64,479,541	69,710,145	67,015,535

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	Communications Tax(1)	Motor Vehicle License Tax	Recordation and Wills Tax	Business License Tax	Total
2012	45,783,087	3,867,957	971,693	2,265,775	1,159,789	465,882	4,585	54,518,768
2011	45,277,434	3,795,733	972,419	2,312,774	1,182,088	500,736	3,829	54,045,013
2010	42,515,165	3,634,351	1,254,157	2,324,280	1,207,504	497,231	4,440	51,437,128
2009	43,289,214	3,742,268	969,161	2,314,629	1,227,296	581,797	4,444	52,128,809
2008	33,729,192	4,153,451	964,500	2,547,497	1,270,653	658,226	NA	43,323,519
2007	32,707,564	4,242,805	1,715,239	1,092,401	1,279,225	842,747	NA	41,879,981
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

1. The first year for communications tax was 2007.

COUNTY OF FRANKLIN, VIRGINIA

Table 6

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

Fiscal Year	Real Estate/ Mobile Homes	Personal Property	Merchants' Capital	Machinery & Tools	Public Service	Total Taxable Assessed Value
2012	7,714,753,492	466,053,799	61,116,302	87,420,378	163,682,723	8,493,026,694
2011	7,658,949,539	452,339,636	58,454,412	85,551,282	151,199,948	8,406,494,817
2010	7,606,214,950	448,673,632	63,385,820	83,369,833	162,132,199	8,363,776,434
2009	7,495,611,081	502,466,388	68,422,417	77,815,711	148,209,734	8,292,525,331
2008	5,312,089,342	472,049,385	70,569,752	74,111,761	97,234,892	6,026,055,132
2007	4,807,045,787	510,854,136	76,847,910	62,916,661	102,235,038	5,559,899,532
2006	4,585,493,371	471,380,050	65,344,989	60,749,046	116,612,320	5,299,579,776
2005	4,382,613,489	424,712,961	56,610,940	51,162,556	123,952,019	5,039,051,965
2004	3,020,413,294	405,063,547	55,518,495	55,576,183	114,165,109	3,650,736,628
2003	2,889,431,935	390,942,638	53,583,066	53,638,744	114,645,858	3,502,242,241

Fiscal Year	Real Property Total Direct Tax Rate	Personal Property Tax Rate	Merchants' Capital Tax Rate	Machinery and Tools Tax Rate	Total Direct Rate (Weighted Average)	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
2012	0.48	2.04	1.08	0.60	0.57	8,492,757,485	100.00%
2011	0.48	2.04	1.08	0.60	0.57	8,147,764,905	103.18%
2010	0.46	1.89	1.08	0.60	0.54	8,074,239,188	103.59%
2009	0.46	1.89	1.08	0.60	0.55	8,027,547,143	103.30%
2008	0.53	1.67	1.08	0.54	0.63	5,633,589,940	106.97%
2007	0.53	1.67	1.08	0.54	0.64	5,473,576,675	101.58%
2006	0.53	1.67	1.08	0.60	0.64	5,247,621,108	100.99%
2005	0.52	1.67	1.08	0.54	0.62	4,862,156,452	103.64%
2004	0.60	1.67	1.08	0.54	0.73	3,570,721,262	102.24%
2003	0.60	1.67	1.08	0.54	0.73	3,402,529,942	102.93%

Source: Commissioner of Revenue

COUNTY OF FRANKLIN, VIRGINIA

Table 7

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

Fiscal Years	Direct Rates				Total Direct Rate Weighted Average	Overlapping Rates Town of Rocky Mount	
	Real Estate	Personal Property	Machinery and Tools	Merchant's Capital		Real Estate	Personal Property
2012	0.48	2.04	0.60	1.08	0.57	0.12	0.51
2011	0.48	2.04	0.60	1.08	0.57	0.12	0.51
2010	0.46	1.89	0.60	1.08	0.54	0.12	0.51
2009	0.46	1.89	0.60	1.08	0.55	0.12	0.51
2008	0.53	1.67	0.54	1.08	0.63	0.12	0.51
2007	0.53	1.67	0.54	1.08	0.64	0.14	0.51
2006	0.53	1.67	0.60	1.08	0.64	0.14	0.51
2005	0.52	1.67	0.54	1.08	0.62	0.11	0.51
2004	0.60	1.67	0.54	1.08	0.73	0.12	0.51
2003	0.60	1.67	0.54	1.08	0.73	0.12	0.51

