



Franklin County, Virginia  
 Comprehensive Annual Financial Report  
 Fiscal Year Ended June 30, 2010



COUNTY OF FRANKLIN, VIRGINIA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FISCAL YEAR ENDED JUNE 30, 2010

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Prepared by the Franklin County  
Department of Finance

COUNTY OF FRANKLIN, VIRGINIA  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 FISCAL YEAR ENDED JUNE 30, 2010

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## INTRODUCTORY SECTION



December 7, 2010

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, 2010. 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, 2010. The audit was conducted in accordance with professional standards which require that the independent auditors plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The independent auditors' report is located in the front of the financial section of this report.

Under generally accepted accounting principles, as promulgated by the Governmental Accounting Standards board (GASB), management is required to provide a narrative that precedes the basic financial statements. This Management's Discussion and Analysis (MD&A) provides as introduction, overview and analysis of financial results for fiscal year 2009-2010 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 2010 is estimated at 53,450 with a population density of 72.4 people per square mile. Franklin County is included in the Roanoke Metropolitan Statistical Area (MSA) that has a total population of approximately 300,000.

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

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

## **Economic Conditions and Outlook**

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

Much of fiscal year 2009-2010 was spent on a number of new capital projects including fire and rescue apparatus replacement and the adaptive reuse of a former grocery store into a government center for County offices. The County continues to develop its' park system with major work being completed at the Smith Mountain Lake park and various rehab projects at other parks.

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

## **Major Initiatives**

During the year, the Franlin Center for Advanced Learning and Enterprise continued to expand its reach to provide employer and employee services in a “One Stop Environment”. The consortium, composed of 15 partners, provides opportunities in employment, training, and education. Representatives from the local school system, colleges, government and community agencies work together to provide workforce development services to the citizens and employers of Franklin County.

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

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

## **For the Future**

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

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

## **Long-Term Financial Planning**

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

**General Fund Balance (Undesignated).** The Board of Supervisors has adopted a policy to keep the undesignated general fund balance at a minimum of 10% of the County budget. Bond rating agencies also recommend the undesignated fund balance be maintained at a level between 10% and 15% of the general fund revenues. The undesignated general fund balance is 16% for the year ended June 30, 2010. This is an

increase from last year as a result of less fund balance being used for capital projects and expenditures being frozen throughout most of the fiscal year.

**Budgetary Controls.** The budget function is used as a management control device during the year for the General Fund and Special Revenue and Component Unit Funds. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the County Board of Supervisors. Only the Board of Supervisors can revise the appropriation for each department or category. The County Administrator is authorized to transfer amounts within general governmental departments; however, the School Board is authorized to transfer budgeted amounts within the school system's categories.

**Other Information**

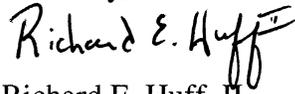
**Independent Audit.** State statutes require an annual audit by independent certified public accountants. The accounting firm of Robinson, Farmer, Cox Associates was selected by the County to perform this audit. In addition to meeting the requirements set forth in state statutes, the audit also was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

**Awards.** The Government Finance Officers Association of the United State and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County of Franklin, Virginia for its comprehensive annual financial report for the fiscal year ended June 30, 2009. This was the tenth 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.*

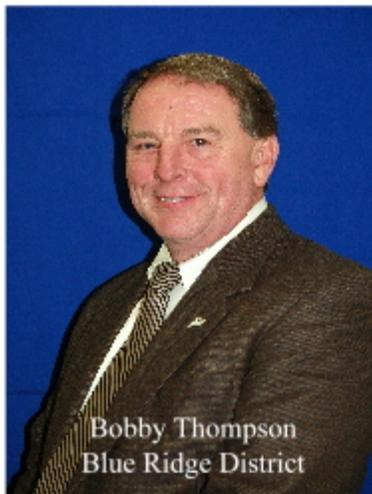
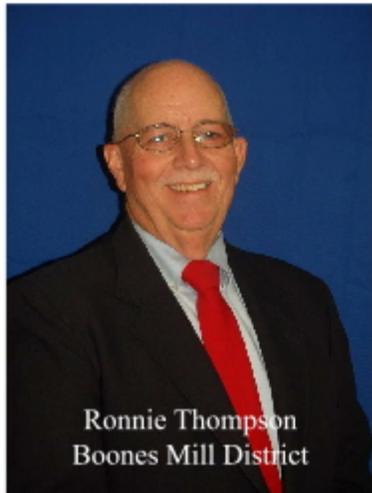
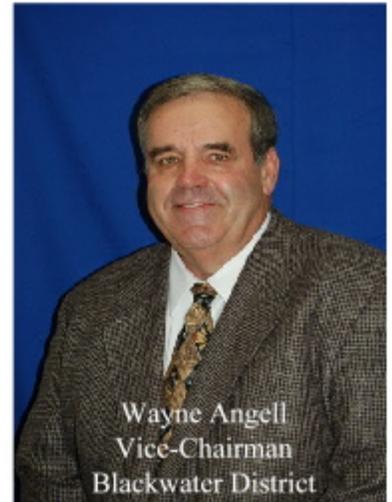
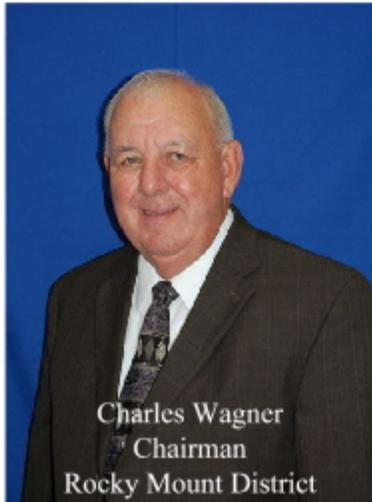
*Agriculture has figured prominently in Franklin County's 200-year history, and was the occupation of most county residents until recent times. Tobacco was a leading crop in early Franklin County. Locally mined iron and copper were transported over the Carolina Road as far south as Georgia. The furnace 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, 2010



# Franklin County Officials

June 30, 2010

## Board of Supervisors

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

## County Administration

Richard E. Huff, II, County Administrator

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

## Constitutional Officers

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

## Franklin County Social Services Board Members

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

**Franklin County Public Schools  
School Board Members**

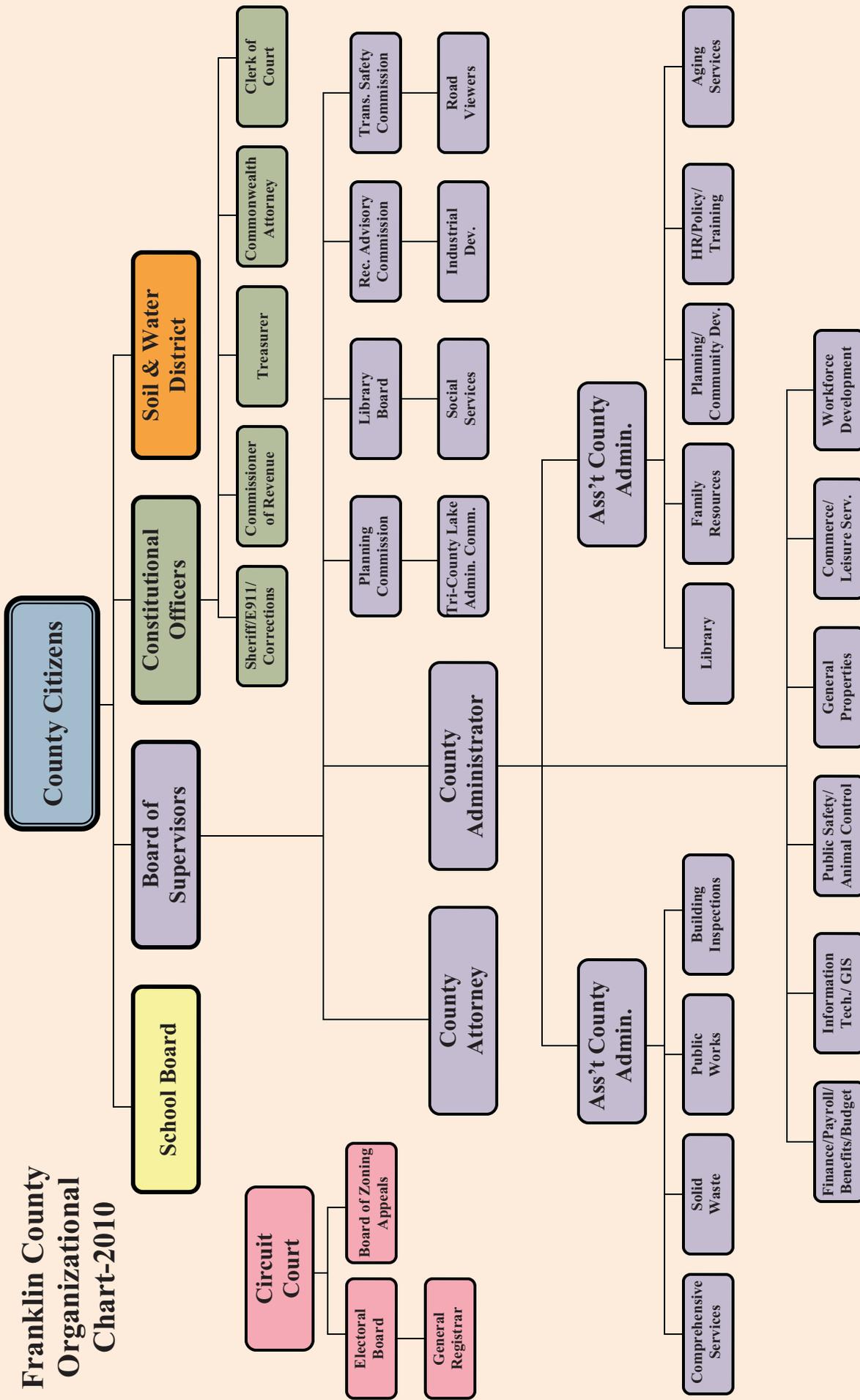
Evelyn Cundiff, Chair, Gills Creek District  
G. B. Washburn, Jr., Vice-Chair, Snow Creek District  
Sarah Alexander, Rocky Mount District  
Stephen E. Brubaker, Blackwater District  
P. D. Hambrick, Union Hall District  
William O. Helm, Jr., Member-At-Large  
Edward C. Jamison, Blue Ridge District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

**School Administration**

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



# Franklin County Organizational Chart-2010



# Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of Franklin  
Virginia

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2009

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



A stylized handwritten signature in black ink.

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director

## FINANCIAL SECTION

# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

## Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the County of Franklin, Virginia, as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of Franklin, Virginia's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the County of Franklin, Virginia, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2010, on our consideration of the County of Franklin, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, the budgetary comparison information and the Schedule of Funding Progress for Defined Benefit and Healthcare Plans, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Franklin, Virginia's basic financial statements. The introductory section, combining and individual fund financial statements, supporting schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the County of Franklin, Virginia. The combining and individual fund financial statements, the budgetary comparison schedules, and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements, taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Robinson, Turner, Co. Associates*

Christiansburg, Virginia  
December 7, 2010

## 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, 2010. Please read it in conjunction with the transmittal letter at the front of this report and with the County's financial statements, which follow this section.

### **Financial Highlights for Fiscal Year 2010**

Total net assets for governmental activities were \$60.6 million at the end of FY 2010 (Exhibit 1). This figure is based on assets totaling \$105.1 million and liabilities of \$44.5 million. The liabilities amount includes a non-current component for long-term debt associated with the acquisition of assets for the County and School system. Included in the total assets figure are debt financed School Board assets which remain assets of the primary government until related debts are paid in full. At year end, the net value of these assets totaled \$30.1 million and the related debt outstanding was \$23.7 million.

- During the year, the County's taxes and other revenues for governmental programs were \$3.9 million more than the \$72.1 million of expenses (Exhibit 2).
- The business-type activities total net assets at June 30, 2010 totaled \$1.4 million. This figure is based on total assets of \$1.4 million and liabilities of \$503.
- Total general fund revenues were more than the final budgeted amount by \$0.4 million or approximately 1.0 percent. Actual expenditures were \$10.9 million less than the final expenditure budget.
- The County's total outstanding debt at fiscal year end increased by a net amount of \$1.1 million. \$3.5 million in General Obligation Bonds were issued during the year to refund an old bond series from 1998 and a new estimate for landfill closure and post closure added \$2.7 million. Retirements totaled \$6.4 million. See Note 8 for additional information on long-term debt.
- Component Unit net assets were \$18.4 million at the end of FY2010. Of this amount, \$19.9 million is invested in capital assets, net of related debt (An unrestricted deficit of \$1.5 million is shown on the statement as well).
- At the end of the current fiscal year, undesignated fund balance for the general fund was approximately \$19.9 million or 15.8% of fiscal year 2010 general, special revenue and component unit fund revenues. The Board of Supervisors has adopted a policy to keep the undesignated general fund balance at a minimum of 10% of general, special revenue and component unit fund revenues.

## **Overview of the Financial Statements**

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

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

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

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

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government, judicial administration, public safety, health and welfare, parks and recreation, solid waste and community development. The County's business-type activities include the operation of the County's remaining water systems.

The government-wide financial statements include the County (known as the *primary government*) as well as the Franklin County School Board known as the *component unit – School Board*. 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 in exhibits 4 and 6 that explains the relationship (or difference) between them.

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

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

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

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

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

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

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

The following table reflects the condensed Statement of Net Assets at June 30, 2010 as presented in the government-wide financial statements (in millions):

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>		<b>Component Unit</b>	
	<u>FY2010</u>	<u>FY2009</u>	<u>FY2010</u>	<u>FY2009</u>	<u>FY2010</u>	<u>FY2009</u>	<u>FY2010</u>	<u>FY2009</u>
Current and other assets	\$37.1	\$37.5	\$0.3	\$0.7	\$37.4	\$38.2	\$1.9	\$2.9
Capital assets, net	68.0	63.0	1.1	1.7	69.1	64.7	19.9	19.5
Total assets	105.1	100.5	1.4	2.4	106.5	102.9	21.8	22.4
Other liabilities	2.1	2.6	0.0	0.0	2.1	2.6	1.6	2.2
Long-term liabilities	42.4	41.2	0.0	0.0	42.4	41.2	1.8	1.4
Total liabilities	44.5	43.8	0.0	0.0	44.5	43.8	3.4	3.6
Net assets:								
Invested in capital assets,								
net of related debt	35.1	31.4	1.1	1.7	36.2	33.1	19.9	19.5
Restricted	0.3	0.2	0.0	0.0	0.3	0.2		
Unrestricted	25.2	25.1	0.3	0.7	25.5	25.8	(1.5)	(0.7)
Total net assets	\$60.6	\$56.7	\$1.4	\$2.4	\$62.0	\$59.1	\$18.4	\$18.8

The County's combined net assets increased from \$59.1 million to \$62 million as a result of the increase in net activities of the primary government of \$2.9 million. The increase is the result of stronger than anticipated revenues received during the fiscal year. Unrestricted net assets, the portion of net assets that can be used to finance the day-to-day activities of the County totaled \$25.2 million. Net assets invested in capital assets, net of related debt, represents the amount of capital assets owned by the County. Net assets are reported as restricted when constraints on asset use are externally imposed by creditors, grantors, contributors, regulators, or imposed by law through constitutional provisions or enabling legislation. E911 funds are restricted so that they can be used for the E911 purposes.

Business-type net assets decreased from \$2.4 million to \$1.4 million as a result of utility infrastructure being transferred to a regional water and sewer authority.

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

## Summary of Activities:

The following table shows the revenues and expenses of the governmental activities for the year ended June 30, 2010 (in millions):

	Governmental Activities		Business-type Activities		Total Primary Government		Component Unit	
	<u>FY2010</u>	<u>FY2009</u>	<u>FY2010</u>	<u>FY2009</u>	<u>FY2010</u>	<u>FY2009</u>	<u>FY2010</u>	<u>FY2009</u>
<b>Revenues:</b>								
<b>Program revenues:</b>								
Charges for Services	\$2.5	\$2.3	\$0.0	\$0.2	\$2.5	\$2.5	\$2.3	\$2.4
Operating Grants & Contributions	11.8	11.9	0.0	0.0	11.8	11.9	48.1	49.0
Capital Grants & Contributions	2.2	1.3	0.0	0.1	2.2	1.4	0.0	0.2
<b>General Revenues</b>								
Property Taxes	42.9	43.4	0.0	0.0	42.9	43.4	0.0	0.0
Other Taxes	7.7	10.0	0.0	0.0	7.7	10.0	0.0	0.0
Other	8.4	5.8	0.0	0.0	8.4	5.8	0.1	0.0
Payments from the County	0.0	0.0	0.0	0.0	0.0	0.0	26.0	29.6
<b>Total Revenues</b>	<b>75.5</b>	<b>74.7</b>	<b>0.0</b>	<b>0.3</b>	<b>75.5</b>	<b>75.0</b>	<b>76.5</b>	<b>81.2</b>
<b>Expenses</b>								
General Government	3.9	4.0	0.0	0.0	3.9	4.0	0.0	0.0
Judicial Administration	2.4	2.7	0.0	0.0	2.4	2.7	0.0	0.0
Public Safety	14.4	12.7	0.0	0.0	14.4	12.7	0.0	0.0
Public Works	5.4	3.1	0.0	0.0	5.4	3.1	0.0	0.0
Health and Welfare	10.2	10.0	0.0	0.0	10.2	10.0	0.0	0.0
Education	27.0	29.6	0.0	0.0	27.0	29.6	76.9	80.1
Parks, Recreation and Cultural	2.1	2.3	0.0	0.0	2.1	2.3	0.0	0.0
Community Development	5.1	5.2	0.0	0.0	5.1	5.2	0.0	0.0
Interest on Long-Term Debt	1.5	1.5	0.0	0.0	1.5	1.5	0.0	0.0
Water	0.0	0.0	0.6	2.6	0.6	2.6	0.0	0.0
<b>Total Expenses</b>	<b>72.0</b>	<b>71.1</b>	<b>0.6</b>	<b>2.6</b>	<b>72.6</b>	<b>73.7</b>	<b>76.9</b>	<b>80.1</b>
<b>Excess or Deficiency Before Transfers</b>								
Transfers	0.4	(0.4)	(0.4)	0.4	0.0	0.0	0.0	0.0
Change in Net Assets	3.9	3.2	(1.0)	(1.9)	2.9	1.3	(0.4)	1.1
Net Assets, Beginning of Year	56.7	53.5	2.4	4.3	59.1	57.8	18.8	17.7
Net Assets, Ending	\$60.6	\$56.7	\$1.4	\$2.4	\$62.0	\$59.1	\$18.4	\$18.8

## **Revenues**

For the fiscal year ended June 30, 2010, revenues from governmental activities totaled \$75.5 million, an increase of \$0.8 million from the prior fiscal year. Property tax revenues, the County's largest local revenue source, were \$42.9 million, a decrease of \$0.5 million over the prior fiscal year. This decrease resulted from reduced personal property assessed values that were effective January 1, 2009. The County assesses all real property every four years with the next reassessed values being effective January 1, 2012.

Other local taxes (including sales taxes, recordation taxes, and meals taxes) were \$7.7 million, which was a large decrease from FY2009. This decrease results from the communications tax (\$2.3 million) being shown as intergovernmental revenue instead of local revenue. Intergovernmental revenues totaled \$11.8 million, roughly no change from the prior fiscal year.

Business-type revenues consist of charges to customers for water consumption. During FY09-10, the remainder of the County's major water systems was transferred to the Western Virginia Water Authority - a regional provider of water and sewer services.

Component unit revenues total \$76.5 million, including a \$26.0 million transfer from the primary government. Revenues decreased by \$4.7 million from the prior fiscal year. The majority of this decrease (\$2.8 million) is a reduced transfer of capital assets from the primary government to the School Board. In addition to the aforementioned local decrease, the School System's state and federal revenues decreased by \$1.1 million dollars.

## **Expenses**

For the fiscal year ended June 30, 2010, expenses for governmental activities totaled \$72.0 million. Included in the expenses are increases related to additional landfill closure and post closure liability.

