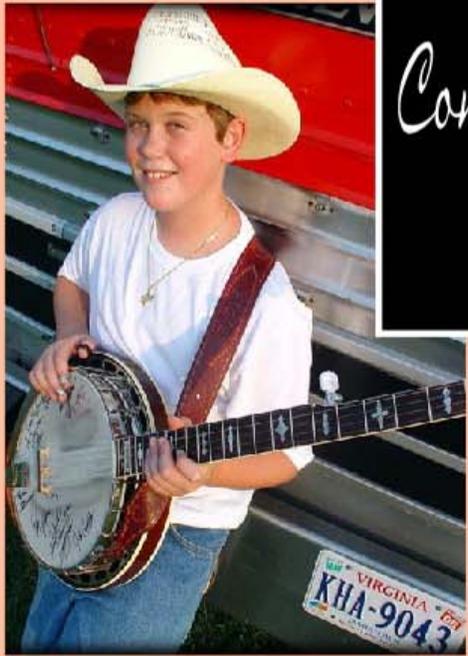


*Franklin County, Virginia
Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2014*



COUNTY OF FRANKLIN, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2014

Prepared by the Franklin County
Department of Finance

**COUNTY OF FRANKLIN, VIRGINIA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FISCAL YEAR ENDED JUNE 30, 2014**

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INTRODUCTORY SECTION



November 18, 2014

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

We are pleased to submit Franklin County's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2014. 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, 2014. The audit was conducted in accordance with professional standards which require that the independent auditors plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The independent auditors' report is located in the front of the financial section of this report.

Under generally accepted accounting principles, as promulgated by the Governmental Accounting Standards board (GASB), management is required to provide a narrative that precedes the basic financial statements. This Management's Discussion and Analysis (MD&A) provides an introduction, overview and analysis of financial results for fiscal year 2013-2014, 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, 2014 is estimated at 56,616 with a population density of 78.5 people per square mile. Franklin County is included in the Roanoke Metropolitan Statistical Area (MSA) that has a total population of approximately 312,000.

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

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

Economic Conditions and Outlook

Franklin County, the seventh largest county in size in Virginia with an area of 721 square miles, is located in southwest Virginia. By offering close proximity to all markets along the East coast, the County is an excellent location for local industries and commerce. The local economy remained fairly strong this past fiscal year compared to the national economy with an average unemployment rate of 5.2%.

Much of fiscal year 2013-2014 was spent on a number of capital projects including new landfill development and site improvements at the County's Commerce Center Industrial Park. The County continues to develop its' park system with various rehab projects being completed at a number of parks.

The future economic outlook for Franklin County looks very good. In 2012, Franklin County ranked 12th for job creation and 26th in investment among Virginia's Counties and Cities. With a stable employment base, easy market access, low construction costs, quality work force, and excellent quality of life, Franklin County and the region is ready to continue future economic growth. In the years to come, the County will focus on diversifying the employment opportunities within the County by recruiting various technology related companies and traditional manufacturing businesses to utilize the training provided by the local schools and colleges.

Major Initiatives

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

Franklin County continues to place major emphasis upon the capital needs of the County School System. A five-year School Capital Projects Plan was approved in FY12-13 and will include School roof replacements, paving projects, plumbing fixture upgrades, water system upgrades and security enhancements at various schools.

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

For the Future

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

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

Long-Term Financial Planning

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

General Fund Balance (Unassigned). The Board of Supervisors has adopted a policy to keep the unassigned general fund balance at a minimum of two months of general fund operating revenues. Bond rating agencies have also recommended the unassigned general fund balance be maintained at this level. The unassigned general fund balance is 18.4 million for the year ended June 30, 2014. This is a decrease of

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

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

Other Information

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

Awards. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County of Franklin, Virginia for its comprehensive annual financial report for the fiscal year ended June 30, 2013. This was the 14th 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.

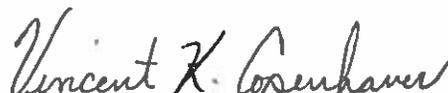
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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

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.

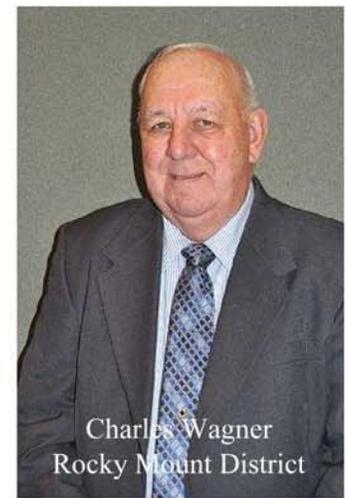
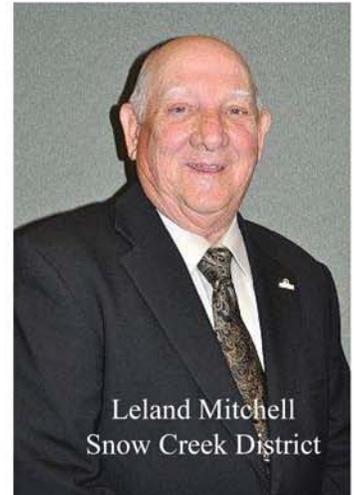
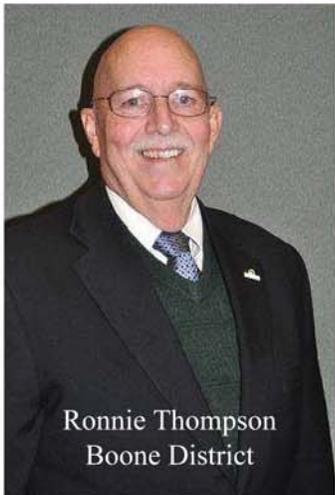
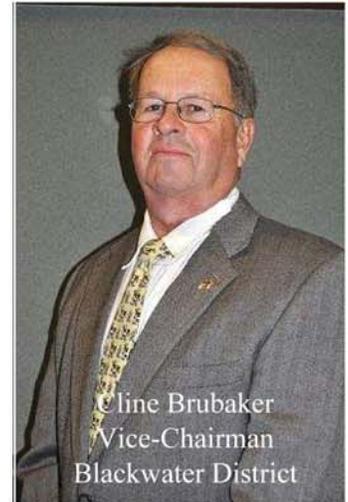
Agriculture has figured prominently in Franklin County's 200-year history, and was the occupation of most county residents until recent times. Tobacco was a leading crop in early Franklin County. Locally mined iron and copper were transported over the Carolina Road as far south as Georgia. The furnace 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, 2014



**Franklin County Officials
June 30, 2014**

Board of Supervisors

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

County Administration

Richard E. Huff, II, County Administrator

County Attorney..... B. James Jefferson
Deputy County Administrator Christopher Whitlow
Director of Finance Vincent Copenhaver
Director of Economic Development..... Michael Burnette
Director of Information Technology Steve Thomas
Director of Planning Neil Holthouser
Director of Public Safety Daryl Hatcher
Director of General Properties Michael Thurman
Director of Public Works..... Don Smith
Director of Park & Recreation Paul Chapman
Director of Library Services David Bass
Director of Franklin Center Kathy Hodges
Director of Family Resource Center Cynthia Treadway
Director of Social Services Deborah K. Powell
Chief Building Official..... Vacant
Unit Coordinator of Va. Cooperative Extension..... Sean Duff
General Registrar Kay Chitwood

Constitutional Officers

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

Franklin County Social Services Board Members

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

Franklin County Public Schools
June 30, 2014

School Board Members

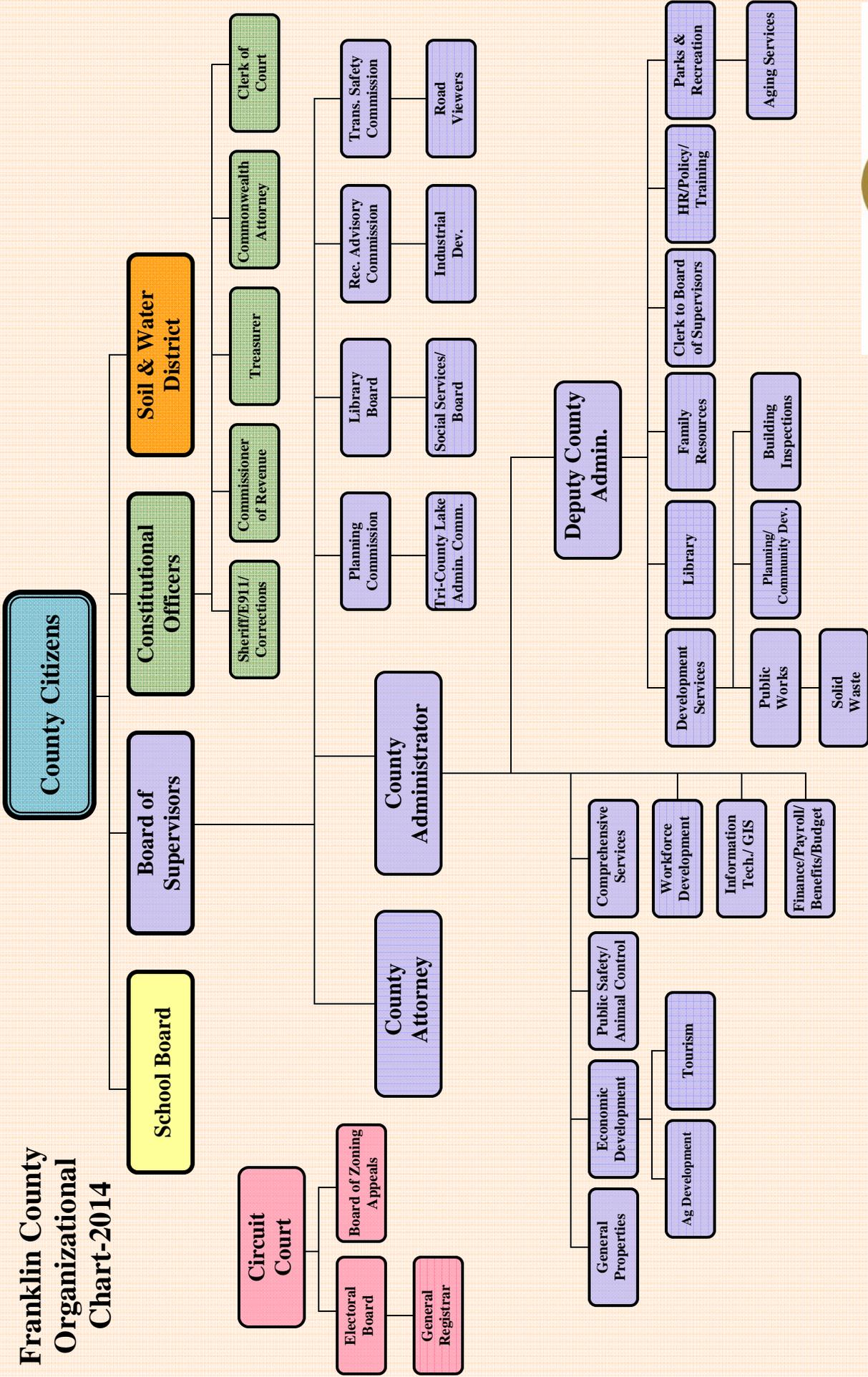
			
<u>Sarah Alexander</u> <i>Chairperson</i> Rocky Mount District	<u>G.B. Washburn, Jr.</u> <i>Vice Chairperson</i> Snow Creek District	<u>Bill Brush</u> Gills Creek District	<u>Crystal Naff</u> Blackwater District
			
<u>P.D. Hambrick</u> Union Hall District	<u>Thad Montgomery</u> Boones District	<u>Julie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

School Administration

Dr. W. Mark Church, Superintendent of Schools

Assistant Superintendent Suzanne M. Rogers
 Director of Human Resources Phillip L. Poff
 Director of Business & Finance Lee E. Cheatham, CPA
 K-12 Director of Curriculum & Instruction Keith Pennington
 Coordinator of Federal Programs Brenda McGrath
 Coordinator of Testing Elaine Hawkins
 Director of Special Programs & Services Gwendolyn A. Adkins
 Director of Technology Services K-12 George F. Washington
 Coordinator of Student Services/Clerk Janet J. Stockton
 Supervisor of Food Services Vacant
 Director of Facilities & Transportation Jonathan Crutchfield
 Supervisor of Transportation Donna C. Carter
 Supervisor of Maintenance Darryl K. Spencer
 Coordinator of Purchasing J. T. Hodges

Franklin County Organizational Chart-2014



Franklin County
A Natural Setting for Opportunity



Government Finance Officers Association

**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, 2013

Executive Director/CEO

FINANCIAL SECTION

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Franklin, Virginia, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the County of Franklin, Virginia's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Franklin, Virginia, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of pension and OPEB funding progress, and budgetary comparison information on pages 14-22, 78, and 79 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2014, on our consideration of the County of Franklin, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County of Franklin, Virginia's internal control over financial reporting and compliance.

Robinson, Turner, Cox Associates

Blacksburg, Virginia
November 18, 2014

Management's Discussion and Analysis

As management of the County of Franklin, Virginia we offer the following discussion and analysis of the County's financial performance and overview of the County's financial activities for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with the additional information that we have furnished in our letter of transmittal.

Financial Highlights for Fiscal Year 2014

- The total net position for governmental activities was \$68.2 million at the end of FY 2014. This figure is based on assets totaling \$114.9 million, liabilities of \$46.7 million, and deferred inflows of resources of \$21,376. Liabilities include a non-current component for long-term debt associated with the acquisition of assets for the County and School system. The total for assets includes school properties financed with debt (Exhibit 1).
- During the year, the County's taxes and other revenues for governmental programs were \$0.7 million more than the \$76.8 million of expenses (Exhibit 2).
- The business-type activities net position at June 30, 2014 totaled \$1.3 million. This figure is based on total assets of \$1.3 million and liabilities of \$141.
- Total general fund revenues were more than the final budgeted amount by \$411 thousand or approximately 0.5 percent. Actual expenditures were \$11.3 million less than the final expenditure budget.
- The County's total outstanding debt increased \$6.6 million at fiscal year-end. New debt was issued for various County projects in the amount of \$9.7 million. Debt retirements totaled \$3.1 million. See Note 6 and 7 for additional information on long-term obligations.
- Component Unit net position was \$17.3 million at the end of FY 2014. Of this amount, \$20.2 million is net investment in capital assets, \$200,000 is restricted, and the unrestricted deficit was \$3 million.
- At the end of the current fiscal year, the general fund unassigned fund balance was approximately \$18.4 million. The Board of Supervisors has adopted a policy to keep the unassigned general fund balance at a minimum of two months of general fund operating revenues.

Overview of the Financial Statements

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

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

The *statement of net position* presents information on all of the County's assets, deferred outflows, liabilities, and deferred inflows of resources with the difference between the three reported as *net position*. Over time,

increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government, judicial administration, public safety, health and welfare, parks and recreation, libraries, solid waste and community development. The only business-type activity is a small water and sewer system at an existing industrial park.

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

Fund Financial Statements

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

The County has three kinds of funds:

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

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

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

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

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

Financial Analysis of the County as a Whole

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

Summary of Net Position:

The following table reflects the condensed Statement of Net Position at June 30, 2014 as presented in the government-wide financial statements (in millions):

	Activities		Activities		Government		Component Unit	
	FY2014	FY2013	FY2014	FY2013	FY2014	FY2013	FY2014	FY2013
Current and other assets	\$ 43.2	\$ 36.1	\$ 0.2	\$ 0.2	\$ 43.4	\$ 36.3	\$ 2.1	\$ 2.6
Capital assets, net	71.7	71.6	1.1	1.1	72.8	72.7	20.2	20.3
Total assets	\$ 114.9	\$ 107.7	\$ 1.3	\$ 1.3	\$ 116.2	\$ 109.0	\$ 22.3	\$ 22.9
Other liabilities	\$ 1.4	\$ 1.5	\$ -	\$ -	\$ 1.4	\$ 1.5	\$ 1.7	\$ 1.4
Long-term liabilities	45.3	38.5	-	-	45.3	38.5	3.2	2.9
Total liabilities	\$ 46.7	\$ 40.0	\$ -	\$ -	\$ 46.7	\$ 40.0	\$ 4.9	\$ 4.3
Deferred inflows of resources	\$ -	\$ 0.1	\$ -	\$ -	\$ -	\$ 0.1	\$ -	\$ -
Net position:								
Net investment in capital assets	\$ 40.6	\$ 47.3	\$ 1.1	\$ 1.1	\$ 41.7	\$ 48.4	\$ 20.1	\$ 20.3
Restricted	7.6	0.4	-	-	7.6	0.4	0.2	0.1
Unrestricted	20.0	19.9	0.2	0.2	20.2	20.1	(3.0)	(1.8)
Total net position	\$ 68.2	\$ 67.6	\$ 1.3	\$ 1.3	\$ 69.5	\$ 68.9	\$ 17.3	\$ 18.6

The County's combined net position increased from \$68.9 million to \$69.5 million as a result of the increase in net activities of \$0.6 million. The increase is the result of stronger than anticipated revenues received during the fiscal year. Unrestricted governmental net position, the portion of net position that can be used to finance the day-to-day activities of the County totaled \$20 million. Net position net investment in capital assets represents the amount of capital assets owned by the County less any related debt. Net position is reported as restricted when constraints on asset use are externally imposed by creditors, grantors, contributors, regulators, or imposed by law through constitutional provisions or enabling legislation. For Example: E911 funds are restricted so that they can be used for the E911 purposes.

Business-type net position did not change during the fiscal year.

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

Summary of Activities:

The following table shows the revenues and expenses of the governmental activities for the year ended June 30, 2014 (in millions):

	Governmental Activities		Business-type Activities		Total Primary Government		Component Unit	
	FY2014	FY2013	FY2014	FY2013	FY2014	FY2013	FY2014	FY2013
Revenues:								
Program revenues:								
Charges for Services	\$ 3.3	\$ 3.0	\$ -	\$ -	\$ 3.3	\$ 3.0	\$ 2.3	\$ 2.1
Operating Grants & Contributions	12.5	11.4	-	-	12.5	11.4	44.6	44.8
Capital Grants & Contributions	0.3	0.9	-	-	0.3	0.9	-	-
Total Program Revenues	\$ 16.1	\$ 15.3	\$ -	\$ -	\$ 16.1	\$ 15.3	\$ 46.9	\$ 46.9
General Revenues:								
Property Taxes	\$ 46.5	\$ 46.3	\$ -	\$ -	\$ 46.5	\$ 46.3	\$ -	\$ -
Other Taxes	7.8	8.1	-	-	7.8	8.1	-	-
Other	7.0	7.2	-	-	7.0	7.2	0.5	0.4
Payments from the County	-	-	-	-	-	-	32.5	31.9
Total General Revenues	\$ 61.3	\$ 61.6	\$ -	\$ -	\$ 61.3	\$ 61.6	\$ 33.0	\$ 32.3
Total Revenues	\$ 77.4	\$ 76.9	\$ -	\$ -	\$ 77.4	\$ 76.9	\$ 79.9	\$ 79.2
Expenses								
General Government Administration	\$ 4.6	\$ 4.3	\$ -	\$ -	\$ 4.6	\$ 4.3	\$ -	\$ -
Judicial Administration	2.3	2.5	-	-	2.3	2.5	-	-
Public Safety	14.8	14.6	-	-	14.8	14.6	-	-
Public Works	5.0	4.7	-	-	5.0	4.7	-	-
Health and Welfare	11.0	10.3	-	-	11.0	10.3	-	-
Education	32.5	31.9	-	-	32.5	31.9	81.2	80.3
Parks, Recreation, and Cultural	2.0	2.1	-	-	2.0	2.1	-	-
Community Development	3.6	3.0	-	-	3.6	3.0	-	-
Interest on Long-Term Debt	1.0	1.0	-	-	1.0	1.0	-	-
Water	-	-	-	-	-	-	-	-
Total Expenses	\$ 76.8	\$ 74.4	\$ -	\$ -	\$ 76.8	\$ 74.4	\$ 81.2	\$ 80.3
Excess or Deficiency Before Transfers	\$ 0.6	\$ 2.5	\$ -	\$ -	\$ 0.6	\$ 2.5	\$ (1.3)	\$ (1.1)
Transfers	-	0.8	-	(0.8)	-	-	-	-
Change in Net Position	\$ 0.6	\$ 3.3	\$ -	\$ (0.8)	\$ 0.6	\$ 2.5	\$ (1.3)	\$ (1.1)
Net Position, Beginning	67.6	64.3	1.3	2.1	68.9	66.4	18.6	19.7
Net Position, Ending	\$ 68.2	\$ 67.6	\$ 1.3	\$ 1.3	\$ 69.5	\$ 68.9	\$ 17.3	\$ 18.6

Revenues

For the fiscal year ended June 30, 2014, revenues from governmental activities totaled \$77.4 million, an increase of \$0.5 million from the prior fiscal year. Property tax revenues, the County's largest local revenue source, were \$46.5 million, an increase of \$0.2 million over the prior fiscal year primarily from new construction within the County. The County assesses all real property every four years. The most recent reassessed values were effective January 1, 2012.