(1) Per \$100 of assessed value

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

COUNTY OF FRANKLIN, VIRGINIA

Table 8

Principal Property Taxpayers
Current Year and the Period Nine Years Prior

Taxpayer	Type Business	Fiscal Year 2012		Fiscal Year 2003	
		Assessed Valuation (Millions)	% of Total Assessed Valuation	Assessed Valuation (Millions)	% of Total Assessed Valuation
Appalachian Power Company	Electric Utility	98	1.15%	61	1.88%
Central Telephone Company	Telephone Utility	48	0.57%	35	1.08%
Franklin Real Estate Company	Real Estate	48	0.57%		0.00%
Branch Banking & Trust Co	Real Estate	41	0.48%		0.00%
Willard Construction Company	Construction	27	0.32%	6	0.19%
Lake Watch LLC	Real Estate	23	0.27%		0.00%
RKL Holdings	Real Estate	19	0.22%		0.00%
Bayview Holdings LLC	Real Estate	16	0.19%		0.00%
Windstar Properties LLC	Real Estate	13	0.15%	8	0.25%
Wal Mart	Retail	10	0.12%	9	0.28%
Rocky Mount Development Co.	Real Estate	-	0.00%	17	0.52%
MW Manufacturers Inc.	Manufacturing	-	0.00%	8	0.25%
Trinity Packaging	Manufacturing	-	0.00%	6	0.19%
Norfolk Southern	Railroad	-	0.00%	6	0.19%
Fleetwood Homes of Virginia	Manufacturing	-	0.00%	5	0.15%
		343	4.04%	161	5.81%

Source: Franklin County Commissioner of Revenue

COUNTY OF FRANKLIN, VIRGINIA

Table 9

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
2012	45,722,994	44,161,795	96.59%	-	44,161,795	96.59%
2011	45,237,044	43,561,279	96.30%	808,696	44,369,975	98.08%
2010	42,642,755	41,035,249	96.23%	1,149,130	42,184,379	98.93%
2009	43,103,676	41,569,680	96.44%	1,256,468	42,826,148	99.36%
2008	36,542,153	35,370,019	96.79%	1,010,233	36,380,252	99.56%
2007	35,220,150	34,085,239	96.78%	980,634	35,065,873	99.56%
2006	33,219,244	32,075,823	96.56%	989,229	33,065,052	99.54%
2005	30,889,511	29,883,296	96.74%	853,356	30,736,652	99.51%
2004	26,061,495	25,699,189	98.61%	210,279	25,909,468	99.42%
2003	24,944,600	24,233,719	97.15%	559,432	24,793,151	99.39%

Source: Commissioner of Revenue, County Treasurer's office

COUNTY OF FRANKLIN, VIRGINIA

Table 10

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 and Notes	Literary Fund Loans	Capital Leases	General Obligation Bonds	Capital Leases				
2012	25,339,439	3,702,750	163,141	-	-	29,205,330	0.11%	518	
2011	27,583,771	4,316,500	333,741	-	-	32,234,012	0.10%	573	
2010	29,877,385	4,930,250	548,397	-	-	35,356,032	0.09%	634	
2009	30,874,271	5,544,000	789,682	-	-	37,207,953	0.09%	673	
2008	29,817,038	6,157,750	963,751	2,135,700	-	39,074,239	0.08%	718	
2007	25,905,826	6,771,500	326,557	2,285,700	-	35,289,583	0.08%	665	
2006	20,667,755	7,385,250	454,046	2,429,600	-	30,936,651	0.09%	595	
2005	15,151,697	8,072,000	397,165	2,567,600	-	26,188,462	0.10%	513	
2004	13,490,375	8,792,200	410,338	2,700,000	-	25,392,913	0.10%	508	
2003	14,409,416	9,512,400	484,727	-	-	24,406,543	0.10%	496	

Note: Details regarding the County's outstanding debt can be found in note 7 in the notes to the financial statements.

