

**COUNTY OF FRANKLIN, VIRGINIA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FISCAL YEAR ENDED JUNE 30, 2007**

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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, 2007**

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# Franklin County

*A Natural Setting for Opportunity*

January 31, 2008

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

We are pleased to submit the Comprehensive Annual Financial Report of the County of Franklin for the fiscal year ended June 30, 2007. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the government. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly, the financial position and results of operations of the various funds of the government. All disclosures necessary to enable the reader to gain understanding of the government's financial activities have been included.

The comprehensive annual financial report is presented in the following four sections: introductory, financial, statistical, and compliance. The introductory section includes this transmittal letter, a short history of the County, Directory of County Officials, the County's organizational chart and the Certificate of Achievement for Excellence in Financial Reporting. The financial section includes the independent auditors' report, Management's Discussion and Analysis (MD & A), the basic financial statements and the combining financial statements. The statistical section includes selected financial and demographic information, generally presented over a ten-year period and the compliance section contains various auditor reports on compliance with applicable laws and regulations and internal control structure as well as the Schedule of Expenditure of Federal Awards.

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 2006-2007 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.

This report includes all funds of the government. The Franklin County School Board (Component Unit) is part of this reporting entity and provides educational services. Other services include courts, public safety, sanitation and waste removal, parks and

recreation, libraries, planning and zoning management and general administrative services.

### **Economic Conditions and Outlook**

Franklin County, the seventh largest county in size in Virginia with an area of 721 square miles, is located in southwest Virginia. By offering close proximity to all markets along the East coast, the County is an excellent location for local industries and commerce. The local economy remained strong this past fiscal year with an average unemployment rate of 3.8%.

Much of fiscal year 2006-2007 was spent on a number of new capital projects. Projects included a new and expanded workforce center and a major upgrade to the County's emergency E911 radio system. Several major rehab projects were completed in the community of Ferrum. The County continues to develop its' park system with major work being completed at the Smith Mountain Lake Park and various rehab projects at existing parks. Plans are currently underway for a proposed whitewater park on a local river and include the removal of an existing dam.

The future economic outlook for the County of Franklin looks very good. With space available in several industrial parks, a stable employment base, easy market access, low construction costs, quality work force and excellent quality of life, Franklin County and the region is ready to continue planned economic growth in the years ahead. 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 Workforce Development Consortium continued to expand its reach to provide employer and employee services in a "One Stop Environment". The consortium, composed of 13 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.

The County of Franklin continues to place major emphasis upon the capital needs of the County School System. Plans are being finalized for a new elementary school in the northern part of the Count which will relieve overcrowding at neighboring existing elementary schools. Construction of this school is scheduled to begin in the spring of 2008 and it is anticipated that the school will open in August 2009.

## **For the Future**

The County has completed a water source study for a finished water utility service. The study has two parts, with the first related to the establishment of a public system for Franklin County featuring withdrawal from Smith Mountain Lake, located partially within the County, and the second, the consideration of interconnection with an adjoining County water system. The application for a new water intake facility at Smith Mountain Lake is being considered by the State Department of Health.

## **Financial Information**

Management of the government is responsible for establishing and maintaining an effective internal control structure to ensure that the assets of the government are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met.

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

**General Government.** During the 2006-2007 fiscal year, the most significant increase in actual revenues was in the area of general property taxes. The large increase is a result of new construction throughout the County. Interest earnings on investments have begun to improve as a result of increases in interest rates earned on investments. A stronger economy has impacted other local taxes producing increases in local sales tax, meals tax and consumer utility taxes.

The most significant increase in expenditures continues to be in the area of education. Education increased largely due to salary increases and related benefits. Overall Debt Service expenditures continue to gradually increase as the County borrows funds for capital projects.

**Debt Administration.** At June 30, 2007, the County had a number of bonded debt issues outstanding. These include \$26.1 million of general obligation, \$6.7 million of outstanding literary loan debt and \$2.3 million of water system revenue bonds. The County has adopted a Debt Policy that establishes guidelines and limitations for the issuance of debt. The policy addresses the level of indebtedness the County can reasonably expect to incur without jeopardizing its financial position and to ensure the efficient and effective operation of the County. The County will measure its level of debt

through three ratios: 1) County debt as a percentage of assessments will not exceed 3.5%, 2) the County's debt service as a percentage of general government expenditures will not exceed 10%, and 3) the County's debt per capita will not exceed \$1,500 per capital. As of June 30, 2007, the County's net debt per capita ratio was \$626, the net debt to assessed value was 0.53%, and the debt service to general governmental expenditures was 3.47%.

**Cash Management.** Under a pooled-cash concept, the County invests all funds cash with maturities planned to coincide with cash needs. The County's funds are invested in state approved financial institutions and collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.1 et. seq. of the code of Virginia or covered by federal depository insurance. The County earned \$2,432,407 in interest income on all investments for the year ended June 30, 2007.

**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; injuries to employees; and natural disasters. The County participates with other localities in the Virginia Municipal Group Self Insurance, a public entity risk pool, for their coverage of worker's compensation. The County's component unit-School Board participates with other localities in the School Systems of Virginia Group Self Insurance Association, a public entity risk pool, for their coverage of worker's compensation. The County and its component unit-School Board pay an annual premium to the pools for their general insurance coverage. The agreement for the formation of the pools provides that the pool will be self-sustaining through member premiums. 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.

**General Fund Balance (Undesignated).** The undesignated general fund balance is 18.9% of the general fund, special revenue fund and component unit budget for the year ended June 30, 2007. This is an increase from last year as a result of growth in real estate taxes and other local taxes. The Board of Supervisors has adopted a target to keep the undesignated general fund balance at a minimum of 10% of the County budget excluding capital projects.

## **Other Information**

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

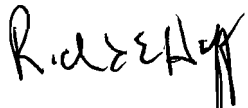


**Awards.** The Government Finance Officers Association of the United State and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County of Franklin, Virginia by for its comprehensive annual financial report for the fiscal year ended June 30, 2006. This was the sixth 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.

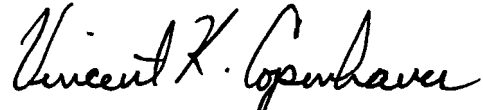
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

**Acknowledgements.** In closing, without the leadership and support of the Board of Supervisors of the County of Franklin, preparation of this report would not have been possible.

Sincerely,



Richard E. Huff, II  
County Administrator



Vincent K. Copenhaver, CPA  
Director of Finance

## ***HISTORICAL SKETCH OF FRANKLIN COUNTY***

*In the 1740's, pioneers traveling by river and road from Eastern Virginia and Maryland, and Scotch-Irish and German families coming down the Carolina Road (originally known as the Great Indian Warrior Path) settled in what would become Franklin County, then the western-most county in Virginia. The County was formed in 1786 from parts of Bedford and Henry Counties by an act of the General Assembly. It was named for Benjamin Franklin, then governor of Pennsylvania, where many settlers originated.*

*The County lies in the western piedmont, a diverse terrain ranging from flatlands on the east to rugged peaks of the Blue Ridge on the west. The area was home to native Americans as early as 10,000 B.C. In the 1600's an eastern Siouan tribe inhabited the region. Indian relics, arrowheads and artifacts found throughout the County remind us of the original settlers.*

*Since the County's early beginnings, its citizens have served as gallant soldiers in every war the U.S. has known. Notable Confederate General Jubal A. Early was born in the Red Valley community. He went to West Point for his education, represented Franklin County in the General Assembly, and served as commonwealth's attorney for many years. Another nationally known native son was Booker T. Washington, a black educator. Born a slave on a plantation near Hales Ford, Booker T. Washington founded the Tuskegee Institute in 1881. His birthplace is a national monument.*

*Agriculture has figured prominently in Franklin County's 200-year history, and was the occupation of most county residents until recent times. Tobacco was a leading crop in early Franklin County. Locally mined iron and copper were transported over the Carolina Road as far south as Georgia. The furnace of the Washington Ironworks, the County's oldest landmark, stands as a monument where munitions for the Revolutionary Army were manufactured. A growing animal husbandry industry established Franklin County as one of Virginia's leading dairy producers.*

*The late nineteenth century saw increasing industrialization. With the entry of the Norfolk and Western railroad in 1892, the Punkin Vine route through the County provided new access for industry. Tobacco factories as well as diversified wood and textile-based industries became significant components of the County's economy.*

*The development of 2,880 acre Philpott Lake in 1953 and 20,600 acre Smith Mountain lake in 1966 gave rise to Franklin County's current designation as the "Land Between the Lakes and the Blue Ridge Mountain." It is an apt description for a remarkable place – a land of compelling natural beauty, economic stability, recreational abundance, and rich heritage!*

**Franklin County Officials**  
**June 30, 2007**

**Board of Supervisors**

Wayne Angell, Chairman, Blackwater District  
Charles Wagner, Vice-Chairman, Rocky Mount District  
Russell Johnson, Gills Creek District  
Leland Mitchell, Snow Creek District  
David Hurt, Boones Mill District  
Hubert Quinn, Blue Ridge District  
Charles Poindexter, Union Hall District

**County Administration**

Richard E. Huff, II, County Administrator

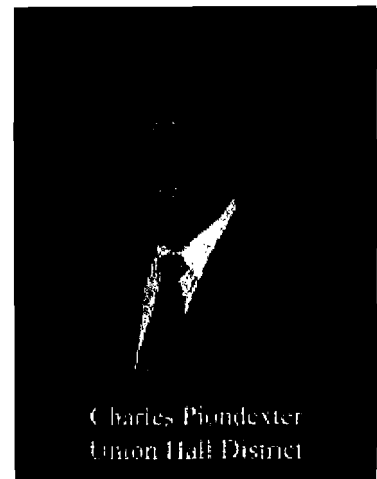
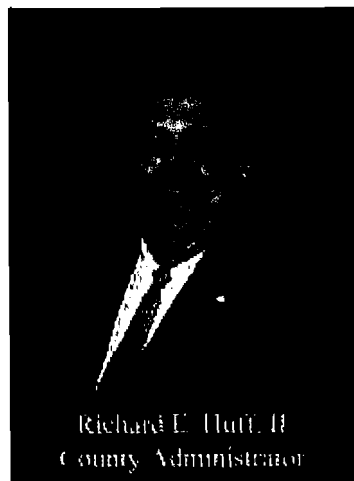
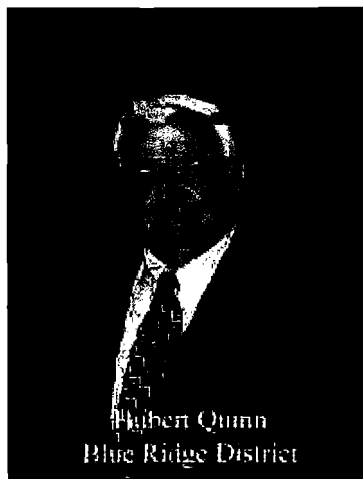
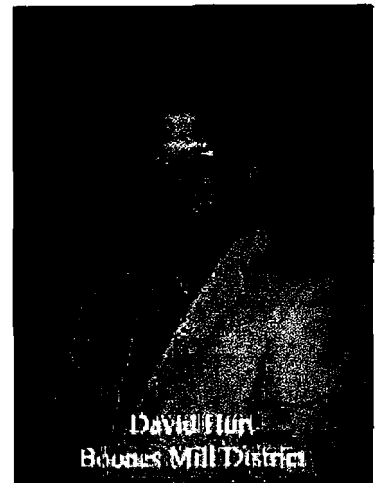
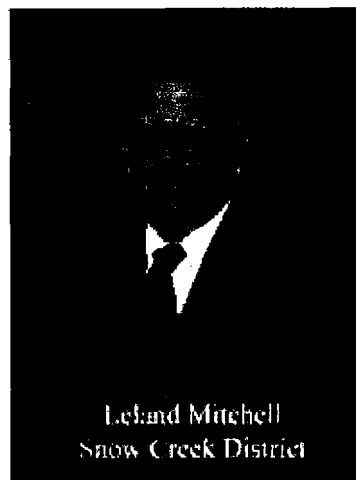
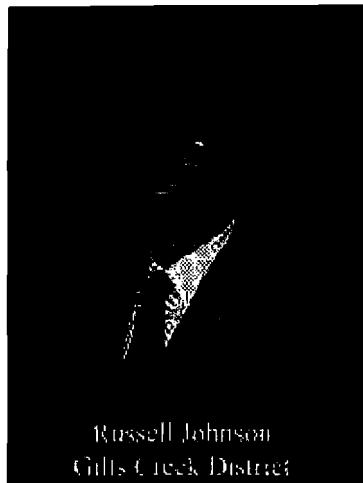
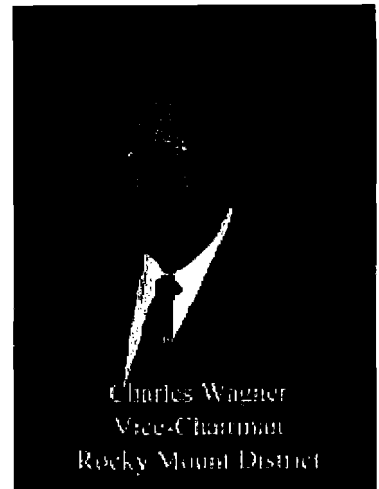
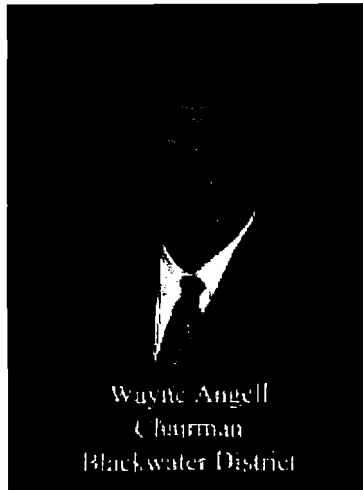
County Attorney..... B. James Jefferson  
Assistant County Administrator..... Christopher Whitlow  
Assistant County Administrator..... Larry Moore  
Director of Finance ..... Vincent Copenhaver  
Director of Commerce & Leisure Services..... Scott Martin  
Director of Information Technology..... Sandie Terry  
Acting Director of Planning..... Steven Sandy  
Director of Public Safety..... Darryl Hatcher  
Director of General Properties ..... Michael Thurman  
Director of Solid Waste..... Barry Sink  
Director of Aging Services..... Rose Boyd  
Director of Library Services..... David Bass  
Director of Workforce Consortium..... Kathy Hodges  
Director of Family Resource Center..... Cynthia Treadway  
Director of Utilities..... David Vogelsong  
Acting Director of Social Services..... Thea Quillen  
Chief Building Official ..... B. Donald Beard  
Unit Coordinator of Va. Cooperative Extension..... Shewana Hairston  
Registrar ..... Kay Chitwood

