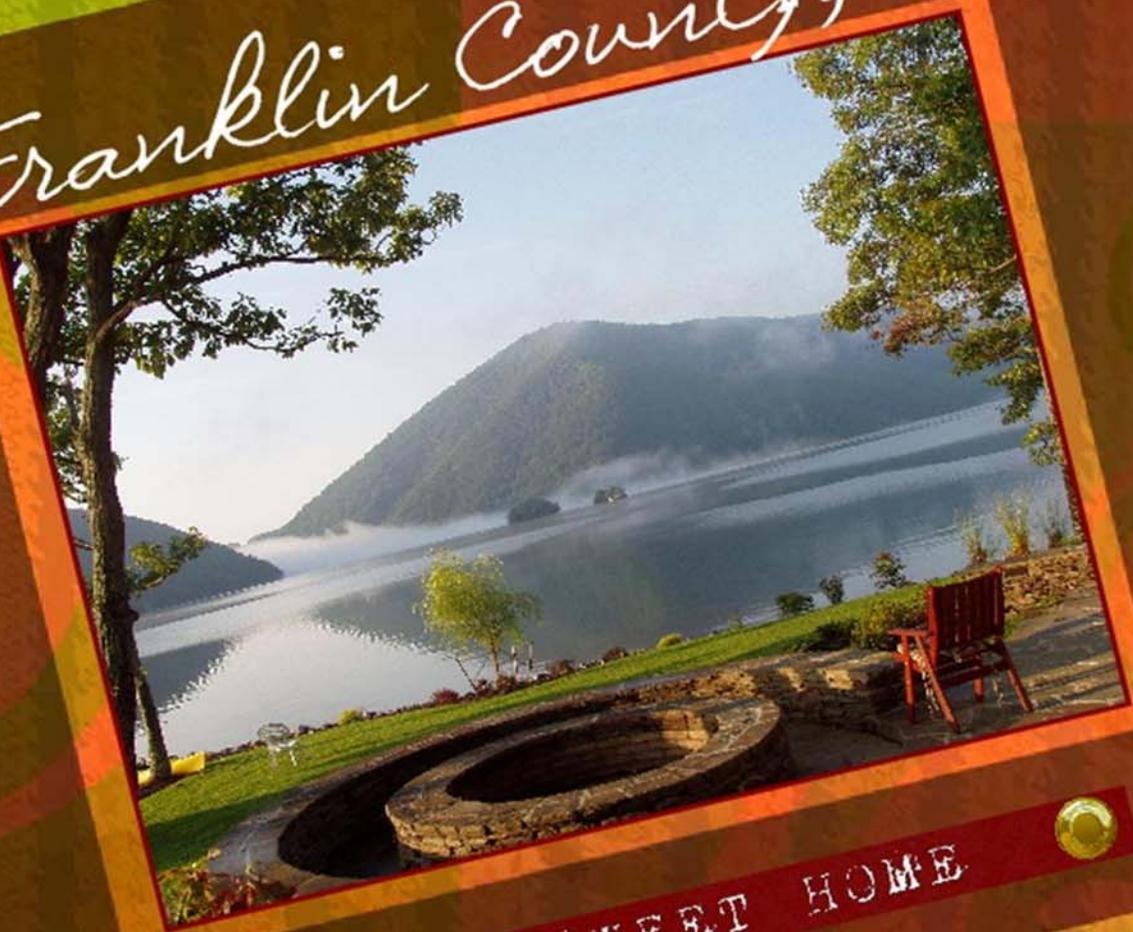


Comprehensive Annual Financial Report

June 30, 2013

Franklin County, VA



HOME SWEET HOME



Franklin County
A Natural Setting for Opportunity

COUNTY OF FRANKLIN, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2013

Prepared by the Franklin County
Department of Finance

COUNTY OF FRANKLIN, VIRGINIA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FISCAL YEAR ENDED JUNE 30, 2013

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INTRODUCTORY SECTION



January 21, 2014

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, 2013. 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, 2013. The audit was conducted in accordance with professional standards which require that the independent auditors plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The independent auditors' report is located in the front of the financial section of this report.

Under generally accepted accounting principles, as promulgated by the Governmental Accounting Standards board (GASB), management is required to provide a narrative that precedes the basic financial statements. This Management's Discussion and Analysis (MD&A) provides an introduction, overview and analysis of financial results for fiscal year 2012-2013, 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, 2013 is estimated at 56,616 with a population density of 78.5 people per square mile. Franklin County is included in the Roanoke Metropolitan Statistical Area (MSA) that has a total population of approximately 312,000.

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 4.9%.

Much of fiscal year 2012-2013 was spent on a number of capital projects including new landfill development and site improvements at the County's Commerce Center Industrial Park. 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. In 2012, Franklin County ranked 12th for job creation and 26th in investment among Virginia's Counties and Cities. With 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. A five-year School Capital Projects Plan was approved in FY12-13 and will include School roof replacements, paving projects, plumbing fixture upgrades, water system upgrades and security enhancements at various schools.

The County is working on various projects to improve our community. In conjunction with the Western Virginia Water Authority, a new water line is being constructed that will extend water from the Westlake community to the Burnt Chimney community. Appalachian Power has built new lines to reinforce the electrical grid around Smith Mountain Lake.

For the Future

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

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

Long-Term Financial Planning

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

General Fund Balance (Unassigned). The Board of Supervisors has adopted a policy to keep the unassigned general fund balance at a minimum of two months of general fund operating revenues. Bond rating agencies have also recommended the unassigned general fund balance be maintained at this level. The unassigned general fund balance is 20.4 million for the year ended June 30, 2013. This is an increase of

approximately \$400,000 from the prior fiscal year and is the result of the County's local property tax collections being stronger than anticipated.

Budgetary Controls. The budget function is used as a management control device during the year for the General Fund, Special Revenue, and Component Unit Funds. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the County Board of Supervisors. Only the Board of Supervisors can revise the appropriation for each function or category. The County Administrator is authorized to transfer amounts within general governmental functions; however, the School Board and Social Services Board are authorized to transfer amounts within their total appropriated funds.

Other Information

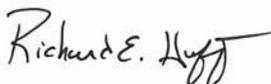
Independent Audit. State statutes require an annual audit by independent certified public accountants. The accounting firm of Robinson, Farmer, Cox Associates was selected by the County to perform this audit. In addition to meeting the requirements set forth in state statutes, the audit also was designed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

Awards. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County of Franklin, Virginia for its comprehensive annual financial report for the fiscal year ended June 30, 2012. This was the 13th 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.

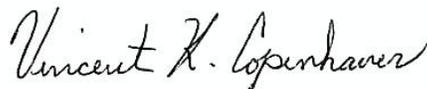
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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.

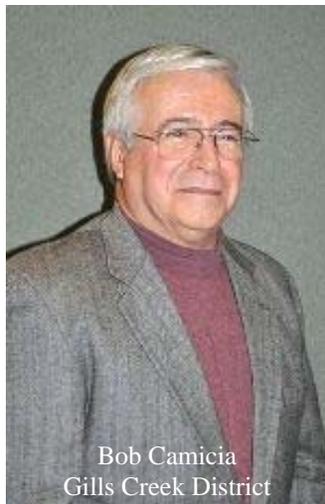
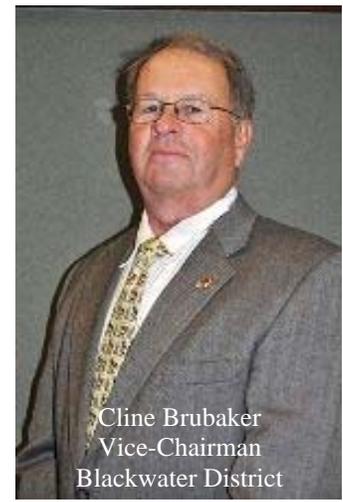
Agriculture has figured prominently in Franklin County's 200-year history, and was the occupation of most county residents until recent times. Tobacco was a leading crop in early Franklin County. Locally mined iron and copper were transported over the Carolina Road as far south as Georgia. The furnace 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, 2013



Franklin County Officials

June 30, 2013

Board of Supervisors

David Cundiff, Chairman, Union Hall District
Cline Brubaker, Vice-Chairman, Blackwater District
Leland Mitchell, Snow Creek District
Bob Camicia, Gills Creek District
Ronnie Thompson, Boone District
Bobby Thompson, Blue Ridge District
Charles Wagner, Rocky Mount District

County Administration

Richard E. Huff, II, County Administrator

County Attorney B. James Jefferson
Assistant County Administrator..... Christopher Whitlow
Assistant County Administrator..... Larry Moore
Director of Finance Vincent Copenhaver
Director of Commerce & Leisure Services..... Michael Burnette
Director of Information Technology..... Steve Thomas
Director of Planning Neil Holthouser
Director of Public Safety Daryl Hatcher
Director of General Properties Michael Thurman
Director of Solid Waste Barry Sink
Director of Aging Services Rose Boyd
Director of Library Services David Bass
Director of Franklin Center..... Kathy Hodges
Director of Family Resource Center..... Cynthia Treadway
Director of Social Services Deborah K. Powell
Chief Building Official Peter Ahrens
Unit Coordinator of Va. Cooperative Extension..... Shewana Hairston
Registrar..... Kay Chitwood

Constitutional Officers

Clerk of the Circuit Court Teresa Brown
Commissioner of the Revenue Margaret Torrence
Commonwealth Attorney..... Timothy Allen
Sheriff Bill Overton, Jr.
Treasurer Lynda Messenger

Franklin County Social Services Board Members

Wendie W. Dungan, Union Hall District
Danny Agee, Blackwater District
Charles Wagner, Rocky Mount District/BOS Representative
John R. Lipscomb, Boone District
Howard Ferguson, Snow Creek District
Richard L. Kleckner, Gills Creek District
Martha H. Bowling, Blue Ridge District

**Franklin County Public Schools
June 30, 2013**

School Board Members

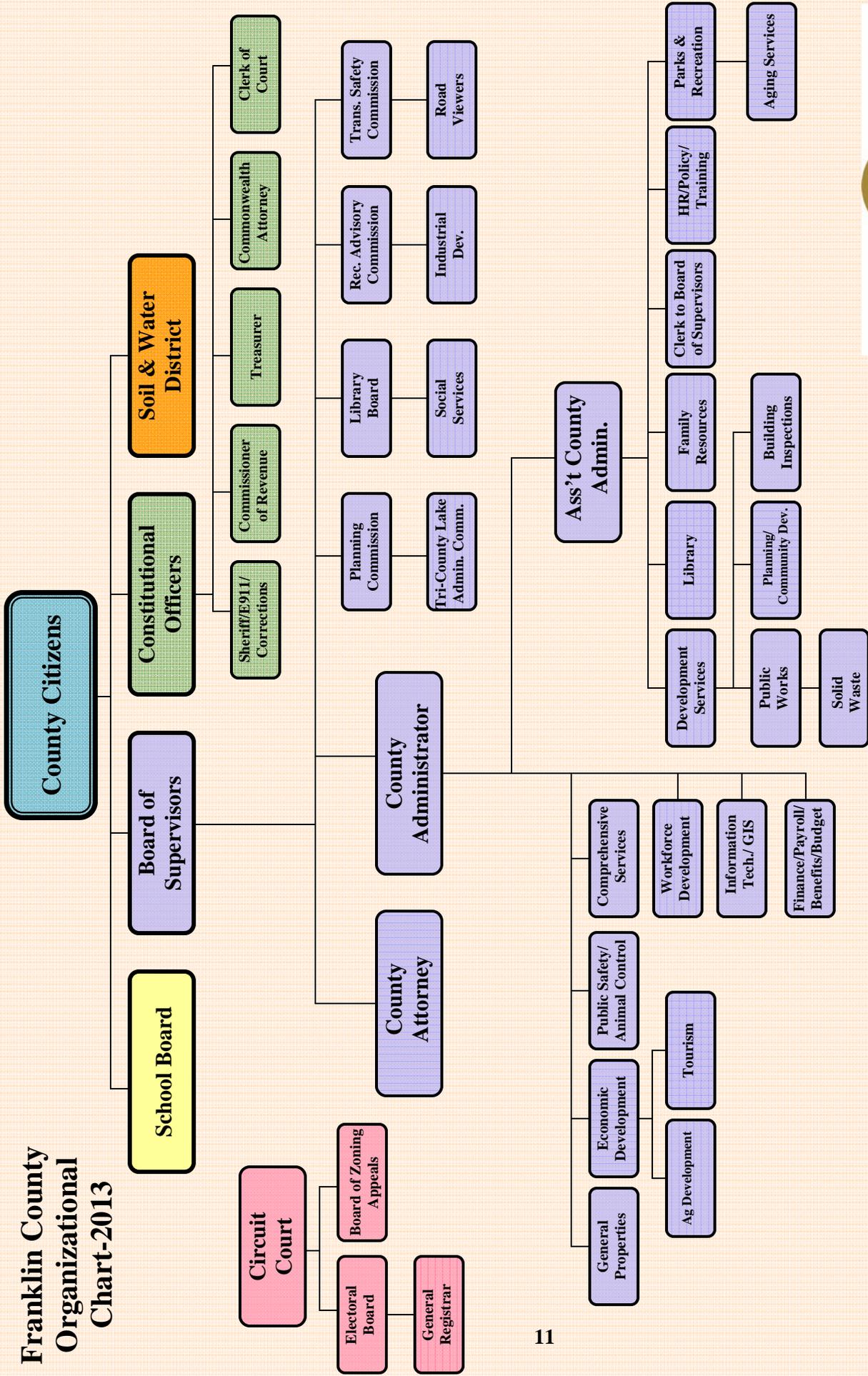
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<u>Crystal Naff</u> Blackwater District	<u>Julie Nix</u> <i>Interim Member</i> Blue Ridge District	<u>Bill Brush</u> Gills Creek District	<u>Sarah Alexander</u> Rocky Mount District
			
<u>P.D. Hambrick</u> Union Hall District	<u>Thad Montgomery</u> Boones District	<u>William Helm</u> Member at Large	<u>G.B. Washburn, Jr.</u> <i>Interim Chairman – Vice Chair</i> Snow Creek District

School Administration

Dr. W. Mark Church, 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
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.....	Jonathan Crutchfield
Supervisor of Transportation	Donna C. Carter
Supervisor of Maintenance	Darryl K. Spencer
Coordinator of Purchasing	David M. Leffue

Franklin County Organizational Chart-2013





Government Finance Officers Association

**Certificate of
Achievement
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in Financial
Reporting**

Presented to

**County of Franklin
Virginia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012



Executive Director/CEO

FINANCIAL SECTION

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

To the Honorable Members of
The Board of Supervisors
County of Franklin, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Franklin, Virginia, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Franklin, Virginia, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1 to the financial statements, in 2013, the County adopted new accounting guidance, GASB Statement Nos. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 14-22, budgetary comparison information, and schedule 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 required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Franklin, Virginia's basic financial statements. The introductory section, other supplementary information, supporting schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The other supplementary information, supporting schedules, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information, supporting schedules, and schedules and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information (continued)

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2014, 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, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County of Franklin, Virginia's internal control over financial reporting and compliance.

Robinson, Fauner, Cox Associates

Blacksburg, Virginia
January 21, 2014

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, 2013. We encourage readers to consider the information presented here in conjunction with the additional information that we have furnished in our letter of transmittal.

Financial Highlights for Fiscal Year 2013

- The total net position for governmental activities was \$67.6 million at the end of FY 2013. This figure is based on assets totaling \$107.7 million, liabilities of \$40 million, and deferred inflows of resources of \$100,000. Liabilities include a non-current component for long-term debt associated with the acquisition of assets for the County and School system. The total for assets does not include the school properties (Exhibit 1).
- During the year, the County's taxes and other revenues for governmental programs were \$3.4 million more than the \$74.4 million of expenses (Exhibit 2).
- The business-type activities net position at June 30, 2013 totaled \$1.3 million. This figure is based on total assets of \$1.3 million and liabilities of \$10.
- Total general fund revenues were more than the final budgeted amount by \$2.2 million or approximately 2.9 percent. Actual expenditures were \$10.6 million less than the final expenditure budget.
- The County's total outstanding debt decreased \$1.8 million at fiscal year-end. A new estimate for landfill closure and post closure added a half million to that liability. Retirements totaled \$7.4 million. See Note 6 for additional information on long-term obligations.
- Component Unit net position was \$18.6 million at the end of FY 2013. Of this amount, \$20.3 million is net investment in capital assets, \$100,000 is restricted, and the unrestricted deficit was \$1.8 million.
- At the end of the current fiscal year, the general fund unassigned fund balance was approximately \$20.4 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 position* presents information on all of the County's assets, deferred outflows, liabilities, and deferred inflows of resources with the difference between the three reported as *net position*. Over time,

increases or decreases in net position 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 position changed during the recent fiscal year. All changes in net position 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, libraries, solid waste and community development. The only business-type activity is a small water and sewer system at an existing industrial park.

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

Fund Financial Statements

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

The County has three kinds of funds:

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

Proprietary funds – When the County charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported with the full accrual accounting method as are all activities reported in the Statement of Net Position 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 position and a statement of changes in fiduciary net position. The County excludes these activities from the County's government-wide financial statements because the County cannot use these assets to finance its operations.

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

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

Financial Analysis of the County as a Whole

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

Summary of Net Position:

The following table reflects the condensed Statement of Net Position at June 30, 2013 as presented in the government-wide financial statements (in millions):

	Governmental Activities		Business-type Activities		Total Primary Government		Component Unit	
	FY2013	FY2012	FY2013	FY2012	FY2013	FY2012	FY2013	FY2012
Current and other assets	\$ 36.1	\$ 39.3	\$ 0.2	\$ 0.9	\$ 36.3	\$ 40.2	\$ 2.6	\$ 3.1
Capital assets, net	71.6	67.3	1.1	1.2	72.7	68.5	20.3	20.3
Total assets	<u>\$ 107.7</u>	<u>\$ 106.6</u>	<u>\$ 1.3</u>	<u>\$ 2.1</u>	<u>\$ 109.0</u>	<u>\$ 108.7</u>	<u>\$ 22.9</u>	<u>\$ 23.4</u>
Other liabilities	\$ 1.5	\$ 2.1	\$ -	\$ -	\$ 1.5	\$ 2.1	\$ 1.4	\$ 1.2
Long-term liabilities	38.5	40.2	-	-	38.5	40.2	2.9	2.5
Total liabilities	<u>\$ 40.0</u>	<u>\$ 42.3</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40.0</u>	<u>\$ 42.3</u>	<u>\$ 4.3</u>	<u>\$ 3.7</u>
Deferred inflows of resources	\$ 0.1	\$ -	\$ -	\$ -	\$ 0.1	\$ -	\$ -	\$ -
Net position:								
Net investment in capital assets	\$ 47.3	\$ 40.5	\$ 1.1	\$ 1.2	\$ 48.4	\$ 41.7	\$ 20.3	\$ 20.8
Restricted	0.4	0.3	-	-	0.4	0.3	0.1	0.3
Unrestricted	19.9	23.5	0.2	0.9	20.1	24.4	(1.8)	(1.4)
Total net position	<u>\$ 67.6</u>	<u>\$ 64.3</u>	<u>\$ 1.3</u>	<u>\$ 2.1</u>	<u>\$ 68.9</u>	<u>\$ 66.4</u>	<u>\$ 18.6</u>	<u>\$ 19.7</u>

The County's combined net position increased from \$66.4 million to \$68.9 million as a result of the increase in net activities of \$2.5 million. The increase is the result of stronger than anticipated revenues received during the fiscal year. Unrestricted governmental net position, the portion of net position that can be used to finance the day-to-day activities of the County totaled \$19.9 million. Net position net investment in capital assets represents the amount of capital assets owned by the County less any related debt. Net position is 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 position decreased from \$2.1 million to \$1.3 million as a result of cash reserves being utilized for additional utility infrastructure.

Component unit net position decreased due to an increase in long-term liabilities and the use of cash reserves for operations.