Other local taxes (including sales taxes, recordation taxes, and meals taxes) were \$7.8 million, which was a decrease of \$.3 million from FY 2013. The County implemented a vehicle license fee during the year instead of selling window decals. This fee was at a reduced rate the first year (FY13-14). Operating grants and contributions totaled \$12.5 million, reflecting a small increase from the prior fiscal year. Additional funds were received for the Comprehensive Services Program from the Commonwealth of Virginia which helped offset additional expenditures of this program.

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

Component unit revenues total \$79.9 million, including a \$32.5 million payment from the general government. The increase in revenues was due to additional local funds from the general government.

Expenses

For the fiscal year ended June 30, 2014, expenses for governmental activities totaled \$76.8 million. Expenses contain the local county support of the school system.

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

Education is a high priority in the Franklin County community; consequently the County contributed \$32.5 million to the operation of the Franklin County schools. This amount represented about 42% of the County's governmental activities expenses.

Financial Analysis of the County's Funds

For the fiscal year ended June 30, 2014, the County's general fund reflects total fund balances of \$21.4 million, roughly an increase of \$0.5 million from the fiscal year ended June 30, 2013. The increase is from growth in the County's general property taxes from new construction and higher personal property values.

The County Capital Projects fund balance increased from fiscal year 12-13. The County borrowed \$9.7 million during fiscal year 13-14 for various county projects. Approximately \$7.3 million of this debt issuance remained unspent at June 30, 2014. It is anticipated that these funds will be expended during FY14-15.

Other Governmental Funds comprise the E911 fund. This fund balance increased slightly from FY 12-13 to FY 13-14.

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, 2013.
- To re-appropriate monies to pay for commitments in the form of encumbrances established prior to June 30, 2013 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 13-14 (in millions):

	Original <u>Budget</u>	Amended <u>Budget</u>	<u>Actual</u>
Revenues:			
Taxes	\$ 46.1	\$ 46.1	\$ 46.8
Intergovernmental	17.7	18.3	17.8
Other	12.6	13.0	13.2
Total revenues	<u>\$ 76.4</u>	<u>\$ 77.4</u>	<u>\$ 77.8</u>
Expenditures:			
Expenditures	<u>\$ 72.9</u>	<u>\$ 84.8</u>	<u>\$ 73.6</u>
Total expenditures	<u>\$ 72.9</u>	<u>\$ 84.8</u>	<u>\$ 73.6</u>
Other financing sources (uses):	<u>\$ (3.9)</u>	<u>\$ 2.1</u>	<u>\$ (3.8)</u>
Net change in fund balance	\$ -	\$ (5.3)	\$ 0.4
Fund balance - beginning	-	5.3	20.9
Fund balance - ending	<u>\$ -</u>	<u>\$ 0.0</u>	<u>\$ 21.3</u>

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

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

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

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

Actual expenditures were less than the final amended budget because of capital projects being budgeted but not spent during the 2013-2014 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, 2014, in millions of dollars:

	Governmental Activities		Business-type Activities		Total Primary Government		Component Unit	
	FY2014	FY2013	FY2014	FY2013	FY2014	FY2013	FY2014	FY2013
Non-Depreciable Assets:								
Land	\$ 6.5	\$ 6.1	\$ -	\$ -	\$ 6.5	\$ 6.1	\$ 0.7	\$ 0.7
Construction in Progress	1.1	6.6	-	-	1.1	6.6	0.2	0.1
Other Capital Assets:								
Buildings and Systems	71.4	70.8	-	-	71.4	70.8	35.1	34.5
Infrastructure	6.1	-	1.3	1.3	7.4	1.3	-	-
Machinery and Equipment	25.4	23.9	-	-	25.4	23.9	17.4	16.4
Accumulated Depreciation	(38.8)	(35.8)	(0.2)	(0.2)	(39.0)	(36.0)	(33.2)	(31.4)
Total	\$ 71.7	\$ 71.6	\$ 1.1	\$ 1.1	\$ 72.8	\$ 72.7	\$ 20.2	\$ 20.3

The table below shows the change in capital assets for the fiscal year ended June 30, 2014 in millions of dollars:

	Balance	Net	Balance
	June 30, 2013	Additions/ Deletions	June 30, 2014
Non-Depreciable Assets:			
Land	\$ 6.8	\$ 0.4	\$ 7.2
Construction in Progress	6.7	(5.6)	1.1
Other Capital Assets:			
Buildings and Systems	105.3	1.1	106.4
Infrastructure	1.3	6.0	7.3
Machinery and Equipment	40.3	2.6	42.9
Accumulated Depreciation	(67.4)	(4.5)	(71.9)
Total	\$ 93.0	\$ -	\$ 93.0

During the FY 13-14 budget process, the Board of Supervisors approved a five-year Capital Improvement Program (CIP) that totaled \$3.1 million for FY 13-14. 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 Obligations

The following table displays the County and Schools (Component Unit) Outstanding Debt at June 30, 2014 and at June 30, 2013, in millions of dollars:

	Governmental Activities		Business-type Activities		Total Primary Government		Component Unit	
	FY2014	FY2013	FY2014	FY2013	FY2014	FY2013	FY2014	FY2013
General Obligation Bonds	\$ 33.2	\$ 26.5	\$ -	\$ -	\$ 33.2	\$ 26.5	\$ -	\$ -
Revenue Bonds	-	-	-	-	-	-	-	-
Literary Loans	-	-	-	-	-	-	-	-
Capital Leases	0.4	0.5	-	-	0.4	0.5	-	-
Landfill Closure/Post Closure Liability	9.6	9.3	-	-	9.6	9.3	-	-
Compensated Absences	1.4	1.6	-	-	1.4	1.6	0.9	0.9
Other Post Employment Benefits	0.7	0.6	-	-	0.7	0.6	2.3	2.0
Total	\$ 45.3	\$ 38.5	\$ -	\$ -	\$ 45.3	\$ 38.5	\$ 3.2	\$ 2.9

Additional detailed information on long-term debt activity can be found in Note 6 and Note 7 in the “Notes to Financial Statements” section of the report.

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

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

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

Economic Factors and Future Budgets

Recent trends and revenue forecasts from the Commonwealth of Virginia indicate that the State is experiencing the same economic slowdown that is impacting our national economy as well. Although Franklin County's population growth continues to be one of the fastest in the State of Virginia, the County is still very dependent on the State for support of the school system and constitutional officers including the Sheriff's office. Approximately 49% of total County revenues are from the State of Virginia.

Factors that are expected to impact future budgets include:

- Projected increases in health insurance premiums and retirement contribution rates assessed by the Virginia Retirement System.
- Funding for the Capital Improvement Plan.
- Uncertainty regarding the local and national economy especially including new housing starts.
- Future State funding for local Constitutional Officers and the School division.

Contacting the County's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the resources it receives and their uses. Questions concerning this report or requests for additional financial information should be directed to the Director of Finance, 1255 Franklin Street, Suite 111, Rocky Mount, Virginia 24151, telephone (540) 483-6624. The County's website address is www.franklincountyva.org.

Basic Financial Statements

County of Franklin, Virginia
 Statement of Net Position
 June 30, 2014

	Primary Government			Component
	Governmental Activities	Business-type Activities	Total	Unit School Board
ASSETS				
Cash and cash equivalents	\$ 30,863,690	\$ 209,872	\$ 31,073,562	\$ -
Cash in custody of others	7,303,213	-	7,303,213	-
Receivables (net of allowance for uncollectibles):				
Taxes receivable	2,177,621	-	2,177,621	-
Accounts receivable	-	648	648	17,607
Other local taxes receivable	645,855	-	645,855	-
Due from other governmental units	2,282,857	-	2,282,857	1,905,116
Restricted assets:				
Cash and cash equivalents (in custody of others)	-	-	-	219,630
Capital assets (net of accumulated depreciation):				
Land	6,511,756	-	6,511,756	725,315
Buildings and improvements	50,595,938	-	50,595,938	13,804,910
Machinery and equipment	7,400,971	-	7,400,971	5,595,089
Infrastructure	6,080,772	1,102,086	7,182,858	-
Construction in progress	1,081,206	-	1,081,206	25,000
Total assets	\$ 114,943,879	\$ 1,312,606	\$ 116,256,485	\$ 22,292,667
LIABILITIES				
Accounts payable	\$ 872,762	\$ 141	\$ 872,903	\$ 570,928
Accrued liabilities	-	-	-	604,031
Accrued interest payable	512,867	-	512,867	-
Revenue anticipation note	-	-	-	552,425
Long-term liabilities:				
Due within one year	4,889,299	-	4,889,299	642,554
Due in more than one year	40,403,400	-	40,403,400	2,598,502
Total liabilities	\$ 46,678,328	\$ 141	\$ 46,678,469	\$ 4,968,440
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue - prepaid property taxes	\$ 21,376	\$ -	\$ 21,376	\$ -
NET POSITION				
Net investment in capital assets	\$ 40,566,426	\$ 1,102,086	\$ 41,668,512	\$ 20,150,314
Restricted:				
E-911	127,500	-	127,500	-
Law Library	103,824	-	103,824	-
Forfeited Assets	120,428	-	120,428	-
Courthouse maintenance	21,787	-	21,787	-
School cafeteria programs	-	-	-	219,630
Capital projects	7,303,213	-	7,303,213	-
Unrestricted (deficit)	20,000,997	210,379	20,211,376	(3,045,717)
Total net position	\$ 68,244,175	\$ 1,312,465	\$ 69,556,640	\$ 17,324,227

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, 2014

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit	
	Expenses	Charges for Services	Operating Grants and Contributions		Governmental Activities	Business-type Activities			Total
			Capital Grants and Contributions	Primary Government		Business-type	School Board		
PRIMARY GOVERNMENT:									
Governmental activities:									
General government administration	\$ 4,618,400	\$ 12,224	\$ 435,976	\$ -	\$ (4,170,200)	\$ -	\$ (4,170,200)	\$ -	
Judicial administration	2,317,632	162,402	952,952	-	(1,202,278)	-	(1,202,278)	-	
Public safety	14,813,690	1,943,658	3,497,308	153,532	(9,219,192)	-	(9,219,192)	-	
Public works	5,018,567	942,265	17,727	-	(4,058,575)	-	(4,058,575)	-	
Health and welfare	10,968,715	18,731	7,385,555	-	(3,564,429)	-	(3,564,429)	-	
Education	32,492,221	-	-	-	(32,492,221)	-	(32,492,221)	-	
Parks, recreation, and cultural	1,952,891	188,675	158,449	21,120	(1,584,647)	-	(1,584,647)	-	
Community development	3,572,124	-	53,945	125,158	(3,393,021)	-	(3,393,021)	-	
Interest on long-term debt	1,046,709	-	-	-	(1,046,709)	-	(1,046,709)	-	
Total governmental activities	\$ 76,800,949	\$ 3,267,955	\$ 12,501,912	\$ 299,810	\$ (60,731,272)	\$ -	\$ (60,731,272)	\$ -	
Business-type activities:									
Utility Fund	\$ 47,643	\$ 25,371	\$ -	\$ -	\$ -	\$ (22,272)	\$ (22,272)	\$ -	
Total primary government	\$ 76,848,592	\$ 3,293,326	\$ 12,501,912	\$ 299,810	\$ (60,731,272)	\$ (22,272)	\$ (60,753,544)	\$ -	
COMPONENT UNITS:									
School Board	\$ 81,170,200	\$ 2,296,548	\$ 44,558,329	\$ -	\$ -	\$ -	\$ (34,315,323)	\$ -	
Total component units	\$ 81,170,200	\$ 2,296,548	\$ 44,558,329	\$ -	\$ -	\$ -	\$ (34,315,323)	\$ -	
General revenues:									
General property taxes					\$ 46,505,312	\$ -	\$ 46,505,312	\$ -	
Other local taxes:									
Local sales and use taxes					4,087,355	-	4,087,355	-	
Consumers' utility taxes					976,804	-	976,804	-	
Business license taxes					13,745	-	13,745	-	
Utility license taxes					231,095	-	231,095	-	
Motor vehicle licenses					833,472	-	833,472	-	
Bank stock taxes					156,590	-	156,590	-	
E-911 taxes					1,856	-	1,856	-	
Taxes on recordation and wills					468,085	-	468,085	-	
Hotel and motel room taxes					86,010	-	86,010	-	
Restaurant food taxes					990,322	-	990,322	-	
Unrestricted revenues from use of money and property					1,142,792	-	1,142,792	858	
Miscellaneous					552,240	-	552,240	557,254	
Payments from the County of Franklin, Virginia					-	-	-	32,492,221	
Grants and contributions not restricted to specific programs					5,371,657	-	5,371,657	-	
Transfers					(17,000)	17,000	-	-	
Total general revenues and transfers					\$ 61,400,335	\$ 17,000	\$ 61,417,335	\$ 33,033,456	
Change in net position					\$ 669,063	\$ (5,272)	\$ 663,791	\$ (1,281,867)	
Net position - beginning					67,575,112	1,317,737	68,892,849	18,606,094	
Net position - ending					\$ 68,244,175	\$ 1,312,465	\$ 69,556,640	\$ 17,324,227	

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

County of Franklin, Virginia
Balance Sheet
Governmental Funds
June 30, 2014

	<u>General</u>	County Capital <u>Projects</u>	Other Governmental <u>Funds</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 18,780,083	\$ 11,954,702	\$ 128,905	\$ 30,863,690
Cash in custody of others	-	7,303,213	-	7,303,213
Receivables (net of allowance for uncollectibles):				
Taxes receivable	2,177,621	-	-	2,177,621
Other local taxes receivable	645,855	-	-	645,855
Due from other governmental units	2,248,549	24,275	10,033	2,282,857
Total assets	<u>\$ 23,852,108</u>	<u>\$ 19,282,190</u>	<u>\$ 138,938</u>	<u>\$ 43,273,236</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 714,042	\$ 147,282	\$ 11,438	\$ 872,762
Total liabilities	<u>\$ 714,042</u>	<u>\$ 147,282</u>	<u>\$ 11,438</u>	<u>\$ 872,762</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - prepaid property taxes	\$ 21,376	\$ -	\$ -	\$ 21,376
Unavailable revenue - property taxes	1,759,557	-	-	1,759,557
Total deferred inflows of resources	<u>\$ 1,780,933</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,780,933</u>
Fund balances:				
Restricted:				
E-911	\$ -	\$ -	\$ 127,500	\$ 127,500
Law Library	103,824	-	-	103,824
Forfeited Assets	120,428	-	-	120,428
Capital projects	-	7,303,213	-	7,303,213
Courthouse maintenance	21,787	-	-	21,787
Assigned				
Debt service	2,681,011	-	-	2,681,011
Capital projects	-	11,831,695	-	11,831,695
Unassigned	18,430,083	-	-	18,430,083
Total fund balances	<u>\$ 21,357,133</u>	<u>\$ 19,134,908</u>	<u>\$ 127,500</u>	<u>\$ 40,619,541</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 23,852,108</u>	<u>\$ 19,282,190</u>	<u>\$ 138,938</u>	<u>\$ 43,273,236</u>

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

County of Franklin, Virginia
 Reconciliation of the Balance Sheet of Governmental Funds
 To the Statement of Net Position
 June 30, 2014

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds		\$ 40,619,541
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Land	\$ 6,511,756	
Buildings and improvements	50,595,938	
Machinery and equipment	7,400,971	
Infrastructure	6,080,772	
Construction in progress	<u>1,081,206</u>	71,670,643

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.

Unavailable revenue		1,759,557
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Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.

General obligation bonds	\$ (32,851,741)	
Capital leases	(394,723)	
Accrued interest payable	(512,867)	
Unamortized bond premium	(312,753)	
Landfill closure/postclosure liability	(9,594,348)	
Compensated absences	(1,438,974)	
Net OPEB obligation	<u>(700,160)</u>	(45,805,566)

Net position of governmental activities		<u><u>\$ 68,244,175</u></u>
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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, 2014

	<u>General</u>	<u>County Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total</u>
REVENUES				
General property taxes	\$ 46,773,366	\$ -	\$ -	\$ 46,773,366
Other local taxes	7,843,478	-	1,856	7,845,334
Permits, privilege fees, and regulatory licenses	381,133	-	-	381,133
Fines and forfeitures	110,411	-	-	110,411
Revenue from the use of money and property	1,135,569	7,223	-	1,142,792
Charges for services	2,776,411	-	-	2,776,411
Miscellaneous	472,712	66,301	13,227	552,240
Recovered costs	466,701	-	-	466,701
Intergovernmental:				
Commonwealth	15,021,926	299,810	59,042	15,380,778
Federal	2,792,601	-	-	2,792,601
Total revenues	<u>\$ 77,774,308</u>	<u>\$ 373,334</u>	<u>\$ 74,125</u>	<u>\$ 78,221,767</u>
EXPENDITURES				
Current:				
General government administration	\$ 3,847,437	\$ -	\$ -	\$ 3,847,437
Judicial administration	2,289,679	-	-	2,289,679
Public safety	13,046,489	-	1,048,731	14,095,220
Public works	3,597,660	-	-	3,597,660
Health and welfare	11,053,119	-	-	11,053,119
Education	30,184,630	1,362,326	-	31,546,956
Parks, recreation, and cultural	1,950,171	-	-	1,950,171
Community development	3,598,642	-	-	3,598,642
Nondepartmental	3,978	-	-	3,978
Capital projects	-	4,090,825	-	4,090,825
Debt service:				
Principal retirement	3,122,132	-	-	3,122,132
Interest and other fiscal charges	852,941	-	-	852,941
Bond issuance costs	-	120,500	-	120,500
Total expenditures	<u>\$ 73,546,878</u>	<u>\$ 5,573,651</u>	<u>\$ 1,048,731</u>	<u>\$ 80,169,260</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 4,227,430</u>	<u>\$ (5,200,317)</u>	<u>\$ (974,606)</u>	<u>\$ (1,947,493)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 1,731,945	\$ 4,546,642	\$ 966,424	\$ 7,245,011
Transfers out	(5,530,066)	(1,731,945)	-	(7,262,011)
Issuance of general obligation refunding bonds	-	9,744,000	-	9,744,000
Total other financing sources (uses)	<u>\$ (3,798,121)</u>	<u>\$ 12,558,697</u>	<u>\$ 966,424</u>	<u>\$ 9,727,000</u>
Net change in fund balances	\$ 429,309	\$ 7,358,380	\$ (8,182)	\$ 7,779,507
Fund balances - beginning	20,927,824	11,776,528	135,682	32,840,034
Fund balances - ending	<u>\$ 21,357,133</u>	<u>\$ 19,134,908</u>	<u>\$ 127,500</u>	<u>\$ 40,619,541</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, 2014

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

Net change in fund balances - total governmental funds \$ 7,779,507

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period.

Capital outlays \$ 3,798,283
Depreciation expenses (3,701,344) 96,939

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position. (9,013)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (268,054)

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Debt issued or incurred:
Issuance of general obligation debt \$ (9,744,000)
Principal repayments:
General obligation bonds and literary loans 2,982,085
Capital leases 140,047
Decrease (increase) in estimated liability:
Landfill closure/postclosure liability (272,273) (6,894,141)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.

Decrease (increase) in compensated absences \$ 109,093
Decrease (increase) in accrued interest payable (100,247)
Amortization of bond premium 26,979
(Increase) decrease in net OPEB obligation (72,000) (36,175)

Change in net position of governmental activities \$ 669,063

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

County of Franklin, Virginia
Statement of Net Position
Proprietary Fund
June 30, 2014

	Enterprise Fund
	Utility Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 209,872
Accounts receivable, net of allowance for uncollectibles	648
Total current assets	\$ 210,520
Noncurrent assets:	
Capital assets:	
Infrastructure	\$ 1,319,774
Accumulated depreciation	(217,688)
Total capital assets	\$ 1,102,086
Total noncurrent assets	\$ 1,102,086
Total assets	\$ 1,312,606
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 141
Total current liabilities	\$ 141
Total liabilities	\$ 141
NET POSITION	
Investment in capital assets	\$ 1,102,086
Unrestricted	210,379
Total net position	\$ 1,312,465

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

County of Franklin, Virginia
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
For the Year Ended June 30, 2014

	Enterprise Fund
	Utility Fund
OPERATING REVENUES	
Charges for services:	
Water and sewer revenue	\$ 25,371
Total operating revenues	\$ 25,371
OPERATING EXPENSES	
Utilities	\$ 3,878
Repairs and maintenance	516
Professional services	10,404
Depreciation	32,845
Total operating expenses	\$ 47,643
Operating income (loss)	\$ (22,272)
Income before transfers	\$ (22,272)
Transfers in	\$ 17,000
Change in net position	\$ (5,272)
Total net position - beginning	1,317,737
Total net position - ending	\$ 1,312,465

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, 2014

	Enterprise Fund <u>Utility Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 26,299
Payments for materials and supplies	(14,667)
Net cash provided by (used for) operating activities	<u>\$ 11,632</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	<u>\$ 17,000</u>
Net cash provided by (used for) noncapital financing activities	<u>\$ 17,000</u>
Net increase (decrease) in cash and cash equivalents	\$ 28,632
Cash and cash equivalents - beginning	181,240
Cash and cash equivalents - ending	<u><u>\$ 209,872</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	<u>\$ (22,272)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	\$ 32,845
(Increase) decrease in accounts receivable	928
Increase (decrease) in accounts payable	131
Total adjustments	<u>\$ 33,904</u>
Net cash provided by (used for) operating activities	<u><u>\$ 11,632</u></u>

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

County of Franklin, Virginia
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2014

	Agency Funds
ASSETS	
Cash and cash equivalents	\$ 286,237
Cash in custody of others	46,071
Total assets	\$ 332,308
 LIABILITIES	
Amounts held for social services clients	\$ 82,829
Amounts held for citizens	20,231
Amounts held for performance bonds	179,177
Amounts held for Library	4,000
Amounts held for inmates	46,071
Total liabilities	\$ 332,308

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

COUNTY OF FRANKLIN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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. Financial 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, 2014, the Franklin County School Board contributed \$1,060,900 to this Organization. Other organizations to which the County makes appointments and contributions are listed below:

Roanoke Valley Economic Development Partnership	\$	116,541
Piedmont Community Services		92,596
Roanoke Valley Detention Commission		182,225
Western Virginia Regional Jail		2,228,461

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

B. Government-wide and fund financial statements

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

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

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

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

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

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

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

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

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

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

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

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

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

The County reports the following major governmental funds:

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

The County reports the following major capital projects funds:

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

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

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

The County reports the following major proprietary fund:

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

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

The government reports the following nonmajor governmental funds:

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

Additionally, the government reports the following fund types:

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

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

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

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

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

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

D. Deferred Outflows/Inflows of Resources:

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure/expense) until then. The County does not have any deferred outflows of resources as of June 30, 2014.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: perproperty taxes and special ssesmetns. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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

1. Cash and Cash Equivalents

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

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

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

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

2. Receivables and payables

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

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

3. Property Taxes

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

4. Allowance for Uncollectible Accounts

The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$709,265 at June 30, 2014 and is comprised solely of property taxes.