**Constitutional Officers**

Clerk of the Circuit Court ..... Alice Hall  
Commissioner of the Revenue ..... Margaret Torrence  
Commonwealth Attorney ..... Cliff Hapgood  
Sheriff..... W. Q. Overton, Sr.  
Treasurer ..... Lynda Messenger

# Franklin County Board of Supervisors

June 30, 2007



# Franklin County Public Schools

## Principal Officials

June 30, 2007

### School Board Members

P. D. Hambrick, Chairman, Union Hall District  
Evelyn Cundiff, Vice Chair, Gills Creek District  
Stephen E. Brubaker, Blackwater District  
Carl W. Dudley, Blue Ridge District  
Marilyn R. Starkey, Boone District  
William O. Helms, Member-At-Large  
Stephen D. Flora, Rocky Mount District  
G. B. Washburn, Jr., Snow Creek District

### School Administration

Dr. Charles H. Lackey, Superintendent of Schools

Assistant Superintendent .....	TBA
Director of Human Resources .....	Phillip L. Poff
Director of Business & Finance .....	Lee E. Cheatham, CPA
Director of K-5 Curriculum & Instruction .....	Suzanne M. Rogers
Director of 6-12 Curriculum & Instruction .....	Dr. Jacqueline A. Giorgi
Coordinator of Federal Programs .....	E. Kay Edmondson
Coordinator of Testing .....	Elaine Hawkins
Director of Special Programs & Services .....	Gwendolyn A. Adkins
Coordinator of Special Education Services .....	Dr. W. Worth Bradley
Elementary Coordinator for Sp. Ed. ....	Sherry Whitaker
Director of Technology Services K-12 .....	George F. Washington
Coordinator of Gateway .....	Robin Whitmer
Coordinator of Public Relations & Volunteer .....	Janet J. Stockton
Supervisor of Food Services .....	Chuck L. Hutto
Director of Facilities & Transportation .....	Steven C. Oakes
Supervisor of Transportation .....	Donna C. Carter
Supervisor of Maintenance .....	Darryl K. Spencer
Coordinator of Purchasing .....	David M. Leffue



# 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, 2006

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



*Charles S. Cox*

President

*Jeffrey R. Emer*

Executive Director

# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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## Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, the major fund, and the aggregate remaining fund information of the County of Franklin, Virginia, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the County's nonmajor governmental and fiduciary funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2007, as listed in the table of contents. These financial statements are the responsibility of the County of Franklin, Virginia's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, the major fund, and the aggregate remaining fund information of the County of Franklin, Virginia, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental and fiduciary funds of the County of Franklin, Virginia, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2008, on our consideration of the County of Franklin, Virginia's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreement and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



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

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

Christiansburg, Virginia  
January 30, 2008

## 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, 2007. Please read it in conjunction with the transmittal letter at the front of this report and with the County's financial statements, which follow this section.

### Financial Highlights for Fiscal Year 2007

- Total net assets for governmental activities were \$49.4 million at the end of FY 2007. This figure is based on assets totaling \$88.5 million and liabilities of \$39.1 million. The liabilities amount includes a non-current component for long-term debt associated with the acquisition of assets for the County and School system. The total for assets does not include the school properties (Exhibit 1).
- During the year, the County's taxes and other revenues for governmental programs were \$3.8 million more than the \$63.7 million of expenses (Exhibit 2).
- The business-type activities total net assets at June 30, 2007 totaled \$3.6 million. This figure is based on total assets of \$6.0 million and liabilities of \$2.3 million. The liabilities amount includes a non-current component of long-term debt associated with the acquisition of assets for the County's water system.
- Total general fund revenues exceeded the final budgeted amount by \$0.7 million or approximately 1.0 percent. Actual expenditures were \$10.2 million less than the final expenditure budget.
- The County's total outstanding debt at fiscal year end increased by a net amount of \$ 5.5 million. \$6.6 million in General Obligation Bonds were issued during the year for the Windy Gap Elementary School. Retirements totaled \$2.7 million.
- Component Unit net assets were \$20.8 million at the end of FY2007. Of this amount, \$18.9 million is invested in capital assets, net of related debt.
- At the end of the current fiscal year, undesignated fund balance for the general fund was approximately \$21.4 million or 18.9% of fiscal year 2007 general, special revenue and component unit fund revenues. The Board of Supervisors has adopted a policy to keep the undesignated general fund balance at a minimum of 10% of general, special revenue and component unit fund revenues.

### Overview of the Financial Statements

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

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

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

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

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government, judicial administration, public safety, health and welfare, parks and recreation, solid waste and community development. The County does not have any business-type activities.

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

### **Fund Financial Statements**

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

The County has three kinds of funds:

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

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

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

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

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

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

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

**Summary of Net Assets:**

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

	Governmental Activities		Business-type Activities		Total Primary Government		Component Unit	
	FY2007	FY2006	FY2007	FY2006	FY2007	FY2006	FY2007	FY2006
Current and other assets	\$41.4	\$38.8	\$2.0	\$1.8	\$43.4	\$40.6	\$3.8	\$4.0
Capital assets, net	47.1	40.2	4.0	4.0	51.1	44.2	18.9	16.6
Total assets	88.5	79.0	6.0	5.8	94.5	84.8	22.7	20.6
Other liabilities	5.0	3.4	0.2	0.2	5.2	3.6	1.2	2.9
Long-term liabilities	34.1	29.7	2.1	2.3	36.2	32.0	0.7	0.8
Total liabilities	39.1	33.1	2.3	2.5	41.4	35.6	1.9	3.7
Net assets:								
Invested in capital assets,								
net of related debt	13.7	13.5	1.7	1.5	15.4	15.0	19.0	16.6
Restricted	6.9	0.1	0.0	0.0	6.9	0.2	0.0	0.0
Unrestricted	28.8	32.3	1.9	1.8	30.7	34.0	1.8	0.3
Total net assets	\$49.4	\$45.9	\$3.6	\$3.3	\$53.0	\$49.2	\$20.8	\$16.9

The County's combined net assets increased from \$49.2 million to \$53.0 million as a result of the increase in net activities of governmental activities of \$3.8 million. Unrestricted net assets, the portion of net assets that can be used to finance the day-to-day activities of the County totaled \$28.8 million. Net assets invested in capital assets, net of related debt, represents the amount of capital assets owned by the County. Net assets are reported as restricted when constraints on asset use are externally imposed by creditors, grantors, contributors, regulators, or imposed by law through constitutional provisions or enabling legislation. E911 funds are restricted so that they can be used for the E911 purposes.

Business-type net assets increased from \$3.3 million to \$3.6 million as a result of additional investment in utility infrastructure and a slight decrease in long term debt.

Component unit net assets increased slightly as the result of lower than budgeted expenses and investment in school infrastructure.

## Summary of Activities:

The following table shows the revenues and expenses of the governmental activities for the year ended June 30, 2007 (in millions):

	Governmental Activities		Business-type Activities		Total Primary Government		Component Unit	
	FY2007	FY2006	FY2007	FY2006	FY2007	FY2006	FY2007	FY2006
<b>Revenues:</b>								
<b>Program revenues:</b>								
Charges for Services	\$2.9	\$2.6	\$0.2	\$0.3	\$3.1	\$2.9	\$1.9	\$1.8
Operating Grants & Contributions	12.0	10.4	0.0	0.0	12.0	10.4	45.1	40.1
Capital Grants & Contributions	0.9	0.4	0.2	0.4	1.0	0.8	0.2	0.2
<b>General Revenues</b>								
Property Taxes	32.8	30.9	0.0	0.0	32.8	30.9	0.0	0.0
Other Taxes	11.0	10.8	0.0	0.0	10.8	10.8	0.0	0.0
Other	8.2	6.0	0.0	0.0	7.9	6.0	0.1	0.7
Payments from the County	0.0	0.0	0.1	0.0	0.1	0.0	28.4	24.0
<b>Total Revenues</b>	<b>67.8</b>	<b>61.1</b>	<b>0.5</b>	<b>0.7</b>	<b>67.7</b>	<b>61.8</b>	<b>75.6</b>	<b>66.8</b>
<b>Expenses</b>								
General Government	4.2	3.5	0.0	0.0	4.2	3.5	0.0	0.0
Judicial Administration	2.2	3.3	0.0	0.0	2.2	3.3	0.0	0.0
Public Safety	10.3	8.5	0.0	0.0	10.3	8.5	0.0	0.0
Public Works	2.0	1.0	0.0	0.0	2.0	1.0	0.0	0.0
Health and Welfare	9.7	8.1	0.0	0.0	9.7	8.1	0.0	0.0
Education	28.3	24.1	0.0	0.0	28.3	24.1	71.8	66.3
Parks, Recreation and Cultural	1.7	1.3	0.0	0.0	1.7	1.3	0.0	0.0
Community Development	3.9	1.9	0.0	0.0	3.9	1.9	0.0	0.0
Interest on Long-Term Debt	1.4	1.3	0.0	0.0	1.4	1.3	0.0	0.0
Water	0.0	0.0	0.6	0.4	0.6	0.4	0.0	0.0
<b>Total Expenses</b>	<b>63.7</b>	<b>52.8</b>	<b>0.6</b>	<b>0.4</b>	<b>64.3</b>	<b>53.2</b>	<b>71.8</b>	<b>66.3</b>
<b>Excess or Deficiency Before Transfers</b>								
Excess or Deficiency Before Transfers	4.10	8.3	(0.1)	0.4	3.4	8.7	3.8	0.5
Transfers	(0.3)	(0.6)	0.3	0.6	0.1	0.0	0.0	0.0
Change in Net Assets	3.8	7.7	0.2	1.0	4.0	8.7	3.8	0.5
Net Assets, Beginning of Year	45.6	38.2	3.4	2.3	49.2	40.5	16.9	16.4
<b>Net Assets, Ending</b>	<b>\$49.4</b>	<b>\$45.9</b>	<b>\$3.6</b>	<b>\$3.3</b>	<b>\$53.2</b>	<b>\$49.2</b>	<b>\$20.8</b>	<b>\$16.9</b>

## **Revenues**

For the fiscal year ended June 30, 2007, revenues from governmental activities totaled \$67.8 million, an increase of \$6.7 million from the prior fiscal year. Property tax revenues, the County's largest revenue source, were \$32.8 million, an increase of \$1.9 million over the prior fiscal year. This increase resulted from growth of new housing developments within the County.