Summary of Activities:

The following table shows the revenues and expenses of the governmental activities for the year ended June 30, 2013 (in millions):

	Governmental Activities		Business-type Activities		Total Primary Government		Component Unit	
	FY2013	FY2012	FY2013	FY2012	FY2013	FY2012	FY2013	FY2012
Revenues:								
Program revenues:								
Charges for Services	\$ 3.0	\$ 2.5	\$ -	\$ 0.1	\$ 3.0	\$ 2.6	\$ 2.1	\$ 2.2
Operating Grants & Contributions	11.4	11.7	-	-	11.4	11.7	44.8	45.1
Capital Grants & Contributions	0.9	2.1	-	0.1	0.9	2.2	-	-
Total Program Revenues	\$ 15.3	\$ 16.3	\$ -	\$ 0.2	\$ 15.3	\$ 16.5	\$ 46.9	\$ 47.3
General Revenues:								
Property Taxes	\$ 46.3	\$ 45.8	\$ -	\$ -	\$ 46.3	\$ 45.8	\$ -	\$ -
Other Taxes	8.1	7.8	-	-	8.1	7.8	-	-
Other	7.2	6.0	-	-	7.2	6.0	0.4	0.3
Payments from the County	-	-	-	-	-	-	31.9	29.9
Total General Revenues	\$ 61.6	\$ 59.6	\$ -	\$ -	\$ 61.6	\$ 59.6	\$ 32.3	\$ 30.2
Total Revenues	\$ 76.9	\$ 75.9	\$ -	\$ 0.2	\$ 76.9	\$ 76.1	\$ 79.2	\$ 77.5
Expenses								
General Government Administration	\$ 4.3	\$ 5.3	\$ -	\$ -	\$ 4.3	\$ 5.3	\$ -	\$ -
Judicial Administration	2.5	2.4	-	-	2.5	2.4	-	-
Public Safety	14.6	14.4	-	-	14.6	14.4	-	-
Public Works	4.7	6.4	-	-	4.7	6.4	-	-
Health and Welfare	10.3	10.4	-	-	10.3	10.4	-	-
Education	31.9	29.9	-	-	31.9	29.9	80.3	76.5
Parks, Recreation, and Cultural	2.1	2.1	-	-	2.1	2.1	-	-
Community Development	3.0	3.1	-	-	3.0	3.1	-	-
Interest on Long-Term Debt	1.0	1.2	-	-	1.0	1.2	-	-
Water	-	-	-	-	-	-	-	-
Total Expenses	\$ 74.4	\$ 75.2	\$ -	\$ -	\$ 74.4	\$ 75.2	\$ 80.3	\$ 76.5
Excess or Deficiency Before Transfers	\$ 2.5	\$ 0.7	\$ -	\$ 0.2	\$ 2.5	\$ 0.9	\$ (1.1)	\$ 1.0
Transfers	0.8	(0.6)	(0.8)	0.6	-	-	-	-
Change in Net Position	\$ 3.3	\$ 0.1	\$ (0.8)	\$ 0.8	\$ 2.5	\$ 0.9	\$ (1.1)	\$ 1.0
Net Position, Beginning	64.3	64.2	2.1	1.3	66.4	65.5	19.7	18.7
Net Position, Ending	\$ 67.6	\$ 64.3	\$ 1.3	\$ 2.1	\$ 68.9	\$ 66.4	\$ 18.6	\$ 19.7

Revenues

For the fiscal year ended June 30, 2013, revenues from governmental activities totaled \$76.9 million, an increase of \$1.0 million from the prior fiscal year primarily from additional property and local taxes. Property tax revenues, the County's largest local revenue source, were \$46.3 million, an increase of \$0.5 million over the prior fiscal year. The County assesses all real property every four years. The most recent reassessed values were effective January 1, 2012.

Other local taxes (including sales taxes, recordation taxes, and meals taxes) were \$8.1 million, which was an increase of \$.3 million from FY 2012. Operating grants and contributions totaled \$11.4 million, reflecting a small decrease from the prior fiscal year.

Business-type revenues consist of charges to customers for water consumption. During FY 09-10, almost all of the County's water systems were transferred to the Western Virginia Water Authority - a regional provider of water and sewer services. The County receives a small amount of water revenue from a system located in one of the County's Industrial parks.

Component unit revenues total \$79.2 million, including a \$31.9 million payment from the general government. The increase in revenues was due to additional local funds from the general government.

Expenses

For the fiscal year ended June 30, 2013, expenses for governmental activities totaled \$74.4 million. Expenses contain the local county support of the school system.

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

Education is a high priority in the Franklin County community; consequently the County contributed \$31.9 million to the operation of the Franklin County schools. This amount represented about 43% of the County's general fund expenses.

Financial Analysis of the County's Funds

For the fiscal year ended June 30, 2013, the County's general fund reflects total fund balances of \$20.9 million, roughly an increase of \$300,000 from the fiscal year ended June 30, 2012.

The County Capital Projects fund balance decreased from fiscal year 11-12 as expenditures were made from reserve funds for various capital projects including the building of a new landfill.

Other Governmental Funds comprise the E911 fund. This fund balance increased slightly from FY 11-12 to FY 12-13.

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, 2012.
- To re-appropriate monies to pay for commitments in the form of encumbrances established prior to June 30, 2012 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 12-13 (in millions):

	Original Budget	Amended Budget	Actual
Revenues:			
Taxes	\$ 44.4	\$ 44.4	\$ 46.5
Intergovernmental	17.9	18.1	16.8
Other	11.7	12.0	13.4
Total revenues	<u>\$ 74.0</u>	<u>\$ 74.5</u>	<u>\$ 76.7</u>
Expenditures:			
Expenditures	\$ 72.4	\$ 86.0	\$ 75.4
Total expenditures	<u>\$ 72.4</u>	<u>\$ 86.0</u>	<u>\$ 75.4</u>
Other financing sources (uses):	<u>\$ (1.6)</u>	<u>\$ 5.0</u>	<u>\$ (0.9)</u>
Net change in fund balance	\$ -	\$ (6.5)	\$ 0.4
Fund balance - beginning	-	6.5	20.6
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21.0</u>

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

The increase in comparing original budget to final budget in the revenues is found in the budget for intergovernmental revenue and other revenue. Intergovernmental revenues were increased during the year from grants being received by the County.

There is 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 2012-2013 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, 2013, in millions of dollars:

	Governmental Activities		Business-type Activities		Total Primary Government		Component Unit	
	FY2013	FY2012	FY2013	FY2012	FY2013	FY2012	FY2013	FY2012
Non-Depreciable Assets:								
Land	\$ 6.1	\$ 5.9	\$ -	\$ -	\$ 6.1	\$ 5.9	\$ 0.7	\$ 0.7
Construction in Progress	6.6	2.6	-	-	6.6	2.6	0.1	0.3
Other Capital Assets:								
Buildings and Systems	70.8	68.7	-	-	70.8	68.7	34.5	33.9
Infrastructure	-	-	1.3	1.3	1.3	1.3	-	-
Machinery and Equipment	23.9	23.0	-	-	23.9	23.0	16.4	15.4
Accumulated Depreciation	(35.8)	(32.9)	(0.2)	(0.1)	(36.0)	(33.0)	(31.4)	(30.0)
Total	\$ 71.6	\$ 67.3	\$ 1.1	\$ 1.2	\$ 72.7	\$ 68.5	\$ 20.3	\$ 20.3

The table below shows the change in capital assets for the fiscal year ended June 30, 2013 in millions of dollars:

	Balance	Net	Balance
	June 30, 2012	Additions/ Deletions	June 30, 2013
Non-Depreciable Assets:			
Land	\$ 6.6	\$ 0.2	\$ 6.8
Construction in Progress	2.9	3.8	6.7
Other Capital Assets:			
Buildings and Systems	102.6	2.7	105.3
Infrastructure	1.3	-	1.3
Machinery and Equipment	38.4	1.9	40.3
Accumulated Depreciation	(63.0)	(4.4)	(67.4)
Total	\$ 88.8	\$ 4.2	\$ 93.0

During the FY 12-13 budget process, the Board of Supervisors approved a five-year Capital Improvement Program (CIP) that totaled \$3.1 million for FY 12-13. 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 11 in the "Notes to Financial Statements" section of the report.

Long Term Obligations

The following table displays the County and Schools (Component Unit) Outstanding Debt at June 30, 2013 and at June 30, 2012, in millions of dollars:

	Governmental Activities		Business-type Activities		Total Primary Government		Component Unit	
	FY2013	FY2012	FY2013	FY2012	FY2013	FY2012	FY2013	FY2012
General Obligation Bonds	\$ 26.5	\$ 25.7	\$ -	\$ -	\$ 26.5	\$ 25.7	\$ -	\$ -
Revenue Bonds	-	-	-	-	-	-	-	-
Literary Loans	-	3.7	-	-	-	3.7	-	-
Capital Leases	0.5	0.2	-	-	0.5	0.2	-	-
Landfill Closure/Post Closure Liability	9.3	8.7	-	-	9.3	8.7	-	-
Compensated Absences	1.6	1.4	-	-	1.6	1.4	0.9	0.8
Other Post Employment Benefits	0.6	0.5	-	-	0.6	0.5	2.0	1.7
Total	\$ 38.5	\$ 40.2	\$ -	\$ -	\$ 38.5	\$ 40.2	\$ 2.9	\$ 2.5

Additional detailed information on long-term debt activity can be found in Note 7 in the “Notes to Financial Statements” section of the report.

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

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

Franklin County maintains bond ratings of Double A Two (Aa2) from Moody's Investor's Services and Double A Minus (AA-) from Standard & Poor's.

Economic Factors and Future Budgets

Recent trends and revenue forecasts from the Commonwealth of Virginia indicate that the State is experiencing the same economic slowdown that is impacting our national economy 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 Position
June 30, 2013

	Primary Government			Component Unit School Board
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 30,991,804	\$ 181,240	\$ 31,173,044	\$ 380,805
Receivables (net of allowance for uncollectibles):				
Taxes receivable	2,351,800	-	2,351,800	-
Accounts receivable	62,820	1,576	64,396	34,743
Other local taxes receivable	629,931	-	629,931	-
Due from other governmental units	2,103,624	-	2,103,624	2,039,641
Restricted assets:				
Temporarily restricted:				
Cash and cash equivalents (in custody of others)	-	-	-	120,964
Capital assets (net of accumulated depreciation):				
Land	6,134,590	-	6,134,590	725,315
Buildings and improvements	51,902,169	-	51,902,169	14,058,936
Machinery and equipment	6,993,857	-	6,993,857	5,451,469
Infrastructure	-	1,134,931	1,134,931	-
Construction in progress	6,552,101	-	6,552,101	52,250
Total assets	<u>\$ 107,722,696</u>	<u>\$ 1,317,747</u>	<u>\$ 109,040,443</u>	<u>\$ 22,864,123</u>
LIABILITIES				
Accounts payable	\$ 1,172,391	\$ 10	\$ 1,172,401	\$ 588,400
Accrued liabilities	-	-	-	783,788
Accrued interest payable	412,621	-	412,621	-
Long-term liabilities:				
Due within one year	4,283,183	-	4,283,183	635,201
Due in more than one year	34,179,446	-	34,179,446	2,250,640
Total liabilities	<u>\$ 40,047,641</u>	<u>\$ 10</u>	<u>\$ 40,047,651</u>	<u>\$ 4,258,029</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - prepaid property taxes	\$ 99,943	-	\$ 99,943	-
NET POSITION				
Net investment in capital assets	\$ 47,333,389	\$ 1,134,931	\$ 48,468,320	\$ 20,287,970
Restricted for:				
E-911	135,682	-	135,682	-
Law Library	97,030	-	97,030	-
Forfeited Assets	27,615	-	27,615	-
Courthouse maintenance	128,579	-	128,579	-
School cafeteria programs	-	-	-	120,964
Unrestricted (deficit)	19,852,817	182,806	20,035,623	(1,802,840)
Total net position	<u>\$ 67,575,112</u>	<u>\$ 1,317,737</u>	<u>\$ 68,892,849</u>	<u>\$ 18,606,094</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, 2013

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit	
	Expenses	Charges for	Capital	Governmental	Primary	Total		School Board
		Services	Operating					
PRIMARY GOVERNMENT:								
Governmental activities:								
General government administration	\$ 4,297,357	\$ 7,980	\$ 416,191	\$ (3,873,186)	\$ -	\$ (3,873,186)	\$ -	
Judicial administration	2,535,881	103,748	937,499	(1,494,634)	-	(1,494,634)	-	
Public safety	14,590,942	1,781,500	3,083,251	(9,498,560)	-	(9,498,560)	-	
Public works	4,728,017	952,990	32,959	(3,742,068)	-	(3,742,068)	-	
Health and welfare	10,269,099	13,425	6,652,152	(3,603,522)	-	(3,603,522)	-	
Education	31,912,383	-	-	(31,912,383)	-	(31,912,383)	-	
Parks, recreation, and cultural	2,071,985	194,202	154,782	(1,723,001)	-	(1,723,001)	-	
Community development	3,003,651	-	135,755	(2,230,642)	-	(2,230,642)	-	
Interest on long-term debt	946,745	-	-	(946,745)	-	(946,745)	-	
Total governmental activities	\$ 74,356,060	\$ 3,053,845	\$ 11,412,589	\$ (59,024,741)	\$ -	\$ (59,024,741)	\$ -	
Business-type activities:								
Utility Fund	\$ 42,490	\$ 31,084	\$ -	\$ -	\$ (11,406)	\$ (11,406)	\$ -	
Total primary government	\$ 74,398,550	\$ 3,084,929	\$ 11,412,589	\$ (59,024,741)	\$ (11,406)	\$ (59,036,147)	\$ -	
COMPONENT UNITS:								
School Board	\$ 80,316,605	\$ 2,097,038	\$ 44,818,234	\$ -	\$ -	\$ (33,401,333)	\$ (33,401,333)	
Total component units	\$ 80,316,605	\$ 2,097,038	\$ 44,818,234	\$ -	\$ -	\$ (33,401,333)	\$ (33,401,333)	
General revenues:								
General property taxes				\$ 46,330,843	\$ -	\$ 46,330,843	\$ -	
Other local taxes:								
Local sales and use taxes				4,029,528	-	4,029,528	-	
Consumers' utility taxes				973,782	-	973,782	-	
Business license taxes				4,798	-	4,798	-	
Utility license taxes				250,098	-	250,098	-	
Motor vehicle licenses				1,148,502	-	1,148,502	-	
Bank stock taxes				128,791	-	128,791	-	
E-911 taxes				3,065	-	3,065	-	
Taxes on recordation and wills				513,088	-	513,088	-	
Hotel and motel room taxes				85,124	-	85,124	-	
Restaurant food taxes				962,596	-	962,596	-	
Unrestricted revenues from use of money and property				1,129,807	-	1,129,807	1,211	
Miscellaneous				584,600	-	584,600	352,868	
Payments from County of Franklin				-	-	-	31,912,383	
Grants and contributions not restricted to specific programs				5,478,612	-	5,478,612	-	
Transfers				783,000	(783,000)	-	-	
Total general revenues and transfers				\$ 62,406,234	\$ (783,000)	\$ 61,623,234	\$ 32,266,462	
Change in net position				\$ 3,381,483	\$ (794,406)	\$ 2,587,087	\$ (1,134,871)	
Net position - beginning, as restated				64,193,619	2,112,143	66,305,762	19,740,965	
Net position - ending				\$ 67,575,112	\$ 1,317,737	\$ 68,892,849	\$ 18,606,094	

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

County of Franklin, Virginia
Balance Sheet
Governmental Funds
June 30, 2013

	<u>General</u>	<u>County Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 19,007,274	\$ 11,850,864	\$ 133,666	\$ 30,991,804
Receivables (net of allowance for uncollectibles):				
Taxes receivable	2,351,800	-	-	2,351,800
Accounts receivable	-	62,820	-	62,820
Other local taxes receivable	629,931	-	-	629,931
Due from other governmental units	2,070,747	22,809	10,068	2,103,624
Total assets	<u>\$ 24,059,752</u>	<u>\$ 11,936,493</u>	<u>\$ 143,734</u>	<u>\$ 36,139,979</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 1,004,374	\$ 159,965	\$ 8,052	\$ 1,172,391
Total liabilities	<u>\$ 1,004,374</u>	<u>\$ 159,965</u>	<u>\$ 8,052</u>	<u>\$ 1,172,391</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - prepaid property taxes	\$ 99,943	\$ -	\$ -	\$ 99,943
Unavailable revenue - property taxes	2,027,611	-	-	2,027,611
Total deferred inflows of resources	<u>\$ 2,127,554</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,127,554</u>
Fund balances:				
Restricted:				
E-911	\$ -	\$ -	\$ 135,682	\$ 135,682
Law Library	97,030	-	-	97,030
Forfeited Assets	27,615	-	-	27,615
Courthouse maintenance	128,579	-	-	128,579
Assigned				
Debt service	277,289	-	-	277,289
Capital projects	-	11,776,528	-	11,776,528
Unassigned	20,397,311	-	-	20,397,311
Total fund balances	<u>\$ 20,927,824</u>	<u>\$ 11,776,528</u>	<u>\$ 135,682</u>	<u>\$ 32,840,034</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 24,059,752</u>	<u>\$ 11,936,493</u>	<u>\$ 143,734</u>	<u>\$ 36,139,979</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 Position
 June 30, 2013

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	32,840,034
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Land	\$	6,134,590
Buildings and improvements		51,902,169
Machinery and equipment		6,993,857
Construction in progress		6,552,101
		71,582,717
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Deferred inflows		2,027,611
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		
General obligation bonds and capital lease	\$	(26,089,826)
Capital lease		(534,770)
Accrued interest payable		(412,621)
Unamortized bond premium		(339,732)
Landfill closure/postclosure liability		(9,322,075)
Compensated absences		(1,548,066)
Net OPEB obligation		(628,160)
		(38,875,250)
Net position of governmental activities	\$	67,575,112

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, 2013

	General	County Capital Projects	Other Governmental Funds	Total
REVENUES				
General property taxes	\$ 46,529,172	\$ -	\$ -	\$ 46,529,172
Other local taxes	8,096,307	-	3,065	8,099,372
Permits, privilege fees, and regulatory licenses	356,552	-	-	356,552
Fines and forfeitures	67,474	-	-	67,474
Revenue from the use of money and property	1,129,807	-	-	1,129,807
Charges for services	2,629,819	-	-	2,629,819
Miscellaneous	558,137	26,163	300	584,600
Recovered costs	515,589	-	-	515,589
Intergovernmental revenues:				
Commonwealth	14,123,091	924,885	59,589	15,107,565
Federal	2,648,521	-	-	2,648,521
Total revenues	<u>\$ 76,654,469</u>	<u>\$ 951,048</u>	<u>\$ 62,954</u>	<u>\$ 77,668,471</u>
EXPENDITURES				
Current:				
General government administration	\$ 4,201,866	\$ -	\$ -	\$ 4,201,866
Judicial administration	2,401,013	-	-	2,401,013
Public safety	12,856,769	-	1,025,351	13,882,120
Public works	3,679,291	-	-	3,679,291
Health and welfare	10,357,775	-	-	10,357,775
Education	29,428,432	1,449,880	-	30,878,312
Parks, recreation, and cultural	1,915,968	-	-	1,915,968
Community development	3,157,331	-	-	3,157,331
Nondepartmental	46,897	-	-	46,897
Capital projects	-	7,103,074	-	7,103,074
Debt service:				
Principal retirement	6,304,484	-	-	6,304,484
Interest and other fiscal charges	1,040,602	-	-	1,040,602
Bond issuance costs	14,958	-	-	14,958
Total expenditures	<u>\$ 75,405,386</u>	<u>\$ 8,552,954</u>	<u>\$ 1,025,351</u>	<u>\$ 84,983,691</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 1,249,083</u>	<u>\$ (7,601,906)</u>	<u>\$ (962,397)</u>	<u>\$ (7,315,220)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 1,989,972	\$ 6,337,562	\$ 1,046,150	\$ 9,373,684
Transfers out	(6,600,712)	(1,989,972)	-	(8,590,684)
Issuance of general obligation refunding bonds	3,068,750	-	-	3,068,750
Issuance of capital leases	655,000	-	-	655,000
Sale of capital assets	-	251,124	-	251,124
Total other financing sources (uses)	<u>\$ (886,990)</u>	<u>\$ 4,598,714</u>	<u>\$ 1,046,150</u>	<u>\$ 4,757,874</u>
Net change in fund balances	\$ 362,093	\$ (3,003,192)	\$ 83,753	\$ (2,557,346)
Fund balances - beginning	20,565,731	14,779,720	51,929	35,397,380
Fund balances - ending	<u>\$ 20,927,824</u>	<u>\$ 11,776,528</u>	<u>\$ 135,682</u>	<u>\$ 32,840,034</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, 2013

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

Net change in fund balances - total governmental funds \$ (2,557,346)

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.

Capital outlays	\$ 8,361,932	
Depreciation expenses	<u>(3,685,815)</u>	4,676,117

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position. (395,024)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (198,329)

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 position. Also, governmental funds report the effect of 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.

Debt issued or incurred:		
Issuance of general obligation debt	\$ (3,068,750)	
Increase in capital leases	(655,000)	
Principal repayments:		
General obligation bonds and literary loans	6,021,113	
Capital leases	283,371	
Decrease (increase) in estimated liability:		
Landfill closure/postclosure liability	<u>(638,260)</u>	1,942,474

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.

