

# Franklin County, Virginia Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2016



**Franklin County**  
*A Natural Setting for Opportunity*

COUNTY OF FRANKLIN, VIRGINIA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE ENDED JUNE 30, 2016

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Prepared by the Franklin County  
Department of Finance

COUNTY OF FRANKLIN, VIRGINIA  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 FISCAL YEAR ENDED JUNE 30, 2016

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**INTRODUCTORY SECTION**

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December 15, 2016

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, 2016. 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 unmodified opinion on the County's financial statements as of and for the year ended June 30, 2016. 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 2015-2016, 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, 2016 is estimated at 56,373 with a population density of 81.5 people per square mile. Franklin County is included in the Roanoke Metropolitan Statistical Area (MSA) that has a total population of approximately 300,000.

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

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

## **Economic Conditions and Outlook**

Franklin County, the seventh largest county in size in Virginia with an area of 692 square miles, is located in southwest Virginia. By offering close proximity to all markets along the East coast, the County is an excellent location for local industries and commerce. The local economy remained fairly strong this past fiscal year compared to the national economy with an average unemployment rate of 4.2%.

Much of fiscal year 2015-2016 was spent on a number of capital projects including new business park development and consolidated solid waste collection site improvements in the eastern part of the County. 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 12<sup>th</sup> for job creation and 26<sup>th</sup> 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 includes 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 was 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. Approximately 550 acres of land were recently purchased for a new business park in the northern part of the County.

## **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, for twenty-four hours a day, seven days a week.

## **Long-Term Financial Planning**

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

**General Fund Balance (Unassigned).** The Board of Supervisors has adopted a policy to keep the unassigned general fund balance at a minimum of two months of general fund operating revenues. Bond rating agencies have also recommended the unassigned general fund balance be maintained at this level. The unassigned general fund balance is 19.8 million for the year ended June 30, 2016. This is an increase from the prior fiscal year and is the result of the County having revenues in excess of budget as well as budgetary expenditure savings.

**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 Uniform Guidance. 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, 2015. This was the 16th 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.

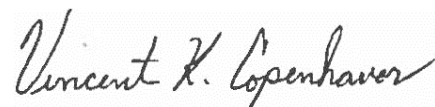
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

**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,



W. Brent Robertson  
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 Officials  
June 30, 2016**

**Board of Supervisors**

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

**County Administration**

W. Brent Robertson, 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..... Steve Sandy  
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..... Alison Barry  
Director of Franklin Center ..... Kathy Hodges  
Director of Family Resource Center ..... Angela Phillips  
Director of Social Services..... Deborah K. Powell  
Chief Building Official ..... Andy Morris  
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 ..... A. J. Dudley  
Sheriff ..... Bill Overton, Jr.  
Treasurer ..... Susan Wray

**Franklin County Social Services Board Members**

Michael A DeGorgi, 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 Board of Supervisors June 30, 2016



Cline Brubaker  
Chairman  
Blackwater District



Charles Wagner  
Vice-Chairman  
Rocky Mount District



Bob Carnicia  
Gills Creek District



Tommy Cundiff  
Union Hall District



Leland Mitchell  
Snow Creek District



Tim Tatum  
Blue Ridge District



Ronnie Thompson  
Boone District



W. Brent Robertson  
County  
Administrator



Sharon Tudor  
Clerk to the Board  
of Supervisors

**Franklin County Public Schools  
June 30, 2016**

**School Board Members**

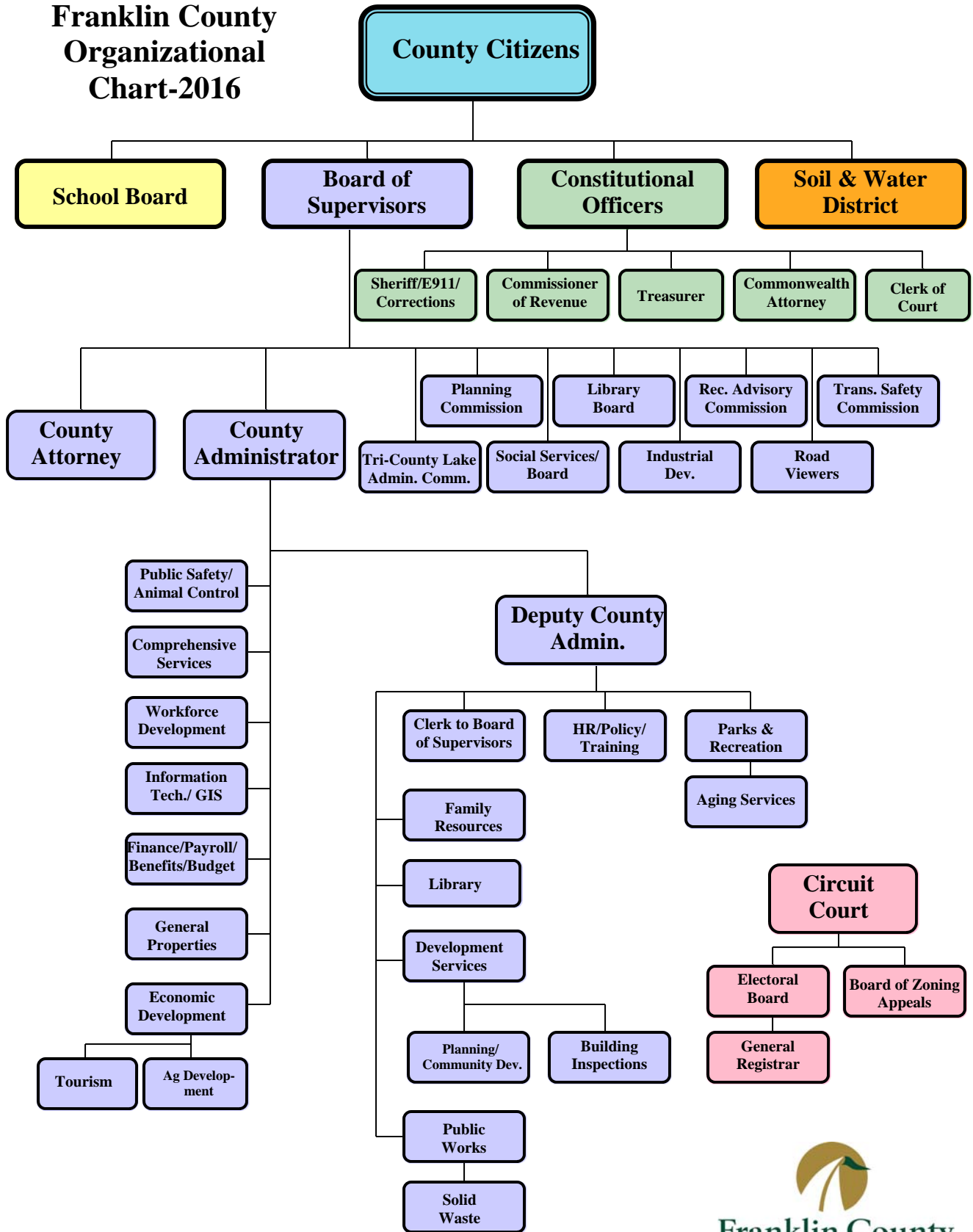
			
<b><u>Sarah Alexander</u></b> <i>Chairperson</i> Rocky Mount District	<b><u>G.B. Washburn, Jr.</u></b> <i>Vice Chairperson</i> Snow Creek District	<b><u>Dr. Karen M.S. Hiltz</u></b> Gills Creek District	<b><u>Charles E. Jamison</u></b> Blackwater District
			
<b><u>P.D. Hambrick</u></b> Union Hall District	<b><u>Thad Montgomery</u></b> Boones District	<b><u>Julie Nix</u></b> Blue Ridge District	<b><u>Penny Blue</u></b> 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..... C. David Terry  
 K-12 Director of Curriculum & Instruction..... Brenda Muse  
 Coordinator of Federal Programs..... Brenda McGrath  
 Coordinator of Testing..... Elaine Hawkins  
 Director of Special Programs & Services..... Judy C. Falls  
 Director of Technology Services K-12..... Matthew D. Fitzgerald  
 Coordinator of Student Services/Clerk..... Janet J. Stockton  
 Coordinator School Food Services/Nutrition..... Heather Snead  
 Director of Operations..... Anthony Patterson  
 Supervisor of Transportation..... Donna C. Carter  
 Supervisor of Maintenance..... Darryl K. Spencer  
 Coordinator of Purchasing..... J. T. Hodges

# Franklin County Organizational Chart-2016





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, 2015**

Executive Director/CEO



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**FINANCIAL SECTION**

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# ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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## Independent Auditors' Report

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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, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditors' Responsibility*

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

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

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

## *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Franklin, Virginia, as of June 30, 2016, 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.

## *Change in Accounting Principle*

As described in Note 20 to the financial statements, in 2016, the County adopted new accounting guidance, GASB Statement Nos. 79 Certain External Investment Pools and Pool Participants and 82 Pension Issues - and amendment of GASB Statements No. 67, No. 68, and No. 73.

## *Other Matters*

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules related to OPEB funding and pension, and budgetary comparison information on pages 14-22, 93-98, and 99 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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

*Other Information (continued)*

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 December 9, 2016, 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, Co. Associates*

Blacksburg, Virginia  
December 9, 2016

## 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, 2016. 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 2015-2016:

- The total net position for governmental activities was \$72 million at the end of FY 2016. This figure is based on assets totaling \$128.9 million, deferred outflows of resources of \$1.5 million liabilities of \$56.9 million, and deferred inflows of resources of \$1.4 million. 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 \$4.8 million more than the \$77.5 million of expenses (Exhibit 2).
- The business-type activities net position at June 30, 2016 totaled \$1.3 million. This figure is based on total assets of \$1.3 million and no liabilities.
- Total general fund revenues were more than the final budgeted amount by \$774 thousand or approximately 1 percent. Actual expenditures were \$1.9 million less than the final expenditure budget.
- The County's total outstanding debt decreased \$3.3 million at fiscal year-end. No new debt was issued during the fiscal year but net pension liability did increase approximately \$1 million. Debt retirements totaled \$4.4 million. See Note 7 and 8 for additional information on long-term obligations.
- Component Unit net position was a deficit of \$48.6 million at the end of FY 2016. Of this amount, \$20.3 million is net investment in capital assets, \$0.7 million is restricted, and the unrestricted deficit was \$69.5 million. The large deficit is from Franklin County's share of the net pension liability for the state retirement teacher pool.
- At the end of the current fiscal year, the general fund unassigned fund balance was approximately \$19.8 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 four 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 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 types 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, 2016 as presented in the government-wide financial statements (in millions):

	Governmental Activities		Business-type Activities		Total Primary Government		Component Unit	
	FY2016	FY2015	FY2016	FY2015	FY2016	FY2015	FY2016	FY2015
Current and other assets	\$ 46.2	\$ 56.8	\$ 0.3	\$ 0.3	\$ 46.5	\$ 57.1	\$ 2.4	\$ 2.6
Capital assets, net	82.6	71.9	1.0	1.1	83.6	73.0	20.3	20.3
Total assets	<u>\$ 128.8</u>	<u>\$ 128.7</u>	<u>\$ 1.3</u>	<u>\$ 1.4</u>	<u>\$ 130.1</u>	<u>\$ 130.1</u>	<u>\$ 22.7</u>	<u>\$ 22.9</u>
Deferred outflows of resources	\$ 1.5	\$ 1.5			\$ 1.5	\$ 1.5	\$ 6.1	\$ 6.0
Other liabilities	\$ 1.6	\$ 1.2	\$ -	\$ 0.1	\$ 1.6	\$ 1.3	\$ 1.5	\$ 2.0
Long-term liabilities	55.3	58.6	-	-	55.3	58.6	70.5	67.1
Total liabilities	<u>\$ 56.9</u>	<u>\$ 59.8</u>	<u>\$ -</u>	<u>\$ 0.1</u>	<u>\$ 56.9</u>	<u>\$ 59.9</u>	<u>\$ 72.0</u>	<u>\$ 69.1</u>
Deferred inflows of resources	\$ 1.4	\$ 3.2	\$ -	\$ -	\$ 1.4	\$ 3.2	\$ 5.4	\$ 10.2
Net position:								
Net investment in capital assets	\$ 55.3	\$ 50.2	\$ 1.0	\$ 1.1	\$ 56.3	\$ 51.3	\$ 20.3	\$ 20.3
Restricted	0.5	0.4	-	-	0.5	0.4	0.6	0.1
Unrestricted	16.2	16.6	0.3	0.2	16.5	16.8	(69.5)	(70.8)
Total net position	<u>\$ 72.0</u>	<u>\$ 67.2</u>	<u>\$ 1.3</u>	<u>\$ 1.3</u>	<u>\$ 73.3</u>	<u>\$ 68.5</u>	<u>\$ (48.6)</u>	<u>\$ (50.4)</u>

The County's combined net position increased from \$68.5 million to \$73.3 million as a result of the increase in net activities of \$4.8 million. The increase is the result of revenues in excess of budget and expenditures less than budget. Unrestricted governmental net position, the portion of net position that can be used to finance the day-to-day activities of the County totaled \$16.2 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 the first time recognition of pension liability from the state teacher retirement system.

**Summary of Activities:**

The following table shows the revenues and expenses of the governmental activities for the year ended June 30, 2016 (in millions):

	Governmental Activities		Business-type Activities		Total Primary Government		Component Unit	
	FY2016	FY2015	FY2016	FY2015	FY2016	FY2015	FY2016	FY2015
<b>Revenues:</b>								
<b>Program revenues:</b>								
Charges for Services	\$ 3.0	\$ 3.1	\$ -	\$ -	\$ 3.0	\$ 3.1	\$ 2.5	\$ 2.3
Operating Grants & Contributions	13.3	12.7	-	-	13.3	12.7	47.1	46.9
Capital Grants & Contributions	0.5	0.8	-	-	0.5	0.8	-	-
<b>Total Program Revenues</b>	<b>\$ 16.8</b>	<b>\$ 16.6</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 16.8</b>	<b>\$ 16.6</b>	<b>\$ 49.6</b>	<b>\$ 49.2</b>
<b>General Revenues:</b>								
Property Taxes	\$ 49.2	\$ 48.4	\$ -	\$ -	\$ 49.2	\$ 48.4	\$ -	\$ -
Other Taxes	9.5	9.2	-	-	9.5	9.2	-	-
Other	6.8	9.1	-	-	6.8	9.1	-	0.7
Payments from the County	-	-	-	-	-	-	33.0	33.4
<b>Total General Revenues</b>	<b>\$ 65.5</b>	<b>\$ 66.7</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 65.5</b>	<b>\$ 66.7</b>	<b>\$ 33.0</b>	<b>\$ 34.1</b>
<b>Total Revenues</b>	<b>\$ 82.3</b>	<b>\$ 83.3</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 82.3</b>	<b>\$ 83.3</b>	<b>\$ 82.6</b>	<b>\$ 83.3</b>
<b>Expenses</b>								
General Government Administration	\$ 4.5	\$ 4.2	\$ -	\$ -	\$ 4.5	\$ 4.2	\$ -	\$ -
Judicial Administration	2.6	2.5	-	-	2.6	2.5	-	-
Public Safety	14.3	14.6	-	-	14.3	14.6	-	-
Public Works	5.1	4.9	-	-	5.1	4.9	-	-
Health and Welfare	11.3	11.0	-	-	11.3	11.0	-	-
Education	33.0	33.4	-	-	33.0	33.4	80.8	82.4
Parks, Recreation, and Cultural	2.5	2.3	-	-	2.5	2.3	-	-
Community Development	3.1	3.3	-	-	3.1	3.3	-	-
Interest on Long-Term Debt	1.1	1.1	-	-	1.1	1.1	-	-
<b>Total Expenses</b>	<b>\$ 77.5</b>	<b>\$ 77.3</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 77.5</b>	<b>\$ 77.3</b>	<b>\$ 80.8</b>	<b>\$ 82.4</b>
<b>Change in Net Position</b>	<b>\$ 4.8</b>	<b>\$ 6.0</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4.8</b>	<b>\$ 6.0</b>	<b>\$ 1.8</b>	<b>\$ 0.9</b>
Net Position, Beginning	67.2	61.2	1.3	1.3	68.5	62.5	(50.4)	(51.3)
<b>Net Position, Ending</b>	<b>\$ 72.0</b>	<b>\$ 67.2</b>	<b>\$ 1.3</b>	<b>\$ 1.3</b>	<b>\$ 73.3</b>	<b>\$ 68.5</b>	<b>\$ (48.6)</b>	<b>\$ (50.4)</b>



## Revenues

For the fiscal year ended June 30, 2016, revenues from governmental activities totaled \$82.3 million, a decrease of \$1 million from the prior fiscal year. Property tax revenues, the County's largest local revenue source, were property taxes, \$49.2 million, an increase of \$0.8 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, 2016.

Other local taxes (including sales taxes, recordation taxes, and meals taxes) were \$9.5 million, which was an increase of \$0.3 million from FY 2015. Operating grants and contributions totaled \$13.3 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 \$81.6 million, including a \$33.0 million payment from the general government. The decrease in revenues was due to fewer one-time revenues being utilized by the school system.

## Expenses

For the fiscal year ended June 30, 2016, expenses for governmental activities totaled \$77.5 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 \$33 million to the operation of the Franklin County schools. This amount represented about 43% of the County's governmental activities expenses.

## Financial Analysis of the County's Funds

For the fiscal year ended June 30, 2016, the County's general fund reflects total fund balances of \$22.2 million, roughly an increase of \$1 million from the fiscal year ended June 30, 2015. The increase is from revenues received in excess of expenditures and greater than budget.

The County Capital Projects fund balance decreased from fiscal year 2015 as the County used borrowing proceeds to construct additional communications towers and purchase replacement radios. Fund balance was also utilized to purchase land for a new business park in the north 220 corridor of the County.

Other Governmental Funds are comprised of the E911 fund. This fund balance increased slightly from FY 2015 to FY 2016.

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, 2015.
- To reappropriate monies to pay for commitments in the form of encumbrances established prior to June 30, 2015 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 2016 (in millions):

	Original <u>Budget</u>	Amended <u>Budget</u>	<u>Actual</u>
Revenues:			
Taxes	\$ 48.2	\$ 48.9	\$ 49.3
Other	13.8	14.4	14.8
Intergovernmental	18.0	18.4	18.3
Total revenues	<u>\$ 80.0</u>	<u>\$ 81.7</u>	<u>\$ 82.4</u>
Expenditures:			
Expenditures	\$ 76.7	\$ 78.3	\$ 76.4
Total expenditures	<u>\$ 76.7</u>	<u>\$ 78.3</u>	<u>\$ 76.4</u>
Other financing sources (uses):	<u>\$ (3.9)</u>	<u>\$ (4.6)</u>	<u>\$ (5.0)</u>
Net change in fund balance	\$ -	\$ (1.2)	\$ 1.0
Fund balance - beginning	0.6	1.2	21.2
Fund balance - ending	<u>\$ 0.6</u>	<u>\$ -</u>	<u>\$ 22.2</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.

The increase in the final budget for expenditures over the original budget is primarily due to budgeting additional revenues from grants and increased tax collections. The County attempts to move some general fund excess revenues to the capital fund to help fund new and existing projects with cash instead of borrowed funds.

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 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, 2016, in millions of dollars:

	Governmental Activities		Business-type Activities		Total Primary Government		Component Unit	
	FY2016	FY2015	FY2016	FY2015	FY2016	FY2015	FY2016	FY2015
Non-Depreciable Assets:								
Land	\$ 15.1	\$ 7.4	\$ -	\$ -	\$ 15.1	\$ 7.4	\$ 0.7	\$ 0.7
Construction in Progress	6.7	1.4	-	-	6.7	1.4	0.6	0.6
Other Capital Assets:								
Buildings and Systems	70.0	69.7	-	-	70.0	69.7	38.2	37.1
Infrastructure	6.2	6.1	1.3	1.3	7.5	7.4	-	-
Machinery and Equipment	31.1	29.2	-	-	31.1	29.2	19.0	18.2
Accumulated Depreciation	(46.4)	(41.9)	(0.3)	(0.2)	(46.7)	(42.1)	(38.3)	(36.3)
<b>Total</b>	<b>\$ 82.7</b>	<b>\$ 71.9</b>	<b>\$ 1.0</b>	<b>\$ 1.1</b>	<b>\$ 83.7</b>	<b>\$ 73.0</b>	<b>\$ 20.2</b>	<b>\$ 20.3</b>

The table below shows the change in capital assets for the fiscal year ended June 30, 2016 in millions of dollars:

	Balance June 30, 2015	Additions/ Deletions	Balance June 30, 2016
Non-Depreciable Assets:			
Land	\$ 8.1	\$ 7.7	\$ 15.8
Construction in Progress	2.0	5.3	7.3
Other Capital Assets:			
Buildings and Systems	106.8	1.4	108.2
Infrastructure	7.4	0.1	7.5
Machinery and Equipment	47.4	2.7	50.1
Accumulated Depreciation	(78.4)	(6.6)	(85.0)
<b>Total</b>	<b>\$ 93.3</b>	<b>\$ 10.6</b>	<b>\$ 103.9</b>

During the FY 2016 budget process, the Board of Supervisors approved a five-year Capital Improvement Program (CIP) that totaled \$3.1 million for FY 2016. 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, 2016 and at June 30, 2015, in millions of dollars:

	Activities		Activities		Government		Component Unit	
	FY2016	FY2015	FY2016	FY2015	FY2016	FY2015	FY2016	FY2015
General Obligation Bonds	\$ 37.4	\$ 41.8	\$ -	\$ -	\$ 37.4	\$ 41.8	\$ -	\$ -
Capital Leases	0.1	0.3	-	-	0.1	0.3	-	-
Landfill Closure/Post Closure Liability	10.0	9.7	-	-	10.0	9.7	-	-
Compensated Absences	1.5	1.4	-	-	1.5	1.4	0.9	0.8
Other Post Employment Benefits	0.8	0.8	-	-	0.8	0.8	2.6	2.4
Net Pension Liability	5.5	4.5			5.5	4.5	67.0	63.9
<b>Total</b>	<b>\$ 55.3</b>	<b>\$ 58.5</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 55.3</b>	<b>\$ 58.5</b>	<b>\$ 70.5</b>	<b>\$ 67.1</b>

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 and School Board 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.gov](http://www.franklincountyva.gov).