(1) See the Schedule of Demographic and Economic Statistics - Table 14

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)
2012	29,042,189	-	29,042,189	0.34%	514.76
2011	31,900,271	-	31,900,271	0.38%	567.37
2010	34,807,635	-	34,807,635	0.42%	624.55
2009	36,418,271	-	36,418,271	0.44%	658.75
2008	36,938,539	-	36,938,539	0.61%	678.43
2007	33,003,883	-	33,003,883	0.59%	622.28
2006	28,507,051	-	28,507,051	0.54%	548.47
2005	23,223,697	-	23,223,697	0.46%	455.36
2004	22,282,575	-	22,282,575	0.61%	445.54
2003	23,921,816	-	23,921,816	0.68%	486.54

(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.

Direct and Overlapping Governmental Activities Debt
 As of June 30, 2012

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable (1)</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes: Town of Rocky Mount	5,578,368	100%	\$ 5,578,368
Subtotal, overlapping debt			\$ 5,578,368
County of Franklin, direct debt			\$ 29,042,189
Total direct and overlapping debt			\$ 34,620,557

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

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

Table 13

COUNTY OF FRANKLIN, VIRGINIA

Legal Debt Margin Information
Last Ten Fiscal Years

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Debt limit	288,943,194	302,041,329	438,261,349	458,549,337	480,704,579	531,208,934	749,561,108	760,621,495	765,894,954	771,475,349
Total net debt applicable to limit	25,685,437	23,921,816	22,282,575	23,223,697	28,507,051	32,677,326	36,938,539	34,807,635	31,900,271	29,042,189
Legal debt margin	<u>263,257,757</u>	<u>278,119,513</u>	<u>415,978,774</u>	<u>435,325,640</u>	<u>452,197,528</u>	<u>498,531,608</u>	<u>712,622,569</u>	<u>725,813,860</u>	<u>733,994,683</u>	<u>742,433,160</u>
Total net debt applicable to the limit as a percentage of debt limit	8.89%	7.92%	5.08%	5.06%	5.93%	6.15%	4.93%	4.58%	4.17%	3.76%

Legal Debt Margin Calculation for Fiscal Year 2012	
Assessed value of real estate	<u>7,714,753,492</u>
Debt limit (10% of total assessed value)	771,475,349
Net debt applicable to limit	<u>29,042,189</u>
Legal debt margin	<u>742,433,160</u>

COUNTY OF FRANKLIN, VIRGINIA

Table 14

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 (thousands)</u>	<u>Median Age</u>	<u>School Enrollment</u>	<u>Unemployment Rate</u>
2012	56,419	\$ 32,626	\$ 1,840,735	40	7,080	6.20%
2011	56,225	31,096	1,748,378	40	7,069	6.40%
2010	55,732	30,701	1,711,035	40	7,200	7.50%
2009	55,284	32,145	1,777,109	40	7,166	8.40%
2008	54,447	31,133	1,695,115	40	7,283	4.70%
2007	53,037	29,081	1,542,380	40	7,305	3.80%
2006	51,976	27,675	1,438,454	40	7,194	2.80%
2005	51,001	27,068	1,380,475	40	7,150	3.60%
2004	50,012	25,701	1,285,355	Not Available	7,125	3.60%
2003	49,167	25,011	1,229,737	"	7,114	4.50%

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

Principal Employers
 Current Year and Nine Years Ago

Employer	Fiscal Year 2012			Fiscal Year 2003		
	Employees	Rank	% of Total County Employment	Employees	Rank	% of Total County Employment
Franklin County Public Schools	1,395	1	4.99%	1,292	1	5.40%
MW Manufacturers, Inc	800	2	2.86%	1,200	2	5.02%
Wal-Mart	400	3	1.43%	400	3	1.67%
Ferrum College	325	4	1.16%			
Franklin County	308	5	1.10%	251	7	1.05%
Trinity Packaging, Inc.	300	6	1.07%			
Ronile. Inc.	300	7	1.07%	257	6	1.07%
Carilion Franklin Memorial Hospital	270	8	0.97%	270	5	1.13%
Uttermost Company	168	9	0.60%	233	8	0.97%
Mod-U-Kraf Homes, Inc.	125	10	0.45%			
Fleetwood Homes of Virginia				229	9	0.96%
Cooper Wood Products				308	4	1.29%
Newbold Corporation				144	10	0.60%
Totals	4,391		15.71%	4,584		19.16%