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

Education is a high priority in the Franklin County community; consequently the Board of Supervisors contributed \$27.0 million to the operation of the Franklin County schools. This amount represented about 38% of the County's general fund expenses.

## **Financial Analysis of the County's Funds**

For the fiscal year ended June 30, 2010, the County's general fund reflects a fund balance of \$19.9 million, an increase of \$2.9 million from the fiscal year ended June 30, 2009. This increase is due to revenues being received slightly over budget and decreased contributions to the component unit school fund.

The County Capital Projects fund balance decreased from fiscal year 08-09 as debt proceeds were spent for various capital projects.

The School Construction fund balance decreased \$1 million as bond proceeds were spent for the remainder of the construction of a new elementary school in the northern part of the County. This new school opened in August 2009.

Other Governmental Funds is comprised of the E911 fund. This fund balance remained basically unchanged from FY08-09 to FY09-10.

Total net assets decreased in the County's Utility Fund by \$1.0 million because of the transfer of the County's remaining water system to the Western Virginia Water Authority. Operations of the major water systems in the County will now be managed by this regional authority.

**General Fund Budgetary Highlights**

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

- To reappropriate grants and other revenues authorized in the prior fiscal year but not expended as of June 30, 2009.
- To re-appropriate monies to pay for commitments in the form of encumbrances established prior to June 30, 2009 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 2010 (in millions):

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>
<b>Revenues:</b>			
Property Taxes	\$ 41.5	\$ 41.5	\$ 42.5
Intergovernmental	17.7	17.9	17.3
Other	11.8	12.1	12.0
Total	\$ <u>71.0</u>	\$ <u>71.5</u>	\$ <u>71.8</u>
<b>Expenditures and Other Uses (Sources):</b>			
Expenditures	\$ 68.6	\$ 78.9	\$ 68.0
Other uses (sources)	2.9	(4.5)	0.9
Total	<u>71.5</u>	<u>74.4</u>	<u>68.9</u>
Net Change in Fund Balance	(0.5)	(2.9)	2.9
Fund Balances – Beginning	0.5	2.9	17.0
Fund Balances – Ending	\$ <u><u>0.0</u></u>	\$ <u><u>0.0</u></u>	\$ <u><u>19.9</u></u>

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

The increase 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 slightly 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 2009-2010 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, 2010, in millions of dollars:

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>		<b>Component Unit</b>	
	<u>FY2010</u>	<u>FY2009</u>	<u>FY2010</u>	<u>FY2009</u>	<u>FY2010</u>	<u>FY2009</u>	<u>FY2010</u>	<u>FY2009</u>
<b>Non-Depreciable Assets:</b>								
Land	\$3.0	\$2.0	\$0.0	\$0.0	\$3.0	\$2.0	\$0.7	\$0.7
Construction in Progress	8.3	15.0	0.0	0.0	8.3	15.0	0.6	2.0
<b>Other Capital Assets:</b>								
Buildings and Systems	63.0	51.1	1.1	1.7	64.1	52.8	31.0	28.5
Machinery and Equipment	20.9	19.2	0.0	0.0	20.9	19.2	13.3	12.7
Accumulated Depreciation	<u>(27.2)</u>	<u>(24.3)</u>	<u>(0.1)</u>	<u>(0.1)</u>	<u>(27.3)</u>	<u>(24.4)</u>	<u>(25.7)</u>	<u>(24.4)</u>
Totals	<u>\$68.0</u>	<u>\$63.0</u>	<u>1.0</u>	<u>1.6</u>	<u>\$69.0</u>	<u>\$64.6</u>	<u>\$19.9</u>	<u>\$19.5</u>

The table below shows the change in capital assets for the fiscal year ended June 30, 2010 in millions of dollars:

	<u>Balance June 30, 2009</u>	<u>Net Additions/Deletions</u>	<u>Balance June 30, 2010</u>
<b>Non-Depreciable Assets:</b>			
Land		\$2.7	\$3.7
Construction in Progress		17.0	8.9
<b>Other Capital Assets:</b>			
Buildings and Systems		81.1	95.1
Machinery and Equipment		31.9	34.2
Accumulated Depreciation		<u>(48.8)</u>	<u>(53.)</u>
Totals		<u>\$83.9</u>	<u>88.9</u>

During the FY10 budget process, the Board of Supervisors approved a five-year Capital Improvement Program (CIP) that totaled \$3.4 million. Various projects have been funded in the plan and include software and hardware upgrades for the information technology department, trail, park and field development for the parks and recreation department and \$1.1 million for various school projects. Smaller projects make up the balance of the funding and include such items as fire/rescue apparatus replacement and Landfill engineering and development.

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

**Long Term Debt**

The following table displays the County and Schools (Component Unit) Outstanding Debt at June 30, 2010 and at June 30, 2009, in millions of dollars:

	Governmental Activities		Business-type Activities		Total Primary Government		Component Unit	
	<u>FY2010</u>	<u>FY2009</u>	<u>FY2010</u>	<u>FY2009</u>	<u>FY2010</u>	<u>FY2009</u>	<u>FY2010</u>	<u>FY2009</u>
General Obligation Bonds	\$30.4	\$31.3	\$0.0	\$0.0	\$30.4	\$31.3	\$0.0	\$0.0
Revenue Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Literary Loans	4.9	5.5	0.0	0.0	4.9	5.5	0.0	0.0
Capital Leases	0.5	0.8	0.0	0.0	0.5	0.8	0.0	0.0
Landfill Closure/Post								
Closure Liability	4.8	2.1	0.0	0.0	4.8	2.1	0.0	0.0
Compensated Absences	1.5	1.3	0.0	0.0	1.5	1.3	0.8	0.9
Other post employment benefits	0.3	0.2	0.0	0.0	0.3	0.2	1.0	0.5
<b>Total</b>	<b>\$42.4</b>	<b>\$41.2</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$42.4</b>	<b>\$41.2</b>	<b>\$1.8</b>	<b>\$1.4</b>

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

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

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

6. Capital leases of longer than three (3) years duration will be included as debt for the purpose of computing the ratios expressed herein.

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

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

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

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## Basic Financial Statements

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County of Franklin, Virginia  
Statement of Net Assets  
June 30, 2010

	Primary Government			Component
	Governmental Activities	Business-type Activities	Total	Unit School Board
<b>ASSETS</b>				
Cash and cash equivalents	\$ 29,137,680	\$ 295,034	\$ 29,432,714	\$ -
Cash in custody of others	295,455	-	295,455	321,159
Receivables (net of allowance for uncollectibles)				
Taxes receivable	2,536,473	-	2,536,473	-
Accounts receivable	-	2,048	2,048	-
Other local taxes receivable	635,532	-	635,532	-
Due from component unit	1,097,547	-	1,097,547	-
Due from other governmental units	3,223,362	-	3,223,362	1,569,898
Deferred charges	188,623	-	188,623	-
Capital assets (net of accumulated depreciation)				
Land	2,991,172	-	2,991,172	725,315
Buildings and system	48,854,312	-	48,854,312	13,671,613
Machinery and equipment	7,802,127	-	7,802,127	4,868,063
Infrastructure	-	1,056,539	1,056,539	-
Construction in progress	8,301,755	-	8,301,755	610,574
Total assets	<u>\$ 105,064,038</u>	<u>\$ 1,353,621</u>	<u>\$ 106,417,659</u>	<u>\$ 21,766,622</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 1,412,783	\$ 503	\$ 1,413,286	\$ 472,351
Accrued interest payable	633,294	-	633,294	-
Due to primary government	-	-	-	1,097,547
Unearned revenue	39,225	-	39,225	-
Long-term liabilities:				
Due within one year	4,228,823	-	4,228,823	632,942
Due in more than one year	38,131,036	-	38,131,036	1,168,161
Total liabilities	<u>\$ 44,445,161</u>	<u>\$ 503</u>	<u>\$ 44,445,664</u>	<u>\$ 3,371,001</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	\$ 35,077,663	\$ 1,056,539	\$ 36,134,202	\$ 19,875,565
Restricted for:				
Capital projects	295,455	-	295,455	-
Unrestricted (deficit)	25,245,759	296,579	25,542,338	(1,479,944)
Total net assets	<u>\$ 60,618,877</u>	<u>\$ 1,353,118</u>	<u>\$ 61,971,995</u>	<u>\$ 18,395,621</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, 2010

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Unit		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities	Total	School Board	
<b>PRIMARY GOVERNMENT:</b>									
Governmental activities:									
General government administration	\$ 3,934,191	\$ 22,775	\$ 401,676	\$ -	\$ (3,509,740)	\$ -	\$ (3,509,740)	\$ -	\$ -
Judicial administration	2,354,044	144,054	897,622	-	(1,312,368)	-	(1,312,368)	-	-
Public safety	14,444,078	1,561,354	5,674,817	883,452	(6,324,455)	-	(6,324,455)	-	-
Public works	5,397,533	637,029	67,083	-	(4,693,421)	-	(4,693,421)	-	-
Health and welfare	10,201,556	22,198	4,515,269	-	(5,664,089)	-	(5,664,089)	-	-
Education	27,011,085	-	-	-	(27,011,085)	-	(27,011,085)	-	-
Parks, recreation, and cultural	2,132,551	107,936	193,919	500	(1,830,196)	-	(1,830,196)	-	-
Community development	5,126,182	-	108,357	1,375,202	(3,642,623)	-	(3,642,623)	-	-
Interest on long-term debt	1,496,120	-	-	-	(1,496,120)	-	(1,496,120)	-	-
Total governmental activities	\$ 72,097,340	\$ 2,495,346	\$ 11,858,743	\$ 2,259,154	\$ (55,484,097)	\$ -	\$ (55,484,097)	\$ -	\$ -
Business-type activities:									
Utility Fund	\$ 615,957	\$ 26,031	\$ -	\$ -	\$ (589,926)	\$ (589,926)	\$ (589,926)	\$ -	\$ -
Total primary government	\$ 72,713,297	\$ 2,521,377	\$ 11,858,743	\$ 2,259,154	\$ (55,484,097)	\$ (589,926)	\$ (56,074,023)	\$ -	\$ -
<b>COMPONENT UNITS:</b>									
School Board	\$ 76,966,816	\$ 2,273,273	\$ 48,183,862	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (26,509,681)
Total component units	\$ 76,966,816	\$ 2,273,273	\$ 48,183,862	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (26,509,681)
General revenues:									
General property taxes					\$ 42,935,336	\$ -	\$ 42,935,336	\$ -	\$ -
Other local taxes:									
Local sales and use taxes					3,634,351	-	3,634,351	-	-
Consumers' utility taxes					970,934	-	970,934	-	-
Business license taxes					4,440	-	4,440	-	-
Utility license taxes					283,223	-	283,223	-	-
Motor vehicle licenses					1,207,504	-	1,207,504	-	-
Bank stock taxes					125,681	-	125,681	-	-
E-911 taxes					1,121	-	1,121	-	-
Taxes on recordation and wills					507,081	-	507,081	-	-
Hotel and motel room taxes					98,194	-	98,194	-	-
Restaurant food taxes					834,617	-	834,617	-	-
Unrestricted revenues from use of money and property					374	374	1,065,180	5,459	5,459
Miscellaneous					1,849,101	-	1,849,101	68,687	68,687
Payments from County of Franklin					-	-	-	26,058,965	26,058,965
Grants and contributions not restricted to specific programs					5,483,807	-	5,483,807	-	-
Gain on disposal of capital assets					-	-	-	-	8,826
Transfers					419,940	(419,940)	-	-	-
Total general revenues	\$ 59,420,136	\$ -	\$ (419,566)	\$ 59,000,570	\$ 59,000,570	\$ -	\$ 59,000,570	\$ 26,141,937	\$ -
Change in net assets	\$ 3,936,039	\$ -	\$ (1,009,492)	\$ 2,926,547	\$ 2,926,547	\$ -	\$ 2,926,547	\$ (367,744)	\$ -
Net assets - beginning	56,682,838	-	2,362,610	59,045,448	59,045,448	-	59,045,448	18,763,365	-
Net assets - ending	\$ 60,618,877	\$ -	\$ 1,353,118	\$ 61,971,995	\$ 61,971,995	\$ -	\$ 61,971,995	\$ 18,395,621	\$ -

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

County of Franklin, Virginia  
Balance Sheet  
Governmental Funds  
June 30, 2010

	<u>General</u>	<u>County Capital Projects</u>	<u>School Construction</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 16,361,637	\$ 12,724,508	\$ -	\$ 51,535	\$ 29,137,680
Cash in custody of others	-	-	295,455	-	295,455
Receivables (net of allowance for uncollectibles):					
Taxes receivable	2,536,473	-	-	-	2,536,473
Other local taxes receivable	635,532	-	-	-	635,532
Due from component unit	1,097,547	-	-	-	1,097,547
Due from other governmental units	2,211,692	1,011,670	-	-	3,223,362
Total assets	<u>\$ 22,842,881</u>	<u>\$ 13,736,178</u>	<u>\$ 295,455</u>	<u>\$ 51,535</u>	<u>\$ 36,926,049</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 709,287	\$ 698,328	\$ -	\$ 5,168	\$ 1,412,783
Deferred revenue	2,261,374	-	-	-	2,261,374
Total liabilities	<u>\$ 2,970,661</u>	<u>\$ 698,328</u>	<u>\$ -</u>	<u>\$ 5,168</u>	<u>\$ 3,674,157</u>
Fund balances:					
Reserved for:					
Capital projects	\$ -	\$ -	\$ 295,455	\$ -	\$ 295,455
Unreserved:					
Undesignated, reported in:					
General fund	19,872,220	-	-	-	19,872,220
Special revenue funds	-	-	-	46,367	46,367
Designated, reported in:					
Capital projects funds	-	13,037,850	-	-	13,037,850
Total fund balances	<u>\$ 19,872,220</u>	<u>\$ 13,037,850</u>	<u>\$ 295,455</u>	<u>\$ 46,367</u>	<u>\$ 33,251,892</u>
Total liabilities and fund balances	<u>\$ 22,842,881</u>	<u>\$ 13,736,178</u>	<u>\$ 295,455</u>	<u>\$ 51,535</u>	<u>\$ 36,926,049</u>

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

County of Franklin, Virginia  
 Reconciliation of the Balance Sheet of Governmental Funds  
 To the Statement of Net Assets  
 June 30, 2010

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 33,251,892
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	67,949,366
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	2,222,149
Bond issuance cost are reported as an expenditure in the funds, however they are deferred and amortized in the government-wide statements	188,623
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(42,993,153)
Net assets of governmental activities	<u>\$ 60,618,877</u>

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

County of Franklin, Virginia  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2010

	General	County Capital Projects	School Construction	Other Governmental Funds	Total
<b>REVENUES</b>					
General property taxes	\$ 42,515,165	\$ -	\$ -	\$ -	\$ 42,515,165
Other local taxes	7,666,025	-	-	1,121	7,667,146
Permits, privilege fees, and regulatory licenses	359,451	-	-	-	359,451
Fines and forfeitures	15,002	-	-	-	15,002
Revenue from the use of money and property	1,061,127	2,896	783	-	1,064,806
Charges for services	2,120,893	-	-	-	2,120,893
Miscellaneous	168,339	1,680,411	-	351	1,849,101
Recovered costs	646,857	-	-	-	646,857
Intergovernmental revenues:					
Commonwealth	14,456,024	935,237	-	53,676	15,444,937
Federal	2,832,850	1,323,917	-	-	4,156,767
Total revenues	<u>\$ 71,841,733</u>	<u>\$ 3,942,461</u>	<u>\$ 783</u>	<u>\$ 55,148</u>	<u>\$ 75,840,125</u>
<b>EXPENDITURES</b>					
Current:					
General government administration	\$ 3,703,759	\$ -	\$ -	\$ -	\$ 3,703,759
Judicial administration	2,406,096	-	-	-	2,406,096
Public safety	12,609,868	-	-	1,095,150	13,705,018
Public works	3,293,949	-	-	-	3,293,949
Health and welfare	10,357,762	-	-	-	10,357,762
Education	26,058,965	-	-	-	26,058,965
Parks, recreation, and cultural	1,868,801	-	-	-	1,868,801
Community development	2,044,767	-	-	-	2,044,767
Capital projects	1,000,000	7,841,194	911,056	-	9,752,250
Debt service:					
Principal retirement	2,960,922	-	-	-	2,960,922
Interest and other fiscal charges	1,602,618	-	-	-	1,602,618
Bond issuance costs	58,250	-	-	-	58,250
Total expenditures	<u>\$ 67,965,757</u>	<u>\$ 7,841,194</u>	<u>\$ 911,056</u>	<u>\$ 1,095,150</u>	<u>\$ 77,813,157</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 3,875,976</u>	<u>\$ (3,898,733)</u>	<u>\$ (910,273)</u>	<u>\$ (1,040,002)</u>	<u>\$ (1,973,032)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	\$ 123,884	\$ 1,427,355	\$ -	\$ 1,034,414	\$ 2,585,653
Transfers out	(2,165,713)	-	-	-	(2,165,713)
Proceeds of refunding bonds	2,464,000	-	-	-	2,464,000
Proceeds from note issuance	1,000,000	-	-	-	1,000,000
Refunded bonds redeemed	(2,355,000)	-	-	-	(2,355,000)
Total other financing sources (uses)	<u>\$ (932,829)</u>	<u>\$ 1,427,355</u>	<u>\$ -</u>	<u>\$ 1,034,414</u>	<u>\$ 1,528,940</u>
Net change in fund balances	\$ 2,943,147	\$ (2,471,378)	\$ (910,273)	\$ (5,588)	\$ (444,092)
Fund balances - beginning	16,929,073	15,509,228	1,205,728	51,955	33,695,984
Fund balances - ending	<u>\$ 19,872,220</u>	<u>\$ 13,037,850</u>	<u>\$ 295,455</u>	<u>\$ 46,367</u>	<u>\$ 33,251,892</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, 2010

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

Net change in fund balances - total governmental funds	\$ (444,092)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period.	4,939,176
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	420,171
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(780,335)
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.	(198,881)
Change in net assets of governmental activities	<u>\$ 3,936,039</u>

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

County of Franklin, Virginia  
 Statement of Net Assets  
 Proprietary Fund  
 June 30, 2010

	Enterprise Fund
	<u>Utility Fund</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 295,034
Accounts receivable, net of allowance for uncollectibles	2,048
Total current assets	<u>\$ 297,082</u>
Noncurrent assets:	
Capital assets:	
Infrastructure	\$ 1,144,839
Less accumulated depreciation	(88,300)
Total capital assets	<u>\$ 1,056,539</u>
Total noncurrent assets	<u>\$ 1,056,539</u>
Total assets	<u>\$ 1,353,621</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	\$ 503
Total current liabilities	<u>\$ 503</u>
Total liabilities	<u>\$ 503</u>
<b>NET ASSETS</b>	
Invested in capital assets	\$ 1,056,539
Unrestricted (deficit)	296,579
Total net assets	<u>\$ 1,353,118</u>

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

County of Franklin, Virginia  
Statement of Revenues, Expenses, and Changes in Fund Net Assets  
Proprietary Fund  
For the Year Ended June 30, 2010

	Enterprise Fund
	Utility Fund
<b>OPERATING REVENUES</b>	
Charges for services:	
Water and sewer revenue	\$ 22,893
Connection fees (operating)	2,500
Other revenues	638
Total operating revenues	\$ 26,031
<b>OPERATING EXPENSES</b>	
Utilities	\$ 2,884
Repairs and maintenance	640
Professional services	16,658
Purchased services	11,333
Depreciation	29,663
Total operating expenses	\$ 61,178
Operating income (loss)	\$ (35,147)
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Investment earnings	\$ 374
Loss on disposal of assets	(554,779)
Total nonoperating revenues (expenses)	\$ (554,405)
Income before contributions and transfers	\$ (589,552)
Transfers out	(419,940)
Change in net assets	\$ (1,009,492)
Total net assets - beginning	2,362,610
Total net assets - ending	\$ 1,353,118

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, 2010

	Enterprise Fund
	Utility Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers and users	\$ 30,930
Payments for materials and supplies	(49,870)
Net cash provided (used) by operating activities	\$ (18,940)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfers to other funds	\$ (419,940)
Net cash provided (used) by noncapital financing activities	\$ (419,940)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest and dividends received	\$ 374
Net cash provided (used) by investing activities	\$ 374
Net increase (decrease) in cash and cash equivalents	(438,506)
Cash and cash equivalents - beginning	\$ 733,540
Cash and cash equivalents - ending	\$ 295,034
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>	
Operating income (loss)	\$ (35,147)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	\$ 29,663
(Increase) decrease in accounts receivable	6,584
Increase (decrease) in customer deposits	(1,685)
Increase (decrease) in accounts payable	(18,355)
Total adjustments	\$ 16,207
Net cash provided (used) by operating activities	\$ (18,940)

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

County of Franklin, Virginia  
 Statement of Fiduciary Net Assets  
 Fiduciary Funds  
 June 30, 2010

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	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 236,560
Cash in custody of others	75,582
Total assets	\$ 312,142
 <b>LIABILITIES</b>	
Amounts held for social services clients	\$ 24,135
Amounts held for citizens	19,869
Amounts held for performance bonds	188,556
Amounts held for library	4,000
Amounts held for inmates	75,582
Total liabilities	\$ 312,142

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

COUNTY OF FRANKLIN, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010

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**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, 2010, the Franklin County School Board contributed \$661,009. Other organizations to which the County makes appointments and contributions are listed below:

Roanoke Valley Economic Development Partnership	\$ 98,522
Piedmont Community Services	89,349
Roanoke Valley Detention Commission	314,288
Western Virginia Regional Jail	2,108,568

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

B. Government-wide and fund financial statements

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

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

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

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

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

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

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

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

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

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

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

The County reports the following major governmental funds:

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

The County reports the following major capital projects funds:

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

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

The County reports the following major proprietary fund:

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

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

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

The government reports the following non-major governmental funds:

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

Additionally, the government reports the following fund types:

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

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

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

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

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

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

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

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

D. Assets, liabilities, and net assets or equity

1. Deposits and investments

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

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

2. Receivables and payables

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

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

3. Property Taxes

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

4. Allowance for Uncollectible Accounts

The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$420,936 at June 30, 2010 and is comprised solely of property taxes.

