

Franklin County, Virginia
Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2011



COUNTY OF FRANKLIN, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2011

Prepared by the Franklin County
Department of Finance

**COUNTY OF FRANKLIN, VIRGINIA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FISCAL YEAR ENDED JUNE 30, 2011**

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INTRODUCTORY SECTION



January 6, 2011

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, 2011. 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, 2011. The audit was conducted in accordance with professional standards which require that the independent auditors plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The independent auditors' report is located in the front of the financial section of this report.

Under generally accepted accounting principles, as promulgated by the Governmental Accounting Standards board (GASB), management is required to provide a narrative that precedes the basic financial statements. This Management's Discussion and Analysis (MD&A) provides as introduction, overview and analysis of financial results for fiscal year 2010-2011 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 2011 is estimated at 56,159 with a population density of 72.4 people per square mile. Franklin County is included in the Roanoke Metropolitan Statistical Area (MSA) that has a total population of approximately 300,000.

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

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

Economic Conditions and Outlook

Franklin County, the seventh largest county in size in Virginia with an area of 721 square miles, is located in southwest Virginia. By offering close proximity to all markets along the East coast, the County is an excellent location for local industries and commerce. The local economy remained fairly strong this past fiscal year compared to the national economy with an average unemployment rate of 6.4%.

Much of fiscal year 2010-2011 was spent on a number of capital projects including new landfill development, site improvements at the County's Commerce Center Industrial Park and new cashiering 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 facility that houses Sheriff’s Office and Public Safety personnel who are on duty twenty-four hours a day, seven days a week. This facility is currently housed in leased space – plans are being developed for a future building to house these operations.

Long-Term Financial Planning

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

General Fund Balance (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 19.7 million for the year ended June 30, 2011. This is roughly the same amount as the prior fiscal year.

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

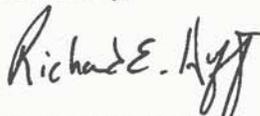
Independent Audit. State statutes require an annual audit by independent certified public accountants. The accounting firm of Robinson, Farmer, Cox Associates was selected by the County to perform this audit. In addition to meeting the requirements set forth in state statutes, the audit also was designed 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 State and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County of Franklin, Virginia for its comprehensive annual financial report for the fiscal year ended June 30, 2010. This was the 11th 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.

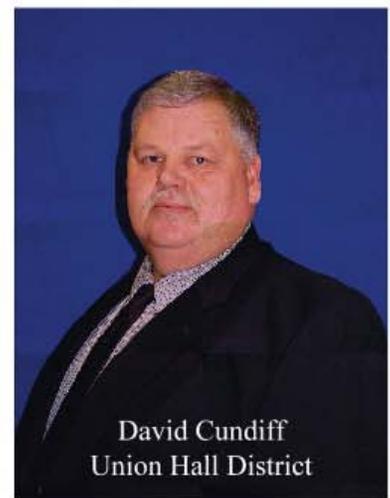
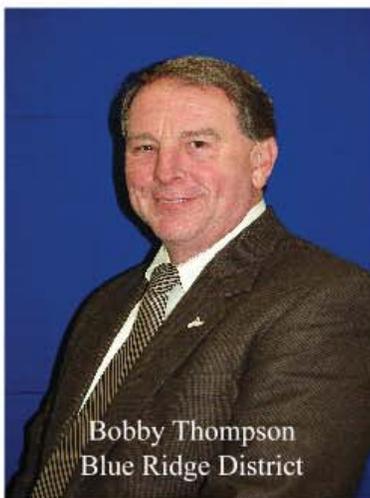
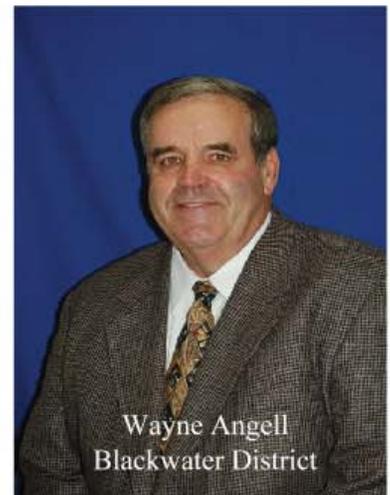
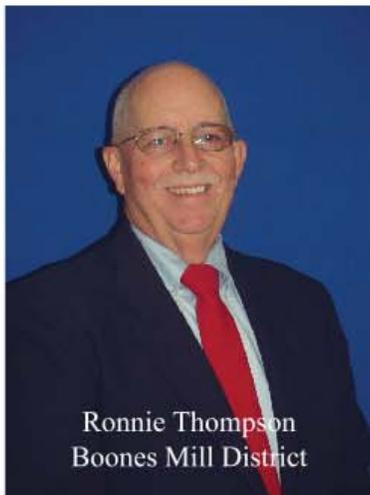
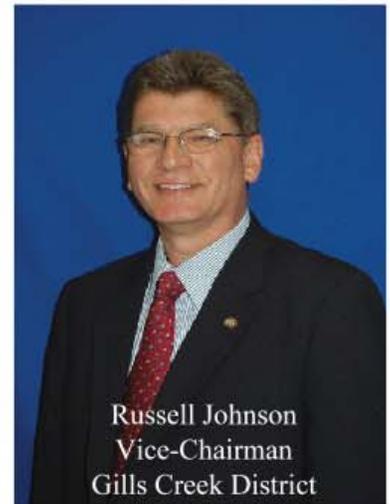
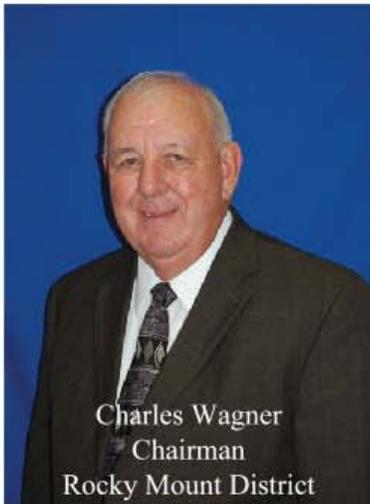
Agriculture has figured prominently in Franklin County's 200-year history, and was the occupation of most county residents until recent times. Tobacco was a leading crop in early Franklin County. Locally mined iron and copper were transported over the Carolina Road as far south as Georgia. The furnace 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, 2011



Franklin County Officials

June 30, 2011

Board of Supervisors

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

County Administration

Richard E. Huff, II, County Administrator

County Attorney B. James Jefferson
Assistant County Administrator..... Christopher Whitlow
Assistant County Administrator..... Larry Moore
Director of Finance Vincent Copenhaver
Director of Commerce & Leisure Services..... 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 B. Donald Beard
Unit Coordinator of Va. Cooperative Extension..... Shewana Hairston
Registrar..... Kay Chitwood

Constitutional Officers

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

Franklin County 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

School Board Members

June 30, 2011

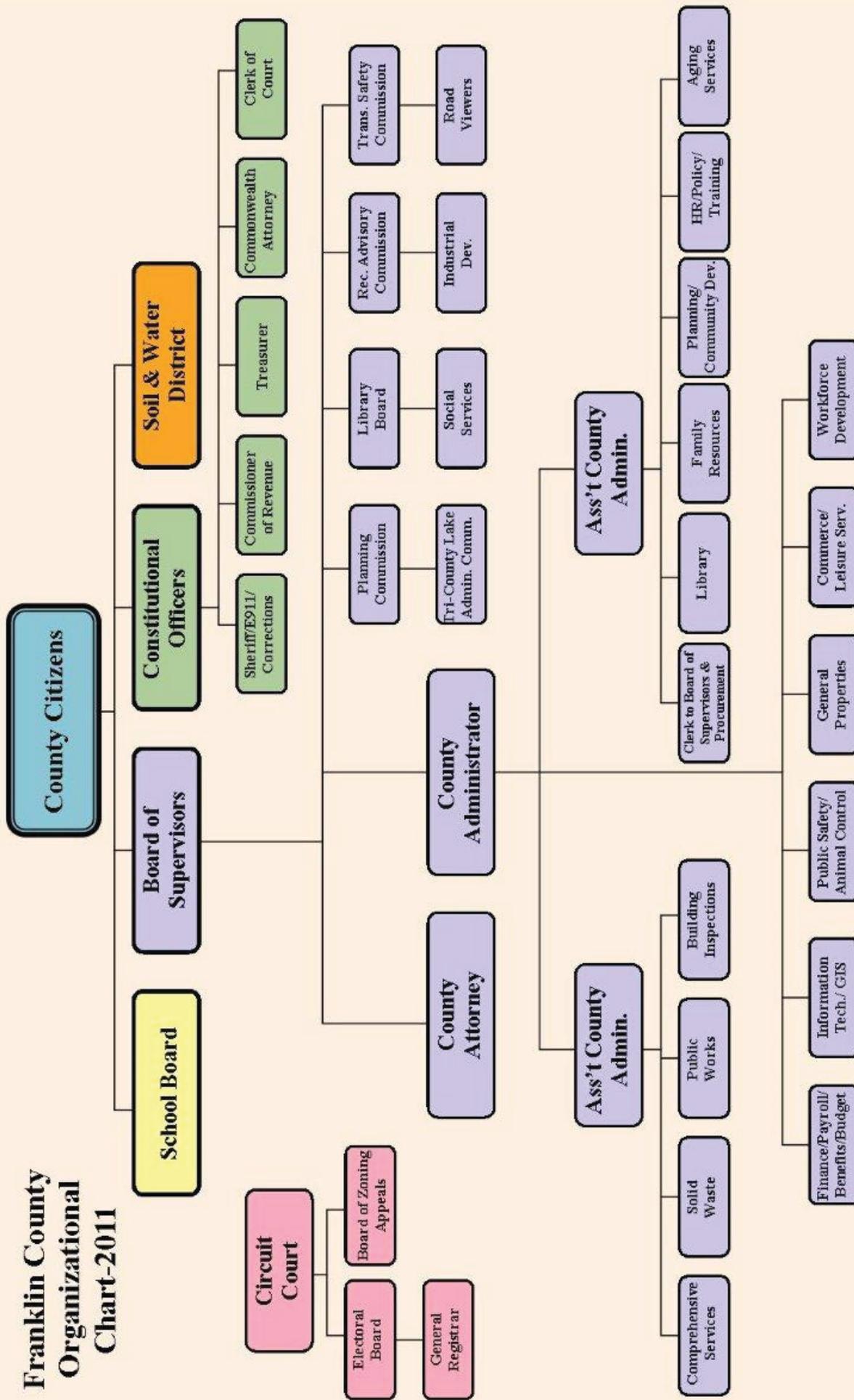
Evelyn Cundiff, Chair, Gills Creek District
G. B. Washburn, Jr., Vice-Chair, Snow Creek District
Sarah Alexander, Rocky Mount District
Stephen E. Brubaker, Blackwater District
P. D. Hambrick, Union Hall District
William O. Helm, Jr., Member-At-Large
Edward C. Jamison, Blue Ridge District
Marilyn R. Starkey,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



Franklin County
A Natural Setting for Opportunity

Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of Franklin
Virginia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2010

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.



Linda C. Sandison

President

Jeffrey R. Emswiler

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, 2011, 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, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the financial statements, the County of Franklin, Virginia adopted the provision of *GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions*, effective July 1, 2010.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 3, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules of pension and OPEB funding progress 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 schedules 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 schedules 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, 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, the budgetary comparison schedule 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

Christiansburg, Virginia
January 3, 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, 2011. 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 2011

- Total net assets for governmental activities were \$64.3 million at the end of FY 2011. This figure is based on assets totaling \$106.2 million and liabilities of \$41.9 million. The liabilities amount includes a non-current component for long-term debt associated with the acquisition of assets for the County and School system. The total for assets does not include the school properties (Exhibit 1).
- During the year, the County's taxes and other revenues for governmental programs were \$1.6 million more than the \$76.1 million of expenses (Exhibit 2).
- The business-type activities total net assets at June 30, 2011 totaled \$1.3 million. This figure is based on total assets of \$1.3 million and liabilities of \$197.
- Total general fund revenues were more than the final budgeted amount by \$1.6 million or approximately 2.2 percent. Actual expenditures were \$7 million less than the final expenditure budget.
- The County's total outstanding debt at fiscal year-end decreased by a net amount of \$2.2 million. A new estimate for landfill closure and post closure added \$949,950. Retirements totaled \$3.2 million. See Note 8 for additional information on long-term debt.
- Component Unit net assets were \$18.7 million at the end of FY2011. Of this amount, \$20.2 million is invested in capital assets, net of related debt (An unrestricted deficit of \$1.5 million is shown on the statement as well).
- At the end of the current fiscal year, the general fund unassigned fund balance was approximately \$19.7 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. Business-type activities present information on the County's utility fund.

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

Fund Financial Statements

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

The County has three kinds of funds:

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

Proprietary funds – When the County charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported with the full accrual accounting method as are all activities reported in the Statement of Net Assets and Statement of Activities. The County's enterprise fund, one type of proprietary fund, is the same as the government-wide business-type activities; however, the fund financial statements provide more detail and additional information, such as cash flows. The County's enterprise fund is the Utility Fund.

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

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

Required supplementary information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the County's budgetary comparisons and progress in funding its obligation to provide pension and post employment 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, 2011 as presented in the government-wide financial statements (in millions):

	Governmental Activities		Business-type Activities		Total Primary Government		Component Unit	
	FY2011	FY2010	FY2011	FY2010	FY2011	FY2010	FY2011	FY2010
Current and other assets	\$37.9	\$37.1	\$0.3	\$0.3	\$38.2	\$37.4	\$3.0	\$1.9
Capital assets, net	68.3	68.0	1.0	1.1	69.3	69.1	20.2	19.9
Total assets	106.2	105.1	1.3	1.4	107.5	106.5	23.2	21.8
Other liabilities	1.8	2.1	0.0	0.0	1.8	2.1	2.3	1.6
Long-term liabilities	40.2	42.4	0.0	0.0	40.2	42.4	2.2	1.8
Total liabilities	42.0	44.5	0.0	0.0	42.0	44.5	4.5	3.4
Net assets:								
Invested in capital assets,								
net of related debt	38.5	35.1	1.0	1.1	39.5	36.2	20.2	19.9
Restricted	0.2	0.3	0.0	0.0	0.2	0.3	0.0	0.1
Unrestricted	25.5	25.2	0.3	0.3	25.8	25.5	(1.5)	(1.5)
Total net assets	\$64.2	\$60.6	\$1.3	\$1.4	\$65.5	\$62.0	\$18.7	\$18.4

The County's combined net assets increased from \$62 million to \$65.5 million as a result of the increase in net activities of governmental activities of \$3.5 million. The increase is the result of stronger than anticipated revenues received during the fiscal year. Unrestricted net assets, the portion of net assets that can be used to finance the day-to-day activities of the County totaled \$25.5 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. E911 funds are restricted so that they can be used for the E911 purposes.

Business-type net assets decreased from \$1.4 million to \$1.3 million as a result of utility infrastructure being depreciated.

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

Summary of Activities:

The following table shows the revenues and expenses of the governmental activities for the year ended June 30, 2011 (in millions):

	Governmental Activities		Business-type Activities		Total Primary Government		Component Unit	
	<u>FY2011</u>	<u>FY2010</u>	<u>FY2011</u>	<u>FY2010</u>	<u>FY2011</u>	<u>FY2010</u>	<u>FY2011</u>	<u>FY2010</u>
Revenues:								
Program revenues:								
Charges for Services	\$2.5	\$2.3	\$0.0	\$0.0	\$2.5	\$2.3	\$2.3	\$2.3
Operating Grants & Contributions	12.2	11.9	0.0	0.0	12.2	11.9	43.2	48.0
Capital Grants & Contributions	2.5	2.3	0.0	0.0	2.5	2.3	0.0	0.0
General Revenues								
Property Taxes	45.6	42.9	0.0	0.0	45.6	42.9	0.0	0.0
Other Taxes	7.8	7.7	0.0	0.0	7.8	7.7	0.0	0.0
Other	7.0	8.4	0.0	0.0	7.0	8.4	0.2	0.1
Payments from the County	0.0	0.0	0.0	0.0	0.0	0.0	31.8	26.0
Total Revenues	77.6	75.5	0.0	0.0	77.6	75.5	77.5	76.4
Expenses								
General Government	4.1	3.9	0.0	0.0	4.1	3.9	0.0	0.0
Judicial Administration	2.3	2.4	0.0	0.0	2.3	2.4	0.0	0.0
Public Safety	14.3	14.4	0.0	0.0	14.3	14.4	0.0	0.0
Public Works	5.0	5.4	0.0	0.0	5.0	5.4	0.0	0.0
Health and Welfare	10.4	10.2	0.0	0.0	10.4	10.2	0.0	0.0
Education	31.8	27.0	0.0	0.0	31.8	27.0	77.2	76.8
Parks, Recreation and Cultural	2.0	2.1	0.0	0.0	2.0	2.1	0.0	0.0
Community Development	4.9	5.1	0.0	0.0	4.9	5.1	0.0	0.0
Interest on Long-Term Debt	1.3	1.5	0.0	0.0	1.3	1.5	0.0	0.0
Water	0.0	0.0	0.1	0.6	0.1	0.6	0.0	0.0
Total Expenses	76.1	72.0	0.1	0.6	76.2	72.6	77.2	76.8
Excess or Deficiency Before Transfers	1.5	3.5	(0.1)	(0.6)	1.4	2.9	0.3	(0.4)
Transfers	0.0	0.4	0.0	(0.4)	0.0	0.0	0.0	0.0
Change in Net Assets	1.5	3.9	(0.1)	(1.0)	1.4	2.9	0.3	(0.4)
Net Assets, Beginning of Year	62.7	56.7	1.4	2.4	64.1	59.1	18.4	18.8
Capital Assets Restatement	0.0	2.1	0.0	0.0	0.0	2.1	0.0	0.0
Net Assets, Ending	\$64.2	\$62.7	\$1.3	\$1.4	\$65.5	\$64.1	\$18.7	\$18.4

Revenues

For the fiscal year ended June 30, 2011, revenues from governmental activities totaled \$77.6 million, an increase of \$2.1 million from the prior fiscal year. Property tax revenues, the County's largest local revenue source, were \$45.6 million, an increase of \$2.7 million over the prior fiscal year. This increase resulted from a two cents real estate tax rate increase and a 15 cents personal property tax increase that was effective July 1, 2010. The County assesses all real property every four years with the next reassessed values being 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 as FY2010. Intergovernmental revenues totaled \$12.2 million, roughly no change from the prior fiscal year.