Decrease (increase) in compensated absences	\$ (132,214)	
Decrease (increase) in accrued interest payable	81,836	
Amortization of bond premium	26,979	
(Increase) decrease in net OPEB obligation	<u>(63,000)</u>	(86,399)

Change in net position of governmental activities \$ 3,381,493

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

County of Franklin, Virginia
Statement of Net Position
Proprietary Fund
June 30, 2013

	Enterprise Fund
	Utility Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 181,240
Accounts receivable, net of allowance for uncollectibles	1,576
Total current assets	\$ 182,816
Noncurrent assets:	
Capital assets:	
Infrastructure	\$ 1,319,774
Accumulated depreciation	(184,843)
Total capital assets	\$ 1,134,931
Total noncurrent assets	\$ 1,134,931
Total assets	\$ 1,317,747
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 10
Total current liabilities	\$ 10
Total liabilities	\$ 10
NET POSITION	
Net investment in capital assets	\$ 1,134,931
Unrestricted	182,806
Total net position	\$ 1,317,737

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

County of Franklin, Virginia
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
For the Year Ended June 30, 2013

	Enterprise Fund
	Utility Fund
OPERATING REVENUES	
Charges for services:	
Water and sewer revenue	\$ 23,272
Connection fees (operating)	7,812
Total operating revenues	\$ 31,084
OPERATING EXPENSES	
Utilities	2,734
Professional services	6,911
Depreciation	32,845
Total operating expenses	\$ 42,490
Operating income (loss)	\$ (11,406)
Income before transfers	\$ (11,406)
Transfers out	\$ (800,000)
Transfers in	17,000
Change in net position	\$ (794,406)
Total net position - beginning	2,112,143
Total net position - ending	\$ 1,317,737

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, 2013

	Enterprise Fund
	Utility Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 30,064
Payments for materials and supplies	(9,682)
Net cash provided by (used for) operating activities	\$ 20,382
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers to other funds	\$ (800,000)
Transfers from other funds	17,000
Net cash provided by (used for) noncapital financing activities	\$ (783,000)
Net increase (decrease) in cash and cash equivalents	(762,618)
Cash and cash equivalents - beginning	\$ 943,858
Cash and cash equivalents - ending	\$ 181,240
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ (11,406)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	\$ 32,845
(Increase) decrease in accounts receivable	(1,020)
Increase (decrease) in accounts payable	(37)
Total adjustments	\$ 31,788
Net cash provided by (used for) operating activities	\$ 20,382

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

County of Franklin, Virginia
 Statement of Fiduciary Net Position
 Fiduciary Funds
 June 30, 2013

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 221,027
Cash in custody of others	55,959
Total assets	\$ 276,986
 LIABILITIES	
Amounts held for social services clients	\$ 45,824
Amounts held for citizens	17,678
Amounts held for performance bonds	153,525
Amounts held for library	4,000
Amounts held for inmates	55,959
Total liabilities	\$ 276,986

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

COUNTY OF FRANKLIN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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, 2013, the Franklin County School Board contributed \$762,363 to this Organization. Other organizations to which the County makes appointments and contributions are listed below:

Roanoke Valley Economic Development Partnership	\$ 116,249
Piedmont Community Services	90,737
Roanoke Valley Detention Commission	234,906
Western Virginia Regional Jail	1,968,560

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 position 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 net position is designed to display financial position of the primary government (government and business-type activities) and its discretely presented component unit. Governments will report all capital position in the government-wide Statement of Net Position and will report depreciation expense – the cost of “using up” capital assets – in the Statement of Activities. The net position of a government will be broken down into three categories – 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

The government-wide statement of activities reports expenses and revenues in a format that focuses on the cost of each of the government’s functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

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.

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

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

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.

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 unavailable revenues.

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

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

The County reports the following major governmental funds:

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

The County reports the following major capital projects funds:

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

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

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

The County reports the following major proprietary fund:

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

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

The government reports the following non-major governmental funds:

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

Additionally, the government reports the following fund types:

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

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

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

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

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

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

D. Deferred Outflows/Inflows of Resources:

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The County does not have any deferred outflows of resources as of June 30, 2013.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has one type of item that qualifies for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30, 2nd half installments levied during the fiscal year but due after June 30th and amounts prepaid on the 2nd half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, 2nd half installments levied during the fiscal year but due after June 30th and amounts prepaid on 2nd half installments are reported as deferred inflows of resources.

E. Assets, liabilities, deferred outflows/inflows of resources and net position/fund balance:

1. Cash and Cash Equivalents

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 unit, 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.

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

E. Assets, liabilities, deferred outflows/inflows of resources and net position/fund balance: (continued)

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 \$708,205 at June 30, 2013 and is comprised solely of property taxes.

5. Use of Estimates

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

6. Capital assets

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

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

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

E. Assets, liabilities, deferred outflows/inflows of resources and net position/fund balance: (continued)

6. Capital assets (continued)

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.

8. Long-term obligations

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts 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.

In the fund financial statements, governmental fund types recognize bond premiums and discounts 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.

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

E. Assets, liabilities, deferred outflows/inflows of resources and net position/fund balance: (continued)

9. Fund equity

The County of Franklin, Virginia follows provisions of GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. 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 (Board of Supervisors); to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned fund balance – amounts a government intends to use for a specific purpose; intent is expressed by the governing body, as discussed below.
- Unassigned fund balance – amounts that are available for any purpose; positive amounts are only reported in the general fund.

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

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

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

E. Assets, liabilities, deferred outflows/inflows of resources and net position/fund balance: (continued)

10. Net Position

Net position is the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position is divided into three components:

- Net investment in capital assets—consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.
- Restricted —consist of assets that are restricted by the County's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.
- Unrestricted—all other net position is reported in this category.

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.

14. Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, Statement No. 63 of the Governmental Accounting Standards Board

The County implemented the financial reporting provisions of the above Statement for the fiscal year ended June 30, 2013. This Statement provides guidance for reporting deferred inflows and outflows of resources. The requirement of this Statement will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on the entity's net position. With the implementation of this Statement, certain terminology has changed and financial statement descriptions have changed from "net assets" to "net position." The net equity reported in the financial statements was not changed as a result of implementing this Statement and no restatement of prior balances is required.

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

E. Assets, liabilities, deferred outflows/inflows of resources and net position/fund balance: (continued)

15. Items Previously Reported as Assets and Liabilities, Statement No. 65 of the Governmental Accounting Standards Board

The County implemented the financial reporting provisions of the above Statement for the fiscal year ended June 30, 2013. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. Beginning net position was restated as detailed in note 19 to implement provisions of this statement.

16. Net Position Flow Assumption

Sometimes the County will fund outlays for a particular purpose from both restricted (e.g. restricted bond and grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the County's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Note 2-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 2-Stewardship, Compliance, and Accountability:

A. Budgetary information (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 commit 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, 2013.

C. Deficit fund equity

At June 30, 2013, there were no funds with deficit fund equity.

Note 3-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.

Note 3-Deposits and Investments: (Continued)

Investments:

Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, bankers acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP). As of June 30, 2013 and for the year then ended, the County did not have any investments.

Custodial Credit Risk (Investments)

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Neither the County nor its discretely presented component unit has an investment policy for custodial credit risk. As of June 30, 2013, 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, 2013, 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, 2013, the County did not have any investments meeting the GASB 40 definition requiring interest rate risk disclosures.

Note 4-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>Commonwealth of Virginia:</u>		
Local sales tax	\$ 721,634	\$ -
State sales tax	-	618,435
Non-categorical aid	152,628	-
Categorical aid-shared expenses	326,567	-
Categorical aid-VPA funds	173,008	-
Categorical aid-CSA funds	398,991	-
Other categorical aid	67,813	-
<u>Federal Government:</u>		
Categorical aid-VPA funds	217,990	-
Other categorical aid	44,993	1,421,206
Totals	<u>\$ 2,103,624</u>	<u>\$ 2,039,641</u>

Note 5-Interfund Transfers:

Interfund transfers for the year ended June 30, 2013, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General Fund	\$ 1,989,972	\$ 6,600,712
Utility Fund	17,000	800,000
County Capital Projects Fund	6,337,562	1,989,972
E-911 Fund	1,046,150	-
Total	<u>\$ 9,390,684</u>	<u>\$ 9,390,684</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 Capital Projects Fund and the E-911 Fund 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2013

Note 6-Long-Term Obligations:

Primary Government - Governmental Activity Obligations:

The following is a summary of long-term obligation transactions of the County for the year ended June 30, 2013.

	Balance July 1, 2012	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2013
General Obligation				
Bonds and Notes	\$ 25,339,439	\$ 3,068,750	(2,318,363)	\$ 26,089,826
Premiums on bonds	366,711	-	(26,979)	339,732
Literary loans	3,702,750	-	(3,702,750)	-
Capital leases	163,141	655,000	(283,371)	534,770
Landfill closure/postclosure liability	8,683,815	638,260	-	9,322,075
Compensated absences	1,415,852	1,194,103	(1,061,889)	1,548,066
Net OPEB obligation	565,160	104,000	(41,000)	628,160
	<u>40,236,868</u>	<u>5,660,113</u>	<u>(7,434,352)</u>	<u>38,462,629</u>
Total	\$ 40,236,868	\$ 5,660,113	\$ (7,434,352)	\$ 38,462,629

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

Year Ending June 30,	General Obligation Bonds and Notes	
	Principal	Interest
2014	\$ 2,982,084	\$ 912,179
2015	3,026,256	818,252
2016	2,553,636	729,589
2017	2,593,234	643,722
2018	2,632,472	557,731
2019-2023	8,766,385	1,628,641
2024-2028	2,340,759	513,628
2029-2033	815,000	192,053
2034-2038	380,000	18,434
Totals	<u>\$ 26,089,826</u>	<u>\$ 6,014,229</u>

Note 6-Long-Term Obligations: (Continued)

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

Total capital assets acquired through capital leases are as follows:

Phone system-Social Services	\$ 54,978
Trash compactor-Landfill	584,653
Waste Track Type Loader-Landfill	279,894
Total capital assets	\$ 919,525
Accumulated Depreciation	(204,193)
Net Book Value of Capital Assets	\$ 715,332

Present value of future minimum lease payments:

Year Ending June 30,	Capital Leases
2014	\$ 147,755
2015	135,145
2016	135,145
2017	135,145
Total minimum lease payments	\$ 553,190
Less: amount representing interest	(18,420)
Present value of future minimum lease payments	\$ 534,770

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2013

Note 6-Long-Term Obligations: (continued)

Primary Government - Governmental Activity Obligations:

Details of long-term obligations:

	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Balance Governmental Activities	Amount Due Within One Year
General Obligation Bonds and Notes:						
GO bond ²	5.0-5.9%	11/16/2000	2020	\$ 6,285,526	\$ 2,779,220	\$ 325,946
GO bond ²	5.1-6.35%	5/18/2000	2021	3,400,000	1,360,000	170,000
GO bond ²	4.1-5.6%	11/10/2004	2025	2,500,000	1,500,000	125,000
GO bond ¹	3.710%	7/13/2005	2021	6,500,000	1,537,901	175,204
GO bond ²	4.225-5.1%	11/9/2006	2027	6,760,943	4,790,753	313,469
GO bond ¹	3.910%	12/20/2007	2023	4,253,000	3,130,131	274,133
GO bond ²	3.910%	12/20/2007	2023	4,897,000	3,603,071	315,582
GO bond ³	4.68%	6/12/2009	2035	2,905,000	2,715,000	70,000
Note Payable - WVCC ¹	0.00%	12/15/2009	2019	1,000,000	600,000	100,000
GO refunding bond ²	1.45%	8/27/2012	2018	3,068,750	3,068,750	613,750
GO refunding bond ¹	1.615%	6/24/2010	2014	2,464,000	1,005,000	499,000
Total General Obligation Bonds and Notes					<u>\$ 26,089,826</u>	<u>\$ 2,982,084</u>
Other Obligations:						
Landfill Closure/Post-closure Liability					\$ 9,322,075	\$ -
Capital Leases					534,770	140,049
Premiums on GO Bonds					339,732	-
Compensated Absences					1,548,066	1,161,050
Net OPEB Obligation					628,160	-
Total Other Obligations					<u>\$ 12,372,803</u>	<u>\$ 1,301,099</u>
Total Long-term obligations					<u>\$ 38,462,629</u>	<u>\$ 4,283,183</u>

¹ Denotes debt issued for General Government Projects

² Denotes debt issued for School Construction

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

For the governmental activities, landfill closure and post-closure liability, compensated absences, net OPEB obligation are generally liquidated by the General Fund.

Note 7-Long-Term Obligations-Component Unit School Board:

Discretely Presented Component Unit-School Board Obligations:

The following is a summary of long-term obligation transactions of the Component-Unit School Board for the year ended June 30, 2013.

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
Compensated absences	\$ 850,995	\$ 634,186	\$ (638,246)	\$ 846,935
Net OPEB obligation	1,689,180	428,000	(177,000)	1,940,180
VRS net pension obligations	-	98,726	-	98,726
Total	\$ 2,540,175	\$ 1,160,912	\$ (815,246)	\$ 2,885,841

Details of long-term obligations:

	Total Amount	Amount Due Within One Year
<u>Other Obligations:</u>		
Compensated absences	\$ 846,935	\$ 635,201
Net OPEB obligation	1,940,180	-
VRS net pension obligation	98,726	-
Total Long-Term Obligations	\$ 2,885,841	\$ 635,201

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

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Note 8-Employee Retirement System and Defined Benefit Pension Plan:

A. Plan Description

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

All full-time, salaried permanent (professional) employees of public school divisions and employees of participating employers are automatically covered by VRS upon employment. Benefits vest after five years of service credit. Members earn one month of service credit for each month they are employed and their employer is paying into the VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as service 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 were vested as of January 1, 2013 are covered under Plan 1 non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit early at age 55 with at least five years of service credit or age 50 with at least 10 years of service credit.

Members hired or rehired on or after July 1, 2010 and Plan 1 members who were not vested on January 1, 2013 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 the employer. The multiplier for Plan 2 members was reduced to 1.65% effective January 1, 2013 unless they are hazardous duty employees and their employer has elected the enhanced retirement multiplier. 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 8-Employee Retirement System and Defined Benefit Pension Plan: (continued)

A. Plan Description (continued)

Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1 of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5.00%; under Plan 2, the COLA cannot exceed 6.00%. During years of no inflation or deflation, the COLA is 0.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The system issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2012-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

B. Funding Policy

Primary Government:

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. In addition, the County 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's contribution rate for the fiscal year ended 2013 was 12.31% of annual covered payroll.

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

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid 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 rate for the fiscal year ended 2013 was 10.02% of annual covered payroll.

Note 8-Employee Retirement System and Defined Benefit Pension Plan: (continued)

C. Annual Pension Cost

For fiscal year 2013, the County's annual pension cost of \$1,495,557 was equal to the required and actual contributions for the County. For fiscal year 2013, the School Board's annual pension cost of \$492,349 was not equal to the required and actual contributions for the School Board non-professional employees.

Three-Year Trend Information

	Fiscal Year Ending	Annual Pension Cost (APC) ¹	Percentage of APC Contributed	Net Pension Obligation
Primary Government:				
County	6/30/2011	\$ 1,052,708	100.00%	\$ -
	6/30/2012	1,060,487	100.00%	-
	6/30/2013	1,495,557	100.00%	-
Discretely Presented-Component Unit:				
School Board Non-Professional	6/30/2011	\$ 395,172	100.00%	\$ -
	6/30/2012	393,368	100.00%	-
	6/30/2013	492,349	79.95%	98,726

¹ Employer portion only

The FY 2013 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees, 3.75% to 6.20% per year for teachers, 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 for Plan 1 employees and 2.25% for Plan 2 employees. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the County's and School Board's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County's and School Board's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2011 for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years.

D. Funded Status and Funding Progress

Primary Government:

As of June 30, 2012, the most recent actuarial valuation date, the plan was 76.87% funded. The actuarial accrued liability for benefits was \$52,355,573, and the actuarial value of assets was \$40,247,550, resulting in an unfunded actuarial accrued liability (UAAL) of \$12,108,023. The covered payroll (annual payroll of active employees covered by the plan) was \$11,595,224, and ratio of the UAAL to the covered payroll was 104.42%.

Note 8-Employee Retirement System and Defined Benefit Pension Plan: (continued)

D. Funded Status and Funding Progress (continued)

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

As of June 30, 2012, the most recent actuarial valuation date, the plan was 75.41% funded. The actuarial accrued liability for benefits was \$18,493,757, and the actuarial value of assets was \$13,946,381, resulting in an unfunded actuarial accrued liability (UAAL) of \$4,547,376. The covered payroll (annual payroll of active employees covered by the plan) was \$4,915,681, and ratio of the UAAL to the covered payroll was 92.51%.

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

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

Plan Description

The Franklin County School Board contributes to the Virginia Retirement System (VRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System. VRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the State legislature. The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2012-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their annual salary to the VRS. The employer may assume this 5.00% member contribution. In addition, the School Board is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The School Board's contribution to the statewide cost sharing pool for professional employees, not including the 5% member contribution, was \$4,266,094, \$2,325,721, and \$1,441,558 for the fiscal years ended 2013, 2012 and 2011, respectively. Required employer contributions represented 11.66%, 6.33%, and 3.93% of covered payroll for the fiscal years ended 2013, 2012 and 2011, respectively.

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Note 9-Other Postemployment Benefits-Health Insurance:

The County and Component-unit School Board recognize the cost of postemployment health care in the year(s) when employee services are rendered, reports the accumulating liability, and provides information useful in assessing potential demands on the County and School Board's future cash flows.

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 291 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
	Option 1	Option 2	
Employee	\$ 503.39	\$ 481.24	\$ 29.26
Employee / Spouse	1,057.12	1,010.61	47.25
Employee / Child	770.18	736.29	45.79
Family	1,409.50	1,347.48	89.92

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 9-Other Postemployment Benefits-Health Insurance: (continued)

Primary Government (continued)

C. Annual OPEB Cost and Net OPEB Obligation

For 2013, the County's annual contribution of \$41,000 did not equal the annual OPEB cost of \$104,000. The obligation calculation is as follows:

Annual required contribution	\$ 105,000
Interest on net OPEB obligation	23,000
Adjustment to annual required contribution	(24,000)
Annual OPEB cost (expense)	<u>\$ 104,000</u>
Contributions made	<u>41,000</u>
Increase in net OPEB obligation	\$ 63,000
Net OPEB obligation - beginning of year	<u>565,160</u>
Net OPEB obligation - ending of year	\$ 628,160

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 and the preceding two years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2011	\$ 169,000	34.91%	\$ 459,160
6/30/2012	179,000	40.78%	565,160
6/30/2013	104,000	39.42%	628,160

D. Funded Status and Funding Progress

The funded status of the Plan as of July 1, 2012 (the most recent valuation), was as follows:

Actuarial accrued liability (AAL)	\$ 1,048,000
Actuarial value of plan assets	\$ -
Unfunded actuarial accrued liability (UAAL)	\$ 1,048,000
Funded ratio (actuarial value of plan assets/AAL)	0.00%
Covered payroll (active plan members)	\$ 9,724,965
UAAL as a percentage of covered payroll	10.78%

Note 9-Other Postemployment Benefits-Health Insurance: (continued)

Primary Government (continued)

D. Funded Status and Funding Progress (continued)

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

E. Actuarial methods and Assumptions

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

In the July 1, 2012, the most recent 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 9% graded to 5% over 10 years. The UAAL is being amortized as a level percentage on an open basis, which at July 1, 2012, 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 9-Other Postemployment Benefits-Health Insurance: (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	\$ 600.00	\$ 35.96
Employee / Spouse	1,271.00	71.52
Employee / Child	888.00	64.10
Employee / Children	N/A	88.28
Family	1,412.00	110.76

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 and Net OPEB Obligation

For 2013, the Board's annual contribution of \$177,000 did not equal the annual OPEB cost of \$428,000. The obligation calculation is as follows:

Annual required contribution	\$ 431,000
Interest on net OPEB obligation	67,000
Adjustment to annual required contribution	(70,000)
Annual OPEB cost (expense)	\$ 428,000
Contributions made	177,000
Increase in net OPEB obligation	\$ 251,000
Net OPEB obligation - beginning of year	1,689,180
Net OPEB obligation - ending of year	\$ 1,940,180

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Note 9-Other Postemployment Benefits-Health Insurance: (continued)

Component Unit: School Board: (continued)

C. Annual OPEB Cost and Net OPEB Obligation (continued)

The Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 and the preceding two years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2011	\$ 597,000	36.52%	\$ 1,336,180
6/30/2012	627,000	43.70%	1,689,180
6/30/2013	428,000	41.36%	1,940,180

D. Funded Status and Funding Progress

The funded status of the Plan as of July 1, 2012 (the most recent valuation), was as follows:

Actuarial accrued liability (AAL)	\$ 4,169,000
Actuarial value of plan assets	\$ -
Unfunded actuarial accrued liability (UAAL)	\$ 4,169,000
Funded ratio (actuarial value of plan assets/AAL)	0.00%
Covered payroll (active plan members)	\$ 40,893,828
UAAL as a percentage of covered payroll	10.19%

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

Note 9-Other Postemployment Benefits-Health Insurance: (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, 2012, the most recent 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 9% graded to 5% over 10 years. The UAAL is being amortized as a level percentage on an open basis, which at July 1, 2012, was 30 years.