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

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

5. Use of Estimates

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

6. Capital assets

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

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

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

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

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

7. Compensated Absences

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

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

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

8. Long-term obligations

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

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

9. Fund equity

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

10. Net Assets

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

11. Prepaid Items

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

12. Inventories

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

13. Cash in the Custody of Others:

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

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

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

The governmental fund balance sheet includes a reconciliation between *fund balance-total governmental funds* and *net assets-governmental activities* as reported in the government-wide statements of net assets. One element of that reconciliation explains that long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. The details of these (\$42,993,153) and (\$1,801,103) differences for the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit
	<u>                    </u>	<u>                    </u>
Bonds payable	\$ (29,877,385)	\$ -
Literary loans payable	(4,930,250)	-
Leases payable	(548,397)	-
Premium on bond	(420,671)	-
Accrued interest payable	(633,294)	-
Landfill accrued closure and post-closure monitoring costs	(4,756,606)	-
Compensated absences	(1,477,390)	(843,923)
Other post-employment benefits	<u>(349,160)</u>	<u>(957,180)</u>
Net adjustment to reduce <i>tund balance-total governmental funds</i> to arrive at <i>net assets-governmental activities</i>	\$ <u>(42,993,153)</u>	\$ <u>(1,801,103)</u>

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

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances-total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of these \$4,939,176 and \$393,297 differences for the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit
	<u>                    </u>	<u>                    </u>
Capital outlays	\$ 8,711,826	\$ 2,354,447
Deleted assets (net of accumulated depreciation)	(233,280)	-
Depreciation expense	<u>(3,539,370)</u>	<u>(1,961,150)</u>
Net adjustment to increase (decrease) <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 4,939,176</u>	<u>\$ 393,297</u>

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

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

Another element of that reconciliation states “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this (\$780,335) difference in the primary government are as follows:

	<u>Primary Government</u>
Debt Issued or incurred:	
Proceeds from general obligation bonds	\$ (3,464,000)
Less: Bond issuance costs	58,250
Landfill closure/post-closure care liability	(2,690,507)
Principal repayments:	
General obligation debt	<u>5,315,922</u>
 Net adjustment to decrease <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	 \$ <u><u>(780,335)</u></u>

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

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

Another element of that reconciliation states, "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of these (\$198,881) and (\$435,211) differences for the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit
	<u>                    </u>	<u>                    </u>
(Increase) decrease in compensated absences	\$ (130,219)	\$ 44,969
(Increase) decrease in accrued interest	87,062	-
Amortization of bond premium	26,980	-
Amortization of bond issuance cost	(7,544)	
(Increase) decrease in OPEB liability	<u>(175,160)</u>	<u>(480,180)</u>
Net adjustment to increase (decrease) <i>net changes</i> <i>in fund balances-total governmental funds to arrive</i> <i>at changes in net assets of governmental activities</i>	 \$ <u>(198,881)</u>	 \$ <u>(435,211)</u>

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

A. Budgetary information

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

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

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

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

**B. Excess of expenditures over appropriations**

Expenditures exceeded appropriations in the Capital Projects Fund for the ended June 30, 2010.

**C. Deficit fund equity**

At June 30, 2010, there were no funds with deficit fund equity.

**Note 4-Deposits and Investments:**

**Deposits:**

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

**Investments:**

Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP). As of June 30, 2010 and for the year then ended, the County of Franklin did not have any investments.

Note 4-Deposits and Investments: (Continued)

Custodial Credit Risk (Investments)

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Neither the County nor its discretely presented component unit has an investment policy for custodial credit risk. As of June 30, 2010, 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, 2010, 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, 2010, the County did not have any investments meeting the GASB 40 definition requiring interest rate risk disclosures.

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

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

	Primary Government	Component Unit- School Board
<u>Western Virginia Water Authority:</u>		
Project allocation	\$ 313,251	\$ -
<u>Commonwealth of Virginia:</u>		
Local sales tax	689,712	-
State sales tax	-	527,174
Non-categorical aid	97,237	-
Categorical aid-shared expenses	409,692	-
Categorical aid-VPA funds	164,353	-
Categorical aid-CSA funds	609,347	-
<u>Federal Government:</u>		
Categorical aid-VPA funds	241,351	-
Other categorical aid	698,419	1,042,724
Totals	<u>\$ 3,223,362</u>	<u>\$ 1,569,898</u>

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

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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2010

**Note 7-Interfund Transfers:**

Interfund transfers for the year ended June 30, 2010, consisted of the following:

Fund	Transfers In	Transfers Out
Primary Government:		
General Fund	\$ 123,884	\$ 2,165,713
Utility Fund	-	419,940
County Capital Projects Fund	1,427,355	-
E-911	1,034,414	-
	<u>2,585,653</u>	<u>2,585,653</u>
Total	<u>\$ 2,585,653</u>	<u>\$ 2,585,653</u>

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

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

**Primary Government - Governmental Activity Indebtedness:**

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

Year Ending June 30,	General Obligation Bonds and Notes		Literary Fund Loans	
	Principal	Interest	Principal	Interest
2011	\$ 2,293,614	\$ 1,193,116	\$ 613,750	\$ 147,908
2012	2,320,631	1,120,798	613,750	129,495
2013	2,276,537	1,033,370	613,750	111,083
2014	2,332,456	946,664	613,750	92,670
2015	2,383,018	857,863	613,750	74,258
2016-2020	9,960,062	3,004,939	1,861,500	119,798
2021-2025	5,977,666	1,094,338	-	-
2026-2030	1,443,401	336,365	-	-
2031-2035	890,000	110,600	-	-
Totals	<u>\$ 29,877,385</u>	<u>\$ 9,698,053</u>	<u>\$ 4,930,250</u>	<u>\$ 675,212</u>

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

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

Total assets acquired through capital leases are as follows:

Trackloader	\$ 234,332
Phone system	257,668
Track excavator	283,891
Building/Planning software	310,486
Phone system-social services	54,978
Total assets	<u>\$ 1,141,355</u>
Accumulated Depreciation	<u>(394,770)</u>
Net Book Value of Assets	<u><u>\$ 746,585</u></u>

Present value of future minimum lease payments:

Year Ending June 30,	Capital Leases
2010	\$ 234,194
2011	181,742
2012	161,022
2013	12,609
2014	
Total minimum lease payments	<u>\$ 589,567</u>
Less: amount representing interest	<u>(41,170)</u>
Present value of future minimum lease payments	<u><u>\$ 548,397</u></u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2010

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

The following is a summary of long-term debt transactions of the County for the year ended June 30, 2010.

	Balance July 1, 2009	Issuances	Retirements	Balance June 30, 2010
General Obligation				
Bonds and Notes	\$ 30,874,272	\$ 3,464,000	\$ (4,460,887)	\$ 29,877,385
Premiums on bonds	447,652		(26,981)	420,671
Literary loans	5,544,000		(613,750)	4,930,250
Capital leases	789,682		(241,285)	548,397
Landfill closure/ postclosure liability	2,066,099	2,690,507		4,756,606
Compensated absences	1,347,171	1,140,596	(1,010,377)	1,477,390
Other post-employment benefits	174,000	209,160	(34,000)	349,160
	<u>41,242,876</u>	<u>7,504,263</u>	<u>(6,387,280)</u>	<u>42,359,859</u>
Total	\$ 41,242,876	\$ 7,504,263	\$ (6,387,280)	\$ 42,359,859

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2010

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

**Primary Government - Governmental Activity Indebtedness:**  
**Details of long-term indebtedness:**

	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Balance Governmental Activities	Amount Due Within One Year
General Obligation Bonds and Notes:						
GO bond <sup>2</sup>	4.85-6.6%	8/1/1991	2012	\$ 1,319,970	\$ 168,268	\$ 82,661
GO bond <sup>2</sup>	5.0-5.9%	11/16/2000	2020	6,285,526	3,725,518	309,863
GO bond <sup>2</sup>	5.1-6.35%	5/18/2000	2021	3,400,000	1,870,000	170,000
GO bond <sup>2</sup>	4.1-5.6%	11/10/2004	2025	2,500,000	1,875,000	125,000
GO bond <sup>1</sup>	3.710%	7/13/2005	2021	6,500,000	2,018,045	151,900
GO bond <sup>2</sup>	4.225-5.1%	11/9/2006	2027	6,760,943	5,704,354	300,290
GO bond <sup>1</sup>	3.910%	12/20/2007	2023	4,253,000	3,833,400	231,900
GO bond <sup>2</sup>	3.910%	12/20/2007	2023	4,897,000	4,413,800	267,000
GO bond <sup>3</sup>	4.68%	6/12/2009	2035	2,905,000	2,905,000	60,000
Note Payable - WVCC <sup>1</sup>	0.00%	12/15/2009	2019	1,000,000	900,000	100,000
GO refunding bond <sup>1</sup>	1.615%	6/24/2010	2014	2,464,000	2,464,000	495,000
Total General Obligation Bonds and Notes					<u>\$ 29,877,385</u>	<u>\$ 2,293,614</u>
Literary Loans: (Bonded indebtedness) (School Construction) <sup>2</sup>						
State Literary Fund Loan	3%	3/17/1997	2017	\$ 1,072,000	\$ 375,200	\$ 53,600
State Literary Fund Loan	3%	3/17/1997	2017	1,029,000	360,150	51,450
State Literary Fund Loan	3%	3/17/1997	2017	967,000	338,450	48,350
State Literary Fund Loan	3%	3/17/1997	2017	539,000	188,650	26,950
State Literary Fund Loan	3%	3/17/1997	2017	988,000	345,800	49,400
State Literary Fund Loan	3%	9/15/1997	2017	210,000	84,000	10,500
State Literary Fund Loan	3%	10/7/1997	2017	854,000	341,600	42,700
State Literary Fund Loan	3%	10/7/1997	2017	844,000	337,600	42,200
State Literary Fund Loan	3%	10/7/1997	2017	772,000	308,800	38,600
State Literary Fund Loan	3%	7/16/1998	2018	5,000,000	2,250,000	250,000
Total Literary Loans					<u>\$ 4,930,250</u>	<u>\$ 613,750</u>
Other Obligations:						
Landfill Closure/Post-closure Monitoring Costs	n/a	n/a	n/a	n/a	\$ 4,756,606	\$ -
Capital Leases	n/a	n/a	n/a	n/a	548,397	213,416
Premium on \$2,500,000 GO bond	n/a	n/a	n/a	n/a	136,483	-
Premium on \$6,760,943 GO bond	n/a	n/a	n/a	n/a	159,242	-
Premium on \$2,905,000 GO bond	n/a	n/a	n/a	n/a	124,946	-
Compensated Absences	n/a	n/a	n/a	n/a	1,477,390	1,108,043
Other post-employment benefits	n/a	n/a	n/a	n/a	349,160	-
Total Other Obligations					<u>\$ 7,552,224</u>	<u>\$ 1,321,459</u>
Total Long-term debt					<u>\$ 42,359,859</u>	<u>\$ 4,228,823</u>

<sup>1</sup> Denotes debt issued for General Government Projects

<sup>2</sup> Denotes debt issued for School Construction

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

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

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

**Discretely Presented Component Unit-School Board-Indebtedness:**

The following is a summary of long-term debt transactions of the Component-Unit School Board for the year ended June 30, 2010.

	Balance July 1, 2009	Issuances	Retirements	Balance June 30, 2010
Compensated absences	\$ 888,892	\$ 621,700	\$ (666,669)	\$ 843,923
Other post-employment benefits	477,000	701,180	(221,000)	957,180
<b>Total</b>	<b>\$ 1,365,892</b>	<b>\$ 1,322,880</b>	<b>\$ (887,669)</b>	<b>\$ 1,801,103</b>

**Details of long-term indebtedness:**

<u>Other Obligations:</u>	Total Amount	Amount Due Within One Year
Compensated absences	\$ 843,923	\$ 632,942
Other post-employment benefits	957,180	-
<b>Total Long-Term Obligations</b>	<b>\$ 1,801,103</b>	<b>\$ 632,942</b>

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

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

A. Plan Description

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

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

The system issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from their website at <http://www.varetire.org/Pdf/Publications/2009-Annual-Report.pdf> or obtained by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

B. Funding Policy

Primary Government:

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their annual salary to the VRS. This 5.00% member contribution may be assumed by the employer. In addition, the County 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 2010 was 7.41% 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 annual salary to the VRS. This 5.00% member contribution may be assumed by the employer. In addition, the School Board is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The School Board's contribution rate for the fiscal year ended 2010 was 9.02% of annual covered payroll.

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

C. Annual Pension Cost

For fiscal year 2010, the County of Franklin, Virginia’s annual pension cost of \$865,122 and \$462,009 was equal to the County of Franklin, Virginia’s required and actual contributions for the County and the School Board Non-Professionals, respectively.

Three-Year Trend Information

	Fiscal Year Ending	Annual Pension Cost (APC) <sup>1</sup>	Percentage of APC Contributed	Net Pension Obligation
Primary Government:				
County	6/30/2008	\$ 833,644	100.00%	\$ -
	6/30/2009	898,427	100.00%	-
	6/30/2010	865,122	100.00%	-
Discretely Presented-Component Unit:				
School Board Non-Professional	6/30/2008	\$ 365,013	100.00%	\$ -
	6/30/2009	460,501	100.00%	-
	6/30/2010	462,009	100.00%	-

<sup>1</sup> Employer portion only

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

D. Funded Status and Funding Progress

Primary Government:

As of June 30, 2009, the most recent actuarial valuation date, the plan was 89.63% funded. The actuarial accrued liability for benefits was \$42,315,620 and the actuarial value of assets was \$37,926,618, resulting in an unfunded actuarial accrued liability (UAAL) of \$4,389,002. The covered payroll (annual payroll of active employees covered by the plan) was \$11,906,562, and ratio of the UAAL to the covered payroll was 36.86%.

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

D. Funded Status and Funding Progress (continued)

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

As of June 30, 2009, the most recent actuarial valuation date, the plan was 84.26% funded. The actuarial accrued liability for benefits was \$15,456,816, and the actuarial value of assets was \$13,023,595, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,433,221. The covered payroll (annual payroll of active employees covered by the plan) was \$5,135,329, and ratio of the UAAL to the covered payroll was 47.38%.

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

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

Plan Description

The Franklin County School Board contributes to the Virginia Retirement System (VRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System. VRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the State legislature. The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from their website at <http://www.varetire.org/Pdf/Publications/2009-Annual-Report.pdf> or obtained by writing to the System at P.O. Box 2500, Richmond, VA, 23218-2500.

Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their annual salary to the VRS. This 5.00% member contribution may be assumed by the employer. In addition, the School Board is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The School Board's contribution to the statewide cost sharing pool for professional employees was \$2,407,049, \$3,369,227, and \$3,745,318 for the fiscal years ended 2010, 2009, and 2008 respectively. Employer contributions represented 6.265%, 8.81%, and 10.30% of covered payroll for the fiscal years ended 2010, 2009, and 2008 respectively.

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

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

Primary Government

A. Plan Description

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

B. Funding Policy

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

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

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

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

Primary Government (continued)

C. Annual OPEB Cost

For 2010, the Board's annual contribution of \$34,000 did not equal the annual OPEB cost of \$209,160. The obligation calculation is as follows:

Annual required contribution	\$ 208,000
Interest on net OPEB obligation	6,960
Adjustment to annual required contribution	(5,800)
Annual OPEB cost (expense)	<u>209,160</u>
Contributions made	<u>34,000</u>
Increase in net OPEB obligation	175,160
Net OPEB obligation - beginning of year	<u>174,000</u>
Net OPEB obligation - ending of year	\$ 349,160

The Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 were as follows:

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

\* Information has only been available for two years.

D. Funded Status and Funding Progress

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

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

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

Primary Government (continued)

D. Funded Status and Funding Progress (continued)

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

E. Actuarial methods and Assumptions

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

In the July 1, 2008, actuarial valuation, the projected unit of credit actuarial cost method was used. Under this method, future benefits are projected and the present value of such benefits is allocated from date of hire to date of eligibility. The actuarial assumptions included: inflation at 2.5%, an investment rate of return at 4.0%, and a health care trend rate of 10% graded to 5% over 10 years. The UAAL is being amortized as a level percentage over the remaining closed amortization period, which at June 30, 2010, was 28 years.

Component Unit: School Board

A. Plan Description

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

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

**Component Unit: School Board: (continued)**

**B. Funding Policy**

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

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

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

**C. Annual OPEB Cost**

For 2010, the Board's annual contribution of \$221,000 did not equal the annual OPEB cost of \$701,180. The obligation calculation is as follows:

Annual required contribution	\$ 698,000
Interest on net OPEB obligation	19,080
Adjustment to annual required contribution	(15,900)
Annual OPEB cost (expense)	701,180
Contributions made	221,000
Increase in net OPEB obligation	480,180
Net OPEB obligation - beginning of year	477,000
Net OPEB obligation - ending of year	\$ 957,180

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

**Component Unit: School Board:** (continued)

C. Annual OPEB Cost (continued)

The Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 were as follows:

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

\* Information has only been available for two years.

D. Funded Status and Funding Progress

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

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

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

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

**Component Unit: School Board:** (continued)

E. Actuarial methods and Assumptions

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

In the July 1, 2008, actuarial valuation, the projected unit of credit actuarial cost method was used. Under this method, future benefits are projected and the present value of such benefits is allocated from date of hire to date of eligibility. The actuarial assumptions included: inflation at 2.5%, an investment rate of return at 4.0%, and a health care trend rate of 10% graded to 5% over 10 years. The UAAL is being amortized as a level percentage over the remaining closed amortization period, which at June 30, 2010, was 28 years.

**Note 12-Unearned Revenue:**

Unearned revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Unearned revenue totaling \$2,261,374 is comprised of the following:

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2010, but paid in advance by the taxpayers totaled \$39,225 at June 30, 2010.

Uncollected Taxes – Property taxes receivable not collected within 60 days after year end are reflected as deferred revenues. These taxes totaled \$2,222,149 at June 30, 2010.