5. Use of Estimates

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

6. Capital assets

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

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

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

6. Capital assets (continued)

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

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

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

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

7. Compensated Absences

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

8. Long-term obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

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

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

9. Fund equity

The County reports fund balances in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The County of Franklin, Virginia evaluated its funds at June 30, 2014 and classified fund balance into the following five categories:

Nonspendable -items that cannot be spent because they are not in spendable form, such as prepaid items and inventory, or are required to be maintained intact (corpus of a permanent fund).

Restricted -items that are restricted by external parties such as creditors or imposed by grants, law or legislation

Committed -The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The County Board of Supervisors is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Assigned -Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The County Board of Supervisors (Board) has by resolution authorized the Finance Director to assign fund balance. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment. At year end the assigned fund balance represents an amount necessary to balance the subsequent year's budget (i.e. budgeted use of reserves).

Unassigned -this category is for any balances that have no restrictions placed upon them; positive amounts are only reported in the General Fund.

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

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

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

9. Fund equity (continued)

Minimum fund balance policy - The governing body has adopted a financial policy to maintain a minimum level of unassigned fund balance in the general fund. The target level is set at two months of general fund annual revenues (approximately 16.7%). This amount is intended to provide fiscal stability when economic downturns and other unexpected events occur. If unassigned fund balance falls below the minimum target level because it has been used, essentially as a “revenue” source, as dictated by current circumstances, the policy provides for actions to replenish the amount to the minimum target level.

10. Net Position

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

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

11. Prepaid Items

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

12. Inventories

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

13. Cash in the Custody of Others

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

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

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

14. Net Position Flow Assumption

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

Note 2-Stewardship, Compliance, and Accountability:

A. Budgetary information

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

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

Note 2-Stewardship, Compliance, and Accountability: (continued)

B. Budgetary information (continued)

8. Budgetary data presented in the accompanying financial statements is the revised budget as of June 30, and the original budget adopted by the Board of Supervisors.
9. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to commit that portion of the applicable appropriations, is not part of the County's accounting system.

A. Excess of expenditures over appropriations

There were no expenditures exceeding appropriations for the year ended June 30, 2014.

B. Deficit fund equity

At June 30, 2014, there were no funds with deficit fund equity.

Note 3-Deposits and Investments:

Deposits:

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

Investments:

Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, bankers acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP). As of June 30, 2014 and for the year then ended, the County did not have any investments.

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Note 3-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, 2014, 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, 2014, 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, 2014, the County did not have any investments meeting the GASB 40 definition requiring interest rate risk disclosures.

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COUNTY OF FRANKLIN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

Note 4-Due from Other Governmental Units:

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

	<u>Primary Government</u>	<u>Component Unit- School Board</u>
<u>Commonwealth of Virginia:</u>		
Local sales tax	\$ 761,430	\$ -
State sales tax	-	651,379
Noncategorical aid	139,436	-
Categorical aid-shared expenses	377,814	-
Categorical aid-VPA funds	154,576	-
Categorical aid-CSA funds	572,687	-
Other categorical aid	35,244	498,747
<u>Federal Government:</u>		
Categorical aid-VPA funds	227,822	-
Other categorical aid	13,848	754,990
Totals	<u>\$ 2,282,857</u>	<u>\$ 1,905,116</u>

Note 5-Interfund Transfers:

Interfund transfers for the year ended June 30, 2014, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
<u>Primary Government:</u>		
General Fund	\$ 1,731,945	\$ 5,530,066
Utility Fund	17,000	-
County Capital Projects Fund	4,546,642	1,731,945
E-911 Fund	966,424	-
Total	<u>\$ 7,262,011</u>	<u>\$ 7,262,011</u>

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

COUNTY OF FRANKLIN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

Note 6-Long-Term Obligations:

Primary Government - Governmental Activities Obligations:

The following is a summary of long-term obligation transactions of the County for the year ended June 30, 2014.

	<u>Balance</u> <u>July 1, 2013</u>	<u>Increases/</u> <u>Issuances</u>	<u>Decreases/</u> <u>Retirements</u>	<u>Balance</u> <u>June 30, 2014</u>
General Obligation				
Bonds and Notes	\$ 26,089,826	\$ 9,744,000	(2,982,085)	\$ 32,851,741
Premiums on General Obligation bonds	339,732	-	(26,979)	312,753
Capital leases	534,770	-	(140,047)	394,723
Landfill closure/postclosure liability	9,322,075	324,370	(52,097)	9,594,348
Compensated absences	1,548,066	1,051,957	(1,161,050)	1,438,974
Net OPEB obligation	628,160	108,000	(36,000)	700,160
	<u>\$ 38,462,629</u>	<u>\$ 11,228,327</u>	<u>\$ (4,398,258)</u>	<u>\$ 45,292,699</u>
Total				

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

<u>Year Ending</u> <u>June 30,</u>	<u>General Obligation Bonds and Notes</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$ 3,680,256	\$ 1,097,479
2016	3,273,636	942,546
2017	3,332,234	840,756
2018	3,391,472	738,416
2019	2,836,837	635,496
2020-2024	10,141,827	1,930,553
2025-2030	5,150,480	643,652
2031-2034	850,000	152,188
2035	194,999	4,669
Totals	<u>\$ 32,851,741</u>	<u>\$ 6,985,755</u>

Note 6-Long-Term Obligations: (continued)

Primary Government - Governmental Activities Obligations: (continued)

The County has entered into capital leases for a trash compactor and track excavator. These lease agreements qualify as capital leases for accounting purposes and therefore have been recorded at the present value of future minimum lease payments as of the inception date.

Total capital assets acquired through capital leases are as follows:

Trash compactor-Landfill	\$ 584,653
Waste Track Type Loader-Landfill	279,894
Total capital assets	<u>\$ 864,547</u>
Accumulated Depreciation	<u>(235,669)</u>
Net Book Value of Capital Assets	<u><u>\$ 628,878</u></u>

Present value of future minimum lease payments:

Year Ending June 30,	Capital Leases
2015	\$ 135,145
2016	135,145
2017	135,146
Total minimum lease payments	<u>\$ 405,436</u>
Less: amount representing interest	<u>(10,713)</u>
Present value of future minimum lease payments	<u><u>\$ 394,723</u></u>

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COUNTY OF FRANKLIN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

Note 6-Long-Term Obligations: (continued)

Primary Government - Governmental Activities Obligations: (continued)

Details of long-term obligations:

	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Balance Governmental Activities	Amount Due Within One Year
General Obligation Bonds and Notes:						
GO bond ²	5.0-5.9%	11/16/2000	2020	\$ 6,285,526	\$ 2,453,274	\$ 331,460
GO bond ²	5.1-6.35%	5/18/2000	2021	3,400,000	1,190,000	170,000
GO bond ²	4.1-5.6%	11/10/2004	2025	2,500,000	1,375,000	125,000
GO bond ¹	3.710%	7/13/2005	2021	6,500,000	1,362,696	179,820
GO bond ²	4.225-5.1%	11/9/2006	2027	6,760,943	4,477,284	318,330
GO bond ¹	3.910%	12/20/2007	2023	4,253,000	2,855,998	282,141
GO bond ²	3.910%	12/20/2007	2023	4,897,000	3,287,489	324,755
GO bond ³	4.68%	6/12/2009	2035	2,905,000	2,645,000	75,000
GO bond ¹	2.75%	11/20/2013	2029	8,518,000	8,518,000	423,000
GO bond ¹	2.15%	11/20/2013	2019	1,226,000	1,226,000	231,000
Note Payable - WVCC ¹	0.00%	12/15/2009	2019	1,000,000	500,000	100,000
GO refunding bond ²	1.45%	8/27/2012	2018	3,068,750	2,455,000	613,750
GO refunding bond ¹	1.615%	6/24/2010	2014	2,464,000	506,000	506,000
Total General Obligation Bonds and Notes					<u>\$ 32,851,741</u>	<u>\$ 3,680,256</u>
Other Obligations:						
Landfill Closure/Postclosure Liability					\$ 9,594,348	\$ -
Capital Leases					394,723	129,812
Premiums on GO Bonds					312,753	-
Compensated Absences					1,438,974	1,079,231
Net OPEB Obligation					700,160	-
Total Other Obligations					<u>\$ 12,440,958</u>	<u>\$ 1,209,043</u>
Total Long-term obligations					<u>\$ 45,292,699</u>	<u>\$ 4,889,299</u>

¹ Denotes debt issued for General Government Projects

⁴ Denotes debt issued for School Construction

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

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

Discretely Presented Component Unit-School Board Obligations:

The following is a summary of long-term obligation transactions of the Component-Unit School Board for the year ended June 30, 2014.

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
Compensated absences	\$ 846,935	\$ 645,005	\$ (635,201)	\$ 856,739
Net OPEB obligation	1,940,180	450,000	(204,000)	2,186,180
VRS net pension obligations	98,726	99,411	-	198,137
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	\$ 2,885,841	\$ 1,194,416	\$ (839,201)	\$ 3,241,056
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Details of long-term obligations:

	Total Amount	Amount Due Within One Year
<u>Other Obligations:</u>		
Compensated absences	\$ 856,739	\$ 642,554
Net OPEB obligation	2,186,180	-
VRS net pension obligation	198,137	-
	<u> </u>	<u> </u>
Total Long-Term Obligations	\$ 3,241,056	\$ 642,554
	<u> </u>	<u> </u>

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

Note 8-Short-Term Debt:

The School Board, through the County, issued a revolving line of credit during the fiscal year in anticipation of contributions from the County government. This anticipation note carried an interest rate of 1.5% and was paid off on July 1, 2014.

Short-term debt activity was as follows:

	Balance July 1, 2013	Issuances	Retirements	Balance June 30, 2014
Revenue anticipation note	\$ -	\$ 552,425	\$ -	\$ 552,425
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Note 9-Pension Plan:

A. Plan Description

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

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

Within the VRS Plan, the System administers three different benefit plans for local government employees - Plan 1, Plan 2, and, Hybrid. Each plan has different eligibility and benefit structures as set out below:

VRS – PLAN 1

- 1. Plan Overview** - VRS Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.
- 2. Eligible Members** - Employees are in VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.
- 3. Hybrid Opt-In Election** - VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible VRS Plan 1 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Members who were eligible for an optional retirement plan (ORP) and had prior service under VRS Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 1 or ORP.

Note 9-Pension Plan: (continued)

A. Plan Description (continued)

VRS – PLAN 1 (continued)

4. **Retirement Contributions** - Members contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions and political subdivisions elected to phase in the required 5% member contribution; all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.
5. **Creditable Service** - Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.
6. **Vesting** - Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.

Members are always 100% vested in the contributions that they make.

7. **Calculating the Benefit** - The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.

An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.

8. **Average Final Compensation** - A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.
9. **Service Retirement Multiplier** - The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.7%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.7% or 1.85% as elected by the employer.
10. **Normal Retirement Age** - Age 65.

Note 9-Pension Plan: (continued)

A. Plan Description (continued)

VRS – PLAN 1 (continued)

- 11. Earliest Unreduced Retirement Eligibility** - Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit at age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.

Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.

- 12. Earliest Reduced Retirement Eligibility** - Members may retire with a reduced benefit as early as age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.

- 13. Cost-of-Living Adjustment (COLA) in Retirement** - The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.

- 14. Eligibility** - For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.

For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.

- 15. Exceptions to COLA Effective Dates** - The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:

- The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
- The member retires on disability.
- The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).
- The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
- The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.

Note 9-Pension Plan: (continued)

A. Plan Description (continued)

VRS – PLAN 1 (continued)

- 16. Disability Coverage** - Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.

Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

- 17. Purchase of Prior Service** - Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.

VRS – PLAN 2

- 1. Plan Overview** - VRS Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.
- 2. Eligible Members** - Employees are in VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.
- 3. Hybrid Opt-In Election** - VRS Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible VRS Plan 2 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Members who were eligible for an optional retirement plan (ORP) and have prior service under VRS Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 2 or ORP.

Note 9-Pension Plan: (continued)

A. Plan Description (continued)

VRS – PLAN 2 (continued)

4. **Retirement Contributions** - Same as VRS Plan 1–Refer to Section 4.
5. **Creditable Service** - Same as VRS Plan 1– Refer to Section 5.
6. **Vesting** - Same as VRS Plan 1–Refer to Section 6.
7. **Calculating the Benefit** - Same as VRS Plan 1–Refer to Section 7.
8. **Average Final Compensation** - A member’s average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.
9. **Service Retirement Multiplier** - Same as Plan1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.
10. **Normal Retirement Age** - Normal Social Security retirement age.
11. **Earliest Unreduced Retirement Eligibility** - Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.
12. **Earliest Reduced Retirement Eligibility** - Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.
13. **Cost-of-Living Adjustment (COLA) in Retirement** - The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.
14. **Eligibility** - Same as VRS Plan 1–Refer to Section 14.
15. **Exceptions to COLA Effective Dates** - Same as VRS Plan 1–Refer to Section 15.

Note 9-Pension Plan: (continued)

A. Plan Description (continued)

VRS – PLAN 2 (continued)

- 16. Disability Coverage** - Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.

Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

- 17. Purchase of Prior Service** - Same as VRS Plan 1—Refer to Section 17.

HYBRID RETIREMENT PLAN

- 1. Plan Overview** - The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as VRS Plan 1 and VRS Plan 2 members who were eligible and opted into the plan during a special election window. (See “Eligible Members”)

- The defined benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula.
- The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.
- In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

Note 9-Pension Plan: (continued)

A. Plan Description (continued)

HYBRID RETIREMENT PLAN (continued)

2. **Eligible Members** - Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:
 - State employees*
 - School division employees
 - Political subdivision employees*
 - Judges appointed or elected to an original term on or after January 1, 2014
 - Members in VRS Plan 1 or VRS Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014
3. ***Non-Eligible Members** - Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:
 - Members of the State Police Officers' Retirement System (SPORS)
 - Members of the Virginia Law Officers' Retirement System (VaLORS)
 - Political subdivision employees who are covered by enhanced benefits for hazardous duty employees

Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under VRS Plan 1 or VRS Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select VRS Plan 1 or VRS Plan 2 (as applicable) or ORP.

4. **Retirement Contributions** - A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

Note 9-Pension Plan: (continued)

A. Plan Description (continued)

HYBRID RETIREMENT PLAN (continued)

5. Creditable Service

Defined Benefit Component - Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

Defined Contribution Component - Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

6. Vesting

Defined Benefit Component - Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. VRS Plan 1 or VRS Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.

Defined Contribution Component - Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.

Members are always 100% vested in the contributions that they make.

Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.

- After two years, a member is 50% vested and may withdraw 50% of employer contributions.
- After three years, a member is 75% vested and may withdraw 75% of employer contributions.
- After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.

Distribution is not required by law until age 70½.

Note 9 Pension Plan: (continued)

A. Plan Description (continued)

HYBRID RETIREMENT PLAN (continued)

7. Calculating the Benefit

Defined Benefit Component - Same as VRS Plan 1–Refer to Section 7.

Defined Contribution Component - The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.

8. Average Final Compensation - Same as VRS Plan 2–Refer to Section 8. It is used in the retirement formula for the defined benefit component of the plan.

9. Service Retirement Multiplier - The retirement multiplier is 1.0%.

For members that opted into the Hybrid Retirement Plan from VRS Plan 1 or VRS Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

10. Normal Retirement Age

Defined Benefit Component - Same as VRS Plan 2–Refer to Section 10.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

11. Earliest Unreduced Retirement Eligibility

Defined Benefit Component - Members are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

12. Earliest Reduced Retirement Eligibility

Defined Benefit Component - Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Note 9-Pension Plan: (continued)

A. Plan Description (continued)

HYBRID RETIREMENT PLAN (continued)

13. Cost-of-Living Adjustment (COLA) in Retirement

Defined Benefit Component - Same as VRS Plan 2–Refer to Section 13.

Defined Contribution Component - Not Applicable.

14. Eligibility - Same as VRS Plan 1 and VRS Plan 2–Refer to Section 14.

15. Exceptions to COLA Effective Dates - Same as VRS Plan 1 and VRS Plan 2–Refer to Section 15.

16. Disability Coverage - Eligible political subdivision and school division members (including VRS Plan 1 and VRS Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.

State employees (including VRS Plan 1 and VRS Plan 2 opt-ins) participating in the Hybrid Retirement Plan are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

Hybrid members (including VRS Plan 1 and VRS Plan 2 opt-ins) covered under VSDP or VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

17. Purchase of Prior Service

Defined Benefit Component - Same as VRS Plan 1 and VRS Plan 2–Refer to Section 17.

Defined Contribution Component - Not Applicable.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2013-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

Note 9-Pension Plan: (continued)

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. In addition, the County and School Board are 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 and School Board's contribution rates for the fiscal year ended 2014 were 12.31% and 8.01% of annual covered payroll, respectively.

The School Board's contributions for professional employees were \$4,354,253, \$4,266,094, and \$2,325,721, to the teacher cost-sharing pool for the fiscal years ended June 30, 2014, 2013, and 2012, respectively and these contributions represented 11.66%, 11.66%, and 6.33% for 2014, 2013, and 2012, respectively, of current covered payroll.

C. Annual Pension Cost

For fiscal year 2014, the County's annual pension cost of \$1,562,012 was equal to the required and actual contributions for the County. For fiscal year 2014, the School Board's annual pension cost of \$495,573 was not equal to the required and actual contributions for the School Board non-professional employees.

Three-Year Trend Information

	Fiscal Year Ending	Annual Pension Cost (APC) ¹	Percentage of APC Contributed	Net Pension Obligation
Primary Government:				
County	6/30/2012	\$ 1,060,487	100.00%	\$ -
	6/30/2013	1,495,557	100.00%	-
	6/30/2014	1,562,012	100.00%	-
Discretely Presented-Component Unit:				
School Board Non-Professional	6/30/2012	\$ 393,368	100.00%	\$ -
	6/30/2013	492,349	79.95%	98,726
	6/30/2014	495,573	79.43%	99,411

¹ Employer portion only

Note 9-Pension Plan: (continued)

C. Annual Pension Cost (continued)

The FY 2014 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees, 3.75% to 6.20% per year for teachers, and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year for Plan 1 employees and 2.25% for Plan 2 employees. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the County's and School Board's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County's and School Board's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2011 for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years.

D. Funded Status and Funding Progress

As of June 30, 2013, the most recent actuarial valuation date, the County's plan was 79.79% funded. The actuarial accrued liability for benefits was \$53,108,530, and the actuarial value of assets was \$42,373,672, resulting in an unfunded actuarial accrued liability (UAAL) of \$10,734,858. The covered payroll (annual payroll of active employees covered by the plan) was \$12,319,405 and ratio of the UAAL to the covered payroll was 87.14%.

As of June 30, 2013, the most recent actuarial valuation date, the School Board's plan was 77.73% funded. The actuarial accrued liability for benefits was \$18,627,439, and the actuarial value of assets was \$14,479,146, resulting in an unfunded actuarial accrued liability (UAAL) of \$4,148,293. The covered payroll (annual payroll of active employees covered by the plan) was \$4,893,316 and ratio of the UAAL to the covered payroll was 84.77%.

The schedule of funding progress, presented as Required Supplementary Information (RSI) 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.