Business-type revenues consist of charges to customers for water consumption. During FY09-10, a majority of the County's water systems was transferred to the Western Virginia Water Authority - a regional provider of water and sewer services. As such, activity in the utility fund was minimal for the current and prior fiscal year. It is anticipated that activity in the fund will be minimal in the future as well.

Component unit revenues total \$77.5 million, including a \$31.8 million transfer from the general fund. Increased revenues are due to additional federal and state grants being received by the School system.

Expenses

For the fiscal year ended June 30, 2011, expenses for governmental activities totaled \$76.1 million. Included in the expenses are increases related to 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 Board of Supervisors contributed \$31.8 million to the operation of the Franklin County schools. This amount represented about 42% of the County's general fund expenses.

Financial Analysis of the County's Funds

For the fiscal year ended June 30, 2011, the County's general fund reflects total fund balances of \$19.7 million, roughly unchanged from the fiscal year ended June 30, 2010.

The County Capital Projects fund balance increased from fiscal year 09-10 as general fund amounts were transferred to capital for various capital projects including the opening of a new landfill in the next several years.

The School Construction fund balance decreased \$300,000 as bond proceeds were spent for the remainder of the construction of a new elementary school in the northern part of the County. This new school opened in August 2009.

Other Governmental Funds is comprised the non-major E911 fund. This fund balance remained basically unchanged from FY09-10 to FY10-11.

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, 2010.
- To re-appropriate monies to pay for commitments in the form of encumbrances established prior to June 30, 2010 but not paid by that date.
- To appropriate grants and other revenues received in the current fiscal year.

The following table presents revenues and expenditures for the General Fund only for FY 2011(in millions):

	Original Budget	Amended Budget	Actual
Revenues:			
Taxes	\$ 43.8	\$ 43.8	\$ 42.5
Intergovernmental	17.5	18.1	17.3
Other	11.2	11.6	12.0
Total	\$ <u>72.5</u>	\$ <u>73.5</u>	\$ <u>75.1</u>
Expenditures and Transfers:			
Expenditures	\$ 69.5	\$ 79.4	\$ 72.4
Transfers Out	<u>3.0</u>	<u>(2.0)</u>	<u>2.7</u>
Total	<u>72.5</u>	<u>77.4</u>	<u>75.1</u>
Net Change in Fund Balance	0.0	(3.9)	0.0
Fund Balances – Beginning	0.0	3.9	19.9
Fund Balances – Ending	\$ <u><u>0.0</u></u>	\$ <u><u>0.0</u></u>	\$ <u><u>19.9</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 between the original budget and final budget for revenues is related to intergovernmental revenues. Intergovernmental revenues were increased during the year from grants being received by the County.

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

Actual revenues were 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 being budgeted but not spent during the 2010-2011 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, 2011, in millions of dollars:

	Governmental Activities		Business-type Activities		Total Primary Government		Component Unit	
	FY2011	FY2010	FY2011	FY2010	FY2011	FY2010	FY2011	FY2010
Non-Depreciable Assets:								
Land	\$5.9	\$3.0	\$0.0	\$0.0	\$5.9	\$3.0	\$0.7	\$0.7
Construction in Progress	0.9	8.3	0.0	0.0	0.9	8.3	0.0	0.6
Other Capital Assets:								
Buildings and Systems	69.8	63.0	1.1	1.2	70.9	64.1	32.5	31.0
Machinery and Equipment	22.3	20.9	0.0	0.0	22.3	20.9	14.5	13.3
Accumulated Depreciation	(30.6)	(27.2)	(0.1)	(0.1)	(30.7)	(27.3)	(27.5)	(25.7)
Totals	\$68.3	\$68.0	1.0	1.1	\$69.3	\$69.0	\$20.2	\$19.9

The table below shows the change in capital assets for the fiscal year ended June 30, 2011 in millions of dollars:

	Balance June 30, 2010	Net Additions/Deletions	Balance June 30, 2011
Non-Depreciable Assets:			
Land	\$3.7	\$2.9	\$6.6
Construction in Progress	8.9	(8.0)	0.9
Other Capital Assets:			
Buildings and Systems	95.1	8.3	103.4
Machinery and Equipment	34.2	2.6	36.8
Accumulated Depreciation	(53.0)	(5.2)	(58.2)
Totals	\$88.9	\$0.6	89.5

During the FY11 budget process, the Board of Supervisors approved a five-year Capital Improvement Program (CIP) that totaled \$3.1 million. Various projects have been funded in the plan and include software and hardware upgrades for the information technology department, trail, park and field development for the parks and recreation department and \$1.1 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 13 in the "Notes to Financial Statements" section of the report.

Long Term Debt

The following table displays the County and Schools (Component Unit) Outstanding Debt at June 30, 2011 and at June 30, 2010, in millions of dollars:

	Governmental Activities		Business-type Activities		Total Primary Government		Component Unit	
	FY2011	FY2010	FY2011	FY2010	FY2011	FY2010	FY2011	FY2010
General Obligation Bonds	\$28.0	\$30.4	\$0.0	\$0.0	\$28.0	\$30.4	\$0.0	\$0.0
Revenue Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Literary Loans	4.3	4.9	0.0	0.0	4.3	4.9	0.0	0.0
Capital Leases	0.3	0.5	0.0	0.0	0.3	0.5	0.0	0.0
Landfill Closure/Post								
Closure Liability	5.7	4.8	0.0	0.0	5.7	4.8	0.0	0.0
Compensated Absences	1.4	1.5	0.0	0.0	1.4	1.5	0.8	0.8
Other post employment benefits	0.5	0.3	0.0	0.0	0.5	0.3	1.3	1.0
Total	\$40.2	\$42.4	\$0.0	\$0.0	\$40.2	\$42.4	\$2.1	\$1.8

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

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

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

Franklin County maintains bond ratings of Double A 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 economic slowdown that is impacting our national economy as well. Although Franklin County's population growth continues to be one of the fastest in the State of Virginia, the County is still very dependent on the State for support of the school system and constitutional officers including the Sheriff's office. Approximately 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, 2011

	Primary Government			Component
	Governmental Activities	Business-type Activities	Total	Unit School Board
ASSETS				
Cash and cash equivalents	\$ 30,915,454	\$ 293,502	\$ 31,208,956	\$ -
Cash in custody of others	-	-	-	321,161
Receivables (net of allowance for uncollectibles):				
Taxes receivable	2,886,547	-	2,886,547	-
Accounts receivable	-	1,468	1,468	-
Other local taxes receivable	600,354	-	600,354	-
Due from component unit	1,097,547	-	1,097,547	-
Due from other governmental units	2,267,155	-	2,267,155	2,688,144
Deferred charges	166,517	-	166,517	-
Capital assets (net of accumulated depreciation):				
Land	5,876,498	-	5,876,498	725,315
Buildings and system	53,959,586	-	53,959,586	14,335,105
Machinery and equipment	7,587,283	-	7,587,283	5,094,607
Infrastructure	-	1,026,877	1,026,877	-
Construction in progress	871,666	-	871,666	-
Total assets	<u>\$ 106,228,607</u>	<u>\$ 1,321,847</u>	<u>\$ 107,550,454</u>	<u>\$ 23,164,332</u>
LIABILITIES				
Accounts payable	\$ 1,190,811	\$ 197	\$ 1,191,008	\$ 717,389
Accrued liabilities	-	-	-	517,893
Accrued interest payable	589,364	-	589,364	-
Due to primary government	-	-	-	1,097,547
Unearned revenue	44,977	-	44,977	-
Long-term liabilities:				
Due within one year	4,136,676	-	4,136,676	625,959
Due in more than one year	36,032,338	-	36,032,338	1,544,833
Total liabilities	<u>\$ 41,994,166</u>	<u>\$ 197</u>	<u>\$ 41,994,363</u>	<u>\$ 4,503,621</u>
NET ASSETS				
Invested in capital assets, net of related debt	\$ 38,512,330	\$ 1,026,877	\$ 39,539,207	\$ 20,155,027
Restricted for:				
E-911	28,615	-	28,615	-
Law Library	72,331	-	72,331	-
Forfeited Assets	62,586	-	62,586	-
Courthouse maintenance	38,482	-	38,482	-
Unrestricted (deficit)	25,520,097	294,773	25,814,870	(1,494,316)
Total net assets	<u>\$ 64,234,441</u>	<u>\$ 1,321,650</u>	<u>\$ 65,556,091</u>	<u>\$ 18,660,711</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, 2011

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	Business-type Activities	Total	Total	School Board
PRIMARY GOVERNMENT:									
Governmental activities:									
General government administration	\$ 4,171,457	\$ 13,445	\$ 371,487	\$ -	\$ (3,786,525)	\$ -	\$ (3,786,525)	\$ -	\$ -
Judicial administration	2,327,750	111,612	903,201	-	(1,312,937)	-	(1,312,937)	-	-
Public safety	14,252,682	1,466,223	3,213,257	973,957	(8,599,245)	-	(8,599,245)	-	-
Public works	4,966,247	776,572	82,034	-	(4,107,641)	-	(4,107,641)	-	-
Health and welfare	10,367,270	16,986	7,120,788	-	(3,229,496)	-	(3,229,496)	-	-
Education	31,797,712	-	-	-	(31,797,712)	-	(31,797,712)	-	-
Parks, recreation, and cultural	2,013,395	103,406	148,244	-	(1,761,745)	-	(1,761,745)	-	-
Community development	4,875,629	-	391,668	1,487,541	(2,996,420)	-	(2,996,420)	-	-
Interest on long-term debt	1,313,522	-	-	-	(1,313,522)	-	(1,313,522)	-	-
Total governmental activities	\$ 76,085,664	\$ 2,488,244	\$ 12,230,679	\$ 2,461,498	\$ (58,905,243)	\$ -	\$ (58,905,243)	\$ -	\$ -
Business-type activities:									
Utility Fund	\$ 56,909	\$ 8,096	\$ -	\$ -	\$ -	\$ (48,813)	\$ (48,813)	\$ (48,813)	\$ -
Total primary government	\$ 76,142,573	\$ 2,496,340	\$ 12,230,679	\$ 2,461,498	\$ (58,905,243)	\$ (48,813)	\$ (58,954,056)	\$ -	\$ -
COMPONENT UNITS:									
School Board	\$ 77,165,487	\$ 2,302,496	\$ 43,175,831	\$ -	\$ -	\$ -	\$ -	\$ (31,687,160)	\$ (31,687,160)
Total component units	\$ 77,165,487	\$ 2,302,496	\$ 43,175,831	\$ -	\$ -	\$ -	\$ -	\$ (31,687,160)	\$ (31,687,160)
General revenues:									
General property taxes	\$ 45,616,322	\$ -	\$ -	\$ -	\$ 45,616,322	\$ -	\$ 45,616,322	\$ -	\$ -
Other local taxes:									
Local sales and use taxes	3,795,733	-	-	-	3,795,733	-	3,795,733	-	-
Consumers' utility taxes	972,419	-	-	-	972,419	-	972,419	-	-
Business license taxes	3,829	-	-	-	3,829	-	3,829	-	-
Utility license taxes	231,833	-	-	-	231,833	-	231,833	-	-
Motor vehicle licenses	1,182,088	-	-	-	1,182,088	-	1,182,088	-	-
Bank stock taxes	123,267	-	-	-	123,267	-	123,267	-	-
E-911 taxes	1,907	-	-	-	1,907	-	1,907	-	-
Taxes on recordation and wills	513,861	-	-	-	513,861	-	513,861	-	-
Hotel and motel room taxes	97,056	-	-	-	97,056	-	97,056	-	-
Restaurant food taxes	843,382	-	-	-	843,382	-	843,382	-	-
Unrestricted revenues from use of money and property	1,071,595	-	-	-	1,071,595	-	1,071,595	-	-
Miscellaneous	572,545	-	-	-	572,545	-	572,545	-	101,809
Payments from County of Franklin	-	-	-	-	-	-	-	-	31,797,601
Grants and contributions not restricted to specific programs	5,463,983	-	-	-	5,463,983	-	5,463,983	-	-
Gain on disposal of capital assets	-	-	-	-	-	-	-	-	52,840
Transfers	(17,345)	-	17,345	-	-	-	-	-	-
Total general revenues	\$ 60,472,475	\$ 17,345	\$ 17,345	\$ 60,489,820	\$ 60,489,820	\$ 17,345	\$ 60,489,820	\$ 31,952,250	\$ 31,952,250
Change in net assets	\$ 1,567,232	\$ (31,468)	\$ (31,468)	\$ 1,535,764	\$ 1,535,764	\$ -	\$ 1,535,764	\$ 265,090	\$ 265,090
Net assets - beginning, as restated	62,667,209	-	1,353,118	-	64,020,327	-	64,020,327	18,395,621	18,395,621
Net assets - ending	\$ 64,234,441	\$ -	\$ 1,321,650	\$ -	\$ 65,556,091	\$ -	\$ 65,556,091	\$ 18,660,711	\$ 18,660,711

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

County of Franklin, Virginia
Balance Sheet
Governmental Funds
June 30, 2011

	<u>General</u>	<u>County Capital Projects</u>	<u>School Construction</u>	<u>Other Governmental Funds</u>	<u>Total</u>
ASSETS					
Cash and cash equivalents	\$ 16,510,315	\$ 14,373,725	\$ -	\$ 31,414	\$ 30,915,454
Receivables (net of allowance for uncollectibles):					
Taxes receivable	2,886,547	-	-	-	2,886,547
Other local taxes receivable	600,354	-	-	-	600,354
Due from component unit	1,097,547	-	-	-	1,097,547
Due from other governmental units	2,026,743	240,412	-	-	2,267,155
Total assets	<u>\$ 23,121,506</u>	<u>\$ 14,614,137</u>	<u>\$ -</u>	<u>\$ 31,414</u>	<u>\$ 37,767,057</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 595,868	\$ 592,144	\$ -	\$ 2,799	\$ 1,190,811
Deferred revenue	2,606,014	-	-	-	2,606,014
Total liabilities	<u>\$ 3,201,882</u>	<u>\$ 592,144</u>	<u>\$ -</u>	<u>\$ 2,799</u>	<u>\$ 3,796,825</u>
Fund balances:					
Restricted for:					
E-911	\$ -	\$ -	\$ -	\$ 28,615	\$ 28,615
Law Library	72,331	-	-	-	72,331
Forfeited Assets	62,586	-	-	-	62,586
Courthouse maintenance	38,482	-	-	-	38,482
Assigned					
Debt service	92,994	-	-	-	92,994
Capital projects	-	14,021,993	-	-	14,021,993
Unassigned					
Unassigned	19,653,231	-	-	-	19,653,231
Total fund balances	<u>\$ 19,919,624</u>	<u>\$ 14,021,993</u>	<u>\$ -</u>	<u>\$ 28,615</u>	<u>\$ 33,970,232</u>
Total liabilities and fund balances	<u>\$ 23,121,506</u>	<u>\$ 14,614,137</u>	<u>\$ -</u>	<u>\$ 31,414</u>	<u>\$ 37,767,057</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, 2011

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 33,970,232
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	68,295,033
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	2,561,037
Bond issuance cost are reported as an expenditure in the funds, however they are deferred and amortized in the government-wide statements	166,517
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(40,758,378)
Net assets of governmental activities	<u>\$ 64,234,441</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, 2011