Source: Individual companies

COUNTY OF FRANKLIN, VIRGINIA

Full-time Equivalent County Government Employees by Function
Last Ten Fiscal Years

Table 16

Function	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Government										
Legislative	1	1	1	1	1	1	1	1	1	1
General and financial administration	30	30	31	31	34	36	36	34	34	34
Judicial Administration										
Courts	10	11	13	13	11	11	11	11	11	10
Clerk of Court	10	9	9	9	10	11	11	10	10	10
Commonwealth Attorney	6	8	7	7	7	8	8	8	8	9
Public Safety										
Sheriffs department	54	54	41	43	44	41	38	36	34	34
Correction and Detention	26	26	26	27	32	35	37	36	39	39
Building inspections	6	6	7	7	8	8	7	7	7	7
Animal control	3	3	3	3	4	4	4	3	3	3
Public Safety	8	8	13	16	24	24	24	24	24	24
E911	1	1	14	14	14	14	14	14	15	15
Public Works										
Solid Waste	13	13	13	14	16	16	16	15	15	16
General buildings and grounds	4	4	4	5	8	8	7	7	7	7
Public Works										
Health and Welfare										
Department of social services	54	61	61	61	61	62	62	58	59	64
CSA	1	1	1	2	2	2	2	2	2	2
Family Resources	6	6	6	6	6	5	5	3	2	2
Aging Services	3	3	3	3	2	2	2	2	2	2
Recreation and Cultural										
Parks and recreation	7	7	7	8	10	10	10	10	10	10
Library	5	5	5	6	6	8	8	8	8	8
Community Development										
GIS and Mapping					2	2	2	1	2	2
Economic Development				1	1	1	1	1	1	1
Work Force Consortium	2	2	2	2	3	3	3	3	3	3
Planning	5	5	8	8	11	11	9	8	8	8
Totals	255	264	277	290	321	327	322	306	308	314

Source: Franklin County Adopted Budgets

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

Function	Fiscal Year								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
General and financial administration									
Commissioner of Revenue:									
Personal Property tax assessments						98,719	106,470	171,742	Not Available
Finance: GFOA award for CAFR	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Information Technology:									
Tech support (In Days)	11.4	9.3	4.5	4.5	3	5	5	5	5
Voter Registrar:									
Number of Registered Voters	28,020	29,769	30,170	31,413	31,892	34,003	34,034	34,406	35,026
Judicial Administration									
Clerk of Court:									
Criminal Cases Commenced		1,902	1,927	1,817	1,704	2,250	2,070	1,661	1,517
Deeds Recorded		15,808	14,234	12,736	11,033	10,832	11,280	9,581	9,789
Public safety									
Sheriffs department: calls for service									
	15,000	15,707	16,000	26,047	19,501	18,877	19,237	20,768	21,837
Fire and rescue: number of fire calls									
Number of rescue calls		1,074	1,298	1,225	1,348	1,115	1,309	1,462	1,729
Fire Investigations	54	81	118	165	182	132	96	200	157
Building inspections: Permits issued									
Total Value of Permits	1,656	1,569	1,552	1,358	1,018	1,042	974	980	1,029
						133,737,342	58,752,602	60,857,340	54,910,190
Public works									
Landfill: Refuse collected (tons)									
	60,652	59,698	61,866	61,367	59,842	55,491	49,355	54,398	52,908
Mulch Recycled (tons)									
					1,888	1,463	1,331	1,227	1,349
Health and Welfare									
Social Services: Children in Foster Care									
SNAP Applications					98	88	77	95	94
On-going Medicaid Participants					1,774	2,072	2,422	2,282	2,226
					6,154	6,767	7,021	7,189	9,931
CSA: Case Load - Number of Children									
	132	167	177	242	260	279	284	280	256
Aging Services:									
Transportation Clients		490	894	1,104	572	553	614	621	618
Culture and recreation									
Parks and recreation:									
Sports registration/classes	4,406	4,566	4,655	4,700	4,566	5,746	5,449	5,451	5,350
Shelter reservations	269	283	250	252	283	301	358	268	278
Park Acreage	692	692	692	692	692	696	696	696	696
Library:									
Program Attendance					22,806	24,928	25,700	25,987	24,871
Circulation					180,738	191,267	233,626	230,280	236,758
Community development									
Planning and Community Development:									
Zoning permits issued					816	941	714	1,165	1,251
Component Unit - School Board									
Education:									
Local expenditures per pupil	3,245	3,407	3,523	3,569	3,995	4,326	4,203	4,478	3,990