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**Note 13-Capital Assets:**

Capital asset activity for the year ended June 30, 2010 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	\$ 1,991,172	\$ 1,000,000	\$ -	\$ 2,991,172
Construction in progress	15,002,370	6,136,172	(12,836,787)	8,301,755
Total capital assets not being depreciated	<u>\$ 16,993,542</u>	<u>\$ 7,136,172</u>	<u>\$ (12,836,787)</u>	<u>\$ 11,292,927</u>
Capital assets, being depreciated:				
Buildings	\$ 51,132,011	\$ 11,862,098	\$ -	\$ 62,994,109
Machinery and equipment	19,170,721	2,550,343	(829,336)	20,891,728
Total capital assets being depreciated	<u>\$ 70,302,732</u>	<u>\$ 14,412,441</u>	<u>\$ (829,336)</u>	<u>\$ 83,885,837</u>
Less: accumulated depreciation for:				
Buildings	\$ (12,491,556)	\$ (1,648,241)	\$ -	\$ (14,139,797)
Machinery and equipment	(11,794,528)	(1,891,129)	596,056	(13,089,601)
Total accumulated depreciation	<u>\$ (24,286,084)</u>	<u>\$ (3,539,370)</u>	<u>\$ 596,056</u>	<u>\$ (27,229,398)</u>
Total capital assets being depreciated, net	<u>\$ 46,016,648</u>	<u>\$ 10,873,071</u>	<u>\$ (233,280)</u>	<u>\$ 56,656,439</u>
Governmental activities capital assets, net	<u>\$ 63,010,190</u>	<u>\$ 18,009,243</u>	<u>\$ (13,070,067)</u>	<u>\$ 67,949,366</u>

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type Activities:				
Capital assets, not being depreciated:				
Construction in progress	\$ -	\$ -	\$ -	\$ -
Total capital assets not being depreciated	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Capital assets, being depreciated:				
Infrastructure	\$ 1,751,679	\$ -	\$ (606,840)	\$ 1,144,839
Total capital assets being depreciated	<u>\$ 1,751,679</u>	<u>\$ -</u>	<u>\$ (606,840)</u>	<u>\$ 1,144,839</u>
Less: accumulated depreciation for:				
Infrastructure	\$ (110,698)	\$ (29,663)	\$ 52,061	\$ (88,300)
Total accumulated depreciation	<u>\$ (110,698)</u>	<u>\$ (29,663)</u>	<u>\$ 52,061</u>	<u>\$ (88,300)</u>
Total capital assets being depreciated, net	<u>\$ 1,640,981</u>	<u>\$ (29,663)</u>	<u>\$ (554,779)</u>	<u>\$ 1,056,539</u>
Business-type activities capital assets, net	<u><u>\$ 1,640,981</u></u>	<u><u>\$ (29,663)</u></u>	<u><u>\$ (554,779)</u></u>	<u><u>\$ 1,056,539</u></u>

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Note 13-Capital Assets: (continued)

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

Governmental activities:		
General government administration	\$	218,407
Judicial administration		6,179
Public safety		1,339,393
Public works		500,922
Health and welfare		198,477
Education		951,337
Parks, recreation, and cultural		312,694
Community development		<u>11,961</u>
Total depreciation expense-governmental activities	\$	<u><u>3,539,370</u></u>
Business-type activities		
Utility fund	\$	<u><u>29,663</u></u>

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

Capital asset activity for the School Board for the year ended June 30, 2010 was as follows:

Discretely Presented Component Unit:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 725,315	\$ -	\$ -	\$ 725,315
Construction in progress	<u>1,999,401</u>	<u>689,560</u>	<u>(2,078,387)</u>	<u>610,574</u>
Total capital assets not being depreciated	<u>\$ 2,724,716</u>	<u>\$ 689,560</u>	<u>\$ (2,078,387)</u>	<u>\$ 1,335,889</u>
Capital assets, being depreciated:				
Buildings	\$ 28,509,097	\$ 2,494,876	\$ -	\$ 31,003,973
Machinery and equipment	<u>12,663,909</u>	<u>1,248,398</u>	<u>(639,407)</u>	<u>13,272,900</u>
Total capital assets being depreciated	<u>\$ 41,173,006</u>	<u>\$ 3,743,274</u>	<u>\$ (639,407)</u>	<u>\$ 44,276,873</u>
Less: accumulated depreciation for:				
Buildings	\$ (16,579,836)	\$ (752,524)	\$ -	\$ (17,332,360)
Machinery and equipment	<u>(7,835,618)</u>	<u>(1,208,626)</u>	<u>639,407</u>	<u>(8,404,837)</u>
Total accumulated depreciation	<u>\$ (24,415,454)</u>	<u>\$ (1,961,150)</u>	<u>\$ 639,407</u>	<u>\$ (25,737,197)</u>
Total capital assets being depreciated, net	<u>\$ 16,757,552</u>	<u>\$ 1,782,124</u>	<u>\$ -</u>	<u>\$ 18,539,676</u>
Governmental activities capital assets, net	<u>\$ 19,482,268</u>	<u>\$ 2,471,684</u>	<u>\$ (2,078,387)</u>	<u>\$ 19,875,565</u>

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**Note 14-Risk Management:**

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

**Note 15-Contingent Liabilities:**

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

**Note 16-Surety Bonds:**

Primary Government:

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

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

Component Unit – School Board:

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

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

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site after closure. The estimated total cost necessary to close and monitor the landfill is \$6,795,152. \$4,756,606 is the estimated closure and post-closure care liability at June 30, 2010 based on the capacity used as of the same date. The County will recognize the remaining closure and post-closure care totaling \$2,038,546 over the remaining useful life of the landfill which is two years. The landfill has reached 70% of capacity and the County expects to close the landfill in 2012. This represents what it would cost to perform closure and post-closure care in 2010. Actual costs for closure and post-closure monitoring may change due to inflation, deflation, changes in technology or changes in regulations. The County uses the Commonwealth of Virginia's financial assurance mechanism to meet the Department of Environmental Quality's assurance requirements for landfill closure and post-closure costs.

**Note 18-Current Debt Refunding:**

The County issued debt totaling \$2,464,000 to provide funds for a current refunding of \$2,355,000 in outstanding debt plus accrued interest of \$50,750. Bond issuance costs totaled \$58,250. The refunding reduced future debt service payments by \$113,162; resulting in a present value savings (economic benefit) of \$108,825.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2010

**Note 19-Designated and Reserved Fund Balances/Restricted Net Assets:**

Primary Government:		
Reserved for school capital projects	\$	295,455
Designated for county capital projects		<u>13,037,850</u>
 Total Primary Government designations and reservations	\$	<u>13,333,305</u>

**Note 20 – Water and Wastewater Services:**

During the fiscal year, the County joined the Western Virginia Water Authority as a member. As a result, the Regional Authority will provide water and wastewater services to the citizens of Franklin County. The County has transferred water systems to the Authority under their operating agreement.

**Note 21 – 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, 2010</u>	<u>Funding Source</u>
Franklin County Government Center	\$ 5,911,699	\$ 286,404	Bond Proceeds
Franklin County Government Center - Lower Level	289,826	134,966	Bond Proceeds
CEED Building Design & Construction (School Board)	839,334	385,494	Local Funds
CEED Building Construction (School Board)	173,000	112,200	Local Funds

**Note 22 – Subsequent Events:**

Subsequent events were evaluated through December 7, 2010.

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## Required Supplementary Information

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County of Franklin, Virginia  
Required Supplementary Information

Schedule of Funding Progress Defined Benefit and Healthcare Plans  
For the Year Ended June 30, 2010

## Primary Government: County Retirement Plan

Valuation as of	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets as % of AAL (2)/(3)	Annual Covered Payroll	UAAL as a % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
June 30, 2009	\$ 37,926,618	\$ 42,315,620	\$ 4,389,002	89.63%	\$ 11,906,562	36.86%
June 30, 2008	36,560,423	38,771,088	2,210,665	94.30%	11,648,075	18.98%
June 30, 2007	33,376,334	34,236,170	859,836	97.49%	10,577,228	8.13%

## Discretely Presented Component Unit:

## School Board Non-Professional Retirement Plan

Valuation as of	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets as % of AAL (2)/(3)	Annual Covered Payroll	UAAL as a % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
June 30, 2009	\$ 13,023,595	\$ 15,456,816	\$ 2,433,221	84.26%	\$ 5,135,329	47.38%
June 30, 2008	12,440,126	14,068,566	1,628,440	88.42%	4,537,430	35.89%
June 30, 2007	11,121,573	13,143,064	2,021,491	84.62%	4,435,717	45.57%

## County Healthcare Plan\*

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

## School Board Healthcare Plan\*

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

\*Only one year of data available

County of Franklin, Virginia  
General Fund  
Schedule of Revenues, Expenditures, and Change in Fund Balances - Budget and Actual  
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
General property taxes	\$ 41,496,675	\$ 41,496,675	\$ 42,515,165	\$ 1,018,490
Other local taxes	7,675,100	7,675,100	7,666,025	(9,075)
Permits, privilege fees, and regulatory licenses	400,000	405,000	359,451	(45,549)
Fines and forfeitures	11,000	11,000	15,002	4,002
Revenue from the use of money and property	869,000	869,249	1,061,127	191,878
Charges for services	2,030,443	2,250,849	2,120,893	(129,956)
Miscellaneous	281,000	295,826	168,339	(127,487)
Recovered costs	539,866	539,866	646,857	106,991
Intergovernmental revenues:				
Commonwealth	17,675,066	15,383,945	14,456,024	(927,921)
Federal	68,899	2,540,720	2,832,850	292,130
Total revenues	<u>\$ 71,047,049</u>	<u>\$ 71,468,230</u>	<u>\$ 71,841,733</u>	<u>\$ 373,503</u>
<b>EXPENDITURES</b>				
Current:				
General government administration	\$ 4,024,000	\$ 4,532,189	\$ 3,703,759	\$ 828,430
Judicial administration	2,611,872	2,695,562	2,406,096	289,466
Public safety	12,682,132	14,910,190	12,609,868	2,300,322
Public works	3,277,908	7,260,714	3,293,949	3,966,765
Health and welfare	10,881,195	10,911,957	10,357,762	554,195
Education	26,328,751	27,960,183	26,058,965	1,901,218
Parks, recreation, and cultural	1,816,886	2,386,952	1,868,801	518,151
Community development	2,495,061	3,537,460	2,044,767	1,492,693
Nondepartmental	200,000	138,574	-	138,574
Capital projects <sup>1</sup>	-	-	1,000,000	(1,000,000)
Debt service:				
Principal retirement	2,963,127	2,963,127	2,960,922	2,205
Interest and other fiscal charges	1,321,975	1,602,618	1,602,618	-
Bond issuance costs <sup>1</sup>	-	-	58,250	(58,250)
Total expenditures	<u>\$ 68,602,907</u>	<u>\$ 78,899,526</u>	<u>\$ 67,965,757</u>	<u>\$ 10,933,769</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 2,444,142</u>	<u>\$ (7,431,296)</u>	<u>\$ 3,875,976</u>	<u>\$ 11,307,272</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ -	\$ 123,884	\$ 123,884	\$ -
Transfers out	(2,941,894)	4,434,477	(2,165,713)	(6,600,190)
Proceeds of refunding bonds	-	-	2,464,000	2,464,000
Proceeds from notes	-	-	1,000,000	1,000,000
Refunded bonds redeemed <sup>1</sup>	-	-	(2,355,000)	(2,355,000)
Total other financing sources and uses	<u>\$ (2,941,894)</u>	<u>\$ 4,558,361</u>	<u>\$ (932,829)</u>	<u>\$ (5,491,190)</u>
Net change in fund balances	\$ (497,752)	\$ (2,872,935)	\$ 2,943,147	\$ 5,816,082
Fund balances - beginning	497,752	2,872,935	16,929,073	14,056,138
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,872,220</u>	<u>\$ 19,872,220</u>

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

<sup>1</sup> Disbursements not subject to appropriation.

## Other Supplementary Information Section

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## Supplementary Financial Statements

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County of Franklin, Virginia  
 Schedule of Revenues, Expenditures, and Change in Fund Balances - Budget and Actual  
 Major Capital Projects Fund  
 For the Year Ended June 30, 2010

	County Capital Projects			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<b>REVENUES</b>				
Revenue from the use of money and property	\$ -	\$ 2,895	\$ 2,896	\$ 1
Miscellaneous	-	1,367,090	1,680,411	313,321
Intergovernmental revenues:				
Commonwealth	-	1,988,093	935,237	(1,052,856)
Federal	-	577,799	1,323,917	746,118
Total revenues	<u>\$ -</u>	<u>\$ 3,935,877</u>	<u>\$ 3,942,461</u>	<u>\$ 6,584</u>
<b>EXPENDITURES</b>				
Capital projects	<u>\$ 1,769,940</u>	<u>\$ 14,815,166</u>	<u>\$ 7,841,194</u>	<u>\$ 6,973,972</u>
Total expenditures	<u>\$ 1,769,940</u>	<u>\$ 14,815,166</u>	<u>\$ 7,841,194</u>	<u>\$ 6,973,972</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (1,769,940)</u>	<u>\$ (10,879,289)</u>	<u>\$ (3,898,733)</u>	<u>\$ 6,980,556</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ 1,769,940		\$ 1,427,355	\$ 1,427,355
Transfers out		\$ (5,606,431)		5,606,431
Total other financing sources and uses	<u>\$ 1,769,940</u>	<u>\$ (5,606,431)</u>	<u>\$ 1,427,355</u>	<u>\$ 7,033,786</u>
Net change in fund balances	\$ -	\$ (16,485,720)	\$ (2,471,378)	\$ 14,014,342
Fund balances - beginning	-	16,485,720	15,509,228	(976,492)
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,037,850</u>	<u>\$ 13,037,850</u>

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

County of Franklin, Virginia  
 Schedule of Revenues, Expenditures, and Change in Fund Balances - Budget and Actual  
 Major Capital Projects Fund  
 For the Year Ended June 30, 2010

	School Construction			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<b>REVENUES</b>				
Revenue from the use of money and property	\$ -	\$ 783	\$ 783	\$ -
Total revenues	\$ -	\$ 783	\$ 783	\$ -
<b>EXPENDITURES</b>				
Capital projects	\$ -	\$ 1,206,511	\$ 911,056	\$ 295,455
Total expenditures	\$ -	\$ 1,206,511	\$ 911,056	\$ 295,455
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ (1,205,728)	\$ (910,273)	\$ 295,455
Net change in fund balances	\$ -	\$ (1,205,728)	\$ (910,273)	\$ 295,455
Fund balances - beginning	-	1,205,728	1,205,728	-
Fund balances - ending	\$ -	\$ -	\$ 295,455	\$ 295,455

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, 2010

	E-911 Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Other local taxes	\$ -	\$ -	\$ 1,121	\$ 1,121
Miscellaneous	-	-	351	351
Intergovernmental revenues:				
Commonwealth	46,000	46,000	53,676	7,676
Total revenues	<u>\$ 46,000</u>	<u>\$ 46,000</u>	<u>\$ 55,148</u>	<u>\$ 9,148</u>
<b>EXPENDITURES</b>				
Current:				
Public safety	\$ 1,080,414	\$ 1,132,369	\$ 1,095,150	\$ 37,219
Total expenditures	<u>\$ 1,080,414</u>	<u>\$ 1,132,369</u>	<u>\$ 1,095,150</u>	<u>\$ 37,219</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (1,034,414)</u>	<u>\$ (1,086,369)</u>	<u>\$ (1,040,002)</u>	<u>\$ 46,367</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ 1,034,414	\$ 1,034,414	\$ 1,034,414	\$ -
Total other financing sources and uses	<u>\$ 1,034,414</u>	<u>\$ 1,034,414</u>	<u>\$ 1,034,414</u>	<u>\$ -</u>
Net change in fund balances	\$ -	\$ (51,955)	\$ (5,588)	\$ 46,367
Fund balances - beginning	-	51,955	51,955	-
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 46,367</u>	<u>\$ 46,367</u>

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

County of Franklin, Virginia  
 Combining Statement of Fiduciary Net Assets  
 Fiduciary Funds  
 June 30, 2010

	Agency Funds					Total
	Special Welfare	Road Escrow Fund	Escrow Fund for Soil and Erosion Control Agreement	Library Fund	Inmate trust and Canteen Account Fund	
<b>ASSETS</b>						
Cash and cash equivalents	\$ 24,135	\$ 19,869	\$ 188,556	\$ 4,000	\$ -	\$ 236,560
Cash in custody of others	-	-	-	-	75,582	75,582
Total assets	<u>\$ 24,135</u>	<u>\$ 19,869</u>	<u>\$ 188,556</u>	<u>\$ 4,000</u>	<u>\$ 75,582</u>	<u>\$ 312,142</u>
<b>LIABILITIES</b>						
Amounts held for social services clients	\$ 24,135	\$ -	\$ -	\$ -	\$ -	\$ 24,135
Amounts held for citizens	-	19,869	-	-	-	19,869
Amounts held for performance bonds	-	-	188,556	-	-	188,556
Amounts held in escrow for Library	-	-	-	4,000	-	4,000
Amounts held for inmates	-	-	-	-	75,582	75,582
Total liabilities	<u>\$ 24,135</u>	<u>\$ 19,869</u>	<u>\$ 188,556</u>	<u>\$ 4,000</u>	<u>\$ 75,582</u>	<u>\$ 312,142</u>

## FIDUCIARY FUNDS

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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 Changes in Assets and Liabilities  
Fiduciary Funds  
For the Year Ended June 30, 2010

	Agency Funds			Balance June 30, 2010
	Balance July 1, 2009	Additions	Deductions	
<b>ASSETS</b>				
Cash and cash equivalents:				
Special Welfare Fund	\$ 45,891	\$ 121,024	\$ 142,780	\$ 24,135
Road Escrow Fund	19,631	238	-	19,869
Escrow Fund for Soil and Erosion Control Agreement	174,364	91,911	77,719	188,556
Library Fund	4,000	-	-	4,000
Fish Virginia Program	-	13,728	75,815	(62,087)
Cash in custody of others				
Inmate Trust and Canteen Funds	89,419	187,740	201,577	75,582
Receivables:				
Other receivables	-	62,087	-	62,087
Total assets	<u>\$ 333,305</u>	<u>\$ 476,728</u>	<u>\$ 497,891</u>	<u>\$ 312,142</u>
<b>LIABILITIES</b>				
Amounts held for others:				
Social services clients	\$ 45,891	\$ 121,024	\$ 142,780	\$ 24,135
Citizens	19,631	238	-	19,869
Performance bonds	174,364	91,911	77,719	188,556
Library	4,000	-	-	4,000
State and local agencies	-	75,815	75,815	-
Inmates	89,419	187,740	201,577	75,582
Total liabilities	<u>\$ 333,305</u>	<u>\$ 476,728</u>	<u>\$ 497,891</u>	<u>\$ 312,142</u>

DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD

MAJOR GOVERNMENTAL FUNDS

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

County of Franklin, Virginia  
 Balance Sheet  
 Discretely Presented Component Unit - School Board  
 June 30, 2010

	<u>School Operating Fund</u>
<b>ASSETS</b>	
Cash in custody of others	\$ 321,159
Due from other governmental units	1,569,898
Total assets	<u>\$ 1,891,057</u>
<b>LIABILITIES AND FUND BALANCES</b>	
Liabilities:	
Accounts payable	\$ 472,351
Due to primary government	1,097,547
Total liabilities	<u>\$ 1,569,898</u>
Fund balances:	
Unreserved:	
Undesignated	\$ 321,159
Total fund balances	<u>\$ 321,159</u>
Total liabilities and fund balances	<u>\$ 1,891,057</u>
Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:	
Total fund balances per above	\$ 321,159
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	19,875,565
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(1,801,103)
Net assets of governmental activities	<u>\$ 18,395,621</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, 2010

	<u>School Operating Fund</u>
<b>REVENUES</b>	
Revenue from the use of money and property	\$ 5,459
Charges for services	2,273,273
Miscellaneous	68,687
Recovered costs	655,966
Intergovernmental revenues:	
Local government	26,058,965
Commonwealth	37,100,843
Federal	11,083,019
Total revenues	<u>\$ 77,246,212</u>
<b>EXPENDITURES</b>	
Current:	
Education	\$ 77,580,868
Total expenditures	<u>\$ 77,580,868</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (334,656)</u>
<b>OTHER FINANCING SOURCES (USES)</b>	
Sale of capital assets	\$ 8,826
Total other financing sources and uses	<u>\$ 8,826</u>
Net change in fund balances	\$ (325,830)
Fund balances - beginning	646,989
Fund balances - ending	<u>\$ 321,159</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	\$ (325,830)
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.	393,297
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.	(435,211)
Change in net assets of governmental activities	<u>\$ (367,744)</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, 2010