## Basic Financial Statements

County of Franklin, Virginia  
Statement of Net Position  
June 30, 2016

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	School Board
<b>ASSETS</b>				
Cash and cash equivalents	\$ 31,473,859	\$ 258,859	\$ 31,732,718	\$ -
Receivables (net of allowance for uncollectibles):				
Taxes receivable	1,604,728	-	1,604,728	-
Accounts receivable	-	693	693	13,807
Other local taxes receivable	288,864	-	288,864	-
Due from component unit	3,405	-	3,405	-
Due from other governmental units	5,231,367	-	5,231,367	1,525,342
Prepaid expenses	-	-	-	207,182
Restricted assets:				
Cash and cash equivalents (in custody of others)	7,622,690	-	7,622,690	651,562
Capital assets (net of accumulated depreciation):				
Land	15,105,664	-	15,105,664	725,315
Buildings and improvements	46,556,759	-	46,556,759	14,080,253
Machinery and equipment	9,608,010	-	9,608,010	4,807,928
Infrastructure	4,715,731	1,036,396	5,752,127	-
Construction in progress	6,681,742	-	6,681,742	641,359
Total assets	<u>\$ 128,892,819</u>	<u>\$ 1,295,948</u>	<u>\$ 130,188,767</u>	<u>\$ 22,652,748</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Change in proportionate share of net pension liability	\$ -	\$ -	\$ -	\$ 281,000
Pension contributions subsequent to measurement date	1,496,792	-	1,496,792	5,865,555
Total deferred outflows of resources	<u>\$ 1,496,792</u>	<u>\$ -</u>	<u>\$ 1,496,792</u>	<u>\$ 6,146,555</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 1,211,967	\$ -	\$ 1,211,967	\$ 827,215
Accrued liabilities	-	-	-	708,529
Accrued interest payable	425,459	-	425,459	-
Due to primary government	-	-	-	3,405
Long-term liabilities:				
Due within one year	5,747,105	-	5,747,105	647,894
Due in more than one year	49,550,625	-	49,550,625	69,855,737
Total liabilities	<u>\$ 56,935,156</u>	<u>\$ -</u>	<u>\$ 56,935,156</u>	<u>\$ 72,042,780</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred revenue - prepaid property taxes	\$ 31,172	\$ -	\$ 31,172	\$ -
Items related to measurement of net pension liability	1,405,510	-	1,405,510	5,352,720
Total deferred inflows of resources	<u>\$ 1,436,682</u>	<u>\$ -</u>	<u>\$ 1,436,682</u>	<u>\$ 5,352,720</u>
<b>NET POSITION</b>				
Net investment in capital assets	\$ 47,645,647	\$ 1,036,396	\$ 48,682,043	\$ 20,254,855
Restricted:				
E-911	221,384	-	221,384	-
Law Library	114,882	-	114,882	-
Forfeited Assets	101,975	-	101,975	-
Courthouse maintenance	102,516	-	102,516	-
School cafeteria programs	-	-	-	651,562
Unrestricted (deficit)	23,831,369	259,552	24,090,921	(69,502,614)
Total net position	<u>\$ 72,017,773</u>	<u>\$ 1,295,948</u>	<u>\$ 73,313,721</u>	<u>\$ (48,596,197)</u>

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

County of Franklin, Virginia  
Statement of Activities  
For the Year Ended June 30, 2016

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Business-Type Activities		Component Unit School Board
					Governmental Activities	Total	
<b>PRIMARY GOVERNMENT:</b>							
Governmental activities:							
General government administration	\$ 4,470,418	\$ 6,009	\$ 436,335	\$ -	\$ (4,028,074)	\$ -	\$ (4,028,074)
Judicial administration	2,615,409	69,044	1,017,103	-	(1,529,262)	-	(1,529,262)
Public safety	14,292,437	1,815,624	3,486,226	342,563	(8,648,024)	-	(8,648,024)
Public works	5,136,964	889,386	19,143	-	(4,228,435)	-	(4,228,435)
Health and welfare	11,324,474	22,071	7,949,772	-	(3,352,631)	-	(3,352,631)
Education	33,018,170	-	-	-	(33,018,170)	-	(33,018,170)
Parks, recreation, and cultural	2,513,834	225,093	157,064	100,000	(2,031,677)	-	(2,031,677)
Community development	3,091,287	-	210,030	100,530	(2,780,727)	-	(2,780,727)
Interest on long-term debt	1,061,631	-	-	-	(1,061,631)	-	(1,061,631)
Total governmental activities	\$ 77,524,624	\$ 3,027,227	\$ 13,275,673	\$ 543,093	\$ (60,678,631)	\$ -	\$ (60,678,631)
<b>Business-type activities:</b>							
Utility Fund	\$ 42,039	\$ 23,576	\$ -	\$ -	\$ (18,463)	\$ -	\$ (18,463)
Total primary government	\$ 77,566,663	\$ 3,050,803	\$ 13,275,673	\$ 543,093	\$ (60,678,631)	\$ (18,463)	\$ (60,697,094)
<b>COMPONENT UNITS:</b>							
School Board	\$ 80,784,790	\$ 2,480,067	\$ 47,109,566	\$ -	\$ -	\$ -	\$ (31,195,157)
Total component units	\$ 80,784,790	\$ 2,480,067	\$ 47,109,566	\$ -	\$ -	\$ -	\$ (31,195,157)
General revenues:							
General property taxes	\$ 49,225,877	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 49,225,877
Other local taxes:							
Local sales and use taxes	4,355,903	-	-	-	-	-	4,355,903
Consumers' utility taxes	982,747	-	-	-	-	-	982,747
Business license taxes	3,314	-	-	-	-	-	3,314
Utility license taxes	227,848	-	-	-	-	-	227,848
Motor vehicle licenses	2,100,109	-	-	-	-	-	2,100,109
Bank stock taxes	150,779	-	-	-	-	-	150,779
E-911 taxes	10	-	-	-	-	-	10
Taxes on recordation and wills	470,807	-	-	-	-	-	470,807
Hotel and motel room taxes	109,213	-	-	-	-	-	109,213
Restaurant food taxes	1,070,833	-	-	-	-	-	1,070,833
Unrestricted revenues from use of money and property	1,012,753	-	-	-	-	-	1,012,753
Miscellaneous	507,848	-	-	-	-	-	507,848
Payments from the County of Franklin, Virginia	5,243,473	-	-	-	-	-	5,243,473
Grants and contributions not restricted to specific programs	(4,021)	-	-	-	-	-	(4,021)
Transfers	65,457,493	\$ 4,021	\$ 4,021	\$ 4,021	\$ 65,461,514	\$ 33,042,169	\$ 65,461,514
Total general revenues and transfers	\$ 4,778,862	\$ (14,442)	\$ 4,764,420	\$ 1,847,012	\$ 4,764,420	\$ 1,847,012	\$ 4,764,420
Change in net position	\$ 67,238,911	\$ 1,310,390	\$ 68,549,301	\$ (50,443,209)	\$ 68,549,301	\$ (50,443,209)	\$ 68,549,301
Net position - beginning	\$ 72,017,773	\$ 1,295,948	\$ 73,313,721	\$ (48,596,197)	\$ 73,313,721	\$ (48,596,197)	\$ 73,313,721
Net position - ending	\$ 4,778,862	\$ 1,310,390	\$ 68,549,301	\$ (50,443,209)	\$ 68,549,301	\$ (50,443,209)	\$ 68,549,301

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



County of Franklin, Virginia  
Balance Sheet  
Governmental Funds  
June 30, 2016

	<u>General</u>	<u>County Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 19,816,049	\$ 11,423,568	\$ 234,242	\$ 31,473,859
Receivables (net of allowance for uncollectibles):				
Taxes receivable	1,604,728	-	-	1,604,728
Other local taxes receivable	288,864	-	-	288,864
Due from component unit	-	93,286	-	93,286
Due from other governmental units	5,221,082	-	10,285	5,231,367
Restricted assets:				
Cash and cash equivalents (in custody of others)	-	7,622,690	-	7,622,690
Total assets	<u>\$ 26,930,723</u>	<u>\$ 19,139,544</u>	<u>\$ 244,527</u>	<u>\$ 46,314,794</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 808,248	\$ 380,576	\$ 23,143	\$ 1,211,967
Due to component unit	89,881	-	-	89,881
Total liabilities	<u>\$ 898,129</u>	<u>\$ 380,576</u>	<u>\$ 23,143</u>	<u>\$ 1,301,848</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - prepaid property taxes	\$ 31,172	\$ -	\$ -	\$ 31,172
Unavailable revenue - due from other governments	2,509,249	-	-	2,509,249
Unavailable revenue - property taxes	1,242,744	-	-	1,242,744
Total deferred inflows of resources	<u>\$ 3,783,165</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,783,165</u>
<b>FUND BALANCES</b>				
Restricted:				
E-911	\$ -	\$ -	\$ 221,384	\$ 221,384
Law Library	114,882	-	-	114,882
Forfeited Assets	101,975	-	-	101,975
Capital projects	-	-	-	-
Courthouse maintenance	102,516	-	-	102,516
Assigned:				
Debt service	2,098,960	-	-	2,098,960
Capital projects	-	18,758,968	-	18,758,968
Unassigned	19,831,096	-	-	19,831,096
Total fund balances	<u>\$ 22,249,429</u>	<u>\$ 18,758,968</u>	<u>\$ 221,384</u>	<u>\$ 41,229,781</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 26,930,723</u>	<u>\$ 19,139,544</u>	<u>\$ 244,527</u>	<u>\$ 46,314,794</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, 2016

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds		\$ 41,229,781
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Land	\$ 15,105,664	
Buildings and improvements	46,556,759	
Machinery and equipment	9,608,010	
Infrastructure	4,715,731	
Construction in progress	<u>6,681,742</u>	82,667,906
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Unavailable revenue-Western Virginia Water Authority	\$ 2,509,249	
Unavailable revenue-property taxes	1,242,744	
Items related to measurement of the net pension liability	<u>(1,405,510)</u>	2,346,483
Pension contributions subsequent to the measurement date will be a reduction to the net pension liability in the next fiscal year and, therefore, are not reported in the funds.		
		1,496,792
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	\$ (37,236,849)	
Capital leases	(133,345)	
Accrued interest payable	(425,459)	
Unamortized bond premium	(147,065)	
Landfill closure/postclosure liability	(10,028,645)	
Compensated absences	(1,475,369)	
Net OPEB obligation	(819,160)	
Net pension liability	<u>(5,457,297)</u>	(55,723,189)
Net position of governmental activities		<u><u>\$ 72,017,773</u></u>

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

County of Franklin, Virginia  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2016

	<u>General</u>	<u>County Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>REVENUES</b>				
General property taxes	\$ 49,308,192	\$ -	\$ -	\$ 49,308,192
Other local taxes	9,471,553	-	10	9,471,563
Permits, privilege fees, and regulatory licenses	335,137	-	-	335,137
Fines and forfeitures	43,159	-	-	43,159
Revenue from the use of money and property	972,124	40,629	-	1,012,753
Charges for services	2,648,931	-	-	2,648,931
Miscellaneous	476,708	122,807	-	599,515
Recovered costs	897,113	-	-	897,113
Intergovernmental	18,292,167	708,093	61,979	19,062,239
Total revenues	<u>\$ 82,445,084</u>	<u>\$ 871,529</u>	<u>\$ 61,989</u>	<u>\$ 83,378,602</u>
<b>EXPENDITURES</b>				
Current:				
General government administration	\$ 4,344,882	\$ -	\$ -	\$ 4,344,882
Judicial administration	2,729,767	-	-	2,729,767
Public safety	12,689,923	-	925,154	13,615,077
Public works	3,449,535	-	-	3,449,535
Health and welfare	11,475,912	-	-	11,475,912
Education	30,899,432	1,218,000	-	32,117,432
Parks, recreation, and cultural	2,003,765	-	-	2,003,765
Community development	3,060,972	-	-	3,060,972
Capital projects	-	15,726,566	-	15,726,566
Debt service:				
Principal retirement	4,566,202	-	-	4,566,202
Interest and other fiscal charges	1,150,831	-	-	1,150,831
Total expenditures	<u>\$ 76,371,221</u>	<u>\$ 16,944,566</u>	<u>\$ 925,154</u>	<u>\$ 94,240,941</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 6,073,863</u>	<u>\$ (16,073,037)</u>	<u>\$ (863,165)</u>	<u>\$ (10,862,339)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ 828,859	\$ 4,929,569	\$ 926,158	\$ 6,684,586
Transfers out	(5,859,748)	(828,859)	-	(6,688,607)
Total other financing sources (uses)	<u>\$ (5,030,889)</u>	<u>\$ 4,100,710</u>	<u>\$ 926,158</u>	<u>\$ (4,021)</u>
Net change in fund balances	\$ 1,042,974	\$ (11,972,327)	\$ 62,993	\$ (10,866,360)
Fund balances - beginning	21,206,455	30,731,295	158,391	52,096,141
Fund balances - ending	<u>\$ 22,249,429</u>	<u>\$ 18,758,968</u>	<u>\$ 221,384</u>	<u>\$ 41,229,781</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, 2016

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

Net change in fund balances - total governmental funds \$ (10,866,360)

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	\$ 15,489,810	
Depreciation expenses	<u>(4,747,571)</u>	10,742,239

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes	\$ (82,315)	
Receivable from Western Virginia Water Authority - long term	(91,667)	
Change in deferred inflows related to the measurement of the net pension liability	<u>1,720,309</u>	1,546,327

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.

Principal repayments:		
General obligation bonds and literary loans	\$ 4,434,636	
Capital leases	131,566	
Decrease (increase) in estimated liability:		
Landfill closure/postclosure liability	<u>(290,382)</u>	4,275,820

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.

Change in compensated absences	\$ (50,897)	
Change in accrued interest payable	66,017	
Amortization of bond premium	23,183	
Change in net OPEB obligation	(59,000)	
Change in net pension liability	(932,608)	
Change in deferred outflows related to pension payments subsequent to the measurement date	<u>34,141</u>	(919,164)

Change in net position of governmental activities		<u>\$ 4,778,862</u>
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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, 2016

	Enterprise Fund
	Utility Fund
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 258,859
Accounts receivable, net of allowance for uncollectibles	693
Total current assets	\$ 259,552
Noncurrent assets:	
Capital assets:	
Infrastructure	\$ 1,319,774
Accumulated depreciation	(283,378)
Total capital assets	\$ 1,036,396
Total noncurrent assets	\$ 1,036,396
Total assets	\$ 1,295,948
<b>NET POSITION</b>	
Investment in capital assets	\$ 1,036,396
Unrestricted	259,552
Total net position	\$ 1,295,948

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, 2016

	Enterprise Fund
	Utility Fund
<b>OPERATING REVENUES</b>	
Charges for services:	
Water and sewer revenue	\$ 23,576
Total operating revenues	\$ 23,576
<b>OPERATING EXPENSES</b>	
Utilities	\$ 2,284
Repairs and maintenance	1,181
Professional services	5,729
Depreciation	32,845
Total operating expenses	\$ 42,039
Operating income (loss)	\$ (18,463)
Income before transfers	\$ (18,463)
Transfers out	\$ (10,979)
Transfers in	15,000
Total transfers	\$ 4,021
Change in net position	\$ (14,442)
Total net position - beginning	1,310,390
Total net position - ending	\$ 1,295,948

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, 2016

	Enterprise Fund
	Utility Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers and users	\$ 23,538
Payments for materials and supplies	(76,648)
Net cash provided by (used for) operating activities	\$ (53,110)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfers to other funds	\$ (10,979)
Transfers from other funds	15,000
Net cash provided by (used for) noncapital financing activities	\$ 4,021
Net increase (decrease) in cash and cash equivalents	\$ (49,089)
Cash and cash equivalents - beginning	307,948
Cash and cash equivalents - ending	\$ 258,859
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>	
Operating income (loss)	\$ (18,463)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	\$ 32,845
(Increase) decrease in accounts receivable	(38)
Increase (decrease) in accounts payable	(67,454)
Total adjustments	\$ (34,647)
Net cash provided by (used for) operating activities	\$ (53,110)

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, 2016

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	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 425,753
Cash in custody of others	71,869
Total assets	\$ 497,622
<b>LIABILITIES</b>	
Amounts held for social services clients	\$ 13,976
Amounts held for citizens	17,758
Amounts held for performance bonds	390,019
Amounts held for court systems	30,853
Amounts held for Library	4,000
Amounts held for inmates	41,016
Total liabilities	\$ 497,622

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



COUNTY OF FRANKLIN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

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**Note 1-Summary of Significant Accounting Policies:**

The financial statements of the County of Franklin, Virginia ("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 unit, 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 column 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 ("the 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 to which the County and School Board makes appointments and contributions are listed below:

County:

Roanoke Valley Economic Development Partnership	\$	122,992
Piedmont Community Services		63,838
Roanoke Valley Detention Commission		170,100
Western Virginia Regional Jail		2,323,980
Western Virginia Water Authority		N/A

School Board:

Roanoke Valley Regional Board		1,465,604
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**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 (governmental 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 Courthouse Maintenance Fund, the Asset Forfeiture Funds and the Debt Service Fund.

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 nonoperating 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 only has one item that qualifies for reporting in this category. It is comprised of certain items related to the measurement of the net pension liability. These include differences between expected and actual experience, change in assumptions, the net difference between projected and actual earnings on pension plan investments and is comprised of contributions to the pension plan made during the current year and subsequent to the net pension liability measurement date, which will be recognized as a reduction of the net pension liability next fiscal year and changes in proportion and differences between employer contributions and proportionate share of contributions. For more detailed information on these items, reference the pension note.

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 two types of items that qualify for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30 and prepaid taxes, which are deferred and recognized as an inflow of resources in the period that the amounts become available. Under the accrual basis, amounts prepaid are reported as deferred inflows of resources. In addition, certain items related to the measurement of the net pension liability are reported as deferred inflows of resources. These include differences between expected and actual experience, change in assumptions, and the net difference between projected and actual earnings on pension plan investments. For more detailed information on these items, reference the pension note.

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

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.

2. Investments

Money market investments, participating interest-earning investment contracts (repurchase agreements) that have a remaining maturity at time of purchase of one year or less, nonparticipating interest-earning investment contracts (nonnegotiable certificates of deposit (CDs) and external investment pools are measured at amortized costs. All other investments are reported at fair value.

3. 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). All other outstanding balances between funds are reported as "advances to/from other funds" (i.e. the noncurrent portion of the interfund loans).

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.

4. Property Taxes

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

5. 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 \$523,499 at June 30, 2016 and is comprised solely of property taxes.

6. 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.

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

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

7. 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 or business-type 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 acquisition value at the date of donation. The County had no infrastructure that was acquired prior to the implementation of GASB 34.

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

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

Property, plant, and equipment and infrastructure 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

8. Compensated Absences

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

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

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

9. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County's Retirement Plan and the additions to/deductions from the County's Retirement Plan's net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

10. 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.

11. Fund equity

The County reports fund balances in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The County evaluated its funds at June 30, 2016 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 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.



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

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

11. Fund equity (continued)

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.

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.

12. 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.

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

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

13. 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.

14. 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.

15. 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.

16. 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. These funds, totaling \$7,622,690 at year end, are expected to be used for capital projects during the next two years.

**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.

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

A. Budgetary information (continued)

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

A. Excess of expenditures over appropriations

Expenditures exceeded appropriations for debt service related to the Radio System Lease Purchase agreement.

B. Deficit fund equity

At June 30, 2016, 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).

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, 2016, 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, 2016, 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

The County's rated debt investments as of June 30, 2016 were rated by Standard and Poor's and/or an equivalent national rating organization and the ratings are presented below using the Standard and Poor's rating scale.

City's Rated Debt Investments' Values	
Rated Debt Investments	Fair Quality Ratings
	AAAm
SNAP	\$ 7,622,690

**Note 3-Deposits and Investments: (continued)**

External Investment Pools

The State Non-Arbitrage Pool (SNAP) is an open-end management investment company registered with the Securities and Exchange Commission. In May 2016, the Board voted to convert the SNAP fund to an LGIP structure, which would be managed in conformance with GASB 79. On October 3, 2016, the Prime Series became a government money market fund and the name was changed to Government Select Series. The Government Select Series has a policy of investing at least 99.5% of its assets in cash, U.S. government securities (including securities issued or guaranteed by the U.S. government or its agencies or instrumentalities) and/or repurchase agreements that are collateralized fully.

The value of the positions in the external investment pools (Local Government Investment Pool and State Non-Arbitrage Pool) is the same as the value of the pool shares. As LGIP is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP and SNAP are amortized cost basis portfolios under the provisions of GASB Statement No. 79. There are no withdrawal limitations or restrictions imposed on participants.

Interest Rate Risk

The County has not adopted an investment policy for interest rate risk. Investments subject to interest rate risk are presented below along with their corresponding maturities.