	<u>General</u>	<u>County Capital Projects</u>	<u>School Construction</u>	<u>Other Governmental Funds</u>	<u>Total</u>
REVENUES					
General property taxes	\$ 45,277,434	\$ -	\$ -	\$ -	\$ 45,277,434
Other local taxes	7,763,468	-	-	1,907	7,765,375
Permits, privilege fees, and regulatory licenses	359,111	-	-	-	359,111
Fines and forfeitures	13,032	-	-	-	13,032
Revenue from the use of money and property	1,068,745	2,739	111	-	1,071,595
Charges for services	2,116,101	-	-	-	2,116,101
Miscellaneous	236,919	335,549	-	77	572,545
Recovered costs	683,734	-	-	-	683,734
Intergovernmental revenues:					
Commonwealth	14,982,204	1,864,448	-	72,206	16,918,858
Federal	2,640,252	597,050	-	-	3,237,302
Total revenues	<u>\$ 75,141,000</u>	<u>\$ 2,799,786</u>	<u>\$ 111</u>	<u>\$ 74,190</u>	<u>\$ 78,015,087</u>
EXPENDITURES					
Current:					
General government administration	\$ 4,254,794	\$ -	\$ -	\$ -	\$ 4,254,794
Judicial administration	2,273,717	-	-	-	2,273,717
Public safety	11,912,792	-	-	1,123,010	13,035,802
Public works	3,722,272	-	-	-	3,722,272
Health and welfare	10,854,862	-	-	-	10,854,862
Education	30,198,128	615,076	-	-	30,813,204
Parks, recreation, and cultural	1,733,929	-	-	-	1,733,929
Community development	3,021,430	-	-	-	3,021,430
Nondepartmental	135	-	-	-	135
Capital projects	-	2,789,345	295,566	-	3,084,911
Debt service:					
Principal retirement	3,022,020	100,000	-	-	3,122,020
Interest and other fiscal charges	1,362,326	-	-	-	1,362,326
Total expenditures	<u>\$ 72,356,405</u>	<u>\$ 3,504,421</u>	<u>\$ 295,566</u>	<u>\$ 1,123,010</u>	<u>\$ 77,279,402</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 2,784,595</u>	<u>\$ (704,635)</u>	<u>\$ (295,455)</u>	<u>\$ (1,048,820)</u>	<u>\$ 735,685</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	\$ -	\$ 1,688,778	\$ -	\$ 1,031,068	\$ 2,719,846
Transfers out	(2,737,191)	-	-	-	(2,737,191)
Total other financing sources (uses)	<u>\$ (2,737,191)</u>	<u>\$ 1,688,778</u>	<u>\$ -</u>	<u>\$ 1,031,068</u>	<u>\$ (17,345)</u>
Net change in fund balances	\$ 47,404	\$ 984,143	\$ (295,455)	\$ (17,752)	\$ 718,340
Fund balances - beginning	19,872,220	13,037,850	295,455	46,367	33,251,892
Fund balances - ending	<u>\$ 19,919,624</u>	<u>\$ 14,021,993</u>	<u>\$ -</u>	<u>\$ 28,615</u>	<u>\$ 33,970,232</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, 2011**

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

Net change in fund balances - total governmental funds	\$	718,340
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period.		(1,702,665)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		338,888
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.		2,172,070
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.		40,599
Change in net assets of governmental activities	<u>\$</u>	<u>1,567,232</u>

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

County of Franklin, Virginia
Statement of Net Assets
Proprietary Fund
June 30, 2011

	Enterprise Fund
	Utility Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 293,502
Accounts receivable, net of allowance for uncollectibles	1,468
Total current assets	\$ 294,970
Noncurrent assets:	
Capital assets:	
Infrastructure	\$ 1,144,839
Less accumulated depreciation	(117,962)
Total capital assets	\$ 1,026,877
Total noncurrent assets	\$ 1,026,877
Total assets	\$ 1,321,847
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 197
Total current liabilities	\$ 197
Total liabilities	\$ 197
NET ASSETS	
Invested in capital assets	\$ 1,026,877
Unrestricted (deficit)	294,773
Total net assets	\$ 1,321,650

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, 2011

	Enterprise Fund Utility Fund
OPERATING REVENUES	
Charges for services:	
Water and sewer revenue	\$ 7,246
Connection fees (operating)	850
Total operating revenues	\$ 8,096
OPERATING EXPENSES	
Utilities	\$ 4,411
Repairs and maintenance	105
Professional services	22,731
Depreciation	29,662
Total operating expenses	\$ 56,909
Operating income (loss)	\$ (48,813)
Income before contributions and transfers	\$ (48,813)
Transfers in	17,345
Change in net assets	\$ (31,468)
Total net assets - beginning	1,353,118
Total net assets - ending	\$ 1,321,650

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, 2011**

	Enterprise Fund
	Utility Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 8,676
Payments for materials and supplies	(27,553)
Net cash provided (used) by operating activities	\$ (18,877)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	\$ 17,345
Net cash provided (used) by noncapital financing activities	\$ 17,345
Net increase (decrease) in cash and cash equivalents	(1,532)
Cash and cash equivalents - beginning	\$ 295,034
Cash and cash equivalents - ending	\$ 293,502
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (48,813)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	\$ 29,662
(Increase) decrease in accounts receivable	580
Increase (decrease) in accounts payable	(306)
Total adjustments	\$ 29,936
Net cash provided (used) by operating activities	\$ (18,877)

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, 2011

	Agency Funds
ASSETS	
Cash and cash equivalents	\$ 171,069
Cash in custody of others	81,314
Total assets	\$ 252,383
LIABILITIES	
Amounts held for social services clients	\$ 27,307
Amounts held for citizens	19,894
Amounts held for performance bonds	119,868
Amounts held for library	4,000
Amounts held for inmates	81,314
Total liabilities	\$ 252,383

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

COUNTY OF FRANKLIN, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

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, 2011, the Franklin County School Board contributed \$663,093. Other organizations to which the County makes appointments and contributions are listed below:

Roanoke Valley Economic Development Partnership	\$ 96,861
Piedmont Community Services	88,932
Roanoke Valley Detention Commission	202,845
Western Virginia Regional Jail	2,271,728

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

B. Government-wide and fund financial statements

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

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

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

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

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

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

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

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

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

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

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

The County reports the following major governmental funds:

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

The County reports the following major capital projects funds:

The County capital projects fund accounts for the financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by the Proprietary Fund and the School Construction Fund. It accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for capital facilities.

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

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

Additionally, the government reports the following fund types:

Fiduciary funds account for assets held by the government in a trustee capacity or as agent or custodian for individuals, private organizations, other governmental units, or other funds. Agency funds include the Special Welfare, Road Escrow, Escrow for Soil and Erosion Control 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.

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

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

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

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

D. Assets, liabilities, and net assets or equity

1. Deposits and investments

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

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

2. Receivables and payables

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

Advances between funds, as reported in the fund financial statements, if any, are offset by 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.

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 \$456,555 at June 30, 2011 and is comprised solely of property taxes.

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

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

5. Use of Estimates

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

6. Capital assets

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

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

Property, plant, and equipment of the primary government, as well as the component 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

7. Compensated Absences

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

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

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

8. Long-term obligations

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

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

9. Fund equity

Beginning with fiscal year 2011, the County of Franklin, Virginia implemented GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more 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;
- 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 can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- 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.

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

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

9. Fund equity (continued)

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.

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

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

The governmental fund balance sheet includes a reconciliation between *fund balance-total governmental funds* and *net assets-governmental activities* as reported in the government-wide statements of net assets. One element of that reconciliation explains that long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. The details of these (\$40,758,378) and (\$2,170,792) differences for the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit
	<u> </u>	<u> </u>
Bonds payable	\$ (27,583,771)	\$ -
Literary loans payable	(4,316,500)	-
Leases payable	(333,741)	-
Premium on bond	(393,691)	-
Accrued interest payable	(589,364)	-
Landfill accrued closure and post-closure monitoring costs	(5,706,556)	-
Compensated absences	(1,375,595)	(834,612)
Other post-employment benefits	(459,160)	(1,336,180)
	<u> </u>	<u> </u>
Net adjustment to reduce <i>fund balance-total governmental funds</i> to arrive at <i>net assets-governmental activities</i>	\$ (40,758,378)	\$ (2,170,792)

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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 (\$1,702,665) and \$279,462 differences for the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit
	<u> </u>	<u> </u>
Capital outlays	\$ 2,250,606	\$ 2,390,252
Deleted assets (net of accumulated depreciation)	(324,580)	-
Depreciation expense	<u>(3,628,691)</u>	<u>(2,110,790)</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>\$ (1,702,665)</u>	<u>\$ 279,462</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 (\$2,172,070) difference in the primary government are as follows:

	<u>Primary Government</u>
Debt Issued or incurred:	
Landfill closure/post-closure care liability	\$ (949,950)
Principal repayments:	
General obligation debt	<u>3,122,020</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>\$ 2,172,070</u></u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2011

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 \$40,599 and (\$369,689) differences for the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit
(Increase) decrease in compensated absences	\$ 101,795	\$ 9,311
(Increase) decrease in accrued interest	43,930	-
Amortization of bond premium	26,980	-
Amortization of bond issuance cost	(22,106)	
(Increase) decrease in OPEB liability	<u>(110,000)</u>	<u>(379,000)</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>40,599</u>	\$ <u>(369,689)</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, 2011.

C. Deficit fund equity

At June 30, 2011, 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).

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, 2011, 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, 2011, 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, 2011, 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, 2011

Note 5-Due from Other Governmental Units:

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

	<u>Primary Government</u>	<u>Component Unit- School Board</u>
<u>Western Virginia Water Authority:</u>		
Project allocation	\$ 172,076	\$ -
<u>Commonwealth of Virginia:</u>		
Local sales tax	676,023	-
State sales tax	-	558,556
Non-categorical aid	105,713	-
Categorical aid-shared expenses	331,408	-
Categorical aid-VPA funds	202,401	-
Categorical aid-CSA funds	467,377	-
<u>Federal Government:</u>		
Categorical aid-VPA funds	249,360	-
Other categorical aid	62,797	2,129,588
Totals	<u>\$ 2,267,155</u>	<u>\$ 2,688,144</u>

Note 6-Interfund/Component-Unit Obligations:

<u>Fund</u>	<u>Due to Primary Government/ Component Unit</u>	<u>Due from Primary Government/ Component Unit</u>
Primary Government:		
General Fund	\$ -	\$ 1,097,547
Component Unit - School Board:		
School Fund	\$ 1,097,547	\$ -

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2011

Note 7-Interfund Transfers:

Interfund transfers for the year ended June 30, 2011, consisted of the following:

Fund	Transfers In	Transfers Out
Primary Government:		
General Fund	\$ -	\$ 2,737,191
Utility Fund	17,345	-
County Capital Projects Fund	1,688,778	-
E-911	1,031,068	-
	<u>2,737,191</u>	<u>2,737,191</u>
Total	<u>\$ 2,737,191</u>	<u>\$ 2,737,191</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them, to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgeting authorization. The County transfers funds to the E-911 and Capital Projects Funds as funds are needed to cover capital programs of those funds. Transfers to the Utility Fund are required to cover operating expenses of the fund.

Note 8-Long-Term Debt:

Primary Government - Governmental Activity Indebtedness:

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

Year Ending June 30,	General Obligation Bonds and Notes		Literary Fund Loans	
	Principal	Interest	Principal	Interest
2012	\$ 2,320,631	\$ 1,120,798	\$ 613,750	\$ 129,495
2013	2,276,538	1,033,370	613,750	111,083
2014	2,332,456	946,664	613,750	92,670
2015	2,383,017	857,863	613,750	74,258
2016	1,917,256	771,273	613,750	55,845
2017-2021	10,102,859	2,572,718	1,247,750	63,953
2022-2026	4,408,947	854,784	-	-
2027-2031	1,112,067	275,649	-	-
2032-2036	730,000	71,819	-	-
Totals	<u>\$ 27,583,771</u>	<u>\$ 8,504,938</u>	<u>\$ 4,316,500</u>	<u>\$ 527,304</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2011

Note 8-Long-Term Debt: (Continued)

The following is a summary of long-term debt transactions of the County for the year ended June 30, 2011.

	Balance July 1, 2010	Issuances	Retirements	Balance June 30, 2011
General Obligation				
Bonds and Notes	\$ 29,877,385	\$ -	\$ (2,293,614)	\$ 27,583,771
Premiums on bonds	420,671	-	(26,980)	393,691
Literary loans	4,930,250	-	(613,750)	4,316,500
Capital leases	548,397	-	(214,656)	333,741
Landfill closure/postclosure liability	4,756,606	949,950	-	5,706,556
Compensated absences	1,477,390	1,006,247	(1,108,043)	1,375,595
Other post-employment benefits	349,160	169,000	(59,000)	459,160
	<u>42,359,859</u>	<u>2,125,197</u>	<u>(4,316,043)</u>	<u>40,169,014</u>
Total	\$ <u>42,359,859</u>	\$ <u>2,125,197</u>	\$ <u>(4,316,043)</u>	\$ <u>40,169,014</u>

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

Total assets acquired through capital leases are as follows:

Phone system	\$ 257,668
Track excavator	283,891
Building/Planning software	310,486
Phone system-social services	54,978
Total assets	<u>\$ 907,023</u>
Accumulated Depreciation	(393,805)
Net Book Value of Assets	<u><u>\$ 513,218</u></u>

Note 8-Long-Term Debt: (continued)

Present value of future minimum lease payments:

Year Ending June 30,	Capital Leases
2012	\$ 181,742
2013	161,022
2014	12,609
Total minimum lease payments	\$ 355,373
Less: amount representing interest	(21,632)
Present value of future minimum lease payments	<u>\$ 333,741</u>

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COUNTY OF FRANKLIN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Note 8-Long-Term Debt: (continued)

Primary Government - Governmental Activity Indebtedness:

Details of long-term indebtedness:

	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Balance Governmental Activities	Amount Due Within One Year
General Obligation Bonds and Notes:						
GO bond ²	4.85-6.6%	8/1/1991	2012	\$ 1,319,970	\$ 85,607	\$ 85,607
GO bond ²	5.0-5.9%	11/16/2000	2020	6,285,526	3,415,655	304,461
GO bond ²	5.1-6.35%	5/18/2000	2021	3,400,000	1,700,000	170,000
GO bond ²	4.1-5.6%	11/10/2004	2025	2,500,000	1,750,000	125,000
GO bond ¹	3.710%	7/13/2005	2021	6,500,000	1,866,145	157,535
GO bond ²	4.225-5.1%	11/9/2006	2027	6,760,943	5,404,064	315,728
GO bond ¹	3.910%	12/20/2007	2023	4,253,000	3,601,500	240,900
GO bond ²	3.910%	12/20/2007	2023	4,897,000	4,146,800	277,400
GO bond ³	4.68%	6/12/2009	2035	2,905,000	2,845,000	65,000
Note Payable - WVCC ¹	0.00%	12/15/2009	2019	1,000,000	800,000	100,000
GO refunding bond ¹	1.615%	6/24/2010	2014	2,464,000	1,969,000	479,000
Total General Obligation Bonds and Notes					\$ 27,583,771	\$ 2,320,631
Literary Loans: (Bonded indebtedness) (School Construction) ²						
State Literary Fund Loan	3%	3/17/1997	2017	\$ 1,072,000	\$ 321,600	\$ 53,600
State Literary Fund Loan	3%	3/17/1997	2017	1,029,000	308,700	51,450
State Literary Fund Loan	3%	3/17/1997	2017	967,000	290,100	48,350
State Literary Fund Loan	3%	3/17/1997	2017	539,000	161,700	26,950
State Literary Fund Loan	3%	3/17/1997	2017	988,000	296,400	49,400
State Literary Fund Loan	3%	9/15/1997	2017	210,000	73,500	10,500
State Literary Fund Loan	3%	10/7/1997	2017	854,000	298,900	42,700
State Literary Fund Loan	3%	10/7/1997	2017	844,000	295,400	42,200
State Literary Fund Loan	3%	10/7/1997	2017	772,000	270,200	38,600
State Literary Fund Loan	3%	7/16/1998	2018	5,000,000	2,000,000	250,000
Total Literary Loans					\$ 4,316,500	\$ 613,750
Other Obligations:						
Landfill Closure/Post-closure Monitoring Costs	n/a	n/a	n/a	n/a	\$ 5,706,556	\$ -
Capital Leases	n/a	n/a	n/a	n/a	333,741	170,599
Premium on \$2,500,000 GO bond	n/a	n/a	n/a	n/a	124,076	-
Premium on \$6,760,943 GO bond	n/a	n/a	n/a	n/a	149,875	-
Premium on \$2,905,000 GO bond	n/a	n/a	n/a	n/a	119,740	-
Compensated Absences	n/a	n/a	n/a	n/a	1,375,595	1,031,696
Other post-employment benefits	n/a	n/a	n/a	n/a	459,160	-
Total Other Obligations					\$ 8,268,743	\$ 1,202,295
Total Long-term debt					\$ 40,169,014	\$ 4,136,676

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 postclosure monitoring costs, compensated absences, post employment benefits and pension obligations are generally liquidated by the General Fund.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2011

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

Discretely Presented Component Unit-School Board-Indebtedness:

The following is a summary of long-term debt transactions of the Component-Unit School Board for the year ended June 30, 2011.

	Balance July 1, 2010	Issuances	Retirements	Balance June 30, 2011
Compensated absences	\$ 843,923	\$ 623,631	\$ (632,942)	\$ 834,612
Other post-employment benefits	957,180	597,000	(218,000)	1,336,180
Total	<u>\$ 1,801,103</u>	<u>\$ 1,220,631</u>	<u>\$ (850,942)</u>	<u>\$ 2,170,792</u>

Details of long-term indebtedness:

<u>Other Obligations:</u>	Total Amount	Amount Due Within One Year
Compensated absences	\$ 834,612	\$ 625,959
Other post-employment benefits	1,336,180	-
Total Long-Term Obligations	<u>\$ 2,170,792</u>	<u>\$ 625,959</u>

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 10-Employee Retirement System and Pension Plans:

A. Plan Description

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

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. 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 10 years of service credit or at age 50 with at least five 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 10-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 that report may be downloaded from their website at <http://www.varetire.org/Pdf/Publications/2010-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% of their compensation toward their retirement. All or part of the 5% 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 2011 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% of their annual salary to the VRS. This 5% 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 2011 was 8.01% of annual covered payroll.