Note 10-Other Postemployment Benefits-Health Insurance:

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

Primary Government

A. Plan Description

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

B. Funding Policy

The County of Franklin, Virginia currently pays for post-retirement health care benefits on a pay-as-you-go basis. The County of Franklin, Virginia currently has 291 employees that are eligible for the program. In addition, for retirees of the County of Franklin, Virginia, 100 percent of premiums are the responsibility of the retiree. The rates were as follows:

Participants	Premiums		
	Health Insurance		Dental
	Option 1	Option 2	
Employee	\$ 503.39	\$ 481.24	\$ 29.26
Employee / Spouse	1,057.12	1,010.61	47.25
Employee / Child	770.18	736.29	45.79
Family	1,409.50	1,347.48	89.92

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

Note 10-Other Postemployment Benefits-Health Insurance: (continued)

Primary Government (continued)

C. Annual OPEB Cost and Net OPEB Obligation

For 2014, the County's annual contribution of \$36,000 did not equal the annual OPEB cost of \$108,000. The obligation calculation is as follows:

Annual required contribution	\$ 109,000
Interest on net OPEB obligation	25,000
Adjustment to annual required contribution	(26,000)
Annual OPEB cost (expense)	<u>\$ 108,000</u>
Contributions made	<u>36,000</u>
Increase in net OPEB obligation	\$ 72,000
Net OPEB obligation - beginning of year	<u>628,160</u>
Net OPEB obligation - ending of year	<u>\$ 700,160</u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 and the preceding two years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2012	\$ 179,000	40.78%	\$ 565,160
6/30/2013	104,000	39.42%	628,160
6/30/2014	108,000	33.33%	700,160

D. Funded Status and Funding Progress

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

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

Note 10-Other Postemployment Benefits-Health Insurance: (continued)

Primary Government (continued)

D. Funded Status and Funding Progress (continued)

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

E. Actuarial methods and Assumptions

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

In the July 1, 2012, the most recent actuarial valuation, the projected unit of credit actuarial cost method was used. Under this method, future benefits are projected and the present value of such benefits is allocated from date of hire to date of eligibility. The actuarial assumptions included: inflation at 2.5%, an investment rate of return at 4.0%, and a health care trend rate of 9% graded to 5% over 10 years. The UAAL is being amortized as a level percentage on an open basis, which at July 1, 2012, was 30 years.

Component Unit: School Board

A. Plan Description

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

Note 10-Other Postemployment Benefits-Health Insurance: (continued)

Component Unit: School Board: (continued)

B. Funding Policy

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

Participants	Premiums	
	Health Insurance	Dental
Employee	\$ 600.00	\$ 35.96
Employee / Spouse	1,271.00	71.52
Employee / Child	888.00	64.10
Employee / Children	N/A	88.28
Family	1,412.00	110.76

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

C. Annual OPEB Cost and Net OPEB Obligation

For 2014, the Board’s annual contribution of \$246,000 did not equal the annual OPEB cost of \$450,000. The obligation calculation is as follows:

Annual required contribution	\$ 453,000
Interest on net OPEB obligation	78,000
Adjustment to annual required contribution	(81,000)
Annual OPEB cost (expense)	\$ 450,000
Contributions made	204,000
Increase in net OPEB obligation	\$ 246,000
Net OPEB obligation - beginning of year	1,940,180
Net OPEB obligation - ending of year	\$ 2,186,180

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Note 10-Other Postemployment Benefits-Health Insurance: (continued)

Component Unit: School Board: (continued)

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

The Board’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 and the preceding two years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2012	\$ 627,000	43.70%	\$ 1,689,180
6/30/2013	428,000	41.36%	1,940,180
6/30/2014	450,000	45.33%	2,186,180

D. Funded Status and Funding Progress

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

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

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

Note 10-Other Postemployment Benefits-Health Insurance: (continued)

Component Unit: School Board: (continued)

E. Actuarial methods and Assumptions

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

In the July 1, 2012, the most recent actuarial valuation, the projected unit of credit actuarial cost method was used. Under this method, future benefits are projected and the present value of such benefits is allocated from date of hire to date of eligibility. The actuarial assumptions included: inflation at 2.5%, an investment rate of return at 4.0%, and a health care trend rate of 9% graded to 5% over 10 years. The UAAL is being amortized as a level percentage on an open basis, which at July 1, 2012, was 30 years.

Note 11- Other Postemployment Benefits - VRS Health Insurance Credit:

Non-Professional Employees - Discretely Presented Component Unit School Board

A. Plan Description

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

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

Benefit provisions and eligibility requirements are established by Title 51.1, Chapter 14 of the Code of Virginia. The VRS actuarially determines the amount necessary to fund all credits provided, reflects the cost of such credits in the applicable employer contribution rate pursuant to §51.1-145, and prescribes such terms and conditions as are necessary to carry out the provisions of the health insurance credit program. VRS issues separate financial statements as previously discussed in Note 9.

Note 11- Other Postemployment Benefits - VRS Health Insurance Credit: (continued)

B. Funding Policy

As a participating local political subdivision, the School Board is required to contribute the entire amount necessary to fund participation in the program using the actuarial basis specified by the Code of Virginia and the VRS Board of Trustees. Contribution rates were 0.57%, 0.57%, and 0.57%, of annual covered payroll for the years ending June 30, 2014, 2013, and 2012, respectively. The School Board's actual contributions to VRS for the years ending June 30, 2014, 2013, and 2012 were \$28,190, \$28,011, and \$28,019, respectively and equaled the required contributions for each year.

C. Annual OPEB Cost and Net OPEB Obligation

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

For 2014, the School Board's annual contribution of \$28,190 equaled the annual required contribution and OPEB cost. The School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were for the current and preceding two years as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2012	\$ 28,019	100%	\$ -
6/30/2013	28,011	100%	-
6/30/2014	28,190	100%	-

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Note 11- Other Postemployment Benefits - VRS Health Insurance Credit: (continued)

D. Funded Status and Funding Progress

The funded status of the Plan as of June 30, 2013 (date of the most recent actuarial valuation), was as follows:

Actuarial accrued liability (AAL)	\$	468,639
Actuarial value of plan assets	\$	240,350
Unfunded actuarial accrued liability (UAAL)	\$	228,289
Funded ratio (actuarial value of plan assets/AAL)		51.29%
Covered payroll (active plan members)	\$	4,893,316
UAAL as a percentage of covered payroll		4.67%

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

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

E. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial value of the School Board’s assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2013, most recent actuarial valuation, the entry age normal cost method was used. Under this method, future benefits are projected and the present value of such benefits is allocated from date of hire to date of eligibility. The actuarial assumptions included: inflation at 2.5%, payroll growth rate of 3% and investment rate of return at 7.00%. The UAAL is being amortized as a level dollar amount over the remaining amortization period, which at June 30, 2013, was 30 years. Amortizations are open ended in that they begin anew at each valuation date.

Note 11- Other Postemployment Benefits - VRS Health Insurance Credit: (Continued)

Professional Employees - Discretely Presented Component Unit School Board

A. Plan Description

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

A teacher, who retires under VRS with at least 15 years of total creditable service under the System and is enrolled in a health insurance plan, is eligible to receive a monthly health insurance credit of \$4 per year of creditable service. However, such credit shall not exceed the health insurance premium for the retiree. Disabled retirees automatically receive a monthly health insurance credit of \$4 multiplied by the smaller of (i) twice the amount of their creditable service or (ii) the amount of creditable service they would have completed at age 60 if they had remained in service to that age.

B. Funding Policy

The School Board is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. Contribution rates were 1.11%, 1.10%, and 0.60%, of annual covered payroll for the years ending June 30, 2014, 2013, and 2012, respectively. The School Board's contributions to VRS for the years ending June 30, 2014, 2013, and 2012 were \$414,436, \$406,120, and \$220,447, respectively and equaled the required contributions for each year.

Note 12-Deferred Inflows of Resources:

	<u>Government-wide Statements</u>	<u>Balance Sheet</u>
	<u>Governmental Activities</u>	<u>Governmental Funds</u>
Primary Government:		
Unavailable property tax revenue representing uncollected property tax billings that are not available for the funding of current expenditures.	\$ -	\$ 1,759,557
Prepaid taxes relating to taxes due in a future period.	<u>21,376</u>	<u>21,376</u>
Total deferred inflows of resources	<u>\$ 21,376</u>	<u>\$ 1,780,933</u>

COUNTY OF FRANKLIN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

Note 13-Capital Assets:

Capital asset activity for the year ended June 30, 2014 was as follows:

Primary Government:

	Beginning Balance	Increases	Decreases	Ending Balance
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 6,134,590	\$ 377,166	\$ -	\$ 6,511,756
Construction in progress	6,552,101	1,039,951	(6,510,846)	1,081,206
Total capital assets not being depreciated	<u>\$ 12,686,691</u>	<u>\$ 1,417,117</u>	<u>\$ (6,510,846)</u>	<u>\$ 7,592,962</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 70,796,549	\$ 578,353	\$ (9,227)	\$ 71,365,675
Machinery and equipment	23,877,167	2,230,992	(677,451)	25,430,708
Infrastructure	-	6,082,667	-	6,082,667
Total capital assets being depreciated	<u>\$ 94,673,716</u>	<u>\$ 8,892,012</u>	<u>\$ (686,678)</u>	<u>\$ 102,879,050</u>
Accumulated depreciation:				
Buildings and improvements	\$ (18,894,380)	\$ (1,877,571)	\$ 2,214	\$ (20,769,737)
Machinery and equipment	(16,883,310)	(1,821,878)	675,451	(18,029,737)
Infrastructure	-	(1,895)	-	(1,895)
Total accumulated depreciation	<u>\$ (35,777,690)</u>	<u>\$ (3,701,344)</u>	<u>\$ 677,665</u>	<u>\$ (38,801,369)</u>
Total capital assets being depreciated, net	<u>\$ 58,896,026</u>	<u>\$ 5,190,668</u>	<u>\$ (9,013)</u>	<u>\$ 64,077,681</u>
Governmental activities capital assets, net	<u><u>\$ 71,582,717</u></u>	<u><u>\$ 6,607,785</u></u>	<u><u>\$ (6,519,859)</u></u>	<u><u>\$ 71,670,643</u></u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

Note 13-Capital Assets: (continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type Activities:				
Capital assets, being depreciated:				
Infrastructure	\$ 1,319,774	\$ -	\$ -	\$ 1,319,774
Total capital assets being depreciated	<u>\$ 1,319,774</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,319,774</u>
Accumulated depreciation:				
Infrastructure	\$ (184,843)	\$ (32,845)	\$ -	\$ (217,688)
Total accumulated depreciation	<u>\$ (184,843)</u>	<u>\$ (32,845)</u>	<u>\$ -</u>	<u>\$ (217,688)</u>
Total capital assets being depreciated, net	<u>\$ 1,134,931</u>	<u>\$ (32,845)</u>	<u>\$ -</u>	<u>\$ 1,102,086</u>
Business-type activities capital assets, net	<u><u>\$ 1,134,931</u></u>	<u><u>\$ (32,845)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,102,086</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	\$ 232,970
Judicial administration	85,750
Public safety	1,100,785
Public works	817,360
Health and welfare	36,594
Education	945,265
Parks, recreation, and cultural	322,842
Community development	<u>159,778</u>
Total depreciation expense-governmental activities	<u>\$ 3,701,344</u>
Business-type activities	
Utility fund	<u>\$ 32,845</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

Note 13-Capital Assets: (continued)

Capital asset activity for the School Board for the year ended June 30, 2014 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	52,250	318,171	(345,421)	25,000
Total capital assets not being depreciated	<u>\$ 777,565</u>	<u>\$ 318,171</u>	<u>\$ (345,421)</u>	<u>\$ 750,315</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 34,491,819	\$ 620,712	\$ -	\$ 35,112,531
Machinery and equipment	16,395,397	1,368,657	(300,610)	17,463,444
Total capital assets being depreciated	<u>\$ 50,887,216</u>	<u>\$ 1,989,369</u>	<u>\$ (300,610)</u>	<u>\$ 52,575,975</u>
Accumulated depreciation:				
Buildings and improvements	\$ (20,432,883)	\$ (874,738)	\$ -	\$ (21,307,621)
Machinery and equipment	(10,943,928)	(1,225,037)	300,610	(11,868,355)
Total accumulated depreciation	<u>\$ (31,376,811)</u>	<u>\$ (2,099,775)</u>	<u>\$ 300,610</u>	<u>\$ (33,175,976)</u>
Total capital assets being depreciated, net	<u>\$ 19,510,405</u>	<u>\$ (110,406)</u>	<u>\$ -</u>	<u>\$ 19,399,999</u>
Governmental activities capital assets, net	<u>\$ 20,287,970</u>	<u>\$ 207,765</u>	<u>\$ (345,421)</u>	<u>\$ 20,150,314</u>

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

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Note 14-Risk Management:

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

Note 15-Contingent Liabilities:

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

Note 16-Surety Bonds:

Primary Government:

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

Note 16-Surety Bonds: (continued)

Component Unit - School Board:

The Netherlands Insurance Company	
All School Board employees-Public Employee Dishonesty coverage	\$ 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 sites when it stops accepting waste and to perform certain maintenance and monitoring functions at each site after closure. The County maintains two landfill sites (permit site 72 and permit site 577). The estimated total costs necessary to monitor sites 72 and 577 are \$9,897,991 and \$2,306,906, respectively. The estimated closure and post-closure care liability for sites 72 and 577 are \$9,502,071 and \$92,277, respectively, based on capacity used as of June 30, 2014. The County will recognize the remaining closure and post-closure care totaling \$2,610,549 over the remaining useful lives of the landfill sites. The estimated remaining life for landfill sites 72 and 577 are 5.5 years and 21.5 years, respectively. Landfill site 72 has reached 96% of its estimated useful life and landfill site 577 has reached 4% of its useful life. The cost presented above represent what it would cost to perform closure and post-closure care in 2014. Actual costs for closure and post-closure monitoring may change due to inflation, deflation, changes in technology or changes in applicable laws or regulations.

The County demonstrated financial assurance requirements for closure, post-closure care, and corrective action costs through the submission of a Local Governmental Financial Test to the Virginia Department of Environmental Quality in accordance with Section 9VA C20-70 of the Virginia Administrative Code.

Note 18-Commitments and Contingencies:

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

<u>Project</u>	<u>Contract Amount</u>	<u>Contract Amount Outstanding at June 30, 2014</u>	<u>Funding Source</u>
School Floor Replacement Projects	\$ 95,852	\$ 65,852	Local Funds
Dudley Roof Replacement A/E contract	35,950	5,796	Local Funds

Note 19-Arbitrage Rebate Compliance:

As of June 30, 2014 and for the year then ended, the County was not liable for any amounts due under current rules governing arbitrage earnings.

Note 20-New Accounting Standards:

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

Required Supplementary Information

County of Franklin, Virginia

Schedule of Pension and OPEB Funding Progress Defined Benefit and Healthcare Plans
For the Year Ended June 30, 2014

Primary Government: County Retirement Plan

Actuarial Valuation as of	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio (2)/(3)	Covered Payroll	UAAL as a % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
June 30, 2013	\$ 42,373,672	\$ 53,108,530	10,734,858	79.79%	\$ 12,319,405	87.14%
June 30, 2012	40,247,550	52,355,573	12,108,023	76.87%	11,595,224	104.42%
June 30, 2011	40,375,776	50,058,269	9,682,493	80.66%	11,460,168	84.49%

Discretely Presented Component Unit:

School Board Non-Professional Retirement Plan

Actuarial Valuation as of	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio (2)/(3)	Covered Payroll	UAAL as a % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
June 30, 2013	\$ 14,479,146	\$ 18,627,439	\$ 4,148,293	77.73%	\$ 4,893,316	84.77%
June 30, 2012	13,946,381	18,493,757	4,547,376	75.41%	4,915,681	92.51%
June 30, 2011	13,799,191	17,935,655	4,136,464	76.94%	4,908,069	84.28%

County Healthcare Plan

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

School Board Healthcare Plan

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

Discretely Presented Component Unit:

School Board Non-Professional Health Insurance Credit Plan

Actuarial Valuation as of	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio (2)/(3)	Covered Payroll	UAAL as a % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
June 30, 2013	\$ 240,350	\$ 468,639	\$ 228,289	51.29%	\$ 4,893,316	4.67%
June 30, 2012	212,494	449,324	236,830	47.29%	4,915,681	4.82%
June 30, 2011	205,504	444,962	239,458	46.18%	4,908,069	4.88%

County of Franklin, Virginia
General Fund
Schedule of Revenues, Expenditures, and Change in Fund Balances - Budget and Actual
For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget -
	<u>Original</u>	<u>Final</u>		Positive (Negative)
REVENUES				
General property taxes	\$ 46,059,358	\$ 46,059,358	\$ 46,773,366	\$ 714,008
Other local taxes	7,744,589	7,744,589	7,843,478	98,889
Permits, privilege fees, and regulatory licenses	342,500	342,500	381,133	38,633
Fines and forfeitures	57,000	57,000	110,411	53,411
Revenue from the use of money and property	1,085,000	1,173,714	1,135,569	(38,145)
Charges for services	2,587,453	2,739,409	2,776,411	37,002
Miscellaneous	230,000	413,151	472,712	59,561
Recovered costs	548,481	601,312	466,701	(134,611)
Intergovernmental:				
Commonwealth	17,647,641	15,482,388	15,021,926	(460,462)
Federal	71,984	2,750,117	2,792,601	42,484
Total revenues	<u>\$ 76,374,006</u>	<u>\$ 77,363,538</u>	<u>\$ 77,774,308</u>	<u>\$ 410,770</u>
EXPENDITURES				
Current:				
General government administration	\$ 4,125,906	\$ 4,539,438	\$ 3,847,437	\$ 692,001
Judicial administration	2,375,496	2,350,634	2,289,679	60,955
Public safety	12,271,802	14,101,892	13,046,489	1,055,403
Public works	3,824,447	5,371,585	3,597,660	1,773,925
Health and welfare	11,414,920	11,789,958	11,053,119	736,839
Education	31,865,003	33,433,785	30,184,630	3,249,155
Parks, recreation, and cultural	1,928,159	2,413,164	1,950,171	462,993
Community development	2,444,761	6,766,192	3,598,642	3,167,550
Nondepartmental	534,652	52,425	3,978	48,447
Debt service:				
Principal retirement	1,461,189	3,165,193	3,122,132	43,061
Interest and other fiscal charges	674,644	852,941	852,941	-
Total expenditures	<u>\$ 72,920,979</u>	<u>\$ 84,837,207</u>	<u>\$ 73,546,878</u>	<u>\$ 11,290,329</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 3,453,027</u>	<u>\$ (7,473,669)</u>	<u>\$ 4,227,430</u>	<u>\$ 11,701,099</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 754,613	\$ 7,662,787	\$ 1,731,945	\$ (5,930,842)
Transfers out	(4,718,280)	(5,530,066)	(5,530,066)	-
Total other financing sources (uses)	<u>\$ (3,963,667)</u>	<u>\$ 2,132,721</u>	<u>\$ (3,798,121)</u>	<u>\$ (5,930,842)</u>
Net change in fund balances	\$ (510,640)	\$ (5,340,948)	\$ 429,309	\$ 5,770,257
Fund balances - beginning	510,640	5,340,948	20,927,824	15,586,876
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,357,133</u>	<u>\$ 21,357,133</u>

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

Other Supplementary Information

County of Franklin, Virginia
 Schedule of Revenues, Expenditures, and Change in Fund Balances - Budget and Actual
 Capital Projects Fund - Major Fund
 For the Year Ended June 30, 2014

	County Capital Projects			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 7,223	\$ 7,223
Miscellaneous	-	66,299	66,301	2
Intergovernmental:				
Commonwealth	-	873,215	299,810	(573,405)
Total revenues	<u>\$ -</u>	<u>\$ 939,514</u>	<u>\$ 373,334</u>	<u>\$ (566,180)</u>
EXPENDITURES				
Capital projects	\$ 2,480,888	\$ 17,682,873	\$ 4,090,825	13,592,048
Education:				
Contribution to County School Board	-	1,362,326	1,362,326	-
Debt service:				
Bond issuance costs	-	120,500	120,500	-
Total expenditures	<u>\$ 2,480,888</u>	<u>\$ 19,165,699</u>	<u>\$ 5,573,651</u>	<u>\$ 13,592,048</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (2,480,888)</u>	<u>\$ (18,226,185)</u>	<u>\$ (5,200,317)</u>	<u>\$ 13,025,868</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 3,235,501	\$ 4,546,642	\$ 4,546,642	\$ -
Transfers out	(754,613)	(7,662,787)	(1,731,945)	5,930,842
Proceeds of general obligation bonds	-	9,744,000	9,744,000	-
Total other financing sources (uses)	<u>\$ 2,480,888</u>	<u>\$ 6,627,855</u>	<u>\$ 12,558,697</u>	<u>\$ 5,930,842</u>
Net change in fund balances	\$ -	\$ (11,598,330)	\$ 7,358,380	\$ 18,956,710
Fund balances - beginning	-	11,598,330	11,776,528	178,198
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,134,908</u>	<u>\$ 19,134,908</u>

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

County of Franklin, Virginia
 Schedule of Revenues, Expenditures, and Change in Fund Balances - Budget and Actual
 Nonmajor Special Revenue Fund
 For the Year Ended June 30, 2014