Source: Individual county departments and the Franklin County School Board

COUNTY OF FRANKLIN, VIRGINIA

Table 18

Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
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	6	6	6	6	6	6
Animal control: Vehicles	3	3	3	3	3	3	3	3	3	3
Public Safety: Fire Stations	10	10	10	10	10	10	10	10	10	10
Public works Landfill: Collection Trucks Green Box Sites	7 74									
Health and welfare Department of Social Services: Vehicles	8	8	8	8	8	8	8	10	12	13
Culture and recreation Parks and recreation: Parks Libraries	9 1	9 1	9 1	9 1	9 1	9 2	9 2	9 2	9 2	9 2
Component Unit - School Board Education: Schools School buses	14 162	15 162	15 162	15 162						

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*

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, and each major fund, and the aggregate remaining fund information of the County of Franklin, Virginia, as of and for the year ended June 30, 2012, which collectively comprise the County of Franklin, Virginia's basic financial statements and have issued our report thereon dated December 19, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of the County of Franklin, Virginia, is responsible for establishing and maintaining effective 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 *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of the County of Franklin, Virginia in a separate letter dated December 19, 2012.

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.

Robinson, Faimer, Cox Associates

Blacksburg, Virginia
December 19, 2012

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

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

Compliance

We have audited the County of Franklin, Virginia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County of Franklin, Virginia's major federal programs for the year ended June 30, 2012. 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 the County of Franklin, Virginia's management. Our responsibility is to express an opinion on the 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 the 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 the County of Franklin, Virginia's compliance with those requirements.

In our opinion, the County of Franklin, Virginia complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

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 to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County of Franklin, Virginia's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent,

or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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 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.

Robinson, Fauner, Co. Associates

Blacksburg, Virginia
December 19, 2012

County of Franklin, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

Federal Grantor/State Pass - Through Grantor/ Program (or Cluster) Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Department of Health and Human Services:			
Pass Through Payments:			
Department of Social Services:			
Promoting Safe and Stable Families	93.556	0950110/0950111	\$ 9,021
Temporary Assistance for Needy Families (TANF)	93.558	0400111	423,180
Refugee and Entrant Assistance - State Administered Programs	93.566	0500110/0500111	744
Low Income Home Energy Assistance	93.568	0600410/0600411	22,779
Child Care and Development Fund Cluster - Child Care and Development Block grant	93.575	0770110	114,538
Child Care and Development Fund Cluster - Child Care Mandatory and Matching Funds	93.596	0760110/0760111	94,224
Chafee Education and Training Vouchers Program	93.599	9160110	17,605
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900110/0900111	946
Adoption Assistance	93.659	1120110/1120111	277,277
Social Services Block Grant	93.667	1000110/1000111	290,618
Chafee Foster Care Independence Program	93.674	9150110/9150111	16,251
Foster Care - Title IV-E	93.658	1100110/1100111	650,481
Children's Health Insurance Program	93.767	0540110/0540111	12,806
Medical Assistance Program	93.778	1200110/1200111	266,087
			<u>266,087</u>
Total Department of Social Services			\$ 2,196,557
Total Department of Health and Human Services			\$ 2,196,557
Department of Agriculture:			
Pass Through Payments:			
Department of Agriculture:			
Child Nutrition Cluster-Food Distribution (Note C)	10.555	40623	\$ 194,086
Department of Education:			
Child Nutrition Cluster-National school lunch program	10.555	40623	1,352,480
Child Nutrition Cluster-School breakfast program	10.553	40591	646,942
			<u>1,352,480</u>
Department of Social Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010110/0040110	438,439
			<u>438,439</u>
Total Department of Agriculture			\$ 2,631,947
Department of Energy			
Pass Through Payments:			
Virginia Department of Mines, Minerals and Energy ARRA-Energy Efficiency and Conservation Block Grant Program	81.128	NA	\$ 170,000
			<u>170,000</u>
Total Department of Energy			\$ 170,000
Department of Justice:			
Pass Through Payments:			
Department of Criminal Justice Services: Violence against women formula grants	16.588	10WFAX0041	\$ 41,635
			<u>41,635</u>
Total Department of Justice			\$ 41,635
Department of Housing and Urban Development:			
Pass Through Payments:			
Department of Housing and Community Development: Community Development Block Grant	14.228	50797	\$ 164,456
			<u>164,456</u>
Total Department of Housing and Urban Development			\$ 164,456
U.S. Department of Homeland Security:			
Pass Through Payments:			
Department of Emergency Management: State Homeland Security Program	97.073	52707/52708	\$ 11,179
			<u>11,179</u>
Total U.S. Department of Homeland Security			\$ 11,179