<u>Investment Maturities (in years)</u>		
<u>Investment Type</u>	<u>Fair Value</u>	<u>1 Year</u>
SNAP	\$ <u>7,622,690</u>	\$ <u>7,622,690</u>

*The remainder of this page left blank intentionally.*

**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>Local Government:</u>		
Western Virginia Water Authority	\$ 2,509,249	\$ -
<u>Commonwealth of Virginia:</u>		
Local sales tax	791,057	-
State sales tax	-	655,395
Noncategorical aid	453,308	-
Categorical aid-shared expenses	379,959	-
Categorical aid-VPA funds	168,684	-
Categorical aid-CSA funds	605,536	-
Other categorical aid	60,023	556,715
<u>Federal Government:</u>		
Categorical aid-VPA funds	254,703	-
Other categorical aid	8,848	313,232
	<u>5,231,367</u>	<u>1,525,342</u>
Totals	<u>\$ 5,231,367</u>	<u>\$ 1,525,342</u>

**Note 5-Interfund Transfers:**

Interfund transfers for the year ended June 30, 2016, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General Fund	\$ 828,859	\$ 5,859,748
Utility Fund	15,000	10,979
County Capital Projects Fund	4,929,569	828,859
E-911 Fund	926,158	-
	<u>6,699,586</u>	<u>6,699,586</u>
Total	<u>\$ 6,699,586</u>	<u>\$ 6,699,586</u>

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2016

**Note 6-Component-Unit Contributions and Obligations:**

Primary government contributions to component units for the year ended June 30, 2016, consisted of the following:

Component Unit:	
School Board	\$ 32,117,432
Total	<u>\$ 32,117,432</u>

Component-unit obligations at June 30, 2016, consisted of the following:

<u>Fund</u>	<u>Due from Component Unit</u>	<u>Due to Primary Government</u>
Primary Government:		
Governmental Activities	\$ 93,286	\$ -
Component Unit		
School Board	-	93,286
Total	<u>\$ 93,286</u>	<u>\$ 93,286</u>

**Note 7-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, 2016.

	<u>Balance July 1, 2015</u>	<u>Increases/ Issuances</u>	<u>Decreases/ Retirements</u>	<u>Balance June 30, 2016</u>
General obligation bonds and notes	\$ 41,671,485	\$ -	(4,434,636)	\$ 37,236,849
Premiums on general obligation bonds	170,248	-	(23,183)	147,065
Capital leases	264,911	-	(131,566)	133,345
Landfill closure/postclosure liability	9,738,263	290,382	-	10,028,645
Compensated absences	1,424,472	1,119,251	(1,068,354)	1,475,369
Net OPEB obligation	760,160	107,000	(48,000)	819,160
Net pension liability	<u>4,524,689</u>	<u>5,457,658</u>	<u>(4,525,050)</u>	<u>5,457,297</u>
Total	<u>\$ 58,554,228</u>	<u>\$ 6,974,291</u>	<u>\$ (10,230,789)</u>	<u>\$ 55,297,730</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2016

Note 7-Long-Term Obligations: (continued)

Primary Government - Governmental Activities Obligations: (continued)

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

Year Ending June 30,	General Obligation Bonds and Notes	
	Principal	Interest
2017	\$ 4,507,234	\$ 1,031,835
2018	4,586,472	909,090
2019	4,052,837	785,409
2020	3,771,455	671,121
2021	3,851,477	558,022
2022-2026	12,619,308	1,513,298
2027-2032	3,118,067	359,413
2033-2035	729,999	71,818
Totals	\$ <u>37,236,849</u>	\$ <u>5,900,006</u>

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	\$ 864,547
Accumulated Depreciation	(408,578)
Net Book Value of Capital Assets	\$ <u>455,969</u>

Present value of future minimum lease payments:

June 30,	Leases
2017	\$ 135,146
Total minimum lease payments	\$ 135,146
Less: amount representing interest	(1,801)
Present value of future minimum lease payments	\$ <u>133,345</u>



COUNTY OF FRANKLIN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2016

**Note 7-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 <sup>2</sup>	5.0-5.9%	11/16/2000	2021	\$ 6,285,526	\$ 1,784,550	\$ 343,368
GO bond <sup>2</sup>	5.1-6.35%	5/18/2000	2021	3,400,000	850,000	170,000
GO bond <sup>2</sup>	4.1-5.6%	11/10/2004	2025	2,500,000	1,125,000	125,000
GO bond <sup>1</sup>	3.710%	7/13/2005	2021	6,500,000	998,320	189,419
GO bond <sup>2</sup>	4.225-5.1%	11/9/2006	2027	6,760,943	3,835,508	328,829
GO bond <sup>1</sup>	3.910%	12/20/2007	2023	4,253,000	2,283,475	298,849
GO bond <sup>2</sup>	3.910%	12/20/2007	2023	4,897,000	2,628,496	344,019
GO bond <sup>3</sup>	4.68%	6/12/2009	2035	2,905,000	2,495,000	80,000
GO bond <sup>1</sup>	2.75%	11/20/2013	2029	8,518,000	7,616,000	493,000
GO bond <sup>1</sup>	2.15%	11/20/2013	2019	1,226,000	754,000	246,000
Note Payable - WVCC <sup>1</sup>	0.00%	12/15/2009	2019	1,000,000	300,000	100,000
GO refunding bond <sup>2</sup>	1.45%	8/27/2012	2018	3,068,750	1,227,500	613,750
GO bond <sup>1</sup>	1.73%	2/26/2015	2025	12,500,000	11,339,000	1,175,000
Total General Obligation Bonds and Notes					<u>\$ 37,236,849</u>	<u>\$ 4,507,234</u>
Other Obligations:						
Landfill Closure/Postclosure Liability					\$ 10,028,645	\$ -
Capital Leases					133,345	133,344
Premiums on GO Bonds					147,065	-
Compensated Absences					1,475,369	1,106,527
Net OPEB Obligation					819,160	-
Net Pension Liability					5,457,297	-
Total Other Obligations					<u>\$ 18,060,881</u>	<u>\$ 1,239,871</u>
Total Long-term obligations					<u>\$ 55,297,730</u>	<u>\$ 5,747,105</u>

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

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

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

For the governmental activities, landfill closure and postclosure liability, compensated absences, and net OPEB obligation are generally liquidated by the General Fund. At year end, unspent bond proceeds totaled \$7,622,690.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2016

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

Discretely Presented Component Unit-School Board Obligations:

The following is a summary of long-term obligation transactions of the Component-Unit School Board for the year ended June 30, 2016.

	<u>Balance</u> <u>July 1, 2015</u>		<u>Increases</u>		<u>Decreases</u>		<u>Balance</u> <u>June 30, 2016</u>
Compensated absences	\$ 804,657	\$	662,695	\$	(603,493)	\$	863,859
Net OPEB obligation	2,397,180		452,000		(238,000)		2,611,180
Net pension liability	<u>63,922,881</u>		<u>16,080,479</u>		<u>(12,974,768)</u>		<u>67,028,592</u>
 Total	 <u>\$ 67,124,718</u>	 \$	 <u>17,195,174</u>	 \$	 <u>(13,816,261)</u>	 \$	 <u>70,503,631</u>

Details of long-term obligations:

	<u>Total</u> <u>Amount</u>	<u>Amount Due</u> <u>Within One Year</u>
<u>Other Obligations:</u>		
Compensated absences	\$ 863,859	\$ 647,894
Net OPEB obligation	2,611,180	-
Net pension liability	<u>67,028,592</u>	<u>-</u>
 Total Long-Term Obligations	 <u>\$ 70,503,631</u>	 <u>\$ 647,894</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.

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**Note 9-Pension Plan:**

*Plan Description*

All full-time, salaried permanent employees of the County and (nonprofessional) employees of public school divisions are automatically covered by VRS Retirement Plan upon employment. This is an agent multiple-employer plan administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the Code of Virginia, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

The System administers three different benefit structures for covered employees - Plan 1, Plan 2, and, Hybrid. Each of these benefit structures has different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>About Plan 1</b>                      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 Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	<p><b>About Plan 2</b>                      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 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.</p>	<p><b>About the Hybrid Retirement Plan</b>                      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 Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see "Eligible Members")</p> <ul style="list-style-type: none"> <li>• The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.</li> <li>• 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.</li> </ul>

**Note 9-Pension Plan:** (continued)

*Plan Description (continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>About Plan 1 (Cont.)</p>	<p>About Plan 2 (Cont.)</p>	<p>About the Hybrid Retirement Plan (Cont.)</p> <ul style="list-style-type: none"> <li>• 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.</li> </ul>
<p><b>Eligible Members</b>                      Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p> <p><b>Hybrid Opt-In Election</b>                      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.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p><b>Eligible Members</b>                      Employees are in 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.</p> <p><b>Hybrid Opt-In Election</b>                      Eligible 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.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan</p>	<p><b>Eligible Members</b>                      Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> <li>• Political subdivision employees*</li> <li>• School division employees</li> <li>• Members in Plan 1 or 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.</li> </ul> <p><b>*Non-Eligible Members</b>                      Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> <li>• Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.</li> </ul>

**Note 9-Pension Plan:** (continued)

*Plan Description (continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Hybrid Opt-In Election (Cont.)</b>                      Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	<p><b>Hybrid Opt-In Election (Cont.)</b>                      Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	<p><b>*Non-Eligible Members (Cont.)</b>                      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 Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>
<p><b>Retirement Contributions</b>                      Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions and school divisions elected to phase in the required 5% member contribution but 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.</p>	<p><b>Retirement Contributions</b>                      Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions and school divisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016.</p>	<p><b>Retirement Contributions</b>                      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.</p>

**Note 9-Pension Plan:** (continued)

*Plan Description (continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Creditable Service</b>                      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.</p>	<p><b>Creditable Service</b>                      Same as Plan 1.</p>	<p><b>Creditable Service</b>  <b><u>Defined Benefit Component:</u></b>                      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.</p> <p><b><u>Defined Contributions Component:</u></b>                      Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>

**Note 9-Pension Plan:** (continued)

*Plan Description (continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Vesting</b>                      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.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p><b>Vesting</b>                      Same as Plan 1.</p>	<p><b>Vesting</b>  <u><b>Defined Benefit Component:</b></u>                      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. Plan 1 or 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.</p> <p><u><b>Defined Contributions Component:</b></u>                      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.</p> <p>Members are always 100% vested in the contributions that they make.</p>

**Note 9-Pension Plan:** (continued)

*Plan Description (continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Vesting (Cont.)</p>	<p>Vesting (Cont.)</p>	<p>Vesting (Cont.)  <u>Defined Contributions Component:</u> (Cont.)                      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.</p> <ul style="list-style-type: none"> <li>• After two years, a member is 50% vested and may withdraw 50% of employer contributions.</li> <li>• After three years, a member is 75% vested and may withdraw 75% of employer contributions.</li> <li>• After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.</li> </ul> <p>Distribution is not required by law until age 70½.</p>
<p><b>Calculating the Benefit</b>                      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.</p>	<p><b>Calculating the Benefit</b>                      See definition under Plan 1.</p>	<p><b>Calculating the Benefit</b>  <u>Defined Benefit Component:</u>                      See definition under Plan 1</p>



**Note 9-Pension Plan:** (continued)

*Plan Description (continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Calculating the Benefit (Cont.)</b>                      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.</p>	<p><b>Calculating the Benefit (Cont.)</b></p>	<p><b>Calculating the Benefit (Cont.)</b>  <u>Defined Contribution Component:</u>                      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.</p>
<p><b>Average Final Compensation</b>                      A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p><b>Average Final Compensation</b>                      A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p><b>Average Final Compensation</b>                      Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p><b>Service Retirement Multiplier VRS:</b> 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 1.70%.</p> <p><b>Sheriffs and regional jail superintendents:</b> The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.</p> <p><b>Political subdivision hazardous duty employees:</b> The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.</p>	<p><b>Service Retirement Multiplier VRS:</b> Same as Plan 1 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.</p> <p><b>Sheriffs and regional jail superintendents:</b> Same as Plan 1.</p> <p><b>Political subdivision hazardous duty employees:</b> Same as Plan 1.</p>	<p><b>Service Retirement Multiplier</b>  <u>Defined Benefit Component:</u>  <b>VRS:</b> The retirement multiplier for the defined benefit component is 1.00%.</p> <p>For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.</p> <p><b>Sheriffs and regional jail superintendents:</b> Not applicable.</p> <p><b>Political subdivision hazardous duty employees:</b> Not applicable.</p> <p><b>Defined Contribution Component:</b>                      Not applicable.</p>

**Note 9-Pension Plan:** (continued)

*Plan Description (continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Normal Retirement Age</b>                      VRS: Age 65.</p> <p><b>Political subdivisions hazardous duty employees:</b>                      Age 60.</p>	<p><b>Normal Retirement Age</b>                      VRS: Normal Social Security retirement age.</p> <p><b>Political subdivisions hazardous duty employees:</b> Same as Plan 1.</p>	<p><b>Normal Retirement Age</b>  <u><b>Defined Benefit Component:</b></u>                      VRS: Same as Plan 2.</p> <p><b>Political subdivisions hazardous duty employees:</b> Not applicable.</p> <p><u><b>Defined Contribution Component:</b></u>                      Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p><b>Earliest Unreduced Retirement Eligibility</b>                      VRS: Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.</p> <p><b>Political subdivisions hazardous duty employees:</b>                      Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.</p>	<p><b>Earliest Unreduced Retirement Eligibility</b>                      VRS: Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p><b>Political subdivisions hazardous duty employees:</b> Same as Plan 1.</p>	<p><b>Earliest Unreduced Retirement Eligibility</b>  <u><b>Defined Benefit Component:</b></u>                      VRS: Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p><b>Political subdivisions hazardous duty employees:</b> Not applicable.</p> <p><u><b>Defined Contribution Component:</b></u>                      Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p><b>Earliest Reduced Retirement Eligibility</b>                      VRS: Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.</p>	<p><b>Earliest Reduced Retirement Eligibility</b>                      VRS: Age 60 with at least five years (60 months) of creditable service.</p>	<p><b>Earliest Reduced Retirement Eligibility</b>  <u><b>Defined Benefit Component:</b></u>                      VRS: Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</p>

**Note 9-Pension Plan:** (continued)

*Plan Description (continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Earliest Reduced Retirement Eligibility (Cont.)</b></p> <p>Political subdivisions hazardous duty employees: 50 with at least five years of creditable service.</p>	<p><b>Earliest Reduced Retirement Eligibility (Cont.)</b></p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p><b>Earliest Reduced Retirement Eligibility (Cont.)</b></p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b> 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%.</p> <p><u>Eligibility:</u> 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.</p> <p>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.</p>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b> 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%.</p> <p><u>Eligibility:</u> Same as Plan 1.</p>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b> <u>Defined Benefit Component:</u> Same as Plan 2.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p> <p><u>Eligibility:</u> Same as Plan 1 and Plan 2.</p>

**Note 9-Pension Plan:** (continued)

*Plan Description (continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u>                      The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> <li>• The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.</li> <li>• The member retires on disability.</li> <li>• The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).</li> <li>• 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.</li> <li>• 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.</li> </ul>	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u>                      Same as Plan 1.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u>                      Same as Plan 1 and Plan 2.</p>

**Note 9-Pension Plan:** (continued)

*Plan Description (continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Disability Coverage</b>                      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.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>	<p><b>Disability Coverage</b>                      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.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p><b>Disability Coverage</b>                      Employees of political subdivisions and School divisions (including Plan 1 and 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.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>
<p><b>Purchase of Prior Service</b>                      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.</p>	<p><b>Purchase of Prior Service</b>                      Same as Plan 1.</p>	<p><b>Purchase of Prior Service</b>  <u>Defined Benefit Component:</u>                      Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> <li>•Hybrid Retirement Plan members are ineligible for ported service.</li> <li>•The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation.</li> <li>•Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost.</li> </ul> <p><u>Defined Contribution Component:</u>                      Not applicable.</p>

**Note 9-Pension Plan:** (continued)

*Plan Description (continued)*

The system issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the plans administered by VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2015-annual-report-pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

*Employees Covered by Benefit Terms*

As of the June 30, 2015 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Primary Government</u>	<u>Component Unit School Board Nonprofessional</u>
Inactive members or their beneficiaries currently receiving benefits	131	159
Inactive members:		
Vested inactive members	46	24
Non-vested inactive members	61	88
Inactive members active elsewhere in VRS	<u>94</u>	<u>31</u>
Total inactive members	201	143
Active members	<u>316</u>	<u>261</u>
Total covered employees	<u>648</u>	<u>563</u>

*Contributions*

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been 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 5.00% member contribution. This could be phased in over a period of 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.

The County’s contractually required contribution rate for the year ended June 30, 2016 was 11.48% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

**Note 9-Pension Plan:** (continued)

*Contributions (continued)*

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the County were \$1,496,792 and \$1,463,447 for the years ended June 30, 2016 and June 30, 2015, respectively.

The Component Unit School Board's contractually required contribution rate for nonprofessional employees for the year ended June 30, 2016 was 9.41% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Component Unit School Board's nonprofessional employees were \$409,331 and \$396,553 for the years ended June 30, 2016 and June 30, 2015, respectively.

*Net Pension Liability*

The County's and Component Unit School Board's (nonprofessional) net pension liabilities were measured as of June 30, 2015. The total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation performed as of June 30, 2014, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

*Actuarial Assumptions - General Employees*

The total pension liability for General Employees in the County's and Component Unit School Board's (nonprofessional) Retirement Plan was based on an actuarial valuation as of June 30, 2014, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

Inflation	2.5%
Salary increases, including inflation	3.5% - 5.35%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation*

\* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

**Note 9-Pension Plan:** (continued)

*Actuarial Assumptions - General Employees (continued)*

Mortality rates: 14% of deaths are assumed to be service related

Largest 10 - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

All Others (Non 10 Largest) - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year



**Note 9-Pension Plan:** (continued)

*Actuarial Assumptions - Public Safety Employees*

The total pension liability for Public Safety employees in the County's Retirement Plan was based on an actuarial valuation as of June 30, 2014, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

Inflation	2.5%
Salary increases, including inflation	3.5% - 4.75%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation*

\* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates: 60% of deaths are assumed to be service related

Largest 10 - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

All Others (Non 10 Largest) - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

**Note 9-Pension Plan:** (continued)

*Actuarial Assumptions - Public Safety Employees (continued)*

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) - LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

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**Note 9-Pension Plan:** (continued)

*Long-Term Expected Rate of Return*

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	<u>100.00%</u>		<u>5.83%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>8.33%</u>

\* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

**Note 9-Pension Plan:** (continued)

*Discount Rate*

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the County and Component Unit School Board (nonprofessional) Retirement Plans will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

*Changes in Net Pension Liability*

	Primary Government		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2014	\$ 55,912,360	\$ 51,387,671	\$ 4,524,689
Changes for the year:			
Service cost	\$ 1,591,346	\$ -	\$ 1,591,346
Interest	3,833,934	-	3,833,934
Differences between expected and actual experience	(74,392)	-	(74,392)
Contributions - employer	-	1,463,447	(1,463,447)
Contributions - employee	-	641,611	(641,611)
Net investment income	-	2,345,600	(2,345,600)
Benefit payments, including refunds of employee contributions	(2,283,746)	(2,283,746)	-
Administrative expenses	-	(31,880)	31,880
Other changes	-	(498)	498
Net changes	\$ 3,067,142	\$ 2,134,534	\$ 932,608
Balances at June 30, 2015	\$ 58,979,502	\$ 53,522,205	\$ 5,457,297

**Note 9-Pension Plan:** (continued)

*Changes in Net Pension Liability (continued)*

	Component School Board (nonprofessional)		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2014	\$ 19,541,024	\$ 17,378,143	\$ 2,162,881
Changes for the year:			
Service cost	\$ 504,997	\$ -	\$ 504,997
Interest	1,334,350	-	1,334,350
Differences between expected and actual experience	(67,675)	-	(67,675)
Contributions - employer	-	393,215	(393,215)
Contributions - employee	-	244,347	(244,347)
Net investment income	-	788,531	(788,531)
Benefit payments, including refunds of employee contributions	(957,755)	(957,755)	-
Administrative expenses	-	(10,964)	10,964
Other changes	-	(168)	168
Net changes	\$ 813,917	\$ 457,206	\$ 356,711
Balances at June 30, 2015	\$ 20,354,941	\$ 17,835,349	\$ 2,519,592

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**Note 9-Pension Plan:** (continued)

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate*

The following presents the net pension liability of the County and Component Unit School Board (nonprofessional) using the discount rate of 7.00%, as well as what the County's and Component Unit School Board's (nonprofessional) net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	Rate		
	(6.00%)	(7.00%)	(8.00%)
County			
Net Pension Liability (Asset)	13,140,192	5,457,297	(930,895)
Component Unit School Board (nonprofessional)			
Net Pension Liability (Asset)	4,972,786	2,519,592	457,147

*Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

For the year ended June 30, 2016, the County and Component Unit School Board (nonprofessional) recognized pension expense of \$674,950 and \$197,452, respectively. At June 30, 2016, the County and Component Unit School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government		Component Unit School Board (nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 56,466	\$ -	\$ 47,042
Change in assumptions	-	-	-	-
Net difference between projected and actual earnings on pension plan investments	-	1,349,044	-	466,678
Employer contributions subsequent to the measurement date	1,496,792	-	409,331	-
Total	\$ 1,496,792	\$ 1,405,510	\$ 409,331	\$ 513,720

**Note 9-Pension Plan:** (continued)

*Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)*

\$1,496,792 and \$409,331 reported as deferred outflows of resources related to pensions resulting from the County's and Component Unit School Board's (nonprofessional) contributions, respectively, subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30</u>	<u>Primary Government</u>	<u>Component Unit School Board (nonprofessional)</u>
2017	\$ (550,551)	\$ (203,948)
2018	(550,551)	(203,948)
2019	(550,550)	(189,091)
2020	246,142	83,267
Thereafter	-	-

**Component Unit School Board (professional)**

*Plan Description*

All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Retirement Plan upon employment. This is a cost-sharing multiple employer plan administered by the Virginia Retirement System (the system). Additional information regarding the plan description can be found in the first section of this note.