	E-911 Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Other local taxes	\$ -	\$ -	\$ 1,856	\$ 1,856
Miscellaneous	-	13,227	13,227	-
Intergovernmental:				
Commonwealth	55,813	55,813	59,042	3,229
Total revenues	<u>\$ 55,813</u>	<u>\$ 69,040</u>	<u>\$ 74,125</u>	<u>\$ 5,085</u>
EXPENDITURES				
Current:				
Public safety	\$ 1,090,342	\$ 1,109,449	\$ 1,048,731	\$ 60,718
Total expenditures	<u>\$ 1,090,342</u>	<u>\$ 1,109,449</u>	<u>\$ 1,048,731</u>	<u>\$ 60,718</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (1,034,529)</u>	<u>\$ (1,040,409)</u>	<u>\$ (974,606)</u>	<u>\$ 65,803</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 1,034,529	\$ 966,424	\$ 966,424	\$ -
Total other financing sources (uses)	<u>\$ 1,034,529</u>	<u>\$ 966,424</u>	<u>\$ 966,424</u>	<u>\$ -</u>
Net change in fund balances	\$ -	\$ (73,985)	\$ (8,182)	\$ 65,803
Fund balances - beginning	-	73,985	135,682	61,697
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 127,500</u>	<u>\$ 127,500</u>

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

FIDUCIARY FUNDS

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

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

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

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

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

County of Franklin, Virginia
 Combining Statement of Fiduciary Net Position
 Fiduciary Funds
 June 30, 2014

	Agency Funds					<u>Total</u>
	<u>Special Welfare Fund</u>	<u>Road Escrow Fund</u>	<u>Escrow Fund for Soil and Erosion Control Agreement</u>	<u>Library Fund</u>	<u>Inmate Trust and Canteen Account Fund</u>	
ASSETS						
Cash and cash equivalents	\$ 82,829	\$ 20,231	\$ 179,177	\$ 4,000	\$ -	\$ 286,237
Cash in custody of others	-	-	-	-	46,071	46,071
Total assets	<u>\$ 82,829</u>	<u>\$ 20,231</u>	<u>\$ 179,177</u>	<u>\$ 4,000</u>	<u>\$ 46,071</u>	<u>\$ 332,308</u>
LIABILITIES						
Amounts held for social services clients	\$ 82,829	\$ -	\$ -	\$ -	\$ -	\$ 82,829
Amounts held for citizens	-	20,231	-	-	-	20,231
Amounts held for performance bonds	-	-	179,177	-	-	179,177
Amounts held for Library	-	-	-	4,000	-	4,000
Amounts held for inmates	-	-	-	-	46,071	46,071
Total liabilities	<u>\$ 82,829</u>	<u>\$ 20,231</u>	<u>\$ 179,177</u>	<u>\$ 4,000</u>	<u>\$ 46,071</u>	<u>\$ 332,308</u>

County of Franklin, Virginia
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2014

	Agency Funds			
	Balance July 1, <u>2013</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2014</u>
ASSETS				
Cash and cash equivalents:				
Special Welfare Fund	\$ 45,824	\$ 130,138	\$ 93,133	\$ 82,829
Road Escrow Fund	17,678	2,553	-	20,231
Escrow Fund for Soil and Erosion Control Agreement	153,525	25,652	-	179,177
Library Fund	4,000	-	-	4,000
Cash in custody of others:				
Inmate Trust and Canteen Account Fund	55,959	144,065	153,953	46,071
Total assets	<u>\$ 276,986</u>	<u>\$ 302,408</u>	<u>\$ 247,086</u>	<u>\$ 332,308</u>
LIABILITIES				
Amounts held for others:				
Social services clients	\$ 45,824	\$ 130,138	\$ 93,133	\$ 82,829
Citizens	17,678	2,553	-	20,231
Performance bonds	153,525	25,652	-	179,177
Library	4,000	-	-	4,000
Inmates	55,959	144,065	153,953	46,071
Total liabilities	<u>\$ 276,986</u>	<u>\$ 302,408</u>	<u>\$ 247,086</u>	<u>\$ 332,308</u>

DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD

MAJOR GOVERNMENTAL FUNDS

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

County of Franklin, Virginia
Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2014

		School Operating <u>Fund</u>
ASSETS		
Receivables (net of allowance for uncollectibles):		
Accounts receivable	\$	17,607
Due from other governmental units		1,905,116
Restricted assets:		
Temporarily restricted:		
Cash and cash equivalents		219,630
Total assets	\$	<u>2,142,353</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	\$	570,928
Accrued liabilities		604,031
Revenue anticipation note		552,425
Total liabilities	\$	<u>1,727,384</u>
Fund balances:		
Restricted		
Cafeteria program	\$	219,630
Assigned		195,339
Total fund balances	\$	<u>414,969</u>
Total liabilities and fund balances	\$	<u>2,142,353</u>
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:		
Total fund balances per above	\$	414,969
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Land	\$	725,315
Buildings and improvements		13,804,910
Machinery and equipment		5,595,089
Construction in progress		25,000
		<u>20,150,314</u>
Long-term liabilities, including compensated absences, net OPEB obligation, and net VRS obligation, are not due and payable in the current period and, therefore, are not reported in the funds.		
Compensated absences	\$	(856,739)
Net OPEB obligation		(2,186,180)
Net VRS pension obligation		(198,137)
		<u>(3,241,056)</u>
Net position of governmental activities		<u>\$ 17,324,227</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, 2014

		School Operating <u>Fund</u>
REVENUES		
Revenue from the use of money and property	\$	858
Charges for services		2,296,548
Miscellaneous		511,217
Recovered costs		1,307,821
Intergovernmental:		
Local government		31,546,956
Commonwealth		37,251,802
Federal		7,306,527
Total revenues		<u>\$ 80,221,729</u>
EXPENDITURES		
Current:		
Education	\$	79,053,557
Capital projects		1,986,328
Total expenditures		<u>\$ 81,039,885</u>
Excess (deficiency) of revenues over (under) expenditures		<u>\$ (818,156)</u>
OTHER FINANCING SOURCES (USES)		
Sale of capital assets	\$	29,160
Total other financing sources (uses)		<u>\$ 29,160</u>
Net change in fund balances	\$	(788,996)
Fund balances - beginning		1,203,965
Fund balances - ending		<u>\$ 414,969</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	\$	(788,996)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the depreciation exceeded capital outlays in the current period.		
Capital outlays	\$ 1,962,119	
Depreciation expenses	<u>(2,099,775)</u>	(137,656)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.		
Decrease (increase) in compensated absences	\$ (9,804)	
(Increase) decrease in net OPEB obligation	(246,000)	
(Increase) decrease in net VRS pension obligation	<u>(99,411)</u>	(355,215)
Change in net position of governmental activities		<u>\$ (1,281,867)</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, 2014

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 858	\$ 858
Charges for services	2,372,706	2,372,706	2,296,548	(76,158)
Miscellaneous	-	-	511,217	511,217
Recovered costs	868,410	868,410	1,307,821	439,411
Intergovernmental:				
Local government	31,865,003	34,796,111	31,546,956	(3,249,155)
Commonwealth	37,226,585	37,606,607	37,251,802	(354,805)
Federal	6,868,596	7,382,227	7,306,527	(75,700)
Total revenues	<u>\$ 79,201,300</u>	<u>\$ 83,026,061</u>	<u>\$ 80,221,729</u>	<u>\$ (2,804,332)</u>
EXPENDITURES				
Current:				
Education	\$ 79,213,145	\$ 81,758,907	\$ 79,053,557	\$ 2,705,350
Capital projects	-	1,296,476	1,986,328	(689,852)
Total expenditures	<u>\$ 79,213,145</u>	<u>\$ 83,055,383</u>	<u>\$ 81,039,885</u>	<u>\$ 2,015,498</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (11,845)</u>	<u>\$ (29,322)</u>	<u>\$ (818,156)</u>	<u>\$ (788,834)</u>
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	11,845	11,845	29,160	17,315
Total other financing sources (uses)	<u>\$ 11,845</u>	<u>\$ 11,845</u>	<u>\$ 29,160</u>	<u>\$ 17,315</u>
Net change in fund balances	\$ -	\$ (17,477)	\$ (788,996)	\$ (771,519)
Fund balances - beginning	-	17,477	1,203,965	1,186,488
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 414,969</u>	<u>\$ 414,969</u>

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

County of Franklin, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2014

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Primary Government:				
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 34,711,444	\$ 34,711,444	\$ 35,157,277	\$ 445,833
Real and personal public service corporation taxes	860,000	860,000	872,246	12,246
Personal property taxes	8,337,634	8,337,634	8,667,736	330,102
Mobile home taxes	219,410	219,410	204,813	(14,597)
Machinery and tools taxes	680,817	680,817	651,328	(29,489)
Merchant's capital	673,840	673,840	662,972	(10,868)
Penalties	326,213	326,213	331,464	5,251
Interest	250,000	250,000	225,530	(24,470)
Total general property taxes	<u>\$ 46,059,358</u>	<u>\$ 46,059,358</u>	<u>\$ 46,773,366</u>	<u>\$ 714,008</u>
Other local taxes:				
Local sales and use taxes	\$ 4,001,050	\$ 4,001,050	\$ 4,087,355	\$ 86,305
Consumers' utility taxes	970,000	970,000	976,804	6,804
Business license taxes	4,400	4,400	13,745	9,345
Utility license taxes	218,000	218,000	231,095	13,095
Motor vehicle licenses	932,000	932,000	833,472	(98,528)
Bank stock taxes	119,639	119,639	156,590	36,951
Taxes on recordation and wills	460,000	460,000	453,547	(6,453)
Hotel and motel room taxes	87,500	87,500	86,010	(1,490)
Local probate tax	12,000	12,000	14,538	2,538
Restaurant food taxes	940,000	940,000	990,322	50,322
Total other local taxes	<u>\$ 7,744,589</u>	<u>\$ 7,744,589</u>	<u>\$ 7,843,478</u>	<u>\$ 98,889</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 30,000	\$ 30,000	\$ 32,485	\$ 2,485
Zoning and planning fees	67,500	67,500	38,505	(28,995)
Erosion and sediment control	-	-	12,550	12,550
Building permits	245,000	245,000	260,007	15,007
Land use application fees	-	-	25,480	25,480
Transfer fees	-	-	1,881	1,881
Other permits and licenses	-	-	10,225	10,225
Total permits, privilege fees, and regulatory licenses	<u>\$ 342,500</u>	<u>\$ 342,500</u>	<u>\$ 381,133</u>	<u>\$ 38,633</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 57,000	\$ 57,000	\$ 110,411	\$ 53,411
Total fines and forfeitures	<u>\$ 57,000</u>	<u>\$ 57,000</u>	<u>\$ 110,411</u>	<u>\$ 53,411</u>

County of Franklin, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2014

<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)				
Revenue from use of money and property:				
Revenue from use of money	\$ 1,000,000	\$ 1,000,000	\$ 960,325	\$ (39,675)
Revenue from use of property	85,000	173,714	175,244	1,530
Total revenue from use of money and property	<u>\$ 1,085,000</u>	<u>\$ 1,173,714</u>	<u>\$ 1,135,569</u>	<u>\$ (38,145)</u>
Charges for services:				
Charges for courthouse security	\$ 60,000	\$ 60,000	\$ 86,685	\$ 26,685
Charges for courthouse maintenance	12,000	12,000	51,541	39,541
Charges for law enforcement and traffic control	41,800	57,819	60,381	2,562
Excess Clerk of Court fees	15,000	15,000	33,981	18,981
Charges for Commonwealth's Attorney	3,000	3,000	6,457	3,457
Prisoner's board	9,000	9,000	1,048	(7,952)
Miscellaneous jail and inmate fees	-	-	689	689
Miscellaneous animal fees	11,903	11,903	3,654	(8,249)
Charges for private landfills	-	-	23,151	23,151
Charges for sale of maps and codes and copies	6,200	6,200	12,224	6,024
Charges for emergency medical services billing	1,200,000	1,327,906	1,375,319	47,413
Charges for sanitation and waste removal	980,000	980,000	867,573	(112,427)
Charges for parks and recreation	149,550	149,550	148,303	(1,247)
Charges for aging services	19,000	19,000	18,731	(269)
Charges for library	35,000	43,031	40,372	(2,659)
Charges for law library	12,000	12,000	11,553	(447)
Charges for concealed weapons permits	33,000	33,000	34,749	1,749
Total charges for services	<u>\$ 2,587,453</u>	<u>\$ 2,739,409</u>	<u>\$ 2,776,411</u>	<u>\$ 37,002</u>
Miscellaneous revenue:				
Miscellaneous	\$ 230,000	\$ 413,151	\$ 472,712	\$ 59,561
Total miscellaneous revenue	<u>\$ 230,000</u>	<u>\$ 413,151</u>	<u>\$ 472,712</u>	<u>\$ 59,561</u>
Recovered costs:				
Health department	\$ 184,733	\$ 184,733	\$ 60,531	\$ (124,202)
Court reporting fees	60,000	60,000	51,490	(8,510)
School resource officer	86,658	86,658	86,658	-
Office on youth	-	52,831	52,831	-
Blue ridge soil and water	217,090	217,090	215,191	(1,899)
Total recovered costs	<u>\$ 548,481</u>	<u>\$ 601,312</u>	<u>\$ 466,701</u>	<u>\$ (134,611)</u>
Total revenue from local sources	<u>\$ 58,654,381</u>	<u>\$ 59,131,033</u>	<u>\$ 59,959,781</u>	<u>\$ 828,748</u>

County of Franklin, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Primary Government: (Continued)				
General Fund: (Continued)				
Intergovernmental:				
Revenue from the Commonwealth:				
Motor vehicle carrier tax (rolling stock)	\$ 35,353	\$ 35,353	\$ 44,808	\$ 9,455
Mobile home titling tax	100,000	100,000	75,722	(24,278)
Grantor's tax	120,000	120,000	130,055	10,055
Motor vehicle rental tax	36,738	36,738	57,727	20,989
Communications tax	2,300,000	2,300,000	2,233,129	(66,871)
State recordation tax	163,130	163,130	185,381	22,251
Personal property tax relief funds	2,626,618	2,626,618	2,626,618	-
Total noncategorical aid	<u>\$ 5,381,839</u>	<u>\$ 5,381,839</u>	<u>\$ 5,353,440</u>	<u>\$ (28,399)</u>
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 516,151	\$ 516,151	\$ 566,384	\$ 50,233
Sheriff	3,116,929	3,116,929	3,113,654	(3,275)
Commissioner of revenue	151,128	151,128	150,520	(608)
Treasurer	150,946	150,946	147,864	(3,082)
Registrar/electoral board	44,845	54,845	45,421	(9,424)
Clerk of the Circuit Court	359,227	363,280	365,236	1,956
Total shared expenses	<u>\$ 4,339,226</u>	<u>\$ 4,353,279</u>	<u>\$ 4,389,079</u>	<u>\$ 35,800</u>
Other categorical aid:				
Public assistance and welfare administration	\$ 4,712,743	\$ 2,179,620	\$ 1,677,132	\$ (502,488)
Comprehensive services act	2,814,328	2,941,111	3,039,807	98,696
Office on youth-juvenile	20,040	20,040	21,332	1,292
Family resource center-family violence prevention	119,438	119,438	135,493	16,055
Four for life	-	-	55,480	55,480
Asset forfeiture funds	5,000	131,267	9,522	(121,745)
Library grants	149,134	153,449	153,449	-
Workforce development grants	67,000	67,000	53,945	(13,055)
Litter control grant	-	13,682	13,682	-
Animal friendly plates	-	1,037	1,036	(1)
VDA grant	-	-	4,045	4,045
Drug enhancement grant	12,000	12,000	18,495	6,495
Department of Emergency Management grant	-	81,733	3,818	(77,915)
Other categorical aid	26,893	26,893	92,171	65,278
Total other categorical aid	<u>\$ 7,926,576</u>	<u>\$ 5,747,270</u>	<u>\$ 5,279,407</u>	<u>\$ (467,863)</u>
Total categorical aid	<u>\$ 12,265,802</u>	<u>\$ 10,100,549</u>	<u>\$ 9,668,486</u>	<u>\$ (432,063)</u>
Total revenue from the Commonwealth	<u>\$ 17,647,641</u>	<u>\$ 15,482,388</u>	<u>\$ 15,021,926</u>	<u>\$ (460,462)</u>

County of Franklin, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2014

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Primary Government: (Continued)				
General Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the federal government:				
Non-categorical aid:				
Payments in lieu of taxes	\$ 17,400	\$ 17,400	\$ 18,217	\$ 817
Total non-categorical aid	<u>\$ 17,400</u>	<u>\$ 17,400</u>	<u>\$ 18,217</u>	<u>\$ 817</u>
Categorical aid:				
Department of Health and Human Services payments	\$ -	\$ 2,533,123	\$ 2,533,123	\$ -
State highway and community safety	-	44,071	-	(44,071)
Violence against women grant	-	36,401	38,512	2,111
Commission for the arts grant	-	1,911	5,000	3,089
State homeland security program	-	-	48,252	48,252
CDBG State's program	-	30,000	-	(30,000)
Equitable sharing program	20,000	52,627	124,022	71,395
Emergency management performance grant	34,584	34,584	25,475	(9,109)
Total categorical aid	<u>\$ 54,584</u>	<u>\$ 2,732,717</u>	<u>\$ 2,774,384</u>	<u>\$ 41,667</u>
Total revenue from the federal government	<u>\$ 71,984</u>	<u>\$ 2,750,117</u>	<u>\$ 2,792,601</u>	<u>\$ 42,484</u>
Total General Fund	<u>\$ 76,374,006</u>	<u>\$ 77,363,538</u>	<u>\$ 77,774,308</u>	<u>\$ 410,770</u>
County Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 7,223	\$ 7,223
Total revenue from use of money and property	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,223</u>	<u>\$ 7,223</u>
Miscellaneous revenue:				
Miscellaneous	\$ -	\$ 66,299	\$ 66,301	\$ 2
Total miscellaneous revenue	<u>\$ -</u>	<u>\$ 66,299</u>	<u>\$ 66,301</u>	<u>\$ 2</u>
Total revenue from local sources	<u>\$ -</u>	<u>\$ 66,299</u>	<u>\$ 73,524</u>	<u>\$ 7,225</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Park and rec grants	\$ -	\$ 120,000	\$ 20,000	\$ (100,000)
Tobacco commission funds	-	426,365	125,158	(301,207)
Virginia fire programs	-	152,066	153,532	1,466

County of Franklin, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2014

<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)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Conservation and recreation grants	\$ -	\$ -	\$ 1,120	\$ 1,120
Public safety grants	-	174,784	-	(174,784)
Total categorical aid	\$ -	\$ 873,215	\$ 299,810	\$ (573,405)
Total revenue from the Commonwealth	\$ -	\$ 873,215	\$ 299,810	\$ (573,405)
Total County Capital Projects Fund	\$ -	\$ 939,514	\$ 373,334	\$ (566,180)
Special Revenue Fund:				
E-911 Fund:				
Revenue from local sources:				
Other local taxes:				
E-911 taxes	\$ -	\$ -	\$ 1,856	\$ 1,856
Total other local taxes	\$ -	\$ -	\$ 1,856	\$ 1,856
Miscellaneous revenue:				
Other miscellaneous	\$ -	\$ 13,227	\$ 13,227	\$ -
Total miscellaneous revenue	\$ -	\$ 13,227	\$ 13,227	\$ -
Total revenue from local sources	\$ -	\$ 13,227	\$ 15,083	\$ 1,856
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Wireless board reimbursement	\$ 55,813	\$ 55,813	\$ 59,042	\$ 3,229
Total categorical aid	\$ 55,813	\$ 55,813	\$ 59,042	\$ 3,229
Total revenue from the Commonwealth	\$ 55,813	\$ 55,813	\$ 59,042	\$ 3,229
Total E-911 Fund	\$ 55,813	\$ 69,040	\$ 74,125	\$ 5,085
Total Primary Government	\$ 76,429,819	\$ 78,372,092	\$ 78,221,767	\$ (150,325)

County of Franklin, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2014

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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:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of property	\$ -	\$ -	\$ 858	\$ 858
Total revenue from use of money and property	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 858</u>	<u>\$ 858</u>
Charges for services:				
Other charges for education	\$ 62,750	\$ 62,750	\$ 70,618	\$ 7,868
Cafeteria sales	1,703,326	1,703,326	1,335,760	(367,566)
Payments from other localities	589,403	589,403	873,748	284,345
Cannery fees	17,227	17,227	16,422	(805)
Total charges for services	<u>\$ 2,372,706</u>	<u>\$ 2,372,706</u>	<u>\$ 2,296,548</u>	<u>\$ (76,158)</u>
Miscellaneous revenue:				
Miscellaneous	\$ -	\$ -	\$ 511,217	\$ 511,217
Total miscellaneous revenue	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 511,217</u>	<u>\$ 511,217</u>
Recovered costs:				
Insurance recoveries and rebates	\$ 27,637	\$ 27,637	\$ 81,924	\$ 54,287
Sale of supplies	-	-	15,401	15,401
Famis/Medicare reimbursement	280,595	280,595	328,976	48,381
Other recovered costs	560,178	560,178	881,520	321,342
Total recovered costs	<u>\$ 868,410</u>	<u>\$ 868,410</u>	<u>\$ 1,307,821</u>	<u>\$ 439,411</u>
Total revenue from local sources	<u>\$ 3,241,116</u>	<u>\$ 3,241,116</u>	<u>\$ 4,116,444</u>	<u>\$ 875,328</u>
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Franklin, Virginia	\$ 31,865,003	\$ 34,796,111	\$ 31,546,956	\$ (3,249,155)
Total revenues from local governments	<u>\$ 31,865,003</u>	<u>\$ 34,796,111</u>	<u>\$ 31,546,956</u>	<u>\$ (3,249,155)</u>
Revenue from the Commonwealth:				
Categorical aid:				
Adult literacy	\$ -	\$ 125,000	\$ 125,000	\$ -
Adult secondary education	12,250	72,735	56,633	(16,102)
AP virtual exam	-	-	243	243
At risk four-year olds	583,064	583,064	583,064	-
At risk payments	613,775	613,775	603,214	(10,561)
Basic school aid	17,315,400	17,315,400	17,078,052	(237,348)
Career Tech	-	-	11,492	11,492
Compensation supplements	444,336	444,336	436,619	(7,717)