Note 10- Other Postemployment Benefits - VRS Health Insurance Credit:

Professional Employees – Discretely Presented Component Unit School Board

A. Plan Description

The School Board participates in the Health Insurance Credit Program, a plan designed to assist retirees with the cost of health insurance coverage. This program is a cost sharing, multiple-employer defined benefit plan administered by the Virginia Retirement System (VRS). The Virginia General Assembly establishes the dollar amount of the health insurance credit for each year of creditable service. The credit amount and eligibility differs for state, school division, political subdivision, local officer, local social services department and general registrar retirees.

An employee of the School Board, who retires under VRS with at least 15 years of total creditable service under the System and is enrolled in a health insurance plan, is eligible to receive a monthly health insurance credit of \$1.50 per year of creditable service up to a maximum monthly credit of \$45. However, such credit shall not exceed the health insurance premium for the retiree. Disabled retirees automatically receive the maximum monthly health insurance credit of \$45.

Benefit provisions and eligibility requirements are established by Title 51.1, Chapter 14 of the Code of Virginia. The VRS actuarially determines the amount necessary to fund all credits provided, reflects the cost of such credits in the applicable employer contribution rate pursuant to §51.1-145, and prescribes such terms and conditions as are necessary to carry out the provisions of the health insurance credit program. VRS issues separate financial statements as previously discussed in Note 8.

Note 10- Other Postemployment Benefits - VRS Health Insurance Credit: (Continued)

B. Funding Policy

As a participating local political subdivision, the School Board is required to contribute the entire amount necessary to fund participation in the program using the actuarial basis specified by the Code of Virginia and the VRS Board of Trustees. Contribution rates were 0.57%, 0.57%, and 0.57%, of annual covered payroll for the years ending June 30, 2013, 2012, and 2011, respectively. The School Board's actual contributions to VRS for the years ending June 30, 2013, 2012, and 2011 were \$28,011, \$28,019, and \$27,976, respectively and equaled the required contributions for each year.

C. Annual OPEB Cost and Net OPEB Obligation

The annual cost of OPEB under Governmental Accounting Standards Board (GASB) 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions, is based on the annual required contribution (ARC). The School Board is required to contribute the ARC, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

For 2013, the School Board's annual contribution of 28,011 equaled the annual required contribution and OPEB cost. The School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were for the current and preceding two years as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2011	\$ 27,976	100%	\$ -
6/30/2012	28,019	100%	-
6/30/2013	28,011	100%	-

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Note 10- Other Postemployment Benefits - VRS Health Insurance Credit: (Continued)

D. Funded Status and Funding Progress

The funded status of the Plan as of June 30, 2012 (date of the most recent actuarial valuation), was as follows:

Actuarial accrued liability (AAL)	\$	449,324
Actuarial value of plan assets	\$	212,494
Unfunded actuarial accrued liability (UAAL)	\$	236,830
Funded ratio (actuarial value of plan assets/AAL)		47.29%
Covered payroll (active plan members)	\$	4,915,681
UAAL as a percentage of covered payroll		4.82%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future and reflect a long-term perspective. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

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 value of the School Board's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The 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 June 30, 2012, most recent actuarial valuation, the entry age normal 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%, payroll growth rate of 3% and investment rate of return at 7.00%. The UAAL is being amortized as a level dollar amount over the remaining amortization period, which at June 30, 2012, was 29 years. Amortizations are open ended in that they begin anew at each valuation date.

Note 10- Other Postemployment Benefits - VRS Health Insurance Credit: (Continued)

F. Professional Employees – Discretely Presented Component Unit School Board

The School Board participates in Health Insurance Credit Program, a plan designed to assist retirees with the cost of health insurance coverage. This program is a cost sharing, multiple-employer defined benefit plan administered by the Virginia Retirement System (VRS). The Virginia General Assembly establishes the dollar amount of the health insurance credit for each year of creditable service.

A teacher, who retires under VRS with at least 15 years of total creditable service under the System and is enrolled in a health insurance plan, is eligible to receive a monthly health insurance credit of \$4 per year of creditable service.

However, such credit shall not exceed the health insurance premium for the retiree. Disabled retirees automatically receive a monthly health insurance credit of \$4 multiplied by the smaller of (i) twice the amount of their creditable service or (ii) the amount of creditable service they would have completed at age 60 if they had remained in service to that age.

The School Board is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. Contribution rates were 1.11%, 0.60%, and 0.60%, of annual covered payroll for the years ending June 30, 2013, 2012, and 2011, respectively. The School Board's contributions to VRS for the years ending June 30, 2013, 2012, and 2011 were \$406,120, \$220,447, and \$219,731, respectively and equaled the required contributions for each year.

Note 11-Deferred Inflows of Resources:

Deferred inflows of resources represent 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 no available. Deferred inflows are as follows:

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2013, but paid in advance by the taxpayers totaled \$99,943 at June 30, 2013. Property taxes paid in advance of an enforceable legal claim by the County are considered deferred inflows under the full and modified accrual basis of accounting and are treated accordingly in the statement of net position and balance sheet.

Unavailable Property Tax – Property tax revenue representing uncollected property tax billings that are not available for the funding of current expenditures totaled \$2,027,611 at June 30, 2013.

Note 12-Capital Assets:

Capital asset activity for the year ended June 30, 2013 was as follows:

Primary Government:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 5,876,498	\$ 264,500	\$ (6,408)	\$ 6,134,590
Construction in progress	2,682,882	4,568,632	(699,413)	6,552,101
Total capital assets not being depreciated	<u>\$ 8,559,380</u>	<u>\$ 4,833,132</u>	<u>\$ (705,821)</u>	<u>\$ 12,686,691</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 68,657,230	\$ 2,390,887	\$ (251,568)	\$ 70,796,549
Machinery and equipment	22,991,116	1,837,326	(951,275)	23,877,167
Total capital assets being depreciated	<u>\$ 91,648,346</u>	<u>\$ 4,228,213</u>	<u>\$ (1,202,843)</u>	<u>\$ 94,673,716</u>
Accumulated depreciation:				
Buildings and improvements	\$ (16,977,699)	\$ (1,916,681)	\$ -	\$ (18,894,380)
Machinery and equipment	(15,928,403)	(1,769,134)	814,227	(16,883,310)
Total accumulated depreciation	<u>\$ (32,906,102)</u>	<u>\$ (3,685,815)</u>	<u>\$ 814,227</u>	<u>\$ (35,777,690)</u>
Total capital assets being depreciated, net	<u>\$ 58,742,244</u>	<u>\$ 542,398</u>	<u>\$ (388,616)</u>	<u>\$ 58,896,026</u>
Governmental activities capital assets, net	<u><u>\$ 67,301,624</u></u>	<u><u>\$ 5,375,530</u></u>	<u><u>\$ (1,094,437)</u></u>	<u><u>\$ 71,582,717</u></u>

Note 12-Capital Assets: (continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type Activities:				
Capital assets, being depreciated:				
Infrastructure	\$ 1,319,774	\$ -	\$ -	\$ 1,319,774
Total capital assets being depreciated	<u>\$ 1,319,774</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,319,774</u>
Accumulated depreciation:				
Infrastructure	\$ (151,998)	\$ (32,845)	\$ -	\$ (184,843)
Total accumulated depreciation	<u>\$ (151,998)</u>	<u>\$ (32,845)</u>	<u>\$ -</u>	<u>\$ (184,843)</u>
Total capital assets being depreciated, net	<u>\$ 1,167,776</u>	<u>\$ (32,845)</u>	<u>\$ -</u>	<u>\$ 1,134,931</u>
Business-type activities capital assets, net	<u><u>\$ 1,167,776</u></u>	<u><u>\$ (32,845)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,134,931</u></u>

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Note 12-Capital Assets: (continued)

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

Governmental activities:		
General government administration	\$	113,645
Judicial administration		85,115
Public safety		1,126,282
Public works		792,950
Health and welfare		47,023
Education		1,034,071
Parks, recreation, and cultural		285,139
Community development		<u>201,590</u>
Total depreciation expense-governmental activities	\$	<u><u>3,685,815</u></u>
Business-type activities		
Utility fund	\$	<u><u>32,845</u></u>

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Note 12-Capital Assets: (continued)

Capital asset activity for the School Board for the year ended June 30, 2013 was as follows:

Discretely Presented Component Unit:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 725,315	\$ -	\$ -	\$ 725,315
Construction in progress	261,973	343,730	(553,453)	52,250
Total capital assets not being depreciated	<u>\$ 987,288</u>	<u>\$ 343,730</u>	<u>\$ (553,453)</u>	<u>\$ 777,565</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 33,938,366	\$ 553,453	\$ -	\$ 34,491,819
Machinery and equipment	15,484,314	1,703,011	(791,928)	16,395,397
Total capital assets being depreciated	<u>\$ 49,422,680</u>	<u>\$ 2,256,464</u>	<u>\$ (791,928)</u>	<u>\$ 50,887,216</u>
Accumulated depreciation:				
Buildings and improvements	\$ (19,646,951)	\$ (785,932)	\$ -	\$ (20,432,883)
Machinery and equipment	(10,440,331)	(1,282,929)	779,332	(10,943,928)
Total accumulated depreciation	<u>\$ (30,087,282)</u>	<u>\$ (2,068,861)</u>	<u>\$ 779,332</u>	<u>\$ (31,376,811)</u>
Total capital assets being depreciated, net	<u>\$ 19,335,398</u>	<u>\$ 187,603</u>	<u>\$ (12,596)</u>	<u>\$ 19,510,405</u>
Governmental activities capital assets, net	<u>\$ 20,322,686</u>	<u>\$ 531,333</u>	<u>\$ (566,049)</u>	<u>\$ 20,287,970</u>

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

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Note 13-Risk Management:

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

Note 14-Contingent Liabilities:

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

Note 15-Surety Bonds:

Primary Government:

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

Note 15-Surety Bonds: (continued)

Component Unit – School Board:

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

Note 16-Landfill Closure and Post-closure Care Cost:

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site after closure. The estimated total cost necessary to close and monitor the landfill is \$9,812,710. \$9,322,075 is the estimated closure and post-closure care liability at June 30, 2013 based on the capacity used as of the same date. The County will recognize the remaining closure and post-closure care totaling \$490,635 over the remaining useful life of the landfill which is one year. The landfill has reached 95% of capacity and the County expects to close the landfill in 2019. This represents what it would cost to perform closure and post-closure care in 2013. 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 demonstrated financial assurance requirements for closure, post-closure care, and corrective action costs through the submission of a Local Governmental Financial Test to the Virginia Department of Environmental Quality in accordance with Section 9VA C20-70 of the Virginia Administrative Code.

Note 17 – Commitments and Contingencies:

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

<u>Project</u>	<u>Contract Amount</u>	<u>Contract Amount Outstanding at June 30, 2013</u>	<u>Funding Source</u>
Benjamin Franklin Middle School Project	\$ 485,963	\$ 393,077	Local Funds
School Floor Replacement Projects	257,078	133,017	Local Funds
Elementary Roof Replacements	356,000	35,297	Local Funds

Note 18 – Arbitrage Rebate Compliance:

As of June 30, 2013 and for the year then ended, the County was not liable for any amounts due under current rules governing arbitrage earnings.

Note 19-New Accounting Standards:

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

Note 20-Restatement of Previously Issued Financial Statements:

The County’s previously issued financial statements have been restated to reflect the changes required by Governmental Accounting Standards Board (GASB) Statement number 65, as noted below.

	Governmental <u>Activities</u>
Net position as of June 30, 2012, as previously reported	\$ 64,338,027
Removal of unamortized bond issuance costs	(144,408)
Net position as of June 30, 2012, as restated	<u>\$ 64,193,619</u>

Note 21-Current Refunding of Debt:

During the fiscal year, the County issued \$3,068,750 in refunding bonds to retire (pay-off) \$3,068,750 in literary fund loans. The refunding reduced debt service payments over the next six years by \$152,084 and resulted in a present value benefit of \$146,696 based on a discount rate of 1.45%, which is equal to the interest rate on the new bond.

Required Supplementary Information

County of Franklin, Virginia

Schedule of Pension and OPEB Funding Progress Defined Benefit and Healthcare Plans
For the Year Ended June 30, 2013

Primary Government: County Retirement Plan

Actuarial Valuation as of	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio (2)/(3)	Covered Payroll	UAAL as a % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
June 30, 2012	\$ 40,247,550	\$ 52,355,573	\$ 12,108,023	76.87%	\$ 11,595,224	104.42%
June 30, 2011	40,375,776	50,058,269	9,682,493	80.66%	11,460,168	84.49%
June 30, 2010	38,740,316	47,085,761	8,345,445	82.28%	11,548,192	72.27%

Discretely Presented Component Unit:

School Board Non-Professional Retirement Plan

Actuarial Valuation as of	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio (2)/(3)	Covered Payroll	UAAL as a % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
June 30, 2012	\$ 13,946,381	\$ 18,493,757	\$ 4,547,376	75.41%	\$ 4,915,681	92.51%
June 30, 2011	13,799,191	17,935,655	4,136,464	76.94%	4,908,069	84.28%
June 30, 2010	13,363,308	17,249,917	3,886,609	77.47%	5,120,762	75.90%

County Healthcare Plan

Actuarial Valuation as of*	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio (2)/(3)	Covered Payroll	UAAL as a % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
July 1, 2012	\$ -	\$ 1,048,000	\$ 1,048,000	0.00%	\$ 9,724,965	10.78%
July 1, 2011	-	1,706,000	1,706,000	0.00%	11,460,168	14.89%
July 1, 2010	-	1,596,000	1,596,000	0.00%	11,548,192	13.82%

School Board Healthcare Plan

Actuarial Valuation as of*	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio (2)/(3)	Covered Payroll	UAAL as a % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
July 1, 2012	\$ -	\$ 4,169,000	\$ 4,169,000	0.00%	\$ 40,893,828	10.19%
July 1, 2011	-	6,126,000	6,126,000	0.00%	41,652,207	14.71%
July 1, 2010	-	5,752,000	5,752,000	0.00%	41,614,357	13.82%

Discretely Presented Component Unit:

School Board Non-Professional Health Insurance Credit Plan

Actuarial Valuation as of	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio (2)/(3)	Covered Payroll	UAAL as a % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
June 30, 2012	\$ 212,494	\$ 449,324	\$ 236,830	47.29%	\$ 4,915,681	4.82%
June 30, 2011	205,504	444,962	239,458	46.18%	4,908,069	4.88%
June 30, 2010	165,375	419,120	253,745	39.46%	5,120,762	4.96%

County of Franklin, Virginia
General Fund
Schedule of Revenues, Expenditures, and Change in Fund Balances - Budget and Actual
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 44,406,968	\$ 44,406,968	\$ 46,529,172	\$ 2,122,204
Other local taxes	7,470,800	7,470,800	8,096,307	625,507
Permits, privilege fees, and regulatory licenses	369,000	369,000	356,552	(12,448)
Fines and forfeitures	13,600	23,600	67,474	43,874
Revenue from the use of money and property	989,340	994,799	1,129,807	135,008
Charges for services	2,217,703	2,413,604	2,629,819	216,215
Miscellaneous	232,000	370,178	558,137	187,959
Recovered costs	380,806	380,806	515,589	134,783
Intergovernmental revenues:				
Commonwealth	17,810,561	15,472,041	14,123,091	(1,348,950)
Federal	64,028	2,568,360	2,648,521	80,161
Total revenues	\$ 73,954,806	\$ 74,470,156	\$ 76,654,469	\$ 2,184,313
EXPENDITURES				
Current:				
General government administration	\$ 4,368,107	\$ 5,077,216	\$ 4,201,866	\$ 875,350
Judicial administration	2,351,269	2,473,538	2,401,013	72,525
Public safety	12,771,650	15,951,725	12,856,769	3,094,956
Public works	3,329,962	5,783,343	3,679,291	2,104,052
Health and welfare	11,441,769	11,497,689	10,357,775	1,139,914
Education	28,763,432	32,668,029	29,428,432	3,239,597
Parks, recreation, and cultural	1,819,727	2,610,229	1,915,968	694,261
Community development	2,483,544	5,230,992	3,157,331	2,073,661
Nondepartmental	193,757	175,376	46,897	128,479
Debt service:				
Principal retirement ¹	3,455,820	3,495,303	6,304,484	(2,809,181)
Interest and other fiscal charges	1,381,819	1,058,321	1,040,602	17,719
Bond issuance costs	6,653	14,999	14,958	41
Total expenditures	\$ 72,367,509	\$ 86,036,760	\$ 75,405,386	\$ 10,631,374
Excess (deficiency) of revenues over (under) expenditures	\$ 1,587,297	\$ (11,566,604)	\$ 1,249,083	\$ 12,815,687
OTHER FINANCING SOURCES (USES)				
Transfers in	1,755,501	10,408,138	1,989,972	\$ (8,418,166)
Transfers out	(3,342,798)	(5,361,353)	(6,600,712)	(1,239,359)
Issuance of general obligation refunding bonds	-	-	3,068,750	3,068,750
Issuance of capital leases	-	-	655,000	655,000
Total other financing sources (uses)	\$ (1,587,297)	\$ 5,046,785	\$ (886,990)	\$ (5,933,775)
Net change in fund balances	\$ -	\$ (6,519,819)	\$ 362,093	\$ 6,881,912
Fund balances - beginning	-	6,519,819	20,565,731	14,045,912
Fund balances - ending	\$ -	\$ -	\$ 20,927,824	\$ 20,927,824

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

¹ Current refundings of debt are not subject to appropriation.