Other local taxes (including sales taxes, recordation taxes, and meals taxes) were \$11.0 million, which represented a change of .2 million over FY2006. Intergovernmental revenues totaled \$18.1 million, an increase of \$3.8 million over the prior fiscal year. The increase is due to special one time grants received towards the construction of the workforce center.

Business-type revenues consist of charges to customers for water consumption.

Component unit revenues total \$75.6 million, including a \$28.4 million transfer from the general fund. Increased revenues are due to growth in student population, resulting in additional State revenues and local transfers.

## **Expenses**

For the fiscal year ended June 30, 2007, expenses for governmental activities totaled \$63.7 million. Included in the expenses are increases in employee compensation, transfers for educational expenses to the School Board, and interest on long-term debt.

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

Education is a very high priority in the Franklin County community; consequently the Board of Supervisors contributed \$28.4 million to the operation of the Franklin County schools. This amount represented about 44% of the County's general fund expenses.

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

For the fiscal year ended June 30, 2007, the governmental funds reflect a combined fund balance of \$38.8 million, an increase of \$3.5 million from the fiscal year ended June 30, 2006. This increase is due to stronger than expected general fund revenues.

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**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, 2006.
- To re-appropriate monies to pay for commitments in the form of encumbrances established prior to June 30, 2006 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 2007 (in millions):

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>
<b>Revenues:</b>			
Taxes	\$ 31.6	\$ 31.6	\$ 32.7
Intergovernmental	14.2	204	18.1
Other	13.4	14.9	16.8
<b>Total</b>	<b>\$ 59.2</b>	<b>\$ 66.9</b>	<b>\$ 67.6</b>
<b>Expenditures and Transfers:</b>			
Expenditures	\$ 60.4	\$ 80.0	\$ 69.8
Transfers Out	0.6	1.1	0.6
<b>Total</b>	<b>61.0</b>	<b>81.1</b>	<b>70.4</b>
Net Change in Fund Balance	(1.8)	(14.1)	(2.7)
Fund Balances – Beginning	1.8	14.1	34.8
Fund Balances – Ending	<b>\$ 0.0</b>	<b>\$ 0.0</b>	<b>\$ 32.1</b>

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 most significant increase in comparing original budget to final budget in the revenues is found in the budget for intergovernmental revenue and the “Other” category. Several grants were budgeted at the beginning of the fiscal year in the general fund but later moved to other funds to properly reflect the expenditure of those funds. Budgetary adjustments were made in the “Other” category to account for miscellaneous amounts received but not anticipated at budget preparation time.

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

Actual revenues were greater than anticipated due to population growth as well as a stronger than expected economy. As interest rates have risen in the past several years, the County has received an increased amount of investment income.

Actual expenditures were less than the final amended budget because of capital projects being budgeted but not spent during the 2006-2007 fiscal year. It’s the County’s policy for unspent appropriated capital project budgets to carry forward into the next fiscal year so that the project may continue and be completed. In some cases, expenditures on a particular capital project may span three or four or more fiscal years.

## **Capital Assets**

The following table displays the County and Schools (Component Unit) capital assets at June 30, 2007, in millions of dollars:

	Governmental Activities		Business-type Activities		Total Primary Government		Component Unit	
	FY2007	FY2006	FY2007	FY2006	FY2007	FY2006	FY2007	FY2006
<b>Non-Depreciable Assets:</b>								
Land	\$2.0	\$2.0	\$0.0	\$0.0	\$2.0	\$2.0	\$0.7	\$0.7
Construction in Progress	6.6	1.9	0.0	0.0	6.6	1.9	0.9	0.5
<b>Other Capital Assets:</b>								
Buildings and Systems	41.5	41.1	4.2	4.1	45.7	45.2	29.0	26.2
Machinery and Equipment	16.0	15.3	0.0	0.0	16.0	15.3	10.9	10.3
Accumulated Depreciation	(19.0)	(18.1)	(0.2)	(0.1)	(19.2)	(18.2)	(22.6)	(21.2)
<b>Totals</b>	<b>\$47.1</b>	<b>\$42.2</b>	<b>4.0</b>	<b>\$4.0</b>	<b>\$51.1</b>	<b>\$46.2</b>	<b>\$18.9</b>	<b>\$16.2</b>

The table below shows the change in capital assets for the fiscal year ended June 30, 2007 in millions of dollars:

	Balance June 30, 2006	Net Additions/Deletions	Balance June 30, 2007
<b>Non-Depreciable Assets:</b>			
Land	\$2.7	\$0.0	\$2.7
Construction in Progress	2.4	5.1	7.5
<b>Other Capital Assets:</b>			
Buildings and Systems	71.5	3.2	74.7
Machinery and Equipment	25.6	1.3	26.9
Accumulated Depreciation	(39.4)	(2.4)	(41.8)
<b>Totals</b>	<b>\$62.8</b>	<b>\$7.2</b>	<b>\$70.0</b>

During the FY07 budget process, the Board of Supervisors approved a five-year Capital Improvement Program (CIP) that totaled \$4.8 million for all funds. Various projects have been funded in the plan and include software and hardware upgrades for the information technology department, office space rehab at \$1 million, trail, park and field development for the parks and recreation department and \$1.2 million for various school projects. Smaller projects make up the balance of the funding and include such items as a new parking lot, fire/rescue apparatus replacement and Landfill engineering and development.

Additional detailed capital asset information can be found in Note 12 in the "Notes to Financial Statements" section of the report.



## **Long Term Debt**

The following table displays the County and Schools (Component Unit) Outstanding Debt at June 30, 2007, in millions of dollars:

	Governmental Activities		Business-type Activities		Total Primary Government		Component Unit	
	<u>FY2007</u>	<u>FY2006</u>	<u>FY2007</u>	<u>FY2006</u>	<u>FY2007</u>	<u>FY2006</u>	<u>FY2007</u>	<u>FY2006</u>
General Obligation Bonds	\$26.3	\$20.8	\$0.0	\$0.0	\$26.3	\$20.8	\$0.0	\$0.0
Revenue Bonds	0.0	0.0	2.3	2.4	2.3	2.4	0.0	0.0
Literary Loans	6.7	7.4	0.0	0.0	6.7	7.4	0.0	0.0
Capital Leases	0.3	0.5	0.0	0.0	0.3	0.5	0.0	0.0
Landfill Closure/Post								
Closure Liability	2.0	1.9	0.0	0.0	2.0	1.9	0.0	0.0
Compensated Absences	1.4	1.2	0.0	0.0	1.4	1.2	0.8	0.8
<b>Total</b>	<b>\$36.7</b>	<b>\$31.8</b>	<b>\$2.3</b>	<b>\$2.4</b>	<b>\$39.0</b>	<b>\$34.2</b>	<b>\$0.8</b>	<b>\$0.8</b>

Additional detailed information on long-term debt activity can be found in Note 8 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 Three from Moody's Investor's Services and A Plus from Standard & Poor's.

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

Recent trends in revenues from the Commonwealth indicate that an improving economy has helped to reverse the revenue shortfall experienced by Virginia in 2002 and 2003. Franklin County's population growth continues to be one of the fastest in 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 including a new Elementary School tentatively scheduled to begin construction in the spring of 2008.
- 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, 70 East Court Street, Suite 301, Rocky Mount, Virginia 24151, telephone (540) 483-3030. The County's website address is [www.franklincountyva.org](http://www.franklincountyva.org).

County of Franklin, Virginia  
Statement of Net Assets  
June 30, 2007

	Primary Government			Component Unit School Board
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 27,904,009	\$ 1,457,374	\$ 29,361,383	\$ -
Cash in custody of others	8,417,431	457,153	8,874,584	1,122,311
Receivables (net of allowance for uncollectibles):				
Taxes receivable	1,366,244	-	1,366,244	-
Accounts receivable	-	16,064	16,064	-
Other local taxes receivable	658,034	-	658,034	-
Due from component unit	579,041	-	579,041	-
Due from other governmental units	2,503,431	-	2,503,431	2,563,629
Restricted assets:				
Other assets:				
Unamortized bond issue costs	-	27,533	27,533	-
Capital assets (net of accumulated depreciation):				
Land	1,991,172	-	1,991,172	725,315
Buildings and system	32,153,849	-	32,153,849	13,188,798
Machinery and equipment	6,368,508	-	6,368,508	4,191,382
Infrastructure	-	4,010,384	4,010,384	-
Construction in progress	6,575,046	-	6,575,046	866,034
Total assets	<u>\$ 88,516,765</u>	<u>\$ 5,968,508</u>	<u>\$ 94,485,273</u>	<u>\$ 22,657,469</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 1,317,223	\$ 2,385	\$ 1,319,608	\$ 530,611
Customers' deposits	-	7,746	7,746	-
Accrued interest payable	987,702	31,695	1,019,397	-
Due to primary government	-	-	-	579,041
Unearned revenue	154,649	-	154,649	-
Amount held for others	4,000	-	4,000	-
Long-term liabilities:				
Due within one year	2,728,644	150,000	2,878,644	76,288
Due in more than one year	33,931,997	2,135,700	36,067,697	686,592
Total liabilities	<u>\$ 39,124,215</u>	<u>\$ 2,327,526</u>	<u>\$ 41,451,741</u>	<u>\$ 1,872,532</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	\$ 13,726,563	\$ 1,724,684	\$ 15,451,247	\$ 18,971,529
Restricted for:				
Law Library	10,860	-	10,860	-
Forfeited Assets	210,273	-	210,273	-
Capital projects	6,601,058	-	6,601,058	-
Unrestricted (deficit)	28,843,796	1,916,298	30,760,094	1,813,408
Total net assets	<u>\$ 49,392,550</u>	<u>\$ 3,640,982</u>	<u>\$ 53,033,532</u>	<u>\$ 20,784,937</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, 2007

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Component Unit	
					Governmental Activities	Business-type Activities	Total	School Board
<b>PRIMARY GOVERNMENT:</b>								
Governmental activities:								
General government administration	\$ 4,157,343	\$ 45,684	\$ 587,425	\$ -	\$ (3,524,234)	\$ -	\$ (3,524,234)	\$ -
Judicial administration	2,160,555	200,374	814,817	-	(1,145,364)	-	(1,145,364)	-
Public safety	10,347,921	1,317,116	3,825,219	-	(5,205,586)	-	(5,205,586)	-
Public works	1,982,292	947,685	9,300	-	(1,025,307)	-	(1,025,307)	-
Health and welfare	9,732,455	25,398	6,728,770	-	(2,978,287)	-	(2,978,287)	-
Education	28,332,013	-	-	-	(28,332,013)	-	(28,332,013)	-
Parks, recreation, and cultural	1,656,664	85,315	-	133,648	(1,437,701)	-	(1,437,701)	-
Community development	3,873,631	286,174	-	720,620	(2,866,837)	-	(2,866,837)	-
Interest on long-term debt	1,435,334	-	-	-	(1,435,334)	-	(1,435,334)	-
Total government activities	\$ 63,678,208	\$ 2,907,746	\$ 11,965,531	\$ 854,268	\$ (47,950,663)	\$ -	\$ (47,950,663)	\$ -
Business-type activities:								
Utility Fund	\$ 581,355	\$ 145,464	\$ -	\$ 141,761	\$ -	\$ (294,130)	\$ (294,130)	\$ -
Total primary government	\$ 64,259,563	\$ 3,053,210	\$ 11,965,531	\$ 996,029	\$ (47,950,663)	\$ (294,130)	\$ (48,244,793)	\$ -
<b>COMPONENT UNITS:</b>								
School Board	\$ 71,765,409	\$ 1,864,191	\$ 45,051,447	\$ 189,832	\$ -	\$ -	\$ -	\$ (24,659,939)
Total component units	\$ 71,765,409	\$ 1,864,191	\$ 45,051,447	\$ 189,832	\$ -	\$ -	\$ -	\$ (24,659,939)
General revenues:								
General property taxes					\$ 32,824,967	\$ -	\$ 32,824,967	\$ -
Other local taxes:								
Local sales and use taxes					4,242,805	-	4,242,805	-
Consumers' utility taxes					1,715,239	-	1,715,239	-
Communications taxes					1,092,401	-	1,092,401	-
E-911 telephone taxes					508,746	-	508,746	-
Cable TV franchise license taxes					216,286	-	216,286	-
Business license taxes					4,998	-	4,998	-
Utility license taxes					129,854	-	129,854	-
Motor vehicle licenses					1,279,225	-	1,279,225	-
Bank stock taxes					105,091	-	105,091	-
Taxes on recordation and wills					842,747	-	842,747	-
Hotel and motel room taxes					109,353	-	109,353	-
Restaurant food taxes					814,071	-	814,071	-
Unrestricted revenues from use of money and property					2,532,079	21,332	2,553,411	-
Miscellaneous					371,305	-	371,305	146,467
Payments from County of Franklin					-	137,663	137,663	28,373,862
Grants and contributions not restricted to specific programs					5,336,335	-	5,336,335	-
Transfers					(347,878)	347,878	-	-
Total general revenues					\$ 51,777,624	\$ 506,873	\$ 52,284,497	\$ 28,520,329
Change in net assets					\$ 3,826,961	\$ 212,743	\$ 4,039,704	\$ 3,860,390
Net assets - beginning - as adjusted					45,565,589	3,428,239	48,993,828	16,924,547
Net assets - ending					\$ 49,392,550	\$ 3,640,982	\$ 53,033,532	\$ 20,784,937