County of Franklin, Virginia
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2012

Federal Grantor/State Pass - Through Grantor/ Program (or Cluster) Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Department of Transportation: Pass Through Payments: Department of Motor Vehicles: Alcohol Open Container Requirements	20.607	52208	\$ 8,630
Total Department of Transportation			\$ 8,630
Department of Defense Direct Payments: Payments to states in lieu of real estate taxes	12.112	NA	\$ 17,438
Total Department of Defense			\$ 17,438
Department of Education: Pass Through Payments: Department of Education: Adult Education - Basic Grants to States Title I, Grants to Local Educational Agencies (Title I, Part A Cluster) Special Education_Grants to States (IDEA Cluster) Career and Technical Education -- Basic Grants to States Special Education_Preschool Grants (IDEA Cluster) Educational Technology State Grants (Educational Technology State Grants Cluster) ARRA-Educational Technology Grant (Educational Technology State Grants Cluster) English language acquisition grants Improving Teacher Quality State Grants ARRA Special Education - grants to states (IDEA Cluster) ARRA Special Education - Preschool grants (IDEA Cluster) ARRA - Title I, Grants to Local Educational Agencies (Title 1, Part A Cluster) ARRA-Education Jobs Funds	84.002 84.010 84.027 84.048 84.173 84.318 84.386 84.365 84.367 84.391 84.392 84.389 84.410	42801 42901 73071 61095 87063A 61600 60897 60509/60512 61480 61245 61247 42913 62700	\$ 483,325 1,997,173 1,543,932 147,067 71,457 16,192 40,994 13,850 289,148 365,763 62,558 318,915 1,638,929
Total Department of Education			\$ 6,989,303
Total Expenditures of Federal Awards			\$ 12,231,145

Note A-Basis of Presentation:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the County of Franklin, Virginia under programs of the federal government for the year ended June 30, 2012. The information in the Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the County of Franklin, Virginia, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the County of Franklin, Virginia.

Note B-Summary of Significant Accounting Policies

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowed or are limited as to reimbursement.

(2) Pass-through entity identifying numbers are presented where available.

Note C-Food Distribution

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

Note D-Relationship to 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	\$ 2,713,878
Utility Fund	164,456
Capital Projects Fund	170,000
Total primary government:	<u>\$ 3,048,334</u>
Component Unit Schools:	
School Operating Fund	<u>\$ 9,182,811</u>
Total federal expenditures per the Schedule of Expenditures of Federal Awards	<u>\$ 12,231,145</u>

County of Franklin, Virginia

Schedule of Findings and Questioned Costs
 Year Ended June 30, 2012

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	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
84.410	ARRA - Education Jobs Fund
84.010/84.389	Title 1 , Part A Cluster - including ARRA funds
84.027/84.173/84.391/84.392	Special Education Cluster (IDEA) - including ARRA funds
81.128	ARRA - Energy Efficiency and Conservation Grant Program

Dollar threshold used to distinguish between Type A and Type B programs	\$366,934
Auditee qualified as low-risk auditee?	Yes

County of Franklin, Virginia

Schedule of Findings and Questioned Costs
Year Ended June 30, 2012 (continued)

Section II - Financial Statement Findings

None reported

Section III - Federal Award Findings and Questioned Costs

There are no federal award findings and questioned costs to report.

Section IV - Status of Prior Audit Findings and Questioned Costs

There were no findings in the prior fiscal year that related to federal programs.