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<b>REVENUES</b>				
Revenue from the use of money and property	\$ -	\$ -	\$ 5,459	\$ 5,459
Charges for services	3,199,311	3,351,264	2,273,273	(1,077,991)
Miscellaneous	131,969	-	68,687	68,687
Recovered costs	445,976	455,543	655,966	200,423
Intergovernmental revenues:				
Local government	26,328,751	27,960,183	26,058,965	(1,901,218)
Commonwealth	38,659,796	39,575,331	37,100,843	(2,474,488)
Federal	9,488,845	9,950,353	11,083,019	1,132,666
Total revenues	<u>\$ 78,254,648</u>	<u>\$ 81,292,674</u>	<u>\$ 77,246,212</u>	<u>\$ (4,046,462)</u>
<b>EXPENDITURES</b>				
Current:				
Education	\$ 78,264,243	\$ 81,302,269	\$ 77,580,868	\$ 3,721,401
Total expenditures	<u>\$ 78,264,243</u>	<u>\$ 81,302,269</u>	<u>\$ 77,580,868</u>	<u>\$ 3,721,401</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (9,595)</u>	<u>\$ (9,595)</u>	<u>\$ (334,656)</u>	<u>\$ (325,061)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of capital assets	\$ 9,595	\$ 9,595	\$ 8,826	\$ (769)
Total other financing sources and uses	<u>\$ 9,595</u>	<u>\$ 9,595</u>	<u>\$ 8,826</u>	<u>\$ (769)</u>
Net change in fund balances	\$ -	\$ -	\$ (325,830)	\$ (325,830)
Fund balances - beginning	-	-	646,989	646,989
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 321,159</u>	<u>\$ 321,159</u>

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

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## Supporting Schedules

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County of Franklin, Virginia  
 Schedule of Revenues - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2010

Schedule 1  
 Page 1 of 7

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>Primary Government:</b>				
<b>General Fund:</b>				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 33,314,028	\$ 33,314,028	\$ 34,323,072	\$ 1,009,044
Real and personal public service corporation taxes	679,204	679,204	738,892	59,688
Personal property taxes	5,868,443	5,868,443	5,570,722	(297,721)
Mobile home taxes	225,000	225,000	201,799	(23,201)
Machinery and tools taxes	430,000	430,000	534,755	104,755
Merchant's capital	660,000	660,000	657,593	(2,407)
Penalties	210,000	210,000	317,187	107,187
Interest	110,000	110,000	171,145	61,145
Total general property taxes	<u>\$ 41,496,675</u>	<u>\$ 41,496,675</u>	<u>\$ 42,515,165</u>	<u>\$ 1,018,490</u>
Other local taxes:				
Local sales and use taxes	\$ 3,800,950	\$ 3,800,950	\$ 3,634,351	\$ (166,599)
Consumers' utility taxes	950,000	950,000	970,934	20,934
Business license taxes	4,500	4,500	4,440	(60)
Utility license taxes	200,000	200,000	283,223	83,223
Motor vehicle licenses	1,270,650	1,270,650	1,207,504	(63,146)
Bank stock taxes	99,000	99,000	125,681	26,681
Taxes on recordation and wills	450,000	450,000	497,231	47,231
Hotel and motel room taxes	100,000	100,000	98,194	(1,806)
Local probate tax	-	-	9,850	9,850
Restaurant food taxes	800,000	800,000	834,617	34,617
Total other local taxes	<u>\$ 7,675,100</u>	<u>\$ 7,675,100</u>	<u>\$ 7,666,025</u>	<u>\$ (9,075)</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 30,000	\$ 35,000	\$ 35,194	\$ 194
Zoning and planning fees	50,000	50,000	40,375	(9,625)
Erosion and sediment control	35,000	35,000	25,778	(9,222)
Building permits	270,000	270,000	238,035	(31,965)
Land use application fees	15,000	15,000	18,160	3,160
Transfer fees	-	-	1,899	1,899
Other permits and licenses	-	-	10	10
Total permits, privilege fees, and regulatory licenses	<u>\$ 400,000</u>	<u>\$ 405,000</u>	<u>\$ 359,451</u>	<u>\$ (45,549)</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 11,000	\$ 11,000	\$ 15,002	\$ 4,002
Total fines and forfeitures	<u>\$ 11,000</u>	<u>\$ 11,000</u>	<u>\$ 15,002</u>	<u>\$ 4,002</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 800,000	\$ 800,249	\$ 970,967	\$ 170,718
Revenue from use of property	69,000	69,000	90,160	21,160
Total revenue from use of money and property	<u>\$ 869,000</u>	<u>\$ 869,249</u>	<u>\$ 1,061,127</u>	<u>\$ 191,878</u>
Charges for services:				
Charges for courthouse security	\$ 62,856	\$ 62,856	\$ 69,117	\$ 6,261
Charges for courthouse maintenance	12,000	12,000	12,061	61
Charges for law enforcement and traffic control	15,000	49,749	59,329	9,580
Excess Clerk of Court fees	46,667	46,667	43,825	(2,842)
Charges for Commonwealth's Attorney	3,000	3,000	2,301	(699)

County of Franklin, Virginia  
 Schedule of Revenues - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2010

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Primary Government: (Continued)				
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Charges for services: (Continued)				
Prisoner's board	\$ 9,000	\$ 9,000	\$ 10,013	\$ 1,013
Miscellaneous jail and inmate fees	-	-	644	644
Miscellaneous animal fees	5,000	5,000	4,454	(546)
Charges for private landfills	-	-	25,682	25,682
Charges for sale of maps and codes and copies	15,000	15,000	22,775	7,775
Charges for emergency medical services billing	900,000	1,072,606	1,107,486	34,880
Charges for sanitation and waste removal	776,587	776,587	599,286	(177,301)
Charges for parks and recreation	108,100	121,151	81,367	(39,784)
Charges for aging services	25,233	25,233	22,198	(3,035)
Charges for library	25,000	25,000	26,569	1,569
Charges for law library	12,000	12,000	13,809	1,809
Charges for concealed weapons permits	15,000	15,000	19,977	4,977
Total charges for services	<u>\$ 2,030,443</u>	<u>\$ 2,250,849</u>	<u>\$ 2,120,893</u>	<u>\$ (129,956)</u>
Miscellaneous revenue:				
Miscellaneous	\$ 281,000	\$ 295,826	\$ 168,339	\$ (127,487)
Total miscellaneous revenue	<u>\$ 281,000</u>	<u>\$ 295,826</u>	<u>\$ 168,339</u>	<u>\$ (127,487)</u>
Recovered costs:				
Health department	\$ 144,500	\$ 144,500	\$ 109,230	\$ (35,270)
Court reporting fees	60,000	60,000	54,196	(5,804)
Armory reimbursement	15,000	15,000	10,952	(4,048)
School resource officer	86,658	86,658	88,976	2,318
Office on youth	-	-	170,022	170,022
Advertising	-	-	2	2
Blue ridge soil and water	233,708	233,708	213,479	(20,229)
Total recovered costs	<u>\$ 539,866</u>	<u>\$ 539,866</u>	<u>\$ 646,857</u>	<u>\$ 106,991</u>
Total revenue from local sources	<u>\$ 53,303,084</u>	<u>\$ 53,543,565</u>	<u>\$ 54,552,859</u>	<u>\$ 1,009,294</u>
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle carrier tax (rolling stock)	\$ 35,582	\$ 35,582	\$ 2,774	\$ (32,808)
Mobile home titling tax	150,000	150,000	80,012	(69,988)
Grantor's tax	142,000	142,000	131,365	(10,635)
Motor vehicle rental tax	29,000	29,000	28,355	(645)
Communications tax	2,450,000	2,450,000	2,324,280	(125,720)
State recordation tax	198,953	198,953	219,771	20,818
Personal property tax relief funds	2,626,618	2,626,618	2,626,618	-
Total noncategorical aid	<u>\$ 5,632,153</u>	<u>\$ 5,632,153</u>	<u>\$ 5,413,175</u>	<u>\$ (218,978)</u>
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 505,843	\$ 505,843	\$ 498,007	\$ (7,836)
Sheriff	3,253,550	3,065,122	2,757,753	(307,369)
Commissioner of revenue	170,130	154,024	169,166	15,142
Treasurer	166,840	151,792	158,139	6,347
Registrar/electoral board	59,752	59,752	50,340	(9,412)
Clerk of the Circuit Court	314,078	338,505	373,199	34,694
Total shared expenses	<u>\$ 4,470,193</u>	<u>\$ 4,275,038</u>	<u>\$ 4,006,604</u>	<u>\$ (268,434)</u>

County of Franklin, Virginia  
 Schedule of Revenues - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2010

Schedule 1  
 Page 3 of 7

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Primary Government: (Continued)				
General Fund: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Other categorical aid:				
Public assistance and welfare administration	\$ 4,191,921	\$ 1,914,407	\$ 1,897,136	\$ (17,271)
Comprehensive services act	2,799,095	2,799,095	2,473,025	(326,070)
Asset forfeiture funds	25,000	15,277	15,277	-
Office on youth-juvenile	27,869	26,432	26,416	(16)
Family resource center-family violence prevention	159,838	117,740	104,789	(12,951)
Family resource center-DHCD shelter grant	18,391	18,391	13,045	(5,346)
Four for life	-	52,532	52,532	-
Asset forfeiture funds	-	4,863	4,863	-
Library grants	158,301	171,319	173,919	2,600
Workforce development grants	63,000	63,000	93,357	30,357
Parks and recreation grant	-	20,000	20,000	-
Litter control grant	-	12,780	12,780	-
Selective enforcement	-	-	359	359
Animal friendly plates	-	1,154	1,155	1
VDA grant	-	-	54,303	54,303
Drug enhancement grant	16,328	44,486	55,073	10,587
Department of Emergency Management grant	-	102,301	14,185	(88,116)
Other categorical aid	112,977	112,977	24,031	(88,946)
Total other categorical aid	<u>\$ 7,572,720</u>	<u>\$ 5,476,754</u>	<u>\$ 5,036,245</u>	<u>\$ (440,509)</u>
Total categorical aid	<u>\$ 12,042,913</u>	<u>\$ 9,751,792</u>	<u>\$ 9,042,849</u>	<u>\$ (708,943)</u>
Total revenue from the Commonwealth	<u>\$ 17,675,066</u>	<u>\$ 15,383,945</u>	<u>\$ 14,456,024</u>	<u>\$ (927,921)</u>
Revenue from the federal government:				
Non-categorical aid:				
Payments in lieu of taxes	\$ 10,079	\$ 10,079	\$ 16,956	\$ 6,877
Total non-categorical aid	<u>\$ 10,079</u>	<u>\$ 10,079</u>	<u>\$ 16,956</u>	<u>\$ 6,877</u>
Categorical aid:				
Department of Health and Human Services payments	\$ -	\$ 2,321,309	\$ 2,338,493	\$ 17,184
Law enforcement terrorism prevention	-	59,876	59,876	-
State homeland security program	-	-	86,251	86,251
Emergency shelter grant	-	-	9,283	9,283
Temporary assistance for needy families	14,236	14,236	17,991	3,755
CDBG/State's program	-	6,446	15,000	8,554
Edward Byrne memorial law enforcement grant	-	-	167,233	167,233
CDBG-indoor plumbing grant	10,000	10,000	-	(10,000)
Emergency management performance grant	34,584	34,584	34,584	-
DCJS grant	-	84,190	87,183	2,993
Total categorical aid	<u>\$ 58,820</u>	<u>\$ 2,530,641</u>	<u>\$ 2,815,894</u>	<u>\$ 285,253</u>
Total revenue from the federal government	<u>\$ 68,899</u>	<u>\$ 2,540,720</u>	<u>\$ 2,832,850</u>	<u>\$ 292,130</u>
Total General Fund	<u>\$ 71,047,049</u>	<u>\$ 71,468,230</u>	<u>\$ 71,841,733</u>	<u>\$ 373,503</u>

County of Franklin, Virginia  
 Schedule of Revenues - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2010

Schedule 1  
 Page 4 of 7

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Primary Government: (Continued)				
County Capital Projects Fund: (Continued)				
Revenue from local sources: (Continued)				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ 1,020	\$ 1,021	\$ 1
Revenue from use of property	-	1,875	1,875	-
Total revenue from use of money and property	<u>\$ -</u>	<u>\$ 2,895</u>	<u>\$ 2,896</u>	<u>\$ 1</u>
Miscellaneous revenue:				
Donations	\$ -	\$ 16,070	\$ 16,070	\$ -
Contribution from the Town of Rocky Mount	-	25,340	25,340	-
Contribution from the Western Va. Water Authority	-	1,325,560	1,638,811	313,251
Miscellaneous	-	120	190	70
Total miscellaneous revenue	<u>\$ -</u>	<u>\$ 1,367,090</u>	<u>\$ 1,680,411</u>	<u>\$ 313,321</u>
Total revenue from local sources	<u>\$ -</u>	<u>\$ 1,369,985</u>	<u>\$ 1,683,307</u>	<u>\$ 313,322</u>
Revenue from the Commonwealth:				
Categorical aid:				
Other categorical aid:				
Park and rec grants	\$ -	\$ 500	\$ 500	\$ -
Tobacco commission funds	-	1,721,115	98,984	(1,622,131)
Virginia fire programs	-	118,453	548,453	430,000
Wireless board funds	-	148,025	287,300	139,275
Total other categorical aid	<u>\$ -</u>	<u>\$ 1,988,093</u>	<u>\$ 935,237</u>	<u>\$ (1,052,856)</u>
Total categorical aid	<u>\$ -</u>	<u>\$ 1,988,093</u>	<u>\$ 935,237</u>	<u>\$ (1,052,856)</u>
Total revenue from the Commonwealth	<u>\$ -</u>	<u>\$ 1,988,093</u>	<u>\$ 935,237</u>	<u>\$ (1,052,856)</u>
Revenue from the federal government:				
Categorical aid:				
State homeland security grant	\$ -	\$ -	\$ 47,699	\$ 47,699
STAG Grant	-	577,799	1,276,218	698,419
Total categorical aid	<u>\$ -</u>	<u>\$ 577,799</u>	<u>\$ 1,323,917</u>	<u>\$ 746,118</u>
Total revenue from the federal government	<u>\$ -</u>	<u>\$ 577,799</u>	<u>\$ 1,323,917</u>	<u>\$ 746,118</u>
Total County Capital Projects Fund	<u>\$ -</u>	<u>\$ 3,935,877</u>	<u>\$ 3,942,461</u>	<u>\$ 6,584</u>
Special Revenue Fund:				
E-911 Fund:				
Revenue from local sources:				
Other local taxes:				
E-911 taxes	\$ -	\$ -	\$ 1,121	\$ 1,121
Total other local taxes	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,121</u>	<u>\$ 1,121</u>
Miscellaneous revenue:				
Other miscellaneous	\$ -	\$ -	\$ 351	\$ 351
Total miscellaneous revenue	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 351</u>	<u>\$ 351</u>
Total revenue from local sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,472</u>	<u>\$ 1,472</u>

County of Franklin, Virginia  
 Schedule of Revenues - Budget and Actual  
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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>
<b>Special Revenue Fund: (Continued)</b>				
<b>E-911 Fund: (Continued)</b>				
Categorical aid:				
Wireless board reimbursement	\$ 46,000	\$ 46,000	\$ 53,676	\$ 7,676
Total categorical aid	<u>\$ 46,000</u>	<u>\$ 46,000</u>	<u>\$ 53,676</u>	<u>\$ 7,676</u>
 Total revenue from the Commonwealth	 <u>\$ 46,000</u>	 <u>\$ 46,000</u>	 <u>\$ 53,676</u>	 <u>\$ 7,676</u>
 Total E-911 Fund	 <u>\$ 46,000</u>	 <u>\$ 46,000</u>	 <u>\$ 55,148</u>	 <u>\$ 9,148</u>
 <b>Primary Government: (Continued)</b>				
<b>Capital Projects Fund:</b>				
<b>School Construction Fund:</b>				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ 783	\$ 783	\$ -
Total revenue from use of money and property	<u>\$ -</u>	<u>\$ 783</u>	<u>\$ 783</u>	<u>\$ -</u>
 Total revenue from local sources	 <u>\$ -</u>	 <u>\$ 783</u>	 <u>\$ 783</u>	 <u>\$ -</u>
 Total School Construction Fund	 <u>\$ -</u>	 <u>\$ 783</u>	 <u>\$ 783</u>	 <u>\$ -</u>
 Total Primary Government	 <u>\$ 71,093,049</u>	 <u>\$ 75,450,890</u>	 <u>\$ 75,840,125</u>	 <u>\$ 389,235</u>
 <b>Discretely Presented Component Unit - School Board:</b>				
<b>Special Revenue Funds:</b>				
<b>School Operating Fund:</b>				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of property	\$ -	\$ -	\$ 5,459	\$ 5,459
Total revenue from use of money and property	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,459</u>	<u>\$ 5,459</u>
 Charges for services:				
Other charges for education	\$ -	\$ -	\$ 45,365	\$ 45,365
Cafeteria sales	2,717,076	2,849,045	1,572,716	(1,276,329)
Payments from other localities	482,235	482,235	635,781	153,546
Cannery fees	-	19,984	19,411	(573)
Total charges for services	<u>\$ 3,199,311</u>	<u>\$ 3,351,264</u>	<u>\$ 2,273,273</u>	<u>\$ (1,077,991)</u>
 Miscellaneous revenue:				
Miscellaneous	\$ 131,969	\$ -	\$ 68,687	\$ 68,687
Total miscellaneous revenue	<u>\$ 131,969</u>	<u>\$ -</u>	<u>\$ 68,687</u>	<u>\$ 68,687</u>
 Recovered costs:				
Insurance recoveries and rebates	\$ 8,229	\$ 8,229	\$ 57,278	\$ 49,049
Sale of supplies	-	-	21,873	21,873
Other recovered costs	437,747	447,314	576,815	129,501
Total recovered costs	<u>\$ 445,976</u>	<u>\$ 455,543</u>	<u>\$ 655,966</u>	<u>\$ 200,423</u>
 Total revenue from local sources	 <u>\$ 3,777,256</u>	 <u>\$ 3,806,807</u>	 <u>\$ 3,003,385</u>	 <u>\$ (803,422)</u>
 Revenues from local governments:				
Contribution from County of Franklin, Virginia	\$ 26,328,751	\$ 27,960,183	\$ 26,058,965	\$ (1,901,218)
Total revenues from local governments	<u>\$ 26,328,751</u>	<u>\$ 27,960,183</u>	<u>\$ 26,058,965</u>	<u>\$ (1,901,218)</u>