County of Franklin, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2014

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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
English as a second language	\$ 61,412	\$ 61,412	\$ 55,513	\$ (5,899)
Early reading intervention	67,220	67,220	79,937	12,717
Gifted and talented	191,655	191,655	188,364	(3,291)
GED funds	23,576	23,576	145,963	122,387
Group life	74,995	74,995	73,708	(1,287)
Homebound education	38,609	38,609	37,338	(1,271)
Mentor teacher program	-	-	6,134	6,134
Primary class size	605,871	605,871	602,073	(3,798)
Race to GED	-	119,537	-	(119,537)
Regular foster care	84,330	84,330	134,554	50,224
Remedial education	562,465	562,465	552,808	(9,657)
Remedial summer education	117,399	117,399	168,171	50,772
Retirement fringe benefits	1,962,376	1,962,376	2,261,339	298,963
School food	39,663	39,663	66,508	26,845
Share of state sales tax	7,990,861	7,990,861	7,702,404	(288,457)
Social security fringe benefits	1,174,926	1,174,926	1,154,754	(20,172)
Special education	2,828,988	2,828,988	2,780,417	(48,571)
Special education - foster children	108,512	108,512	134,382	25,870
Special education-regional program	397,020	397,020	315,035	(81,985)
Standards of Learning algebra readiness	81,752	81,752	87,375	5,623
Supplemental support	332,655	332,655	-	(332,655)
Technology	466,000	466,000	610,779	144,779
Textbook payment	373,851	373,851	367,433	(6,418)
Visually handicapped	3,645	3,645	-	(3,645)
Vocational adult education	570,797	570,797	560,997	(9,800)
Vocational education - equipment	16,393	16,393	15,420	(973)
Vocational occupational preparedness	26,330	26,330	53,986	27,656
National board certification	-	-	25,000	25,000
Other state funds	56,459	131,459	177,093	45,634
Total categorical aid	<u>\$ 37,226,585</u>	<u>\$ 37,606,607</u>	<u>\$ 37,251,802</u>	<u>\$ (354,805)</u>
Total revenue from the Commonwealth	<u>\$ 37,226,585</u>	<u>\$ 37,606,607</u>	<u>\$ 37,251,802</u>	<u>\$ (354,805)</u>
Revenue from the federal government:				
Categorical aid:				
Adult literacy	\$ 92,799	\$ 606,430	\$ 547,760	\$ (58,670)
Advanced placement	-	-	2,385	2,385
National school lunch program	1,566,234	1,566,234	1,799,833	233,599

County of Franklin, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2014

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the federal government: (Continued)				
Categorical aid: (Continued)				
School breakfast program	\$ 651,909	\$ 651,909	\$ 621,839	\$ (30,070)
Title I funds	1,878,680	1,878,680	1,778,954	(99,726)
Title II Teacher improvement	428,553	428,553	363,797	(64,756)
Title III funds	11,499	11,499	27,548	16,049
Title VI-B, special education flow-through	2,052,037	2,052,037	1,992,733	(59,304)
Title VI-B, special education pre-school	35,537	35,537	35,537	-
Vocational education	151,348	151,348	136,141	(15,207)
Total categorical aid	<u>\$ 6,868,596</u>	<u>\$ 7,382,227</u>	<u>\$ 7,306,527</u>	<u>\$ (75,700)</u>
Total revenue from the federal government	<u>\$ 6,868,596</u>	<u>\$ 7,382,227</u>	<u>\$ 7,306,527</u>	<u>\$ (75,700)</u>
Total School Operating Fund	<u>\$ 79,201,300</u>	<u>\$ 83,026,061</u>	<u>\$ 80,221,729</u>	<u>\$ (2,804,332)</u>

County of Franklin, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

<u>Fund, Function, Activity, and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Primary Government:				
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	\$ 301,598	\$ 300,793	\$ 273,333	\$ 27,460
Total legislative	<u>\$ 301,598</u>	<u>\$ 300,793</u>	<u>\$ 273,333</u>	<u>\$ 27,460</u>
General and financial administration:				
County administrator	\$ 428,145	\$ 429,450	\$ 427,939	\$ 1,511
Risk management	354,210	361,210	360,481	729
Human resources	122,461	127,976	112,069	15,907
Commissioner of revenue	534,761	536,811	512,578	24,233
Reassessment	150,000	504,002	-	504,002
Land use	41,666	42,431	42,304	127
Treasurer	466,708	467,408	461,925	5,483
Director of finance	320,303	317,303	301,636	15,667
Information technology	1,069,489	1,067,827	1,060,154	7,673
Telecommunications and Postage	65,500	73,162	70,168	2,994
Total general and financial administration	<u>\$ 3,553,243</u>	<u>\$ 3,927,580</u>	<u>\$ 3,349,254</u>	<u>\$ 578,326</u>
Board of elections:				
Registrar	\$ 191,276	\$ 206,276	\$ 164,786	\$ 41,490
Electoral board	79,789	104,789	60,064	44,725
Total board of elections	<u>\$ 271,065</u>	<u>\$ 311,065</u>	<u>\$ 224,850</u>	<u>\$ 86,215</u>
Total general government administration	<u>\$ 4,125,906</u>	<u>\$ 4,539,438</u>	<u>\$ 3,847,437</u>	<u>\$ 692,001</u>
Judicial administration:				
Courts:				
Circuit court	\$ 98,570	\$ 99,034	\$ 96,531	\$ 2,503
General district court	8,074	14,764	13,970	794
Law library	12,000	12,000	4,760	7,240
Special magistrates	2,000	2,000	1,035	965
Juvenile and domestic relations court	16,650	16,650	12,980	3,670
Juvenile court services	339,625	381,717	380,611	1,106
Sheriff-courts	468,380	356,784	337,492	19,292
Clerk of the circuit court	643,173	658,158	651,003	7,155
Total courts	<u>\$ 1,588,472</u>	<u>\$ 1,541,107</u>	<u>\$ 1,498,382</u>	<u>\$ 42,725</u>
Commonwealth's attorney:				
Commonwealth's attorney	\$ 787,024	\$ 809,527	\$ 791,297	\$ 18,230
Total commonwealth's attorney	<u>\$ 787,024</u>	<u>\$ 809,527</u>	<u>\$ 791,297</u>	<u>\$ 18,230</u>
Total judicial administration	<u>\$ 2,375,496</u>	<u>\$ 2,350,634</u>	<u>\$ 2,289,679</u>	<u>\$ 60,955</u>

County of Franklin, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

Schedule 2
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<u>Fund, Function, Activity, and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Primary Government: (Continued)				
General Fund: (Continued)				
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 3,529,819	\$ 4,165,911	\$ 3,983,968	\$ 181,943
Total law enforcement and traffic control	<u>\$ 3,529,819</u>	<u>\$ 4,165,911</u>	<u>\$ 3,983,968</u>	<u>\$ 181,943</u>
Correction and detention:				
County operated institutions and regional jail	\$ 4,403,091	\$ 5,192,050	\$ 4,671,723	\$ 520,327
Total correction and detention	<u>\$ 4,403,091</u>	<u>\$ 5,192,050</u>	<u>\$ 4,671,723</u>	<u>\$ 520,327</u>
Inspections:				
Building	\$ 474,653	\$ 485,897	\$ 444,792	\$ 41,105
Total inspections	<u>\$ 474,653</u>	<u>\$ 485,897</u>	<u>\$ 444,792</u>	<u>\$ 41,105</u>
Other protection:				
Director of public safety	\$ 2,365,986	\$ 2,605,825	\$ 2,381,352	\$ 224,473
Animal control	274,247	300,297	296,872	3,425
Department of forestry	24,006	24,006	23,299	707
EMS career billing	1,033,000	1,033,000	1,026,807	6,193
EMS volunteer billing	167,000	294,906	217,676	77,230
Total other protection	<u>\$ 3,864,239</u>	<u>\$ 4,258,034</u>	<u>\$ 3,946,006</u>	<u>\$ 312,028</u>
Total public safety	<u>\$ 12,271,802</u>	<u>\$ 14,101,892</u>	<u>\$ 13,046,489</u>	<u>\$ 1,055,403</u>
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Highways, streets, bridges and sidewalks	\$ 450	\$ 450	\$ -	\$ 450
Total maintenance of highways, streets, bridges & sidewalks	<u>\$ 450</u>	<u>\$ 450</u>	<u>\$ -</u>	<u>\$ 450</u>
Sanitation and waste removal:				
Refuse collection and disposal	\$ 2,018,628	\$ 3,270,763	\$ 1,877,402	\$ 1,393,361
Recycling program	89,284	89,284	73,415	15,869
Scale house	65,044	65,044	52,055	12,989
Public works	229,114	236,524	210,253	26,271
Total sanitation and waste removal	<u>\$ 2,402,070</u>	<u>\$ 3,661,615</u>	<u>\$ 2,213,125</u>	<u>\$ 1,448,490</u>
Maintenance of general buildings and grounds:				
General properties	\$ 1,177,433	\$ 1,465,026	\$ 1,164,179	\$ 300,847
Mechanic	232,494	232,494	220,356	12,138
Courthouse maintenance	12,000	12,000	-	12,000
Total maintenance of general buildings and grounds	<u>\$ 1,421,927</u>	<u>\$ 1,709,520</u>	<u>\$ 1,384,535</u>	<u>\$ 324,985</u>
Total public works	<u>\$ 3,824,447</u>	<u>\$ 5,371,585</u>	<u>\$ 3,597,660</u>	<u>\$ 1,773,925</u>

County of Franklin, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

<u>Fund, Function, Activity, and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Primary Government: (Continued)				
General Fund: (Continued)				
Health and welfare:				
Health:				
Supplement of local health department	\$ 338,705	\$ 338,705	\$ 338,705	\$ -
Total health	<u>\$ 338,705</u>	<u>\$ 338,705</u>	<u>\$ 338,705</u>	<u>\$ -</u>
Mental health and mental retardation:				
Development center of Franklin	\$ 50,000	\$ 50,000	\$ 50,000	\$ -
Total mental health and mental retardation	<u>\$ 50,000</u>	<u>\$ 50,000</u>	<u>\$ 50,000</u>	<u>\$ -</u>
Welfare:				
Public assistance and welfare administration	\$ 6,123,290	\$ 6,126,415	\$ 5,520,545	\$ 605,870
Youth services agency (CSA)	4,259,174	4,592,042	4,574,476	17,566
Family resource center	199,038	236,027	225,724	10,303
Area agency on aging	336,040	338,096	234,996	103,100
Contribution to health and welfare organizations	92,596	92,596	92,596	-
Assistance - institutions	16,077	16,077	16,077	-
Total welfare	<u>\$ 11,026,215</u>	<u>\$ 11,401,253</u>	<u>\$ 10,664,414</u>	<u>\$ 736,839</u>
Total health and welfare	<u>\$ 11,414,920</u>	<u>\$ 11,789,958</u>	<u>\$ 11,053,119</u>	<u>\$ 736,839</u>
Education:				
Other instructional costs:				
Contribution to County School Board	\$ 31,865,003	\$ 33,433,785	\$ 30,184,630	\$ 3,249,155
Total education	<u>\$ 31,865,003</u>	<u>\$ 33,433,785</u>	<u>\$ 30,184,630</u>	<u>\$ 3,249,155</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Parks and recreation	\$ 999,380	\$ 1,464,691	\$ 1,016,667	\$ 448,024
Total parks and recreation	<u>\$ 999,380</u>	<u>\$ 1,464,691</u>	<u>\$ 1,016,667</u>	<u>\$ 448,024</u>
Library:				
Library administration	\$ 662,470	\$ 702,074	\$ 687,283	\$ 14,791
Westlake branch library	266,309	246,399	246,221	178
Total library	<u>\$ 928,779</u>	<u>\$ 948,473</u>	<u>\$ 933,504</u>	<u>\$ 14,969</u>
Total parks, recreation, and cultural	<u>\$ 1,928,159</u>	<u>\$ 2,413,164</u>	<u>\$ 1,950,171</u>	<u>\$ 462,993</u>

County of Franklin, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

<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)				
Community development:				
Planning and community development:				
Community development	\$ 568,286	\$ 577,763	\$ 522,743	\$ 55,020
Ferrum planning grant	-	52,762	52,761	1
Workforce development	-	83,562	38,045	45,517
Economic development	796,170	3,642,012	937,979	2,704,033
Tourism	90,350	154,388	145,281	9,107
GIS and mapping	161,601	161,601	125,579	36,022
4-H youth	3,750	3,750	3,750	-
Planning	199,506	389,491	216,903	172,588
Franklin career center	196,892	219,458	195,014	24,444
Commodity storage initiative	-	113,263	76,586	36,677
Contributions to Western Va Water Authority (assets constructed)	-	911,469	864,879	46,590
Contributions to other entities	111,863	140,330	119,923	20,407
Total planning and community development	<u>\$ 2,128,418</u>	<u>\$ 6,449,849</u>	<u>\$ 3,299,443</u>	<u>\$ 3,150,406</u>
Environmental management:				
Contribution to soil and water district	\$ 220,240	\$ 220,240	\$ 218,060	\$ 2,180
Total environmental management	<u>\$ 220,240</u>	<u>\$ 220,240</u>	<u>\$ 218,060</u>	<u>\$ 2,180</u>
Cooperative extension program:				
Extension office	\$ 96,103	\$ 96,103	\$ 81,139	\$ 14,964
Total cooperative extension program	<u>\$ 96,103</u>	<u>\$ 96,103</u>	<u>\$ 81,139</u>	<u>\$ 14,964</u>
Total community development	<u>\$ 2,444,761</u>	<u>\$ 6,766,192</u>	<u>\$ 3,598,642</u>	<u>\$ 3,167,550</u>
Nondepartmental:				
Contingencies	\$ 534,652	\$ 52,425	\$ 3,978	\$ 48,447
Total nondepartmental	<u>\$ 534,652</u>	<u>\$ 52,425</u>	<u>\$ 3,978</u>	<u>\$ 48,447</u>
Debt service:				
Principal retirement	\$ 1,461,189	\$ 3,165,193	\$ 3,122,132	\$ 43,061
Interest and other fiscal charges	674,644	852,941	852,941	-
Total debt service	<u>\$ 2,135,833</u>	<u>\$ 4,018,134</u>	<u>\$ 3,975,073</u>	<u>\$ 43,061</u>
Total General Fund	<u><u>\$ 72,920,979</u></u>	<u><u>\$ 84,837,207</u></u>	<u><u>\$ 73,546,878</u></u>	<u><u>\$ 11,290,329</u></u>

County of Franklin, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

<u>Fund, Function, Activity, and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Primary Government: (Continued)				
County Capital Projects Fund:				
Capital projects:				
General government	\$ 1,290,588	\$ 2,337,085	\$ 380,077	\$ 1,957,008
Information technology	261,300	1,300,390	780,618	519,772
Court system	-	22,000	21,862	138
Public safety	705,900	6,098,968	1,513,179	4,585,789
Public works	123,100	1,416,756	580,040	836,716
General property improvements	-	2,005,028	585,573	1,419,455
Parks and recreation	-	408,825	199,476	209,349
Community development	100,000	4,093,821	30,000	4,063,821
Total capital projects	<u>\$ 2,480,888</u>	<u>\$ 17,682,873</u>	<u>\$ 4,090,825</u>	<u>\$ 13,592,048</u>
Education:				
Other instructional costs:				
Contribution to County School Board	\$ -	\$ 1,362,326	\$ 1,362,326	\$ -
Total education	<u>\$ -</u>	<u>\$ 1,362,326</u>	<u>\$ 1,362,326</u>	<u>\$ -</u>
Debt service:				
Bond issuance costs	\$ -	\$ 120,500	\$ 120,500	\$ -
Total debt service	<u>\$ -</u>	<u>\$ 120,500</u>	<u>\$ 120,500</u>	<u>\$ -</u>
Total County Capital Projects Fund	<u>\$ 2,480,888</u>	<u>\$ 19,165,699</u>	<u>\$ 5,573,651</u>	<u>\$ 13,592,048</u>
Special Revenue Fund:				
E-911 Fund:				
Public safety:				
Other protection:				
E-911 Administration	\$ 1,090,342	\$ 1,109,449	\$ 1,048,731	\$ 60,718
Total other protection	<u>\$ 1,090,342</u>	<u>\$ 1,109,449</u>	<u>\$ 1,048,731</u>	<u>\$ 60,718</u>
Total public safety	<u>\$ 1,090,342</u>	<u>\$ 1,109,449</u>	<u>\$ 1,048,731</u>	<u>\$ 60,718</u>
Total E-911 Fund	<u>\$ 1,090,342</u>	<u>\$ 1,109,449</u>	<u>\$ 1,048,731</u>	<u>\$ 60,718</u>
Total Primary Government	<u>\$ 76,492,209</u>	<u>\$ 105,112,355</u>	<u>\$ 80,169,260</u>	<u>\$ 24,943,095</u>

County of Franklin, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2014

<u>Fund, Function, Activity, and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Education:				
Administration of schools:				
Administration cost	\$ 2,541,941	\$ 2,541,941	\$ 2,370,282	\$ 171,659
Total administration of schools	<u>\$ 2,541,941</u>	<u>\$ 2,541,941</u>	<u>\$ 2,370,282</u>	<u>\$ 171,659</u>
Instruction costs:				
Instruction cost	\$ 56,509,183	\$ 57,597,050	\$ 57,853,876	\$ (256,826)
Total instruction costs	<u>\$ 56,509,183</u>	<u>\$ 57,597,050</u>	<u>\$ 57,853,876</u>	<u>\$ (256,826)</u>
Operating costs:				
Pupil transportation	\$ 5,523,600	\$ 6,588,750	\$ 6,799,845	\$ (211,095)
Operation and maintenance of school plant	7,793,457	7,793,457	7,630,426	163,031
School food and non-instructional	4,136,505	4,136,505	4,017,493	119,012
Facilities	-	392,745	381,635	11,110
Principal retirement	2,060,652	2,060,652	-	2,060,652
Interest and other fiscal charges	647,807	647,807	-	647,807
Total operating costs	<u>\$ 20,162,021</u>	<u>\$ 21,619,916</u>	<u>\$ 18,829,399</u>	<u>\$ 2,790,517</u>
Total education	<u>\$ 79,213,145</u>	<u>\$ 81,758,907</u>	<u>\$ 79,053,557</u>	<u>\$ 2,705,350</u>
Capital projects:				
Capital projects	\$ -	\$ 1,296,476	\$ 1,986,328	\$ (689,852)
Total capital projects	<u>\$ -</u>	<u>\$ 1,296,476</u>	<u>\$ 1,986,328</u>	<u>\$ (689,852)</u>
Total School Operating Fund	<u>\$ 79,213,145</u>	<u>\$ 83,055,383</u>	<u>\$ 81,039,885</u>	<u>\$ 2,015,498</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 79,213,145</u>	<u>\$ 83,055,383</u>	<u>\$ 81,039,885</u>	<u>\$ 2,015,498</u>

Note 1: School Board appropriations occur at the fund level

STATISTICAL SECTION

Statistical Section

Contents

Tables

Financial Trends

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

1 - 4

Revenue Capacity

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

5 - 9

Debt Capacity

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

10 - 13

Demographic and Economic Information

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

14 - 15

Operating Information

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

16 - 18

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

Table 1

COUNTY OF FRANKLIN, VIRGINIA

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental activities										
Net investment in capital assets	19,561,806	16,592,783	17,067,811	24,045,244	33,598,908	37,125,995	38,512,330	40,509,583	47,333,389	40,566,426
Restricted	200,123	174,252	6,853,227	211,128	159,656	295,455	202,014	295,849	388,906	7,676,752
Unrestricted	21,556,678	32,261,985	28,812,760	31,307,246	24,972,606	25,245,759	25,353,580	23,388,187	19,852,817	20,000,997
Total governmental activities net position	41,318,607	49,029,020	52,733,798	55,563,618	58,731,170	62,667,209	64,067,924	64,193,619	67,575,112	68,244,175
Business-type activities										
Net investment in capital assets	628,315	1,547,373	1,724,684	3,027,372	1,640,981	1,056,539	1,026,877	1,167,776	1,134,931	1,102,086
Unrestricted	1,667,338	1,758,683	1,916,298	1,303,504	721,629	296,579	294,773	944,367	182,806	210,379
Total business-type activities net position	2,295,653	3,306,056	3,640,982	4,330,876	2,362,610	1,353,118	1,321,650	2,112,143	1,317,737	1,312,465
Primary government										
Net investment in capital assets	20,190,121	18,140,156	18,792,495	27,072,616	35,239,889	38,182,534	39,539,207	41,677,359	48,468,320	41,668,512
Restricted	200,123	174,252	6,853,227	211,128	159,656	295,455	202,014	295,849	388,906	7,676,752
Unrestricted	23,224,016	34,020,668	30,729,058	32,610,750	25,694,235	25,542,338	25,648,353	24,332,554	20,035,623	20,211,376
Total primary government net position	43,614,260	52,335,076	56,374,780	59,894,494	61,093,780	64,020,327	65,389,574	66,305,762	68,892,849	69,556,640