Other Supplementary Information

County of Franklin, Virginia
 Schedule of Revenues, Expenditures, and Change in Fund Balances - Budget and Actual
 Capital Projects Fund - Major Fund
 For the Year Ended June 30, 2013

	County Capital Projects			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Miscellaneous	\$ -	\$ 26,166	\$ 26,163	\$ (3)
Intergovernmental revenues:				
Commonwealth	-	821,050	924,885	103,835
Total revenues	<u>\$ -</u>	<u>\$ 847,216</u>	<u>\$ 951,048</u>	<u>\$ 103,832</u>
EXPENDITURES				
Capital projects	\$ 1,333,333	\$ 10,961,280	\$ 7,103,074	3,858,206
Education:				
Contribution to County School Board	-	1,449,880	1,449,880	-
Total expenditures	<u>\$ 1,333,333</u>	<u>\$ 12,411,160</u>	<u>\$ 8,552,954</u>	<u>\$ 3,858,206</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (1,333,333)</u>	<u>\$ (11,563,944)</u>	<u>\$ (7,601,906)</u>	<u>\$ 3,962,038</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 3,088,834	\$ 6,337,562	\$ 6,337,562	\$ -
Transfers out	(1,755,501)	(10,408,138)	(1,989,972)	8,418,166
Sale of capital assets	-	251,124	251,124	-
Total other financing sources (uses)	<u>\$ 1,333,333</u>	<u>\$ (3,819,452)</u>	<u>\$ 4,598,714</u>	<u>\$ 8,418,166</u>
Net change in fund balances	\$ -	\$ (15,383,396)	\$ (3,003,192)	\$ 12,380,204
Fund balances - beginning	-	15,383,396	14,779,720	(603,676)
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,776,528</u>	<u>\$ 11,776,528</u>

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

County of Franklin, Virginia
 Schedule of Revenues, Expenditures, and Change in Fund Balances - Budget and Actual
 Nonmajor Special Revenue Fund
 For the Year Ended June 30, 2013

	E-911 Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Other local taxes	\$ -	\$ -	\$ 3,065	\$ 3,065
Miscellaneous	-	-	300	300
Intergovernmental revenues:				
Commonwealth	55,813	55,813	59,589	3,776
Total revenues	<u>\$ 55,813</u>	<u>\$ 55,813</u>	<u>\$ 62,954</u>	<u>\$ 7,141</u>
EXPENDITURES				
Current:				
Public safety	\$ 1,080,081	\$ 1,113,617	\$ 1,025,351	\$ 88,266
Total expenditures	<u>\$ 1,080,081</u>	<u>\$ 1,113,617</u>	<u>\$ 1,025,351</u>	<u>\$ 88,266</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (1,024,268)</u>	<u>\$ (1,057,804)</u>	<u>\$ (962,397)</u>	<u>\$ 95,407</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 1,024,268	\$ 1,040,404	\$ 1,046,150	\$ 5,746
Total other financing sources (uses)	<u>\$ 1,024,268</u>	<u>\$ 1,040,404</u>	<u>\$ 1,046,150</u>	<u>\$ 5,746</u>
Net change in fund balances	\$ -	\$ (17,400)	\$ 83,753	\$ 101,153
Fund balances - beginning	-	17,400	51,929	34,529
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 135,682</u>	<u>\$ 135,682</u>

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

FIDUCIARY FUNDS

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

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

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

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

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

County of Franklin, Virginia
 Combining Statement of Fiduciary Net Position
 Fiduciary Funds
 June 30, 2013

	Agency Funds					<u>Total</u>
	<u>Special Welfare Fund</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	\$ 45,824	\$ 17,678	\$ 153,525	\$ 4,000	\$ -	\$ 221,027
Cash in custody of others	-	-	-	-	55,959	55,959
Total assets	<u>\$ 45,824</u>	<u>\$ 17,678</u>	<u>\$ 153,525</u>	<u>\$ 4,000</u>	<u>\$ 55,959</u>	<u>\$ 276,986</u>
LIABILITIES						
Amounts held for social services clients	\$ 45,824	\$ -	\$ -	\$ -	\$ -	\$ 45,824
Amounts held for citizens	-	17,678	-	-	-	17,678
Amounts held for performance bonds	-	-	153,525	-	-	153,525
Amounts held for Library	-	-	-	4,000	-	4,000
Amounts held for inmates	-	-	-	-	55,959	55,959
Total liabilities	<u>\$ 45,824</u>	<u>\$ 17,678</u>	<u>\$ 153,525</u>	<u>\$ 4,000</u>	<u>\$ 55,959</u>	<u>\$ 276,986</u>

County of Franklin, Virginia
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2013

	Agency Funds			Balance June 30, 2013
	Balance July 1, 2012	Additions	Deductions	
ASSETS				
Cash and cash equivalents:				
Special Welfare Fund	\$ 37,520	\$ 87,703	\$ 79,399	\$ 45,824
Road Escrow Fund	20,225	53	2,600	17,678
Escrow Fund for Soil and Erosion Control Agreement	61,530	91,995	-	153,525
Library Fund	4,000	-	-	4,000
Fish Virginia Program	384	5,503	5,887	-
Cash in custody of others:				
Inmate Trust and Canteen Funds	79,651	178,992	202,684	55,959
Total assets	<u>\$ 203,310</u>	<u>\$ 364,246</u>	<u>\$ 290,570</u>	<u>\$ 276,986</u>
LIABILITIES				
Amounts held for others:				
Social services clients	\$ 37,520	\$ 87,703	\$ 79,399	\$ 45,824
Citizens	20,225	53	2,600	17,678
Performance bonds	61,530	91,995	-	153,525
Library	4,000	-	-	4,000
State and local agency	384	5,503	5,887	-
Inmates	79,651	178,992	202,684	55,959
Total liabilities	<u>\$ 203,310</u>	<u>\$ 364,246</u>	<u>\$ 290,570</u>	<u>\$ 276,986</u>

DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD

MAJOR GOVERNMENTAL FUNDS

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

County of Franklin, Virginia
 Balance Sheet
 Discretely Presented Component Unit - School Board
 June 30, 2013

	<u>School Operating Fund</u>
ASSETS	
Cash and cash equivalents	\$ 380,805
Receivables (net of allowance for uncollectibles):	
Accounts receivable	34,743
Due from other governmental units	2,039,641
Restricted assets:	
Temporarily restricted:	
Cash and cash equivalents	120,964
Total assets	<u>\$ 2,576,153</u>
 LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	\$ 588,400
Accrued liabilities	783,788
Total liabilities	<u>\$ 1,372,188</u>
Fund balances:	
Restricted	
Cafeteria program	\$ 120,964
Assigned	1,083,001
Total fund balances	<u>\$ 1,203,965</u>
Total liabilities and fund balances	<u>\$ 2,576,153</u>
 Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:	
Total fund balances per above	\$ 1,203,965
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	20,287,970
Long-term liabilities, including compensated absences, net OPEB obligation, and net VRS obligation, are not due and payable in the current period and, therefore, are not reported in the funds.	(2,885,841)
Net position of governmental activities	<u>\$ 18,606,094</u>

County of Franklin, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2013

	<u>School Operating Fund</u>
REVENUES	
Revenue from the use of money and property	\$ 1,211
Charges for services	2,097,038
Miscellaneous	306,831
Recovered costs	992,213
Intergovernmental revenues:	
Local government	30,878,312
Commonwealth	37,324,611
Federal	7,493,623
Total revenues	<u>\$ 79,093,839</u>
EXPENDITURES	
Current:	
Education	\$ 78,739,182
Capital projects	1,167,779
Total expenditures	<u>\$ 79,906,961</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (813,122)</u>
OTHER FINANCING SOURCES (USES)	
Sale of capital assets	<u>\$ 58,633</u>
Total other financing sources (uses)	<u>\$ 58,633</u>
Net change in fund balances	\$ (754,489)
Fund balances - beginning	1,958,454
Fund balances - ending	<u><u>\$ 1,203,965</u></u>
Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:	
Net change in fund balances - total governmental funds - per above	\$ (754,489)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the depreciation exceeded capital outlays in the current period.	(22,120)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.	(12,596)
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.	(345,666)
Change in net position of governmental activities	<u><u>\$ (1,134,871)</u></u>

County of Franklin, Virginia
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Discretely Presented Component Unit - School Board
 For the Year Ended June 30, 2013

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 1,211	\$ 1,211
Charges for services	3,016,028	3,167,768	2,097,038	(1,070,730)
Miscellaneous	-	-	306,831	306,831
Recovered costs	779,333	779,333	992,213	212,880
Intergovernmental revenues:				
Local government	27,543,432	32,884,296	30,878,312	(2,005,984)
Commonwealth	36,698,839	37,164,538	37,324,611	160,073
Federal	6,444,925	7,681,810	7,493,623	(188,187)
Total revenues	<u>\$ 74,482,557</u>	<u>\$ 81,677,745</u>	<u>\$ 79,093,839</u>	<u>\$ (2,583,906)</u>
EXPENDITURES				
Current:				
Education	\$ 74,490,844	\$ 80,449,288	\$ 78,739,182	\$ 1,710,106
Capital projects	-	1,514,523	1,167,779	346,744
Total expenditures	<u>\$ 74,490,844</u>	<u>\$ 81,963,811</u>	<u>\$ 79,906,961</u>	<u>\$ 2,056,850</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (8,287)</u>	<u>\$ (286,066)</u>	<u>\$ (813,122)</u>	<u>\$ (527,056)</u>
OTHER FINANCING SOURCES (USES)				
Issuance of general obligation bonds	\$ -	\$ 277,779	\$ -	\$ (277,779)
Sale of capital assets	8,287	8,287	58,633	50,346
Total other financing sources (uses)	<u>\$ 8,287</u>	<u>\$ 286,066</u>	<u>\$ 58,633</u>	<u>\$ (227,433)</u>
Net change in fund balances	\$ -	\$ -	\$ (754,489)	\$ (754,489)
Fund balances - beginning	-	-	1,958,454	1,958,454
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,203,965</u>	<u>\$ 1,203,965</u>

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

Supporting Schedules

County of Franklin, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2013

Schedule 1
 Page 1 of 6

<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	\$ 33,769,423	\$ 33,769,423	\$ 34,925,769	\$ 1,156,346
Real and personal public service corporation taxes	780,000	780,000	874,873	94,873
Personal property taxes	7,743,003	7,743,003	8,427,785	684,782
Mobile home taxes	240,364	240,364	202,441	(37,923)
Machinery and tools taxes	611,942	611,942	673,048	61,106
Merchant's capital	660,056	660,056	706,677	46,621
Penalties	350,000	350,000	408,537	58,537
Interest	252,180	252,180	310,042	57,862
Total general property taxes	<u>\$ 44,406,968</u>	<u>\$ 44,406,968</u>	<u>\$ 46,529,172</u>	<u>\$ 2,122,204</u>
Other local taxes:				
Local sales and use taxes	\$ 3,550,000	\$ 3,550,000	\$ 4,029,528	\$ 479,528
Consumers' utility taxes	969,800	969,800	973,782	3,982
Business license taxes	4,000	4,000	4,798	798
Utility license taxes	230,000	230,000	250,098	20,098
Motor vehicle licenses	1,182,000	1,182,000	1,148,502	(33,498)
Bank stock taxes	123,000	123,000	128,791	5,791
Taxes on recordation and wills	455,000	455,000	499,113	44,113
Hotel and motel room taxes	95,000	95,000	85,124	(9,876)
Local probate tax	15,000	15,000	13,975	(1,025)
Restaurant food taxes	847,000	847,000	962,596	115,596
Total other local taxes	<u>\$ 7,470,800</u>	<u>\$ 7,470,800</u>	<u>\$ 8,096,307</u>	<u>\$ 625,507</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 49,000	\$ 49,000	\$ 20,329	\$ (28,671)
Zoning and planning fees	50,000	50,000	41,925	(8,075)
Erosion and sediment control	10,000	10,000	10,475	475
Building permits	245,000	245,000	254,037	9,037
Land use application fees	15,000	15,000	19,255	4,255
Transfer fees	-	-	1,934	1,934
Other permits and licenses	-	-	8,597	8,597
Total permits, privilege fees, and regulatory licenses	<u>\$ 369,000</u>	<u>\$ 369,000</u>	<u>\$ 356,552</u>	<u>\$ (12,448)</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 13,600	\$ 23,600	\$ 67,474	\$ 43,874
Total fines and forfeitures	<u>\$ 13,600</u>	<u>\$ 23,600</u>	<u>\$ 67,474</u>	<u>\$ 43,874</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 900,000	\$ 900,046	\$ 1,054,679	\$ 154,633
Revenue from use of property	89,340	94,753	75,128	(19,625)
Total revenue from use of money and property	<u>\$ 989,340</u>	<u>\$ 994,799</u>	<u>\$ 1,129,807</u>	<u>\$ 135,008</u>
Charges for services:				
Charges for courthouse security	\$ 60,000	\$ 60,000	\$ 75,686	\$ 15,686
Charges for courthouse maintenance	12,000	12,000	44,912	32,912
Charges for law enforcement and traffic control	82,800	86,659	47,754	(38,905)
Excess Clerk of Court fees	14,000	14,000	20,035	6,035
Charges for Commonwealth's Attorney	3,000	3,000	4,644	1,644
Prisoner's board	9,000	9,000	10,141	1,141
Miscellaneous jail and inmate fees	-	-	526	526
Miscellaneous animal fees	5,903	5,903	4,672	(1,231)
Charges for private landfills	25,000	25,000	14,971	(10,029)
Charges for sale of maps and codes and copies	15,000	15,000	7,980	(7,020)
Charges for emergency medical services billing	1,000,000	1,155,298	1,241,510	86,212

County of Franklin, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2013

Schedule 1
 Page 2 of 6

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Primary Government: (Continued)				
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Charges for services: (Continued)				
Charges for sanitation and waste removal	\$ 740,000	\$ 740,000	\$ 893,107	\$ 153,107
Charges for parks and recreation	147,500	184,244	163,037	(21,207)
Charges for aging services	24,000	24,000	13,425	(10,575)
Charges for library	59,500	59,500	31,165	(28,335)
Charges for law library	-	-	11,595	11,595
Charges for concealed weapons permits	20,000	20,000	44,659	24,659
Total charges for services	<u>\$ 2,217,703</u>	<u>\$ 2,413,604</u>	<u>\$ 2,629,819</u>	<u>\$ 216,215</u>
Miscellaneous revenue:				
Miscellaneous	\$ 232,000	\$ 370,178	\$ 558,137	\$ 187,959
Total miscellaneous revenue	<u>\$ 232,000</u>	<u>\$ 370,178</u>	<u>\$ 558,137</u>	<u>\$ 187,959</u>
Recovered costs:				
Health department	\$ 17,058	\$ 17,058	\$ 55,555	\$ 38,497
Court reporting fees	60,000	60,000	46,539	(13,461)
School resource officer	86,658	86,658	86,658	-
Office on youth	-	-	108,633	108,633
Blue ridge soil and water	217,090	217,090	218,204	1,114
Total recovered costs	<u>\$ 380,806</u>	<u>\$ 380,806</u>	<u>\$ 515,589</u>	<u>\$ 134,783</u>
Total revenue from local sources	<u>\$ 56,080,217</u>	<u>\$ 56,429,755</u>	<u>\$ 59,882,857</u>	<u>\$ 3,453,102</u>
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle carrier tax (rolling stock)	\$ 35,350	\$ 35,350	\$ 85,264	\$ 49,914
Mobile home titling tax	86,000	86,000	131,042	45,042
Grantor's tax	114,000	114,000	124,163	10,163
Motor vehicle rental tax	32,000	32,000	55,058	23,058
Communications tax	2,300,000	2,300,000	2,271,784	(28,216)
State recordation tax	210,000	210,000	167,652	(42,348)
Personal property tax relief funds	2,626,618	2,626,618	2,626,618	-
Total noncategorical aid	<u>\$ 5,403,968</u>	<u>\$ 5,403,968</u>	<u>\$ 5,461,581</u>	<u>\$ 57,613</u>
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 540,339	\$ 540,339	\$ 537,585	\$ (2,754)
Sheriff	3,043,246	3,043,246	3,044,243	997
Commissioner of revenue	147,392	147,392	145,860	(1,532)
Treasurer	147,213	147,213	141,379	(5,834)
Registrar/electoral board	45,000	45,000	54,658	9,658
Clerk of the Circuit Court	350,383	380,037	378,582	(1,455)
Reduction in State aid to localities	-	-	(334,818)	(334,818)
Total shared expenses	<u>\$ 4,273,573</u>	<u>\$ 4,303,227</u>	<u>\$ 3,967,489</u>	<u>\$ (335,738)</u>
Other categorical aid:				
Public assistance and welfare administration	\$ 4,521,612	\$ 2,097,970	\$ 1,776,937	\$ (321,033)
Comprehensive services act	2,954,328	2,954,328	2,351,994	(602,334)
Office on youth-juvenile	20,040	20,040	21,332	1,292
Family resource center-family violence prevention	136,500	127,044	99,579	(27,465)
Four for life	-	56,709	56,709	-
Asset forfeiture funds	25,000	8,480	13,358	4,878
Library grants	149,134	149,782	149,782	-
Workforce development grants	67,000	67,000	75,755	8,755

County of Franklin, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013

Schedule 1
Page 3 of 6

<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)				
Intergovernmental revenues: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Other categorical aid: (Continued)				
Litter control grant	\$ -	\$ 17,893	\$ 17,893	\$ -
Animal friendly plates	-	-	1,208	1,208
VDA grant	-	-	15,066	15,066
Drug enhancement grant	17,000	17,000	15,177	(1,823)
Department of Emergency Management grant	-	6,194	24,937	18,743
Other categorical aid	242,406	242,406	74,294	(168,112)
Total other categorical aid	<u>\$ 8,133,020</u>	<u>\$ 5,764,846</u>	<u>\$ 4,694,021</u>	<u>\$ (1,070,825)</u>
Total categorical aid	<u>\$ 12,406,593</u>	<u>\$ 10,068,073</u>	<u>\$ 8,661,510</u>	<u>\$ (1,406,563)</u>
Total revenue from the Commonwealth	<u>\$ 17,810,561</u>	<u>\$ 15,472,041</u>	<u>\$ 14,123,091</u>	<u>\$ (1,348,950)</u>
Revenue from the federal government:				
Non-categorical aid:				
Payments in lieu of taxes	\$ 17,000	\$ 17,000	\$ 17,031	\$ 31
Total non-categorical aid	<u>\$ 17,000</u>	<u>\$ 17,000</u>	<u>\$ 17,031</u>	<u>\$ 31</u>
Categorical aid:				
Department of Health and Human Services payments	\$ -	\$ 2,423,642	\$ 2,423,642	\$ -
State highway and community safety	-	24,125	22,155	(1,970)
Violence against women grant	-	54,065	52,044	(2,021)
Commission for the arts grant	-	2,500	5,000	2,500
State homeland security program	-	-	28,112	28,112
Temporary assistance for needy families	12,444	12,444	-	(12,444)
Domestic abuse prevention grant	-	-	31,369	31,369
Emergency management performance grant	34,584	34,584	69,168	34,584
Total categorical aid	<u>\$ 47,028</u>	<u>\$ 2,551,360</u>	<u>\$ 2,631,490</u>	<u>\$ 80,130</u>
Total revenue from the federal government	<u>\$ 64,028</u>	<u>\$ 2,568,360</u>	<u>\$ 2,648,521</u>	<u>\$ 80,161</u>
Total General Fund	<u>\$ 73,954,806</u>	<u>\$ 74,470,156</u>	<u>\$ 76,654,469</u>	<u>\$ 2,184,313</u>
County Capital Projects Fund:				
Miscellaneous revenue:				
Contribution from the Town of Rocky Mount	\$ -	\$ 2,000	\$ 2,000	\$ -
Miscellaneous	-	24,166	24,163	(3)
Total miscellaneous revenue	<u>\$ -</u>	<u>\$ 26,166</u>	<u>\$ 26,163</u>	<u>\$ (3)</u>
Total revenue from local sources	<u>\$ -</u>	<u>\$ 26,166</u>	<u>\$ 26,163</u>	<u>\$ (3)</u>
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Categorical aid:				
Tobacco commission funds	\$ -	\$ 557,797	\$ 637,254	\$ 79,457
Virginia fire programs	-	142,303	165,112	22,809
Economic development grants	-	60,000	60,000	-
Conservation and recreation grants	-	32,250	-	(32,250)
Wireless board funds	-	28,700	62,519	33,819
Total categorical aid	<u>\$ -</u>	<u>\$ 821,050</u>	<u>\$ 924,885</u>	<u>\$ 103,835</u>
Total revenue from the Commonwealth	<u>\$ -</u>	<u>\$ 821,050</u>	<u>\$ 924,885</u>	<u>\$ 103,835</u>
Total County Capital Projects Fund	<u>\$ -</u>	<u>\$ 847,216</u>	<u>\$ 951,048</u>	<u>\$ 103,832</u>

County of Franklin, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2013

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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>
Special Revenue Fund:				
E-911 Fund:				
Revenue from local sources:				
Other local taxes:				
E-911 taxes	\$ -	\$ -	\$ 3,065	\$ 3,065
Total other local taxes	\$ -	\$ -	\$ 3,065	\$ 3,065
Miscellaneous revenue:				
Other miscellaneous	\$ -	\$ -	\$ 300	\$ 300
Total miscellaneous revenue	\$ -	\$ -	\$ 300	\$ 300
Total revenue from local sources	\$ -	\$ -	\$ 3,365	\$ 3,365
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Categorical aid:				
Wireless board reimbursement	\$ 55,813	\$ 55,813	\$ 59,589	\$ 3,776
Total categorical aid	\$ 55,813	\$ 55,813	\$ 59,589	\$ 3,776
Total revenue from the Commonwealth	\$ 55,813	\$ 55,813	\$ 59,589	\$ 3,776
Total E-911 Fund	\$ 55,813	\$ 55,813	\$ 62,954	\$ 7,141
Total Primary Government	\$ 74,010,619	\$ 75,373,185	\$ 77,668,471	\$ 2,295,286
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of property	\$ -	\$ -	\$ 1,211	\$ 1,211
Total revenue from use of money and property	\$ -	\$ -	\$ 1,211	\$ 1,211
Charges for services:				
Other charges for education	\$ 67,843	\$ 67,843	\$ 63,700	\$ (4,143)
Cafeteria sales	2,350,263	2,502,003	1,420,635	(1,081,368)
Payments from other localities	579,366	579,366	595,476	16,110
Cannery fees	18,556	18,556	17,227	(1,329)
Total charges for services	\$ 3,016,028	\$ 3,167,768	\$ 2,097,038	\$ (1,070,730)
Miscellaneous revenue:				
Miscellaneous	\$ -	\$ -	\$ 306,831	\$ 306,831
Total miscellaneous revenue	\$ -	\$ -	\$ 306,831	\$ 306,831
Recovered costs:				
Insurance recoveries and rebates	\$ 8,170	\$ 8,170	\$ 44,853	\$ 36,683
Sale of supplies	-	-	28,525	28,525
Famis/Medicare reimbursement	226,291	226,291	334,779	108,488
Other recovered costs	544,872	544,872	584,056	39,184
Total recovered costs	\$ 779,333	\$ 779,333	\$ 992,213	\$ 212,880
Total revenue from local sources	\$ 3,795,361	\$ 3,947,101	\$ 3,397,293	\$ (549,808)