County of Franklin, Virginia  
 Schedule of Revenues - Budget and Actual  
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
Special Revenue Funds: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Categorical aid:				
Adult literacy	\$ -	\$ -	\$ 100,000	\$ 100,000
Adult secondary education	-	-	46,299	46,299
At risk four-year olds	528,336	528,336	528,336	-
At risk payments	455,978	455,978	450,041	(5,937)
Basic school aid	20,347,356	20,347,356	18,899,869	(1,447,487)
Early reading intervention	90,055	90,055	80,674	(9,381)
English as a second language	76,577	76,577	54,503	(22,074)
GED funds	33,881	33,881	23,576	(10,305)
Gifted and talented	196,723	196,723	198,126	1,403
Group life	43,716	43,716	30,820	(12,896)
Homebound education	-	-	43,417	43,417
Mentor teacher program	-	-	14,090	14,090
National board certification	-	-	52,500	52,500
Primary class size	727,628	727,628	714,817	(12,811)
Race to GED	-	-	134,244	134,244
Regular foster care	168,537	168,537	81,737	(86,800)
Remedial education	480,877	480,877	484,307	3,430
Remedial summer education	170,121	170,121	154,448	(15,673)
Retirement fringe benefits	1,547,551	1,547,551	1,171,142	(376,409)
School food	42,331	42,331	66,933	24,602
Share of state sales tax	6,967,352	6,967,352	6,736,264	(231,088)
Social security fringe benefits	1,202,194	1,202,194	1,210,768	8,574
Special education	3,103,846	3,103,846	3,125,982	22,136
Special education - foster children	-	-	136,331	136,331
Special education-regional program	389,571	389,571	460,271	70,700
Standards of Learning algebra readiness	70,944	70,944	68,988	(1,956)
State lottery payments	397,249	397,249	508,302	111,053
Technology	440,000	440,000	291,176	(148,824)
Textbook payment	518,124	518,124	-	(518,124)
Vocational adult education	577,053	577,053	629,068	52,015
Vocational education - equipment	-	-	16,784	16,784
Vocational occupational preparedness	39,006	39,006	21,253	(17,753)
Other state funds	44,790	960,325	565,777	(394,548)
Total categorical aid	<u>\$ 38,659,796</u>	<u>\$ 39,575,331</u>	<u>\$ 37,100,843</u>	<u>\$ (2,474,488)</u>
Total revenue from the Commonwealth	<u>\$ 38,659,796</u>	<u>\$ 39,575,331</u>	<u>\$ 37,100,843</u>	<u>\$ (2,474,488)</u>
Revenue from the federal government:				
Categorical aid:				
Adult literacy	\$ 87,964	\$ 87,964	\$ 494,216	\$ 406,252
Drug free schools	28,271	28,271	26,911	(1,360)
Literacy challenge grant	14,862	14,862	-	(14,862)
National school lunch program	-	-	1,581,242	1,581,242
Reading first	195,000	195,000	168,785	(26,215)
School breakfast program	2,007,321	2,007,321	571,234	(1,436,087)
Title I	1,513,725	1,828,249	1,462,718	(365,531)
Title II	335,349	335,349	358,891	23,542

County of Franklin, Virginia  
 Schedule of Revenues - Budget and Actual  
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
Special Revenue Funds: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental revenues: (Continued)				
Revenue from the federal government: (continued)				
Categorical aid: (continued)				
Title III	\$ 17,915	\$ 17,915	\$ 14,763	\$ (3,152)
Title VI	-	-	10,935	10,935
ARRA State Stabilization Fund	2,303,847.00	2,303,847	3,743,757	1,439,910
ARRA Title 1	553,000.00	553,000	418,472	(134,528)
ARRA Special Education	393,000.00	393,000	578,556	185,556
Title VI-B, special education flow-through	1,876,887	2,023,871	1,484,399	(539,472)
Title VI-B, special education pre-school	36,264	36,264	36,264	-
Vocational education	125,440	125,440	131,876	6,436
Total categorical aid	<u>\$ 9,488,845</u>	<u>\$ 9,950,353</u>	<u>\$ 11,083,019</u>	<u>\$ 1,132,666</u>
Total revenue from the federal government	<u>\$ 9,488,845</u>	<u>\$ 9,950,353</u>	<u>\$ 11,083,019</u>	<u>\$ 1,132,666</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 78,254,648</u>	<u>\$ 81,292,674</u>	<u>\$ 77,246,212</u>	<u>\$ (4,046,462)</u>

County of Franklin, Virginia  
 Schedule of Expenditures - Budget and Actual  
 Governmental Funds  
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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>
<b>Primary Government:</b>				
<b>General Fund:</b>				
<b>General government administration:</b>				
<b>Legislative:</b>				
Board of supervisors	\$ 353,704	\$ 353,704	\$ 296,469	\$ 57,235
<b>General and financial administration:</b>				
County administrator	\$ 386,477	\$ 386,477	\$ 376,241	\$ 10,236
Risk management	353,735	351,460	335,207	16,253
Human resources	121,034	121,034	109,385	11,649
Commissioner of revenue	539,948	490,201	474,882	15,319
Reassessment	175,000	350,000	-	350,000
Land use	38,460	38,460	37,307	1,153
Treasurer	500,286	487,794	481,314	6,480
Director of finance	278,245	278,245	268,862	9,383
Information technology	1,006,430	1,375,511	1,066,782	308,729
Telecommunications and Postage	50,000	52,275	48,764	3,511
Total general and financial administration	<u>\$ 3,449,615</u>	<u>\$ 3,931,457</u>	<u>\$ 3,198,744</u>	<u>\$ 732,713</u>
<b>Board of elections:</b>				
Registrar	\$ 167,867	\$ 193,909	\$ 160,568	\$ 33,341
Electoral board	52,814	53,119	47,978	5,141
Total board of elections	<u>\$ 220,681</u>	<u>\$ 247,028</u>	<u>\$ 208,546</u>	<u>\$ 38,482</u>
Total general government administration	<u>\$ 4,024,000</u>	<u>\$ 4,532,189</u>	<u>\$ 3,703,759</u>	<u>\$ 828,430</u>
<b>Judicial administration:</b>				
<b>Courts:</b>				
Circuit court	\$ 98,414	\$ 109,269	\$ 109,265	\$ 4
General district court	10,886	23,858	11,974	11,884
Special magistrates	2,075	2,075	725	1,350
Juvenile and domestic relations court	20,450	22,306	14,799	7,507
Juvenile court services	603,204	585,992	367,729	218,263
Sheriff-courts	519,076	549,960	549,959	1
Clerk of the circuit court	668,761	713,096	683,413	29,683
Total courts	<u>\$ 1,934,866</u>	<u>\$ 2,018,556</u>	<u>\$ 1,737,864</u>	<u>\$ 280,692</u>
<b>Commonwealth's attorney:</b>				
Commonwealth's attorney	\$ 677,006	\$ 677,006	\$ 668,232	\$ 8,774
Total commonwealth's attorney	<u>\$ 677,006</u>	<u>\$ 677,006</u>	<u>\$ 668,232</u>	<u>\$ 8,774</u>
Total judicial administration	<u>\$ 2,611,872</u>	<u>\$ 2,695,562</u>	<u>\$ 2,406,096</u>	<u>\$ 289,466</u>
<b>Public safety:</b>				
<b>Law enforcement and traffic control:</b>				
Sheriff	\$ 3,162,731	\$ 3,331,599	\$ 3,278,411	\$ 53,188
Total law enforcement and traffic control	<u>\$ 3,162,731</u>	<u>\$ 3,331,599</u>	<u>\$ 3,278,411</u>	<u>\$ 53,188</u>
<b>Correction and detention:</b>				
County operated institutions and regional jail	\$ 4,888,175	\$ 4,954,459	\$ 4,453,652	\$ 500,807
Total correction and detention	<u>\$ 4,888,175</u>	<u>\$ 4,954,459</u>	<u>\$ 4,453,652</u>	<u>\$ 500,807</u>
<b>Inspections:</b>				
Building	\$ 409,200	\$ 425,522	\$ 396,572	\$ 28,950
Total inspections	<u>\$ 409,200</u>	<u>\$ 425,522</u>	<u>\$ 396,572</u>	<u>\$ 28,950</u>

County of Franklin, Virginia  
Schedule of Expenditures - Budget and Actual  
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<u>Fund, Function, Activity, and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Primary Government: (Continued)				
General Fund: (Continued)				
Public safety: (Continued)				
Other protection:				
Director of public safety	\$ 2,947,190	\$ 4,633,769	\$ 3,240,959	\$ 1,392,810
Animal control	350,830	371,489	293,520	77,969
Department of forestry	24,006	24,006	23,531	475
EMS career billing	611,460	659,856	648,019	11,837
EMS volunteer billing	288,540	509,490	275,204	234,286
Total other protection	<u>\$ 4,222,026</u>	<u>\$ 6,198,610</u>	<u>\$ 4,481,233</u>	<u>\$ 1,717,377</u>
Total public safety	<u>\$ 12,682,132</u>	<u>\$ 14,910,190</u>	<u>\$ 12,609,868</u>	<u>\$ 2,300,322</u>
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Highways, streets, bridges and sidewalks	\$ 450	\$ 450	\$ 210	\$ 240
Total maintenance of highways, streets, bridges & sidewalks	<u>\$ 450</u>	<u>\$ 450</u>	<u>\$ 210</u>	<u>\$ 240</u>
Sanitation and waste removal:				
Refuse collection and disposal	\$ 1,656,429	\$ 5,290,168	\$ 1,659,112	\$ 3,631,056
Recycling program	86,243	86,243	61,333	24,910
Scale house	59,443	105,943	58,331	47,612
Public works	287,946	326,546	283,334	43,212
Total sanitation and waste removal	<u>\$ 2,090,061</u>	<u>\$ 5,808,900</u>	<u>\$ 2,062,110</u>	<u>\$ 3,746,790</u>
Maintenance of general buildings and grounds:				
General properties	\$ 923,492	\$ 1,187,459	\$ 991,876	\$ 195,583
Mechanic	209,280	209,280	208,515	765
Armory	42,625	42,625	31,238	11,387
Courthouse maintenance	12,000	12,000	-	12,000
Total maintenance of general buildings and grounds	<u>\$ 1,187,397</u>	<u>\$ 1,451,364</u>	<u>\$ 1,231,629</u>	<u>\$ 219,735</u>
Total public works	<u>\$ 3,277,908</u>	<u>\$ 7,260,714</u>	<u>\$ 3,293,949</u>	<u>\$ 3,966,765</u>
Health and welfare:				
Health:				
Supplement of local health department	\$ 360,000	\$ 360,000	\$ 360,000	\$ -
Total health	<u>\$ 360,000</u>	<u>\$ 360,000</u>	<u>\$ 360,000</u>	<u>\$ -</u>
Mental health and mental retardation:				
Development center of Franklin	\$ 53,500	\$ 53,500	\$ 53,500	\$ -
Total mental health and mental retardation	<u>\$ 53,500</u>	<u>\$ 53,500</u>	<u>\$ 53,500</u>	<u>\$ -</u>
Welfare:				
Public assistance and welfare administration	\$ 5,256,353	\$ 5,400,148	\$ 5,314,617	\$ 85,531
Youth services agency	4,456,467	4,386,400	3,995,641	390,759
Family resource center	268,018	225,920	221,748	4,172
Area agency on aging	369,060	368,192	294,459	73,733
Contribution to health and welfare organizations	89,349	89,349	89,349	-
Assistance - institutions	28,448	28,448	28,448	-
Total welfare	<u>\$ 10,467,695</u>	<u>\$ 10,498,457</u>	<u>\$ 9,944,262</u>	<u>\$ 554,195</u>
Total health and welfare	<u>\$ 10,881,195</u>	<u>\$ 10,911,957</u>	<u>\$ 10,357,762</u>	<u>\$ 554,195</u>
Education:				
Other instructional costs:				
Contribution to County School Board	\$ 26,328,751	\$ 27,960,183	\$ 26,058,965	\$ 1,901,218
Total education	<u>\$ 26,328,751</u>	<u>\$ 27,960,183</u>	<u>\$ 26,058,965</u>	<u>\$ 1,901,218</u>

County of Franklin, Virginia  
Schedule of Expenditures - Budget and Actual  
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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)				
Parks, recreation, and cultural:				
Parks and recreation:				
Parks and recreation	\$ 953,201	\$ 1,498,257	\$ 1,001,987	\$ 496,270
Total parks and recreation	<u>\$ 953,201</u>	<u>\$ 1,498,257</u>	<u>\$ 1,001,987</u>	<u>\$ 496,270</u>
Library:				
Library administration	\$ 664,270	\$ 684,778	\$ 662,897	\$ 21,881
Westlake branch library	199,415	203,917	203,917	-
Total library	<u>\$ 863,685</u>	<u>\$ 888,695</u>	<u>\$ 866,814</u>	<u>\$ 21,881</u>
Total parks, recreation, and cultural	<u>\$ 1,816,886</u>	<u>\$ 2,386,952</u>	<u>\$ 1,868,801</u>	<u>\$ 518,151</u>
Community development:				
Planning and community development:				
Community development	\$ 638,709	\$ 759,209	\$ 522,828	\$ 236,381
Ferrum planning grant	-	6,446	6,446	-
Economic development	679,331	1,433,826	388,964	1,044,862
Tourism	95,000	138,750	138,587	163
GIS and mapping	202,463	206,063	155,319	50,744
4-H youth	3,750	3,750	3,750	-
IPR grant	10,000	10,000	-	10,000
Planning	210,169	270,777	210,205	60,572
Franklin career center	200,610	201,610	175,227	26,383
Contributions to other entities	127,900	179,900	134,035	45,865
Total planning and community development	<u>\$ 2,167,932</u>	<u>\$ 3,210,331</u>	<u>\$ 1,735,361</u>	<u>\$ 1,474,970</u>
Environmental management:				
Contribution to soil and water district	\$ 232,650	\$ 232,650	\$ 217,797	\$ 14,853
Total environmental management	<u>\$ 232,650</u>	<u>\$ 232,650</u>	<u>\$ 217,797</u>	<u>\$ 14,853</u>
Cooperative extension program:				
Extension office	\$ 94,479	\$ 94,479	\$ 91,609	\$ 2,870
Total cooperative extension program	<u>\$ 94,479</u>	<u>\$ 94,479</u>	<u>\$ 91,609</u>	<u>\$ 2,870</u>
Total community development	<u>\$ 2,495,061</u>	<u>\$ 3,537,460</u>	<u>\$ 2,044,767</u>	<u>\$ 1,492,693</u>
Nondepartmental:				
Shenandoah Valley Regional Airport				-
Contingencies	\$ 200,000	\$ 138,574	\$ -	\$ 138,574
Total nondepartmental	<u>\$ 200,000</u>	<u>\$ 138,574</u>	<u>\$ -</u>	<u>\$ 138,574</u>
Capital projects:				
Purchase of Smith Farm <sup>1</sup>	\$ -	\$ -	\$ 1,000,000	\$ (1,000,000)
Total capital projects	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,000,000</u>	<u>\$ (1,000,000)</u>
Debt service:				
Principal retirement	\$ 2,963,127	\$ 2,963,127	\$ 2,960,922	\$ 2,205
Interest and other fiscal charges	1,321,975	1,602,618	1,602,618	-
Bond issuance costs <sup>1</sup>	-	-	58,250	(58,250)
Total debt service	<u>\$ 4,285,102</u>	<u>\$ 4,565,745</u>	<u>\$ 4,621,790</u>	<u>\$ (56,045)</u>
Total General Fund	<u>\$ 68,602,907</u>	<u>\$ 78,899,526</u>	<u>\$ 67,965,757</u>	<u>\$ 10,933,769</u>

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

County of Franklin, Virginia  
 Schedule of Expenditures - Budget and Actual  
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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>
<b>Primary Government: (Continued)</b>				
<b>County Capital Projects Fund:</b>				
Capital projects:				
Burn building	\$ -	\$ 416,568	\$ 405,571	\$ 10,997
Development Center renovations	-	114,462	-	114,462
Government Center	-	4,161,586	3,574,855	586,731
Landfill construction	-	3,400,000	-	3,400,000
Recreation park development	-	397,986	197,112	200,874
Roof replacement projects	-	94,762	32,512	62,250
School capital projects	1,100,000.00	615,076	-	615,076
Commerce Center Improvements	50,000.00	1,464,000	61,008	1,402,992
Courthouse improvements	-	738,573	-	738,573
Westlake public safety center	-	100,000	-	100,000
Franklin Center lower level project	-	451,000	184,977	266,023
Wireless broadband infrastructure	65,000.00	65,000	64,910	90
Infrastructure upgrades	70,500.00	70,800	70,788	12
Statue replacement	-	162,949	162,949	-
Boones Mill water project	-	72,140	81,250	(9,110)
Route 616 water project	-	515,494	1,029,200	(513,706)
220 corridor water project	-	1,315,725	1,525,123	(209,398)
Contributions to WVWA	484,440.00	484,440	441,632	42,808
Public safety center	-	160,000	-	160,000
WFDC interiors	-	14,605	-	14,605
Wirtz Road water project	-	-	9,307	(9,307)
Total capital projects	<u>1,769,940</u>	<u>14,815,166</u>	<u>7,841,194</u>	<u>6,973,972</u>
Total County Capital Projects Fund	<u>\$ 1,769,940</u>	<u>\$ 14,815,166</u>	<u>\$ 7,841,194</u>	<u>\$ 6,973,972</u>
<b>Special Revenue Fund:</b>				
<b>E-911 Fund:</b>				
Public safety:				
Other protection:				
E-911 Administration	\$ 1,080,414	\$ 1,132,369	\$ 1,095,150	\$ 37,219
Total other protection	<u>\$ 1,080,414</u>	<u>\$ 1,132,369</u>	<u>\$ 1,095,150</u>	<u>\$ 37,219</u>
Total public safety	<u>\$ 1,080,414</u>	<u>\$ 1,132,369</u>	<u>\$ 1,095,150</u>	<u>\$ 37,219</u>
Total E-911 Fund	<u>\$ 1,080,414</u>	<u>\$ 1,132,369</u>	<u>\$ 1,095,150</u>	<u>\$ 37,219</u>
<b>Capital Projects Fund:</b>				
<b>School Construction Fund</b>				
Capital projects:				
Capital projects expenditures:				
Capital projects expenditures	\$ -	\$ 1,206,511	\$ 911,056	\$ 295,455
Total capital projects	<u>\$ -</u>	<u>\$ 1,206,511</u>	<u>\$ 911,056</u>	<u>\$ 295,455</u>
Total School Construction Fund	<u>\$ -</u>	<u>\$ 1,206,511</u>	<u>\$ 911,056</u>	<u>\$ 295,455</u>
Total Primary Government	<u>\$ 71,453,261</u>	<u>\$ 96,053,572</u>	<u>\$ 77,813,157</u>	<u>\$ 18,240,415</u>
<b>Discretely Presented Component Unit - School Board:</b>				
<b>Special revenue funds:</b>				
<b>School Operating Fund:</b>				
Education:				
Administration of schools:				
Administration cost	\$ 2,518,759	\$ 2,828,501	\$ 2,291,694	\$ 536,807
Total administration of schools	<u>\$ 2,518,759</u>	<u>\$ 2,828,501</u>	<u>\$ 2,291,694</u>	<u>\$ 536,807</u>

County of Franklin, Virginia  
 Schedule of Expenditures - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2010

<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: (Continued)				
Special revenue funds: (Continued)				
School Operating Fund: (Continued)				
Education: (Continued)				
Instruction costs:				
Instruction cost	\$ 58,170,389	\$ 59,485,466	\$ 56,475,587	\$ 3,009,879
Total instruction costs	<u>\$ 58,170,389</u>	<u>\$ 59,485,466</u>	<u>\$ 56,475,587</u>	<u>\$ 3,009,879</u>
Operating costs:				
Pupil transportation	\$ 5,556,999	\$ 5,556,999	\$ 5,866,741	\$ (309,742)
Operation and maintenance of school plant	7,254,635	7,254,635	7,216,834	37,801
School food and non-instructional	4,763,461	4,763,461	4,316,805	446,656
Facilities	-	1,413,207	1,413,207	-
Total operating costs	<u>\$ 17,575,095</u>	<u>\$ 18,988,302</u>	<u>\$ 18,813,587</u>	<u>\$ 174,715</u>
Total education	<u>\$ 78,264,243</u>	<u>\$ 81,302,269</u>	<u>\$ 77,580,868</u>	<u>\$ 3,721,401</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 78,264,243</u>	<u>\$ 81,302,269</u>	<u>\$ 77,580,868</u>	<u>\$ 3,721,401</u>