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

County of Franklin, Virginia  
Balance Sheet  
Governmental Funds  
June 30, 2007

	<u>General</u>	<u>School Construction</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 27,872,973	6,601,058	\$ 31,036	\$ 34,505,067
Cash in custody of others	1,816,373	-	-	1,816,373
Receivables (net of allowance for uncollectibles):				
Taxes receivable	1,366,244	-	-	1,366,244
Other local taxes receivable	658,034	-	-	658,034
Due from component unit	579,041	-	-	579,041
Due from other governmental units	2,503,431	-	-	2,503,431
Total assets	<u>\$ 34,796,096</u>	<u>\$ 6,601,058</u>	<u>\$ 31,036</u>	<u>\$ 41,428,190</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 1,317,223		\$ -	\$ 1,317,223
Deferred revenue	1,345,241		-	1,345,241
Amounts held for others	4,000		-	4,000
Total liabilities	<u>\$ 2,666,464</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,666,464</u>
Fund balances:				
Reserved for:				
Law Library	\$ 10,860	\$ -	\$ -	\$ 10,860
Forfeited Assets	210,273	-	-	210,273
Capital projects	-	6,601,058	-	6,601,058
Unreserved:				
Undesignated, reported in:				
General fund	21,389,482	-	31,036	21,420,518
Designated, reported in:				
General fund	10,519,017	-	-	10,519,017
Total fund balances	<u>\$ 32,129,632</u>	<u>\$ 6,601,058</u>	<u>\$ 31,036</u>	<u>\$ 38,761,726</u>
Total liabilities and fund balances	<u>\$ 34,796,096</u>	<u>\$ 6,601,058</u>	<u>\$ 31,036</u>	<u>\$ 41,428,190</u>

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

**County of Franklin, Virginia**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**To the Statement of Net Assets**  
**June 30, 2007**

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 38,761,726
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	47,088,575
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	1,190,592
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(37,648,343)
Net assets of governmental activities	<u>\$ 49,392,550</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, 2007

	<u>General</u>	<u>School Construction</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>REVENUES</b>				
General property taxes	\$ 32,707,564	\$ -	\$ -	\$ 32,707,564
Other local taxes	10,552,070	-	508,746	11,060,816
Permits, privilege fees, and regulatory licenses	691,500	-	-	691,500
Fines and forfeitures	16,378	-	-	16,378
Revenue from the use of money and property	2,301,058	231,021	-	2,532,079
Charges for services	2,199,868	-	-	2,199,868
Miscellaneous	371,305	187,343	-	558,648
Recovered costs	731,213	-	-	731,213
Intergovernmental revenues:				
Commonwealth	14,654,174	-	68,979	14,723,153
Federal	3,432,981	-	-	3,432,981
Total revenues	<u>\$ 67,658,111</u>	<u>\$ 418,364</u>	<u>\$ 577,725</u>	<u>\$ 68,654,200</u>
<b>EXPENDITURES</b>				
Current:				
General government administration	\$ 3,939,015	\$ -	\$ -	\$ 3,939,015
Judicial administration	2,214,118	-	-	2,214,118
Public safety	10,245,737	-	879,577	11,125,314
Public works	3,763,333	-	-	3,763,333
Health and welfare	9,685,059	-	-	9,685,059
Education	25,640,822	-	-	25,640,822
Parks, recreation, and cultural	2,300,706	-	-	2,300,706
Community development	8,510,072	-	-	8,510,072
Nondepartmental	40,097	-	-	40,097
Capital projects	131,011	390,906	-	521,917
Debt service:				
Principal retirement	2,076,767	-	-	2,076,767
Interest and other fiscal charges	1,232,658	-	-	1,232,658
Total expenditures	<u>\$ 69,779,395</u>	<u>\$ 390,906</u>	<u>\$ 879,577</u>	<u>\$ 71,049,878</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (2,121,284)</u>	<u>\$ 27,458</u>	<u>\$ (301,852)</u>	<u>\$ (2,395,678)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ 425,000	\$ -	\$ 669,447	\$ 1,094,447
Transfers out	(1,017,325)	-	(425,000)	(1,442,325)
Issuance of debt	-	6,573,600	-	6,573,600
Total other financing sources (uses)	<u>\$ (592,325)</u>	<u>\$ 6,573,600</u>	<u>\$ 244,447</u>	<u>\$ 6,225,722</u>
Net change in fund balances	\$ (2,713,609)	\$ 6,601,058	\$ (57,405)	\$ 3,830,044
Fund balances - beginning	34,843,241	-	88,441	34,931,682
Fund balances - ending	<u>\$ 32,129,632</u>	<u>\$ 6,601,058</u>	<u>\$ 31,036</u>	<u>\$ 38,761,726</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, 2007**

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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	\$ 3,830,044
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period.	4,936,449
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	117,403
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(4,729,685)
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.	(327,250)
Change in net assets of governmental activities	<u>\$ 3,826,961</u>

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



County of Franklin, Virginia  
Statement of Net Assets  
Proprietary Funds  
June 30, 2007

	Enterprise Fund Utility Fund
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 1,457,374
Cash in custody of others	457,153
Accounts receivables, net of allowances for uncollectibles	16,064
Total current assets	\$ 1,930,591
Noncurrent assets:	
Restricted current assets:	
Other assets:	
Unamortized bond issue costs	\$ 27,533
Capital assets:	
Infrastructure	\$ 4,245,921
Less accumulated depreciation	(235,537)
Total capital assets	\$ 4,010,384
Total noncurrent assets	\$ 4,037,917
Total assets	\$ 5,968,508
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	\$ 2,385
Customers' deposits	7,746
Accrued interest payable	31,695
Bonds payable - current portion	150,000
Total current liabilities	\$ 191,826
Long Term Liabilities:	
Bonds payable - net of current portion	2,135,700
Total long-term liabilities	\$ 2,135,700
Total liabilities	\$ 2,327,526
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	\$ 1,724,684
Unrestricted (deficit)	1,916,298
Total net assets	\$ 3,640,982

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

County of Franklin, Virginia  
Statement of Revenues, Expenses, and Changes in Fund Net Assets  
Proprietary Funds  
For the Year Ended June 30, 2007

	Enterprise Fund
	Utility Fund
<b>OPERATING REVENUES</b>	
Charges for services:	
Water and sewer revenue	\$ 140,913
Other revenues	4,551
Total operating revenues	\$ 145,464
<b>OPERATING EXPENSES</b>	
Commerce center	\$ 9,073
Water and sewer planning	8,271
County water department	76,980
Forest hills water project	41,510
Utility service reserve	14,715
Phase I water project	82,172
lake watch developer	7,884
Depreciation	104,252
Total operating expenses	\$ 344,857
Operating income (loss)	\$ (199,393)
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Investment earnings	\$ 21,332
Issuance cost amortization	(2,295)
Interest expense	(96,540)
Total nonoperating revenues (expenses)	\$ (77,503)
Income before contributions and transfers	\$ (276,896)
Capital contributions and construction grants	141,761
Transfers in	347,878
Change in net assets	\$ 212,743
Total net assets - beginning	3,428,239
Total net assets - ending	\$ 3,640,982

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, 2007

	Enterprise Fund
	Utility Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers and users	\$ 142,586
Payments for materials and supplies	(238,220)
Net cash provided (used by) operating activities	\$ (95,634)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfers from other funds	\$ 347,878
Net cash provided (used) by noncapital financing activities	\$ 347,878
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Additions to utility plant	\$ (137,663)
Principal payments on bond obligations	(143,900)
Contributions in aid of construction	141,761
Net cash provided (used) by capital and related financing activities	\$ (139,802)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Proceeds from sales and maturities of investments	
Interest expense	\$ (98,078)
Interest and dividends received	21,332
Net cash provided (used) by investing activities	\$ (76,746)
Net increase (decrease) in cash and cash equivalents	35,696
Cash and cash equivalents - beginning - including restricted	\$ 1,878,831
Cash and cash equivalents - ending - including restricted	\$ 1,914,527
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>	
Operating income (loss)	\$ (199,393)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	\$ 104,252
(Increase) decrease in accounts receivable	(8,475)
Increase (decrease) in customer deposits	5,597
Increase (decrease) in accounts payable	2,385
Total adjustments	\$ 103,759
Net cash provided (used) by operating activities	\$ (95,634)

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

County of Franklin, Virginia  
Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2007

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	<b>Agency Funds</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 122,796
Cash in custody of others	94,982
Total assets	<u>\$ 217,778</u>
<b>LIABILITIES</b>	
Amounts held for social services clients	\$ 54,535
Amounts held for citizens	15,924
Amounts held for inmates	94,982
Total liabilities	<u>\$ 217,778</u>

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

COUNTY OF FRANKLIN, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2007

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

The financial statements of the County conform to generally accepted accounting principles (GAAP) applicable to government units promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant policies:

A. Reporting Entity

The County of Franklin, Virginia (government) is a municipal corporation governed by an elected seven-member Board of Supervisors. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government.

Blended component units - None

Discretely Presented Component Units - The component unit columns in the financial statements include the financial data of the County's discretely presented component units. They are reported in a separate column to emphasize that they are legally separate from the County.

The Franklin County School Board operates the elementary and secondary public schools in the County. School Board members are popularly elected. The School Board is fiscally dependent upon the County because the County approves all debt issuances of the School Board and provides significant funding to operate the public schools since the School Board does not have separate taxing powers. The School Board is presented as a governmental fund type. The School Board does not issue separate financial statements.

Related Organizations - None

Jointly Governed Organizations - The County and the Counties of Botetourt and Craig and the Cities of Roanoke and Salem participate in supporting the Roanoke Valley Regional Board, an educational partnership. The governing body of this organization is appointed by the respective governing bodies of the participating jurisdictions. For the fiscal year ended June 30, 2007, the Franklin County School Board contributed \$626,034. Other organizations to which the County makes appointments and contributions are listed below:

Roanoke Valley Economic Development Partnership	\$ 86,450
Roanoke Valley Convention and Visitors Bureau	15,000
Piedmont Community Services	55,115
Roanoke Valley Detention Commission	300,058

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

B. Government-wide and fund financial statements

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

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

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

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

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

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

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

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

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

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

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

The County reports the following major governmental funds:

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

The County reports the following major proprietary fund:

During the fiscal year ended June 30, 2004, the County began constructing a water distribution system. The activity of this system is accounted for in the Utility Fund.

The government reports the following non-major governmental funds:

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

Capital Projects Fund account for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by Proprietary Funds. The School Construction Fund is reported as a non-major capital projects fund.

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

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

Additionally, the government reports the following fund types:

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

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

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

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

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

D. Assets, liabilities, and net assets or equity

1. Deposits and investments

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

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



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

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

2. Receivables and payables

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

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

3. Property Taxes

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

4. Allowance for Uncollectible Accounts

The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$317,783 at June 30, 2007 and is composed solely of property taxes.