County of Franklin, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013

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)				
School Operating Fund: (Continued)				
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from County of Franklin, Virginia	\$ 27,543,432	\$ 32,884,296	\$ 30,878,312	\$ (2,005,984)
Total revenues from local governments	<u>\$ 27,543,432</u>	<u>\$ 32,884,296</u>	<u>\$ 30,878,312</u>	<u>\$ (2,005,984)</u>
Revenue from the Commonwealth:				
Categorical aid:				
Adult literacy	\$ -	\$ -	\$ 77,218	\$ 77,218
Adult secondary education	12,250	72,735	51,133	(21,602)
AP virtual exam	-	-	729	729
At risk four-year olds	583,064	583,064	583,064	-
At risk payments	613,542	613,542	607,822	(5,720)
Basic school aid	17,357,166	17,357,166	17,114,432	(242,734)
Career Tech	-	-	13,999	13,999
English as a second language	61,412	61,412	60,024	(1,388)
Early reading intervention	78,120	78,120	70,853	(7,267)
Gifted and talented	191,655	191,655	189,912	(1,743)
GED funds	23,576	98,576	151,374	52,798
Group life	74,995	74,995	74,313	(682)
Homebound education	58,111	58,111	38,609	(19,502)
Mentor teacher program	-	-	5,151	5,151
Primary class size	604,895	604,895	606,720	1,825
Race to GED	-	-	1,702	1,702
Regional specialist	-	125,000	-	(125,000)
Regular foster care	88,345	88,345	101,027	12,682
Remedial education	562,465	562,465	557,350	(5,115)
Remedial summer education	117,399	117,399	176,978	59,579
Retirement fringe benefits	2,004,236	2,004,236	2,274,015	269,779
School food	42,141	42,141	69,395	27,254
Share of state sales tax	7,904,766	7,904,766	7,878,447	(26,319)
Social security fringe benefits	1,170,760	1,170,760	1,160,113	(10,647)
Special education	2,791,491	2,791,491	2,766,106	(25,385)
Special education - foster children	74,542	74,542	166,570	92,028
Special education-regional program	408,097	408,097	445,766	37,669
Standards of Learning algebra readiness	80,021	80,021	81,752	1,731
Supplemental support	287,586	287,586	-	(287,586)
Technology	466,000	466,000	637,327	171,327
Textbook payment	373,851	373,851	370,452	(3,399)
Visually handicapped	3,675	3,675	-	(3,675)
Vocational adult education	570,797	570,797	565,607	(5,190)
Vocational education - equipment	16,278	16,278	16,394	116
Vocational occupational preparedness	23,353	23,353	-	(23,353)
National board certification	-	-	27,500	27,500
Other state funds	54,250	259,464	382,757	123,293
Total categorical aid	<u>\$ 36,698,839</u>	<u>\$ 37,164,538</u>	<u>\$ 37,324,611</u>	<u>\$ 160,073</u>
Total revenue from the Commonwealth	<u>\$ 36,698,839</u>	<u>\$ 37,164,538</u>	<u>\$ 37,324,611</u>	<u>\$ 160,073</u>

County of Franklin, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2013

<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)				
School Operating Fund: (Continued)				
Intergovernmental revenues: (Continued)				
Revenue from the federal government:				
Categorical aid:				
Adult literacy	\$ 92,799	\$ 622,703	\$ 524,347	\$ (98,356)
Literacy challenge grant	-	-	12,224	12,224
National school lunch program	1,521,345	1,521,345	1,832,745	311,400
School breakfast program	637,602	637,602	672,192	34,590
Title I funds	1,897,777	2,200,850	2,065,761	(135,089)
Title II Teacher improvement	280,000	424,251	299,748	(124,503)
Title III funds	11,639	11,639	6,335	(5,304)
Title VI-B, special education flow-through	1,824,241	2,081,211	1,888,667	(192,544)
Title VI-B, special education pre-school	35,616	35,616	35,616	-
Vocational education	143,906	146,593	155,988	9,395
Total categorical aid	<u>\$ 6,444,925</u>	<u>\$ 7,681,810</u>	<u>\$ 7,493,623</u>	<u>\$ (188,187)</u>
Total revenue from the federal government	<u>\$ 6,444,925</u>	<u>\$ 7,681,810</u>	<u>\$ 7,493,623</u>	<u>\$ (188,187)</u>
Total School Operating Fund	<u>\$ 74,482,557</u>	<u>\$ 81,677,745</u>	<u>\$ 79,093,839</u>	<u>\$ (2,583,906)</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 74,482,557</u>	<u>\$ 81,677,745</u>	<u>\$ 79,093,839</u>	<u>\$ (2,583,906)</u>

County of Franklin, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013

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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	\$ 310,422	\$ 305,422	\$ 300,197	\$ 5,225
General and financial administration:				
County administrator	\$ 403,466	\$ 416,130	\$ 414,461	\$ 1,669
Risk management	351,210	329,210	327,200	2,010
Human resources	120,757	253,895	251,857	2,038
Commissioner of revenue	514,512	520,985	479,663	41,322
Reassessment	150,000	356,352	-	356,352
Land use	40,519	41,726	41,607	119
Treasurer	509,917	509,917	500,341	9,576
Director of finance	293,555	298,275	297,406	869
Information technology	1,216,256	1,500,794	1,300,752	200,042
Telecommunications and Postage	40,000	55,300	51,938	3,362
Total general and financial administration	<u>\$ 3,640,192</u>	<u>\$ 4,282,584</u>	<u>\$ 3,665,225</u>	<u>\$ 617,359</u>
Board of elections:				
Registrar	\$ 339,704	\$ 391,121	\$ 167,910	\$ 223,211
Electoral board	77,789	98,089	68,534	29,555
Total board of elections	<u>\$ 417,493</u>	<u>\$ 489,210</u>	<u>\$ 236,444</u>	<u>\$ 252,766</u>
Total general government administration	<u>\$ 4,368,107</u>	<u>\$ 5,077,216</u>	<u>\$ 4,201,866</u>	<u>\$ 875,350</u>
Judicial administration:				
Courts:				
Circuit court	\$ 99,713	\$ 97,203	\$ 90,672	\$ 6,531
General district court	8,074	15,979	15,549	430
Special magistrates	1,675	1,675	416	1,259
Juvenile and domestic relations court	16,650	44,650	10,652	33,998
Juvenile court services	381,267	396,299	396,246	53
Sheriff-courts	464,807	469,567	459,211	10,356
Clerk of the circuit court	616,998	669,660	660,146	9,514
Total courts	<u>\$ 1,589,184</u>	<u>\$ 1,695,033</u>	<u>\$ 1,632,892</u>	<u>\$ 62,141</u>
Commonwealth's attorney:				
Commonwealth's attorney	\$ 762,085	\$ 778,505	\$ 768,121	\$ 10,384
Total commonwealth's attorney	<u>\$ 762,085</u>	<u>\$ 778,505</u>	<u>\$ 768,121</u>	<u>\$ 10,384</u>
Total judicial administration	<u>\$ 2,351,269</u>	<u>\$ 2,473,538</u>	<u>\$ 2,401,013</u>	<u>\$ 72,525</u>
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 3,666,317	\$ 4,193,345	\$ 4,049,391	\$ 143,954
Total law enforcement and traffic control	<u>\$ 3,666,317</u>	<u>\$ 4,193,345</u>	<u>\$ 4,049,391</u>	<u>\$ 143,954</u>
Correction and detention:				
County operated institutions and regional jail	\$ 4,717,576	\$ 5,129,282	\$ 4,426,048	\$ 703,234
Total correction and detention	<u>\$ 4,717,576</u>	<u>\$ 5,129,282</u>	<u>\$ 4,426,048</u>	<u>\$ 703,234</u>
Inspections:				
Building	\$ 435,127	\$ 470,534	\$ 454,058	\$ 16,476
Total inspections	<u>\$ 435,127</u>	<u>\$ 470,534</u>	<u>\$ 454,058</u>	<u>\$ 16,476</u>

County of Franklin, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013

<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	\$ 2,667,795	\$ 4,650,357	\$ 2,684,171	\$ 1,966,186
Animal control	260,829	329,373	251,066	78,307
Department of forestry	24,006	23,536	23,531	5
EMS career billing	833,000	833,000	757,158	75,842
EMS volunteer billing	167,000	322,298	211,346	110,952
Total other protection	<u>\$ 3,952,630</u>	<u>\$ 6,158,564</u>	<u>\$ 3,927,272</u>	<u>\$ 2,231,292</u>
Total public safety	<u>\$ 12,771,650</u>	<u>\$ 15,951,725</u>	<u>\$ 12,856,769</u>	<u>\$ 3,094,956</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	\$ 1,549,653	\$ 3,494,311	\$ 1,973,414	\$ 1,520,897
Recycling program	88,034	88,034	62,369	25,665
Scale house	65,762	65,762	52,363	13,399
Public works	240,297	276,592	233,647	42,945
Total sanitation and waste removal	<u>\$ 1,943,746</u>	<u>\$ 3,924,699</u>	<u>\$ 2,321,793</u>	<u>\$ 1,602,906</u>
Maintenance of general buildings and grounds:				
General properties	\$ 1,146,468	\$ 1,510,989	\$ 1,141,496	\$ 369,493
Mechanic	227,298	227,298	216,002	11,296
Courthouse maintenance	12,000	119,907	-	119,907
Total maintenance of general buildings and grounds	<u>\$ 1,385,766</u>	<u>\$ 1,858,194</u>	<u>\$ 1,357,498</u>	<u>\$ 500,696</u>
Total public works	<u>\$ 3,329,962</u>	<u>\$ 5,783,343</u>	<u>\$ 3,679,291</u>	<u>\$ 2,104,052</u>
Health and welfare:				
Health:				
Supplement of local health department	\$ 330,000	\$ 330,000	\$ 330,000	\$ -
Total health	<u>\$ 330,000</u>	<u>\$ 330,000</u>	<u>\$ 330,000</u>	<u>\$ -</u>
Mental health and mental retardation:				
Development center of Franklin	\$ 50,000	\$ 50,000	\$ 50,000	\$ -
Total mental health and mental retardation	<u>\$ 50,000</u>	<u>\$ 50,000</u>	<u>\$ 50,000</u>	<u>\$ -</u>
Welfare:				
Public assistance and welfare administration	\$ 5,944,576	\$ 5,950,594	\$ 5,589,390	\$ 361,204
Youth services agency (CSA)	4,453,322	4,453,322	3,765,316	688,006
Family resource center	182,443	232,345	220,923	11,422
Area agency on aging	362,533	362,533	283,251	79,282
Contribution to health and welfare organizations	90,737	90,737	90,737	-
Assistance - institutions	28,158	28,158	28,158	-
Total welfare	<u>\$ 11,061,769</u>	<u>\$ 11,117,689</u>	<u>\$ 9,977,775</u>	<u>\$ 1,139,914</u>
Total health and welfare	<u>\$ 11,441,769</u>	<u>\$ 11,497,689</u>	<u>\$ 10,357,775</u>	<u>\$ 1,139,914</u>

County of Franklin, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2013

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)				
Education:				
Other instructional costs:				
Contribution to County School Board	\$ 28,763,432	\$ 32,668,029	\$ 29,428,432	\$ 3,239,597
Total education	<u>\$ 28,763,432</u>	<u>\$ 32,668,029</u>	<u>\$ 29,428,432</u>	<u>\$ 3,239,597</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Parks and recreation	\$ 929,576	\$ 1,676,011	\$ 981,926	\$ 694,085
Total parks and recreation	<u>\$ 929,576</u>	<u>\$ 1,676,011</u>	<u>\$ 981,926</u>	<u>\$ 694,085</u>
Library:				
Library administration	\$ 661,492	\$ 684,761	\$ 684,688	\$ 73
Westlake branch library	228,659	249,457	249,354	103
Total library	<u>\$ 890,151</u>	<u>\$ 934,218</u>	<u>\$ 934,042</u>	<u>\$ 176</u>
Total parks, recreation, and cultural	<u>\$ 1,819,727</u>	<u>\$ 2,610,229</u>	<u>\$ 1,915,968</u>	<u>\$ 694,261</u>
Community development:				
Planning and community development:				
Community development	\$ 568,528	\$ 668,601	\$ 529,541	\$ 139,060
Workforce development	-	108,664	25,102	83,562
Economic development	818,500	2,131,152	1,169,260	961,892
Tourism	95,000	112,950	109,322	3,628
GIS and mapping	162,796	162,796	97,187	65,609
4-H youth	3,750	3,750	3,750	-
Planning	198,900	338,026	211,711	126,315
Franklin career center	193,507	210,657	190,430	20,227
Commodity storage initiative	-	160,888	148,991	11,897
Contributions to Western Va Water Authority (assets constructed on behalf)	-	800,000	138,531	661,469
Contributions to other entities	129,019	200,042	200,042	-
Total planning and community development	<u>\$ 2,170,000</u>	<u>\$ 4,897,526</u>	<u>\$ 2,823,867</u>	<u>\$ 2,073,659</u>
Environmental management:				
Contribution to soil and water district	\$ 220,240	\$ 221,106	\$ 221,106	\$ -
Total environmental management	<u>\$ 220,240</u>	<u>\$ 221,106</u>	<u>\$ 221,106</u>	<u>\$ -</u>
Cooperative extension program:				
Extension office	\$ 93,304	\$ 112,360	\$ 112,358	\$ 2
Total cooperative extension program	<u>\$ 93,304</u>	<u>\$ 112,360</u>	<u>\$ 112,358</u>	<u>\$ 2</u>
Total community development	<u>\$ 2,483,544</u>	<u>\$ 5,230,992</u>	<u>\$ 3,157,331</u>	<u>\$ 2,073,661</u>
Nondepartmental:				
Contingencies	\$ 193,757	\$ 175,376	\$ 46,897	\$ 128,479
Total nondepartmental	<u>\$ 193,757</u>	<u>\$ 175,376</u>	<u>\$ 46,897</u>	<u>\$ 128,479</u>
Debt service:				
Principal retirement	\$ 3,455,820	\$ 3,495,303	\$ 6,304,484	\$ (2,809,181)
Interest and other fiscal charges	1,381,819	1,058,321	1,040,602	17,719
Bond issuance costs	6,653	14,999	14,958	41
Total debt service	<u>\$ 4,844,292</u>	<u>\$ 4,568,623</u>	<u>\$ 7,360,044</u>	<u>\$ (2,791,421)</u>
Total General Fund	<u>\$ 72,367,509</u>	<u>\$ 86,036,760</u>	<u>\$ 75,405,386</u>	<u>\$ 10,631,374</u>

County of Franklin, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2013

<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:				
Landfill construction	\$ -	\$ 4,548,671	\$ 4,263,680	\$ 284,991
Recreation park development	-	94,107	66,202	27,905
Roof replacement projects	-	17,250	14,850	2,400
School capital projects	1,220,000	1,611,250	-	1,611,250
Courthouse improvements	-	1,230,584	50,019	1,180,565
Cental maintenance facility	-	167,682	65,320	102,362
Franklin Center lower level project	-	60,017	46,931	13,086
Building and land purchases	53,333	2,528,687	2,528,687	-
Goode Building renovations	-	40,000	-	40,000
Old Administrative Building renovations	-	102,016	12,200	89,816
Radio system upgrades	60,000	60,000	55,185	4,815
Capital reserve funds	-	490,000	-	490,000
WFDC interiors	-	11,016	-	11,016
Total capital projects	<u>\$ 1,333,333</u>	<u>\$ 10,961,280</u>	<u>\$ 7,103,074</u>	<u>\$ 3,858,206</u>
Education:				
Other instructional costs:				
Contribution to County School Board	\$ -	\$ 1,449,880	\$ 1,449,880	\$ -
Total education	<u>\$ -</u>	<u>\$ 1,449,880</u>	<u>\$ 1,449,880</u>	<u>\$ -</u>
Total County Capital Projects Fund	<u>\$ 1,333,333</u>	<u>\$ 12,411,160</u>	<u>\$ 8,552,954</u>	<u>\$ 3,858,206</u>
Special Revenue Fund:				
E-911 Fund:				
Public safety:				
Other protection:				
E-911 Administration	\$ 1,080,081	\$ 1,113,617	\$ 1,025,351	\$ 88,266
Total other protection	<u>\$ 1,080,081</u>	<u>\$ 1,113,617</u>	<u>\$ 1,025,351</u>	<u>\$ 88,266</u>
Total public safety	<u>\$ 1,080,081</u>	<u>\$ 1,113,617</u>	<u>\$ 1,025,351</u>	<u>\$ 88,266</u>
Total E-911 Fund	<u>\$ 1,080,081</u>	<u>\$ 1,113,617</u>	<u>\$ 1,025,351</u>	<u>\$ 88,266</u>
Total Primary Government	<u>\$ 74,780,923</u>	<u>\$ 99,561,537</u>	<u>\$ 84,983,691</u>	<u>\$ 14,577,846</u>

County of Franklin, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2013

<u>Fund, Function, Activity, and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Education:				
Administration of schools:				
Administration cost	\$ 2,476,959	\$ 2,673,449	\$ 2,502,815	\$ 170,634
Total administration of schools	<u>\$ 2,476,959</u>	<u>\$ 2,673,449</u>	<u>\$ 2,502,815</u>	<u>\$ 170,634</u>
Instruction costs:				
Instruction cost	\$ 54,317,193	\$ 57,874,977	\$ 57,373,392	\$ 501,585
Total instruction costs	<u>\$ 54,317,193</u>	<u>\$ 57,874,977</u>	<u>\$ 57,373,392</u>	<u>\$ 501,585</u>
Operating costs:				
Pupil transportation	\$ 5,464,632	\$ 6,789,064	\$ 6,731,960	\$ 57,104
Operation and maintenance of school plant	7,511,919	7,645,794	7,564,865	80,929
School food and non-instructional	4,720,141	4,925,135	4,245,320	679,815
Facilities	-	540,869	320,830	220,039
Total operating costs	<u>\$ 17,696,692</u>	<u>\$ 19,900,862</u>	<u>\$ 18,862,975</u>	<u>\$ 1,037,887</u>
Total education	<u>\$ 74,490,844</u>	<u>\$ 80,449,288</u>	<u>\$ 78,739,182</u>	<u>\$ 1,710,106</u>
Capital projects:				
Capital projects	\$ -	\$ 1,514,523	\$ 1,167,779	\$ 346,744
Total capital projects	<u>\$ -</u>	<u>\$ 1,514,523</u>	<u>\$ 1,167,779</u>	<u>\$ 346,744</u>
Total School Operating Fund	<u>\$ 74,490,844</u>	<u>\$ 81,963,811</u>	<u>\$ 79,906,961</u>	<u>\$ 2,056,850</u>
Total Discretely Presented Component Unit - School Board	<u><u>\$ 74,490,844</u></u>	<u><u>\$ 81,963,811</u></u>	<u><u>\$ 79,906,961</u></u>	<u><u>\$ 2,056,850</u></u>

Note 1: School Board appropriations occur at the fund level

STATISTICAL SECTION

Statistical Section

Contents

Tables

Financial Trends

These tables contain trend information to help the reader understand how the the County's financial performance and well-being have changed over time.

1 - 5

Revenue Capacity

These tables contain information to help the reader assess the factors affecting the County's ability to generate its property and sales taxes.

6 - 9

Debt Capacity

These tables present information to help the reader assess the affordability of the County's current levels of outstanding debt and the County's ability to issue debt in the future.

10 - 13

Demographic and Economic Information

These tables offer demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place and to help make comparisons over time and with other governments.

14 - 15

Operating Information

These tables contain information about the County's operations and resources to help the reader understand how the County's financial information relate to the services the County provides and the activities it performs.