Note 1: School Board appropriations occur at the fund level

## STATISTICAL SECTION

COUNTY OF FRANKLIN, VIRGINIA

Table 1

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

	2003	2004	2005	2006	2007	2008	2009	2010
Governmental activities								
Invested in capital assets, net of related debt	13,158,358	16,145,464	16,433,828	13,464,803	13,726,563	21,996,912	31,550,576	35,077,663
Restricted	-	134,201	200,123	174,252	6,853,227	211,128	159,656	295,455
Unrestricted	18,036,357	17,381,645	21,556,678	32,261,985	28,812,760	31,307,246	24,972,606	25,245,759
Total governmental activities net assets	31,194,715	33,661,310	38,190,629	45,901,040	49,392,550	53,515,286	56,682,838	60,618,877
Business-type activities								
Invested in capital assets, net of related debt	-	551,803	628,315	1,547,373	1,724,684	3,027,372	1,640,981	1,056,539
Restricted	-	-	-	-	-	-	-	-
Unrestricted	-	(315,892)	1,667,338	1,758,683	1,916,298	1,303,504	721,629	296,579
Total business-type activities net assets	-	235,911	2,295,653	3,306,056	3,640,982	4,330,876	2,362,610	1,353,118
Primary government								
Invested in capital assets, net of related debt	13,158,358	16,697,267	17,062,143	15,012,176	15,451,247	25,024,284	33,191,557	36,134,202
Restricted	-	134,201	200,123	174,252	6,853,227	211,128	159,656	295,455
Unrestricted	18,036,357	17,065,753	23,224,016	34,020,668	30,729,058	32,610,750	25,694,235	25,542,338
Total primary government net assets	31,194,715	33,897,221	40,486,282	49,207,096	53,033,532	57,846,162	59,045,448	61,971,995

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

COUNTY OF FRANKLIN, VIRGINIA

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

	2003	2004	2005	2006	2007	2008	2009	2010
<b>Expenses</b>								
Governmental activities:								
General government	2,715,918	2,991,740	3,004,469	3,463,168	4,157,343	4,042,082	4,027,157	3,934,191
Judicial administration	1,628,330	1,891,174	1,970,309	3,326,151	2,160,555	2,475,749	2,670,402	2,354,044
Public safety	6,997,025	7,759,941	8,205,130	8,464,171	10,347,921	12,508,248	12,737,913	14,444,078
Public works	1,609,720	1,290,295	2,012,628	986,891	1,982,292	3,370,469	3,135,781	5,397,533
Health and welfare	5,772,246	7,107,058	7,486,945	8,070,657	9,732,455	9,324,129	9,952,103	10,201,556
Education	21,540,338	21,027,314	23,380,369	24,078,623	28,332,013	25,784,294	29,621,387	27,011,085
Parks, recreation and cultural	1,045,509	976,713	1,078,612	1,284,696	1,656,664	1,916,529	2,310,267	2,132,551
Community development	3,363,765	2,545,117	1,706,253	1,887,256	3,873,631	4,757,659	5,190,199	5,126,182
Interest on long-term debt	1,084,452	988,256	943,084	1,274,457	1,435,334	1,161,205	1,541,431	1,496,120
Total governmental activities expenses	45,757,303	46,577,608	49,787,799	52,836,070	63,678,208	65,340,364	71,186,640	72,097,340
Business-type activities:								
Water	-	480,817	60,868	413,450	581,355	428,708	2,630,752	615,957
Total business-type activities expenses	-	480,817	60,868	413,450	581,355	428,708	2,630,752	615,957
Total primary government expenses	45,757,303	47,058,425	49,848,667	53,249,520	64,259,563	65,769,072	73,817,392	72,713,297
<b>Program Revenues</b>								
Governmental activities:								
Charges for services:								
General government	-	30	183,138	-	45,684	22,205	16,548	22,775
Judicial administration	43,924	380,442	313,868	788,901	200,374	154,556	122,518	144,054
Public safety	56,304	451,852	508,486	463,421	1,317,116	1,297,973	1,276,255	1,561,354
Public works	685,487	811,993	919,688	920,146	947,685	891,595	665,917	637,029
Health and welfare	26,059	184,900	180,009	19,005	25,398	22,513	16,737	22,198
Education	-	-	-	-	-	-	-	-
Parks, recreation and cultural	45,783	72,615	84,531	86,633	85,315	140,640	114,806	107,936
Community development	18,382	149,187	-	293,449	286,174	195,433	97,971	-
Operating grants and contributions	8,351,117	9,471,293	9,288,324	10,348,984	11,965,531	12,126,502	12,047,519	11,858,743
Capital grants and contributions	-	592,704	832,018	412,417	854,268	3,733,498	2,003,393	2,259,154
Total governmental activities program revenues	9,227,056	12,115,016	12,310,062	13,332,956	15,727,545	18,584,915	16,361,664	16,613,243
Business-type activities:								
Charges for services:								
Water	-	6,325	37,496	333,003	145,464	466,359	190,471	26,031
Capital grants and contributions	-	158,600	915,400	422,022	141,761	18,200	63,055	-
Total business-type activities program revenues	-	164,925	952,896	755,025	287,225	484,559	253,526	26,031
Total primary government program revenues	9,227,056	12,279,941	13,262,958	14,087,981	16,014,770	19,069,474	16,615,190	16,639,274

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

	2003	2004	2005	2006	2007	2008	2009	2010
Net (expense) / revenue								
Governmental activities	(36,530,247)	(34,462,592)	(37,477,737)	(39,503,114)	(47,950,663)	(46,755,449)	(54,824,976)	(55,484,097)
Business-type activities	-	(315,892)	892,028	341,575	(294,130)	55,851	(2,377,226)	(589,926)
Total primary government net expense	(36,530,247)	(34,778,484)	(36,585,709)	(39,161,539)	(48,244,793)	(46,699,598)	(57,202,202)	(56,074,023)
<b>General Revenues and Other Changes in Net Assets</b>								
Governmental activities:								
Taxes								
Property taxes	22,839,897	23,919,026	28,631,256	30,887,533	32,824,967	34,255,431	43,374,361	42,935,336
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
Taxes on recordation and wills	-	474,457	917,206	993,726	842,747	658,226	581,797	507,081
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
Consumer utility taxes	-	2,412,622	2,427,461	2,468,539	1,715,239	964,500	969,161	970,934
Business licenses taxes	-	3,922	3,394	4,261	4,998	4,697	4,444	4,440
Other local taxes	8,437,529	1,640,641	1,758,704	2,078,429	2,975,802	3,789,514	3,522,927	3,667,116
Permits, privilege fees and regulatory licenses	443,193	-	-	-	-	-	-	-
Unrestricted grants and contributions	3,330,174	3,462,993	2,973,473	3,579,663	5,351,267	3,241,483	3,134,606	3,159,527
Unrestricted revenues from use of money and property	444,966	325,696	610,065	1,293,731	2,532,079	1,520,629	1,578,534	1,064,806
Miscellaneous	635,270	578,287	793,590	1,122,032	356,373	345,570	257,613	1,849,101
Transfers	36,045	(271,507)	(1,140,237)	(643,621)	(347,878)	(599,373)	(400,479)	419,940
Total governmental activities	36,167,074	37,209,483	42,007,056	47,213,527	51,777,624	49,604,781	57,992,528	59,420,136
Business-type activities:								
Unrestricted grants and contributions	-	-	-	-	137,663	-	-	-
Transfers	-	271,507	1,140,237	643,621	347,878	599,373	400,479	(419,940)
Unrestricted revenues from use of money and property	-	-	27,477	25,207	21,332	15,158	8,481	374
Total business-type activities	-	271,507	1,167,714	668,828	506,873	614,531	408,960	(419,566)
Total primary government	36,167,074	37,480,990	43,174,770	47,882,355	52,284,497	50,219,312	58,401,488	59,000,570
<b>Change in Net Assets</b>								
Governmental activities	(363,173)	2,746,891	4,529,319	7,710,413	3,826,961	2,849,332	3,167,552	3,936,039
Business-type activities	-	(44,385)	2,059,742	1,010,403	212,743	670,382	(1,968,266)	(1,009,492)
Total primary government	(363,173)	2,702,506	6,589,061	8,720,816	4,039,704	3,519,714	1,199,286	2,926,547

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

COUNTY OF FRANKLIN, VIRGINIA

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

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General fund	-	-	-	11,379	33,436	85,811	221,133	211,128	159,656	-
Reserved	19,109,944	18,485,155	18,756,057	19,026,439	23,649,911	35,092,881	31,908,499	17,790,397	16,769,417	19,872,220
Unreserved	19,109,944	18,485,155	18,756,057	19,037,818	23,683,347	35,178,692	32,129,632	18,001,525	16,929,073	19,872,220
Total general fund										
All other governmental funds	-	-	-	122,822	2,237,117	88,441	6,632,094	-	5,049,690	295,455
Reserved										
Unreserved, reported in:										
Special revenue funds	136,330	45,496	288,363	-	-	-	-	14,127	51,955	46,367
Capital projects funds	2,808,993	2,639,442	1,129,671	627,965	556,871	-	-	21,980,834	11,665,266	13,037,850
Total all other governmental funds	2,945,323	2,684,938	1,418,034	750,787	2,793,988	88,441	6,632,094	21,994,961	16,766,911	13,379,672

COUNTY OF FRANKLIN, VIRGINIA

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

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

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Revenues</b>										
General property taxes	20,400,584	20,776,235	22,799,617	23,726,713	28,585,380	30,818,386	32,707,564	33,729,192	43,289,214	42,515,165
Other local taxes	7,616,475	7,738,185	8,437,529	9,194,988	10,138,909	10,974,189	691,500	10,841,041	10,047,893	9,991,426
Permits, privilege fees and regulatory licenses	315,694	342,874	443,193	535,956	620,966	784,826	691,500	573,664	413,467	359,451
Fines and forfeitures	8,922	6,009	5,488	26,594	23,516	16,968	16,378	10,772	10,082	15,002
Revenue from use of money and property	1,828,072	993,815	459,049	335,508	626,119	1,319,687	2,532,079	1,520,629	1,578,534	1,064,806
Charges for services	2,173,111	2,161,503	2,267,154	2,968,197	3,164,906	3,628,164	2,199,868	2,140,479	1,887,203	2,120,893
Miscellaneous	938,870	941,233	1,117,340	1,100,148	1,329,195	1,750,210	371,305	345,570	257,613	1,849,101
Recovered costs	619,277	828,401	656,811	1,194,949	907,568	1,782,271	731,213	905,027	744,082	646,857
Intergovernmental:										
Commonwealth	35,347,353	36,032,514	36,231,910	38,803,598	42,650,111	45,471,082	14,723,153	15,740,896	13,002,863	13,120,657
Federal	5,744,328	6,047,396	6,452,040	7,229,534	8,668,290	9,135,829	3,432,981	3,360,587	4,182,655	4,156,767
Total revenues	74,992,686	75,858,165	78,870,131	85,118,185	96,714,960	105,661,612	58,097,541	69,167,857	75,413,606	75,940,125
<b>Expenditures</b>										
General government administration	2,281,829	2,441,919	2,707,359	2,971,402	3,491,287	3,591,991	3,939,015	3,532,252	3,678,190	3,703,759
Judicial administration	1,482,185	1,719,941	1,692,142	1,929,484	2,014,628	2,082,436	2,214,118	2,517,127	2,647,224	2,406,096
Public safety	6,772,877	6,796,796	7,093,902	7,956,964	8,012,239	10,499,222	11,125,314	11,504,555	13,619,580	13,705,018
Public works	1,576,674	1,759,923	1,723,695	2,131,223	2,024,491	2,567,643	3,763,333	2,324,278	2,759,763	3,293,949
Health and welfare	5,183,115	5,578,251	5,851,028	7,083,647	7,472,930	8,383,152	9,685,059	9,772,706	10,188,370	10,357,762
Education	48,402,552	50,477,643	52,026,264	54,975,876	61,468,183	68,045,924	25,640,822	25,084,849	26,734,619	26,058,965
Parks, recreation and cultural	1,069,034	945,366	1,224,957	2,393,733	2,019,168	1,616,131	2,300,706	1,643,257	2,056,206	1,868,801
Community development	907,132	1,370,015	3,545,022	2,963,825	1,818,675	1,765,265	8,510,072	2,415,467	5,447,836	2,044,767
Nondepartmental	8,909,737	4,561,691	778,025	-	619,332	3,265,505	521,917	10,981,071	12,784,491	9,752,250
Capital projects	9,769,940	2,783,178	2,233,556	1,985,865	1,806,075	1,848,143	2,076,767	6,004,140	2,753,602	2,960,922
Debt service	1,042,306	1,276,851	1,126,740	1,026,506	961,179	1,035,008	1,232,658	1,364,839	1,582,736	1,602,618
Principal	-	-	-	-	-	-	-	-	-	-
Interest and other fiscal charges	-	-	-	-	-	-	-	-	-	-
Bond issuance costs	-	-	-	-	-	-	-	69,099	73,424	58,250
Total expenditures	87,390,381	79,711,574	80,002,670	85,418,525	91,728,187	102,700,420	71,049,878	77,272,519	84,403,759	77,813,157
Excess of revenues over (under) expenditures	(12,397,695)	(3,853,409)	(1,132,539)	(300,340)	4,986,773	2,961,192	(12,952,337)	(8,104,662)	(8,990,153)	(1,973,032)
Other financing sources (uses)										
Transfers in	-	-	-	604,185	416,279	807,277	1,094,447	6,993,301	7,635,878	2,585,653
Transfers out	-	-	-	(875,692)	(1,556,516)	(1,450,896)	(1,442,325)	(7,592,674)	(9,036,357)	(2,165,713)
Bonds and notes issued	6,853,636	1,060,611	-	-	2,689,762	6,500,000	6,573,600	9,938,795	2,905,000	3,464,000
Premium on debt issuance	-	-	-	-	-	-	187,343	-	130,152	-
Capital leases	-	-	-	272,235	234,024	234,332	-	-	54,978	-
Sale of capital assets	10,275	-	-	-	-	-	-	-	-	(2,355,000)
Total other financing sources (uses)	6,863,911	1,060,611	-	728	1,783,549	6,090,713	6,413,065	9,339,422	2,689,651	1,528,940
Net change in fund balances	(5,533,784)	(2,792,798)	(1,132,539)	(299,612)	6,770,322	9,051,905	(6,539,272)	1,234,760	(6,300,502)	(444,092)
Debt service as a percentage of noncapital expenditures	16%	6%	4%	4%	3%	3%	5%	13%	6%	7%
Total Debt Service Expenditures	10,812,246	4,060,029	3,360,296	3,012,371	2,757,254	2,883,151	3,309,425	7,368,979	4,336,338	4,621,790
Total Governmental Funds Expenditures	67,674,398	71,089,854	75,864,349	82,406,154	88,341,601	96,551,764	67,218,536	58,853,370	67,209,506	63,439,117

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

<b>Fiscal Year</b>	<b>Property Tax</b>	<b>Local sales and use Tax</b>	<b>Consumer Utility Tax</b>	<b>Communications Tax(1)</b>	<b>Motor Vehicle License Tax</b>	<b>Record-ation and Wills Tax</b>	<b>Business License Tax</b>	<b>Total</b>
2010	42,515,165	3,634,351	1,254,157	2,324,280	1,207,504	497,231	4,440	51,437,128
2009	43,289,214	3,742,268	969,161	2,314,629	1,227,296	581,797	4,444	52,128,809
2008	33,729,192	4,153,451	964,500	2,547,497	1,270,653	658,226	NA	43,323,519
2007	32,707,564	4,242,805	1,715,239	1,092,401	1,279,225	842,747	NA	41,879,981
2006	30,818,386	4,163,629	1,880,168	-	1,265,605	993,726	NA	39,121,514
2005	28,585,380	3,795,054	2,231,212	-	1,237,090	917,206	NA	36,765,942
2004	23,728,713	3,468,199	2,220,250	-	1,195,147	474,457	NA	31,086,766
2003	22,799,617	3,219,293	1,963,300	-	1,161,540	406,001	NA	29,549,751
2002	20,776,235	3,285,950	1,772,190	-	928,387	320,890	NA	27,083,652
2001	20,400,584	3,364,569	1,799,513	-	904,076	238,917	NA	26,707,659

1. The first year for communications tax was 2007.

COUNTY OF FRANKLIN, VIRGINIA

Table 6

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

Fiscal Year	Real Estate/ Mobile Homes	Personal Property	Merchants' Capital	Machinery & Tools	Public Service	Total Taxable Assessed Value
2010	7,606,214,950	448,673,632	63,385,820	83,369,833	162,132,199	8,363,776,434
2009	7,495,611,081	502,466,388	68,422,417	77,815,711	148,209,734	8,292,525,331
2008	5,312,089,342	472,049,385	70,569,752	74,111,761	97,234,892	6,026,055,132
2007	4,807,045,787	510,854,136	76,847,910	62,916,661	102,235,038	5,559,899,532
2006	4,585,493,371	471,380,050	65,344,989	60,749,046	116,612,320	5,299,579,776
2005	4,382,613,489	424,712,961	56,610,940	51,162,556	123,952,019	5,039,051,965
2004	3,020,413,294	405,063,547	55,518,495	55,576,183	114,165,109	3,650,736,628
2003	2,889,431,935	390,942,638	53,583,066	53,638,744	114,645,858	3,502,242,241
2002	2,746,712,053	393,899,206	53,988,297	54,044,396	119,385,761	3,368,029,713
2001	2,652,573,388	369,796,503	50,684,752	50,737,417	117,823,499	3,241,615,559

Fiscal Year	Real Property Total Direct Tax Rate	Personal Property Tax Rate	Merchants' Capital Tax Rate	Machinery and Tools Tax Rate	Total Direct Rate (Weighted Average)	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
2010	0.46	1.89	1.08	0.60	0.54	8,074,239,188	103.59%
2009	0.46	1.89	1.08	0.60	0.55	8,027,547,143	103.30%
2008	0.53	1.67	1.08	0.54	0.63	5,633,589,940	106.97%
2007	0.53	1.67	1.08	0.54	0.64	5,473,576,675	101.58%
2006	0.53	1.67	1.08	0.60	0.64	5,247,621,108	100.99%
2005	0.52	1.67	1.08	0.54	0.62	4,862,156,452	103.64%
2004	0.60	1.67	1.08	0.54	0.73	3,570,721,262	102.24%
2003	0.60	1.67	1.08	0.54	0.73	3,402,529,942	102.93%
2002	0.55	1.67	1.08	0.54	0.69	3,317,207,813	101.53%
2001	0.55	1.67	1.08	0.54	0.69	3,080,072,572	105.24%

Source: Commissioner of Revenue

COUNTY OF FRANKLIN, VIRGINIA

Table 7

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

Fiscal Years	Direct Rates				Total Direct Rate Weighted Average	Overlapping Rates Town of Rocky Mount	
	Real Estate	Personal Property	Machinery and Tools	Merchant's Capital		Real Estate	Personal Property
2010	0.46	1.89	0.60	1.08	0.54	0.12	0.51
2009	0.46	1.89	0.60	1.08	0.55	0.12	0.51
2008	0.53	1.67	0.54	1.08	0.63	0.12	0.51
2007	0.53	1.67	0.54	1.08	0.64	0.14	0.51
2006	0.53	1.67	0.60	1.08	0.64	0.14	0.51
2005	0.52	1.67	0.54	1.08	0.62	0.11	0.51
2004	0.60	1.67	0.54	1.08	0.73	0.12	0.51
2003	0.60	1.67	0.54	1.08	0.73	0.12	0.51
2002	0.55	1.67	0.54	1.08	0.69	0.12	0.51
2001	0.55	1.67	0.54	1.08	0.69	0.12	0.51

(1) Per \$100 of assessed value

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

**COUNTY OF FRANKLIN, VIRGINIA**

**Table 8**

Principal Property Taxpayers  
Current Year and the Period Nine Years Prior

Taxpayer	Type Business	Fiscal Year 2010		Fiscal Year 2001	
		Assessed Valuation (Millions)	% of Total Assessed Valuation	Assessed Valuation (Millions)	% of Total Assessed Valuation
American Electric Power	Electric Utility	48	0.62%	61	2.20%
Franklin Real Estate Company	Real Estate	48	0.62%	18	0.64%
Central Telephone Company	Telephone Utility	48	0.62%	41	1.48%
Branch Banking & Trust Company	Real Estate	41	0.53%		
Willard Construction Company	Construction	27	0.35%	17	0.61%
Lake Watch LLC	Real Estate	23	0.30%		
RKL Holdings	Real Estate	19	0.24%		
Bayview Holdings LLC	Real Estate	16	0.21%		
Windstar Properties LLC	Real Estate	13	0.17%		
Southgate Associates II LLP	Shopping Center		0.00%	7	0.25%
Wal Mart	Retail	10	0.13%	7	0.25%
MW Manufacturers Inc.	Manufacturing		0.00%	8	0.29%
Lane Company	Manufacturing		0.00%	8	0.28%
Snyder Hunt Corporation	Real Estate		0.00%	5	0.18%
Fleetwood Homes of Virginia	Manufacturing		0.00%	5	0.18%
		293	3.77%	177	6.37%