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

C. Annual Pension Cost

For fiscal year 2011, the County of Franklin, Virginia's annual pension cost of \$1,052,708 and \$395,172 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	6/30/2009	\$ 898,427	100.00%	\$ -
	6/30/2010	865,122	100.00%	-
	6/30/2011	1,052,708	100.00%	-
Discretely Presented-Component Unit:				
School Board Non-Professional	6/30/2009	\$ 460,501	100.00%	\$ -
	6/30/2010	462,009	100.00%	-
	6/30/2011	395,172	100.00%	-

¹ Employer portion only

The 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) 7.50% investment rate of return, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost of living adjustment of 2.50% per year. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the County of Franklin, Virginia's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County of Franklin, Virginia's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2009 for the Unfunded Actuarial Accrued Liability (UAAL) was 20 years.

D. Funded Status and Funding Progress

Primary Government:

As of June 30, 2010, the most recent actuarial valuation date, the plan was 82.28% funded. The actuarial accrued liability for benefits was \$47,085,761, and the actuarial value of assets was \$38,740,316, resulting in an unfunded actuarial accrued liability (UAAL) of \$8,345,445. The covered payroll (annual payroll of active employees covered by the plan) was \$11,548,192, and ratio of the UAAL to the covered payroll was 72.27%.

Note 10-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, 2010, the most recent actuarial valuation date, the plan was 77.47% funded. The actuarial accrued liability for benefits was \$17,249,917, and the actuarial value of assets was \$13,363,308, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,886,609. The covered payroll (annual payroll of active employees covered by the plan) was \$5,120,762, and ratio of the UAAL to the covered payroll was 75.90%.

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 that report may be downloaded from their website at <http://www.varetire.org/Pdf/Publications/2010-annual-report.pdf> or obtained by writing to the System at P.O. Box 2500, Richmond, VA, 23218-2500.

Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their annual salary to the VRS. The employer may assume this 5% member contribution. In addition, the School Board is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The School Board's contribution to the statewide cost sharing pool for professional employees, not including the 5% member contribution, was \$1,441,558, \$2,407,049, and \$3,369,227 for the fiscal years ended 2011, 2010, and 2009, respectively. Required employer contributions represented 3.93% for 2011, 8.81% for July 2009 through March 2010 and 0.00% for April through June 2010, and 8.81% for 2009 respectively.

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Note 11-Other Postemployment Benefits (OPEB):

From an accrual accounting perspective, the cost of post-employment health care benefits (OPEB), like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in future years when it will be paid. In adopting the requirements of GASB Statement No. 45, 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 11-Other Postemployment Benefits (OPEB): (continued)

Primary Government (continued)

C. Annual OPEB Cost

For 2011, the County's annual contribution of \$59,000 did not equal the annual OPEB cost of \$169,000. The obligation calculation is as follows:

Annual required contribution	\$ 170,000
Interest on net OPEB obligation	14,000
Adjustment to annual required contribution	(15,000)
Annual OPEB cost (expense)	<u>169,000</u>
Contributions made	<u>59,000</u>
Increase in net OPEB obligation	110,000
Net OPEB obligation - beginning of year	<u>349,160</u>
Net OPEB obligation - ending of year	\$ 459,160

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2009	\$ 208,000	16.35%	\$ 174,000
6/30/2010	\$ 209,160	16.26%	\$ 349,160
6/30/2011	\$ 169,000	34.91%	\$ 459,160

D. Funded Status and Funding Progress

The funded status of the Plan as of July 1, 2010 (the most recent valuation), was as follows:

Actuarial accrued liability (AAL)	\$ 1,596,000
Actuarial value of plan assets	\$ -
Unfunded actuarial accrued liability (UAAL)	\$ 1,596,000
Funded ratio (actuarial value of plan assets/AAL)	0.00%
Covered payroll (active plan members)	\$ 11,548,192
UAAL as a percentage of covered payroll	13.82%

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

Primary Government (continued)

D. Funded Status and Funding Progress (continued)

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

E. Actuarial methods and Assumptions

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

In the July 1, 2010, 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, 2010, was 30 years.

Component Unit: School Board

A. Plan Description

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

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

Component Unit: School Board: (continued)

B. Funding Policy

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

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

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

C. Annual OPEB Cost

For 2011, the Board's annual contribution of \$218,000 did not equal the annual OPEB cost of \$597,000. The obligation calculation is as follows:

Annual required contribution	\$ 599,000
Interest on net OPEB obligation	36,932
Adjustment to annual required contribution	(38,932)
Annual OPEB cost (expense)	597,000
Contributions made	218,000
Increase in net OPEB obligation	379,000
Net OPEB obligation - beginning of year	957,180
Net OPEB obligation - ending of year	\$ 1,336,180

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2011

Note 11-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 2011 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2009	\$ 698,000	31.66%	\$ 477,000
6/30/2010	\$ 701,180	31.52%	\$ 957,180
6/30/2011	\$ 597,000	36.52%	\$ 1,336,180

D. Funded Status and Funding Progress

The funded status of the Plan as of July 1, 2010 (the most recent valuation), was as follows:

Actuarial accrued liability (AAL)	\$ 5,752,000
Actuarial value of plan assets	\$ -
Unfunded actuarial accrued liability (UAAL)	\$ 5,752,000
Funded ratio (actuarial value of plan assets/AAL)	0.00%
Covered payroll (active plan members)	\$ 41,614,357
UAAL as a percentage of covered payroll	13.82%

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

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

Component Unit: School Board: (continued)

E. Actuarial methods and Assumptions

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

In the July 1, 2010, 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, 2010, was 30 years.

Note 12-Unearned Revenue:

Unearned revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Unearned revenue totaling \$2,606,014 is comprised of the following:

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2011, but paid in advance by the taxpayers totaled \$44,977 at June 30, 2011.

Uncollected Taxes – Property taxes receivable not collected within 60 days after year end are reflected as deferred revenues. These taxes totaled \$2,561,037 at June 30, 2011.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2011

Note 13-Capital Assets:

Capital asset activity for the year ended June 30, 2011 was as follows:

Primary Government:

	Beginning Balance, as restated	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 6,132,002	\$ 36,614	\$ (292,118)	\$ 5,876,498
Construction in progress	7,967,967	653,585	(7,749,886)	871,666
Total capital assets not being depreciated	<u>\$ 14,099,969</u>	<u>\$ 690,199</u>	<u>\$ (8,042,004)</u>	<u>\$ 6,748,164</u>
Capital assets, being depreciated:				
Buildings	\$ 61,787,067	\$ 8,022,784	\$ -	\$ 69,809,851
Machinery and equipment	21,516,547	1,287,509	(468,469)	22,335,587
Total capital assets being depreciated	<u>\$ 83,303,614</u>	<u>\$ 9,310,293</u>	<u>\$ (468,469)</u>	<u>\$ 92,145,438</u>
Less: accumulated depreciation for:				
Buildings	\$ (14,095,829)	\$ (1,754,436)	\$ -	\$ (15,850,265)
Machinery and equipment	(13,310,056)	(1,874,255)	436,007	(14,748,304)
Total accumulated depreciation	<u>\$ (27,405,885)</u>	<u>\$ (3,628,691)</u>	<u>\$ 436,007</u>	<u>\$ (30,598,569)</u>
Total capital assets being depreciated, net	<u>\$ 55,897,729</u>	<u>\$ 5,681,602</u>	<u>\$ (32,462)</u>	<u>\$ 61,546,869</u>
Governmental activities capital assets, net	<u>\$ 69,997,698</u>	<u>\$ 6,371,801</u>	<u>\$ (8,074,466)</u>	<u>\$ 68,295,033</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2011

Note 13-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	\$	\$ -	\$ 1,144,839
Total capital assets being depreciated	<u>\$ 1,144,839</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,144,839</u>
Less: accumulated depreciation for:				
Infrastructure	\$ (88,300)	\$ (29,662)	\$ -	\$ (117,962)
Total accumulated depreciation	<u>\$ (88,300)</u>	<u>\$ (29,662)</u>	<u>\$ -</u>	<u>\$ (117,962)</u>
Total capital assets being depreciated, net	<u>\$ 1,056,539</u>	<u>\$ (29,662)</u>	<u>\$ -</u>	<u>\$ 1,026,877</u>
Business-type activities capital assets, net	<u><u>\$ 1,056,539</u></u>	<u><u>\$ (29,662)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,026,877</u></u>

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Note 13-Capital Assets: (continued)

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

Governmental activities:		
General government administration	\$	207,640
Judicial administration		88,505
Public safety		1,227,015
Public works		619,283
Health and welfare		50,078
Education		984,397
Parks, recreation, and cultural		284,094
Community development		<u>167,679</u>
Total depreciation expense-governmental activities	\$	<u><u>3,628,691</u></u>
Business-type activities		
Utility fund	\$	<u><u>29,662</u></u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2011

Note 13-Capital Assets: (continued)

Capital asset activity for the School Board for the year ended June 30, 2011 was as follows:

Discretely Presented Component Unit:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 725,315	\$ -	\$ -	\$ 725,315
Construction in progress	<u>610,574</u>	<u>389,025</u>	<u>(999,599)</u>	<u>-</u>
Total capital assets not being depreciated	<u>\$ 1,335,889</u>	<u>\$ 389,025</u>	<u>\$ (999,599)</u>	<u>\$ 725,315</u>
Capital assets, being depreciated:				
Buildings	\$ 31,003,973	\$ 1,466,680	\$ -	\$ 32,470,653
Machinery and equipment	<u>13,272,900</u>	<u>1,534,146</u>	<u>(327,000)</u>	<u>14,480,046</u>
Total capital assets being depreciated	<u>\$ 44,276,873</u>	<u>\$ 3,000,826</u>	<u>\$ (327,000)</u>	<u>\$ 46,950,699</u>
Less: accumulated depreciation for:				
Buildings	\$ (17,332,360)	\$ (803,188)	\$ -	\$ (18,135,548)
Machinery and equipment	<u>(8,404,837)</u>	<u>(1,307,602)</u>	<u>327,000</u>	<u>(9,385,439)</u>
Total accumulated depreciation	<u>\$ (25,737,197)</u>	<u>\$ (2,110,790)</u>	<u>\$ 327,000</u>	<u>\$ (27,520,987)</u>
Total capital assets being depreciated, net	<u>\$ 18,539,676</u>	<u>\$ 890,036</u>	<u>\$ -</u>	<u>\$ 19,429,712</u>
Governmental activities capital assets, net	<u>\$ 19,875,565</u>	<u>\$ 1,279,061</u>	<u>\$ (999,599)</u>	<u>\$ 20,155,027</u>

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

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Note 14-Risk Management:

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

Note 15-Contingent Liabilities:

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

Note 16-Surety Bonds:

Primary Government:

<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
Ewell A. Hunt, Sheriff	30,000
All constitutional officers' employees: blanket bond	50,000
All Social Services employees-blanket bond	100,000

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2011

Note 16-Surety Bonds: (continued)

Component Unit – School Board:

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

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

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site after closure. The estimated total cost necessary to close and monitor the landfill is \$6,959,214. \$5,706,556 is the estimated closure and post-closure care liability at June 30, 2011 based on the capacity used as of the same date. The County will recognize the remaining closure and post-closure care totaling \$1,252,659 over the remaining useful life of the landfill which is one year. The landfill has reached 82% of capacity and the County expects to close the landfill in 2012. This represents what it would cost to perform closure and post-closure care in 2011. 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 18 – 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, 2011</u>	<u>Funding Source</u>
Commerce Center Industrial Park	\$ 1,402,992	\$ 402,181	Grant and Local Funds

Note 19 – Subsequent Events:

Subsequent events were evaluated through January 3, 2012.

Note 20 – Arbitrage Rebate Compliance:

As of June 30, 2011 and for the year then ended, the County was not liable for any amounts due under current rules governing arbitrage earnings.

Note 21 – Restatement of Beginning Balance:

The County performed a detailed review of capital assets held in the County's name as of June 30, 2010 and determined that several assets (generally land) were not properly reflected in the financial statements at cost. The restatement below was necessary to post these assets to the books.

	Primary Government
Beginning net assets, as previously reported	\$ 60,618,877
To add unrecorded fixed assets (net of depreciation)	2,048,332
Beginning net assets, as restated	<u>\$ 62,667,209</u>

Note 22-New Accounting Standards:

The Government Accounting Standards Board (GASB) has issued Statement No. 57 *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. The objective of this Statement is to address issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans (that is, agent employers). 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, 2012.

The Government Accounting Standards Board (GASB) has issued Statement No. 60 *Accounting and Financial Reporting for Service Concession Arrangements*. The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. As used in this Statement, an SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. 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, 2012.

Note 22-New Accounting Standards: (continued)

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.

The Government Accounting Standards Board (GASB) has issued Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. 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.

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, 2011**

Primary Government: County Retirement Plan

Valuation as of	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets as % of AAL (2)/(3)	Annual Covered Payroll	UAAL as a % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
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%
June 30, 2008	36,560,423	38,771,088	2,210,665	94.30%	11,648,075	18.98%

Discretely Presented Component Unit:

School Board Non-Professional Retirement Plan

Valuation as of	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets as % of AAL (2)/(3)	Annual Covered Payroll	UAAL as a % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
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%
June 30, 2008	12,440,126	14,068,566	1,628,440	88.42%	4,537,430	35.89%

County Healthcare Plan*

Valuation as of*	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets as % of AAL (2)/(3)	Annual Covered Payroll	UAAL as a % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
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*	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets as % of AAL (2)/(3)	Annual Covered Payroll	UAAL as a % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
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%

*Only one year of data available

County of Franklin, Virginia
 General Fund
 Schedule of Revenues, Expenditures, and Change in Fund Balances - Budget and Actual
 For the Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 43,783,719	\$ 43,783,719	\$ 45,277,434	\$ 1,493,715
Other local taxes	7,348,500	7,348,500	7,763,468	414,968
Permits, privilege fees, and regulatory licenses	340,000	340,000	359,111	19,111
Fines and forfeitures	31,300	31,300	13,032	(18,268)
Revenue from the use of money and property	873,000	873,000	1,068,745	195,745
Charges for services	1,816,623	1,974,245	2,116,101	141,856
Miscellaneous	281,000	292,028	236,919	(55,109)
Recovered costs	523,026	736,296	683,734	(52,562)
Intergovernmental revenues:				
Commonwealth	17,464,369	15,492,875	14,982,204	(510,671)
Federal	65,659	2,653,860	2,640,252	(13,608)
Total revenues	\$ 72,527,196	\$ 73,525,823	\$ 75,141,000	\$ 1,615,177
EXPENDITURES				
Current:				
General government administration	\$ 3,997,292	\$ 5,033,345	\$ 4,254,794	\$ 778,551
Judicial administration	2,382,048	2,463,298	2,273,717	189,581
Public safety	11,913,012	13,659,812	11,912,792	1,747,020
Public works	3,317,918	5,005,472	3,722,272	1,283,200
Health and welfare	11,089,719	11,302,989	10,854,862	448,127
Education	27,517,712	30,249,376	30,198,128	51,248
Parks, recreation, and cultural	1,844,963	2,198,808	1,733,929	464,879
Community development	2,512,625	4,724,041	3,021,430	1,702,611
Nondepartmental	260,000	240,000	135	239,865
Debt service:				
Principal retirement	3,238,744	3,022,022	3,022,020	2
Interest and other fiscal charges	1,471,268	1,477,915	1,362,326	115,589
Total expenditures	\$ 69,545,301	\$ 79,377,078	\$ 72,356,405	\$ 7,020,673
Excess (deficiency) of revenues over (under) expenditures	\$ 2,981,895	\$ (5,851,255)	\$ 2,784,595	\$ 8,635,850
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ 1,974,343	\$ -	\$ (1,974,343)
Transfers out	(2,981,895)	-	(2,737,191)	(2,737,191)
Total other financing sources and uses	\$ (2,981,895)	\$ 1,974,343	\$ (2,737,191)	\$ (4,711,534)
Net change in fund balances	\$ -	\$ (3,876,912)	\$ 47,404	\$ 3,924,316
Fund balances - beginning	-	3,876,912	19,872,220	15,995,308
Fund balances - ending	\$ -	\$ -	\$ 19,919,624	\$ 19,919,624

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, 2011

	County Capital Projects			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ -	\$ 2,739	\$ 2,739	\$ -
Miscellaneous	-	326,883	335,549	8,666
Intergovernmental revenues:				
Commonwealth	-	417,082	1,864,448	1,447,366
Federal	-	808,584	597,050	(211,534)
Total revenues	<u>\$ -</u>	<u>\$ 1,555,288</u>	<u>\$ 2,799,786</u>	<u>\$ 1,244,498</u>
EXPENDITURES				
Capital projects	\$ 1,395,200	\$ 12,905,621	\$ 2,789,345	10,116,276
Education:				
Contribution to County School Board	-	615,076	615,076	-
Debt service:				
Principal retirement	100,000	100,000	100,000	-
Total expenditures	<u>\$ 1,495,200</u>	<u>\$ 13,620,697</u>	<u>\$ 3,504,421</u>	<u>\$ 10,116,276</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (1,495,200)</u>	<u>\$ (12,065,409)</u>	<u>\$ (704,635)</u>	<u>\$ 11,360,774</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 1,495,200	\$ -	\$ 1,688,778	\$ 1,688,778
Transfers out	-	(3,022,756)	-	3,022,756
Proceeds of general obligation bonds	-	834,769	-	(834,769)
Total other financing sources and uses	<u>\$ 1,495,200</u>	<u>\$ (2,187,987)</u>	<u>\$ 1,688,778</u>	<u>\$ 3,876,765</u>
Net change in fund balances	\$ -	\$ (14,253,396)	\$ 984,143	\$ 15,237,539
Fund balances - beginning	-	14,253,396	13,037,850	(1,215,546)
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,021,993</u>	<u>\$ 14,021,993</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
 Major Capital Projects Fund
 For the Year Ended June 30, 2011