*Contributions*

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been 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 5.00% member contribution. This could be phased in over a period of 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.

**Note 9-Pension Plan:** (continued)

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

*Contributions (continued)*

Each School Division's contractually required contribution rate for the year ended June 30, 2016 was 14.06% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013 adjusted for the transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarial rate for the Teacher Retirement Plan was 18.20%, however, it was reduced to 17.64% as a result of the transfer. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Based on the provisions of §51.1-145 of the Code of Virginia, as amended the contributions were funded at 79.69% of the actuarial rate for the year ended June 30, 2016. Contributions to the pension plan from the School Board were \$5,456,224 and \$5,506,000 for the years ended June 30, 2016 and June 30, 2015, respectively.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

At June 30, 2016, the school division reported a liability of \$64,509,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2015 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2015 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2015, the school division's proportion was 0.51253% as compared to 0.51106% at June 30, 2014.

For the year ended June 30, 2016, the school division recognized pension expense of \$4,783,000. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

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**Note 9-Pension Plan:** (continued)

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

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)*

At June 30, 2016, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 888,000
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	3,951,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	281,000	-
Employer contributions subsequent to the measurement date	<u>5,456,224</u>	<u>-</u>
Total	<u>\$ 5,737,224</u>	<u>\$ 4,839,000</u>

\$5,456,224 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30</u>	
2017	\$ (1,691,000)
2018	(1,691,000)
2019	(1,691,000)
2020	589,000
Thereafter	(74,000)

Note 9-Pension Plan: (continued)

Component Unit School Board (professional) (continued)

*Actuarial Assumptions*

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2014, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

Inflation	2.5%
Salary increases, including inflation	3.5% - 5.95%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation*

\* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 3 years and females set back 5 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 3 years

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 1 year and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Update mortality table
- Adjustments to the rates of service retirement
- Decrease in rates of withdrawals for 3 through 9 years of service
- Decrease in rates of disability
- Reduce rates of salary increase by 0.25% per year

**Note 9-Pension Plan: (continued)**

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

*Long-Term Expected Rate of Return*

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	<u>100.00%</u>		<u>5.83%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>8.33%</u>

\* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

**Note 9-Pension Plan:** (continued)

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

*Discount Rate*

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the school division for the VRS Teacher Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, school divisions are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the School Division's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*

The following presents the school division's proportionate share of the net pension liability using the discount rate of 7.00%, as well as what the school division's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	Rate		
	(6.00%)	(7.00%)	(8.00%)
School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability	94,403,000	64,509,000	39,900,000

*Pension Plan Fiduciary Net Position*

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2015 Comprehensive Annual Financial Report (CAFR). A copy of the 2015 VRS CAFR may be downloaded from the VRS website at <http://www.retire.org/Pdf/Publications/2015-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

**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 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 15 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 currently pays for post-retirement health care benefits on a pay-as-you-go basis. The County currently has 309 employees that are eligible for the program. In addition, for retirees of the County, 100 percent of premiums are the responsibility of the retiree. The rates were as follows:

Participants	Premiums	
	Medical	
	POS 25/500	POS 30/1000
Employee	\$ 551.38	\$ 519.08
Employee / Spouse	1,185.47	1,116.02
Employee / Child	827.07	778.63
Employee / Children	1,157.90	1,090.07
Family	1,764.43	1,661.06

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 2016, the County's annual contribution of \$48,000 did not equal the annual OPEB cost of \$107,000. The obligation calculation is as follows:

Annual required contribution	\$ 109,000
Interest on net OPEB obligation	30,000
Adjustment to annual required contribution	(32,000)
Annual OPEB cost (expense)	<u>\$ 107,000</u>
Contributions made	48,000
Increase in net OPEB obligation	<u>\$ 59,000</u>
Net OPEB obligation - beginning of year	760,160
Net OPEB obligation - ending of year	<u>\$ 819,160</u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 and the preceding two years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2014	\$ 108,000	33.33%	\$ 700,160
6/30/2015	103,000	41.75%	760,160
6/30/2016	107,000	44.86%	819,160

D. Funded Status and Funding Progress

The funded status of the Plan as of July 1, 2014 (the most recent actuarial valuation), was as follows:

Actuarial accrued liability (AAL)	\$ 992,000
Actuarial value of plan assets	\$ -
Unfunded actuarial accrued liability (UAAL)	\$ 992,000
Funded ratio (actuarial value of plan assets/AAL)	0.00%
Covered payroll (active plan members)	\$ 9,381,563
UAAL as a percentage of covered payroll	10.57%

**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, 2014, 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 8.333% graded to 5%, decreasing 0.333% annually. The UAAL is being amortized as a level percentage on an open basis, which at July 1, 2014, was 30 years.

Component Unit: School Board

A. Plan Description

The Component Unit - 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 15 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 1,196 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	Medical Premiums		
	Keycare 30/1000	Keycare 30/2000	Keycare 30/2000
Employee	\$ 532.00	\$ 511.00	\$ 474.00
Employee / Spouse	1,127.00	1,080.00	1,004.00
Employee / Child	788.00	755.00	702.00
Family	1,252.00	1,202.00	1,116.00

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 2016, the Board's annual contribution of \$238,000 did not equal the annual OPEB cost of \$452,000. The obligation calculation is as follows:

Annual required contribution	\$ 456,000
Interest on net OPEB obligation	96,000
Adjustment to annual required contribution	(100,000)
Annual OPEB cost (expense)	\$ 452,000
Contributions made	238,000
Increase in net OPEB obligation	\$ 214,000
Net OPEB obligation - beginning of year	2,397,180
Net OPEB obligation - ending of year	\$ 2,611,180

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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 2016 and the preceding two years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2014	\$ 450,000	45.33%	\$ 2,186,180
6/30/2015	433,000	51.27%	2,397,180
6/30/2016	452,000	52.65%	2,611,180

**D. Funded Status and Funding Progress**

The funded status of the Plan as of July 1, 2014 (the most recent actuarial valuation), was as follows:

Actuarial accrued liability (AAL)	\$ 4,360,000
Actuarial value of plan assets	\$ -
Unfunded actuarial accrued liability (UAAL)	\$ 4,360,000
Funded ratio (actuarial value of plan assets/AAL)	0.00%
Covered payroll (active plan members)	\$ 41,233,484
UAAL as a percentage of covered payroll	10.57%

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.

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**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, 2014, 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 8.333% graded to 5%, decreasing 0.333% annually. The UAAL is being amortized as a level percentage on an open basis, which at July 1, 2014, 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 0.47%, 0.77%, and 0.57%, of annual covered payroll for the years ending June 30, 2016, 2015, and 2014, respectively. The School Board's actual contributions to VRS for the years ending June 30, 2016, 2015, and 2014 were \$24,019, \$23,263, and \$28,190, 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 2016, the School Board's annual contribution of \$24,019 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
6/30/2014	\$ 28,190	100%	\$ -
6/30/2015	23,263	100%	-
6/30/2016	24,019	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, 2015 (date of the most recent actuarial valuation), was as follows:

Actuarial accrued liability (AAL)	\$	502,183
Actuarial value of plan assets	\$	289,250
Unfunded actuarial accrued liability (UAAL)	\$	212,933
Funded ratio (actuarial value of plan assets/AAL)		57.60%
Covered payroll (active plan members)	\$	4,937,112
UAAL as a percentage of covered payroll		4.31%

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, 2015, 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 3.00% 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, 2015, was 19-28 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 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.

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 1.06%, 1.06%, and 1.11%, of annual covered payroll for the years ending June 30, 2016, 2015, and 2014, respectively. The School Board's contributions to VRS for the years ending June 30, 2016, 2015, and 2014 were \$414,536, \$403,847, and \$414,436, respectively and equaled the required contributions for each year.

**Note 12-Unearned and Deferred/Unavailable Revenue:**

Unearned and unavailable revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available.

Primary Government:

Unavailable Property Tax Revenue - Unavailable revenue representing uncollected tax billings not available for funding of current expenditures totaled \$1,242,744 at June 30, 2016.

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2016 but paid in advance by the taxpayers totaled \$31,172.

Unavailable Revenue - Unavailable revenue representing locality compensation payments that are not available for funding current expenditures totaled \$2,509,249 at June 30, 2016.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2016

**Note 13-Capital Assets:**

Capital asset activity for the year ended June 30, 2016 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	\$ 7,417,979	\$ 7,687,685	\$ -	\$ 15,105,664
Construction in progress	1,362,814	5,800,546	(481,618)	6,681,742
Total capital assets not being depreciated	<u>\$ 8,780,793</u>	<u>\$ 13,488,231</u>	<u>\$ (481,618)</u>	<u>\$ 21,787,406</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 69,707,009	\$ 256,773	\$ (7,045)	\$ 69,956,737
Machinery and equipment	29,222,885	2,086,436	(252,870)	31,056,451
Infrastructure	6,082,667	139,988	-	6,222,655
Total capital assets being depreciated	<u>\$ 105,012,561</u>	<u>\$ 2,483,197</u>	<u>\$ (259,915)</u>	<u>\$ 107,235,843</u>
Accumulated depreciation:				
Buildings and improvements	\$ (21,553,282)	\$ (1,853,741)	\$ 7,045	\$ (23,399,978)
Machinery and equipment	(19,562,389)	(2,138,922)	252,870	(21,448,441)
Infrastructure	(752,016)	(754,908)	-	(1,506,924)
Total accumulated depreciation	<u>\$ (41,867,687)</u>	<u>\$ (4,747,571)</u>	<u>\$ 259,915</u>	<u>\$ (46,355,343)</u>
Total capital assets being depreciated, net	<u>\$ 63,144,874</u>	<u>\$ (2,264,374)</u>	<u>\$ -</u>	<u>\$ 60,880,500</u>
Governmental activities capital assets, net	<u>\$ 71,925,667</u>	<u>\$ 11,223,857</u>	<u>\$ (481,618)</u>	<u>\$ 82,667,906</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2016

**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	\$ (250,533)	\$ (32,845)	\$ -	\$ (283,378)
Total accumulated depreciation	<u>\$ (250,533)</u>	<u>\$ (32,845)</u>	<u>\$ -</u>	<u>\$ (283,378)</u>
Total capital assets being depreciated, net	<u>\$ 1,069,241</u>	<u>\$ (32,845)</u>	<u>\$ -</u>	<u>\$ 1,036,396</u>
Business-type activities capital assets, net	<u>\$ 1,069,241</u>	<u>\$ (32,845)</u>	<u>\$ -</u>	<u>\$ 1,036,396</u>

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

Governmental activities:	
General government administration	\$ 317,970
Judicial administration	84,512
Public safety	1,245,304
Public works	1,628,956
Health and welfare	41,836
Education	900,738
Parks, recreation, and cultural	342,111
Community development	<u>186,144</u>
Total depreciation expense-governmental activities	<u>\$ 4,747,571</u>
Business-type activities	
Utility fund	<u>\$ 32,845</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2016

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

Capital asset activity for the School Board for the year ended June 30, 2016 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	542,422	1,167,328	(1,068,391)	641,359
Total capital assets not being depreciated	<u>\$ 1,267,737</u>	<u>\$ 1,167,328</u>	<u>\$ (1,068,391)</u>	<u>\$ 1,366,674</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 37,103,940	\$ 1,140,515	\$ -	\$ 38,244,455
Machinery and equipment	18,226,451	766,577	(81,991)	18,911,037
Total capital assets being depreciated	<u>\$ 55,330,391</u>	<u>\$ 1,907,092</u>	<u>\$ (81,991)</u>	<u>\$ 57,155,492</u>
Accumulated depreciation:				
Buildings and improvements	\$ (23,259,883)	\$ (904,319)	\$ -	\$ (24,164,202)
Machinery and equipment	(13,049,914)	(1,135,186)	81,991	(14,103,109)
Total accumulated depreciation	<u>\$ (36,309,797)</u>	<u>\$ (2,039,505)</u>	<u>\$ 81,991</u>	<u>\$ (38,267,311)</u>
Total capital assets being depreciated, net	<u>\$ 19,020,594</u>	<u>\$ (132,413)</u>	<u>\$ -</u>	<u>\$ 18,888,181</u>
Governmental activities capital assets, net	<u>\$ 20,288,331</u>	<u>\$ 1,034,915</u>	<u>\$ (1,068,391)</u>	<u>\$ 20,254,855</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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Pursuant to the provisions of this circular all major programs and certain other programs were tested for compliance with applicable grant requirements. While no matters of noncompliance were disclosed by audit, the Federal Government may subject grant programs to additional compliance tests, which may result in disallowed expenditures. In the opinion of management, any future disallowances of current grant program expenditures, if any, would be immaterial.

**Note 16-Surety Bonds:**

Primary Government:

<u>Fidelity &amp; Deposit Company of Maryland-Surety:</u>	
Teresa J. Brown, Clerk of the Circuit Court	\$ 500,000
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, 2016

**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 \$10,136,879 and \$2,362,583, respectively. The estimated closure and post-closure care liability for sites 72 and 577 are \$9,934,141 and \$94,504, respectively, based on capacity used as of June 30, 2016. The County will recognize the remaining closure and post-closure care totaling \$2,470,817 over the remaining useful lives of the landfill sites. The estimated remaining life for landfill sites 72 and 577 are 3.5 years and 21.5 years, respectively. Landfill site 72 has reached 98% 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 2016. 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, 2016</u>	<u>Funding Source</u>
Rocky Mount and Snow Creek Roof Replacement	\$ 531,600	\$ 143,667	Local Funds

**Note 19-Arbitrage Rebate Compliance:**

As of June 30, 2016 and for the year then ended, the County was not liable for any amounts due under current rules governing arbitrage earnings.

**Note 20-Adoption of Accounting Principles:**

**Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application***

The County implemented the provisions of the above Statement during the fiscal year ended June 30, 2016. Statement No. 72, *Fair Value Measurement and Application*, amends the definitions of fair value used throughout GASB literature to be consistent with the definition and principles provided in FASB Accounting Standards Codification Topic 820, *Fair Value Measurement*. This Statement provides guidance for determining a fair value measurement for financial reporting purposes and for applying fair value to certain investments and disclosures related to all fair value measurements. There was no material impact on the County's financial statement as a result of the implementation of Statement No. 72.

**Governmental Accounting Standards Board Statement No. 79, *Certain External Investment Pools and Pool Participants***

The County implemented the provisions of the above Statement during the fiscal year ended June 30, 2016. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. There was no material impact on the County's financial statement as a result of the implementation of Statement No. 79. All required disclosures are located in Note 3.

**Governmental Accounting Standards Board Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73***

The County early implemented provisions of the above Statement during the fiscal year ended June 30, 2016. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. No restatement was required as a result of this implementation.

**Note 21-Upcoming Pronouncements:**

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016.

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*, improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. This Statement is effective for fiscal years beginning after June 15, 2017.

Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, addresses a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015.

Management is currently evaluating the impact these standards will have on the financial statements when adopted.

Required Supplementary Information

County of Franklin, Virginia  
 Schedule of OPEB Funding Progress  
 For the Year Ended June 30, 2016

## 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, 2014	\$ -	\$ 992,000	\$ 992,000	0.00%	\$ 9,381,563	10.57%
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%

 Discretely Presented Component Unit:  
 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, 2014	\$ -	\$ 4,360,000	\$ 4,360,000	0.00%	\$ 41,233,484	10.57%
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%

## 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, 2015	\$ 289,250	\$ 502,183	\$ 212,933	57.60%	\$ 4,937,112	4.31%
June 30, 2014	280,070	494,741	214,671	56.61%	4,947,948	4.34%
June 30, 2013	240,350	468,639	228,289	51.29%	4,893,316	4.67%

County of Franklin, Virginia  
 Schedule of Components of and Changes in Net Pension Liability and Related Ratios  
 Primary Government  
 For the Year Ended June 30, 2016

	2015	2014
<b>Total pension liability</b>		
Service cost	\$ 1,591,346	\$ 1,541,854
Interest	3,833,934	3,634,557
Changes of benefit terms	-	-
Differences between expected and actual experience	(74,392)	-
Changes in assumptions	-	-
Benefit payments, including refunds of employee contributions	(2,283,746)	(2,372,581)
<b>Net change in total pension liability</b>	<b>\$ 3,067,142</b>	<b>\$ 2,803,830</b>
<b>Total pension liability - beginning</b>	<b>55,912,360</b>	<b>53,108,530</b>
<b>Total pension liability - ending (a)</b>	<b>\$ 58,979,502</b>	<b>\$ 55,912,360</b>
<b>Plan fiduciary net position</b>		
Contributions - employer	\$ 1,463,447	\$ 1,571,032
Contributions - employee	641,611	639,291
Net investment income	2,345,600	7,019,995
Benefit payments, including refunds of employee contributions	(2,283,746)	(2,372,581)
Administrative expense	(31,880)	(37,649)
Other	(498)	370
<b>Net change in plan fiduciary net position</b>	<b>\$ 2,134,534</b>	<b>\$ 6,820,458</b>
<b>Plan fiduciary net position - beginning</b>	<b>51,387,671</b>	<b>44,567,213</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 53,522,205</b>	<b>\$ 51,387,671</b>
<b>County's net pension liability - ending (a) - (b)</b>	<b>\$ 5,457,297</b>	<b>\$ 4,524,689</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>9.25%</b>	<b>8.09%</b>
<b>Covered payroll</b>	<b>\$ 12,814,396</b>	<b>\$ 12,688,971</b>
<b>County's net pension liability as a percentage of covered payroll</b>	<b>42.59%</b>	<b>35.66%</b>

Schedule is intended to show information for 10 years. Information prior to the 2014 valuation is not available. However, additional years will be included as they become available.

County of Franklin, Virginia  
 Schedule of Components of and Changes in Net Pension Liability and Related Ratios  
 Component Unit School Board (nonprofessional)  
 For the Year Ended June 30, 2016

	2015	2014
<b>Total pension liability</b>		
Service cost	\$ 504,997	\$ 511,225
Interest	1,334,350	1,273,433
Changes of benefit terms	-	-
Differences between expected and actual experience	(67,675)	-
Changes in assumptions	-	-
Benefit payments, including refunds of employee contributions	(957,755)	(871,073)
<b>Net change in total pension liability</b>	<b>\$ 813,917</b>	<b>\$ 913,585</b>
<b>Total pension liability - beginning</b>	<b>19,541,024</b>	<b>18,627,439</b>
<b>Total pension liability - ending (a)</b>	<b>\$ 20,354,941</b>	<b>\$ 19,541,024</b>
<b>Plan fiduciary net position</b>		
Contributions - employer	\$ 393,215	\$ 395,872
Contributions - employee	244,347	247,003
Net investment income	788,531	2,390,492
Benefit payments, including refunds of employee contributions	(957,755)	(871,073)
Administrative expense	(10,964)	(12,959)
Other	(168)	126
<b>Net change in plan fiduciary net position</b>	<b>\$ 457,206</b>	<b>\$ 2,149,461</b>
<b>Plan fiduciary net position - beginning</b>	<b>17,378,143</b>	<b>15,228,682</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 17,835,349</b>	<b>\$ 17,378,143</b>
<b>School Division's net pension liability - ending (a) - (b)</b>	<b>\$ 2,519,592</b>	<b>\$ 2,162,881</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>12.38%</b>	<b>11.07%</b>
<b>Covered payroll</b>	<b>\$ 4,950,850</b>	<b>\$ 4,945,841</b>
<b>School Division's net pension liability as a percentage of covered payroll</b>	<b>50.89%</b>	<b>43.73%</b>

Schedule is intended to show information for 10 years. Information prior to the 2014 valuation is not available. However, additional years will be included as they become available.



County of Franklin, Virginia  
 Schedule of Employer's Share of Net Pension Liability VRS Teacher Retirement Plan  
 For the Year Ended June 30, 2016

	<u>2015</u>	<u>2014</u>
Employer's Proportion of the Net Pension Liability (Asset)	0.51253%	0.51106%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 64,509,000	\$ 61,760,000
Employer's Covered Payroll	38,098,804	37,343,505
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	59.06%	60.47%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.68%	70.88%

Schedule is intended to show information for 10 years. Information prior to the 2014 valuation is not available. However, additional years will be included as they become available.