5. Use of Estimates

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

6. Capital assets

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

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

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

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

6. Capital assets (continued)

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

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

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

7. Compensated Absences

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

8. Long-term obligations

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

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

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

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

9. Fund equity

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

10. Net Assets

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

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

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

The governmental fund balance sheet includes a reconciliation between *fund balance-total governmental funds* and *net assets-governmental activities* as reported in the government-wide statements of net assets. One element of that reconciliation explains that long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. The details of these \$(37,648,343) and \$(762,880) differences for the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit
	<u>                    </u>	<u>                    </u>
Bonds payable	\$ (25,905,826)	\$ -
Literary loans payable	(6,771,500)	-
Leases payable	(326,557)	-
Premium on bond	(358,129)	-
Accrued interest payable	(987,702)	-
Landfill accrued closure and post-closure monitoring costs	(1,951,456)	-
Compensated absences	(1,347,173)	(762,880)
	<u>                    </u>	<u>                    </u>
Net adjustment to reduce <i>fund balance-total governmental funds</i> to arrive at <i>net assets-governmental activities</i>	\$ <u>(37,648,343)</u>	\$ <u>(762,880)</u>

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

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances-total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of these \$4,936,449 and \$2,382,236 differences for the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit
	<u>                    </u>	<u>                    </u>
Capital outlays	\$ 6,946,378	\$ 4,448,240
Deleted assets	(1,054,465)	(717,202)
Accumulated depreciation for assets removed	863,911	689,852
Depreciation expenses	<u>(1,819,375)</u>	<u>(2,038,654)</u>
Net adjustment to increase (decrease) <i>net changes in fund balances</i> - <i>total governmental funds</i> to arrive at <i>changes in net assets of</i> <i>governmental activities</i>	 \$ <u>4,936,449</u>	 \$ <u>2,382,236</u>

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

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

Another element of that reconciliation states "the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this \$(4,729,685) difference in the primary government are as follows:

Debt Issued or incurred:	
Proceeds from general obligation bonds	\$ (6,573,600)
Proceeds from premium	(187,343)
Landfill closure/post-closure care liability	(54,997)
Principal repayments:	
General obligation debt	1,335,529
Literary loans	613,750
Leases	127,488
Bond premium	<u>9,488</u>
Net adjustment to increase <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	 <u>\$ (4,729,685)</u>

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

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

Another element of that reconciliation states, "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of these \$(327,250) and \$20,489 differences for the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit
(Increase) decrease in compensated absences	\$ (115,085)	\$ 20,489
(Increase) decrease in accrued interest	(212,165)	-
Net adjustment to increase (decrease) <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$ <u>(327,250)</u>	\$ <u>20,489</u>

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

A. Budgetary information

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

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

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

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

B. Excess of expenditures over appropriations

There was no over-expenditure of appropriations for fiscal year ended June 30, 2007.

C. Deficit fund equity

At June 30, 2007, there were no funds with deficit fund equity.

**Note 4-Deposits and Investments:**

Deposits:

All cash of the County of Franklin, Virginia and its discretely presented component unit is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act (a multiple financial institution collateral pool), Section 2.2-4400 et. seq. of the Code of Virginia or covered by federal depository insurance. Under the Act, banks holding public deposits in excess of the amounts insured by FDIC must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. Savings and Loan institutions are required to collateralize 100% of deposits in excess of FDIC limits. Deposits covered by the Act are considered insured since the Treasury Board is authorized to make additional assessments.

Investments:

Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP).

**Note 4-Deposits and Investments: (Continued)**

Custodial Credit Risk (Investments)

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Neither the County nor its discretely presented component unit has an investment policy for custodial credit risk. The County's only investments consisted of the State's Non-Arbitrage Pool (SNAP) is an open-end management investment company registered with the Securities and Exchange Commission (SEC) and is not exposed to custodial credit risk.

Credit Risk of Debt Securities

At June 30, 2007, the County did not have any investments as all investments held in the prior year were closed.

Concentration of Credit Risk

At June 30, 2007, the County did not have any investments meeting the GASB 40 definition requiring concentration of credit risk disclosures that exceeded 5% of total investments.

Interest Rate Risk

At June 30, 2007, the County did not have any investments meeting the GASB 40 definition requiring interest rate risk disclosures.

The State Non-Arbitrage Pool (SNAP) is an open-end management investment company registered with the Securities and Exchange Commission (SEC). The fair value of the positions in the Local Government Investment Pool (LGIP) is the same as the value of the pool shares. As this pool is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP maintains a policy to operate in a manner consistent with SEC Rule 2a-7.

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COUNTY OF FRANKLIN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2007

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

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

	<u>Primary Government</u>	<u>Component Unit- School Board</u>
<u>Commonwealth of Virginia:</u>		
Local sales tax	\$ 760,032	\$ -
State sales tax	-	1,181,205
Non-categorical aid	297,709	-
Categorical aid-shared expenses	361,241	-
Categorical aid-VPA funds	114,559	-
Categorical aid-CSA funds	762,841	-
Other categorical aid	-	-
<u>Federal Government:</u>		
Categorical aid-VPA funds	196,508	-
Other categorical aid	10,541	1,382,424
Totals	<u>\$ 2,503,431</u>	<u>\$ 2,563,629</u>

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

<u>Fund</u>	<u>Due to Primary Government/ Component Unit</u>	<u>Due from Primary Government/ Component Unit</u>
<u>Primary Government:</u>		
General Fund	\$ -	\$ 579,041
<u>Component Unit - School Board:</u>		
School Fund	\$ 579,041	\$ -

COUNTY OF FRANKLIN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2007

**Note 7-Interfund Transfers:**

Interfund transfers for the year ended June 30, 2007, consisted of the following:

Fund	Transfers In	Transfers Out
Primary Government:		
General Fund	\$ 425,000	\$ 1,017,325
Utility Fund	347,878	-
E-911	669,447	425,000
<b>Total</b>	<b>\$ 1,442,325</b>	<b>\$ 1,442,325</b>

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

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

Primary Government - Governmental Activity Indebtedness:

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

Year Ending June 30,	General Obligation Bonds		Literary Fund Loans	
	Principal	Interest	Principal	Interest
2008	\$ 1,655,984	\$ 1,239,325	\$ 613,750	\$ 203,145
2009	1,703,590	1,100,428	613,750	184,733
2010	1,749,470	1,015,486	613,750	166,320
2011	1,801,593	897,415	613,750	147,907
2012	1,843,803	838,080	613,750	129,495
2013-2017	8,429,516	2,904,976	3,068,750	371,288
2018-2022	6,539,284	1,138,300	634,000	26,520
2023-2027	2,182,586	233,923	-	-
<b>Totals</b>	<b>\$ 25,905,826</b>	<b>\$ 9,367,933</b>	<b>\$ 6,771,500</b>	<b>\$ 1,229,408</b>

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

The County has entered into capital leases for financial system software, a trackloader and an articulated dump truck. These lease agreements qualify as capital leases for accounting purposes and therefore have been recorded at the present value of their future minimum lease payments as of the inception date.

Total assets acquired through capital leases are as follows:

Financial systems software	\$	319,425
Trackloader		234,332
Articulated dumptruck		<u>272,235</u>
	\$	825,992
Accumulated depreciation		<u>(324,184)</u>
	\$	<u><u>501,808</u></u>

Present value of future minimum lease payments:

Year Ending June 30,	Capital Leases
2008	\$ 141,426
2009	82,017
2010	80,180
2011	<u>48,567</u>
Total minimum lease payments	\$ 352,190
Less: amount representing interest	<u>(25,633)</u>
Present value of future minimum lease payments	<u><u>\$ 326,557</u></u>

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COUNTY OF FRANKLIN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2007

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

The following is a summary of long-term debt transactions of the County for the year ended June 30, 2007.

	Balance		Balance	
	July 1, 2006	Issuances	Retirements	June 30, 2007
General Obligation				
Bonds	\$ 20,667,755	\$ 6,573,600	\$ (1,335,529)	\$ 25,905,826
Premium on bond	180,274	187,343	(9,488)	358,129
Literary loans	7,385,250	-	(613,750)	6,771,500
Capital leases	454,045	-	(127,488)	326,557
Landfill closure/ postclosure liability	1,896,459	54,997	-	1,951,456
Compensated absences	1,232,088	726,604	(611,519)	1,347,173
<b>Total</b>	<b>\$ 31,815,871</b>	<b>\$ 7,542,544</b>	<b>\$ (2,697,774)</b>	<b>\$ 36,660,641</b>

Primary Government - Governmental Activity Indebtedness:

Details of long-term indebtedness:

	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Balance Governmental Activities	Amount Due Within One Year
General Obligation Bonds:						
GO refunding bond	4.0-5.0%	3/29/1999	2015	\$ 4,765,000	\$ 3,515,000	\$ 370,000
GO bond	4.85-6.6%	8/1/1991	2012	1,319,970	400,450	74,931
VPSA GO bond	5.0-5.9%	11/16/2000	2020	6,285,526	4,617,224	291,644
GO bond	5.1-6.35%	5/18/2000	2021	3,400,000	2,380,000	170,000
GO Bond	4.1-5.6%	11/10/2004	2025	2,500,000	2,250,000	125,000
GO Bond	3.710%	7/13/2005	2021	6,500,000	6,169,552	344,048
VPSA GO bond	4.225-5.1%		2027	6,760,943	6,573,600	280,361
<b>Total GO Bonds</b>					<b>\$ 25,905,826 (1)</b>	<b>\$ 1,655,984</b>
Literary Loans:						
State Literary Fund Loan	3%	3/17/1997	2017	\$ 1,072,000	\$ 536,000	\$ 53,600
State Literary Fund Loan	3%	3/17/1997	2017	1,029,000	514,500	51,450
State Literary Fund Loan	3%	3/17/1997	2017	967,000	483,500	48,350
State Literary Fund Loan	3%	3/17/1997	2017	539,000	269,500	26,950
State Literary Fund Loan	3%	3/17/1997	2017	988,000	494,000	49,400
State Literary Fund Loan	3%	9/15/1997	2017	210,000	115,500	10,500
State Literary Fund Loan	3%	10/7/1997	2017	854,000	469,700	42,700
State Literary Fund Loan	3%	10/7/1997	2017	844,000	464,200	42,200
State Literary Fund Loan	3%	10/7/1997	2017	772,000	424,600	38,600
State Literary Fund Loan	3%	7/16/1998	2018	5,000,000	3,000,000	250,000
<b>Total Literary Loans</b>					<b>\$ 6,771,500 (2)</b>	<b>\$ 613,750</b>

COUNTY OF FRANKLIN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2007

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

Primary Government - Governmental Activity Indebtedness: (Continued)

Details of long-term indebtedness: (Continued)

	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Balance Governmental Activities	Amount Due Within One Year
Lease Purchase Agreements:						
Capital Lease	2.75%	2/18/2004	2008	\$ 272,235	\$ 56,031 (3)	\$ 56,031
Capital Lease	3.40%	6/23/2005	2010	134,200	83,060	26,810
Capital Lease	3.92%	9/30/2005	2011	234,332	187,466 (3)	46,866
Total Lease Purchase Agreements					<u>\$ 326,557</u>	<u>\$ 129,707</u>
Other Obligations:						
Landfill Closure/Post-closure						
Monitoring Costs	n/a	n/a	n/a	n/a	\$ 1,951,456	\$ 175,631
Premium on \$2,500,000 GO bond	n/a	n/a	n/a	n/a	170,786	9,488
Premium on \$6,760,943 GO bond	n/a	n/a	n/a	n/a	187,343	9,367
Compensated Absences	n/a	n/a	n/a	n/a	1,347,173	134,717
Total Other Obligations					<u>\$ 3,656,758</u>	<u>\$ 329,203</u>
Total Long-term debt					<u>\$ 36,660,641</u>	<u>\$ 2,728,644</u>

- (1) Bonds issued for construction of new and improvements to existing County buildings.
- (2) Literary loans issued for construction of new and improvements to existing School buildings.
- (3) For the governmental activities, compensated absences are generally liquidated by the General and VPA funds. Landfill closure and postclosure monitoring costs are generally liquidated by the General Fund.

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COUNTY OF FRANKLIN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2007

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

Primary Government – Business-type Activity Indebtedness:

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

Year Ending June 30,	Revenue Bonds	
	Principal	Interest
2008	\$ 150,000	\$ 91,965
2009	156,300	85,594
2010	163,000	78,953
2011	169,900	72,028
2012	177,100	64,811
2013-2017	1,005,100	204,587
2018-2019	464,300	19,517
Totals	\$ <u>2,285,700</u>	\$ <u>617,455</u>

The following is a summary of long-term debt transactions of the Utility Fund for the year ended June 30, 2007.

	Balance July 1, 2006	Issuances	Retirements	Balance June 30, 2007
Revenue bonds	\$ <u>2,429,600</u>	\$ <u>-</u>	\$ <u>(143,900)</u>	\$ <u>2,285,700</u>

Details of long-term indebtedness:

	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Balance Business-type Activities	Amount Due Within One Year
Revenue Bond: Revenue bond	4.16%	9/30/2003	2018	\$ 2,700,000	\$ <u>2,285,700</u> (1)	\$ <u>150,000</u>

(1) Issued for construction of water and sewer infrastructure.