	<u>School Construction</u>			Variance with Final Budget Positive (Negative)
	<u>Budgeted Amounts</u>		<u>Actual</u>	
	<u>Original</u>	<u>Final</u>		
REVENUES				
Revenue from the use of money and property	\$ -	\$ 111	\$ 111	\$ -
Total revenues	\$ -	\$ 111	\$ 111	\$ -
EXPENDITURES				
Capital projects	\$ -	\$ 295,566	\$ 295,566	\$ -
Total expenditures	\$ -	\$ 295,566	\$ 295,566	\$ -
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ (295,455)	\$ (295,455)	\$ -
Net change in fund balances	\$ -	\$ (295,455)	\$ (295,455)	\$ -
Fund balances - beginning	-	295,455	295,455	-
Fund balances - ending	\$ -	\$ -	\$ -	\$ -

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, 2011

	E-911 Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Other local taxes	\$ 800	\$ 800	\$ 1,907	\$ 1,107
Miscellaneous	-	-	77	77
Intergovernmental revenues:				
Commonwealth	46,000	54,327	72,206	17,879
Total revenues	<u>\$ 46,800</u>	<u>\$ 55,127</u>	<u>\$ 74,190</u>	<u>\$ 19,063</u>
EXPENDITURES				
Current:				
Public safety	\$ 1,077,868	\$ 1,132,562	\$ 1,123,010	\$ 9,552
Total expenditures	<u>\$ 1,077,868</u>	<u>\$ 1,132,562</u>	<u>\$ 1,123,010</u>	<u>\$ 9,552</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (1,031,068)</u>	<u>\$ (1,077,435)</u>	<u>\$ (1,048,820)</u>	<u>\$ 28,615</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 1,031,068	\$ 1,031,068	\$ 1,031,068	-
Total other financing sources and uses	<u>\$ 1,031,068</u>	<u>\$ 1,031,068</u>	<u>\$ 1,031,068</u>	<u>\$ -</u>
Net change in fund balances	\$ -	\$ (46,367)	\$ (17,752)	\$ 28,615
Fund balances - beginning	-	46,367	46,367	-
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,615</u>	<u>\$ 28,615</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, 2011

	<u>Agency Funds</u>					<u>Total</u>
	<u>Special Welfare</u>	<u>Road Escrow Fund</u>	<u>Escrow Fund for Soil and Erosion Control Agreement</u>	<u>Library Fund</u>	<u>Inmate trust and Canteen Account Fund</u>	
ASSETS						
Cash and cash equivalents	\$ 27,307	\$ 19,894	\$ 119,868	\$ 4,000	\$ -	\$ 171,069
Cash in custody of others	-	-	-	-	81,314	81,314
Total assets	<u>\$ 27,307</u>	<u>\$ 19,894</u>	<u>\$ 119,868</u>	<u>\$ 4,000</u>	<u>\$ 81,314</u>	<u>\$ 252,383</u>
LIABILITIES						
Amounts held for social services clients	\$ 27,307	-	-	-	-	\$ 27,307
Amounts held for citizens	-	19,894	-	-	-	19,894
Amounts held for performance bonds	-	-	119,868	-	-	119,868
Amounts held in escrow for Library	-	-	-	4,000	-	4,000
Amounts held for inmates	-	-	-	-	81,314	81,314
Total liabilities	<u>\$ 27,307</u>	<u>\$ 19,894</u>	<u>\$ 119,868</u>	<u>\$ 4,000</u>	<u>\$ 81,314</u>	<u>\$ 252,383</u>

County of Franklin, Virginia
Combining Statement of Changes in Assets and Liabilities
Fiduciary Funds
For the Year Ended June 30, 2011

	<u>Agency Funds</u>			
	<u>Balance</u> <u>July 1,</u> <u>2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30,</u> <u>2011</u>
ASSETS				
Cash and cash equivalents:				
Special Welfare Fund	\$ 24,135	\$ 92,620	\$ 89,448	\$ 27,307
Road Escrow Fund	19,869	25	-	19,894
Escrow Fund for Soil and Erosion Control Agreement	188,556	63,732	132,420	119,868
Library Fund	4,000	-	-	4,000
Fish Virginia Program	(62,087)	138,911	85,425	(8,601)
Cash in custody of others				
Inmate Trust and Canteen Funds	75,582	170,523	164,791	81,314
Receivables:				
Other receivables	62,087	(138,911)	(85,425)	8,601
Total assets	<u>\$ 312,142</u>	<u>\$ 326,900</u>	<u>\$ 386,659</u>	<u>\$ 252,383</u>
LIABILITIES				
Amounts held for others:				
Social services clients	\$ 24,135	\$ 92,620	\$ 89,448	\$ 27,307
Citizens	19,869	25	-	19,894
Performance bonds	188,556	63,732	132,420	119,868
Library	4,000	-	-	4,000
Inmates	75,582	170,523	164,791	81,314
Total liabilities	<u>\$ 312,142</u>	<u>\$ 326,900</u>	<u>\$ 386,659</u>	<u>\$ 252,383</u>

DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD

MAJOR GOVERNMENTAL FUNDS

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

County of Franklin, Virginia
Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2011

	School Operating Fund
ASSETS	
Cash in custody of others	\$ 321,161
Due from other governmental units	2,688,144
Total assets	\$ 3,009,305
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	\$ 717,389
Accrued liabilities	517,893
Due to primary government	1,097,547
Total liabilities	\$ 2,332,829
Fund balances:	
Unassigned	\$ 676,476
Total fund balances	\$ 676,476
Total liabilities and fund balances	\$ 3,009,305
Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:	
Total fund balances per above	\$ 676,476
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	20,155,027
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(2,170,792)
Net assets of governmental activities	\$ 18,660,711

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, 2011

	School Operating Fund
REVENUES	
Charges for services	\$ 2,302,496
Miscellaneous	101,809
Recovered costs	596,212
Intergovernmental revenues:	
Local government	30,813,204
Commonwealth	35,292,214
Federal	7,883,617
Total revenues	\$ 76,989,552
EXPENDITURES	
Current:	
Education	\$ 76,687,075
Total expenditures	\$ 76,687,075
Excess (deficiency) of revenues over (under) expenditures	\$ 302,477
OTHER FINANCING SOURCES (USES)	
Sale of capital assets	\$ 52,840
Total other financing sources and uses	\$ 52,840
Net change in fund balances	\$ 355,317
Fund balances - beginning	321,159
Fund balances - ending	\$ 676,476
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	\$ 355,317
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.	279,462
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.	(369,689)
Change in net assets of governmental activities	\$ 265,090

Supporting Schedules

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, 2011

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Charges for services	\$ 3,125,974	\$ 3,145,385	\$ 2,302,496	\$ (842,889)
Miscellaneous	184,573	184,573	101,809	(82,764)
Recovered costs	507,632	525,632	596,212	70,580
Intergovernmental revenues:				
Local government	27,510,446	30,897,514	30,813,204	(84,310)
Commonwealth	34,994,511	35,273,938	35,292,214	18,276
Federal	7,576,052	9,071,525	7,883,617	(1,187,908)
Total revenues	<u>\$ 73,899,188</u>	<u>\$ 79,098,567</u>	<u>\$ 76,989,552</u>	<u>\$ (2,109,015)</u>
EXPENDITURES				
Current:				
Education	\$ 73,905,565	\$ 79,104,944	\$ 76,687,075	\$ 2,417,869
Total expenditures	<u>\$ 73,905,565</u>	<u>\$ 79,104,944</u>	<u>\$ 76,687,075</u>	<u>\$ 2,417,869</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (6,377)</u>	<u>\$ (6,377)</u>	<u>\$ 302,477</u>	<u>\$ 308,854</u>
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	\$ 6,377	\$ 6,377	\$ 52,840	\$ 46,463
Total other financing sources and uses	<u>\$ 6,377</u>	<u>\$ 6,377</u>	<u>\$ 52,840</u>	<u>\$ 46,463</u>
Net change in fund balances	\$ -	\$ -	\$ 355,317	\$ 355,317
Fund balances - beginning	-	-	321,159	321,159
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 676,476</u>	<u>\$ 676,476</u>

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

County of Franklin, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2011

Schedule 1
 Page 1 of 7

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Primary Government:				
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 35,214,412	\$ 35,214,412	\$ 36,220,521	\$ 1,006,109
Real and personal public service corporation taxes	715,000	715,000	721,759	6,759
Personal property taxes	6,140,307	6,140,307	6,456,282	315,975
Mobile home taxes	195,000	195,000	208,800	13,800
Machinery and tools taxes	485,000	485,000	516,887	31,887
Merchant's capital	634,000	634,000	600,747	(33,253)
Penalties	250,000	250,000	359,230	109,230
Interest	150,000	150,000	193,208	43,208
Total general property taxes	<u>\$ 43,783,719</u>	<u>\$ 43,783,719</u>	<u>\$ 45,277,434</u>	<u>\$ 1,493,715</u>
Other local taxes:				
Local sales and use taxes	\$ 3,360,000	\$ 3,360,000	\$ 3,795,733	\$ 435,733
Consumers' utility taxes	965,000	965,000	972,419	7,419
Business license taxes	4,500	4,500	3,829	(671)
Utility license taxes	200,000	200,000	231,833	31,833
Motor vehicle licenses	1,227,000	1,227,000	1,182,088	(44,912)
Bank stock taxes	106,000	106,000	123,267	17,267
Taxes on recordation and wills	575,000	575,000	500,736	(74,264)
Hotel and motel room taxes	101,000	101,000	97,056	(3,944)
Local probate tax	10,000	10,000	13,125	3,125
Restaurant food taxes	800,000	800,000	843,382	43,382
Total other local taxes	<u>\$ 7,348,500</u>	<u>\$ 7,348,500</u>	<u>\$ 7,763,468</u>	<u>\$ 414,968</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 30,000	\$ 30,000	\$ 27,059	\$ (2,941)
Zoning and planning fees	42,000	42,000	41,662	(338)
Erosion and sediment control	20,000	20,000	18,295	(1,705)
Building permits	233,000	233,000	254,951	21,951
Land use application fees	15,000	15,000	15,240	240
Transfer fees	-	-	1,904	1,904
Total permits, privilege fees, and regulatory licenses	<u>\$ 340,000</u>	<u>\$ 340,000</u>	<u>\$ 359,111</u>	<u>\$ 19,111</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 31,300	\$ 31,300	\$ 13,032	\$ (18,268)
Total fines and forfeitures	<u>\$ 31,300</u>	<u>\$ 31,300</u>	<u>\$ 13,032</u>	<u>\$ (18,268)</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 800,000	\$ 800,000	\$ 967,555	\$ 167,555
Revenue from use of property	73,000	73,000	101,190	28,190
Total revenue from use of money and property	<u>\$ 873,000</u>	<u>\$ 873,000</u>	<u>\$ 1,068,745</u>	<u>\$ 195,745</u>
Charges for services:				
Charges for courthouse security	\$ 65,000	\$ 65,000	\$ 67,328	\$ 2,328
Charges for courthouse maintenance	12,000	12,000	20,614	8,614
Charges for law enforcement and traffic control	21,000	21,000	64,315	43,315
Excess Clerk of Court fees	44,000	44,000	14,707	(29,293)
Charges for Commonwealth's Attorney	2,890	2,890	2,879	(11)

County of Franklin, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2011

Schedule 1
 Page 2 of 7

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Primary Government: (Continued)				
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Charges for services: (Continued)				
Prisoner's board	\$ 9,000	\$ 9,000	\$ 8,900	\$ (100)
Miscellaneous jail and inmate fees	-	-	751	751
Miscellaneous animal fees	4,000	4,000	6,678	2,678
Charges for private landfills	25,000	25,000	24,888	(112)
Charges for sale of maps and codes and copies	20,000	20,000	13,445	(6,555)
Charges for emergency medical services billing	850,000	1,007,622	1,007,649	27
Charges for sanitation and waste removal	595,000	595,000	731,070	136,070
Charges for parks and recreation	78,500	78,500	76,951	(1,549)
Charges for aging services	25,233	25,233	16,986	(8,247)
Charges for library	33,000	33,000	26,455	(6,545)
Charges for law library	12,000	12,000	13,666	1,666
Charges for concealed weapons permits	20,000	20,000	18,819	(1,181)
Total charges for services	<u>\$ 1,816,623</u>	<u>\$ 1,974,245</u>	<u>\$ 2,116,101</u>	<u>\$ 141,856</u>
Miscellaneous revenue:				
Miscellaneous	\$ 281,000	\$ 292,028	\$ 236,919	\$ (55,109)
Total miscellaneous revenue	<u>\$ 281,000</u>	<u>\$ 292,028</u>	<u>\$ 236,919</u>	<u>\$ (55,109)</u>
Recovered costs:				
Health department	\$ 139,720	\$ 139,720	\$ 66,607	\$ (73,113)
Court reporting fees	60,000	60,000	46,754	(13,246)
Armory reimbursement	15,000	15,000	5,268	(9,732)
School resource officer	86,658	86,658	90,413	3,755
Office on youth	-	213,270	252,137	38,867
Advertising	-	-	155	155
Blue ridge soil and water	221,648	221,648	222,400	752
Total recovered costs	<u>\$ 523,026</u>	<u>\$ 736,296</u>	<u>\$ 683,734</u>	<u>\$ (52,562)</u>
Total revenue from local sources	<u>\$ 54,997,168</u>	<u>\$ 55,379,088</u>	<u>\$ 57,518,544</u>	<u>\$ 2,139,456</u>
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle carrier tax (rolling stock)	\$ 37,000	\$ 37,000	\$ 36,921	\$ (79)
Mobile home titling tax	85,000	85,000	86,235	1,235
Grantor's tax	140,000	140,000	126,982	(13,018)
Motor vehicle rental tax	25,000	25,000	45,687	20,687
Communications tax	2,300,000	2,300,000	2,312,774	12,774
State recordation tax	200,000	200,000	211,670	11,670
Personal property tax relief funds	2,626,618	2,626,618	2,626,618	-
Total noncategorical aid	<u>\$ 5,413,618</u>	<u>\$ 5,413,618</u>	<u>\$ 5,446,887</u>	<u>\$ 33,269</u>
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 485,609	\$ 490,722	\$ 509,337	\$ 18,615
Sheriff	3,118,093	3,118,093	3,074,959	(43,134)
Commissioner of revenue	144,611	144,611	146,980	2,369
Treasurer	135,140	135,140	143,960	8,820
Registrar/electoral board	53,777	53,777	48,101	(5,676)
Clerk of the Circuit Court	318,880	356,098	373,824	17,726
Reduction in State aid to localities	-	-	(208,264)	(208,264)
Total shared expenses	<u>\$ 4,256,110</u>	<u>\$ 4,298,441</u>	<u>\$ 4,088,897</u>	<u>\$ (209,544)</u>

County of Franklin, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2011

Schedule 1
 Page 3 of 7

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Primary Government: (Continued)				
General Fund: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Other categorical aid:				
Public assistance and welfare administration	\$ 4,590,228	\$ 2,044,255	\$ 1,915,768	\$ (128,487)
Comprehensive services act	2,627,669	2,627,669	2,531,148	(96,521)
Asset forfeiture funds	20,000	20,000	21,162	1,162
Office on youth-juvenile	22,432	22,432	20,040	(2,392)
Family resource center-family violence prevention	178,338	178,338	87,771	(90,567)
Family resource center-DHCD shelter grant	-	-	29,221	29,221
Four for life	-	57,215	57,215	-
Asset forfeiture funds	5,000	5,000	-	(5,000)
Library grants	158,301	151,528	143,244	(8,284)
Workforce development grants	63,000	63,000	41,668	(21,332)
Parks and recreation grant	-	5,000	5,000	-
Litter control grant	-	14,585	14,585	-
Animal friendly plates	-	1,161	1,162	1
VDA grant	-	-	67,449	67,449
Drug enhancement grant	16,328	16,328	14,070	(2,258)
Department of Emergency Management grant	-	110,960	114,471	3,511
Tobacco Commission Funds	-	250,000	250,000	-
Governors Opportunity Funds	-	100,000	100,000	-
Other categorical aid	113,345	113,345	32,446	(80,899)
Total other categorical aid	<u>\$ 7,794,641</u>	<u>\$ 5,780,816</u>	<u>\$ 5,446,420</u>	<u>\$ (334,396)</u>
Total categorical aid	<u>\$ 12,050,751</u>	<u>\$ 10,079,257</u>	<u>\$ 9,535,317</u>	<u>\$ (543,940)</u>
Total revenue from the Commonwealth	<u>\$ 17,464,369</u>	<u>\$ 15,492,875</u>	<u>\$ 14,982,204</u>	<u>\$ (510,671)</u>
Revenue from the federal government:				
Non-categorical aid:				
Payments in lieu of taxes	\$ 16,575	\$ 16,575	\$ 17,096	\$ 521
Total non-categorical aid	<u>\$ 16,575</u>	<u>\$ 16,575</u>	<u>\$ 17,096</u>	<u>\$ 521</u>
Categorical aid:				
Department of Health and Human Services payments	\$ -	\$ 2,545,973	\$ 2,545,973	\$ -
Temporary assistance for needy families	14,500	14,500	10,907	(3,593)
Emergency management performance grant	34,584	34,584	34,584	-
DCJS grant	-	42,228	31,692	(10,536)
Total categorical aid	<u>\$ 49,084</u>	<u>\$ 2,637,285</u>	<u>\$ 2,623,156</u>	<u>\$ (14,129)</u>
Total revenue from the federal government	<u>\$ 65,659</u>	<u>\$ 2,653,860</u>	<u>\$ 2,640,252</u>	<u>\$ (13,608)</u>
Total General Fund	<u>\$ 72,527,196</u>	<u>\$ 73,525,823</u>	<u>\$ 75,141,000</u>	<u>\$ 1,615,177</u>