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
2010	42,642,755	41,035,249	96.23%	-	41,035,249	96.23%
2009	43,103,676	41,569,680	96.44%	699,787	42,269,467	98.06%
2008	36,542,153	35,370,019	96.79%	1,096,252	36,466,271	99.79%
2007	35,220,150	34,085,239	96.78%	1,062,355	35,147,594	99.79%
2006	33,219,244	32,075,823	96.56%	1,083,167	33,158,990	99.82%
2005	30,889,511	29,883,296	96.74%	943,797	30,827,093	99.80%
2004	26,061,495	25,699,189	98.61%	255,102	25,954,291	99.59%
2003	24,944,600	24,233,719	97.15%	649,080	24,882,799	99.75%
2002	22,712,734	22,406,720	98.65%	211,494	22,618,214	99.58%
2001	21,541,571	20,959,641	97.30%	524,977	21,484,618	99.74%

Source: Commissioner of Revenue, County Treasurer's office

**COUNTY OF FRANKLIN, VIRGINIA**

**Table 10**

Ratios of Outstanding Debt by Type  
Last Ten Fiscal Years

Fiscal Years	Governmental Activities			Business-Type Activities			Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds and Notes	Literary Fund Loans	Capital Leases	General Obligation Bonds	Capital Leases				
2010	29,877,385	4,930,250	548,397	-	-	-	35,356,032	0.08%	669
2009	30,874,271	5,544,000	789,682	-	-	-	37,207,953	0.08%	704
2008	29,817,038	6,157,750	963,751	2,135,700	-	-	39,074,239	0.07%	749
2007	25,905,826	6,771,500	326,557	2,285,700	-	-	35,289,583	0.08%	691
2006	20,667,755	7,385,250	454,046	2,429,600	-	-	30,936,651	0.09%	617
2005	15,151,697	8,072,000	397,165	2,567,600	-	-	26,188,462	0.10%	526
2004	13,490,375	8,792,200	410,338	2,700,000	-	-	25,392,913	0.10%	518
2003	14,409,416	9,512,400	484,727	-	-	-	24,406,543	0.10%	501
2002	12,289,500	10,301,500	954,662	-	-	-	23,545,662	0.10%	491
2001	13,463,179	11,122,900	371,672	-	-	-	24,957,751	0.09%	528

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

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

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

<b>Fiscal Year</b>	<b>Gross Bonded Debt</b>	<b>Less: Amounts Reserved for Debt Service</b>	<b>Gross and Net Bonded Debt (3)</b>	<b>Ratio of Net General Obligation Debt to Assessed Value (2)</b>	<b>Net Bonded Debt per Capita (1)</b>
2010	34,807,635	-	34,807,635	0.42%	651.22
2009	36,418,271	-	36,418,271	0.44%	689.20
2008	36,938,539	-	36,938,539	0.61%	707.61
2007	33,003,883	-	33,003,883	0.59%	645.84
2006	28,507,051	-	28,507,051	0.54%	569.00
2005	23,223,697	-	23,223,697	0.46%	466.89
2004	22,282,575	-	22,282,575	0.61%	454.75
2003	23,921,816	-	23,921,816	0.68%	491.21
2002	25,685,437	-	25,685,437	0.76%	535.93
2001	27,990,991	-	27,990,991	0.86%	591.95

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

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

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

(4) Literary loans are considered bonded indebtedness.

Direct and Overlapping Governmental Activities Debt  
As of June 30, 2010

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable (1)</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes: Town of Rocky Mount	10,792,090	100%	\$ 10,792,090
Subtotal, overlapping debt			<u>\$ 10,792,090</u>
County of Franklin, direct debt			<u>\$ 34,807,635</u>
Total direct and overlapping debt			<u><u>\$ 45,599,725</u></u>

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

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

COUNTY OF FRANKLIN, VIRGINIA

Table 13

Legal Debt Margin Information  
Last Ten Fiscal Years

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Debt limit	265,257,339	274,671,205	288,943,194	302,041,329	438,261,349	458,549,337	480,704,579	531,208,934	749,561,108	760,621,495
Total net debt applicable to limit	31,086,503	27,990,991	25,685,437	23,921,816	22,282,575	23,223,697	28,507,051	32,677,326	36,938,539	34,807,635
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
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%

Assessed value of real estate	7,606,214,950
Debt limit (10% of total assessed value)	760,621,495
Net debt applicable to limit	34,807,635
Legal debt margin	725,813,860

Demographic and Economic Statistics  
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Population</u>	<u>Per Capita Personal Income</u>	<u>Total Personal Income</u>	<u>Median Age</u>	<u>School Enrollment</u>	<u>Unemployment Rate</u>
2010	53,450 \$	29,313 \$	1,728,877	40	7,160	7.50%
2009	52,841	28,893	1,728,877	40	7,166	8.40%
2008	52,202	28,893	1,728,877	40	7,183	4.70%
2007	51,102	27,082	1,674,938	40	7,305	3.80%
2006	50,100	26,622	1,542,356	40	7,183	2.80%
2005	49,741	25,249	1,438,445	40	7,103	3.60%
2004	49,000	25,249	Not Available	Not Available	7,096	3.60%
2003	48,700	24,727	"	"	7,114	4.50%
2002	47,927	24,089	"	"	7,031	6.20%
2001	47,286	23,436	"	"	7,039	5.30%

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

COUNTY OF FRANKLIN, VIRGINIA

Table 15

Principal Employers  
Current Year and Nine Years Ago

<u>Employer</u>	<u>Fiscal Year 2010</u>			<u>Fiscal Year 2001</u>		
	<u>Employees</u>	<u>Rank</u>	<u>% of Total County Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>% of Total County Employment</u>
Franklin County Public Schools	1,047	1	3.96%	1,281	1	5.36%
MW Manufacturers, Inc	1,000	2	3.78%	1,200	2	5.02%
Wal-Mart	400	3	1.51%	361	5	1.51%
Ferrum College	325	4	1.23%	-	-	-
Franklin County	306	5	1.15%	250	9	1.05%
Trinity Packaging, Inc.	300	6	1.13%	-	-	-
Ronile. Inc.	300	7	1.13%	350	6	1.46%
Carilion Franklin Memorial Hospital	270	8	1.02%	270	8	1.13%
Uttermost Company	155	9	0.64%	150	10	0.63%
Mod-U-Kraf Homes, Inc.	98	10	0.47%	-	-	-
Fleetwood Homes of Virginia	-	-	-	436	4	1.82%
Cooper Wood Products	-	-	-	308	7	1.29%
Lane Company	-	-	-	500	3	2.09%
<b>Totals</b>	<u>4,201</u>		<u>16.02%</u>	<u>5,106</u>		<u>21.36%</u>

Source: Individual companies

**COUNTY OF FRANKLIN, VIRGINIA**

**Table 16**

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

Function	Full-time Equivalent Employees as of June 30									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General Government										
Legislative	1	1	1	1	1	1	1	1	1	1
General and financial administration	30	30	30	30	31	31	34	36	36	34
Judicial Administration										
Courts	10	10	10	11	13	13	11	11	11	11
Clerk of Court	10	10	10	9	9	9	10	11	11	10
Commonwealth Attorney	6	6	6	8	7	7	7	8	8	8
Public Safety										
Sheriffs department	54	54	54	54	41	43	44	41	38	36
Correction and Detention	26	26	26	26	26	27	32	35	37	36
Building inspections	6	6	6	6	7	7	8	8	7	7
Animal control	3	3	3	3	3	3	4	4	4	3
Public Safety	8	8	8	8	13	16	24	24	24	24
E911	1	1	1	1	14	14	14	14	14	14
Public Works										
Solid Waste	13	13	13	13	13	14	16	16	16	15
General buildings and grounds	4	4	4	4	4	5	8	8	7	7
Public Works										
Health and Welfare										
Department of social services	54	54	54	61	61	61	61	62	62	58
CSA	1	1	1	1	1	2	2	2	2	2
Family Resources	5	6	6	6	6	6	6	5	5	3
Aging Services	3	3	3	3	3	3	2	2	2	2
Recreation and Cultural										
Parks and recreation	7	7	7	7	7	8	10	10	10	10
Library	5	5	5	5	5	6	6	8	8	8
Community Development										
GIS and Mapping							2	2	2	1
Economic Development						1	1	1	1	1
Work Force Consortium	2	2	2	2	2	2	3	3	3	3
Planning	4	5	5	5	8	8	11	11	9	8
Totals	<u>253</u>	<u>255</u>	<u>255</u>	<u>264</u>	<u>277</u>	<u>290</u>	<u>321</u>	<u>327</u>	<u>322</u>	<u>306</u>

Source: Franklin County Adopted Budgets

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

Function	Fiscal Year						
	2004	2005	2006	2007	2008	2009	2010
<b>General and financial administration</b>							
<b>Commissioner of Revenue:</b>							
Personal Property tax assessments					98,719	106,470	171,742
<b>Finance:</b> GFOA award for CAFR	Yes	Yes	Yes	Yes	Yes	Yes	Pending
<b>Information Technology:</b>							
Tech support (In Days)	11.4	9.3	4.5	4.5	3	5	4
<b>Voter Registrar:</b>							
Number of Registered Voters	28,020	29,769	30,170	31,413	31,892	34,003	34,034
<b>Judicial Administration</b>							
<b>Clerk of Court:</b>							
Criminal Cases Commenced		1,902	1,927	1,817	1,704	2,250	2,070
Deeds Recorded		15,808	14,234	12,736	11,033	10,832	11,280
<b>Public safety</b>							
<b>Sheriffs department:</b> calls for service	15,000	15,707	16,000	26,047	19,501	18,877	19,237
<b>Fire and rescue:</b> number of fire calls							
Number of rescue calls		1,074	1,298	1,225	1,348	1,115	1,309
Number of rescue calls		3,509	4,057	4,254	4,679	5,989	4,947
Fire Investigations	54	81	118	165	182	132	96
<b>Building inspections:</b> Permits issued							
Total Value of Permits	1,656	1,569	1,552	1,358	1,018	1,042	974
						133,737,342	58,752,602
<b>Public works</b>							
<b>Landfill:</b> Refuse collected (tons)	60,652	59,698	61,866	61,367	59,842	55,491	49,355
Mulch Recycled (tons)					1,888	1,463	1,331
<b>Health and Welfare</b>							
<b>Social Services:</b> Children in Foster Care							
SNAP Applications					98	88	77
On-going Medicaid Participants					1,774	2,072	2,422
					6,154	6,767	7,021
<b>CSA:</b> Case Load - Number of Children	132	167	177	242	260	279	283
<b>Aging Services:</b>							
Transportation Clients		490	894	1,104	572	553	614
<b>Culture and recreation</b>							
<b>Parks and recreation:</b>							
Sports registration/classes	4,406	4,566	4,655	4,700	4,566	5,746	5,449
Shelter reservations	269	283	250	252	283	301	358
Park Acreage	692	692	692	692	692	696	696
<b>Library:</b>							
Program Attendance					22,806	24,928	25,700
Circulation					180,738	191,267	233,626
<b>Community development</b>							
<b>Planning and Community Development:</b>							
Zoning permits issued					816	941	714
Component Unit - School Board							
<b>Education:</b>							
Local expenditures per pupil	3,245	3,407	3,523	3,569	3,995	4,326	4,203

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	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General government Administration buildings	1	1	1	1	1	1	1	1	1	1
Judicial Administration Courthouses	1	1	1	1	1	1	1	1	1	1
Public safety Sheriffs department: Patrol units	58	58	58	58	58	58	58	58	58	58
Building inspections: Vehicles	5	5	5	5	5	5	6	6	6	6
Animal control: Vehicles	3	3	3	3	3	3	3	3	3	3
Public Safety: Fire Stations	10	10	10	10	10	10	10	10	10	10
Public works Landfill: Collection Trucks Green Box Sites	7 74									
Health and welfare Department of Social Services: Vehicles	8	8	8	8	8	8	8	8	8	8
Culture and recreation Parks and recreation: Parks Libraries	9 1	9 2	9 2	9 2						
Component Unit - School Board Education: Schools School buses	14 162	15 162								

Source: Individual county departments

**COMPLIANCE SECTION**

# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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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*

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

We have audited the financial statements of the governmental activities, business-type activities, the discretely presented component unit – School Board, each major fund, and the aggregate remaining fund information of the County of Franklin, Virginia, as of and for the year ended June 30, 2010, which collectively comprise the County of Franklin, Virginia's basic financial statements and have issued our report thereon dated December 7, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

## Internal Control over Financial Reporting

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

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

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

## Compliance and Other Matters

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

We noted certain matters that we reported to management of the County of Franklin, Virginia in a separate letter dated December 7, 2010.

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

*Robinson, Fauner, Cox Associates*

Christiansburg, Virginia  
December 7, 2010

# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

### Independent Auditors' Report

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

#### Compliance

We have audited the County of Franklin, Virginia's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the County of Franklin, Virginia's major federal programs for the year ended June 30, 2010. The County of Franklin, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County of Franklin, Virginia's management. Our responsibility is to express an opinion on the County of Franklin, Virginia's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County of Franklin, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County of Franklin, Virginia's compliance with those requirements.

In our opinion, the County of Franklin, Virginia complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

#### Internal Control Over Compliance

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

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

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

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

*Robinson, Fauner, Co. Associates*

Christiansburg, Virginia  
December 7, 2010

County of Franklin, Virginia  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2010

Federal Grantor/State Pass - Through Grantor/ Program (or Cluster) Title (Pass - Through Grantor's Number)	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Awards
Department of Health and Human Services:			
Pass Through Payments:			
Department of Social Services:			
Promoting Safe and Stable Families	93.556	93556	\$ 17,029
Temporary Assistance for Needy Families (TANF)	93.558	93558	384,118
Refugee and Entrant Assistance - State Administered Programs	93.566	93566	1,018
Low Income Home Energy Assistance	93.568	93568	16,513
Child Care and Development Block grant (CCDF Cluster)	93.575	93575	150,146
Child Care Mandatory and Matching Funds of the Child Care and Development Fund (CCDF Cluster)	93.596	93596	105,778
ARRA-Child Care and Development Block Grant (CCDF Cluster)	93.713	93713	68,900
Chafee Education and Training Vouchers Program	93.599	93599	12,519
Child Welfare Services - State Grants	93.645	93645	1,235
Foster Care - Title IV-E (Foster Care Cluster)	93.658	93658	486,403
ARRA-Foster Care - Title IV-E (Foster Care Cluster)	93.658	93658	43,915
Social Services Block Grant	93.667	93667	183,572
Chafee Foster Care Independence Program	93.674	93674	20,508
Adoption Assistance (Adoption Assistance Cluster)	93.659	93659	159,014
ARRA-Adoption Assistance (Adoption Assistance Cluster)	93.659	93659	17,611
State Children's Insurance Program	93.767	93767	18,888
Medical Assistance Program	93.778	93778	234,748
Total Department of Health and Human Services			\$ 1,921,915
Department of Agriculture:			
Pass Through Payments:			
Department of Agriculture:			
Child Nutrition Cluster-Food Distribution (Note C)	10.555	40623	\$ 149,587
Department of Education:			
Child Nutrition Cluster-National school breakfast program	10.553	40591	571,234
Child Nutrition Cluster-National school lunch program	10.555	40623	1,431,655
Department of Social Services:			
State Admin Matching Grants for the Supplemental Nutrition Assistance Program	10.561	10561	400,201
ARRA-State Admin Matching Grants for the Supplemental Nutrition Assistance Program	10.561	10561	34,368
Total Department of Agriculture			\$ 2,587,045
Department of Justice:			
Pass Through Payments:			
Department of Criminal Justice Services:			
Violence against women formula grants	16.588	66500/46500	\$ 87,183
State Compensation Board:			
ARRA-Edward Byrne Justice Assistance Grant (JAG Program)	16.803	1028	\$ 167,233
Total Department of Justice			\$ 254,416
Environmental Protection Agency:			
Direct Payments:			
Multi-Media Capacity Building Grants for States and Tribes	66.709	NA	\$ 1,276,218

County of Franklin, Virginia  
Schedule of Expenditures of Federal Awards (Continued)  
For the Year Ended June 30, 2010

Federal Grantor/State Pass - Through Grantor/ Program Title (Pass - Through Grantor's Number)	Federal Catalog Number	Pass-through Entity Identifying Number	Federal Awards
Department of Education:			
Pass Through Payments:			
Department of Education:			
Adult Education - Basic Grants to States	84.002	86668	\$ 494,216
Title I Grants to Local Educational Agencies (Title 1-Part A Cluster)	84.010	86600	1,462,718
ARRA - Title I - Grants to local educational agencies (Title 1-Part A Cluster)	84.389	42913	418,472
Special Education_Grants to States (IDEA Cluster)	84.027	87146	1,484,399
Career and Technical Education -- Basic Grants to States	84.048	86648	131,876
Special Education_Preschool Grants (IDEA Cluster)	84.173	87063A	36,264
Safe and Drug-Free Schools and Communities_National Programs	84.184	86672	26,911
State grants for innovative programs	84.298	86609	10,935
English language acquisition grants	84.365	86783	14,763
Reading First State Grants	84.357	86755	168,785
Improving Teacher Quality State Grants	84.367	86739	358,891
ARRA Special Education - grants to states (IDEA Cluster)	84.391	61245	578,556
ARRA-State Fiscal Stabilization Funds	84.394	62532	<u>3,743,757</u>
Total Department of Education			<u>\$ 8,930,543</u>
Department of Housing and Urban Development:			
Pass Through Payments:			
Department of Housing and Community Development:			
Emergency shelter grants program	14.231	40559	\$ 9,283
Community Development Block Grant	14.228	50797	<u>15,000</u>
Total Department of Housing and Urban Development			<u>\$ 24,283</u>
U.S. Department of Homeland Security:			
Pass Through Payments:			
Department of Emergency Management:			
Emergency Management Performance Grants	97.042	52749	\$ 34,584
State Homeland Security Program	97.073	52707/52708	133,950
Law Enforcement Terrorism Prevention Program	97.074	52717	<u>59,876</u>
Total U.S. Department of Homeland Security			<u>\$ 228,410</u>
Total Expenditures of Federal Awards			<u><u>\$ 15,222,830</u></u>

**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, 2010. The information in the Schedule is presented in accordance with the requirements of *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the County of Franklin, Virginia, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the County of Franklin, Virginia.

**Note B-Summary of Significant Accounting Policies**

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

(2) Pass-through entity indentifying number are presented where available.

**Note C-Food Distribution**

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

County of Franklin, Virginia  
Schedule of Expenditures of Federal Awards (Continued)  
For the Year Ended June 30, 2010

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Intergovernmental federal revenues per the basic financial statements:

Primary government:

General Fund	\$ 2,832,850
Capital Projects Fund	1,323,917
Less: Payments in lieu of taxes	<u>(16,956)</u>
Total primary government:	<u>\$ 4,139,811</u>

Component Unit Schools:

School Operating Fund	<u>\$ 11,083,019</u>
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Total federal expenditures per the Schedule of Expenditures of Federal Awards

\$ 15,222,830

County of Franklin, Virginia

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2010

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Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510 (a)?	No

Identification of major programs:

CFDA #	Name of Federal Program or Cluster
66.709	Multi-Media Capacity Grants for States and Tribes
84.002	Adult Education - Basic Grants to States
84.010/84.389	Title 1 , Part A Cluster
84.027/84.173/84.391/84.392	Special Education Cluster (IDEA)
84.394	ARRA-State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act
93.575/93.596/93.713	Child Care and Development Funds Cluster (CCDF)
93.658	Foster Care/ARRA Foster Care

Dollar threshold used to distinguish between Type A and Type B programs	\$456,685
Auditee qualified as low-risk auditee?	Yes

County of Franklin, Virginia

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2010

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Section II - Financial Statement Findings

There are no financial statement findings to report.

Section III - Federal Award Findings and Questioned Costs

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

Section IV - Status of Prior Audit Findings and Questioned Costs

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