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

Discretely Presented Component Unit-School Board-Indebtedness:

The following is a summary of long-term debt transactions of the Component-Unit School Board for the year ended June 30, 2007.

	Balance July 1, 2006	Issuances	Retirements	Balance June 30, 2007
Compensated absences	\$ 783,369	\$ 328,500	\$ (348,989)	\$ 762,880

Details of long-term indebtedness:

<u>Other Obligations:</u>	Total Amount	Amount Due Within One Year
Compensated absences	\$ 762,880	\$ 76,288

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

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

A. Plan Description

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

All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 with 5 years of service for participating law enforcement officers and firefighters) or at age 50 with 30 years of service for participating employers (age 50 with 25 years of service for participating law enforcement officers and firefighters) payable monthly for life in an amount equal to 1.7 percent of their average final compensation (AFC) for each year of credited service. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for an annual cost-of-living adjustment (COLA) beginning in their second year of retirement. The COLA is limited to 5% per year. AFC is defined as the highest consecutive 36 months of reported compensation. Participating local law enforcement officers and firefighters may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from the System's web site at <http://www.varetire.org/Pdf/2006AnnuRept.pdf> or obtained by writing to the System at P.O. Box 2500, Richmond, VA, 23218-2500.

B. Funding Policy

Primary Government:

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their annual salary to the VRS. This 5% member contribution may be assumed by the employer. In addition, the County is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the statute and approved by the VRS Board of Trustees. The County's contribution rate (not including the 5% member contribution) for the fiscal year ended June 30, 2007 was 6.74% of annual covered payroll.

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

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their annual salary to the VRS. This 5% member contribution may be assumed by the employer. In addition, the School Board is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the statute and approved by the VRS Board of Trustees. The School Board's (non-professional employees) contribution rate (not including the 5% member contribution) for the fiscal year ended June 30, 2007 was 8.05% of annual covered payroll.



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

C. Annual Pension Cost

	Primary Government	Discretely Presented Component Unit
	County Retirement Plan	School Board Non-Professional Retirement Plan
Contribution rates for fiscal year ended 6/30/07:		
Employer	6.74%	8.05%
Plan members <sup>1</sup>	5.00%	5.00%
Annual pension cost	\$679,483	\$351,692
Contributions made	\$679,483	\$351,692
Actuarial valuation date	6/30/2006	6/30/2006
Actuarial cost method	Entry Age Normal	Entry Age Normal
Amortization method	Level Percent, Open	Level Percent, Open
Payroll growth rate	2.50%	2.50%
Remaining amortization period	20 Years	20 Years
Asset valuation method	Modified Market	Modified Market
Actuarial assumptions:		
Investment rate of return <sup>2</sup>	7.50%	7.50%
Projected salary increases <sup>2</sup>		
Non-LEO employees	3.75% to 5.60%	3.75% to 5.60%
LEO employees	3.50% to 4.75%	3.50% to 4.75%
Cost-of-living adjustments	2.50%	2.50%

<sup>1</sup> This member contribution has been assumed by the employer.

<sup>2</sup> Includes inflation at 2.50%.

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

C. Annual Pension Cost (continued)

Three-Year Trend Information

	Fiscal Year Ending	Annual Pension Cost (APC) <sup>1</sup>	Percentage of APC Contributed	Net Pension Obligation
Primary Government:				
County	6/30/2005	\$ 432,033	100.00%	\$ -
	6/30/2006	466,097	100.00%	-
	6/30/2007	679,483	100.00%	-
Discretely Presented-Component Unit:				
School Board Non-Professional	6/30/2005	\$ 245,038	100.00%	\$ -
	6/30/2006	265,514	100.00%	-
	6/30/2007	351,692	100.00%	-

<sup>1</sup> Employer portion only

D. Discretely Presented Component Unit School Board

PROFESSIONAL EMPLOYEES:

Plan Description

The Franklin County School Board contributes to the Virginia Retirement System (VRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System. VRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the State legislature. The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from the System's web site at <http://www.varetire.org/Pdf/2006AnnuRept.pdf> or obtained by writing to the System at P.O. Box 2500, Richmond, VA, 23218-2500.

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

D. Discretely Presented Component Unit School Board (continued)

Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their annual salary to the VRS. This 5% member contribution may be assumed by the employer. In addition, the School Board is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The School Board's contribution to the statewide cost sharing pool for professional employees was \$3,233,137, \$2,175,305, and \$1,885,265 for the fiscal years ended 2007, 2006, and 2005 respectively. Employer contributions represented 9.20%, 6.62%, and 6.03% of covered payroll for the fiscal years ended 2007, 2006, and 2005, respectively.

**Note 11-Unearned Revenue:**

Unearned revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Unearned revenue totaling \$21,003 is comprised of the following:

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2007, but paid in advance by the taxpayers totaled \$21,003 at June 30, 2007.

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COUNTY OF FRANKLIN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2007

**Note 12-Capital Assets:**

Capital asset activity for the year ended June 30, 2007 was as follows:

Primary Government:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 1,966,914	\$ 24,258	\$ -	\$ 1,991,172
Construction in progress	<u>1,903,286</u>	<u>7,871,298</u>	<u>(3,199,538)</u>	<u>6,575,046</u>
Total capital assets not being depreciated	<u>\$ 3,870,200</u>	<u>\$ 7,895,556</u>	<u>\$ (3,199,538)</u>	<u>\$ 8,566,218</u>
Capital assets, being depreciated:				
Buildings	\$ 41,075,735	\$ 487,086	\$ -	\$ 41,562,821
Machinery and equipment	<u>15,271,595</u>	<u>1,763,274</u>	<u>(1,054,465)</u>	<u>15,980,404</u>
Total capital assets being depreciated	<u>\$ 56,347,330</u>	<u>\$ 2,250,360</u>	<u>\$ (1,054,465)</u>	<u>\$ 57,543,225</u>
Less: accumulated depreciation for:				
Buildings	\$ (8,944,635)	\$ (464,337)	\$ -	\$ (9,408,972)
Machinery and equipment	<u>(9,120,769)</u>	<u>(1,355,038)</u>	<u>863,911</u>	<u>(9,611,896)</u>
Total accumulated depreciation	<u>\$ (18,065,404)</u>	<u>\$ (1,819,375)</u>	<u>\$ 863,911</u>	<u>\$ (19,020,868)</u>
Total capital assets being depreciated, net	<u>\$ 38,281,926</u>	<u>\$ 430,985</u>	<u>\$ (190,554)</u>	<u>\$ 38,522,357</u>
Governmental activities capital assets, net	<u>\$ 42,152,126</u>	<u>\$ 8,326,541</u>	<u>\$ (3,390,092)</u>	<u>\$ 47,088,575</u>

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COUNTY OF FRANKLIN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2007

**Note 12-Capital Assets: (continued)**

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities:				
Capital assets, not being depreciated:				
Construction in progress	\$ -	\$ 8,027	\$ -	\$ 8,027
Total capital assets not being depreciated	\$ -	\$ 8,027	\$ -	\$ 8,027
Capital assets, being depreciated:				
Infrastructure	\$ 4,108,257	\$ 129,637	\$ -	\$ 4,237,894
Total capital assets being depreciated	\$ 4,108,257	\$ 129,637	\$ -	\$ 4,237,894
Less: accumulated depreciation for:				
Infrastructure	\$ (131,285)	\$ (104,252)	\$ -	\$ (235,537)
Total accumulated depreciation	\$ (131,285)	\$ (104,252)	\$ -	\$ (235,537)
Total capital assets being depreciated, net	\$ 3,976,972	\$ 25,385	\$ -	\$ 4,002,357
Business-type activities capital assets, net	\$ 3,976,972	\$ 33,412	\$ -	\$ 4,010,384

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COUNTY OF FRANKLIN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2007

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**Note 12-Capital Assets: (continued)**

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

Governmental activities:		
General government	\$	111,392
Judicial administration		5,479
Public safety		929,337
Public works		454,913
Health and welfare		32,495
Education		130,559
Parks, recreation, and culture		139,720
Community development		<u>15,480</u>
Total depreciation expense-governmental activities	\$	<u>1,819,375</u>
Business-type activities		
Utility fund	\$	<u>104,252</u>

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COUNTY OF FRANKLIN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2007

**Note 12-Capital Assets: (continued)**

Capital asset activity for the School Board for the year ended June 30, 2007 was as follows:

Discretely Presented Component Unit:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 725,315	\$ -	\$ -	\$ 725,315
Construction in progress	460,488	405,546	-	866,034
Total capital assets not being depreciated	<u>\$ 1,185,803</u>	<u>\$ 405,546</u>	<u>\$ -</u>	<u>\$ 1,591,349</u>
Capital assets, being depreciated:				
Buildings	\$ 26,321,510	\$ 2,725,535	\$ -	\$ 29,047,045
Machinery and equipment	10,304,017	1,317,159	(717,202)	10,903,974
Total capital assets being depreciated	<u>\$ 36,625,527</u>	<u>\$ 4,042,694</u>	<u>\$ (717,202)</u>	<u>\$ 39,951,019</u>
Less: accumulated depreciation for:				
Buildings	\$ (14,703,110)	\$ (1,155,137)	\$ -	\$ (15,858,247)
Machinery and equipment (1)	(6,518,927)	(883,517)	689,852	(6,712,592)
Total accumulated depreciation	<u>\$ (21,222,037)</u>	<u>\$ (2,038,654)</u>	<u>\$ 689,852</u>	<u>\$ (22,570,839)</u>
Total capital assets being depreciated, net	<u>\$ 15,403,490</u>	<u>\$ 2,004,040</u>	<u>\$ (27,350)</u>	<u>\$ 17,380,180</u>
Governmental activities capital assets, net	<u>\$ 16,589,293</u>	<u>\$ 2,409,586</u>	<u>\$ (27,350)</u>	<u>\$ 18,971,529</u>

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**Note 13-Risk Management:**

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

**Note 14-Contingent Liabilities:**

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

**Note 15-Surety Bonds:**

Primary Government:

Fidelity & Deposit Company of Maryland-Surety:

Alice S. Hall, Clerk of the Circuit Court	\$ 500,000
Lynda F. Messenger, Treasurer	500,000
Judy S. Crook, Commissioner of the Revenue	3,000
W. Q. Overton, Sheriff	30,000
All constitutional officers' employees: blanket bond	50,000
All Social Services employees-blanket bond	100,000



**Note 15-Surety Bonds: (continued)**

Thurman Enterprises:

Richard Huff, County Administrator	\$ 10,000
Bonnie Johnson, Assistant County Administrator	10,000
Vincent K. Copenhaver, Director of Finance	100,000
Hubert Quinn, Supervisor	2,500
Page Matherly, Supervisor	2,500
Charles Wagner, Supervisor	2,500
Don Riddle, Supervisor	2,500
Charles Poindexter, Supervisor	2,500
Wayne Angell, Chariman	2,500
David Hurt, Supervisor	2,500
Sharon Tudor, Procurement Specialist	2,500
Phyllis Scott, Personnel, Financial Analyst	10,000
Connie Stanley, Administrative Assistant II	2,500

Component Unit – School Board:

Fidelity and Casualty Company of New York:

Larry Hixson, Superintendent of Schools	\$ 20,000
David Leffue	20,000
Lee Cheatham	20,000
Georgia Ferguson	20,000
Marguerite Whitmer	20,000

Pacific Employers Insurance Company:

All School Board employees-blanket bond	\$ 100,000
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**Note 16-Landfill Closure and Post-closure Care Cost:**

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site after closure. \$1,951,456 is the total estimated closure and post-closure care liability at June 30, 2007 based on the capacity used as of the same date. The landfill has reached 92% of capacity and the County expects to close the landfill in either 2010 or 2011. This represents what it would cost to perform closure and post-closure care in 2007. Actual costs for closure and post-closure monitoring may change due to inflation, deflation, changes in technology or changes in regulations. The County uses the Commonwealth of Virginia's financial assurance mechanism to meet the Department of Environmental Quality's assurance requirements for landfill closure and post-closure costs.