County of Franklin, Virginia  
Schedule of Employer Contributions  
For the Year Ended June 30, 2016

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess)* (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
<b>Primary Government</b>					
2016	\$ 1,496,792	\$ 1,496,792	\$ -	\$ 13,038,257	11.48%
2015	1,462,651	1,462,651	-	12,814,396	11.41%
2014	1,571,032	1,571,032	-	12,688,971	12.38%
2013	1,493,503	1,493,503	-	12,132,435	12.31%
2012	1,060,487	1,060,487	-	11,590,022	9.15%
2011	1,052,278	1,052,278	-	11,500,304	9.15%
2010	862,940	862,940	-	11,645,612	7.41%
2009	898,225	898,225	-	12,121,792	7.41%
2008	833,644	833,644	-	11,174,853	7.46%
2007	679,279	679,279	-	10,078,329	6.74%
<b>Component Unit School Board (nonprofessional)</b>					
2016	\$ 480,874	\$ 409,331	\$ 71,543	\$ 5,110,248	8.01%
2015	465,863	396,553	69,310	4,950,850	8.01%
2014	495,573	396,162	99,411	4,945,841	8.01%
2013	492,154	393,429	98,725	4,911,717	8.01%
2012	393,266	393,266	-	4,909,687	8.01%
2011	395,172	395,172	-	4,933,482	8.01%
2010	462,124	462,124	-	5,123,326	9.02%
2009	460,607	460,607	-	5,106,513	9.02%
2008	365,013	365,013	-	4,534,322	8.05%
2007	352,293	352,293	-	4,376,311	8.05%
<b>Component Unit School Board (professional)</b>					
2016	\$ 5,456,224	\$ 5,456,224	\$ -	\$ 39,107,172	13.95%
2015	5,506,000	5,506,000	-	38,098,804	14.45%
2014	4,354,253	4,354,253	-	37,343,508	11.66%
2013	4,266,094	4,266,094	-	36,587,427	11.66%
2012	2,325,721	2,325,721	-	36,741,248	6.33%
2011	1,441,558	1,441,558	-	36,680,865	3.93%
2010	2,407,049	2,407,049	-	27,321,782	8.81%
2009	3,369,227	3,369,227	-	38,243,212	8.81%
2008	3,745,318	3,745,318	-	36,362,311	10.30%
2007	3,233,137	3,233,137	-	35,142,793	9.20%

Current year contributions are from County records and prior year contributions are from the VRS actuarial valuation performed each year.

\*The difference relates to the School Board using an agreed upon reduced rate from VRS. This amount will impact the calculation of the net pension liability in the next fiscal year.

County of Franklin, Virginia  
Notes to Required Supplementary Information  
For the Year Ended June 30, 2016

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In 2015, Covered Employee Payroll (as defined by GASB 68) included the total payroll for employees covered under the pension plan whether that payroll is subject to pension coverage or not. This definition was modified in GASB Statement No. 82 and now is the payroll on which contributions to a pension plan are based. The ratios presented use the same measure.

**Changes of benefit terms** - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this was a new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2015 are not material.

**Changes of assumptions** - The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

Largest 10 - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) - LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

Component Unit School Board - Professional Employees

- Update mortality table
- Adjustments to the rates of service retirement
- Decrease in rates withdrawals for 3 through 9 years of service
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

County of Franklin, Virginia  
General Fund  
Schedule of Revenues, Expenditures, and Change in Fund Balances - Budget and Actual  
For the Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
General property taxes	\$ 48,250,204	\$ 48,909,958	\$ 49,308,192	\$ 398,234
Other local taxes	9,011,772	9,011,772	9,471,553	459,781
Permits, privilege fees, and regulatory licenses	377,000	377,000	335,137	(41,863)
Fines and forfeitures	110,000	110,000	43,159	(66,841)
Revenue from the use of money and property	918,863	921,387	972,124	50,737
Charges for services	2,605,764	2,706,675	2,648,931	(57,744)
Miscellaneous	47,000	97,189	476,708	379,519
Recovered costs	694,926	1,168,333	897,113	(271,220)
Intergovernmental	17,996,054	18,368,466	18,292,167	(76,299)
Total revenues	<u>\$ 80,011,583</u>	<u>\$ 81,670,780</u>	<u>\$ 82,445,084</u>	<u>\$ 774,304</u>
<b>EXPENDITURES</b>				
Current:				
General government administration	\$ 4,237,200	\$ 4,479,959	\$ 4,344,882	\$ 135,077
Judicial administration	2,643,199	2,786,265	2,729,767	56,498
Public safety	12,915,616	13,025,545	12,689,923	335,622
Public works	3,859,720	3,985,497	3,449,535	535,962
Health and welfare	11,645,927	12,038,307	11,475,912	562,395
Education	31,414,411	31,414,411	30,899,432	514,979
Parks, recreation, and cultural	1,928,694	2,034,007	2,003,765	30,242
Community development	2,878,056	3,547,546	3,060,972	486,574
Nondepartmental	329,753	82,761	-	82,761
Debt service:				
Principal retirement	3,926,684	3,926,684	4,566,202	(639,518)
Interest and other fiscal charges	952,634	952,634	1,150,831	(198,197)
Total expenditures	<u>\$ 76,731,894</u>	<u>\$ 78,273,616</u>	<u>\$ 76,371,221</u>	<u>\$ 1,902,395</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 3,279,689</u>	<u>\$ 3,397,164</u>	<u>\$ 6,073,863</u>	<u>\$ 2,676,699</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ 261,694	\$ 1,208,027	\$ 828,859	\$ (379,168)
Transfers out	(4,176,659)	(5,859,748)	(5,859,748)	-
Total other financing sources (uses)	<u>\$ (3,914,965)</u>	<u>\$ (4,651,721)</u>	<u>\$ (5,030,889)</u>	<u>\$ (379,168)</u>
Net change in fund balances	\$ (635,276)	\$ (1,254,557)	\$ 1,042,974	\$ 2,297,531
Fund balances - beginning	635,276	1,254,557	21,206,455	19,951,898
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,249,429</u>	<u>\$ 22,249,429</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, 2016

	County Capital Projects			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<b>REVENUES</b>				
Revenue from the use of money and property	\$ -	\$ -	\$ 40,629	\$ 40,629
Miscellaneous	-	122,809	122,807	(2)
Intergovernmental	-	247,866	708,093	460,227
Total revenues	<u>\$ -</u>	<u>\$ 370,675</u>	<u>\$ 871,529</u>	<u>\$ 500,854</u>
<b>EXPENDITURES</b>				
Capital projects	\$ 1,753,807	\$ 32,118,336	\$ 15,726,566	\$ 16,391,770
Education:				
Contribution to County School Board	1,220,000	1,246,300	1,218,000	28,300
Total expenditures	<u>\$ 2,973,807</u>	<u>\$ 33,364,636</u>	<u>\$ 16,944,566</u>	<u>\$ 16,420,070</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (2,973,807)</u>	<u>\$ (32,993,961)</u>	<u>\$ (16,073,037)</u>	<u>\$ 16,920,924</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ 3,235,501	\$ 4,929,569	\$ 4,929,569	\$ -
Transfers out	(261,694)	(1,208,027)	(828,859)	379,168
Total other financing sources (uses)	<u>\$ 2,973,807</u>	<u>\$ 3,721,542</u>	<u>\$ 4,100,710</u>	<u>\$ 379,168</u>
Net change in fund balances	\$ -	\$ (29,272,419)	\$ (11,972,327)	\$ 17,300,092
Fund balances - beginning	-	29,272,419	30,731,295	1,458,876
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,758,968</u>	<u>\$ 18,758,968</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, 2016

	E-911 Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Other local taxes	\$ -	\$ -	\$ 10	\$ 10
Intergovernmental	52,508	52,508	61,979	9,471
Total revenues	<u>\$ 52,508</u>	<u>\$ 52,508</u>	<u>\$ 61,989</u>	<u>\$ 9,481</u>
<b>EXPENDITURES</b>				
Current:				
Public safety	\$ 978,666	\$ 979,982	\$ 925,154	\$ 54,828
Total expenditures	<u>\$ 978,666</u>	<u>\$ 979,982</u>	<u>\$ 925,154</u>	<u>\$ 54,828</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (926,158)</u>	<u>\$ (927,474)</u>	<u>\$ (863,165)</u>	<u>\$ 64,309</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ 926,158	\$ 926,158	\$ 926,158	\$ -
Total other financing sources (uses)	<u>\$ 926,158</u>	<u>\$ 926,158</u>	<u>\$ 926,158</u>	<u>\$ -</u>
Net change in fund balances	\$ -	\$ (1,316)	\$ 62,993	\$ 64,309
Fund balances - beginning	-	1,316	158,391	157,075
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 221,384</u>	<u>\$ 221,384</u>

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

## FIDUCIARY FUNDS

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

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

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

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

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



County of Franklin, Virginia  
Combining Statement of Fiduciary Net Position  
Fiduciary Funds  
June 30, 2016

	Agency Funds						Total
	Special Welfare Fund	Road Escrow Fund	Escrow Fund for Soil and Erosion Control Agreement	Seized Assets	Library Fund	Inmate Trust and Canteen Account Fund	
<b>ASSETS</b>							
Cash and cash equivalents	\$ 13,976	\$ 17,758	\$ 390,019	\$ -	\$ 4,000	\$ -	\$ 425,753
Cash in custody of others	-	-	-	30,853	-	41,016	71,869
Total assets	<u>\$ 13,976</u>	<u>\$ 17,758</u>	<u>\$ 390,019</u>	<u>\$ 30,853</u>	<u>\$ 4,000</u>	<u>\$ 41,016</u>	<u>\$ 497,622</u>
<b>LIABILITIES</b>							
Amounts held for social services clients	\$ 13,976	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,976
Amounts held for citizens	-	17,758	-	-	-	-	17,758
Amounts held for performance bonds	-	-	390,019	-	-	-	390,019
Amounts held for court systems	-	-	-	30,853	-	-	30,853
Amounts held for Library	-	-	-	-	4,000	-	4,000
Amounts held for inmates	-	-	-	-	-	41,016	41,016
Total liabilities	<u>\$ 13,976</u>	<u>\$ 17,758</u>	<u>\$ 390,019</u>	<u>\$ 30,853</u>	<u>\$ 4,000</u>	<u>\$ 41,016</u>	<u>\$ 497,622</u>

County of Franklin, Virginia  
Combining Statement of Changes in Assets and Liabilities  
Agency Funds  
For the Year Ended June 30, 2016

	Agency Funds			
	Balance July 1, <u>2015</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2016</u>
<b>ASSETS</b>				
Cash and cash equivalents:				
Special Welfare Fund	\$ 13,975	\$ 236,546	\$ 236,545	\$ 13,976
Road Escrow Fund	17,740	18	-	17,758
Escrow Fund for Soil and Erosion Control Agreement	137,479	254,419	1,879	390,019
Library Fund	4,000	-	-	4,000
Cash in custody of others:				
Inmate Trust and Canteen Account Fund	43,272	126,434	128,690	41,016
Seized assets - Sheriff's Office	32,254	5,363	6,764	30,853
Total assets	<u>\$ 248,720</u>	<u>\$ 622,780</u>	<u>\$ 373,878</u>	<u>\$ 497,622</u>
<b>LIABILITIES</b>				
Amounts held for others:				
Social services clients	\$ 13,975	\$ 236,546	\$ 236,545	\$ 13,976
Citizens	17,740	18	-	17,758
Performance bonds	137,479	254,419	1,879	390,019
Library	4,000	-	-	4,000
Inmates	43,272	126,434	128,690	41,016
Court system	32,254	5,363	6,764	30,853
Total liabilities	<u>\$ 248,720</u>	<u>\$ 622,780</u>	<u>\$ 373,878</u>	<u>\$ 497,622</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, 2016

	<u>School Operating Fund</u>
<b>ASSETS</b>	
Accounts receivable	\$ 13,807
Due from primary government	89,881
Due from other governmental units	1,525,342
Prepaid items	207,182
Restricted assets:	
Temporarily restricted:	
Cash and cash equivalents	651,562
Total assets	<u>2,487,774</u>
<b>LIABILITIES AND FUND BALANCES</b>	
Liabilities:	
Accounts payable	\$ 827,215
Accrued liabilities	708,529
Due to primary government	93,286
Total liabilities	<u>1,629,030</u>
Fund balances:	
Nonspendable	\$ 207,182
Restricted	
Cafeteria program	651,562
Total fund balances	<u>858,744</u>
Total liabilities and fund balances	<u>2,487,774</u>
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:	
Total fund balances per above	\$ 858,744
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Land	\$ 725,315
Buildings and improvements	14,080,253
Machinery and equipment	4,807,928
Construction in progress	<u>641,359</u>
	20,254,855
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	
Items related to measurement of net pension liability	(5,352,720)
Pension contributions subsequent to the measurement date will be a reduction to the net pension liability in the next fiscal year and, therefore, are not reported in the funds.	
	5,865,555
Long-term liabilities, including compensated absences, net OPEB obligation, and net pension liability, are not due and payable in the current period and, therefore, are not reported in the funds.	
Compensated absences	\$ (863,859)
Net OPEB obligation	(2,611,180)
Net pension liability	(67,028,592)
Adjustment for changes in the proportionate share of net pension liability	<u>281,000</u>
	(70,222,631)
Net position of governmental activities	<u>\$ (48,596,197)</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, 2016

		<u>School Operating Fund</u>
<b>REVENUES</b>		
Revenue from the use of money and property	\$	10
Charges for services		2,480,067
Miscellaneous		13,432
Recovered costs		1,539,824
Intergovernmental		78,237,998
Total revenues	\$	<u>82,271,331</u>
<b>EXPENDITURES</b>		
Current:		
Education	\$	80,499,299
Capital projects		1,504,234
Total expenditures	\$	<u>82,003,533</u>
Excess (deficiency) of revenues over (under) expenditures	\$	<u>267,798</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Sale of capital assets	\$	10,557
Total other financing sources (uses)	\$	<u>10,557</u>
Net change in fund balances	\$	278,355
Fund balances - beginning		580,389
Fund balances - ending	\$	<u><u>858,744</u></u>
Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:		
Net change in fund balances - total governmental funds - per above	\$	278,355
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	\$	2,006,029
Depreciation expenses		<u>(2,039,505)</u>
		(33,476)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Change in deferred inflows related to the measurement of the net pension liability		4,879,616
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.		
Change in compensated absences	\$	(59,202)
Change in net OPEB obligation		(214,000)
Change in net pension liability		(3,105,711)
Change in deferred outflows related to pensions		<u>101,430</u>
		(3,277,483)
Change in net position of governmental activities	\$	<u><u>1,847,012</u></u>

County of Franklin, Virginia  
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
 Discretely Presented Component Unit - School Board  
 For the Year Ended June 30, 2016

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<b>REVENUES</b>				
Revenue from the use of money and property	\$ -	\$ -	\$ 10	\$ 10
Charges for services	2,429,014	2,429,014	2,480,067	51,053
Miscellaneous	-	-	13,432	13,432
Recovered costs	1,415,332	1,415,332	1,539,824	124,492
Intergovernmental	77,343,655	79,266,655	78,237,998	(1,028,657)
Total revenues	<u>\$ 81,188,001</u>	<u>\$ 83,111,001</u>	<u>\$ 82,271,331</u>	<u>\$ (839,670)</u>
<b>EXPENDITURES</b>				
Current:				
Education	\$ 81,222,699	\$ 81,560,699	\$ 80,499,299	\$ 1,061,400
Capital projects	-	1,585,000	1,504,234	80,766
Total expenditures	<u>\$ 81,222,699</u>	<u>\$ 83,145,699</u>	<u>\$ 82,003,533</u>	<u>\$ 1,142,166</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (34,698)</u>	<u>\$ (34,698)</u>	<u>\$ 267,798</u>	<u>\$ 302,496</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of capital assets	34,698	34,698	10,557	(24,141)
Total other financing sources (uses)	<u>\$ 34,698</u>	<u>\$ 34,698</u>	<u>\$ 10,557</u>	<u>\$ (24,141)</u>
Net change in fund balances	\$ -	\$ -	\$ 278,355	\$ 278,355
Fund balances - beginning	-	-	580,389	580,389
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 858,744</u>	<u>\$ 858,744</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, 2016

Schedule 1  
 Page 1 of 7

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>Primary Government:</b>				
<b>General Fund:</b>				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 35,732,596	\$ 36,032,596	\$ 36,110,377	\$ 77,781
Real and personal public service corporation taxes	969,067	969,067	1,007,261	38,194
Personal property taxes	9,351,086	9,641,086	9,704,131	63,045
Mobile home taxes	201,801	201,801	221,211	19,410
Machinery and tools taxes	688,654	758,408	831,450	73,042
Merchant's capital	675,000	675,000	716,515	41,515
Penalties	632,000	632,000	499,107	(132,893)
Interest	-	-	218,140	218,140
Total general property taxes	<u>\$ 48,250,204</u>	<u>\$ 48,909,958</u>	<u>\$ 49,308,192</u>	<u>\$ 398,234</u>
Other local taxes:				
Local sales and use taxes	\$ 4,125,000	\$ 4,125,000	\$ 4,355,903	\$ 230,903
Consumers' utility taxes	975,000	975,000	982,747	7,747
Business license taxes	4,700	4,700	3,314	(1,386)
Utility license taxes	225,000	225,000	227,848	2,848
Motor vehicle licenses	2,024,637	2,024,637	2,100,109	75,472
Bank stock taxes	128,791	128,791	150,779	21,988
Taxes on recordation and wills	425,000	425,000	455,147	30,147
Hotel and motel room taxes	85,644	85,644	109,213	23,569
Local probate tax	18,000	18,000	15,660	(2,340)
Restaurant food taxes	1,000,000	1,000,000	1,070,833	70,833
Total other local taxes	<u>\$ 9,011,772</u>	<u>\$ 9,011,772</u>	<u>\$ 9,471,553</u>	<u>\$ 459,781</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 30,000	\$ 30,000	\$ 27,355	\$ (2,645)
Zoning and planning fees	52,500	52,500	39,021	(13,479)
Erosion and sediment control	10,000	10,000	11,566	1,566
Building permits	250,500	250,500	229,263	(21,237)
Land use application fees	-	-	18,705	18,705
Transfer fees	5,000	5,000	2,060	(2,940)
Other permits and licenses	29,000	29,000	7,167	(21,833)
Total permits, privilege fees, and regulatory licenses	<u>\$ 377,000</u>	<u>\$ 377,000</u>	<u>\$ 335,137</u>	<u>\$ (41,863)</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 110,000	\$ 110,000	\$ 43,159	\$ (66,841)
Total fines and forfeitures	<u>\$ 110,000</u>	<u>\$ 110,000</u>	<u>\$ 43,159</u>	<u>\$ (66,841)</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 798,803	\$ 798,803	\$ 844,031	\$ 45,228
Revenue from use of property	120,060	122,584	128,093	5,509
Total revenue from use of money and property	<u>\$ 918,863</u>	<u>\$ 921,387</u>	<u>\$ 972,124</u>	<u>\$ 50,737</u>

County of Franklin, Virginia  
 Schedule of Revenues - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2016

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>Primary Government: (Continued)</b>				
<b>General Fund: (Continued)</b>				
Revenue from local sources: (Continued)				
Charges for services:				
Charges for courthouse security	\$ 66,000	\$ 66,000	\$ 64,664	\$ (1,336)
Charges for courthouse maintenance	12,000	12,000	39,989	27,989
Charges for law enforcement and traffic control	45,000	86,389	97,023	10,634
Excess Clerk of Court fees	32,000	32,000	8,777	(23,223)
Charges for Commonwealth's Attorney	5,000	5,000	6,589	1,589
Prisoner's board	5,000	5,000	7,326	2,326
Miscellaneous jail and inmate fees	-	-	781	781
Miscellaneous animal fees	8,000	8,000	5,283	(2,717)
Charges for private landfills	-	-	34,947	34,947
Charges for sale of maps and codes and copies	11,700	11,700	6,009	(5,691)
Charges for emergency medical services billing	1,294,564	1,294,564	1,262,482	(32,082)
Charges for sanitation and waste removal	875,000	875,000	801,452	(73,548)
Charges for parks and recreation	130,500	169,544	169,174	(370)
Charges for aging services	12,000	12,000	22,071	10,071
Charges for library	35,000	55,478	55,919	441
Charges for law library	12,000	12,000	10,519	(1,481)
Charges for concealed weapons permits	33,000	33,000	42,928	9,928
Sale of recycled goods	29,000	29,000	12,998	(16,002)
Total charges for services	<u>\$ 2,605,764</u>	<u>\$ 2,706,675</u>	<u>\$ 2,648,931</u>	<u>\$ (57,744)</u>
Miscellaneous:				
Miscellaneous	\$ 47,000	\$ 97,189	\$ 476,708	\$ 379,519
Total miscellaneous	<u>\$ 47,000</u>	<u>\$ 97,189</u>	<u>\$ 476,708</u>	<u>\$ 379,519</u>
Recovered costs:				
Health department	\$ 123,178	\$ 123,178	\$ 54,182	\$ (68,996)
Court reporting fees	60,000	60,000	59,207	(793)
School resource officer	86,658	86,658	86,658	-
Blue ridge soil and water	217,090	217,090	224,690	7,600
Jail payphone commissions	13,000	13,000	16,404	3,404
Other recovered costs	195,000	668,407	455,972	(212,435)
Total recovered costs	<u>\$ 694,926</u>	<u>\$ 1,168,333</u>	<u>\$ 897,113</u>	<u>\$ (271,220)</u>
Total revenue from local sources	<u>\$ 62,015,529</u>	<u>\$ 63,302,314</u>	<u>\$ 64,152,917</u>	<u>\$ 850,603</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Motor vehicle carrier tax (rolling stock)	\$ 42,500	\$ 42,500	\$ 39,030	\$ (3,470)
Mobile home titling tax	75,000	75,000	77,033	2,033
Grantor's tax	125,000	125,000	138,072	13,072
Motor vehicle rental tax	50,000	50,000	37,622	(12,378)
Communications tax	2,244,962	2,244,962	2,148,085	(96,877)
State recordation tax	160,000	160,000	158,677	(1,323)
Personal property tax relief funds	2,626,618	2,626,618	2,626,618	-
Total noncategorical aid	<u>\$ 5,324,080</u>	<u>\$ 5,324,080</u>	<u>\$ 5,225,137</u>	<u>\$ (98,943)</u>



County of Franklin, Virginia  
 Schedule of Revenues - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2016