16 - 18

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

COUNTY OF FRANKLIN, VIRGINIA

Table 1

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental activities										
Net investment in capital assets	19,273,442	19,561,806	16,592,783	17,067,811	24,045,244	33,598,908	37,125,995	38,512,330	40,509,583	47,333,389
Restricted	134,201	200,123	174,252	6,853,227	211,128	159,656	295,455	202,014	295,849	388,906
Unrestricted	17,381,645	21,556,678	32,261,985	28,812,760	31,307,246	24,972,606	25,245,759	25,353,580	23,388,187	19,852,817
Total governmental activities net position	36,789,288	41,318,607	49,029,020	52,733,798	55,563,618	58,731,170	62,667,209	64,067,924	64,193,619	67,575,112
Business-type activities										
Net investment in capital assets	551,803	628,315	1,547,373	1,724,684	3,027,372	1,640,981	1,056,539	1,026,877	1,167,776	1,134,931
Unrestricted	(315,892)	1,667,338	1,758,683	1,916,298	1,303,504	721,629	296,579	294,773	944,367	182,806
Total business-type activities net position	235,911	2,295,653	3,306,056	3,640,982	4,330,876	2,362,610	1,353,118	1,321,650	2,112,143	1,317,737
Primary government										
Net investment in capital assets	19,825,245	20,190,121	18,140,156	18,792,495	27,072,616	35,239,889	38,182,534	39,539,207	41,677,359	48,468,320
Restricted	134,201	200,123	174,252	6,853,227	211,128	159,656	295,455	202,014	295,849	388,906
Unrestricted	17,065,753	23,224,016	34,020,668	30,729,058	32,610,750	25,694,235	25,542,338	25,648,353	24,332,554	20,035,623
Total primary government net position	37,025,199	43,614,260	52,335,076	56,374,780	59,894,494	61,093,780	64,020,327	65,389,574	66,305,762	68,892,849

Source: County financial reports

COUNTY OF FRANKLIN, VIRGINIA

Table 2
Page 1 of 2

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses										
Governmental activities:										
General government administration	2,991,740	3,004,469	3,463,168	4,157,343	4,042,082	4,027,157	3,834,191	4,171,457	4,851,681	4,297,357
Judicial administration	1,891,174	1,970,309	3,326,151	2,160,555	2,475,749	2,670,402	2,354,044	2,327,750	2,344,133	2,535,881
Public safety	7,759,941	8,205,130	8,464,171	10,347,921	12,508,248	12,737,913	14,444,078	14,252,682	14,445,531	14,590,942
Public works	1,290,295	2,012,628	986,891	1,982,292	3,370,469	3,135,781	5,397,533	4,966,247	6,855,118	4,728,017
Health and welfare	7,107,058	7,486,945	8,070,657	9,732,455	9,324,129	9,952,103	10,201,556	10,367,270	10,430,549	10,269,099
Education	21,027,314	23,380,969	24,078,623	28,332,013	25,784,204	29,621,387	27,011,085	31,797,712	29,873,835	31,912,383
Parks, recreation and cultural	976,713	1,078,612	1,284,696	1,656,664	1,916,529	2,310,267	2,132,551	2,013,395	2,165,867	2,071,985
Community development	2,545,117	1,706,253	1,887,256	3,873,631	4,757,659	5,190,199	5,126,182	4,875,629	3,029,603	3,003,651
Interest on long-term debt	988,256	943,084	1,274,457	1,435,334	1,161,205	1,541,431	1,496,120	1,480,039	1,171,325	946,745
Total governmental activities expenses	46,577,608	49,787,799	52,836,070	63,678,208	65,340,364	71,186,640	72,097,340	76,252,181	75,167,642	74,356,060
Business-type activities:										
Utility fund	480,817	60,868	413,450	581,355	428,708	2,630,752	615,957	56,909	41,741	42,490
Total business-type activities expenses	480,817	60,868	413,450	581,355	428,708	2,630,752	615,957	56,909	41,741	42,490
Total primary government expenses	47,058,425	49,848,667	53,249,520	64,259,563	65,769,072	73,817,392	72,713,297	76,309,090	75,209,383	74,398,550
Program Revenues										
Governmental activities:										
Charges for services:										
General government administration	30	183,138	-	45,684	22,205	16,548	22,775	13,445	12,989	7,980
Judicial administration	380,442	313,868	788,901	200,374	154,556	122,518	144,054	111,612	49,506	103,748
Public safety	451,852	508,486	463,421	1,317,116	1,297,973	1,276,255	1,561,354	1,466,223	1,601,892	1,781,500
Public works	811,993	919,688	920,146	947,685	891,595	665,917	637,029	776,572	740,686	952,990
Health and welfare	184,900	180,009	19,005	25,398	22,513	16,737	22,198	16,986	19,056	13,425
Education	-	-	-	-	-	-	-	-	-	-
Parks, recreation and cultural	72,615	84,531	86,633	85,315	140,640	114,806	107,936	103,406	100,043	194,202
Community development	149,187	-	293,449	286,174	195,433	97,971	-	-	-	-
Operating grants and contributions	9,471,293	9,288,324	10,348,984	11,965,531	12,126,502	12,047,519	11,898,743	12,230,679	11,722,367	11,412,589
Capital grants and contributions	592,704	832,016	412,417	854,288	3,733,468	2,003,393	2,259,154	2,461,498	994,357	864,885
Total governmental activities program revenues	12,115,016	12,310,062	13,332,956	15,727,545	18,584,915	16,361,664	16,613,243	17,180,421	15,240,896	15,331,319
Business-type activities:										
Charges for services:										
Water	6,325	37,496	333,003	145,464	466,359	190,471	26,031	8,096	112,522	31,084
Capital grants and contributions	158,600	915,400	422,022	141,761	18,200	63,055	-	-	164,456	-
Total business-type activities program revenues	164,925	952,996	755,025	287,225	484,559	253,526	26,031	8,096	276,978	31,084
Total primary government program revenues	12,279,941	13,262,958	14,087,981	16,014,770	19,069,474	16,615,190	16,639,274	17,188,517	15,517,874	15,362,403

COUNTY OF FRANKLIN, VIRGINIA

Table 2
Page 2 of 2

Changes in Net Position Last Ten Fiscal Years (accrual basis of accounting)	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Net (expense) / revenue										
Governmental activities	(34,482,692)	(37,477,737)	(39,503,114)	(47,950,663)	(46,755,449)	(54,824,976)	(55,484,097)	(59,071,760)	(59,926,746)	(59,024,741)
Business-type activities	(315,892)	892,028	341,575	(294,130)	55,861	(2,377,226)	(589,926)	(48,813)	235,237	(11,406)
Total primary government net expense	(34,778,484)	(36,585,709)	(39,161,539)	(48,244,793)	(46,699,588)	(57,202,202)	(56,074,023)	(59,120,573)	(59,691,509)	(59,036,147)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	23,919,026	28,631,256	30,887,533	32,824,967	34,255,431	43,374,361	42,935,336	45,616,322	45,783,087	46,330,843
Local sales and use taxes	3,468,199	3,795,054	4,163,629	4,242,805	4,153,451	3,742,268	3,634,351	3,795,733	3,867,957	4,029,528
Taxes on recreation and wills	474,457	917,206	993,726	842,747	658,226	581,797	507,081	513,861	465,882	513,088
Motor vehicle licenses taxes	1,195,147	1,237,090	1,265,605	1,279,225	1,270,653	1,227,296	1,207,504	1,182,088	1,159,789	1,148,502
Consumers' utility taxes	2,412,622	2,427,461	2,468,539	1,715,239	964,500	969,161	970,934	972,419	971,693	973,782
Business licenses taxes	3,922	3,394	4,261	4,998	4,697	4,444	4,440	3,829	4,585	4,798
Other local taxes (1)	1,640,641	1,758,704	2,078,429	2,975,802	3,789,514	3,522,927	1,342,836	1,297,445	1,294,561	1,429,674
Permits, privilege fees and regulatory licenses	-	-	-	-	-	-	-	-	-	-
Unrestricted grants and contributions	3,462,993	2,973,473	3,579,663	5,351,267	3,241,483	3,134,606	5,483,807	5,463,983	5,379,777	5,478,612
Unrestricted revenues from use (1)	-	-	-	-	-	-	-	-	-	-
of money and property	325,696	610,065	1,293,731	2,532,079	1,520,629	1,578,534	1,064,806	1,071,595	1,139,124	1,129,807
Miscellaneous	578,287	793,590	1,122,032	356,373	345,570	257,613	1,849,101	572,545	541,242	584,600
Transfers	(271,507)	(1,140,237)	(643,621)	(347,878)	(599,373)	(400,479)	419,940	(17,345)	(555,256)	783,000
Total governmental activities	37,209,483	42,007,056	47,213,527	51,777,624	49,604,781	57,992,528	59,420,136	60,472,475	60,052,441	62,406,234
Business-type activities:										
Unrestricted grants and contributions	271,507	1,140,237	643,621	137,663	599,373	400,479	(419,940)	17,345	555,256	(783,000)
Transfers	-	-	-	347,878	-	-	-	-	-	-
of money and property	-	27,477	25,207	21,332	15,158	8,481	374	-	-	-
Unrestricted revenues from use	271,507	1,167,714	668,828	506,873	614,531	408,960	(419,566)	17,345	555,256	(783,000)
Total business-type activities	37,480,990	43,174,770	47,862,355	52,284,497	50,219,312	58,401,488	59,000,570	60,489,820	60,607,697	61,623,234
Change in Net Position										
Governmental activities	2,746,891	4,529,319	7,710,413	3,826,961	2,849,332	3,167,552	3,936,039	1,400,715	125,695	3,381,493
Business-type activities	(44,385)	2,059,742	1,010,403	212,743	670,382	(1,968,266)	(1,009,492)	(31,468)	790,493	(794,406)
Total primary government	2,702,506	6,589,061	8,720,816	4,039,704	3,519,714	1,199,286	2,926,547	1,369,247	916,188	2,587,087

(1) Beginning in 2010, communications tax is classified as revenue from the Commonwealth
Source: County financial reports

COUNTY OF FRANKLIN, VIRGINIA

Table 3

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General fund										
Reserved	11,379	33,436	85,811	221,133	211,128	159,656	-	-	-	-
Unreserved	19,026,439	23,649,911	35,092,881	31,908,499	17,790,397	16,769,417	19,872,220	-	-	-
Nonspendable	-	-	-	-	-	-	-	-	148,078	-
Restricted	-	-	-	-	-	-	-	173,399	243,920	253,224
Assigned	-	-	-	-	-	-	-	92,994	210,233	277,289
Unassigned	-	-	-	-	-	-	-	19,653,231	19,963,500	20,397,311
Total general fund	19,037,818	23,683,347	35,178,692	32,129,632	18,001,525	16,929,073	19,872,220	19,919,624	20,565,731	20,927,824
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	-	-	-	-	14,127	51,955	46,367	-	-	-
Capital projects funds	627,965	556,871	-	-	21,980,834	11,665,266	13,037,850	-	-	-
Restricted, reported in:										
Special revenue funds	-	-	-	-	-	-	-	28,615	51,929	135,682
Assigned, reported in:										
Capital projects funds	-	-	-	-	-	-	-	14,021,993	14,779,718	11,776,528
Total all other governmental funds	750,787	2,793,988	88,441	6,632,094	21,994,961	16,766,911	13,379,672	14,050,608	14,831,647	11,912,210

Provisions of Governmental Accounting Standards Board Statement 54 (GASB 54) were implemented in the 2011 fiscal year.
Source: County financial reports

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues										
General property taxes	23,728,713	28,585,380	30,818,386	32,707,564	33,729,192	43,289,214	42,515,165	45,277,434	46,118,184	46,529,172
Other local taxes	9,194,988	10,138,909	10,974,189	11,060,816	10,841,041	10,047,893	7,667,146	7,765,375	7,764,467	8,099,372
Permits, privilege fees and regulatory licenses	535,956	620,966	764,826	691,500	573,664	413,467	359,451	359,111	319,277	396,552
Fines and forfeitures	26,594	23,516	16,968	16,378	10,772	15,002	13,032	17,076	17,076	67,474
Revenue from use of money and property	3,355,008	626,119	1,319,687	2,532,079	1,520,629	1,578,534	1,064,806	1,071,595	1,139,124	1,129,807
Charges for services	2,968,197	3,164,906	3,628,164	2,199,668	2,440,479	1,887,203	2,120,893	2,116,101	2,187,619	2,629,819
Miscellaneous	1,100,148	1,329,195	1,750,210	371,305	345,570	257,613	1,849,101	572,545	541,242	584,600
Recovered costs	1,194,949	907,568	1,782,271	731,213	905,027	744,082	646,857	883,734	609,920	515,589
Intergovernmental:										
Commonwealth	36,803,598	42,650,111	45,471,082	14,723,153	15,740,896	13,002,863	13,120,657	16,918,658	15,212,623	15,107,565
Federal	7,229,534	8,668,290	9,135,829	3,432,981	3,360,587	4,182,655	4,156,767	3,237,302	2,883,878	2,648,521
Total revenues	85,118,185	96,714,960	105,661,612	68,466,857	69,167,857	75,413,606	73,515,845	78,015,087	76,793,610	77,668,471
Expenditures										
General government administration	2,971,402	3,491,287	3,591,991	3,939,015	3,532,252	3,678,190	3,703,759	4,254,794	4,194,731	4,201,866
Judicial administration	1,929,484	2,014,628	2,082,436	2,214,118	2,517,127	2,647,224	2,406,096	2,273,717	2,310,288	2,401,013
Public safety	7,956,964	8,012,239	10,499,222	11,125,314	11,504,555	13,619,580	13,705,018	13,035,802	14,065,589	13,882,120
Public works	2,131,223	2,024,491	2,567,643	3,763,333	2,324,278	2,789,763	3,293,949	3,722,272	3,315,563	3,679,291
Health and welfare	7,083,647	7,472,930	8,383,152	9,685,059	9,172,706	10,188,370	10,357,762	10,854,862	10,670,106	10,357,712
Education	54,975,876	61,488,183	66,045,924	25,640,822	25,084,849	26,734,619	26,058,965	30,813,204	28,249,720	30,878,312
Parks, recreation and cultural	2,393,733	2,019,168	1,616,131	2,300,706	1,643,257	2,056,206	1,868,801	1,733,929	1,814,823	1,915,968
Community development	2,963,825	1,818,675	1,765,265	8,510,072	2,415,467	5,447,836	2,044,767	3,021,430	2,471,002	3,157,331
Nondepartmental	-	-	-	40,097	58,879	77,718	-	135	46,887	-
Capital projects	-	619,332	3,265,505	521,917	10,981,071	12,784,491	9,752,250	3,084,911	3,408,090	7,103,074
Debt service	-	-	-	-	-	-	-	-	-	-
Principal	1,985,865	1,806,075	1,848,143	2,076,767	6,004,140	2,753,602	2,960,922	3,122,020	3,028,681	6,304,484
Interest and other fiscal charges	1,026,506	961,179	1,035,008	1,232,658	1,364,839	1,582,736	1,602,618	1,362,326	1,293,215	1,040,602
Bond issuance costs	-	-	-	-	69,099	73,424	58,250	-	-	14,958
Total expenditures	85,418,525	91,728,187	102,700,420	71,049,878	77,272,519	84,403,759	77,813,157	77,279,402	74,821,808	84,983,891
Excess of revenues over (under) expenditures	(300,340)	4,986,773	2,961,192	(2,583,021)	(8,104,662)	(8,990,153)	(4,297,312)	735,685	1,971,802	(7,315,220)
Other financing sources (uses)										
Transfers in	604,185	416,279	807,277	1,094,447	6,993,301	7,635,878	2,585,653	2,719,846	3,078,179	9,373,684
Transfers out	(875,692)	(1,556,516)	(1,450,896)	(1,442,325)	(7,592,674)	(8,036,357)	(2,165,713)	(2,737,191)	(3,633,435)	(8,590,884)
Bonds and notes issued	-	2,689,762	6,500,000	6,573,600	9,938,795	2,905,000	1,109,000	-	-	3,068,750
Premium on debt issuance	-	-	-	187,343	-	130,152	-	-	-	-
Capital leases	272,235	234,024	234,332	-	-	54,978	-	-	-	655,000
Sale of capital assets	-	-	-	-	-	-	-	-	10,600	251,124
Total other financing sources (uses)	728	1,785,549	6,090,713	6,413,065	9,339,422	2,689,651	1,528,940	(17,345)	(544,656)	4,757,974
Net change in fund balances	(299,612)	6,770,322	9,051,905	3,830,044	1,234,760	(6,300,502)	(2,768,372)	718,340	1,427,146	(2,557,346)
Debt service as a percentage of noncapital expenditures	4%	3%	3%	5%	13%	6%	7%	6%	6%	11%
Total Debt Service Expenditures	3,012,371	2,767,254	2,883,151	3,309,025	7,368,979	4,336,338	4,621,790	4,484,346	4,321,896	7,360,044
Total Governmental Non-capital Expenditures	82,406,154	88,341,601	96,551,764	67,218,536	58,853,370	67,209,506	64,479,541	69,710,145	67,015,535	69,261,715

Source: County financial reports

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

Fiscal Year	Property Tax	Local sales and use Tax	Consumer Utility Tax	Meals Tax	Hotel & Motel Tax	Utility License Tax	Bank Stock Tax	Motor Vehicle License Tax	Record-ation and Wills Tax	Other Tax	Total
2013	46,330,843	4,029,528	973,782	962,596	85,124	250,098	128,791	1,148,502	513,088	7,863	54,430,215
2012	45,783,087	3,867,957	971,693	912,380	91,628	168,980	119,639	1,159,789	465,882	4,585	53,545,620
2011	45,277,434	3,795,733	972,419	843,382	97,056	231,833	123,267	1,182,088	500,736	3,829	53,027,777
2010	42,515,165	3,634,351	1,254,157	834,617	98,194	283,223	125,681	1,207,504	497,231	4,440	50,454,563
2009	43,289,214	3,742,268	969,161	829,982	103,696	166,457	107,361	1,227,296	581,797	4,444	51,021,676
2008	33,729,192	4,153,451	964,500	815,584	112,944	212,074	99,550	1,270,653	658,226	NA	42,016,174
2007	32,707,564	4,242,805	1,715,239	814,071	109,353	129,854	105,091	1,279,225	842,747	NA	41,945,949
2006	30,818,386	4,163,629	1,880,168	760,121	111,404	431,217	144,163	1,265,605	993,726	NA	40,568,419
2005	28,585,380	3,795,054	2,231,212	745,316	119,479	44,206	106,852	1,237,090	917,206	NA	37,781,795
2004	23,728,713	3,468,199	2,220,250	700,812	121,818	41,100	103,754	1,195,147	474,457	NA	32,054,250

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
	Real Estate/ Mobile Homes	Personal Property					
2013	6,512,213,873	478,922,754	62,392,929	97,259,640	161,030,712	7,311,819,908	
2012	7,714,753,492	466,053,799	61,116,302	87,420,378	163,682,723	8,493,026,694	
2011	7,658,949,539	452,339,636	58,454,412	85,551,282	151,199,948	8,406,494,817	
2010	7,606,214,950	448,673,632	63,385,820	83,369,833	162,132,199	8,363,776,434	
2009	7,495,611,081	502,466,388	68,422,417	77,815,711	148,209,734	8,292,525,331	
2008	5,312,089,342	472,049,385	70,569,752	74,111,761	97,234,892	6,026,055,132	
2007	4,807,045,787	510,854,136	76,847,910	62,916,661	102,235,038	5,559,899,532	
2006	4,585,493,371	471,380,050	65,344,989	60,749,046	116,612,320	5,299,579,776	
2005	4,382,613,489	424,712,961	56,610,940	51,162,556	123,952,019	5,039,051,965	
2004	3,020,413,294	405,063,547	55,518,495	55,576,183	114,165,109	3,650,736,628	

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 Value	Assessed Value as a Percentage of Actual Value
	Real Property Total Direct Tax Rate	Personal Property Tax Rate						
2013	0.54	2.34	1.08	0.70	0.66	7,100,025,919	102.98%	
2012	0.48	2.04	1.08	0.60	0.57	8,492,757,485	100.00%	
2011	0.48	2.04	1.08	0.60	0.57	8,147,764,905	103.18%	
2010	0.46	1.89	1.08	0.60	0.54	8,074,239,188	103.59%	
2009	0.46	1.89	1.08	0.60	0.55	8,027,547,143	103.30%	
2008	0.53	1.67	1.08	0.54	0.63	5,633,589,940	106.97%	
2007	0.53	1.67	1.08	0.54	0.64	5,473,576,675	101.58%	
2006	0.53	1.67	1.08	0.60	0.64	5,247,621,108	100.99%	
2005	0.52	1.67	1.08	0.54	0.62	4,862,156,452	103.64%	
2004	0.60	1.67	1.08	0.54	0.73	3,570,721,262	102.24%	

Source: Commissioner of Revenue

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

Fiscal Years	Direct Rates				Total Direct Rate Weighted Average	Overlapping Rates Town of Rocky Mount	
	Real Estate	Personal Property	Machinery and Tools	Merchant's Capital		Real Estate	Personal Property
2013	0.54	2.34	0.70	1.08	0.66	0.13	0.51
2012	0.48	2.04	0.60	1.08	0.57	0.12	0.51
2011	0.48	2.04	0.60	1.08	0.57	0.12	0.51
2010	0.46	1.89	0.60	1.08	0.54	0.12	0.51
2009	0.46	1.89	0.60	1.08	0.55	0.12	0.51
2008	0.53	1.67	0.54	1.08	0.63	0.12	0.51
2007	0.53	1.67	0.54	1.08	0.64	0.14	0.51
2006	0.53	1.67	0.60	1.08	0.64	0.14	0.51
2005	0.52	1.67	0.54	1.08	0.62	0.11	0.51
2004	0.60	1.67	0.54	1.08	0.73	0.12	0.51