**Note 17-Designated and Reserved Fund Balances/Restricted Net Assets:**

Primary Government:

Reserved for law library	\$	10,860
Reserved for forfeited assets		210,273
Reserved for capital projects		6,601,058
Designated for economic development		2,629,822
Designated for landfill closure		2,662,949
Designated for Workforce Building Project		5,222,246
Designated for library endowment		<u>4,000</u>

Total Primary Government designations and reservations \$ 17,341,208

Primary Government:

Restricted for law library	\$	10,860
Restricted for forfeited assets		<u>210,273</u>

Total Primary Government restrictions \$ 221,133

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**County of Franklin, Virginia**  
**Required Supplementary Information**

**Schedule of Funding Progress Defined Benefit Plan**  
**For the Year Ended June 30, 2007**

Primary Government: County Retirement Plan

Valuation as of	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets as % of AAL (2)/(3)	Annual Covered Payroll	UAAL as a % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
June 30, 2006	\$ 29,393,827	\$ 30,404,249	\$ 1,010,422	96.68%	\$ 9,600,765	10.52%
June 30, 2005	27,129,208	29,639,111	2,509,903	91.53%	8,731,421	28.75%
June 30, 2004	26,035,448	26,577,701	542,253	97.96%	8,025,585	6.76%

Discretely Presented Component Unit:

School Board Non-Professional Retirement Plan

Valuation as of	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets as % of AAL (2)/(3)	Annual Covered Payroll	UAAL as a % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
June 30, 2006	\$ 9,801,310	\$ 11,790,986	\$ 1,989,676	83.13%	\$ 4,118,928	48.31%
June 30, 2005	9,091,980	10,866,664	1,774,684	83.67%	3,814,854	46.52%
June 30, 2004	8,709,243	9,457,016	747,773	92.09%	3,536,339	21.15%

**County of Franklin, Virginia**  
**General Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2007**

	<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	\$ 31,579,890	\$ 31,523,422	\$ 32,707,564	\$ 1,184,142
Other local taxes	9,870,025	10,249,015	10,552,070	303,055
Permits, privilege fees, and regulatory licenses	735,271	735,271	691,500	(43,771)
Fines and forfeitures	22,225	22,225	16,378	(5,847)
Revenue from the use of money and property	784,000	1,129,126	2,301,058	1,171,932
Charges for services	1,515,079	2,003,241	2,199,868	196,627
Miscellaneous	172,000	368,074	371,305	3,231
Recovered costs	318,958	520,903	731,213	210,310
Intergovernmental revenues:				
Commonwealth	13,906,312	18,680,056	14,654,174	(4,025,882)
Federal	289,223	1,740,309	3,432,981	1,692,672
Total revenues	<u>\$ 59,192,983</u>	<u>\$ 66,971,642</u>	<u>\$ 67,658,111</u>	<u>\$ 686,469</u>
<b>EXPENDITURES</b>				
Current:				
General government administration	\$ 5,110,277	\$ 4,491,144	\$ 3,939,015	\$ 552,129
Judicial administration	2,273,296	2,409,917	2,214,118	195,799
Public safety	8,292,028	11,857,811	10,245,737	1,612,074
Public works	3,757,437	8,347,740	3,763,333	4,584,407
Health and welfare	8,744,682	9,468,789	9,685,059	(216,270)
Education	26,489,637	26,489,637	25,640,822	848,815
Parks, recreation, and cultural	1,786,123	3,270,902	2,300,706	970,196
Community development	2,554,373	13,559,193	8,510,072	5,049,121
Nondepartmental	455,300	293,119	40,097	253,022
Capital projects	174,331	222,811	131,011	91,800
Debt service:				
Principal retirement	631,865	666,353	2,076,767	(1,410,414)
Interest and other fiscal charges	772,665	1,609,153	1,232,658	376,495
Total expenditures	<u>\$ 61,042,014</u>	<u>\$ 82,686,569</u>	<u>\$ 69,779,395</u>	<u>\$ 12,907,174</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (1,849,031)</u>	<u>\$ (15,714,927)</u>	<u>\$ (2,121,284)</u>	<u>\$ 13,593,643</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ 425,000	\$ 425,000	\$ 425,000	\$ -
Transfers out	(1,045,845)	(1,486,049)	(1,017,325)	468,724
Total other financing sources and uses	<u>\$ (620,845)</u>	<u>\$ (1,061,049)</u>	<u>\$ (592,325)</u>	<u>\$ 468,724</u>
Net change in fund balances	\$ (2,469,876)	\$ (16,775,976)	\$ (2,713,609)	\$ 14,062,367
Fund balances - beginning	2,469,876	16,775,976	34,843,241	18,067,265
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,129,632</u>	<u>\$ 32,129,632</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 Changes in Fund Balances - Budget and Actual  
 Major Capital Projects Fund  
 For the Year Ended June 30, 2007

	School Construction			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<b>REVENUES</b>				
Revenue from the use of money and property	\$ -	\$ -	\$ 231,021	\$ 231,021
Miscellaneous	-	-	187,343	187,343
Total revenues	\$ -	\$ -	\$ 418,364	\$ 418,364
<b>EXPENDITURES</b>				
Capital projects	\$ -	\$ -	\$ 390,906	\$ (390,906)
Total expenditures	\$ -	\$ -	\$ 390,906	\$ (390,906)
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ 27,458	\$ 27,458
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds of general obligation bonds	\$ -	\$ -	\$ 6,573,600	\$ 6,573,600
Total other financing sources and uses	\$ -	\$ -	\$ 6,573,600	\$ 6,573,600
Net change in fund balances	\$ -	\$ -	\$ 6,601,058	\$ 6,601,058
Fund balances - beginning	-	-	-	-
Fund balances - ending	\$ -	\$ -	\$ 6,601,058	\$ 6,601,058

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

**County of Franklin, Virginia**  
**Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2007**

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		<b>E-911</b> <b>Fund</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$	31,036
Total assets	\$	31,036
Fund balances:		
Reserved for:		
E-911	\$	31,036
Total fund balances	\$	31,036
Total liabilities and fund balances	\$	31,036

**County of Franklin, Virginia**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2007**

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	<b>E-911 Fund</b>
<b>REVENUES</b>	
Other local taxes	\$ 508,746
Intergovernmental revenues:	
Commonwealth	68,979
Total revenues	<u>\$ 577,725</u>
<b>EXPENDITURES</b>	
Current:	
Public safety	\$ 879,577
Total expenditures	<u>\$ 879,577</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (301,852)</u>
<b>OTHER FINANCING SOURCES (USES)</b>	
Transfers in	\$ 669,447
Transfers out	(425,000)
Total other financing sources and uses	<u>\$ 244,447</u>
Net change in fund balances	\$ (57,405)
Fund balances - beginning	88,441
Fund balances - ending	<u><u>\$ 31,036</u></u>

County of Franklin, Virginia  
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
 Nonmajor Special Revenue Fund  
 For the Year Ended June 30, 2007

	E-911 Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<b>REVENUES</b>				
Other local taxes	\$ 887,736	\$ 508,746	\$ 508,746	\$ -
Miscellaneous	2,500	2,500	-	(2,500)
Intergovernmental revenues:				
Commonwealth	72,968	72,968	68,979	(3,989)
Total revenues	<u>\$ 963,204</u>	<u>\$ 584,214</u>	<u>\$ 577,725</u>	<u>\$ (6,489)</u>
<b>EXPENDITURES</b>				
Current:				
Public safety	\$ 917,431	\$ 917,103	\$ 879,577	\$ 37,526
Total expenditures	<u>\$ 917,431</u>	<u>\$ 917,103</u>	<u>\$ 879,577</u>	<u>\$ 37,526</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 45,773</u>	<u>\$ (332,889)</u>	<u>\$ (301,852)</u>	<u>\$ 31,037</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ 284,243	\$ 669,447	\$ 669,447	-
Transfers out	(425,000)	(425,000)	(425,000)	-
Total other financing sources and uses	<u>\$ (140,757)</u>	<u>\$ 244,447</u>	<u>\$ 244,447</u>	<u>\$ -</u>
Net change in fund balances	\$ (94,984)	\$ (88,442)	\$ (57,405)	\$ 31,037
Fund balances - beginning	94,984	88,442	88,441	(1)
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,036</u>	<u>\$ 31,036</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.

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

County of Franklin, Virginia  
 Combining Statement of Fiduciary Net Assets  
 Fiduciary Funds  
 June 30, 2007

	Agency Funds				Total
	Special Welfare	Road Escrow Fund	Escrow Fund for Soil and Erosion Control Agreement	Inmate trust and Canteen Account Fund	
<b>ASSETS</b>					
Cash and cash equivalents	\$ 54,535	\$ 15,924	\$ 52,337	\$ -	\$ 122,796
Cash in custody of others	-	-	-	94,982	94,982
Total assets	<u>\$ 54,535</u>	<u>\$ 15,924</u>	<u>\$ 52,337</u>	<u>\$ 94,982</u>	<u>\$ 217,778</u>
<b>LIABILITIES</b>					
Amounts held for social services clients	\$ 54,535	-	-	-	\$ 54,535
Amounts held for citizens	-	15,924	-	-	15,924
Amounts held for performance bonds	-	-	52,337	-	52,337
Amounts held for inmates	-	-	-	94,982	94,982
Total liabilities	<u>\$ 54,535</u>	<u>\$ 15,924</u>	<u>\$ 52,337</u>	<u>\$ 94,982</u>	<u>\$ 217,778</u>

**County of Franklin, Virginia**  
**Combining Statement of Changes in Assets and Liabilities**  
**Fiduciary Funds**  
**For the Year Ended June 30, 2007**

	<u>Agency Funds</u>			
	<u>Balance</u> July 1, 2006	<u>Additions</u>	<u>Deductions</u>	
<b>ASSETS</b>				
Cash and cash equivalents:				
Special Welfare Fund	\$ 63,575	\$ 203,393	\$ 212,433	\$ 54,535
Road Escrow Fund	34,230	-	18,306	15,924
Escrow Fund for Soil and Erosion Control Agreement	-	69,519	17,182	52,337
Cash in custody of others				
Inmate Trust and Canteen Funds	63,545	293,541	262,104	94,982
Total assets	<u>\$ 161,350</u>	<u>\$ 566,453</u>	<u>\$ 510,025</u>	<u>\$ 217,778</u>
<b>LIABILITIES</b>				
Amounts held for others:				
Social services clients	\$ 63,575	\$ 43,860	\$ 52,900	\$ 54,535
Citizens	34,230	-	18,306	15,924
Performance bonds	-	116,456	64,119	52,337
Inmates	63,545	293,541	262,104	94,982
Total liabilities	<u>\$ 161,350</u>	<u>\$ 453,857</u>	<u>\$ 397,429</u>	<u>\$ 217,778</u>

## **DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD**

### **MAJOR GOVERNMENTAL FUNDS**

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

County of Franklin, Virginia  
Balance Sheet  
Discretely Presented Component Unit - School Board  
June 30, 2007

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	<b>School Operating Fund</b>
<b>ASSETS</b>	
Cash in custody of others	\$ 1,122,311
Due from other governmental units	2,563,629
Total assets	\$ 3,685,940
<b>LIABILITIES AND FUND BALANCES</b>	
Liabilities:	
Accounts payable	\$ 530,611
Due to primary government	579,041
Total liabilities	\$ 1,109,652
Fund balances:	
Unreserved:	
Undesignated	\$ 2,576,288
Total fund balances	\$ 2,576,288
Total liabilities and fund balances	\$ 3,685,940
Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:	
Total fund balances per above	\$ 2,576,288
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	18,971,529
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(762,880)
Net assets of governmental activities	\$ 20,784,937

**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, 2007**

	<b>School Operating Fund</b>
<b>REVENUES</b>	
Charges for services	\$ 1,864,191
Miscellaneous	146,467
Recovered costs	364,280
Intergovernmental revenues:	
Local government	26,073,577
Commonwealth	38,779,282
Federal	6,461,997
Total revenues	\$ 73,689,794
<b>EXPENDITURES</b>	
Current:	
Education	\$ 72,232,129
Total expenditures	\$ 72,232,129
Excess (deficiency) of revenues over (under) expenditures	\$ 1,457,665
Net change in fund balances	\$ 1,457,665
Fund balances - beginning	1,118,623
Fund balances - ending	\$ 2,576,288
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	\$ 1,457,665
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.	2,382,236
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.	20,489
Change in net assets of governmental activities	\$ 3,860,390