Schedule 1  
 Page 3 of 7

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Primary Government: (Continued)				
General Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 562,020	\$ 562,020	\$ 584,667	\$ 22,647
Sheriff	3,150,713	3,150,713	3,184,217	33,504
Commissioner of revenue	162,620	162,620	165,991	3,371
Treasurer	148,726	148,726	152,460	3,734
Registrar/electoral board	42,000	42,000	71,129	29,129
Clerk of the Circuit Court	356,456	405,300	378,080	(27,220)
Total shared expenses	<u>\$ 4,422,535</u>	<u>\$ 4,471,379</u>	<u>\$ 4,536,544</u>	<u>\$ 65,165</u>
Other categorical aid:				
Public assistance and welfare administration	\$ 1,764,857	\$ 1,878,130	\$ 1,813,964	\$ (64,166)
Comprehensive services act	3,200,042	3,200,042	2,998,111	(201,931)
Office on youth-juvenile	20,040	20,040	21,332	1,292
Family resource center-family violence prevention	169,438	176,974	204,881	27,907
Four for life	-	57,198	57,198	-
Asset forfeiture funds	5,000	-	499	499
Library grants	153,449	157,397	152,064	(5,333)
Workforce development grants	47,000	47,000	45,030	(1,970)
Litter control grant	-	15,964	15,964	-
VDA grant	-	-	3,179	3,179
Drug enhancement grant	12,000	12,000	30,558	18,558
Park and recreation grants	-	2,500	5,000	2,500
Grant to Circuit Court Clerk	-	-	33,024	33,024
Law enforcement grant	-	-	1,309	1,309
Transportation grant	-	-	12,979	12,979
Other categorical aid	19,202	32,725	46,755	14,030
Total other categorical aid	<u>\$ 5,391,028</u>	<u>\$ 5,599,970</u>	<u>\$ 5,441,847</u>	<u>\$ (158,123)</u>
Total categorical aid	<u>\$ 9,813,563</u>	<u>\$ 10,071,349</u>	<u>\$ 9,978,391</u>	<u>\$ (92,958)</u>
Total revenue from the Commonwealth	<u>\$ 15,137,643</u>	<u>\$ 15,395,429</u>	<u>\$ 15,203,528</u>	<u>\$ (191,901)</u>
Revenue from the federal government:				
Noncategorical aid:				
Payments in lieu of taxes	\$ 18,200	\$ 18,200	\$ 18,336	\$ 136
Total noncategorical aid	<u>\$ 18,200</u>	<u>\$ 18,200</u>	<u>\$ 18,336</u>	<u>\$ 136</u>

County of Franklin, Virginia  
 Schedule of Revenues - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2016

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>Primary Government: (Continued)</b>				
<b>General Fund: (Continued)</b>				
Intergovernmental: (Continued)				
Revenue from the federal government: (Continued)				
Categorical aid:				
Department of Health and Human Services payments	\$ 2,800,627	\$ 2,878,554	\$ 2,878,554	\$ -
Violence against women grant	-	36,699	35,390	(1,309)
State homeland security program	-	-	14,724	14,724
Equitable sharing program	5,000	5,000	89,375	84,375
Emergency management performance grant	34,584	34,584	-	(34,584)
State and community highway safety grant	-	-	10,977	10,977
Title III	-	-	41,283	41,283
Total categorical aid	<u>\$ 2,840,211</u>	<u>\$ 2,954,837</u>	<u>\$ 3,070,303</u>	<u>\$ 115,466</u>
Total revenue from the federal government	<u>\$ 2,858,411</u>	<u>\$ 2,973,037</u>	<u>\$ 3,088,639</u>	<u>\$ 115,602</u>
Total General Fund	<u><u>\$ 80,011,583</u></u>	<u><u>\$ 81,670,780</u></u>	<u><u>\$ 82,445,084</u></u>	<u><u>\$ 774,304</u></u>
<b>County Capital Projects Fund:</b>				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 40,629	\$ 40,629
Total revenue from use of money and property	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,629</u>	<u>\$ 40,629</u>
Miscellaneous:				
Donations	\$ -	\$ 24,000	\$ 24,000	\$ -
Miscellaneous	-	98,809	98,807	(2)
Total miscellaneous	<u>\$ -</u>	<u>\$ 122,809</u>	<u>\$ 122,807</u>	<u>\$ (2)</u>
Total revenue from local sources	<u>\$ -</u>	<u>\$ 122,809</u>	<u>\$ 163,436</u>	<u>\$ 40,627</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Tobacco commission funds	\$ -	\$ 33,397	\$ 60,232	\$ 26,835
Virginia fire programs	-	145,820	163,717	17,897
Economic development grants	-	-	100,000	100,000
Public safety grants	-	-	158,742	158,742
Wireless board funds	-	18,649	20,104	1,455
VDOT grant	-	-	40,000	40,000
DEQ grant	-	50,000	25,000	(25,000)
Total other categorical aid	<u>\$ -</u>	<u>\$ 247,866</u>	<u>\$ 567,795</u>	<u>\$ 319,929</u>
Total categorical aid	<u>\$ -</u>	<u>\$ 247,866</u>	<u>\$ 567,795</u>	<u>\$ 319,929</u>
Total revenue from the Commonwealth	<u>\$ -</u>	<u>\$ 247,866</u>	<u>\$ 567,795</u>	<u>\$ 319,929</u>

County of Franklin, Virginia  
 Schedule of Revenues - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2016

Schedule 1  
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>County Capital Projects Fund: (Continued)</b>				
Intergovernmental: (Continued)				
Revenue from the federal government:				
Categorical aid:				
Parks and recreation grant	\$ -	\$ -	\$ 100,000	\$ 100,000
Federal transit grant	-	-	40,298	40,298
Total categorical aid	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 140,298</u>	<u>\$ 140,298</u>
Total revenue from the federal government	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 140,298</u>	<u>\$ 140,298</u>
Total County Capital Projects Fund	<u>\$ -</u>	<u>\$ 370,675</u>	<u>\$ 871,529</u>	<u>\$ 500,854</u>
<b>Special Revenue Fund:</b>				
<b>E-911 Fund:</b>				
Revenue from local sources:				
Other local taxes:				
E-911 taxes	\$ -	\$ -	\$ 10	\$ 10
Total other local taxes	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10</u>	<u>\$ 10</u>
Total revenue from local sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10</u>	<u>\$ 10</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Wireless board reimbursement	\$ 52,508	\$ 52,508	\$ 61,979	\$ 9,471
Total categorical aid	<u>\$ 52,508</u>	<u>\$ 52,508</u>	<u>\$ 61,979</u>	<u>\$ 9,471</u>
Total revenue from the Commonwealth	<u>\$ 52,508</u>	<u>\$ 52,508</u>	<u>\$ 61,979</u>	<u>\$ 9,471</u>
Total E-911 Fund	<u>\$ 52,508</u>	<u>\$ 52,508</u>	<u>\$ 61,989</u>	<u>\$ 9,481</u>
Total Primary Government	<u>\$ 80,064,091</u>	<u>\$ 82,093,963</u>	<u>\$ 83,378,602</u>	<u>\$ 1,284,639</u>
<b>Discretely Presented Component Unit - School Board:</b>				
<b>School Operating Fund:</b>				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of property	\$ -	\$ -	\$ 10	\$ 10
Total revenue from use of money and property	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10</u>	<u>\$ 10</u>
Charges for services:				
Other charges for education	\$ -	\$ -	\$ 55,501	\$ 55,501
Cafeteria sales	1,536,156	1,536,156	1,205,692	(330,464)
Payments from other localities	873,747	873,747	1,202,747	329,000
Cannery fees	19,111	19,111	16,127	(2,984)
Total charges for services	<u>\$ 2,429,014</u>	<u>\$ 2,429,014</u>	<u>\$ 2,480,067</u>	<u>\$ 51,053</u>
Miscellaneous:				
Miscellaneous	\$ -	\$ -	\$ 13,432	\$ 13,432
Total miscellaneous	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,432</u>	<u>\$ 13,432</u>

County of Franklin, Virginia  
 Schedule of Revenues - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2016

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>Discretely Presented Component Unit - School Board: (Continued)</b>				
<b>School Operating Fund: (Continued)</b>				
Revenue from local sources: (Continued)				
Recovered costs:				
Insurance recoveries and rebates	\$ 31,009	\$ 31,009	\$ 6,077	\$ (24,932)
Famis/Medicare reimbursement	428,682	428,682	338,935	(89,747)
E-rate program	402,772	402,772	368,783	(33,989)
JROTC	53,562	53,562	-	(53,562)
Other recovered costs	499,307	499,307	826,029	326,722
Total recovered costs	<u>\$ 1,415,332</u>	<u>\$ 1,415,332</u>	<u>\$ 1,539,824</u>	<u>\$ 124,492</u>
Total revenue from local sources	<u>\$ 3,844,346</u>	<u>\$ 3,844,346</u>	<u>\$ 4,033,333</u>	<u>\$ 188,987</u>
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Franklin, Virginia	\$ 31,582,535	\$ 33,505,535	\$ 32,117,432	\$ (1,388,103)
Total revenues from local governments	<u>\$ 31,582,535</u>	<u>\$ 33,505,535</u>	<u>\$ 32,117,432</u>	<u>\$ (1,388,103)</u>
Revenue from the Commonwealth:				
Categorical aid:				
Adult literacy	\$ -	\$ -	\$ 125,000	\$ 125,000
Algebra readiness	91,644	91,644	85,694	(5,950)
At risk four-year olds	703,440	703,440	703,440	-
At risk payments	694,305	694,305	676,040	(18,265)
Basic school aid	18,170,481	18,170,481	17,582,527	(587,954)
Compensation supplements	-	-	315,868	315,868
English as a second language	56,409	56,409	71,330	14,921
Early reading intervention	74,347	74,347	70,629	(3,718)
Gifted and talented	196,717	196,717	191,527	(5,190)
GED funds	23,576	23,576	128,178	104,602
Group life	75,338	75,338	73,351	(1,987)
Homebound education	28,611	28,611	35,289	6,678
Mentor teacher program	5,873	5,873	7,773	1,900
National board certification	-	-	9,891	9,891
Primary class size	867,097	867,097	844,733	(22,364)
Regular foster care	123,011	123,011	130,109	7,098
Remedial education	657,118	657,118	639,783	(17,335)
Remedial summer education	106,459	106,459	98,531	(7,928)
Retirement fringe benefits	2,331,306	2,331,306	2,269,804	(61,502)
School food	39,173	39,173	57,677	18,504
Share of state sales tax	8,308,633	8,308,633	8,305,342	(3,291)
Social security fringe benefits	1,180,302	1,180,302	1,149,164	(31,138)
Special education	2,661,958	2,661,958	2,591,733	(70,225)
Special education - foster children	200,702	200,702	182,389	(18,313)
Special education-regional program	317,364	317,364	815,350	497,986
State lottery payments	-	-	367,325	367,325
Teacher licensure	-	-	12,997	12,997

County of Franklin, Virginia  
 Schedule of Revenues - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2016

<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)				
Textbook payment	\$ 402,726	\$ 402,726	\$ 24,776	\$ (377,950)
Vocational standards of quality education	452,031	452,031	470,483	18,452
Vocational education - equipment	69,406	69,406	16,109	(53,297)
VPSA technology grant	466,000	466,000	466,000	-
Other state funds	403,630	403,630	134,380	(269,250)
Total categorical aid	<u>\$ 38,707,657</u>	<u>\$ 38,707,657</u>	<u>\$ 38,653,222</u>	<u>\$ (54,435)</u>
Total revenue from the Commonwealth	<u>\$ 38,707,657</u>	<u>\$ 38,707,657</u>	<u>\$ 38,653,222</u>	<u>\$ (54,435)</u>
Revenue from the federal government:				
Categorical aid:				
Adult literacy	\$ 95,797	\$ 95,797	\$ 529,995	\$ 434,198
Advanced placement	-	-	1,640	1,640
School food program	2,413,357	2,413,357	2,549,401	136,044
Title I funds	1,759,081	1,759,081	1,824,799	65,718
Title II Teacher improvement	319,324	319,324	272,451	(46,873)
Title III funds	11,086	11,086	-	(11,086)
Title VI-B, special education flow-through	2,292,591	2,292,591	2,142,417	(150,174)
Title VI-B, special education pre-school	32,828	32,828	43,828	11,000
Vocational education	129,399	129,399	102,813	(26,586)
Total categorical aid	<u>\$ 7,053,463</u>	<u>\$ 7,053,463</u>	<u>\$ 7,467,344</u>	<u>\$ 413,881</u>
Total revenue from the federal government	<u>\$ 7,053,463</u>	<u>\$ 7,053,463</u>	<u>\$ 7,467,344</u>	<u>\$ 413,881</u>
Total School Operating Fund	<u>\$ 81,188,001</u>	<u>\$ 83,111,001</u>	<u>\$ 82,271,331</u>	<u>\$ (839,670)</u>

County of Franklin, Virginia  
 Schedule of Expenditures - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2016

<u>Fund, Function, Activity, and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>Primary Government:</b>				
<b>General Fund:</b>				
General government administration:				
Legislative:				
Board of supervisors	\$ 363,940	\$ 356,940	\$ 350,012	\$ 6,928
Total legislative	<u>\$ 363,940</u>	<u>\$ 356,940</u>	<u>\$ 350,012</u>	<u>\$ 6,928</u>
General and financial administration:				
County administrator	\$ 431,089	\$ 416,089	\$ 403,725	\$ 12,364
Risk management	395,221	377,821	376,914	907
Human resources	124,025	133,023	119,520	13,503
Commissioner of revenue	553,099	583,099	551,938	31,161
Reassessment	150,000	289,042	289,041	1
Land use	42,564	42,564	40,533	2,031
Treasurer	467,224	507,536	507,181	355
Director of finance	255,257	260,257	250,606	9,651
Information technology	1,096,737	1,118,637	1,116,540	2,097
Telecommunications and Postage	67,500	85,600	85,501	99
Total general and financial administration	<u>\$ 3,582,716</u>	<u>\$ 3,813,668</u>	<u>\$ 3,741,499</u>	<u>\$ 72,169</u>
Board of elections:				
Registrar	\$ 210,755	\$ 229,562	\$ 182,787	\$ 46,775
Electoral board	79,789	79,789	70,584	9,205
Total board of elections	<u>\$ 290,544</u>	<u>\$ 309,351</u>	<u>\$ 253,371</u>	<u>\$ 55,980</u>
Total general government administration	<u>\$ 4,237,200</u>	<u>\$ 4,479,959</u>	<u>\$ 4,344,882</u>	<u>\$ 135,077</u>
Judicial administration:				
Courts:				
Circuit court	\$ 106,920	\$ 103,920	\$ 97,478	\$ 6,442
General district court	7,080	10,080	9,501	579
Law library	12,000	12,000	5,000	7,000
Special magistrates	2,000	2,000	735	1,265
Juvenile and domestic relations court	17,150	17,150	13,452	3,698
Juvenile court services	429,288	334,288	324,739	9,549
Sheriff-courts	613,361	803,122	802,842	280
Clerk of the circuit court	645,835	718,317	713,726	4,591
Total courts	<u>\$ 1,833,634</u>	<u>\$ 2,000,877</u>	<u>\$ 1,967,473</u>	<u>\$ 33,404</u>
Commonwealth's attorney:				
Commonwealth's attorney	\$ 809,565	\$ 785,388	\$ 762,294	\$ 23,094
Total commonwealth's attorney	<u>\$ 809,565</u>	<u>\$ 785,388</u>	<u>\$ 762,294</u>	<u>\$ 23,094</u>
Total judicial administration	<u>\$ 2,643,199</u>	<u>\$ 2,786,265</u>	<u>\$ 2,729,767</u>	<u>\$ 56,498</u>
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 4,391,797	\$ 4,396,367	\$ 4,279,300	\$ 117,067
Total law enforcement and traffic control	<u>\$ 4,391,797</u>	<u>\$ 4,396,367</u>	<u>\$ 4,279,300</u>	<u>\$ 117,067</u>
Correction and detention:				
County operated institutions and regional jail	\$ 4,050,951	\$ 3,977,945	\$ 3,967,113	\$ 10,832
Total correction and detention	<u>\$ 4,050,951</u>	<u>\$ 3,977,945</u>	<u>\$ 3,967,113</u>	<u>\$ 10,832</u>
Inspections:				
Building	\$ 540,524	\$ 476,597	\$ 437,080	\$ 39,517
Total inspections	<u>\$ 540,524</u>	<u>\$ 476,597</u>	<u>\$ 437,080</u>	<u>\$ 39,517</u>

County of Franklin, Virginia  
 Schedule of Expenditures - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2016

<u>Fund, Function, Activity, and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>Primary Government: (Continued)</b>				
<b>General Fund: (Continued)</b>				
<b>Public safety: (Continued)</b>				
Other protection:				
Director of public safety	\$ 2,207,702	\$ 2,402,056	\$ 2,313,850	\$ 88,206
Animal control	268,892	300,345	291,100	9,245
Department of forestry	24,000	24,000	23,299	701
EMS career billing	1,026,564	1,033,564	1,032,755	809
EMS volunteer billing	268,000	261,000	199,315	61,685
Radio system	137,186	153,671	146,111	7,560
Total other protection	<u>\$ 3,932,344</u>	<u>\$ 4,174,636</u>	<u>\$ 4,006,430</u>	<u>\$ 168,206</u>
Total public safety	<u>\$ 12,915,616</u>	<u>\$ 13,025,545</u>	<u>\$ 12,689,923</u>	<u>\$ 335,622</u>
<b>Public works:</b>				
Maintenance of highways, streets, bridges and sidewalks:				
Highways, streets, bridges and sidewalks	\$ 450	\$ 450	\$ -	\$ 450
Total maintenance of highways, streets, bridges and sidewalks	<u>\$ 450</u>	<u>\$ 450</u>	<u>\$ -</u>	<u>\$ 450</u>
Sanitation and waste removal:				
Refuse collection and disposal	\$ 2,029,152	\$ 2,165,821	\$ 1,754,315	\$ 411,506
Recycling program	87,956	110,279	110,278	1
Scale house	65,298	65,298	59,298	6,000
Public works	235,288	228,988	209,537	19,451
Total sanitation and waste removal	<u>\$ 2,417,694</u>	<u>\$ 2,570,386</u>	<u>\$ 2,133,428</u>	<u>\$ 436,958</u>
Maintenance of general buildings and grounds:				
General properties	\$ 1,253,237	\$ 1,178,716	\$ 1,088,185	\$ 90,531
Mechanic	176,339	223,945	223,944	1
Courthouse maintenance	12,000	12,000	3,978	8,022
Total maintenance of general buildings and grounds	<u>\$ 1,441,576</u>	<u>\$ 1,414,661</u>	<u>\$ 1,316,107</u>	<u>\$ 98,554</u>
Total public works	<u>\$ 3,859,720</u>	<u>\$ 3,985,497</u>	<u>\$ 3,449,535</u>	<u>\$ 535,962</u>
<b>Health and welfare:</b>				
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	\$ 40,000	\$ 40,000	\$ 40,000	\$ -
Total mental health and mental retardation	<u>\$ 40,000</u>	<u>\$ 40,000</u>	<u>\$ 40,000</u>	<u>\$ -</u>
Welfare:				
Public assistance and welfare administration	\$ 5,933,689	\$ 6,143,168	\$ 5,843,955	\$ 299,213
Youth services agency (CSA)	4,767,213	4,917,213	4,711,900	205,313
Family resource center	261,665	279,066	275,493	3,573
Area agency on aging	232,424	247,924	193,628	54,296
Contribution to health and welfare organizations	67,596	67,596	67,596	-
Assistance - institutions	4,635	4,635	4,635	-
Total welfare	<u>\$ 11,267,222</u>	<u>\$ 11,659,602</u>	<u>\$ 11,097,207</u>	<u>\$ 562,395</u>
Total health and welfare	<u>\$ 11,645,927</u>	<u>\$ 12,038,307</u>	<u>\$ 11,475,912</u>	<u>\$ 562,395</u>

County of Franklin, Virginia  
 Schedule of Expenditures - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2016

<u>Fund, Function, Activity, and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>Primary Government: (Continued)</b>				
<b>General Fund: (Continued)</b>				
Education:				
Other instructional costs:				
Contribution to County School Board	\$ 31,414,411	\$ 31,414,411	\$ 30,899,432	\$ 514,979
Total education	<u>\$ 31,414,411</u>	<u>\$ 31,414,411</u>	<u>\$ 30,899,432</u>	<u>\$ 514,979</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Parks and recreation	\$ 988,432	\$ 1,054,566	\$ 1,027,778	\$ 26,788
Total parks and recreation	<u>\$ 988,432</u>	<u>\$ 1,054,566</u>	<u>\$ 1,027,778</u>	<u>\$ 26,788</u>
Library:				
Library administration	\$ 686,345	\$ 742,261	\$ 738,817	\$ 3,444
Westlake branch library	253,917	237,180	237,170	10
Total library	<u>\$ 940,262</u>	<u>\$ 979,441</u>	<u>\$ 975,987</u>	<u>\$ 3,454</u>
Total parks, recreation, and cultural	<u>\$ 1,928,694</u>	<u>\$ 2,034,007</u>	<u>\$ 2,003,765</u>	<u>\$ 30,242</u>
Community development:				
Planning and community development:				
Community development	\$ 585,312	\$ 881,054	\$ 522,150	\$ 358,904
Ferrum planning grant	-	20,000	-	20,000
Economic development	1,054,372	939,372	909,077	30,295
Tourism	201,825	285,085	284,202	883
GIS and mapping	159,082	159,082	145,122	13,960
4-H youth	3,750	3,750	3,750	-
Planning	223,637	246,530	232,932	13,598
Franklin career center	199,234	201,758	196,521	5,237
Stormwater	-	71,883	32,022	39,861
Contributions to Western Va Water Authority (assets constructed on behalf)	-	267,699	267,699	-
Contributions to other entities	129,362	149,851	149,410	441
Total planning and community development	<u>\$ 2,556,574</u>	<u>\$ 3,226,064</u>	<u>\$ 2,742,885</u>	<u>\$ 483,179</u>
Environmental management:				
Contribution to soil and water district	\$ 217,090	\$ 223,033	\$ 223,031	\$ 2
Total environmental management	<u>\$ 217,090</u>	<u>\$ 223,033</u>	<u>\$ 223,031</u>	<u>\$ 2</u>
Cooperative extension program:				
Extension office	\$ 104,392	\$ 98,449	\$ 95,056	\$ 3,393
Total cooperative extension program	<u>\$ 104,392</u>	<u>\$ 98,449</u>	<u>\$ 95,056</u>	<u>\$ 3,393</u>
Total community development	<u>\$ 2,878,056</u>	<u>\$ 3,547,546</u>	<u>\$ 3,060,972</u>	<u>\$ 486,574</u>
Nondepartmental:				
Contingencies	\$ 329,753	\$ 82,761	\$ -	\$ 82,761
Total nondepartmental	<u>\$ 329,753</u>	<u>\$ 82,761</u>	<u>\$ -</u>	<u>\$ 82,761</u>
Debt service:				
Principal retirement	\$ 3,926,684	\$ 3,926,684	\$ 4,566,202	\$ (639,518)
Interest and other fiscal charges	952,634	952,634	1,150,831	(198,197)
Total debt service	<u>\$ 4,879,318</u>	<u>\$ 4,879,318</u>	<u>\$ 5,717,033</u>	<u>\$ (837,715)</u>
Total General Fund	<u>\$ 76,731,894</u>	<u>\$ 78,273,616</u>	<u>\$ 76,371,221</u>	<u>\$ 1,902,395</u>