County of Franklin, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2011

<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:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of property	\$ -	\$ 2,739	\$ 2,739	\$ -
Total revenue from use of money and property	\$ -	\$ 2,739	\$ 2,739	\$ -
Miscellaneous revenue:				
Contribution from the Town of Rocky Mount	\$ -	\$ 50,000	\$ 50,000	\$ -
Contribution from the Western Va. Water Authority	-	253,619	262,285	8,666
Miscellaneous	-	23,264	23,264	-
Total miscellaneous revenue	\$ -	\$ 326,883	\$ 335,549	\$ 8,666
Total revenue from local sources	\$ -	\$ 329,622	\$ 338,288	\$ 8,666
Revenue from the Commonwealth:				
Categorical aid:				
Other categorical aid:				
Tobacco commission funds	\$ -	\$ -	\$ 1,254,359	\$ 1,254,359
Virginia fire programs	-	117,082	130,947	13,865
Wireless board funds	-	300,000	479,142	179,142
Total other categorical aid	\$ -	\$ 417,082	\$ 1,864,448	\$ 1,447,366
Total categorical aid	\$ -	\$ 417,082	\$ 1,864,448	\$ 1,447,366
Total revenue from the Commonwealth	\$ -	\$ 417,082	\$ 1,864,448	\$ 1,447,366
Revenue from the federal government:				
Categorical aid:				
Leaking Underground Storage Tank Trust Fund Corrective Action Plan	\$ -	\$ 354,561	\$ 363,868	\$ 9,307
Community facilities grant	-	50,000	50,000	-
Community Development Block Grant	-	220,841	-	(220,841)
STAG Grant	-	183,182	183,182	-
Total categorical aid	\$ -	\$ 808,584	\$ 597,050	\$ (211,534)
Total revenue from the federal government	\$ -	\$ 808,584	\$ 597,050	\$ (211,534)
Total County Capital Projects Fund	\$ -	\$ 1,555,288	\$ 2,799,786	\$ 1,244,498
Special Revenue Fund:				
E-911 Fund:				
Revenue from local sources:				
Other local taxes:				
E-911 taxes	\$ 800	\$ 800	\$ 1,907	\$ 1,107
Total other local taxes	\$ 800	\$ 800	\$ 1,907	\$ 1,107
Miscellaneous revenue:				
Other miscellaneous	\$ -	\$ -	\$ 77	\$ 77
Total miscellaneous revenue	\$ -	\$ -	\$ 77	\$ 77
Total revenue from local sources	\$ 800	\$ 800	\$ 1,984	\$ 1,184

County of Franklin, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2011

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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)				
Special Revenue Fund: (Continued)				
E-911 Fund: (Continued)				
Categorical aid:				
Wireless board reimbursement	\$ 46,000	\$ 54,327	\$ 72,206	\$ 17,879
Total categorical aid	<u>\$ 46,000</u>	<u>\$ 54,327</u>	<u>\$ 72,206</u>	<u>\$ 17,879</u>
 Total revenue from the Commonwealth	 <u>\$ 46,000</u>	 <u>\$ 54,327</u>	 <u>\$ 72,206</u>	 <u>\$ 17,879</u>
 Total E-911 Fund	 <u>\$ 46,800</u>	 <u>\$ 55,127</u>	 <u>\$ 74,190</u>	 <u>\$ 19,063</u>
 Capital Projects Fund:				
School Construction Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ 111	\$ 111	\$ -
Total revenue from use of money and property	<u>\$ -</u>	<u>\$ 111</u>	<u>\$ 111</u>	<u>\$ -</u>
 Total revenue from local sources	 <u>\$ -</u>	 <u>\$ 111</u>	 <u>\$ 111</u>	 <u>\$ -</u>
 Total School Construction Fund	 <u>\$ -</u>	 <u>\$ 111</u>	 <u>\$ 111</u>	 <u>\$ -</u>
 Total Primary Government	 <u>\$ 72,573,996</u>	 <u>\$ 75,136,349</u>	 <u>\$ 78,015,087</u>	 <u>\$ 2,878,738</u>
 Discretely Presented Component Unit - School Board:				
Special Revenue Funds:				
School Operating Fund:				
Revenue from local sources:				
Charges for services:				
Other charges for education	\$ -	\$ -	\$ 55,670	\$ 55,670
Cafeteria sales	2,603,120	2,603,120	1,605,967	(997,153)
Payments from other localities	522,854	522,854	625,302	102,448
Cannery fees	-	19,411	15,557	(3,854)
Total charges for services	<u>\$ 3,125,974</u>	<u>\$ 3,145,385</u>	<u>\$ 2,302,496</u>	<u>\$ (842,889)</u>
 Miscellaneous revenue:				
Miscellaneous	\$ 184,573	\$ 184,573	\$ 101,809	\$ (82,764)
Total miscellaneous revenue	<u>\$ 184,573</u>	<u>\$ 184,573</u>	<u>\$ 101,809</u>	<u>\$ (82,764)</u>
 Recovered costs:				
Insurance recoveries and rebates	\$ 7,818	\$ 7,818	\$ 19,991	\$ 12,173
Sale of supplies	-	-	22,677	22,677
Other recovered costs	499,814	517,814	553,544	35,730
Total recovered costs	<u>\$ 507,632</u>	<u>\$ 525,632</u>	<u>\$ 596,212</u>	<u>\$ 70,580</u>
 Total revenue from local sources	 <u>\$ 3,818,179</u>	 <u>\$ 3,855,590</u>	 <u>\$ 3,000,517</u>	 <u>\$ (855,073)</u>
 Revenues from local governments:				
Contribution from County of Franklin, Virginia	\$ 27,510,446	\$ 30,897,514	\$ 30,813,204	\$ (84,310)
Total revenues from local governments	<u>\$ 27,510,446</u>	<u>\$ 30,897,514</u>	<u>\$ 30,813,204</u>	<u>\$ (84,310)</u>

County of Franklin, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2011

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)				
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Categorical aid:				
Adult literacy	\$ -	\$ -	\$ 142,498	\$ 142,498
Adult secondary education	9,082	52,285	51,767	(518)
At risk four-year olds	589,318	589,318	589,318	-
At risk payments	561,802	561,802	554,556	(7,246)
Basic school aid	18,122,253	18,122,253	16,873,110	(1,249,143)
Career Tech	-	-	12,730	12,730
English as a second language	58,190	58,190	57,221	(969)
Early reading intervention	78,247	78,247	74,608	(3,639)
Gifted and talented	192,966	192,966	190,503	(2,463)
GED funds	-	93,724	33,038	(60,686)
Group life	42,881	42,881	42,334	(547)
Homebound education	-	-	62,268	62,268
Mentor teacher program	-	-	7,117	7,117
Primary class size	610,064	610,064	594,453	(15,611)
Race to GED	-	-	74,980	74,980
Regional specialist	-	142,500	-	(142,500)
Regular foster care	162,090	162,090	88,345	(73,745)
Remedial education	488,846	488,846	482,609	(6,237)
Remedial summer education	150,040	150,040	117,399	(32,641)
Retirement fringe benefits	686,100	686,100	677,345	(8,755)
School food	41,929	41,929	64,033	22,104
Share of state sales tax	7,221,784	7,221,784	7,602,779	380,995
Social security fringe benefits	1,157,793	1,157,793	1,143,020	(14,773)
Special education	2,701,518	2,701,518	2,667,047	(34,471)
Special education - foster children	-	-	74,542	74,542
Special education-regional program	436,613	436,613	429,576	(7,037)
Standards of Learning algebra readiness	74,599	74,599	74,599	-
Technology	466,000	466,000	932,000	466,000
Textbook payment	225,298	225,298	222,423	(2,875)
Vocational adult education	708,649	708,649	712,604	3,955
Vocational education - equipment	-	-	16,278	16,278
Vocational occupational preparedness	23,576	23,576	23,353	(223)
National board certification	-	-	47,500	47,500
Other state funds	184,873	184,873	556,261	371,388
Total categorical aid	\$ 34,994,511	\$ 35,273,938	\$ 35,292,214	\$ 18,276
Total revenue from the Commonwealth	\$ 34,994,511	\$ 35,273,938	\$ 35,292,214	\$ 18,276
Revenue from the federal government:				
Categorical aid:				
Adult literacy	\$ 87,964	\$ 571,344	\$ 478,256	\$ (93,088)
Literacy challenge grant	-	-	15,224	15,224
National school lunch program	2,080,886	2,080,886	1,696,195	(384,691)
Reading first	-	96,033	96,033	-
School breakfast program	-	-	637,603	637,603
Title I	1,497,176	1,933,790	1,358,812	(574,978)
Title II	308,826	392,076	286,719	(105,357)

County of Franklin, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2011

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)				
Intergovernmental revenues: (Continued)				
Revenue from the federal government: (continued)				
Categorical aid: (continued)				
Title III	\$ 18,401	\$ 18,401	\$ 8,945	\$ (9,456)
ARRA State Stabilization Fund	-	-	799,371	799,371
ARRA Title 1	527,469.00	527,469	600,334	72,865
ARRA Special Education	928,908.00	928,908	721,393	(207,515)
Title VI-B, special education flow-through	1,965,251	2,334,620	1,052,415	(1,282,205)
Title VI-B, special education pre-school	35,731	62,558	-	(62,558)
Vocational education	125,440	125,440	132,317	6,877
Total categorical aid	<u>\$ 7,576,052</u>	<u>\$ 9,071,525</u>	<u>\$ 7,883,617</u>	<u>\$ (1,187,908)</u>
 Total revenue from the federal government	 <u>\$ 7,576,052</u>	 <u>\$ 9,071,525</u>	 <u>\$ 7,883,617</u>	 <u>\$ (1,187,908)</u>
 Total School Operating Fund	 <u>\$ 73,899,188</u>	 <u>\$ 79,098,567</u>	 <u>\$ 76,989,552</u>	 <u>\$ (2,109,015)</u>
 Total Discretely Presented Component Unit - School Board	 <u>\$ 73,899,188</u>	 <u>\$ 79,098,567</u>	 <u>\$ 76,989,552</u>	 <u>\$ (2,109,015)</u>

County of Franklin, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2011

Schedule 2
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<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	\$ 333,674	\$ 336,974	\$ 256,416	\$ 80,558
General and financial administration:				
County administrator	\$ 387,231	\$ 388,431	\$ 386,060	\$ 2,371
Risk management	352,735	352,735	300,559	52,176
Human resources	118,433	126,628	107,751	18,877
Commissioner of revenue	494,926	495,166	453,685	41,481
Reassessment	175,000	525,000	345,998	179,002
Land use	38,723	38,853	37,610	1,243
Treasurer	490,348	490,503	477,614	12,889
Director of finance	276,940	278,640	275,570	3,070
Information technology	1,062,402	1,669,907	1,344,398	325,509
Telecommunications and Postage	50,000	52,650	55,922	(3,272)
Total general and financial administration	<u>\$ 3,446,738</u>	<u>\$ 4,418,513</u>	<u>\$ 3,785,167</u>	<u>\$ 633,346</u>
Board of elections:				
Registrar	\$ 165,691	\$ 190,368	\$ 161,989	\$ 28,379
Electoral board	51,189	87,490	51,222	36,268
Total board of elections	<u>\$ 216,880</u>	<u>\$ 277,858</u>	<u>\$ 213,211</u>	<u>\$ 64,647</u>
Total general government administration	<u>\$ 3,997,292</u>	<u>\$ 5,033,345</u>	<u>\$ 4,254,794</u>	<u>\$ 778,551</u>
Judicial administration:				
Courts:				
Circuit court	\$ 92,383	\$ 92,863	\$ 92,384	\$ 479
General district court	8,074	17,384	13,786	3,598
Law library	12,000	12,000	160	11,840
Special magistrates	1,575	1,575	1,335	240
Juvenile and domestic relations court	16,650	16,170	11,616	4,554
Juvenile court services	476,947	476,947	333,318	143,629
Sheriff-courts	474,614	501,308	498,845	2,463
Clerk of the circuit court	618,500	657,333	637,823	19,510
Total courts	<u>\$ 1,700,743</u>	<u>\$ 1,775,580</u>	<u>\$ 1,589,267</u>	<u>\$ 186,313</u>
Commonwealth's attorney:				
Commonwealth's attorney	\$ 681,305	\$ 687,718	\$ 684,450	\$ 3,268
Total commonwealth's attorney	<u>\$ 681,305</u>	<u>\$ 687,718</u>	<u>\$ 684,450</u>	<u>\$ 3,268</u>
Total judicial administration	<u>\$ 2,382,048</u>	<u>\$ 2,463,298</u>	<u>\$ 2,273,717</u>	<u>\$ 189,581</u>
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 3,298,415	\$ 3,611,968	\$ 3,153,395	\$ 458,573
Total law enforcement and traffic control	<u>\$ 3,298,415</u>	<u>\$ 3,611,968</u>	<u>\$ 3,153,395</u>	<u>\$ 458,573</u>
Correction and detention:				
County operated institutions and regional jail	\$ 4,895,965	\$ 4,931,191	\$ 4,816,688	\$ 114,503
Total correction and detention	<u>\$ 4,895,965</u>	<u>\$ 4,931,191</u>	<u>\$ 4,816,688</u>	<u>\$ 114,503</u>
Inspections:				
Building	\$ 407,366	\$ 422,741	\$ 396,928	\$ 25,813
Total inspections	<u>\$ 407,366</u>	<u>\$ 422,741</u>	<u>\$ 396,928</u>	<u>\$ 25,813</u>

County of Franklin, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2011

Schedule 2
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<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	\$ 2,150,657	\$ 3,330,160	\$ 2,375,055	\$ 955,105
Animal control	286,603	342,803	259,560	83,243
Department of forestry	24,006	24,006	23,531	475
EMS career billing	617,681	764,624	684,857	79,767
EMS volunteer billing	232,319	232,319	202,778	29,541
Total other protection	<u>\$ 3,311,266</u>	<u>\$ 4,693,912</u>	<u>\$ 3,545,781</u>	<u>\$ 1,148,131</u>
Total public safety	<u>\$ 11,913,012</u>	<u>\$ 13,659,812</u>	<u>\$ 11,912,792</u>	<u>\$ 1,747,020</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	\$ 1,527,070	\$ 2,972,602	\$ 2,062,033	\$ 910,569
Recycling program	86,144	115,197	68,155	47,042
Scale house	60,443	105,443	96,763	8,680
Public works	284,722	324,522	269,610	54,912
Total sanitation and waste removal	<u>\$ 1,958,379</u>	<u>\$ 3,517,764</u>	<u>\$ 2,496,561</u>	<u>\$ 1,021,203</u>
Maintenance of general buildings and grounds:				
General properties	\$ 1,093,322	\$ 1,226,739	\$ 995,439	\$ 231,300
Mechanic	216,892	221,644	205,595	16,049
Armory	36,875	26,875	24,677	2,198
Courthouse maintenance	12,000	12,000	-	12,000
Total maintenance of general buildings and grounds	<u>\$ 1,359,089</u>	<u>\$ 1,487,258</u>	<u>\$ 1,225,711</u>	<u>\$ 261,547</u>
Total public works	<u>\$ 3,317,918</u>	<u>\$ 5,005,472</u>	<u>\$ 3,722,272</u>	<u>\$ 1,283,200</u>
Health and welfare:				
Health:				
Supplement of local health department	\$ 324,000	\$ 324,000	\$ 324,000	\$ -
Total health	<u>\$ 324,000</u>	<u>\$ 324,000</u>	<u>\$ 324,000</u>	<u>\$ -</u>
Mental health and mental retardation:				
Development center of Franklin	\$ 53,000	\$ 53,000	\$ 50,000	\$ 3,000
Total mental health and mental retardation	<u>\$ 53,000</u>	<u>\$ 53,000</u>	<u>\$ 50,000</u>	<u>\$ 3,000</u>
Welfare:				
Public assistance and welfare administration	\$ 5,719,255	\$ 5,719,255	\$ 5,548,521	\$ 170,734
Youth services agency (CSA)	4,298,623	4,511,893	4,326,608	185,285
Family resource center	223,576	223,576	210,094	13,482
Area agency on aging	355,518	355,518	279,892	75,626
Contribution to health and welfare organizations	88,932	88,932	88,932	-
Assistance - institutions	26,815	26,815	26,815	-
Total welfare	<u>\$ 10,712,719</u>	<u>\$ 10,925,989</u>	<u>\$ 10,480,862</u>	<u>\$ 445,127</u>
Total health and welfare	<u>\$ 11,089,719</u>	<u>\$ 11,302,989</u>	<u>\$ 10,854,862</u>	<u>\$ 448,127</u>