Source: County financial reports

COUNTY OF FRANKLIN, VIRGINIA

Changes in Net Position Last Ten Fiscal Years (accrual basis of accounting)	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses										
Governmental activities:										
General government administration	3,004,469	3,463,168	4,157,343	4,042,082	4,027,157	3,994,191	4,171,457	4,851,681	4,297,357	4,618,400
Judicial administration	1,970,309	3,326,151	2,160,555	2,475,749	2,670,402	2,354,044	2,327,750	2,344,133	2,535,581	2,317,632
Public safety	8,205,130	8,464,171	10,347,921	12,508,248	12,737,913	14,444,078	14,252,682	14,445,531	14,590,942	14,813,690
Public works	2,012,628	986,891	1,982,292	3,370,469	3,135,781	5,397,533	4,966,247	6,855,118	4,728,017	5,018,567
Health and welfare	7,486,945	8,070,657	9,732,455	9,324,129	9,952,103	10,201,556	10,367,270	10,430,549	10,269,099	10,968,715
Education	23,380,369	24,078,623	28,332,013	25,784,294	29,621,387	27,011,085	31,797,712	29,873,835	31,912,383	32,492,221
Parks, recreation and cultural	1,078,612	1,284,696	1,656,664	1,916,529	2,310,267	2,132,551	2,013,395	2,165,867	2,071,985	1,952,891
Community development	1,706,253	1,887,256	3,873,631	4,757,659	5,190,199	5,126,182	4,875,629	3,029,603	3,003,651	3,572,124
Interest on long-term debt	943,084	1,274,457	1,435,334	1,161,205	1,541,431	1,496,120	1,480,039	1,171,325	946,745	1,046,709
Total governmental activities expenses	49,787,799	52,836,070	63,678,208	65,340,364	71,186,640	72,097,340	76,252,181	75,167,642	74,356,060	76,800,949
Business-type activities:										
Utility fund	60,868	413,450	581,355	428,708	2,630,752	615,957	56,909	41,741	42,490	47,643
Total business-type activities expenses	60,868	413,450	581,355	428,708	2,630,752	615,957	56,909	41,741	42,490	47,643
Total primary government expenses	49,848,667	53,249,520	64,259,563	65,769,072	73,817,392	72,713,297	76,309,090	75,209,383	74,398,550	76,848,592
Program Revenues										
Governmental activities:										
Charges for services:										
General government administration	183,138	-	45,684	22,205	16,548	22,775	13,445	12,989	7,980	12,224
Judicial administration	313,868	788,901	200,374	154,556	122,518	144,054	111,612	49,506	103,748	162,402
Public safety	508,486	463,421	1,317,116	1,297,973	1,276,255	1,561,354	1,466,223	1,601,892	1,781,500	1,943,658
Public works	919,688	920,146	947,685	891,595	665,917	637,029	776,572	740,686	952,990	942,265
Health and welfare	180,009	19,005	25,398	22,513	16,737	22,198	16,986	19,056	13,425	18,731
Parks, recreation and cultural	84,531	86,633	85,315	140,640	114,806	107,836	103,406	100,043	194,202	188,675
Community development	-	293,449	286,174	195,433	97,971	-	-	-	-	-
Operating grants and contributions	9,288,324	10,348,984	11,965,531	12,126,502	12,047,519	11,858,743	12,230,679	11,722,367	11,412,589	12,501,912
Capital grants and contributions	832,018	412,417	854,268	3,733,498	2,003,393	2,259,154	2,461,498	994,357	864,885	299,810
Total governmental activities program revenues	12,310,062	13,332,956	15,727,545	18,584,915	16,361,664	16,613,243	17,180,421	15,240,896	15,331,319	16,069,677
Business-type activities:										
Charges for services:										
Water	37,496	333,003	145,464	466,359	190,471	26,031	8,096	112,522	31,084	25,371
Capital grants and contributions	915,400	422,022	141,761	18,200	63,055	-	-	164,456	-	-
Total business-type activities program revenues	952,896	755,025	287,225	484,559	253,526	26,031	8,096	276,978	31,084	25,371
Total primary government program revenues	13,262,958	14,087,981	16,014,770	19,069,474	16,615,190	16,639,274	17,188,517	15,517,874	15,362,403	16,095,048

COUNTY OF FRANKLIN, VIRGINIA

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Net (expense) / revenue										
Governmental activities	(37,477,737)	(39,503,114)	(47,950,663)	(46,755,449)	(54,824,976)	(55,484,097)	(59,071,760)	(59,826,746)	(59,024,741)	(60,791,272)
Business-type activities	892,028	341,575	(294,130)	55,851	(2,377,226)	(589,926)	(48,813)	235,237	(11,406)	(22,272)
Total primary government net expense	(36,585,709)	(39,161,539)	(48,244,793)	(46,699,598)	(57,202,202)	(56,074,023)	(59,120,573)	(59,591,509)	(59,036,147)	(60,753,544)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	28,631,256	30,887,533	32,824,967	34,255,431	43,374,361	42,935,336	45,616,322	45,783,087	46,330,843	46,505,312
Local sales and use taxes	3,795,054	4,163,629	4,242,805	4,153,451	3,742,268	3,634,351	3,795,733	3,867,957	4,029,528	4,087,355
Taxes on recordation and wills	917,206	983,726	842,747	658,226	581,797	507,081	513,861	465,882	513,088	468,085
Motor vehicle licenses taxes	1,237,090	1,265,605	1,279,225	1,270,653	1,227,296	1,207,504	1,182,088	1,159,789	1,148,502	833,472
Consumers' utility taxes	2,427,461	2,468,539	1,715,239	964,500	969,161	970,934	972,419	971,683	973,782	976,804
Business licenses taxes	3,394	4,261	4,998	4,697	4,444	4,440	3,829	4,585	4,798	13,745
Other local taxes (1)	1,798,704	2,078,429	2,975,802	3,789,514	3,522,927	1,342,836	1,297,445	1,294,561	1,429,674	1,465,873
Permits, privilege fees and regulatory licenses	-	-	-	-	-	-	-	-	-	-
Unrestricted grants and contributions	2,973,473	3,579,663	5,351,267	3,241,483	3,134,606	5,483,807	5,463,983	5,379,777	5,478,612	5,371,657
Unrestricted revenues from use (1)	610,065	1,293,731	2,532,079	1,520,629	1,578,534	1,064,806	1,071,595	1,139,124	1,129,807	1,142,792
Miscellaneous	793,590	1,122,032	356,373	345,570	257,613	1,849,101	572,545	541,242	584,600	552,240
Transfers	(1,140,237)	(643,621)	(347,878)	(599,373)	(400,479)	419,940	(17,345)	(555,256)	783,000	(17,000)
Total governmental activities	42,007,056	47,213,527	51,777,624	49,604,781	57,992,528	59,420,136	60,472,475	60,052,441	62,406,234	61,400,335
Business-type activities:										
Unrestricted grants and contributions	-	-	137,663	-	-	-	-	-	-	-
Transfers	1,140,237	643,621	347,878	599,373	400,479	(419,940)	17,345	555,256	(783,000)	17,000
Unrestricted revenues from use of money and property	27,477	25,207	21,332	15,158	8,481	374	-	-	-	-
Total business-type activities	1,167,714	668,828	506,873	614,531	408,960	(419,566)	17,345	555,256	(783,000)	17,000
Total primary government	43,174,770	47,882,355	52,284,497	50,219,312	58,401,488	59,000,570	60,489,820	60,607,697	61,623,234	61,417,335
Change in Net Position										
Governmental activities	4,529,319	7,710,413	3,826,961	2,849,332	3,167,552	3,936,039	1,400,715	125,695	3,381,493	669,063
Business-type activities	2,059,742	1,010,403	212,743	670,382	(1,968,266)	(1,009,492)	(31,468)	790,493	(794,406)	(5,272)
Total primary government	6,589,061	8,720,816	4,039,704	3,519,714	1,199,286	2,926,547	1,369,247	916,188	2,587,087	663,791

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

COUNTY OF FRANKLIN, VIRGINIA

Table 3

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General fund										
Reserved	33,436	85,811	221,133	211,128	159,656	-	-	-	-	-
Unreserved	23,649,911	35,092,881	31,908,499	17,790,397	16,769,417	19,872,220	-	-	-	-
Nonspendable	-	-	-	-	-	-	-	148,078	-	-
Restricted	-	-	-	-	-	-	173,399	243,920	253,224	246,039
Assigned	-	-	-	-	-	-	92,994	210,233	277,289	2,681,011
Unassigned	-	-	-	-	-	-	19,653,231	19,963,500	20,397,311	18,430,083
Total general fund	23,683,347	35,178,692	32,129,632	18,001,525	16,929,073	19,872,220	19,919,624	20,565,731	20,927,824	21,357,133
All other governmental funds										
Reserved	2,237,117	88,441	6,632,094	-	5,049,690	295,455	-	-	-	-
Unreserved, reported in:										
Special revenue funds	-	-	-	14,127	51,955	46,367	-	-	-	-
Capital projects funds	556,871	-	-	21,980,834	11,665,266	13,037,850	-	-	-	-
Restricted, reported in:										
Special revenue funds	-	-	-	-	-	-	28,615	51,929	135,682	7,430,713
Assigned, reported in:										
Capital projects funds	-	-	-	-	-	-	14,021,993	14,779,718	11,776,528	11,831,695
Total all other governmental funds	2,793,988	88,441	6,632,094	21,994,961	16,766,911	13,379,672	14,050,608	14,831,647	11,912,210	19,262,408

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

Table 4

COUNTY OF FRANKLIN, VIRGINIA
 Changes in Fund Balances of Governmental Funds
 Last Ten Fiscal Years
 (modified accrual basis of accounting)

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues										
General property taxes	28,585,380	30,818,386	32,707,564	33,729,192	43,289,214	42,515,165	45,277,434	46,118,184	46,529,172	46,773,366
Other local taxes	10,138,909	10,974,189	11,060,816	10,841,041	10,047,893	7,667,146	7,765,375	7,764,467	8,099,372	7,843,334
Permits, privilege fees and regulatory licenses	620,966	764,826	691,500	573,664	413,467	359,451	359,111	319,277	356,562	381,133
Fines and forfeitures	23,516	16,968	16,378	10,772	10,082	15,002	17,076	17,076	67,474	110,411
Revenue from use of money and property	626,119	1,319,887	2,532,079	1,520,629	1,578,534	1,064,806	1,071,595	1,139,124	1,129,807	1,142,792
Charges for services	3,164,906	3,628,164	2,199,868	2,140,479	1,887,203	2,120,893	2,116,101	2,187,819	2,629,819	2,776,411
Miscellaneous	1,329,195	1,750,210	371,305	345,570	297,613	1,849,101	572,545	541,242	584,600	552,240
Recovered costs	907,568	1,782,271	731,213	905,027	744,082	646,857	663,734	609,920	515,589	466,701
Intergovernmental:										
Commonwealth	42,650,111	45,471,082	14,723,153	15,740,896	13,020,863	13,120,657	16,918,858	15,212,623	15,107,565	15,380,778
Federal	8,688,290	9,135,829	3,432,981	3,360,587	4,182,855	4,158,767	3,237,302	2,883,878	2,646,521	2,792,601
Total revenues	96,714,960	105,661,612	68,466,857	69,167,857	75,413,606	73,515,845	78,015,087	76,793,610	77,668,471	78,221,767
Expenditures										
General government administration	3,491,287	3,591,991	3,939,015	3,532,252	3,678,190	3,703,759	4,254,794	4,194,731	4,201,866	3,847,437
Judicial administration	2,014,628	2,082,436	2,214,118	2,517,127	2,647,224	2,406,096	2,273,717	2,310,288	2,401,013	2,289,679
Public safety	8,012,239	10,499,222	11,125,314	11,504,555	13,619,580	13,705,018	13,035,802	14,065,589	13,882,120	14,095,220
Public works	2,024,491	2,567,643	3,763,333	2,324,278	2,759,763	3,293,949	3,722,272	3,315,583	3,679,291	3,597,680
Health and welfare	7,472,930	8,383,152	9,665,059	9,772,706	10,188,370	10,357,762	10,854,862	10,670,106	10,357,775	11,053,119
Education	61,488,183	66,045,924	25,640,822	25,084,849	26,734,619	26,058,965	30,813,204	28,249,720	30,878,312	31,546,956
Parks, recreation and cultural	2,019,168	1,616,131	2,300,706	1,643,257	2,056,206	1,868,801	1,733,929	1,814,823	1,915,968	1,950,171
Community development	1,818,675	1,765,265	8,510,072	2,415,467	5,447,836	2,044,767	3,021,430	2,471,002	3,157,331	3,598,642
Nondepartmental			40,097	58,879	77,718	-	135	-	46,897	3,978
Capital projects	619,332	3,265,505	521,917	10,981,071	12,784,491	9,752,250	3,084,911	3,408,090	7,103,074	4,090,825
Debt service										
Principal	1,806,075	1,848,143	2,076,767	6,004,140	2,753,602	2,960,922	3,122,020	3,028,681	6,304,484	3,122,132
Interest and other fiscal charges	961,179	1,035,008	1,232,658	1,364,839	1,592,736	1,602,618	1,362,326	1,293,215	1,040,602	852,941
Bond issuance costs	-	-	-	69,099	73,424	58,250	-	-	14,958	120,500
Total expenditures	91,728,187	102,700,420	71,049,878	77,272,519	84,403,759	77,813,157	77,279,402	74,821,808	84,983,691	80,169,260
Excess of revenues over (under) expenditures	4,986,773	2,961,192	(2,583,021)	(8,104,662)	(8,990,153)	(4,297,312)	735,685	1,971,802	(7,315,220)	(1,947,493)
Other financing sources (uses)										
Transfers in	416,279	807,277	1,094,447	6,993,301	7,635,878	2,585,653	2,719,846	3,078,179	9,373,684	7,245,011
Transfers out	(1,556,516)	(1,450,896)	(1,442,325)	(7,592,674)	(8,036,357)	(2,165,713)	(2,737,191)	(3,633,435)	(8,590,684)	(7,262,011)
Bonds and notes issued	2,689,762	6,500,000	6,573,600	9,938,795	2,905,000	1,109,000	-	-	3,068,750	9,744,000
Premium on debt issuance	-	-	187,343	-	130,152	-	-	-	-	-
Capital leases	234,024	234,332	-	-	54,978	-	-	-	655,000	-
Sale of capital assets	-	-	-	-	-	-	-	10,600	251,124	-
Total other financing sources (uses)	1,783,549	6,090,713	6,413,065	9,339,422	2,689,651	1,528,940	(17,345)	(644,656)	4,757,874	9,727,000
Net change in fund balances	6,770,322	9,051,905	3,830,044	1,234,760	(6,300,502)	(2,768,372)	718,340	1,427,146	(2,557,346)	7,779,507
Debt service as a percentage of noncapital expenditures	3%	3%	5%	11%	6%	7%	6%	6%	10%	5%
Total Debt Service Expenditures	2,767,254	2,883,151	3,309,425	7,368,979	4,336,338	4,621,790	4,484,346	4,321,896	7,360,044	4,095,573
Total Governmental Non-capital Expenditures	91,108,855	99,434,915	70,527,961	66,291,448	71,619,268	69,101,331	74,194,491	71,337,431	76,621,759	76,370,977

Source: County financial reports

COUNTY OF FRANKLIN, VIRGINIA

Table 5

General Governmental Tax Revenues by Source

Last Ten Fiscal Years

(accrual basis of accounting)

Fiscal Year	Property Tax	Local sales and use Tax	Consumer Utility Tax	Meals Tax	Hotel & Motel Tax	Utility License Tax	Bank Stock Tax	Motor Vehicle License Tax	Record-ation and Wills Tax	Other Tax	Total
2014	46,505,312	4,087,355	976,804	990,322	86,010	231,095	156,590	833,472	468,085	15,601	54,350,646
2013	46,330,843	4,029,528	973,782	962,596	85,124	250,098	128,791	1,148,502	513,088	7,863	54,430,215
2012	45,783,087	3,867,957	971,693	912,380	91,628	168,980	119,639	1,159,789	465,882	4,585	53,545,620
2011	45,277,434	3,795,733	972,419	843,382	97,056	231,833	123,267	1,182,088	500,736	3,829	53,027,777
2010	42,515,165	3,634,351	1,254,157	834,617	98,194	283,223	125,681	1,207,504	497,231	4,440	50,454,563
2009	43,289,214	3,742,268	969,161	829,982	103,696	166,457	107,361	1,227,296	581,797	4,444	51,021,676
2008	33,729,192	4,153,451	964,500	815,584	112,944	212,074	99,550	1,270,653	658,226	NA	42,016,174
2007	32,707,564	4,242,805	1,715,239	814,071	109,353	129,854	105,091	1,279,225	842,747	NA	41,945,949
2006	30,818,386	4,163,629	1,880,168	760,121	111,404	431,217	144,163	1,265,605	993,726	NA	40,568,419
2005	28,585,380	3,795,054	2,231,212	745,316	119,479	44,206	106,852	1,237,090	917,206	NA	37,781,795

COUNTY OF FRANKLIN, VIRGINIA

Table 6

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

Fiscal Year	Real Estate/ Mobile Homes		Personal Property	Merchants' Capital	Machinery & Tools	Public Service	Total Taxable Assessed Value
	Real Estate/ Mobile Homes	Personal Property					
2014	6,563,692,254	499,419,869	62,141,114	91,386,941	160,408,641	7,377,048,819	
2013	6,512,213,873	478,922,754	62,392,929	97,259,640	161,030,712	7,311,819,908	
2012	7,714,753,492	466,053,799	61,116,302	87,420,378	163,682,723	8,493,026,694	
2011	7,658,949,539	452,339,636	58,454,412	85,551,282	151,199,948	8,406,494,817	
2010	7,606,214,950	448,673,632	63,385,820	83,369,833	162,132,199	8,363,776,434	
2009	7,495,611,081	502,466,388	68,422,417	77,815,711	148,209,734	8,292,525,331	
2008	5,312,089,342	472,049,385	70,569,752	74,111,761	97,234,892	6,026,055,132	
2007	4,807,045,787	510,854,136	76,847,910	62,916,661	102,235,038	5,559,899,532	
2006	4,585,493,371	471,380,050	65,344,989	60,749,046	116,612,320	5,299,579,776	
2005	4,382,613,489	424,712,961	56,610,940	51,162,556	123,952,019	5,039,051,965	

Fiscal Year	Real Property Total Direct Tax Rate		Personal Property Tax Rate	Merchants' Capital Tax Rate	Machinery and Tools Tax Rate	Total Direct Rate (Weighted Average)	Estimated Actual Value	Assessed Value as a Percentage of Actual Value
	Real Property Total Direct Tax Rate	Personal Property Tax Rate						
2014	0.54	2.34	1.08	0.70	0.67	7,198,027,786	102.49%	
2013	0.54	2.34	1.08	0.70	0.66	7,100,025,919	102.98%	
2012	0.48	2.04	1.08	0.60	0.57	8,492,757,485	100.00%	
2011	0.48	2.04	1.08	0.60	0.57	8,147,764,905	103.18%	
2010	0.46	1.89	1.08	0.60	0.54	8,074,239,188	103.59%	
2009	0.46	1.89	1.08	0.60	0.55	8,027,547,143	103.30%	
2008	0.53	1.67	1.08	0.54	0.63	5,633,589,940	106.97%	
2007	0.53	1.67	1.08	0.54	0.64	5,473,576,675	101.58%	
2006	0.53	1.67	1.08	0.60	0.64	5,247,621,108	100.99%	
2005	0.52	1.67	1.08	0.54	0.62	4,862,156,452	103.64%	

Source: Commissioner of Revenue

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

Fiscal Years	Direct Rates				Total Direct Rate Weighted Average	Overlapping Rates Town of Rocky Mount	
	Real Estate	Personal Property	Machinery and Tools	Merchant's Capital		Real Estate	Personal Property
2014	0.54	2.34	0.70	1.08	0.67	0.13	0.51
2013	0.54	2.34	0.70	1.08	0.66	0.13	0.51
2012	0.48	2.04	0.60	1.08	0.57	0.12	0.51
2011	0.48	2.04	0.60	1.08	0.57	0.12	0.51
2010	0.46	1.89	0.60	1.08	0.54	0.12	0.51
2009	0.46	1.89	0.60	1.08	0.55	0.12	0.51
2008	0.53	1.67	0.54	1.08	0.63	0.12	0.51
2007	0.53	1.67	0.54	1.08	0.64	0.14	0.51
2006	0.53	1.67	0.60	1.08	0.64	0.14	0.51
2005	0.52	1.67	0.54	1.08	0.62	0.11	0.51