County of Franklin, Virginia  
 Schedule of Expenditures - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2016

<u>Fund, Function, Activity, and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>Primary Government: (Continued)</b>				
<b>County Capital Projects Fund:</b>				
Capital projects:				
General government	\$ 50,000	\$ 393,562	\$ 353,307	\$ 40,255
Information technology	260,672	456,170	242,692	213,478
Public safety	932,135	15,524,868	5,215,430	10,309,438
Public works	-	894,850	593,765	301,085
General property improvements	-	3,879,105	1,369,067	2,510,038
Parks and recreation	111,000	739,638	392,000	347,638
Community development	400,000	10,230,143	7,560,305	2,669,838
Total capital projects	<u>\$ 1,753,807</u>	<u>\$ 32,118,336</u>	<u>\$ 15,726,566</u>	<u>\$ 16,391,770</u>
Education:				
Other instructional costs:				
Contribution to County School Board	\$ 1,220,000	\$ 1,246,300	\$ 1,218,000	\$ 28,300
Total education	<u>\$ 1,220,000</u>	<u>\$ 1,246,300</u>	<u>\$ 1,218,000</u>	<u>\$ 28,300</u>
Total County Capital Projects Fund	<u>\$ 2,973,807</u>	<u>\$ 33,364,636</u>	<u>\$ 16,944,566</u>	<u>\$ 16,420,070</u>
<b>Special Revenue Fund:</b>				
<b>E-911 Fund:</b>				
Public safety:				
Other protection:				
E-911 Administration	\$ 978,666	\$ 979,982	\$ 925,154	\$ 54,828
Total other protection	<u>\$ 978,666</u>	<u>\$ 979,982</u>	<u>\$ 925,154</u>	<u>\$ 54,828</u>
Total public safety	<u>\$ 978,666</u>	<u>\$ 979,982</u>	<u>\$ 925,154</u>	<u>\$ 54,828</u>
Total E-911 Fund	<u>\$ 978,666</u>	<u>\$ 979,982</u>	<u>\$ 925,154</u>	<u>\$ 54,828</u>
Total Primary Government	<u>\$ 80,684,367</u>	<u>\$ 112,618,234</u>	<u>\$ 94,240,941</u>	<u>\$ 18,377,293</u>
<b>Discretely Presented Component Unit - School Board:</b>				
<b>School Operating Fund:</b>				
Education:				
Administration of schools:				
Administration cost	\$ 2,743,685	\$ 2,743,685	\$ 2,641,589	\$ 102,096
Total administration of schools	<u>\$ 2,743,685</u>	<u>\$ 2,743,685</u>	<u>\$ 2,641,589</u>	<u>\$ 102,096</u>
Instruction costs:				
Instruction cost	\$ 61,214,989	\$ 61,214,989	\$ 60,479,743	\$ 735,246
Total instruction costs	<u>\$ 61,214,989</u>	<u>\$ 61,214,989</u>	<u>\$ 60,479,743</u>	<u>\$ 735,246</u>
Operating costs:				
Pupil transportation	\$ 5,815,041	\$ 6,153,041	\$ 5,885,674	\$ 267,367
Operation and maintenance of school plant	7,435,580	7,435,580	7,576,874	(141,294)
School food and non-instructional	4,013,404	4,013,404	3,915,419	97,985
Total operating costs	<u>\$ 17,264,025</u>	<u>\$ 17,602,025</u>	<u>\$ 17,377,967</u>	<u>\$ 224,058</u>
Total education	<u>\$ 81,222,699</u>	<u>\$ 81,560,699</u>	<u>\$ 80,499,299</u>	<u>\$ 1,061,400</u>

County of Franklin, Virginia  
 Schedule of Expenditures - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2016

<u>Fund, Function, Activity, and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Education: (Continued)				
Capital projects:				
Capital projects	\$ -	\$ 1,585,000	\$ 1,504,234	\$ 80,766
Total capital projects	\$ -	\$ 1,585,000	\$ 1,504,234	\$ 80,766
Total School Operating Fund	\$ 81,222,699	\$ 83,145,699	\$ 82,003,533	\$ 1,142,166
Total Discretely Presented Component Unit - School Board	<u>\$ 81,222,699</u>	<u>\$ 83,145,699</u>	<u>\$ 82,003,533</u>	<u>\$ 1,142,166</u>

Note 1: School Board appropriations occur at the fund level

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STATISTICAL SECTION

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## 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.

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

COUNTY OF FRANKLIN, VIRGINIA

Table 1

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Governmental activities</b>										
Net investment in capital assets	17,067,811	24,045,244	33,598,908	37,125,995	38,512,330	40,509,583	47,333,389	47,869,639	50,269,458	55,268,337
Restricted	6,853,227	211,128	159,656	295,455	202,014	295,849	388,906	373,539	365,467	540,757
Unrestricted	28,812,760	31,307,246	24,972,606	25,245,759	25,353,580	23,388,187	19,852,817	20,000,997	16,603,986	16,208,679
<b>Total governmental activities net position</b>	<b>52,733,798</b>	<b>55,563,618</b>	<b>58,731,170</b>	<b>62,667,209</b>	<b>64,067,924</b>	<b>64,193,619</b>	<b>67,575,112</b>	<b>68,244,175</b>	<b>67,238,911</b>	<b>72,017,773</b>
<b>Business-type activities</b>										
Net investment in capital assets	1,724,684	3,027,372	1,640,981	1,056,539	1,026,877	1,167,776	1,134,931	1,102,086	1,069,241	1,036,396
Unrestricted	1,916,298	1,303,504	721,629	296,579	294,773	944,367	182,806	210,379	241,149	259,552
<b>Total business-type activities net position</b>	<b>3,640,982</b>	<b>4,330,876</b>	<b>2,362,610</b>	<b>1,353,118</b>	<b>1,321,650</b>	<b>2,112,143</b>	<b>1,317,737</b>	<b>1,312,465</b>	<b>1,310,390</b>	<b>1,295,948</b>
<b>Primary government</b>										
Net investment in capital assets	18,792,495	27,072,616	35,239,889	38,182,534	39,539,207	41,677,359	48,468,320	48,971,725	51,338,699	56,304,733
Restricted	6,853,227	211,128	159,656	295,455	202,014	295,849	388,906	373,539	365,467	540,757
Unrestricted	30,729,058	32,610,750	25,694,235	25,542,338	25,648,353	24,332,554	20,035,623	20,211,376	16,845,135	16,468,231
<b>Total primary government net position</b>	<b>56,374,780</b>	<b>59,894,494</b>	<b>61,093,780</b>	<b>64,020,327</b>	<b>65,389,574</b>	<b>66,305,762</b>	<b>68,892,849</b>	<b>69,556,640</b>	<b>68,549,301</b>	<b>73,313,721</b>

Source: County financial reports

COUNTY OF FRANKLIN, VIRGINIA

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Expenses</b>										
Governmental activities:										
General government administration	4,157,343	4,042,082	4,027,157	3,934,191	4,171,457	4,851,681	4,297,357	4,618,400	4,197,118	4,470,418
Judicial administration	2,160,555	2,475,749	2,670,402	2,354,044	2,327,750	2,344,133	2,535,881	2,317,632	2,471,939	2,615,409
Public safety	10,347,921	12,508,248	12,737,913	14,444,078	14,252,682	14,445,531	14,590,942	14,813,690	14,616,834	14,292,437
Public works	1,982,292	3,370,469	3,135,781	5,397,533	4,966,247	6,855,118	4,728,017	5,018,567	4,911,210	5,136,964
Health and welfare	9,732,455	9,324,129	9,952,103	10,201,556	10,367,270	10,430,549	10,269,099	10,968,715	11,009,049	11,324,474
Education	28,332,013	25,784,294	29,621,387	27,011,085	31,797,712	29,873,835	31,912,383	32,492,221	33,439,404	33,018,170
Parks, recreation and cultural	1,656,664	1,916,529	2,310,267	2,132,551	2,013,395	2,165,867	2,071,985	1,952,891	2,287,730	2,513,834
Community development	3,873,631	4,757,659	5,190,199	5,126,182	4,875,629	3,029,603	3,003,651	3,572,124	3,298,671	3,091,287
Interest on long-term debt	1,435,334	1,161,205	1,541,431	1,496,120	1,480,039	1,171,325	946,745	1,046,709	1,071,097	1,061,631
Total governmental activities expenses	63,678,208	65,340,364	71,186,640	72,097,340	76,252,181	75,167,642	74,356,060	76,800,949	77,303,052	77,524,624
Business-type activities:										
Utility fund	581,355	428,708	2,630,752	615,957	56,909	41,741	42,490	47,643	45,390	42,039
Total business-type activities expenses	581,355	428,708	2,630,752	615,957	56,909	41,741	42,490	47,643	45,390	42,039
Total primary government expenses	64,259,563	65,769,072	73,817,392	72,713,297	76,309,090	75,209,383	74,398,550	76,848,592	77,348,442	77,566,663
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
General government administration	45,684	22,205	16,548	22,775	13,445	12,989	7,980	12,224	7,104	6,009
Judicial administration	200,374	154,556	122,518	144,054	111,612	49,506	103,748	162,402	128,609	69,044
Public safety	1,317,116	1,297,973	1,276,255	1,561,354	1,466,223	1,601,892	1,781,500	1,943,658	1,781,811	1,815,624
Public works	947,685	891,595	665,917	637,029	776,572	740,686	952,990	942,265	888,773	889,386
Health and welfare	25,398	22,513	16,737	22,198	16,986	19,056	13,425	18,731	23,630	22,071
Parks, recreation and cultural	85,315	140,640	114,806	107,936	103,406	100,043	194,202	188,675	251,127	225,093
Community development	286,174	195,433	97,971	-	-	-	-	-	-	-
Operating grants and contributions	11,965,531	12,126,502	12,047,519	11,858,743	12,230,679	11,722,367	11,412,589	12,501,912	12,667,126	13,275,673
Capital grants and contributions	854,268	3,733,498	2,003,393	2,259,154	2,461,498	994,357	864,885	299,810	832,390	543,093
Total governmental activities program revenues	15,727,545	18,584,915	16,361,664	16,613,243	17,180,421	15,240,896	15,331,319	16,069,677	16,580,570	16,845,993
Business-type activities:										
Charges for services:										
Water	145,464	466,359	190,471	26,031	8,096	112,522	31,084	25,371	26,315	23,576
Capital grants and contributions	141,761	18,200	63,055	-	-	164,456	-	-	-	-
Total business-type activities program revenues	287,225	484,559	253,526	26,031	8,096	276,978	31,084	25,371	26,315	23,576
<b>Total primary government program revenues</b>	<b>16,014,770</b>	<b>19,069,474</b>	<b>16,615,190</b>	<b>16,639,274</b>	<b>17,188,517</b>	<b>15,517,874</b>	<b>15,362,403</b>	<b>16,095,048</b>	<b>16,606,885</b>	<b>16,869,569</b>

COUNTY OF FRANKLIN, VIRGINIA

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Net (expense) / revenue	(47,950,663)	(46,755,449)	(54,824,976)	(55,484,097)	(59,071,760)	(59,926,746)	(59,024,741)	(60,731,272)	(60,722,482)	(60,678,631)
Governmental activities	(294,130)	55,851	(2,377,226)	(589,926)	(48,813)	235,237	(11,406)	(22,272)	(19,075)	(18,463)
Business-type activities	(48,244,793)	(46,699,598)	(57,202,202)	(56,074,023)	(59,120,573)	(59,691,509)	(59,036,147)	(60,753,544)	(60,741,557)	(60,697,094)
Total primary government net expense										
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	32,824,967	34,255,431	43,374,361	42,935,336	45,616,322	45,783,087	46,330,843	46,505,312	48,388,606	49,225,877
Local sales and use taxes	4,242,805	4,153,451	3,742,268	3,634,351	3,795,733	3,867,957	4,029,528	4,087,355	4,222,615	4,355,903
Taxes on recordation and wills	842,747	658,226	581,797	507,081	513,861	465,882	513,088	468,085	469,299	470,807
Motor vehicle licenses taxes	1,279,225	1,270,653	1,227,296	1,207,504	1,182,088	1,159,789	1,148,502	833,472	1,930,605	2,100,709
Consumers' utility taxes	1,715,239	964,500	969,161	970,934	972,419	971,693	973,782	976,804	979,527	982,747
Business licenses taxes	4,998	4,697	4,444	4,440	3,829	4,585	4,798	13,745	4,079	3,314
Other local taxes (1)	2,975,802	3,789,514	3,522,927	1,342,836	1,297,445	1,294,561	1,429,674	1,465,873	1,560,260	1,558,683
Unrestricted grants and contributions	5,351,267	3,241,483	3,134,606	5,483,807	5,463,983	5,379,777	5,478,612	5,371,657	5,313,289	5,243,473
Unrestricted revenues from use of money and property	2,532,079	1,520,629	1,578,534	1,064,806	1,071,595	1,139,124	1,129,807	1,142,792	907,931	1,012,753
Miscellaneous	356,373	345,570	257,613	1,849,101	572,545	541,242	584,600	552,240	2,928,292	507,848
Transfers	(347,878)	(599,373)	(400,479)	419,940	(17,345)	(555,256)	783,000	(17,000)	(17,000)	(4,021)
Total governmental activities	51,777,624	49,604,781	57,992,528	59,420,136	60,472,475	60,052,441	62,406,234	61,400,335	66,687,503	65,457,493
Business-type activities:										
Unrestricted grants and contributions	137,663	-	-	-	17,345	555,256	(783,000)	-	17,000	-
Transfers	347,878	599,373	400,479	(419,940)	-	-	-	-	-	4,021
Unrestricted revenues from use of money and property	21,332	15,158	8,481	374	-	-	-	-	-	-
Total business-type activities	506,873	614,531	408,960	(419,566)	17,345	555,256	(783,000)	17,000	17,000	4,021
Total primary government	52,284,497	50,219,312	58,401,488	59,000,570	60,489,820	60,607,697	61,623,234	61,417,335	66,704,503	65,461,514
Change in Net Position										
Governmental activities	3,826,961	2,849,332	3,167,552	3,936,039	1,400,715	125,695	3,381,493	669,063	5,965,021	4,778,862
Business-type activities	212,743	670,382	(1,968,266)	(1,009,492)	(31,468)	790,493	(794,406)	(5,272)	(2,075)	(14,442)
Total primary government	4,039,704	3,519,714	1,199,286	2,926,547	1,369,247	916,188	2,587,087	663,791	5,962,946	4,764,420

(1) Beginning in 2010, communications tax is classified as revenue from the Commonwealth

Source: County financial reports

## COUNTY OF FRANKLIN, VIRGINIA

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General fund										
Reserved	221,133	211,128	159,656	-	-	-	-	-	-	-
Unreserved	31,908,499	17,790,397	16,769,417	19,872,220	-	-	-	-	-	-
Nonspendable	-	-	-	-	-	148,078	-	-	-	-
Restricted	-	-	-	-	173,399	243,920	253,224	246,039	207,076	319,373
Assigned	-	-	-	-	92,994	210,233	277,289	2,681,011	2,942,604	2,098,960
Unassigned	-	-	-	-	19,653,231	19,963,500	20,397,311	18,430,083	18,056,775	19,831,096
Total general fund	32,129,632	18,001,525	16,929,073	19,872,220	19,919,624	20,565,731	20,927,824	21,357,133	21,206,455	22,249,429
All other governmental funds										
Reserved	6,632,094	-	5,049,690	295,455	-	-	-	-	-	-
Unreserved, reported in:										
Special revenue funds	-	14,127	51,955	46,367	-	-	-	-	-	-
Capital projects funds	-	21,980,834	11,665,266	13,037,850	-	-	-	-	-	-
Restricted, reported in:										
Special revenue funds	-	-	-	-	28,615	51,929	135,682	7,430,713	18,038,826	7,844,074
Assigned, reported in:										
Capital projects funds	-	-	-	-	14,021,993	14,779,718	11,776,528	11,831,695	12,850,860	11,136,278
Total all other governmental funds	6,632,094	21,994,961	16,766,911	13,379,672	14,050,608	14,831,647	11,912,210	19,262,408	30,889,686	18,980,352

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

Source: County financial reports



COUNTY OF FRANKLIN, VIRGINIA

Table 4

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Revenues</b>										
General property taxes	32,707,564	33,729,192	43,289,214	42,515,165	45,277,434	46,118,184	46,529,172	46,773,366	48,823,104	49,308,192
Other local taxes	11,060,816	10,841,041	10,047,893	7,667,146	7,765,375	7,764,467	8,099,372	7,845,334	9,166,385	9,471,563
Permits, privilege fees and regulatory licenses	691,500	573,664	413,467	359,451	319,277	319,277	356,552	381,133	498,402	335,137
Fines and forfeitures	16,378	10,772	10,082	15,002	13,032	17,076	67,474	110,411	110,271	43,159
Revenue from use of money and property	2,532,079	1,520,629	1,578,534	1,064,806	1,071,595	1,139,124	1,129,807	1,142,792	907,931	1,012,753
Charges for services	2,199,868	2,140,479	1,887,203	2,120,893	2,116,101	2,187,819	2,629,819	2,776,411	2,472,381	2,648,931
Miscellaneous	371,305	345,570	257,613	1,849,101	572,545	541,242	584,600	552,240	327,376	599,515
Recovered costs	731,213	905,027	744,082	646,857	683,734	609,920	515,589	466,701	999,921	897,113
Intergovernmental	18,156,134	19,101,483	17,185,518	17,277,424	20,156,160	18,096,501	17,756,086	18,173,379	18,742,805	19,062,239
Total revenues	68,466,857	69,167,857	75,413,606	73,515,845	78,015,087	76,793,610	77,668,471	78,221,767	82,048,576	83,378,602
<b>Expenditures</b>										
General government administration	3,939,015	3,532,252	3,678,190	3,703,759	4,254,794	4,194,731	4,201,866	3,847,437	4,324,399	4,344,882
Judicial administration	2,214,118	2,517,127	2,647,224	2,406,096	2,273,717	2,310,288	2,401,013	2,289,679	2,574,462	2,729,767
Public safety	11,125,314	11,504,555	13,619,580	13,705,018	13,035,802	14,065,589	13,882,120	14,095,220	13,749,080	13,615,077
Public works	3,763,333	2,324,278	2,759,763	3,293,949	3,722,272	3,315,563	3,679,291	3,597,660	3,639,061	3,449,535
Health and welfare	9,685,059	9,772,706	10,188,370	10,357,762	10,854,862	10,670,106	10,357,775	11,053,119	11,525,467	11,475,912
Education	25,640,822	25,084,849	26,734,619	26,058,965	30,813,204	28,249,720	30,878,312	31,546,956	31,726,479	32,117,432
Parks, recreation and cultural	2,300,706	1,643,257	2,056,206	1,868,801	1,733,929	1,814,823	1,915,968	1,950,171	1,936,652	2,003,765
Community development	8,510,072	2,415,467	5,447,836	2,044,767	3,021,430	2,471,002	3,157,331	3,598,642	3,338,880	3,060,972
Nondepartmental	40,097	58,879	77,718	-	-	-	46,897	3,978	26,674	-
Capital projects	521,917	10,981,071	12,784,491	9,752,250	3,084,911	3,408,090	7,103,074	4,090,825	5,171,761	15,726,566
Debt service	-	-	-	-	-	-	-	-	-	-
Principal	2,076,767	6,004,140	2,753,602	2,960,922	3,122,020	3,028,681	6,304,484	3,122,132	3,810,068	4,566,202
Interest and other fiscal charges	1,232,658	1,364,839	1,582,736	1,602,618	1,362,326	1,293,215	1,040,602	852,941	1,103,561	1,150,831
Bond issuance costs	-	69,099	73,424	58,250	-	-	14,958	120,500	131,432	-
Total expenditures	71,049,878	77,272,519	84,403,759	77,813,157	77,279,402	74,821,808	84,983,691	80,169,260	83,057,976	94,240,941
Excess of revenues over (under) expenditures	(2,583,021)	(8,104,662)	(8,990,153)	(4,297,312)	735,685	1,971,802	(7,315,220)	(1,947,493)	(1,009,400)	(10,862,339)
<b>Other financing sources (uses)</b>										
Transfers in	1,094,447	6,993,301	7,635,878	2,585,653	2,719,846	3,078,179	9,373,684	7,245,011	8,255,667	6,684,586
Bonds and notes issued	(1,442,325)	(7,592,674)	(8,036,357)	(2,165,713)	(2,737,191)	(3,633,435)	(8,590,684)	(7,262,011)	(8,272,667)	(6,688,607)
Premium on debt issuance	6,573,600	9,938,795	2,905,000	1,109,000	-	-	3,068,750	9,744,000	12,500,000	-
Capital leases	187,343	-	130,152	-	-	-	-	-	-	-
Sale of capital assets	-	-	54,978	-	-	-	655,000	-	-	-
Total other financing sources (uses)	6,413,065	9,339,422	2,689,651	1,528,940	(17,345)	(544,656)	4,757,874	9,727,000	12,486,000	(4,021)
Net change in fund balances	3,830,044	1,234,760	(6,300,502)	(2,768,372)	718,340	1,427,146	(2,557,346)	7,779,507	11,476,600	(10,866,360)
Debt service as a percentage of noncapital expenditures	5%	11%	6%	7%	6%	6%	10%	5%	6%	8%
Total Debt Service Expenditures	3,309,425	7,368,979	4,336,338	4,563,540	4,484,346	4,321,896	7,345,086	3,975,073	4,913,629	5,717,033
Total Governmental Non-capital Expenditures	70,527,961	66,291,448	71,619,268	69,101,331	74,194,491	71,337,431	76,621,759	76,370,977	77,062,524	73,034,098