County of Franklin, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2011

<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	\$ 27,517,712	\$ 30,249,376	\$ 30,198,128	\$ 51,248
Total education	<u>\$ 27,517,712</u>	<u>\$ 30,249,376</u>	<u>\$ 30,198,128</u>	<u>\$ 51,248</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Parks and recreation	\$ 987,757	\$ 1,342,016	\$ 877,979	\$ 464,037
Total parks and recreation	<u>\$ 987,757</u>	<u>\$ 1,342,016</u>	<u>\$ 877,979</u>	<u>\$ 464,037</u>
Library:				
Library administration	\$ 653,299	\$ 635,805	\$ 628,100	\$ 7,705
Westlake branch library	203,907	220,987	227,850	(6,863)
Total library	<u>\$ 857,206</u>	<u>\$ 856,792</u>	<u>\$ 855,950</u>	<u>\$ 842</u>
Total parks, recreation, and cultural	<u>\$ 1,844,963</u>	<u>\$ 2,198,808</u>	<u>\$ 1,733,929</u>	<u>\$ 464,879</u>
Community development:				
Planning and community development:				
Community development	\$ 552,830	\$ 684,413	\$ 540,583	\$ 143,830
Economic development	907,634	2,803,241	1,332,263	1,470,978
Tourism	95,000	198,995	198,994	1
GIS and mapping	133,206	133,884	123,490	10,394
4-H youth	3,750	3,750	3,750	-
Planning	191,393	242,646	192,310	50,336
Franklin career center	193,525	219,682	197,107	22,575
Contributions to other entities	124,992	124,992	120,696	4,296
Total planning and community development	<u>\$ 2,202,330</u>	<u>\$ 4,411,603</u>	<u>\$ 2,709,193</u>	<u>\$ 1,702,410</u>
Environmental management:				
Contribution to soil and water district	\$ 220,240	\$ 222,383	\$ 222,384	\$ (1)
Total environmental management	<u>\$ 220,240</u>	<u>\$ 222,383</u>	<u>\$ 222,384</u>	<u>\$ (1)</u>
Cooperative extension program:				
Extension office	\$ 90,055	\$ 90,055	\$ 89,853	\$ 202
Total cooperative extension program	<u>\$ 90,055</u>	<u>\$ 90,055</u>	<u>\$ 89,853</u>	<u>\$ 202</u>
Total community development	<u>\$ 2,512,625</u>	<u>\$ 4,724,041</u>	<u>\$ 3,021,430</u>	<u>\$ 1,702,611</u>
Nondepartmental:				
Contingencies	\$ 260,000	\$ 240,000	\$ 135	\$ 239,865
Total nondepartmental	<u>\$ 260,000</u>	<u>\$ 240,000</u>	<u>\$ 135</u>	<u>\$ 239,865</u>
Debt service:				
Principal retirement	\$ 3,238,744	\$ 3,022,022	\$ 3,022,020	\$ 2
Interest and other fiscal charges	1,471,268	1,477,915	1,362,326	115,589
Total debt service	<u>\$ 4,710,012</u>	<u>\$ 4,499,937</u>	<u>\$ 4,384,346</u>	<u>\$ 115,591</u>
Total General Fund	<u>\$ 69,545,301</u>	<u>\$ 79,377,078</u>	<u>\$ 72,356,405</u>	<u>\$ 7,020,673</u>

¹Amounts not subject to appropriation

County of Franklin, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2011

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<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	\$ -	\$ 10,997	\$ 6,571	\$ 4,426
Government Center	-	26,572	26,572	-
Landfill construction	120,000	6,394,959	53,113	6,341,846
Recreation park development	48,000	326,025	27,537	298,488
Roof replacement projects	-	62,250	-	62,250
School capital projects	1,100,000	-	-	-
Commerce Center Improvements	-	1,402,993	1,000,812	402,181
Courthouse improvements	-	1,348,831	13,693	1,335,138
Smith Park Project	-	2,669	2,669	-
Public safety paging project	67,200	67,200	67,200	-
Central maintenance facility	60,000	174,462	16,780	157,682
Westlake public safety center	-	100,000	-	100,000
Franklin Center lower level project	-	266,023	178,148	87,875
Infrastructure upgrades	-	200,000	-	200,000
Jail Improvements	-	101,933	-	101,933
Westlake Library	-	7,270	-	7,270
Wireless grant projects	-	7,125	-	7,125
Stream Mitigation	-	500,000	-	500,000
Route 616 water project	-	61,856	61,856	-
220 corridor water project	-	374,945	374,945	-
Public safety center	-	416,802	944	415,858
WFDC interiors	-	14,605	3,589	11,016
Wirtz Road water project	-	354,561	354,561	-
E-911 Project	-	683,543	600,355	83,188
Total capital projects	<u>\$ 1,395,200</u>	<u>\$ 12,905,621</u>	<u>\$ 2,789,345</u>	<u>\$ 10,116,276</u>
Education:				
Other instructional costs:				
Contribution to County School Board	-	615,076	615,076	-
Total education	<u>\$ -</u>	<u>\$ 615,076</u>	<u>\$ 615,076</u>	<u>\$ -</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>\$ 1,495,200</u>	<u>\$ 13,620,697</u>	<u>\$ 3,504,421</u>	<u>\$ 10,116,276</u>

County of Franklin, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2011

Schedule 2
 Page 5 of 5

<u>Fund, Function, Activity, and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Special Revenue Fund:				
E-911 Fund:				
Public safety:				
Other protection:				
E-911 Administration	\$ 1,077,868	\$ 1,132,562	\$ 1,123,010	\$ 9,552
Total other protection	<u>\$ 1,077,868</u>	<u>\$ 1,132,562</u>	<u>\$ 1,123,010</u>	<u>\$ 9,552</u>
Total public safety	<u>\$ 1,077,868</u>	<u>\$ 1,132,562</u>	<u>\$ 1,123,010</u>	<u>\$ 9,552</u>
Total E-911 Fund	<u><u>\$ 1,077,868</u></u>	<u><u>\$ 1,132,562</u></u>	<u><u>\$ 1,123,010</u></u>	<u><u>\$ 9,552</u></u>
Capital Projects Fund:				
School Construction Fund				
Capital projects:				
Capital projects expenditures:				
Capital projects expenditures	\$ -	\$ 295,566	\$ 295,566	\$ -
Total capital projects	<u>\$ -</u>	<u>\$ 295,566</u>	<u>\$ 295,566</u>	<u>\$ -</u>
Total School Construction Fund	<u>\$ -</u>	<u>\$ 295,566</u>	<u>\$ 295,566</u>	<u>\$ -</u>
Total Primary Government	<u><u>\$ 72,118,369</u></u>	<u><u>\$ 94,425,903</u></u>	<u><u>\$ 77,279,402</u></u>	<u><u>\$ 17,146,501</u></u>
Discretely Presented Component Unit - School Board:				
Special revenue funds:				
School Operating Fund:				
Education:				
Administration of schools:				
Administration cost	\$ 2,340,247	\$ 2,340,247	\$ 2,120,171	\$ 220,076
Total administration of schools	<u>\$ 2,340,247</u>	<u>\$ 2,340,247</u>	<u>\$ 2,120,171</u>	<u>\$ 220,076</u>
Instruction costs:				
Instruction cost	\$ 54,755,545	\$ 57,110,909	\$ 55,504,843	\$ 1,606,066
Total instruction costs	<u>\$ 54,755,545</u>	<u>\$ 57,110,909</u>	<u>\$ 55,504,843</u>	<u>\$ 1,606,066</u>
Operating costs:				
Pupil transportation	\$ 5,302,053	\$ 6,234,798	\$ 6,032,741	\$ 202,057
Operation and maintenance of school plant	6,781,785	7,464,312	7,279,164	185,148
School food and non-instructional	4,725,935	4,778,332	4,146,756	631,576
Facilities	-	1,176,346	1,603,400	(427,054)
Total operating costs	<u>\$ 16,809,773</u>	<u>\$ 19,653,788</u>	<u>\$ 19,062,061</u>	<u>\$ 591,727</u>
Total education	<u>\$ 73,905,565</u>	<u>\$ 79,104,944</u>	<u>\$ 76,687,075</u>	<u>\$ 2,417,869</u>
Total Discretely Presented Component Unit - School Board	<u><u>\$ 73,905,565</u></u>	<u><u>\$ 79,104,944</u></u>	<u><u>\$ 76,687,075</u></u>	<u><u>\$ 2,417,869</u></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. The County implemented GASB Statement 34 in fiscal year 2003; schedules presenting government-wide information include information beginning in that year.

COUNTY OF FRANKLIN, VIRGINIA

Table 1

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011
Governmental activities									
Invested in capital assets, net of related debt	15,206,690	18,193,796	18,482,160	15,513,135	15,774,895	24,045,244	33,598,908	37,125,995	38,512,330
Restricted	-	134,201	200,123	174,252	6,853,227	211,128	159,656	295,455	202,014
Unrestricted	18,036,357	17,381,645	21,556,678	32,261,985	28,812,760	29,258,914	24,972,606	25,245,759	25,520,097
Total governmental activities net assets	33,243,047	35,709,642	40,238,961	47,949,372	51,440,882	53,515,286	58,731,170	62,667,209	64,234,441
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
Restricted	-	-	-	-	-	-	-	-	-
Unrestricted	-	(315,892)	1,667,338	1,758,683	1,916,298	1,303,504	721,629	296,579	294,773
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
Primary government									
Invested in capital assets, net of related debt	15,206,690	18,745,599	19,110,475	17,060,508	17,499,579	27,072,616	35,239,889	38,182,534	39,539,207
Restricted	-	134,201	200,123	174,252	6,853,227	211,128	159,656	295,455	202,014
Unrestricted	18,036,357	17,065,753	23,224,016	34,020,668	30,729,058	30,562,418	25,694,235	25,542,338	25,814,870
Total primary government net assets	33,243,047	35,945,553	42,534,614	51,255,428	55,081,864	57,846,162	61,093,780	64,020,327	65,556,091

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

COUNTY OF FRANKLIN, VIRGINIA

Table 2
Page 1 of 2

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011
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
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
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
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
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
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
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
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
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
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
Business-type activities:									
Water	-	480,817	60,868	413,450	581,355	428,708	2,630,752	615,957	56,909
Total business-type activities expenses	-	480,817	60,868	413,450	581,355	428,708	2,630,752	615,957	56,909
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
Program Revenues									
Governmental activities:									
Charges for services:									
General government	-	30	183,138	-	45,684	22,205	16,548	22,775	13,445
Judicial administration	43,924	380,442	313,868	788,901	200,374	154,556	122,518	144,054	111,612
Public safety	56,304	451,852	508,486	463,421	1,317,116	1,297,973	1,276,255	1,561,354	1,466,223
Public works	685,487	811,993	919,688	920,146	947,685	891,595	665,917	637,029	776,572
Health and welfare	26,059	184,900	180,009	19,005	25,398	22,513	16,737	22,198	16,986
Education	-	-	-	-	-	-	-	-	-
Parks, recreation and cultural	45,783	72,615	84,531	86,633	85,315	140,640	114,806	107,936	103,406
Community development	18,382	149,187	-	293,449	286,174	195,433	97,971	-	-
Operating grants and contributions	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
Capital grants and contributions	-	592,704	832,018	412,417	854,268	3,733,498	2,003,393	2,259,154	2,461,498
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
Business-type activities:									
Charges for services:									
Water	-	6,325	37,496	333,003	145,464	466,359	190,471	26,031	8,096
Capital grants and contributions	-	158,600	915,400	422,022	141,761	18,200	63,055	-	-
Total business-type activities program revenues	-	164,925	952,896	755,025	287,225	484,559	253,526	26,031	8,096
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

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011
Net (expense) / revenue									
Governmental activities	(36,530,247)	(34,462,592)	(37,477,737)	(39,503,114)	(47,950,663)	(46,755,449)	(54,824,976)	(55,484,097)	(58,905,243)
Business-type activities	-	(315,892)	892,028	341,575	(294,130)	55,851	(2,377,226)	(589,926)	(48,813)
Total primary government net expense	(36,530,247)	(34,778,484)	(36,585,709)	(39,161,539)	(48,244,793)	(46,699,598)	(57,202,202)	(56,074,023)	(58,954,056)
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
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
Taxes on recordation and wills	-	474,457	917,206	993,726	842,747	658,226	581,797	507,081	513,861
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
Consumer utility taxes	-	2,412,622	2,427,461	2,468,539	1,715,239	964,500	969,161	970,934	972,419
Business licenses taxes	-	3,922	3,394	4,261	4,998	4,697	4,444	4,440	3,829
Other local taxes	8,437,529	1,640,641	1,758,704	2,078,429	2,975,802	3,789,514	3,522,927	1,341,715	1,297,445
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	3,159,527	5,463,983
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
Miscellaneous	635,270	578,287	793,590	1,122,032	356,373	345,570	257,613	1,849,101	572,545
Transfers	36,045	(271,507)	(1,140,237)	(643,621)	(347,878)	(599,373)	(400,479)	419,940	(17,345)
Total governmental activities	36,167,074	37,209,483	42,007,056	47,213,527	51,777,624	49,604,781	57,992,528	57,094,735	60,472,475
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
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
Total primary government	36,167,074	37,480,990	43,174,770	47,882,355	52,284,497	50,219,312	58,401,488	56,675,169	60,489,820
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	1,610,638	1,567,232
Business-type activities	-	(44,385)	2,059,742	1,010,403	212,743	670,382	(1,968,266)	(1,009,492)	(31,468)
Total primary government	(363,173)	2,702,506	6,589,061	8,720,816	4,039,704	3,519,714	1,199,286	601,146	1,535,764

1. Accrual-basis financial information is available back to fiscal year 2003 when the County implemented GASB 34
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)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General fund										
Reserved	-	-	11,379	33,436	85,811	221,133	211,128	159,656	-	-
Unreserved	18,485,155	18,756,057	19,026,439	23,649,911	35,092,881	31,908,499	17,790,397	16,769,417	19,872,220	-
Restricted	-	-	-	-	-	-	-	-	-	173,399
Assigned	-	-	-	-	-	-	-	-	-	92,994
Unassigned	-	-	-	-	-	-	-	-	-	19,653,231
Total general fund	18,485,155	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
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	45,496	288,363	-	-	-	-	14,127	51,955	46,367	-
Capital projects funds	2,639,442	1,129,671	627,965	556,871	-	-	21,980,834	11,665,266	13,037,850	-
Restricted, reported in:										
Special revenue funds	-	-	-	-	-	-	-	-	-	28,615
Assigned, reported in:										
Capital projects funds	-	-	-	-	-	-	-	-	-	14,021,993
Total all other governmental funds	2,684,938	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

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

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues										
General property taxes	20,776,235	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
Other local taxes	7,738,185	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
Permits, privilege fees and regulatory/licenses	342,874	443,193	535,956	620,966	764,826	691,500	573,664	413,467	359,451	359,111
Fines and forfeitures	6,009	5,488	26,594	23,516	16,968	16,378	10,772	10,082	15,002	13,032
Revenue from use of money and property	983,815	459,049	335,508	626,119	1,319,687	2,532,079	1,520,629	1,578,534	1,064,806	1,071,595
Charges for services	2,161,503	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
Miscellaneous	941,233	1,117,340	1,100,148	1,329,195	1,750,210	371,305	345,570	257,613	1,849,101	572,545
Recovered costs	828,401	656,811	1,194,949	907,568	1,782,271	731,213	905,027	744,082	646,857	683,734
Intergovernmental:										
Commonwealth	36,032,514	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
Federal	6,047,396	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
Total revenues	75,858,165	78,870,131	85,118,185	96,714,960	105,661,612	68,466,857	69,167,857	75,413,606	73,515,845	78,015,087
Expenditures										
General government administration	2,441,919	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
Judicial administration	1,719,941	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
Public safety	6,796,796	7,093,902	7,956,964	8,012,239	10,499,222	11,125,314	11,504,555	13,619,580	13,035,802	13,035,802
Public works	1,759,923	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
Health and welfare	5,578,251	5,851,028	7,083,647	7,472,930	8,383,152	9,685,059	9,772,706	10,188,370	10,357,762	10,854,862
Education	50,477,643	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
Parks, recreation and cultural	945,366	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
Community development	1,370,015	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
Nondepartmental						40,097	58,879	77,718	-	135
Capital projects	4,561,691	778,025	-	619,332	3,265,505	521,917	10,981,071	12,784,491	9,752,250	3,084,911
Debt service										
Principal	2,783,178	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
Interest and other fiscal charges	1,276,851	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
Bond issuance costs	-	-	-	-	-	-	69,099	73,424	58,250	-
Total expenditures	79,711,574	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
Excess of revenues over (under) expenditures	(3,853,409)	(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
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
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)
Bonds and notes issued	1,060,611	-	-	2,689,762	6,500,000	6,573,600	9,938,795	2,905,000	3,464,000	-
Premium on debt issuance	-	-	-	-	-	187,343	-	130,152	-	-
Capital leases	-	-	272,235	234,024	234,332	-	-	54,978	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	(2,355,000)	-
Total other financing sources (uses)	1,060,611	-	728	1,783,549	6,090,713	6,413,065	9,339,422	2,689,651	1,528,940	(17,345)
Net change in fund balances	(2,792,798)	(1,132,539)	(299,612)	6,770,322	9,051,905	3,830,044	1,234,760	(6,300,502)	(2,768,372)	718,340
Debt service as a percentage of non-capital expenditures	6%	4%	4%	3%	3%	5%	13%	6%	7%	6%
Total Debt Service Expenditures	4,060,029	3,360,296	3,012,371	2,767,254	2,883,151	3,309,425	7,368,979	4,336,338	4,621,790	4,484,346
Total Governmental Non-capital Expenditures	71,089,854	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