(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 2014		Fiscal Year 2005	
		Assessed Valuation (Millions)	% of Total Assessed Valuation	Assessed Valuation (Millions)	% of Total Assessed Valuation
Appalachian Power Company	Electric Utility	121	1.49%	65	2.01%
Franklin Real Estate Company	Real Estate	24	0.33%	16	0.49%
Central Telephone Company	Telephone Utility	24	0.31%	34	1.05%
Willard Construction Company	Construction	22	0.30%	27	0.83%
Wal Mart	Retail	10	0.14%	8	0.25%
McAiraids	Manufacturing	10	0.14%		0.00%
Rocky Mount Development Co	Real Estate	10	0.14%		0.00%
Franklin Memorial Hospital	Health Care	8	0.11%	9	0.28%
Lowes	Retail	7	0.10%		0.00%
Southgate III LLC	Real Estate	7	0.10%		0.00%
Windstar Properties LLC	Real Estate	-	0.00%	14	0.43%
PG Multi-16 LP	Real Estate	-	0.00%	9	0.28%
Rocky Mount Orchard Ave LLC	Real Estate	-	0.00%	7	0.22%
Resource Partners LLC	Real Estate	-	0.00%	11	0.34%
		243	3.16%	200	7.22%

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 Collected	Percentage of Levy		Amount Collected	Percentage of Levy
2014	46,835,889	45,285,604	96.69%	-	45,285,604	96.69%
2013	45,660,712	44,159,107	96.71%	770,279	44,929,386	98.40%
2012	45,722,994	45,007,522	98.44%	400,537	45,408,059	99.31%
2011	45,237,044	43,561,279	96.30%	1,489,777	45,051,056	99.59%
2010	42,642,755	41,035,249	96.23%	1,444,673	42,479,922	99.62%
2009	43,103,676	41,569,680	96.44%	1,312,626	42,882,306	99.49%
2008	36,542,153	35,370,019	96.79%	1,022,134	36,392,153	99.59%
2007	35,220,150	34,085,239	96.78%	984,911	35,070,150	99.57%
2006	33,219,244	32,075,823	96.56%	993,421	33,069,244	99.55%
2005	30,889,511	29,883,296	96.74%	856,215	30,739,511	99.51%

Source: Commissioner of Revenue, County Treasurer's office

COUNTY OF FRANKLIN, VIRGINIA

Table 10

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Years	Governmental Activities			Business-Type Activities			Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds and Notes	Literary Fund Loans (2)	Capital Leases	General Obligation Bonds	Capital Leases				
2014	33,164,494	-	394,723	-	-	33,559,217	0.10%	593	
2013	26,429,558	-	534,770	-	-	26,964,328	0.13%	476	
2012	25,339,439	3,702,750	163,141	-	-	29,205,330	0.11%	518	
2011	27,583,771	4,316,500	333,741	-	-	32,234,012	0.10%	573	
2010	29,877,385	4,930,250	548,397	-	-	35,356,032	0.09%	634	
2009	30,874,271	5,544,000	789,682	-	-	37,207,953	0.09%	673	
2008	29,817,038	6,157,750	963,751	2,135,700	-	39,074,239	0.08%	718	
2007	25,905,826	6,771,500	326,557	2,285,700	-	35,289,583	0.08%	665	
2006	20,667,755	7,385,250	454,046	2,429,600	-	30,936,651	0.09%	595	
2005	15,151,697	8,072,000	397,165	2,567,600	-	26,188,462	0.10%	513	

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

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

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

Source: County financial reports

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

Fiscal Year	Gross Bonded Debt	Less: Amounts Reserved for Debt Service	Gross and Net Bonded Debt (3)	Ratio of Net General Obligation Debt to Assessed Value (2)	Net Bonded Debt per Capita (1)
2014	33,164,494	-	33,164,494	0.45%	585.78
2013	26,429,558	-	26,429,558	0.36%	466.82
2012	29,042,189	-	29,042,189	0.34%	514.76
2011	31,900,271	-	31,900,271	0.38%	567.37
2010	34,807,635	-	34,807,635	0.42%	624.55
2009	36,418,271	-	36,418,271	0.44%	658.75
2008	36,938,539	-	36,938,539	0.61%	678.43
2007	33,003,883	-	33,003,883	0.59%	622.28
2006	28,507,051	-	28,507,051	0.54%	548.47
2005	23,223,697	-	23,223,697	0.46%	455.36

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

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

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

Direct and Overlapping Governmental Activities Debt
As of June 30, 2014

<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	2,330,300	100%	\$ 2,330,300
Subtotal, overlapping debt			<u>\$ 2,330,300</u>
County of Franklin, direct debt			<u>\$ 33,559,217</u>
Total direct and overlapping debt			<u><u>\$ 35,889,517</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.

Legal Debt Margin Information
Last Ten Fiscal Years

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Debt limit	438,261,349	458,549,337	480,704,579	531,208,934	749,561,108	760,621,495	765,894,954	771,475,349	651,221,387	656,369,225
Total net debt applicable to limit	22,282,575	23,223,697	28,507,051	32,677,326	36,938,539	34,807,635	31,900,271	29,042,189	26,429,558	33,164,494
Legal debt margin	415,978,774	435,325,640	452,197,528	498,531,608	712,622,569	725,813,860	733,994,683	742,433,160	624,791,829	623,204,731
Total net debt applicable to the limit as a percentage of debt limit	5.08%	5.06%	5.93%	6.15%	4.93%	4.58%	4.17%	3.76%	4.06%	5.05%

Legal Debt Margin Calculation for Fiscal Year 2014

Assessed value of real estate	6,563,692,254
Debt limit (10% of total assessed value)	656,369,225
Net debt applicable to limit	33,164,494
Legal debt margin	623,204,731

Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population	Per Capita Personal Income	Total Personal Income (thousands)	Median Age	School Enrollment	Unemployment Rate
2014	56,616	\$ 34,614	\$ 1,959,706	40	7,037	5.20%
2013	56,616	34,028	1,926,513	40	7,095	4.90%
2012	56,419	32,626	1,840,735	40	7,080	6.20%
2011	56,225	31,096	1,748,378	40	7,069	6.40%
2010	55,732	30,701	1,711,035	40	7,200	7.50%
2009	55,284	32,145	1,777,109	40	7,166	8.40%
2008	54,447	31,133	1,695,115	40	7,283	4.70%
2007	53,037	29,081	1,542,380	40	7,305	3.80%
2006	51,976	27,675	1,438,454	40	7,194	2.80%
2005	51,001	27,068	1,380,475	40	7,150	3.60%
2004	50,012	25,701	1,285,355	Not Available	7,125	3.60%

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

Principal Employers
Current Year and Nine Years Ago

Employer	Fiscal Year 2014			Fiscal Year 2005		
	Employees	Rank	% of Total County Employment	Employees	Rank	% of Total County Employment
Franklin County Public Schools	1,392	1	5.17%	1,094	2	4.14%
MW Manufacturers, Inc	950	2	3.34%	1,367	1	5.17%
Wal-Mart	400	3	1.48%	343	3	1.30%
Franklin County	326	4	1.21%			
Ferrum College	325	5	1.17%	272	7	1.03%
Trinity Packaging, Inc.	300	6	1.11%	300	4	1.13%
Ronile. Inc.	300	7	1.11%	289	5	1.09%
Carilion Franklin Memorial Hospital	275	8	1.02%	270	8	1.02%
Uttermost Company	168	9	0.62%	280	6	1.06%
Mod-U-Kraf Homes, Inc.	125	10	0.46%	245	9	0.93%
Fleetwood Homes of Virginia				200	10	0.76%
Totals	<u>4,561</u>		<u>16.69%</u>	<u>4,660</u>		<u>17.63%</u>

Source: Individual companies

Table 16

COUNTY OF FRANKLIN, VIRGINIA

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

Function	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Government Administration										
Legislative	1	1	1	1	1	1	1	1	1	1
General and financial administration	31	31	34	36	36	34	34	34	34	34
Judicial Administration										
Courts	13	13	11	11	11	11	11	10	8	6
Clerk of Court	9	9	10	11	11	10	10	10	10	10
Commonwealth Attorney	7	7	7	8	8	8	8	9	9	9
Public Safety										
Sheriff, Law Enforcement	41	43	44	41	38	36	34	34	39	43
Correction and Detention	26	27	32	35	37	36	39	39	37	35
Building inspections	7	7	8	8	7	7	7	7	8	8
Animal control	3	3	4	4	4	3	3	3	3	3
Public Safety	13	16	24	24	24	24	24	24	28	29
E911	14	14	14	14	14	14	15	15	15	14
Public Works										
Solid Waste	13	14	16	16	16	15	15	16	18	18
General buildings and grounds	4	5	8	8	7	7	7	7	7	8
Public Works	2	3	4	4	4	4	3	3	3	3
Health and Welfare										
Department of social services	61	61	61	62	62	58	59	64	64	64
CSA	1	2	2	2	2	2	2	2	2	2
Family Resources	6	6	6	5	5	3	2	2	3	3
Aging Services	3	3	2	2	2	2	2	2	2	2
Recreation and Cultural										
Parks and recreation	7	8	10	10	10	10	10	10	11	10
Library	5	6	6	8	8	8	8	8	8	8
Community Development										
GIS and Mapping			2	2	2	1	2	2	2	2
Economic Development		1	1	1	1	1	1	1	1	2
Work Force Consortium	2	2	3	3	3	3	3	3	3	3
Planning	8	8	11	11	9	8	8	8	8	9
Totals	277	290	321	327	322	306	308	314	324	326

Source: Franklin County Adopted Budgets

Operating Indicators by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General and financial administration										
Commissioner of Revenue:										
Personal Property tax assessments					98,719	106,470	171,742	181,850	195,080	196,000
Real Estate tax assessments					55,080	54,307	64,465	66,717	65,742	65,000
Finance:										
GFOA Award for CAFR	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
GFOA Award for Adopted Budget Book	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Information Technology:										
Tech support (In Days)	9.3	4.5	4.5	3	5	5	5	5	5	3
Voter Registrar:										
Number of Registered Voters	29,769	30,170	31,413	31,892	34,003	34,034	34,406	35,026	35,282	35,235
Judicial Administration										
Clerk of Court:										
Criminal Cases Commenced	1,902	1,927	1,817	1,704	2,250	2,070	1,661	1,517	1,837	1,900
Deeds Recorded	15,808	14,234	12,736	11,033	10,832	11,280	9,581	9,789	9,521	9,600
Public safety										
Sheriffs department: calls for service										
	15,707	16,000	26,047	19,501	18,877	19,237	20,768	21,837	27,969	35,935
Fire and rescue: number of fire calls										
	1,074	1,298	1,225	1,348	1,115	1,309	1,462	1,729	3,917	3,065
Number of rescue calls										
	3,509	4,057	4,254	4,679	5,989	4,947	5,123	5,540	6,484	6,625
Fire Investigations										
	81	118	165	182	132	96	200	157	148	129
Building inspections: Permits issued										
Total Value of Permits	1,569	1,552	1,358	1,018	1,042	974	980	1,029	1,137	1,024
					133,737,342	58,752,602	60,857,340	54,910,190	51,347,040	62,465,201
Public works										
Landfill: Refuse collected (tons)										
	59,698	61,866	61,367	59,842	55,491	49,355	54,398	52,908	52,910	51,646
Mulch Recycled (tons)										
				1,888	1,463	1,331	1,227	1,349	1,352	1,459
Health and Welfare										
Social Services: Children in Foster Care										
				98	88	77	95	94	116	107
SNAP Applications										
				1,774	2,072	2,422	2,282	2,226	2,126	2,006
On-going Medicaid Participants										
				6,154	6,767	7,021	7,189	9,931	8,535	7,820
CSA: Case Load - Number of Children										
	167	177	242	260	279	284	280	256	235	249
Aging Services:										
Transportation Clients										
	490	894	1,104	572	553	614	621	465	466	444
Culture and recreation										
Parks and recreation:										
Sports registration/classes										
	4,566	4,655	4,700	4,566	5,746	5,449	5,451	5,350	4,537	4,527
Shelter reservations										
	283	250	252	283	301	358	268	278	167	160
Park Acreage										
	692	692	692	692	696	696	696	696	696	696
Library:										
Program Attendance										
				22,806	24,928	25,700	25,987	24,871	25,013	24,117
Circulation										
				180,738	191,267	233,626	230,280	236,758	254,099	242,338
Community development										
Planning and Community Development:										
Zoning permits issued										
				816	941	714	1,165	1,251	256	250
Component Unit - School Board										
Education:										
Local expenditures per pupil										
	3,407	3,523	3,569	3,995	4,326	4,203	4,478	3,990	4,498	4,603

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	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General government administration										
Administration buildings	1	1	1	1	1	1	1	1	1	1
Judicial administration										
Courthouses	1	1	1	1	1	1	1	1	1	1
Public safety										
Sheriffs department:										
Patrol units	58	58	58	58	58	58	58	58	58	58
Building inspections:										
Vehicles	5	5	6	6	6	6	6	6	6	6
Animal control:										
Vehicles	3	3	3	3	3	3	3	3	3	3
Public Safety:										
Fire Stations	10	10	10	10	10	10	10	10	10	10
Public works										
Landfill:										
Collection Trucks	7	7	7	7	7	7	7	7	7	7
Green Box Sites	74	74	74	74	74	74	74	74	74	74
Health and welfare										
Department of Social Services:										
Vehicles	8	8	8	8	8	10	12	13	13	13
Culture and recreation										
Parks and recreation:										
Parks	9	9	9	9	9	9	9	9	9	9
Libraries	1	1	1	2	2	2	2	2	2	2
Component Unit - School Board										
Education:										
Schools	14	14	14	14	14	15	15	15	15	15
School buses	162	162	162	162	162	162	162	162	162	162

Source: Individual County departments

COMPLIANCE SECTION

Compliance

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Franklin, Virginia, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the County of Franklin, Virginia's basic financial statements, and have issued our report thereon dated November 18, 2014.

Internal Control over Financial Reporting

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

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

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2014-001 to be a material weakness.

Compliance and Other Matters

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

The County of Franklin, Virginia's Response to Findings

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

Purpose of this Report

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

Robinson, Jaeger, Co. Associates

Blacksburg, Virginia
November 18, 2014

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

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

Report on Compliance for Each Major Federal Program

We have audited the County of Franklin, Virginia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have direct and material effect on each of the County of Franklin, Virginia's major federal programs for the year ended June 30, 2014. The County of Franklin, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County of Franklin, Virginia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County of Franklin, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County of Franklin, Virginia's compliance.

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

As described in the accompanying schedule of findings and questioned costs, the County of Franklin, Virginia did not comply with requirements regarding sub-recipient monitoring for the Adult Education Program (CFDA 84.002) as described in finding number 2014-002. Compliance with such requirements is necessary, in our opinion, for the County of Franklin, Virginia to comply with the requirements applicable to that program.

Qualified Opinion on the Adult Education Program (CFDA 84.002)

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the County of Franklin, Virginia, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Adult Education Program for the year ended June 30, 2014.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the County of Franklin, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2014.

Other Matters

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

Report on Internal Control Over Compliance

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

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2014-002 to be a material weakness.

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

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

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

Robinson, Farmer, Cox Associates

Blacksburg, Virginia
November 18, 2014

County of Franklin, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

Federal Grantor/State Pass - Through Grantor/ Program (or Cluster) Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Department of Health and Human Services:			
Pass Through Payments:			
Department of Social Services:			
Promoting Safe and Stable Families	93.556	0950110/0950111	\$ 22,757
Temporary Assistance for Needy Families (TANF)	93.558	0400111	400,244
Refugee and Entrant Assistance - State Administered Programs	93.566	0500110/0500111	3,140
Low Income Home Energy Assistance	93.568	0600410/0600411	30,877
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760110/0760111	51,880
Chafee Education and Training Vouchers Program	93.599	9160110	8,885
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900110/0900111	2,472
Adoption Assistance	93.659	1120110/1120111	338,524
Social Services Block Grant	93.667	1000110/1000111	298,525
Chafee Foster Care Independence Program	93.674	9150110/9150111	15,112
Foster Care - Title IV-E	93.658	1100110/1100111	439,594
Children's Health Insurance Program	93.767	0540110/0540111	14,238
Medical Assistance Program	93.778	1200110/1200111	422,939
Total Department of Health and Human Services			<u>\$ 2,049,187</u>
Department of Agriculture:			
Pass Through Payments:			
Department of Agriculture:			
Food Distribution (Note C) - (Child Nutrition Cluster)	10.555	40623	\$ 236,451
Department of Education:			
National School Lunch Program - (Child Nutrition Cluster)	10.555	40623	<u>1,563,382</u> \$ 1,799,833
School Breakfast Program - (Child Nutrition Cluster)	10.553	40591	621,839
Department of Social Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010110/0040110	<u>483,936</u>
Total Department of Agriculture			<u>\$ 2,905,608</u>
Department of the Treasury:			
Pass Through Payments:			
Office of the Virginia Attorney General			
Equitable Sharing Program	21.000	Not available	<u>\$ 124,022</u>
Total Department of the Treasury			<u>\$ 124,022</u>
Department of Justice:			
Pass Through Payments:			
Department of Criminal Justice Services:			
Violence Against Women Formula Grants	16.588	10WFAX0041	<u>\$ 38,512</u>
Total Department of Justice			<u>\$ 38,512</u>
Department of Homeland Security:			
Pass Through Payments:			
Department of Emergency Management:			
State Homeland Security Program	97.073	52707/52708	<u>\$ 25,475</u>
Total Department of Homeland Security			<u>\$ 25,475</u>
Department of Transportation:			
Pass Through Payments:			
Department of Motor Vehicles:			
Alcohol Open Container Requirements	20.607	52208	<u>\$ 48,252</u>
Total Department of Transportation			<u>\$ 48,252</u>

County of Franklin, Virginia
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2014

Federal Grantor/State Pass - Through Grantor/ Program (or Cluster) Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
National Endowment for the Arts:			
Pass Through Payments:			
National Endowment for the Arts:			
Promotion of the Arts Partnership Agreements	45.025	99911	\$ 5,000
Total National Endowment for the Arts			<u>\$ 5,000</u>
Department of Education:			
Pass Through Payments:			
Department of Education:			
Adult Education - Basic Grants to States	84.002	42801	\$ 547,760
Title I, Grants to Local Educational Agencies	84.010	42901	1,778,954
Special Education_Grants to States (Special Education Cluster)	84.027	73071	1,992,733
Career and Technical Education -- Basic Grants to States	84.048	61095	136,141
Special Education_Preschool Grants (Special Education Cluster)	84.173	87063A	35,537
Advanced Placement Program	84.330	NA	2,385
English Language Acquisition State Grants	84.365	60509/60512	27,548
Improving Teacher Quality State Grants	84.367	61480	<u>363,797</u>
Total Department of Education			<u>\$ 4,884,855</u>
Total Expenditures of Federal Awards			<u>\$ 10,080,911</u>

Notes to Schedule of Expenditures of Federal Awards

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, 2014. The information in the Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the County of Franklin, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County of Franklin, Virginia.

Note B-Summary of Significant Accounting Policies

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

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

Note C-Food Distribution

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

Note D-Relationship to Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:	
Primary government:	
General Fund	\$ 2,792,601
Less: Payments in Lieu of Taxes	<u>(18,217)</u>
Total primary government:	<u>\$ 2,774,384</u>
Component Unit School Board:	
School Operating Fund	<u>\$ 7,306,527</u>
Total federal expenditures per the Schedule of Expenditures of Federal Awards	<u>\$ 10,080,911</u>

County of Franklin, Virginia

Schedule of Findings and Questioned Costs
 Year Ended June 30, 2014

Section I - Summary of Auditors' Results

Financial Statements

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

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified?	None reported

Type of auditors' report issued on compliance for major programs: Qualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510 (a) Yes

Identification of major programs:

CFDA #	Name of Federal Program or Cluster
10.553/10.555	Child Nutrition Cluster
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
84.002	Adult Education - Basic Grants to States
84.010	Title I - Grants to Local Educational Agencies
84.367	Improving Teacher Quality State Grants
93.558	Temporary Assistance to Needy Families (TANF)
93.658	Chafee Foster Care Independence Program
93.659	Adoption Assistance
93.778	Medical Assistance Program

Dollar threshold used to distinguish between Type A and Type B programs	\$302,427
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Auditee qualified as low-risk auditee?	No
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County of Franklin, Virginia

Schedule of Findings and Questioned Costs
Year Ended June 30, 2014 (continued)

Section II - Financial Statement Findings

Finding 2014-001
(Material Weakness)

Criteria:	The County should have a process in place to ensure that grant reimbursement requests submitted to the State for processing reconcile to program expenditures.
Condition:	The audit determined that reimbursement request submitted by the local Department of Social Services were not being reconciled to underlying program expenditures.
Cause of Condition:	The Department had staff turnover during the fiscal year and new staff did not prepare monthly reconciliations.
Effect of Condition:	There is a risk that monthly reimbursement reports will contain errors and amounts received from the State will be more (or less) than program expenditures.
Recommendation:	The local Department of Social Services should resume their practice of reconciling monthly program expenditures to amounts reported to the State for reimbursement.
Managements Response:	The Local Department of Social Services has contracted with their former Office Manager to prepare monthly reconciliations and anticipates that this finding will be corrected during the 14/15 fiscal year.

Section III - Federal Award Findings and Questioned Costs

Finding 2014-002
Compliance Finding and
Material Weakness

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

County of Franklin, Virginia

Schedule of Findings and Questioned Costs
Year Ended June 30, 2014 (continued)

Section IV - Status of Prior Audit Findings and Questioned Costs

Finding 2013-01 recurred during the fiscal year and is reported above as finding 2014-002.