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	Recordation and Wills Tax	Other Tax	Total
2015	49,308,192	4,355,903	982,747	1,070,833	109,213	227,848	150,779	2,100,109	455,147	18,984	58,779,755
2015	48,823,104	4,222,615	979,527	1,043,851	88,041	239,118	188,100	1,930,605	469,299	5,229	57,989,489
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

COUNTY OF FRANKLIN, VIRGINIA

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	Common Carrier	Public Service	Total Taxable Assessed Value
2016	6,648,979,758	532,899,913	67,089,476	118,962,981	4,200,962	180,796,084	7,552,929,174
2015	6,586,125,690	516,358,663	63,154,482	100,793,265	-	174,799,137	7,441,231,237
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

Fiscal Year	Real Property Total Direct Tax Rate	Personal Property Tax Rate	Merchants' Capital Tax Rate	Machinery and Tools Tax Rate	Common Carrier Tax Rate	Total Direct Rate (Weighted Average)	Estimated Actual Value	Assessed Value as a Percentage of Actual Value
2016	0.55	2.36	1.08	0.70	0.70	0.68	7,372,387,521	102.45%
2015	0.55	2.36	1.08	0.70	-	0.68	7,309,902,429	101.80%
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%

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	Common Carrier		Real Estate	Personal Property
2016	0.55	2.36	0.70	1.08	0.70	0.68	0.13	0.51
2015	0.55	2.36	0.70	1.08	-	0.68	0.13	0.51
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

(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 2016		Fiscal Year 2007	
		Assessed Valuation (Millions)	% of Total Assessed Valuation	Assessed Valuation (Millions)	% of Total Assessed Valuation
Appalachian Power Company	Electric Utility	128	1.72%	55	1.04%
Willard Construction Company	Construction	38	0.51%	13	0.25%
Central Telephone Company	Telephone Utility	24	0.32%	25	0.47%
Franklin Real Estate Company	Real Estate	-	0.00%	25	0.47%
Franklin Memorial Hospital	Health Care	11	0.15%	9	0.17%
McAirlaids	Manufacturing	11	0.15%	-	0.00%
Norfolk & Western Railway	Railroad	11	0.15%	-	0.00%
Wal Mart	Retail	10	0.13%	-	0.00%
Rocky Mount Development Co	Real Estate	9	0.12%	-	0.00%
R & P SML Facility LLC	Real Estate	8	0.11%	-	0.00%
USCOC of Va, RSA #3	Cellular	5	0.00%	-	0.00%
Bridgewater Pointe Partners LLC	Real Estate	-	0.00%	18	0.34%
Lowe's Home Centers, Inc	Retail	-	0.00%	15	0.28%
Optima Properties	Real Estate	-	0.00%	9	0.17%
Lake Watch LLC	Real Estate	-	0.00%	16	0.30%
Windstar Properties LLC	Real Estate	-	0.00%	11	0.21%
		255	3.36%	196	3.70%

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
2016	48,533,373	47,269,739	97.40%	-	47,269,739	97.40%
2015	47,787,435	46,494,790	97.30%	918,064	47,412,854	99.22%
2014	46,835,889	45,285,604	96.69%	1,349,807	46,635,411	99.57%
2013	45,660,712	44,159,107	96.71%	1,352,094	45,511,201	99.67%
2012	45,722,994	45,007,522	98.44%	597,789	45,605,311	99.74%
2011	45,237,044	43,561,279	96.30%	1,666,981	45,228,260	99.98%
2010	42,642,755	41,035,249	96.23%	1,601,512	42,636,761	99.99%
2009	43,103,676	41,569,680	96.44%	1,532,782	43,102,462	100.00%
2008	36,542,153	35,370,019	96.79%	1,171,314	36,541,333	100.00%
2007	35,220,150	34,085,239	96.78%	1,133,938	35,219,177	100.00%

Source: Commissioner of Revenue, County Treasurer's office

Table 10

COUNTY OF FRANKLIN, VIRGINIA

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	Government			
2016	37,383,914	-	133,345	-	-	37,517,259	0.00%	666	
2015	41,841,733	-	264,911	-	-	42,106,644	0.08%	741	
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	

Note: Details regarding the County's outstanding debt can be found in note 7 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)
2016	37,383,914	-	37,383,914	0.49%	663.15
2015	41,841,733	-	41,841,733	0.56%	736.74
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

(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, 2016

<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	851,569	100%	851,569
Subtotal, overlapping debt			<u>851,569</u>
County of Franklin, direct debt			<u>37,517,259</u>
Total direct and overlapping debt			<u><u>38,368,828</u></u>

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

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

COUNTY OF FRANKLIN, VIRGINIA

Table 13

Legal Debt Margin Information  
Last Ten Fiscal Years

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt limit	480,704,579	531,208,934	749,561,108	760,621,495	765,894,954	771,475,349	651,221,387	656,369,225	658,612,569	664,897,976
Total net debt applicable to limit	28,507,051	32,677,326	36,938,539	34,807,635	31,900,271	29,042,189	26,429,558	33,164,494	41,841,733	37,383,914
Legal debt margin	452,197,528	498,531,608	712,622,569	725,813,860	733,994,683	742,433,160	624,791,829	623,204,731	616,770,836	627,514,062
Total net debt applicable to the limit as a percentage of debt limit	5.93%	6.15%	4.93%	4.58%	4.17%	3.76%	4.06%	5.05%	6.35%	5.62%

Legal Debt Margin Calculation for Fiscal Year 2016

Assessed value of real estate	6,648,979,758
Debt limit (10% of total assessed value)	664,897,976
Net debt applicable to limit	37,383,914
Legal debt margin	627,514,062

Demographic and Economic Statistics  
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Population</u>	<u>Per Capita Personal Income</u>	<u>Total Personal Income (thousands)</u>	<u>Median Age</u>	<u>School Enrollment</u>	<u>Unemployment Rate</u>
2016	56,373	34,586	1,949,717	44	6,952	4.20%
2015	56,793	35,374	2,008,996	40	7,098	5.20%
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%

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

Principal Employers  
Current Year and Nine Years Ago

Employer	Fiscal Year 2016			Fiscal Year 2007		
	Employees	Rank	% of Total County Employment	Employees	Rank	% of Total County Employment
Franklin County Public Schools	1,270	1	9.00%	1,186	2	8.40%
Ply Gem Windows	950	2	6.73%	1,367	1	9.68%
Wal-Mart	425	3	3.01%	400	3	2.83%
Franklin County	339	4	2.40%	317	4	2.25%
Ferrum College	325	5	2.30%	250	8	1.77%
Trinity Packaging, Inc.	300	6	2.12%	300	5	2.12%
Ronile. Inc.	300	7	2.12%	300	6	2.12%
Carilion Franklin Memorial Hospital	275	8	1.95%	270	7	1.91%
The Willard Companies	200	9	1.42%			
Uttermost Company	168	10	1.19%	178	10	1.26%
Mod-U-Kraf Homes, Inc.				225	9	1.59%
Totals	<u>4,552</u>		<u>32.24%</u>	<u>4,793</u>		<u>33.95%</u>

Source: Individual companies

COUNTY OF FRANKLIN, VIRGINIA

Table 16

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

Function	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Government Administration										
Legislative	1	1	1	1	1	1	1	1	1	1
General and financial administration	34	36	36	34	34	34	34	34	34	35
Judicial Administration										
Courts	11	11	11	11	11	10	8	6	9	9
Clerk of Court	10	11	11	10	10	10	10	10	10	10
Commonwealth Attorney	7	8	8	8	8	9	9	9	9	9
Public Safety										
Sheriff: Law Enforcement	44	41	38	36	34	34	39	43	54	54
Correction and Detention	32	35	37	36	39	39	37	35	21	21
Building inspections	8	8	7	7	7	7	8	8	9	9
Animal control	4	4	4	3	3	3	3	3	3	3
Public Safety E911	24	24	24	24	24	24	28	29	29	30
E911	14	14	14	14	15	15	15	14	14	14
Public Works										
Solid Waste	16	16	16	15	15	16	18	18	16	16
General buildings and grounds	8	8	7	7	7	7	7	8	8	8
Public Works	4	4	4	4	3	3	3	3	3	3
Health and Welfare										
Department of social services	61	62	62	58	59	64	64	64	72	72
CSA	2	2	2	2	2	2	2	2	2	2
Family Resources	6	5	5	3	2	2	3	3	5	5
Aging Services	2	2	2	2	2	2	2	2	1	1
Recreation and Cultural										
Parks and recreation	10	10	10	10	10	10	11	10	10	10
Library	6	8	8	8	8	8	8	8	8	8
Community Development										
GIS and Mapping	2	2	2	1	2	2	2	2	2	2
Economic Development	1	1	1	1	1	1	1	2	2	2
Work Force Consortium	3	3	3	3	3	3	3	3	3	3
Planning	11	11	9	8	8	8	8	9	9	8
Totals	321	327	322	306	308	314	324	326	334	335

Source: Franklin County Adopted Budgets

Operating Indicators by Function  
Last Ten Fiscal Years

Function	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>General and financial administration</b>										
<b>Commissioner of Revenue:</b>										
Personal Property tax assessments			98,719	106,470	171,742	181,850	195,080	196,000	196,000	338,869
Real Estate tax assessments			55,080	54,307	64,465	66,717	65,742	65,000	65,000	127,529
<b>Finance:</b>										
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
<b>Information Technology:</b>										
Tech support (In Days)	4.5	3	5	5	5	5	5	3	4	2
<b>Voter Registrar:</b>										
Number of Registered Voters	31,413	31,892	34,003	34,034	34,406	35,026	35,282	35,235	35,363	35,805
<b>Judicial Administration</b>										
<b>Clerk of Court:</b>										
Criminal Cases Commenced	1,817	1,704	2,250	2,070	1,661	1,517	1,837	1,900	1,635	1,950
Deeds Recorded	12,736	11,033	10,832	11,280	9,581	9,789	9,521	9,600	7,481	8,200
<b>Public safety</b>										
<b>Sheriffs department: calls for service</b>										
	26,047	19,501	18,877	19,237	20,768	21,837	27,969	35,935	41,137	38,203
<b>Fire and rescue: number of fire calls</b>										
Number of rescue calls	1,225	1,348	1,115	1,309	1,462	1,729	3,917	3,065	1,541	2,021
Fire Investigations	4,254	4,679	5,989	4,947	5,123	5,540	6,484	6,625	6,714	6,479
	165	182	132	96	200	157	148	129	212	\$6.2M
<b>Building inspections: Permits issued</b>										
Total Value of Permits	1,358	1,018	1,042	974	980	1,029	1,137	1,024	1,050	978
			133,737,342	58,752,602	60,857,340	54,910,190	51,347,040	62,465,201	60,805,382	53,556,958
<b>Public works</b>										
<b>Landfill: Refuse collected (tons)</b>										
	61,367	59,842	55,491	49,355	54,398	52,908	52,910	51,646	46,784	49,142
<b>Mulch Recycled (tons)</b>										
		1,888	1,463	1,331	1,227	1,349	1,352	1,459	1,804	1,057
<b>Health and Welfare</b>										
<b>Social Services: Children in Foster Care</b>										
SNAP Applications		98	88	77	95	94	116	107	105	97%
On-going Medicaid Participants		1,774	2,072	2,422	2,282	2,226	2,126	2,006	2,068	55%
		6,154	6,767	7,021	7,189	9,931	8,535	7,820	8,707	46%
CSA: Case Load - Number of Children	242	260	279	284	280	256	235	249	270	311
<b>Aging Services:</b>										
Transportation Clients	1,104	572	553	614	621	465	466	444	326	8,228
<b>Culture and recreation</b>										
<b>Parks and recreation:</b>										
Sports registration/classes	4,700	4,566	5,746	5,449	5,451	5,350	4,537	4,527	3,685	3,685
Shelter reservations	252	283	301	358	268	278	167	160	3,670	235
Park Acreage	692	692	696	696	696	696	696	696	11,179	1,140
<b>Library:</b>										
Program Attendance		22,806	24,928	25,700	25,987	24,871	25,013	24,117	7,872	8,500
Circulation		180,738	191,267	233,626	230,280	236,758	254,099	242,338	218,037	233,598
<b>Community development</b>										
<b>Planning and Community Development:</b>										
Zoning permits issued		816	941	714	1,165	1,251	256	250	94	98
<b>Component Unit - School Board</b>										
<b>Education:</b>										
Local expenditures per pupil	3,569	3,995	4,326	4,203	4,478	3,990	4,498	4,603	4,605	4,670

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	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
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	6	6	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	69	69
Health and welfare										
Department of Social Services:										
Vehicles	8	8	8	10	12	13	13	13	13	16
Culture and recreation										
Parks and recreation:										
Parks	9	9	9	9	9	9	9	9	9	9
Libraries	1	2	2	2	2	2	2	2	2	2
Component Unit - School Board										
Education:										
Schools	14	14	14	15	15	15	15	15	15	15
School buses	162	162	162	162	162	162	162	162	162	162

Source: Individual County departments

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COMPLIANCE SECTION

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# ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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## 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*

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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, 2016, 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 December 9, 2016.

### Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies 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. (2016-001)

## 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*.

## County of Franklin, Virginia's Response to Findings

County of Franklin, Virginia's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. 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  
December 9, 2016

# ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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## Independent Auditors' Report on Compliance For Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

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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 Compliance Supplement* that could have a direct and material effect on each of the County of Franklin, Virginia's major federal programs for the year ended June 30, 2016. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

#### *Auditors' 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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.

#### *Opinion on Each Major Federal Program*

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 major federal programs for the year ended June 30, 2016.

## 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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County of Franklin, Virginia's internal control over compliance.

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

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

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Robinson, Turner, Co. Associates*

Blacksburg, Virginia  
December 9, 2016

County of Franklin, Virginia  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2016

Federal Grantor/State Pass - Through Grantor/ Program (or Cluster) Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures	Expenditures to Subrecipients
Department of Health and Human Services:				
Pass Through Payments:				
Department of Social Services:				
Promoting Safe and Stable Families	93.556	0950114/0950115	\$ 34,712	
Temporary Assistance for Needy Families (TANF)	93.558	0400115/0400116	378,130	
Refugee and Entrant Assistance - State Administered Programs	93.566	0950014/0950115	376	
Low Income Home Energy Assistance	93.568	0600415/0600416	36,675	
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760115/0760116	52,654	
Chafee Education and Training Vouchers Program	93.599	9160114/9160115	5,179	
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900115/0900116	2,246	
Adoption Assistance	93.659	1120115/1120116	517,772	
Social Services Block Grant	93.667	1000115/1000116	321,480	
Chafee Foster Care Independence Program	93.674	9150115/9150116	14,634	
Foster Care - Title IV-E	93.658	1100115/1100116	428,529	
Children's Health Insurance Program	93.767	0540115/0540116	19,965	
Medical Assistance Program	93.778	1200115/1200116	599,502	
Total Department of Social Services			<u>\$ 2,411,854</u>	
Southern Area Agency on Aging:				
Special Programs for the Aging - Title III, Part B- Grants for Supportive Services and Senior Centers	93.044		\$ 41,283	
Total Virginia Department for the Aging			<u>\$ 41,283</u>	
Total Department of Health and Human Services			<u>\$ 2,453,137</u>	
Department of Agriculture:				
Pass Through Payments:				
Department of Agriculture:				
<i>Child Nutrition Cluster:</i>				
Food Distribution (Note C)	10.555	40623	\$ 236,932	
Department of Education:				
National School Lunch Program	10.555	40623	<u>1,707,968</u>	\$ 1,944,900
School Breakfast Program	10.553	40591	<u>604,501</u>	
<i>Total Child Nutrition Cluster</i>				2,549,401
Department of Social Services:				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010115/0010116/ 0040115/0040116		<u>466,700</u>
Total Department of Agriculture				<u>\$ 3,016,101</u>
Department of the Justice:				
Pass Through Payments:				
Office of the Virginia Attorney General				
Equitable Sharing Program	16.922	Not available	\$ 89,375	
Department of Criminal Justice Services:				
Violence Against Women Formula Grants	16.588	10WFAX0041		<u>35,390</u>
Total Department of Justice				<u>\$ 124,765</u>
Department of Transportation:				
Pass Through Payments:				
Southern Area Agency on Aging:				
Federal Transit Formula Grant	20.507	Unknown	\$ 40,298	
Department of Motor Vehicles:				
Alcohol Open Container Requirements	20.607	52208		14,724
State and Community Highway Safety	20.600	57033		<u>10,977</u>
Total Department of Transportation				<u>\$ 65,999</u>
Department of Interior:				
Pass Through Payments:				
Department of Conservation and Recreation				
Outdoor Recreation-Acquisition, Development, and Planning	15.916	Unknown	\$ 100,000	
Total Department of Interior				<u>\$ 100,000</u>

County of Franklin, Virginia  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2016

Federal Grantor/State Pass - Through Grantor/ Program (or Cluster) Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures	Expenditures to Subrecipients
Department of Education:				
Pass Through Payments:				
Department of Education:				
Adult Education - Basic Grants to States	84.002	42801	\$ 529,995	\$ 426,232
Title I, Grants to Local Educational Agencies	84.010	42901	1,824,799	
<i>Special Education Cluster</i>				
Special Education_Grants to States (Special Education Cluster)	84.027	73071	\$ 2,142,417	
Special Education_Preschool Grants (Special Education Cluster)	84.173	87063A	<u>43,828</u>	
<i>Total Special Education Cluster</i>			2,186,245	
Career and Technical Education -- Basic Grants to States	84.048	61095	102,813	
Advanced Placement Program	84.330	NA	1,640	
Supporting Effective Instruction State Grant	84.367	61480	<u>272,451</u>	
Total Department of Education			<u>\$ 4,917,943</u>	<u>\$ 426,232</u>
Total Expenditures of Federal Awards			<u>\$ 10,677,945</u>	<u>\$ 426,232</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, 2016. The information in the Schedule is presented in accordance with the requirements of the Office of Management and Budgets Uniform Guidance. 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 Uniform Guidance 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:

Primary government:	
General Fund - Intergovernmental	\$ 18,292,167
Less: Revenue from the Commonwealth	(15,203,528)
Less: Payments in Lieu of Taxes	(18,336)
Capital Projects Fund - Intergovernmental	708,093
Less: Revenue from the Commonwealth	(567,795)
E-911 Fund - Intergovernmental	61,979
Less: Revenue from the Commonwealth	(61,979)
Component Unit School Board:	
School Operating Fund - Intergovernmental	78,237,998
Less: Revenue from Local Governments	(32,117,432)
Less: Revenue from the Commonwealth	<u>(38,653,222)</u>
Total federal expenditures per the Schedule of Expenditures of Federal Awards	<u>\$ 10,677,945</u>

County of Franklin, Virginia

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2016

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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?	None reported
Significant deficiency(ies) identified?	None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section, 200.516 (a)?	No

Identification of major programs:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
10.553/10.555	Child Nutrition Cluster
84.002	Adult Education - Basic Grants to States
84.027/84.173	Special Education Cluster

Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
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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  
For the Year Ended June 30, 2016 (continued)

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Section II - Financial Statement Findings

Finding 2016-001  
(Material Weakness)

Criteria: Per Statement on Auditing Standards 115, identification of a material adjustment to the financial statements that was not detected by the entity's internal controls indicates that a material weakness may exist.

Condition: The Component-unit School Board financial statements required material adjusting entries by the Auditor to ensure such statements complied with Generally Accepted Accounting Principles.

Cause of Condition: The School Board used queries in the accounting system to generate their accounts payable listings along with a listing of capital asset additions. These listings were not compared to supporting documentation (invoices) and the queries failed to properly identify payables and fixed asset additions.

Effect of Condition: There is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal controls over financial reporting.

Recommendation: The School Board should prepare the aforementioned listings based on a review of source documents (invoices) and should not solely rely on queries from the accounting system.

Managements Response: Management will implement the procedures recommended by the Auditor above.

Section III - Federal Award Findings and Questioned Costs

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

Section IV - Status of Prior Audit Findings

There were no federal findings reported in the prior fiscal year.