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
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
2002	20,776,235	3,285,950	1,772,190	-	928,387	320,890	NA	27,083,652

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
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
2002	2,746,712,053	393,899,206	53,988,297	54,044,396	119,385,761	3,368,029,713

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
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%
2002	0.55	1.67	1.08	0.54	0.69	3,317,207,813	101.53%

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
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
2002	0.55	1.67	0.54	1.08	0.69	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 2011		Fiscal Year 2002	
		Assessed Valuation (Millions)	% of Total Assessed Valuation	Assessed Valuation (Millions)	% of Total Assessed Valuation
Appalachian Power Company	Electric Utility	110	1.41%	61	2.20%
Franklin Real Estate Company	Real Estate	51	0.65%	18	0.64%
Central Telephone Company	Telephone Utility	27	0.35%	41	1.48%
Willard Construction Company	Construction	27	0.35%	17	0.61%
RKL Holdings	Real Estate	26	0.33%		
Lake Watch LLC	Real Estate	23	0.29%		
Camijoe, LLC	Real Estate	16	0.20%		
Branch Banking & Trust Co	Real Estate	12	0.15%		
Southgate Associates II LLP	Shopping Center		0.00%	7	0.25%
Wal Mart	Retail	10	0.13%	7	0.25%
Cooper Properties, LLC	Real Estate	10	0.13%		
MW Manufacturers Inc.	Manufacturing		0.00%	8	0.29%
Lane Company	Manufacturing		0.00%	8	0.28%
Snyder Hunt Corporation	Real Estate		0.00%	5	0.18%
Fleetwood Homes of Virginia	Manufacturing		0.00%	5	0.18%
		<u>312</u>	<u>3.99%</u>	<u>177</u>	<u>6.37%</u>

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
2011	45,237,044	43,561,279	96.30%	-	43,561,279	96.30%
2010	42,642,755	41,035,249	96.23%	721,789	41,757,038	97.92%
2009	43,103,676	41,569,680	96.44%	977,594	42,547,274	98.71%
2008	36,542,153	35,370,019	96.79%	1,171,451	36,541,470	100.00%
2007	35,220,150	34,085,239	96.78%	1,104,867	35,190,106	99.91%
2006	33,219,244	32,075,823	96.56%	1,129,577	33,205,400	99.96%
2005	30,889,511	29,883,296	96.74%	943,797	30,827,093	99.80%
2004	26,061,495	25,699,189	98.61%	255,102	25,954,291	99.59%
2003	24,944,600	24,233,719	97.15%	649,079	24,882,798	99.75%
2002	22,712,734	22,406,720	98.65%	211,494	22,618,214	99.58%

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				
2011	27,583,771	4,316,500	333,741	-	-	-	32,234,012	0.10%	574
2010	29,877,385	4,930,250	548,397	-	-	-	35,356,032	0.08%	661
2009	30,874,271	5,544,000	789,682	-	-	-	37,207,953	0.08%	704
2008	29,817,038	6,157,750	963,751	2,135,700	-	-	39,074,239	0.07%	749
2007	25,905,826	6,771,500	326,557	2,285,700	-	-	35,289,583	0.08%	691
2006	20,667,755	7,385,250	454,046	2,429,600	-	-	30,936,651	0.09%	617
2005	15,151,697	8,072,000	397,165	2,567,600	-	-	26,188,462	0.10%	526
2004	13,490,375	8,792,200	410,338	2,700,000	-	-	25,392,913	0.10%	518
2003	14,409,416	9,512,400	484,727	-	-	-	24,406,543	0.10%	501
2002	12,289,500	10,301,500	954,662	-	-	-	23,545,662	0.10%	491

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

(1) See the Schedule of Demographic and Economic Statistics - Table 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)
2011	31,900,271	-	31,900,271	0.38%	568.03
2010	34,807,635	-	34,807,635	0.42%	651.22
2009	36,418,271	-	36,418,271	0.44%	689.20
2008	36,938,539	-	36,938,539	0.61%	707.61
2007	33,003,883	-	33,003,883	0.59%	645.84
2006	28,507,051	-	28,507,051	0.54%	569.00
2005	23,223,697	-	23,223,697	0.46%	466.89
2004	22,282,575	-	22,282,575	0.61%	454.75
2003	23,921,816	-	23,921,816	0.68%	491.21
2002	25,685,437	-	25,685,437	0.76%	535.93
2001	27,990,991	-	27,990,991	0.86%	591.95

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

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

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

(4) Literary loans are considered bonded indebtedness.

Direct and Overlapping Governmental Activities Debt
As of June 30, 2011

<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	7,431,900	100%	\$ 7,431,900
Subtotal, overlapping debt			<u>\$ 7,431,900</u>
County of Franklin, direct debt			<u>\$ 31,900,271</u>
Total direct and overlapping debt			<u><u>\$ 39,332,171</u></u>

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

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

COUNTY OF FRANKLIN, VIRGINIA

Table 13

Legal Debt Margin Information
Last Ten Fiscal Years

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Debt limit	274,671,205	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
Total net debt applicable to limit	27,990,991	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
Legal debt margin	246,680,214	263,257,757	278,119,513	415,978,774	435,325,640	452,197,528	498,531,608	712,622,569	725,813,860	733,994,683
Total net debt applicable to the limit as a percentage of debt limit	10.19%	8.89%	7.92%	5.08%	5.06%	5.93%	6.15%	4.93%	4.58%	4.17%

Legal Debt Margin Calculation for Fiscal Year 2011

Assessed value of real estate	7,658,949,539
Debt limit (10% of total assessed value)	765,894,954
Net debt applicable to limit	31,900,271
Legal debt margin	733,994,683

Demographic and Economic Statistics
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Population</u>	<u>Per Capita Personal Income</u>	<u>Total Personal Income</u>	<u>Median Age</u>	<u>School Enrollment</u>	<u>Unemployment Rate</u>
2011	56,159	\$ 33,116	\$ 1,719,502	40	7,160	6.40%
2010	53,450	29,313	1,728,877	40	7,200	7.50%
2009	52,841	28,893	1,728,877	40	7,166	8.40%
2008	52,202	28,893	1,728,877	40	7,183	4.70%
2007	51,102	27,082	1,674,938	40	7,305	3.80%
2006	50,100	26,622	1,542,356	40	7,183	2.80%
2005	49,741	25,249	1,438,445	40	7,103	3.60%
2004	49,000	25,249	Not Available	Not Available	7,096	3.60%
2003	48,700	24,727	"	"	7,114	4.50%
2002	47,927	24,089	"	"	7,031	6.20%

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 2011			Fiscal Year 2002		
	Employees	Rank	% of Total County Employment	Employees	Rank	% of Total County Employment
Franklin County Public Schools	1,097	1	4.07%	1,281	1	5.36%
MW Manufacturers, Inc	900	2	3.34%	1,200	2	5.02%
Wal-Mart	400	3	1.48%	361	4	1.51%
Ferrum College	325	4	1.21%			
Franklin County	308	5	1.14%	250	8	1.05%
Trinity Packaging, Inc.	300	6	1.11%			
Ronile. Inc.	300	7	1.11%	350	5	1.46%
Carilion Franklin Memorial Hospital	270	8	1.00%	270	7	1.13%
Uttermost Company	168	9	0.62%	150	9	0.63%
Mod-U-Kraf Homes, Inc.	125	10	0.46%			
Fleetwood Homes of Virginia				436	3	1.82%
Cooper Wood Products				308	6	1.29%
Newbold Corporation				130	10	0.54%
Totals	4,193		15.56%	4,736		19.80%

Source: Individual companies

COUNTY OF FRANKLIN, VIRGINIA

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

Table 16

Function	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Government										
Legislative	1	1	1	1	1	1	1	1	1	1
General and financial administration	30	30	30	31	31	34	36	36	34	34
Judicial Administration										
Courts	10	10	11	13	13	11	11	11	11	11
Clerk of Court	10	10	9	9	9	10	11	11	10	10
Commonwealth Attorney	6	6	8	7	7	7	8	8	8	8
Public Safety										
Sheriffs department	54	54	54	41	43	44	41	38	36	34
Correction and Detention	26	26	26	26	27	32	35	37	36	39
Building inspections	6	6	6	7	7	8	8	7	7	7
Animal control	3	3	3	3	3	4	4	4	3	3
Public Safety	8	8	8	13	16	24	24	24	24	24
E911	1	1	1	14	14	14	14	14	14	15
Public Works										
Solid Waste	13	13	13	13	14	16	16	16	15	15
General buildings and grounds	4	4	4	4	5	8	8	7	7	7
Public Works				2	3	4	4	4	4	3
Health and Welfare										
Department of social services	54	54	61	61	61	61	62	62	58	59
CSA	1	1	1	1	2	2	2	2	2	2
Family Resources	6	6	6	6	6	6	5	5	3	2
Aging Services	3	3	3	3	3	2	2	2	2	2
Recreation and Cultural										
Parks and recreation	7	7	7	7	8	10	10	10	10	10
Library	5	5	5	5	6	6	8	8	8	8
Community Development										
GIS and Mapping						2	2	2	1	2
Economic Development					1	1	1	1	1	1
Work Force Consortium	2	2	2	2	2	3	3	3	3	3
Planning	5	5	5	8	8	11	11	9	8	8
Totals	255	255	264	277	290	321	327	322	306	308

Source: Franklin County Adopted Budgets

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

Function	Fiscal Year							
	2004	2005	2006	2007	2008	2009	2010	2011
General and financial administration								
Commissioner of Revenue:								
Personal Property tax assessments						98,719	106,470	171,742
Finance: GFOA award for CAFR	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Pending
Information Technology:								
Tech support (In Days)	11.4	9.3	4.5	4.5	3	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
Judicial Administration								
Clerk of Court:								
Criminal Cases Commenced		1,902	1,927	1,817	1,704	2,250	2,070	1,661
Deeds Recorded		15,808	14,234	12,736	11,033	10,832	11,280	9,581
Public safety								
Sheriffs department: calls for service								
	15,000	15,707	16,000	26,047	19,501	18,877	19,237	20,768
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
Fire Investigations	54	3,509	4,057	4,254	4,679	5,989	4,947	5,123
		81	118	165	182	132	96	200
Building inspections: Permits issued								
Total Value of Permits	1,656	1,569	1,552	1,358	1,018	1,042	974	980
						133,737,342	58,752,602	60,857,340
Public works								
Landfill: Refuse collected (tons)								
	60,652	59,698	61,866	61,367	59,842	55,491	49,355	54,398
Mulch Recycled (tons)								
					1,888	1,463	1,331	1,227
Health and Welfare								
Social Services: Children in Foster Care								
SNAP Applications					98	88	77	95
On-going Medicaid Participants					1,774	2,072	2,422	2,282
					6,154	6,767	7,021	7,189
CSA: Case Load - Number of Children								
	132	167	177	242	260	279	284	280
Aging Services:								
Transportation Clients		490	894	1,104	572	553	614	621
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
Shelter reservations	269	283	250	252	283	301	358	268
Park Acreage	692	692	692	692	692	696	696	696
Library:								
Program Attendance					22,806	24,928	25,700	25,987
Circulation					180,738	191,267	233,626	230,280
Community development								
Planning and Community Development:								
Zoning permits issued					816	941	714	1,165
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

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	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General government Administration buildings	1	1	1	1	1	1	1	1	1	1
Judicial Administration Courthouses	1	1	1	1	1	1	1	1	1	1
Public safety Sheriffs department: Patrol units	58	58	58	58	58	58	58	58	58	58
Building inspections: Vehicles	5	5	5	5	5	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	8	10	12
Culture and recreation Parks and recreation: Parks Libraries	9 1	9 1	9 1	9 1	9 1	9 1	9 2	9 2	9 2	9 2
Component Unit - School Board Education: Schools School buses	14 162	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*

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, and each major fund of the County of Franklin, Virginia, as of and for the year ended June 30, 2011, which collectively comprise the County of Franklin, Virginia's basic financial statements and have issued our report thereon dated January 3, 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

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 January 3, 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, Faucher, Cox Associates

Christiansburg, Virginia
January 3, 2012

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

Independent Auditors' Report

To the Members of the Board of Supervisors
County of Franklin, Virginia
Rocky Mount, 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, 2011. 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, 2011.

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

Christiansburg, Virginia
January 3, 2012

County of Franklin, Virginia
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2011

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	\$ 16,826
Temporary Assistance for Needy Families (TANF)	93.558	0400111	387,319
Refugee and Entrant Assistance - State Administered Programs	93.566	0500110/0500111	834
Low Income Home Energy Assistance	93.568	0600410/0600411	17,756
Child Care and Development Block grant (CCDF Cluster)	93.575	0770110	181,129
Child Care Mandatory and Matching Funds of the Child Care and Development Fund (CCDF Cluster)	93.596	0760110/0760111	111,488
Chafee Education and Training Vouchers Program	93.599	9160110	8,900
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900110/0900111	1,569
Adoption Assistance	93.659	1120110/1120111	162,406
ARRA-Adoption Assistance	93.659	1120110/1120111	12,080
Social Services Block Grant	93.667	1000110/1000111	174,486
Chafee Foster Care Independence Program	93.674	9150110/9150111	268,211
Foster Care - Title IV-E	93.658	1100110/1100111	18,204
ARRA-Foster Care - Title IV-E	93.658	1100110/1100111	633,564
ARRA-Child Care and Development Block Grant (CCDF Cluster)	93.713	0740109/0780109	33,854
Children's Health Insurance Program	93.767	0540110/0540111	667,418
Medical Assistance Program	93.778	1200110/1200111	20,984
			12,442
			243,786
Total Department of Health and Human Services			\$ 2,131,352
Department of Agriculture:			
Pass Through Payments:			
Department of Agriculture:			
Child Nutrition Cluster-Food Distribution (Note C)	10.555	40623	\$ 174,851
Department of Education:			
Child Nutrition Cluster-National school lunch program	10.555	40623	1,521,344
Child Nutrition Cluster-National school breakfast program	10.553	40591	\$ 1,696,195
			637,603
Department of Social Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010110/0040110/0040111	406,578
ARRA-State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010110/0040110/0040111	13,503
			420,081
Total Department of Agriculture			\$ 2,753,879
Department of Justice:			
Pass Through Payments:			
Department of Criminal Justice Services:			
Violence against women formula grants	16.588	10WFAX0041	\$ 31,691
Environmental Protection Agency:			
Direct Payments:			
Leaking Underground Storage Tank Trust Fund Corrective Action Program	66.805	NA	\$ 363,868
Multi-Media Capacity Building Grants for States and Tribes	66.709	NA	233,182
Total Environmental Protection Agency			\$ 597,050
Department of Housing and Urban Development:			
Pass Through Payments:			
Department of Housing and Community Development:			
Emergency shelter grants program	14.231	45559	\$ 5,448
U.S. Department of Homeland Security:			
Pass Through Payments:			
Department of Emergency Management:			
Emergency Management Performance Grants	97.042	52749	\$ 34,584

County of Franklin, Virginia
 Schedule of Expenditures of Federal Awards (Continued)
 For the Year Ended June 30, 2011

Federal Grantor/State Pass - Through Grantor/ Program (or Cluster) Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Department of Defence			
Direct Payments:			
Payments to states in lieu of real estate taxes	12.112	NA	\$ 17,096
Department of Education:			
Pass Through Payments:			
Department of Education:			
Adult Education - Basic Grants to States	84.002	42801	\$ 478,256
Title I, Part A Cluster	84.010	42901	1,358,812
Special Education_Grants to States (IDEA Cluster)	84.027	73071	1,052,415
Career and Technical Education -- Basic Grants to States	84.048	61095	132,317
Education Technology State Grants	84.318	61600	15,224
English language acquisition grants	84.365	60509/60512	8,945
Reading First State Grants	84.357	86755	96,033
Improving Teacher Quality State Grants	84.367	61480	286,719
Grants for State Assessments and Related Activities	84.369	NA	6,105
ARRA Special Education - grants to states (IDEA Cluster)	84.391	61245	721,393
ARRA - Title I, Part A Cluster	84.389	42913	594,229
ARRA-State Fiscal Stabilization Funds-Education State Grants	84.394	62532	799,371
Total Department of Education			\$ 5,549,819
Total Expenditures of Federal Awards			\$ 11,120,919

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, 2011. 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 number are presented where available.

Note C-Food Distribution

Nonmonetary assistance is reported in the scheduled 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		\$ 2,640,252
Capital Projects Fund		597,050
Total primary government:		\$ 3,237,302
Component Unit Schools:		
School Operating Fund		\$ 7,883,617
Total federal expenditures per the Schedule of Expenditures of Federal Awards		\$ 11,120,919

County of Franklin, Virginia

Schedule of Findings and Questioned Costs
Year Ended June 30, 2011

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? No

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
10.553/10.555	National School Food Programs
10.561	SNAP Cluster
66.805	Leaking Underground Storage Tank Trust Fund Corrective Action Program
84.010/84.389	Title 1 , Part A Cluster
84.027/84.391	Special Education Cluster (IDEA)
84.394	ARRA-State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act
93.658	Foster Care/ARRA Foster Care
93.659	Adoption Assistance/ARRA Adoption Assistance
93.558	Temporary Assistance to Needy Families

Dollar threshold used to distinguish between Type A and Type B programs \$333,628

Auditee qualified as low-risk auditee? Yes

County of Franklin, Virginia

Schedule of Findings and Questioned Costs
Year Ended June 30, 2011 (continued)

Section II - Financial Statement Findings

There are no financial statement findings to report.

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.