(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 2013		Fiscal Year 2004	
		Assessed Valuation (Millions)	% of Total Assessed Valuation	Assessed Valuation (Millions)	% of Total Assessed Valuation
Appalachian Power Company	Electric Utility	109	1.49%	65	2.01%
Franklin Real Estate Company	Real Estate	24	0.33%	26	0.80%
Central Telephone Company	Telephone Utility	23	0.31%	38	1.17%
Willard Construction Company	Construction	22	0.30%	22	0.68%
Wal Mart	Retail	10	0.14%	8	0.25%
McAiraids	Manufacturing	10	0.14%		0.00%
Rocky Mount Development Co	Real Estate	10	0.14%		0.00%
Franklin Memorial Hospital	Health Care	8	0.11%	9	0.28%
Lowes	Retail	7	0.10%		0.00%
Southgate III LLC	Real Estate	7	0.10%		0.00%
Windstar Properties LLC	Real Estate	-	0.00%	12	0.37%
Plyer Development	Real Estate	-	0.00%	10	0.31%
MW Manufacturers Inc.	Manufacturing	-	0.00%	8	0.25%
Resource Partners LLC	Real Estate	-	0.00%	9	0.28%
		<u>230</u>	<u>3.16%</u>	<u>207</u>	<u>7.47%</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
2013	45,660,712	44,159,107	96.71%	-	44,159,107	96.71%
2012	45,722,994	45,007,522	98.44%	1,023,479	46,031,001	100.67%
2011	45,237,044	43,561,279	96.30%	1,300,638	44,861,917	99.17%
2010	42,642,755	41,035,249	96.23%	1,376,454	42,411,703	99.46%
2009	43,103,676	41,569,680	96.44%	1,312,322	42,882,002	99.49%
2008	36,542,153	35,370,019	96.79%	1,007,061	36,377,080	99.55%
2007	35,220,150	34,085,239	96.78%	984,911	35,070,150	99.57%
2006	33,219,244	32,075,823	96.56%	993,421	33,069,244	99.55%
2005	30,889,511	29,883,296	96.74%	856,215	30,739,511	99.51%
2004	26,061,495	25,699,189	98.61%	212,306	25,911,495	99.42%

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 (2)	Capital Leases	General Obligation Bonds	Capital Leases				
2013	26,429,558	-	534,770	-	-	26,964,328	0.13%	476	
2012	25,339,439	3,702,750	163,141	-	-	29,205,330	0.11%	518	
2011	27,583,771	4,316,500	333,741	-	-	32,234,012	0.10%	573	
2010	29,877,385	4,930,250	548,397	-	-	35,356,032	0.09%	634	
2009	30,874,271	5,544,000	789,682	-	-	37,207,953	0.09%	673	
2008	29,817,038	6,157,750	963,751	2,135,700	-	39,074,239	0.08%	718	
2007	25,905,826	6,771,500	326,557	2,285,700	-	35,289,583	0.08%	665	
2006	20,667,755	7,385,250	454,046	2,429,600	-	30,936,651	0.09%	595	
2005	15,151,697	8,072,000	397,165	2,567,600	-	26,188,462	0.10%	513	
2004	13,490,375	8,792,200	410,338	2,700,000	-	25,392,913	0.10%	508	

Note: Details regarding the County's outstanding debt can be found in note 6 in the notes to the financial statements. Amounts above include any unamortized discounts or premiums.

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

(2) Literary fund loans were fully defeased in FY2013.

Source: County financial reports

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)
2013	26,429,558	-	26,429,558	0.36%	466.82
2012	29,042,189	-	29,042,189	0.34%	514.76
2011	31,900,271	-	31,900,271	0.38%	567.37
2010	34,807,635	-	34,807,635	0.42%	624.55
2009	36,418,271	-	36,418,271	0.44%	658.75
2008	36,938,539	-	36,938,539	0.61%	678.43
2007	33,003,883	-	33,003,883	0.59%	622.28
2006	28,507,051	-	28,507,051	0.54%	548.47
2005	23,223,697	-	23,223,697	0.46%	455.36
2004	22,282,575	-	22,282,575	0.61%	445.54

(1) Population data can be found in the Schedule of Demographic and Economic Statistics - Table 14

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

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

Direct and Overlapping Governmental Activities Debt
As of June 30, 2013

<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	4,722,563	100%	\$ 4,722,563
Subtotal, overlapping debt			<u>\$ 4,722,563</u>
County of Franklin, direct debt			<u>\$ 26,964,328</u>
Total direct and overlapping debt			<u><u>\$ 31,686,891</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.

Table 13

COUNTY OF FRANKLIN, VIRGINIA

Legal Debt Margin Information
Last Ten Fiscal Years

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Debt limit	265,257,339	274,671,205	288,943,194	302,041,329	438,261,349	458,549,337	480,704,579	531,209,934	749,561,108	760,621,495	765,894,954	771,475,349	651,221,387
Total net debt applicable to limit	31,066,503	27,990,991	25,685,437	23,921,816	22,282,575	23,223,697	28,507,051	32,677,326	36,938,539	34,807,635	31,900,271	29,042,189	26,429,558
Legal debt margin	234,170,836	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	742,433,160	624,791,829
Total net debt applicable to the limit as a percentage of debt limit	11.72%	10.19%	8.89%	7.92%	5.08%	5.06%	5.93%	6.15%	4.93%	4.58%	4.17%	3.76%	4.06%
Legal Debt Margin Calculation for Fiscal Year 2013													
Assessed value of real estate													6,512,213,873
Debt limit (10% of total assessed value)													651,221,387
Net debt applicable to limit													26,429,558
Legal debt margin													624,791,829

Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population	Per Capita Personal Income	Total Personal Income (thousands)	Median Age	School Enrollment	Unemployment Rate
2013	56,616	\$ 34,028	\$ 1,926,513	40	7,095	4.90%
2012	56,419	32,626	1,840,735	40	7,080	6.20%
2011	56,225	31,096	1,748,378	40	7,069	6.40%
2010	55,732	30,701	1,711,035	40	7,200	7.50%
2009	55,284	32,145	1,777,109	40	7,166	8.40%
2008	54,447	31,133	1,695,115	40	7,283	4.70%
2007	53,037	29,081	1,542,380	40	7,305	3.80%
2006	51,976	27,675	1,438,454	40	7,194	2.80%
2005	51,001	27,068	1,380,475	40	7,150	3.60%
2004	50,012	25,701	1,285,355	Not Available	7,125	3.60%

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 2013			Fiscal Year 2004		
	Employees	Rank	% of Total County Employment	Employees	Rank	% of Total County Employment
Franklin County Public Schools	1,392	1	5.17%	1,094	2	4.14%
MW Manufacturers, Inc	900	2	3.34%	1,367	1	5.17%
Wal-Mart	400	3	1.48%	343	3	1.30%
Ferrum College	325	4	1.21%			
Franklin County	316	5	1.17%	272	7	1.03%
Trinity Packaging, Inc.	300	6	1.11%	300	4	1.13%
Ronile. Inc.	300	7	1.11%	289	5	1.09%
Carilion Franklin Memorial Hospital	275	8	1.02%	270	8	1.02%
Uttermost Company	168	9	0.62%	280	6	1.06%
Mod-U-Kraf Homes, Inc.	125	10	0.46%	245	9	0.93%
Fleetwood Homes of Virginia				200	10	0.76%
Totals	<u>4,501</u>		<u>16.69%</u>	<u>4,660</u>		<u>17.63%</u>

Source: Individual companies

Table 16

COUNTY OF FRANKLIN, VIRGINIA

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

Function	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Government Administration										
Legislative	1	1	1	1	1	1	1	1	1	1
General and financial administration	30	31	31	34	36	36	34	34	34	34
Judicial Administration										
Courts	11	13	13	11	11	11	11	11	10	8
Clerk of Court	9	9	9	10	11	11	10	10	10	10
Commonwealth Attorney	8	7	7	7	8	8	8	8	9	9
Public Safety										
Sheriffs department	54	41	43	44	41	38	36	34	34	39
Correction and Detention	26	26	27	32	35	37	36	39	39	37
Building inspections	6	7	7	8	8	7	7	7	7	8
Animal control	3	3	3	4	4	4	3	3	3	3
Public Safety	8	13	16	24	24	24	24	24	24	28
E911	1	14	14	14	14	14	14	15	15	15
Public Works										
Solid Waste	13	13	14	16	16	16	15	15	16	18
General buildings and grounds	4	4	5	8	8	7	7	7	7	7
Public Works		2	3	4	4	4	4	3	3	3
Health and Welfare										
Department of social services	61	61	61	61	62	62	58	59	64	64
CSA	1	1	2	2	2	2	2	2	2	2
Family Resources	6	6	6	6	5	5	3	2	2	3
Aging Services	3	3	3	2	2	2	2	2	2	2
Recreation and Cultural										
Parks and recreation	7	7	8	10	10	10	10	10	10	11
Library	5	5	6	6	8	8	8	8	8	8
Community Development										
GIS and Mapping				2	2	2	1	2	2	2
Economic Development			1	1	1	1	1	1	1	1
Work Force Consortium	2	2	2	3	3	3	3	3	3	3
Planning	5	8	8	11	11	9	8	8	8	8
Totals	264	277	290	321	327	322	306	308	314	324

Source: Franklin County Adopted Budgets

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

Function	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General and financial administration										
Commissioner of Revenue:										
Personal Property tax assessments						98,719	106,470	171,742	Not Available	195,080
Finance: GFOA award for CAFR	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Information Technology:										
Tech support (In Days)	11.4	9.3	4.5	4.5	3	5	5	5	5	5
Voter Registrar:										
Number of Registered Voters	28,020	29,769	30,170	31,413	31,892	34,003	34,034	34,406	35,026	35,282
Judicial Administration										
Clerk of Court:										
Criminal Cases Commenced		1,902	1,927	1,817	1,704	2,250	2,070	1,661	1,517	1,837
Deeds Recorded		15,808	14,234	12,736	11,033	10,832	11,280	9,581	9,789	9,521
Public safety										
Sheriffs department: calls for service										
	15,000	15,707	16,000	26,047	19,501	18,877	19,237	20,768	21,837	27,969
Fire and rescue: number of fire calls										
		1,074	1,298	1,225	1,348	1,115	1,309	1,462	1,729	3,917
Number of rescue calls										
		3,509	4,057	4,254	4,679	5,989	4,947	5,123	5,540	6,484
Fire Investigations										
	54	81	118	165	182	132	96	200	157	148
Building inspections: Permits issued										
	1,656	1,569	1,552	1,358	1,018	1,042	974	980	1,029	1,137
Total Value of Permits										
						133,737,342	58,752,602	60,857,340	54,910,190	51,347,040
Public works										
Landfill: Refuse collected (tons)										
	60,652	59,698	61,866	61,367	59,842	55,491	49,355	54,398	52,908	52,910
Mulch Recycled (tons)										
					1,888	1,463	1,331	1,227	1,349	1,352
Health and Welfare										
Social Services: Children in Foster Care										
					98	88	77	95	94	116
SNAP Applications										
					1,774	2,072	2,422	2,282	2,226	2,126
On-going Medicaid Participants										
					6,154	6,767	7,021	7,189	9,931	8,535
CSA: Case Load - Number of Children										
	132	167	177	242	260	279	284	280	256	235
Aging Services:										
Transportation Clients										
		490	894	1,104	572	553	614	621	618	476
Culture and recreation										
Parks and recreation:										
Sports registration/classes										
	4,406	4,566	4,655	4,700	4,566	5,746	5,449	5,451	5,350	4,537
Shelter reservations										
	269	283	250	252	283	301	358	268	278	167
Park Acreage										
	692	692	692	692	692	696	696	696	696	696
Library:										
Program Attendance										
					22,806	24,928	25,700	25,987	24,871	25,013
Circulation										
					180,738	191,267	233,626	230,280	236,758	254,099
Community development										
Planning and Community Development:										
Zoning permits issued										
					816	941	714	1,165	1,251	256
Component Unit - School Board										
Education:										
Local expenditures per pupil										
	3,245	3,407	3,523	3,569	3,995	4,326	4,203	4,478	3,990	4,498

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	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General government administration										
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	6	6	6	6	6	6	6
Animal control:										
Vehicles	3	3	3	3	3	3	3	3	3	3
Public Safety:										
Fire Stations	10	10	10	10	10	10	10	10	10	10
Public works										
Landfill:										
Collection Trucks	7	7	7	7	7	7	7	7	7	7
Green Box Sites	74	74	74	74	74	74	74	74	74	74
Health and welfare										
Department of Social Services:										
Vehicles	8	8	8	8	8	8	10	12	13	13
Culture and recreation										
Parks and recreation:										
Parks	9	9	9	9	9	9	9	9	9	9
Libraries	1	1	1	1	2	2	2	2	2	2
Component Unit - School Board										
Education:										
Schools	14	14	14	14	14	14	15	15	15	15
School buses	162	162	162	162	162	162	162	162	162	162

Source: Individual County departments

COMPLIANCE SECTION

Compliance

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Honorable Members of
The Board of Supervisors
County of Franklin, Virginia

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Franklin, Virginia, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the County of Franklin, Virginia's basic financial statements, and have issued our report thereon dated January 21, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County of Franklin, Virginia's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County of Franklin, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of the County of Franklin, Virginia's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Robinson, Faimer, Co. Associates

Blacksburg, Virginia
January 21, 2014

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report on Compliance For Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133

To the Honorable Members of
The Board of Supervisors
County of Franklin, Virginia

Report on Compliance for Each Major Federal Program

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 direct and material effect on each of the County of Franklin, Virginia's major federal programs for the year ended June 30, 2013. The County of Franklin, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County of Franklin, Virginia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the County of Franklin, Virginia's compliance.

Basis for Qualified Opinion on the Adult Education Program (CFDA 84.002)

As described in the accompanying schedule of findings and questioned costs, the County of Franklin, Virginia did not comply with requirements regarding sub-recipient monitoring for the Adult Education Program (CFDA 84.002) as described in finding number 2013-01. Compliance with such requirements is necessary, in our opinion, for the County of Franklin, Virginia to comply with the requirements applicable to that program.

Qualified Opinion on the Adult Education Program (CFDA 84.002)

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the County of Franklin, Virginia, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Adult Education Program for the year ended June 30, 2013.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the County of Franklin, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the

summary of auditors' results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2013.

Other Matters

The County of Franklin, Virginia's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The County of Franklin, Virginia's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the County of Franklin, Virginia, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County of Franklin, Virginia's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County of Franklin, Virginia's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2013-01 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The County of Franklin, Virginia's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The County of Franklin, Virginia's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Robinson, Turner, Co. Associates

Blacksburg, Virginia
January 21, 2013

County of Franklin, Virginia
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2013

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	\$ 21,164
Temporary Assistance for Needy Families (TANF)	93.558	0400111	418,181
Refugee and Entrant Assistance - State Administered Programs	93.566	0500110/0500111	1,623
Low Income Home Energy Assistance	93.568	0600410/0600411	22,218
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760110/0760111	49,005
Chafee Education and Training Vouchers Program	93.599	9160110	15,678
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900110/0900111	1,484
Adoption Assistance	93.659	1120110/1120111	340,418
Social Services Block Grant	93.667	1000110/1000111	285,070
Chafee Foster Care Independence Program	93.674	9150110/9150111	14,875
Foster Care - Title IV-E	93.658	1100110/1100111	513,235
Children's Health Insurance Program	93.767	0540110/0540111	11,300
Medical Assistance Program	93.778	1200110/1200111	274,645
Total Department of Social Services			<u>\$ 1,968,896</u>
Total Department of Health and Human Services			<u>\$ 1,968,896</u>
Department of Agriculture:			
Pass Through Payments:			
Department of Agriculture:			
Food Distribution (Note C) - (Child Nutrition Cluster)	10.555	40623	\$ 219,126
Department of Education:			
National School Lunch Program - (Child Nutrition Cluster)	10.555	40623	1,613,619 \$ 1,832,745
School Breakfast Program - (Child Nutrition Cluster)	10.553	40591	\$ 672,192
Department of Social Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010110/0040110	<u>454,745</u>
Total Department of Agriculture			<u>\$ 2,959,682</u>
Department of Justice:			
Pass Through Payments:			
Department of Criminal Justice Services:			
Violence Against Women Formula Grants	16.588	10WFAX0041	<u>\$ 52,044</u>
Total Department of Justice			<u>\$ 52,044</u>
Department of Homeland Security:			
Pass Through Payments:			
Department of Emergency Management:			
State Homeland Security Program	97.073	52707/52708	\$ 69,168
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	00132/13299	<u>31,369</u>
Total Department of Homeland Security			<u>\$ 100,537</u>
Department of Transportation:			
Pass Through Payments:			
Department of Motor Vehicles:			
Alcohol Open Container Requirements	20.607	52208	\$ 22,155
State and Community Traffic Safety	20.600	57033	<u>28,113</u>
Total Department of Transportation			<u>\$ 50,268</u>

County of Franklin, Virginia
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2013

Federal Grantor/State Pass - Through Grantor/ Program (or Cluster) Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Department of Defense			
Direct Payments:			
Payments to States in Lieu of Real Estate Taxes	12.112	NA	\$ 17,031
Total Department of Defense			\$ 17,031
National Endowment for the Arts:			
Pass Through Payments:			
National Endowment for the Arts: Promotion of the Arts Partnership Agreements	45.025	99911	\$ 5,000
Total National Endowment for the Arts			\$ 5,000
Department of Education:			
Pass Through Payments:			
Department of Education:			
Adult Education - Basic Grants to States	84.002	42801	\$ 524,347
Title I, Grants to Local Educational Agencies	84.010	42901	2,065,761
Special Education_Grants to States (Special Education Cluster)	84.027	73071	1,888,667
Career and Technical Education -- Basic Grants to States	84.048	61095	155,988
Special Education_Preschool Grants (Special Education Cluster)	84.173	87063A	35,616
Educational Technology State Grants	84.318	61600	12,224
English Language Acquisition Grants	84.365	60509/60512	6,335
Improving Teacher Quality State Grants	84.367	61480	299,748
Total Department of Education			\$ 4,988,686
Total Expenditures of Federal Awards			\$ 10,142,144

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, 2013. 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 position, or cash flows of the County of Franklin, Virginia.

Note B-Summary of Significant Accounting Policies

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

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

Note C-Food Distribution

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

Note D-Relationship to Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:		
Primary government:		
General Fund		\$ 2,648,521
Component Unit School Board:		
School Operating Fund		\$ 7,493,623
Total federal expenditures per the Schedule of Expenditures of Federal Awards		\$ 10,142,144

County of Franklin, Virginia

Schedule of Findings and Questioned Costs
Year Ended June 30, 2013

Section I - Summary of Auditors' Results

Financial Statements

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

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified?	None reported
Type of auditors' report issued on compliance for major programs:	Qualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510 (a)?	Yes

Identification of major programs:

CFDA #	Name of Federal Program or Cluster
84.010	Title 1, Grants to Local Educational Agencies
84.027/84.173	Special Education Cluster (IDEA)
84.002	Adult Education - Basic Grants to States

Dollar threshold used to distinguish between Type A and Type B programs	\$304,264
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Auditee qualified as low-risk auditee?	Yes
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County of Franklin, Virginia

Schedule of Findings and Questioned Costs
Year Ended June 30, 2013 (continued)

Section II - Financial Statement Findings

None reported

Section III - Federal Award Findings and Questioned Costs

Finding 2013-01
Compliance Finding and
Material Weakness

Program	Adult Education (CFDA 84.002) - Federal Funding Agency - Department of Education, Pass-through Agency - Virginia State Department of Education
Criteria	Organizations receiving federal funding are required to monitor program compliance of their sub recipients.
Condition	The Franklin County School Board (School Board) operates a regional adult education program in which other school divisions participate. The School Board request funds to reimburse themselves and other school divisions for disbursements under the program; however the School Board does not have a process in place to validate expenses of the other school divisions. During the fiscal year, the School Board acted as a conduit requesting funds on behalf of the other divisions without reviewing documentation in support of same.
Questioned Costs	None identified, but supporting documentation was not available for all disbursements.
Recommendation	The School Board should require participating School Divisions to submit detailed documentation of all funds requested for reimbursement under the program.
Management's Response	Post audit, the School Board began requiring other school divisions to submit detailed invoices and/or other documentation in support of their expenditures under the program.

Section IV - Status of Prior Audit Findings and Questioned Costs

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