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, 2007

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<b>REVENUES</b>				
Charges for services	\$ 1,864,060	\$ 1,864,060	\$ 1,864,191	\$ 131
Miscellaneous	108,982	108,982	146,467	37,485
Recovered costs	23,749	23,749	364,280	340,531
Intergovernmental revenues:				
Local government	30,690,968	25,469,091	26,073,577	604,486
Commonwealth	37,710,534	37,698,229	38,779,282	1,081,053
Federal	6,051,347	6,063,652	6,461,997	398,345
Total revenues	<u>\$ 76,449,640</u>	<u>\$ 71,227,763</u>	<u>\$ 73,689,794</u>	<u>\$ 2,462,031</u>
<b>EXPENDITURES</b>				
Current:				
Education	\$ 73,962,356	\$ 68,989,355	\$ 72,232,129	\$ (3,242,774)
Total expenditures	<u>\$ 73,962,356</u>	<u>\$ 68,989,355</u>	<u>\$ 72,232,129</u>	<u>\$ (3,242,774)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 2,487,284</u>	<u>\$ 2,238,408</u>	<u>\$ 1,457,665</u>	<u>\$ (780,743)</u>
Net change in fund balances	\$ 2,487,284	\$ 2,238,408	\$ 1,457,665	\$ (780,743)
Fund balances - beginning	(2,487,284)	(2,238,408)	1,118,623	3,357,031
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,576,288</u>	<u>\$ 2,576,288</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, 2007

<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>General Fund:</b>				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 24,650,000	\$ 24,650,000	\$ 25,591,816	\$ 941,816
Real and personal public service corporation taxes	619,405	619,405	545,991	(73,414)
Personal property taxes	4,694,826	4,638,358	4,870,621	232,263
Mobile home taxes	245,000	245,000	242,864	(2,136)
Machinery and tools taxes	364,494	364,494	381,737	17,243
Merchant's capital	656,409	656,409	675,520	19,111
Penalties	229,091	229,091	267,296	38,205
Interest	120,665	120,665	131,719	11,054
Total general property taxes	<u>\$ 31,579,890</u>	<u>\$ 31,523,422</u>	<u>\$ 32,707,564</u>	<u>\$ 1,184,142</u>
Other local taxes:				
Local sales and use taxes	\$ 4,093,357	\$ 4,093,357	\$ 4,242,805	\$ 149,448
Consumers' utility taxes	2,284,570	2,284,570	1,715,239	(569,331)
Communications tax	-	378,990	1,092,401	713,411
Cable TV franchise license taxes	210,584	210,584	216,286	5,702
Business license taxes	3,000	3,000	4,998	1,998
Utility license taxes	200,000	200,000	129,854	(70,146)
Motor vehicle licenses	1,289,381	1,289,381	1,279,225	(10,156)
Bank stock taxes	100,000	100,000	105,091	5,091
Taxes on recordation and wills	780,000	780,000	842,747	62,747
Hotel and motel room taxes	112,000	112,000	109,353	(2,647)
Restaurant food taxes	797,133	797,133	814,071	16,938
Total other local taxes	<u>\$ 9,870,025</u>	<u>\$ 10,249,015</u>	<u>\$ 10,552,070</u>	<u>\$ 303,055</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 17,000	\$ 17,000	\$ 17,325	\$ 325
Land use application fees	15,000	15,000	20,444	5,444
Transfer fees	3,000	3,000	2,733	(267)
Zoning and planning fees	150,271	150,271	115,018	(35,253)
Erosion and sediment control	110,000	110,000	171,156	61,156
Building permits	440,000	440,000	364,764	(75,236)
Other permits and licenses	-	-	60	60
Total permits, privilege fees, and regulatory licenses	<u>\$ 735,271</u>	<u>\$ 735,271</u>	<u>\$ 691,500</u>	<u>\$ (43,771)</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 22,225	\$ 22,225	\$ 16,378	\$ (5,847)
Total fines and forfeitures	<u>\$ 22,225</u>	<u>\$ 22,225</u>	<u>\$ 16,378</u>	<u>\$ (5,847)</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 700,000	\$ 1,041,730	\$ 2,195,585	\$ 1,153,855
Revenue from use of property	84,000	87,396	105,473	18,077
Total revenue from use of money and property	<u>\$ 784,000</u>	<u>\$ 1,129,126</u>	<u>\$ 2,301,058</u>	<u>\$ 1,171,932</u>
Charges for services:				
Charges for courthouse security	\$ 30,000	\$ 30,000	\$ 35,236	\$ 5,236
Charges for law enforcement and traffic control	25,000	25,000	19,573	(5,427)
Charges for courthouse maintenance	14,000	14,000	11,579	(2,421)
Charges for law library	15,000	15,000	12,162	(2,838)
Excess Clerk of Court fees	100,285	100,285	167,536	67,251
Charges for Commonwealth's Attorney	2,500	2,500	4,298	1,798
Prisoner's board	10,000	10,000	9,819	(181)
Concealed weapons permits	8,000	8,000	10,274	2,274



County of Franklin, Virginia  
 Schedule of Revenues - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2007

<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>General Fund: (Continued)</b>				
Revenue from local sources: (Continued)				
Charges for services: (Continued)				
Miscellaneous animal fees	\$ 2,000	\$ 2,000	\$ 4,883	\$ 2,883
Miscellaneous jail and inmate fees	-	-	1,019	1,019
Charges for economic development private landfills	-	-	32,922	32,922
Charges for sale of maps and codes and copies	33,000	33,000	45,624	12,624
Charges for emergency medical services billing	300,000	788,162	831,046	42,884
Charges for sanitation and waste removal	875,000	875,000	903,184	28,184
Charges for parks and recreation	60,000	60,000	61,078	1,078
Charges for aging services	18,074	18,074	25,398	7,324
Charges for library	22,220	22,220	24,237	2,017
Total charges for services	<u>\$ 1,515,079</u>	<u>\$ 2,003,241</u>	<u>\$ 2,199,868</u>	<u>\$ 196,627</u>
Miscellaneous revenue:				
Miscellaneous	\$ 172,000	\$ 368,074	\$ 371,305	\$ 3,231
Total miscellaneous revenue	<u>\$ 172,000</u>	<u>\$ 368,074</u>	<u>\$ 371,305</u>	<u>\$ 3,231</u>
Recovered costs:				
Forfeited asset seizures	\$ 25,000	\$ 25,000	\$ 62,962	\$ 37,962
Health department	6,000	6,000	8,064	2,064
Court reporting fees	41,300	41,300	59,615	18,315
Armory reimbursement	-	-	7,267	7,267
School resource officer	86,658	86,658	86,658	-
Office on youth	-	40,000	184,823	144,823
U.S. marshall	-	-	121,570	121,570
Blue ridge soil and water	160,000	200,253	200,254	1
Other recovered costs	-	121,692	-	(121,692)
Total recovered costs	<u>\$ 318,958</u>	<u>\$ 520,903</u>	<u>\$ 731,213</u>	<u>\$ 210,310</u>
Total revenue from local sources	<u>\$ 44,997,448</u>	<u>\$ 46,551,277</u>	<u>\$ 49,570,956</u>	<u>\$ 3,019,679</u>
Revenue from the Commonwealth:				
Noncategorical aid:				
ABC profits	\$ 25,170	\$ 25,170	\$ 25,234	\$ 64
Wine taxes	26,383	26,383	26,383	-
Motor vehicle carrier tax (rolling stock)	29,852	29,852	35,825	5,973
Mobile home titling tax	94,000	94,000	142,940	48,940
Motor vehicle rental tax	21,000	21,000	33,025	12,025
Grantor's tax	420,000	420,000	162,848	(257,152)
State recordation tax	210,000	210,000	204,330	(5,670)
Governor's opportunity grant	-	-	-	-
Personal property tax relief funds	2,626,618	2,626,618	3,019,568	392,950
Total noncategorical aid	<u>\$ 3,453,023</u>	<u>\$ 3,453,023</u>	<u>\$ 3,650,153</u>	<u>\$ 197,130</u>

County of Franklin, Virginia  
 Schedule of Revenues - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2007

<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>General Fund: (Continued)</b>				
Revenue from the Commonwealth: (Continued)				
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 380,360	\$ 380,360	\$ 457,871	\$ 77,511
Sheriff	2,946,812	3,306,087	3,335,781	29,694
Commissioner of revenue	165,510	166,962	176,729	9,767
Treasurer	158,524	158,524	166,758	8,234
Medical examiner	600	600	120	(480)
Registrar/electoral board	42,000	42,000	76,794	34,794
Clerk of the Circuit Court	281,694	355,686	356,946	1,260
Total shared expenses	<u>\$ 3,975,500</u>	<u>\$ 4,410,219</u>	<u>\$ 4,570,999</u>	<u>\$ 160,780</u>
Other categorical aid:				
Public assistance and welfare administration	\$ 3,730,579	\$ 3,853,972	\$ 1,415,423	\$ (2,438,549)
Comprehensive services act	2,230,250	2,556,697	2,719,580	162,883
Office on youth-juvenile	29,811	29,811	29,811	-
Family resource center-family violence prevention	147,607	147,607	131,540	(16,067)
Family resource center-DHCD shelter grant	37,400	37,400	19,696	(17,704)
Fire programs	-	104,141	113,614	9,473
Library grants	111,097	133,648	133,648	-
Litter control grant	-	9,300	9,300	-
Franklin center contributions	-	51,573	51,573	-
Commonwealth debit account	-	-	4,830	4,830
EDA grant	-	1,000,000	-	(1,000,000)
VDA grant	-	-	58,164	58,164
Governor's opportunity funds	-	600,000	600,000	-
Public safety purchase reimbursement	-	-	56,973	56,973
Public safety grants	-	-	242,627	242,627
Town of Rocky Mount	-	45,300.0	45,300	-
Tobacco indemnification funds	-	1,971,426	692,272	(1,279,154)
Department of Emergency Management equipment grant	-	84,894	84,894	-
Other categorical aid	191,045	191,045	23,777	(167,268)
Total other categorical aid	<u>\$ 6,477,789</u>	<u>\$ 10,816,814</u>	<u>\$ 6,433,022</u>	<u>\$ (4,383,792)</u>
Total categorical aid	<u>\$ 10,453,289</u>	<u>\$ 15,227,033</u>	<u>\$ 11,004,021</u>	<u>\$ (4,223,012)</u>
Total revenue from the Commonwealth	<u>\$ 13,906,312</u>	<u>\$ 18,680,056</u>	<u>\$ 14,654,174</u>	<u>\$ (4,025,882)</u>
Revenue from the federal government:				
Payments in lieu of taxes	\$ 9,883	\$ 9,883	\$ 25,463	\$ 15,580
Non-categorical aid:				
CDBG-indoor plumbing grant	\$ 150,000	\$ 165,000	\$ 142,003	\$ (22,997)
CDBG block grant-States program	-	1,400,000	553,005	(846,995)
DCJS grant	-	36,086	37,605	1,519
Trans fee for services	-	-	-	-
Total non-categorical aid	<u>\$ 150,000</u>	<u>\$ 1,601,086</u>	<u>\$ 732,613</u>	<u>\$ (868,473)</u>

County of Franklin, Virginia  
 Schedule of Revenues - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2007

<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>General Fund: (Continued)</b>				
Revenue from the federal government: (Continued)				
Categorical aid:				
Department of Health and Human Services payments	\$ 63,000	\$ 63,000	\$ 2,574,071	\$ 2,511,071
Department of Justice payments	15,144	15,144	37,902	22,758
Department of Housing and Urban Development payments	16,696	16,696	28,348	11,652
Department of Homeland Security payments	34,500	34,500	34,584	84
Total categorical aid	<u>\$ 129,340</u>	<u>\$ 129,340</u>	<u>\$ 2,674,905</u>	<u>\$ 2,545,565</u>
 Total revenue from the federal government	 <u>\$ 289,223</u>	 <u>\$ 1,740,309</u>	 <u>\$ 3,432,981</u>	 <u>\$ 1,692,672</u>
 Total General Fund	 <u>\$ 59,192,983</u>	 <u>\$ 66,971,642</u>	 <u>\$ 67,658,111</u>	 <u>\$ 686,469</u>
<b>Nonmajor Special Revenue Fund:</b>				
<b>E-911 Fund:</b>				
Revenue from local sources:				
Other local taxes:				
E-911 taxes	\$ 887,736	\$ 508,746	\$ 508,746	\$ -
Total other local taxes	<u>\$ 887,736</u>	<u>\$ 508,746</u>	<u>\$ 508,746</u>	<u>\$ -</u>
 Miscellaneous revenue:				
Other miscellaneous	\$ 2,500	\$ 2,500	\$ -	\$ (2,500)
 Total revenue from local sources	 <u>\$ 890,236</u>	 <u>\$ 511,246</u>	 <u>\$ 508,746</u>	 <u>\$ (2,500)</u>
 Categorical aid:				
Wireless board reimbursement	\$ 72,968	\$ 72,968	\$ 68,979	\$ (3,989)
Total categorical aid	<u>\$ 72,968</u>	<u>\$ 72,968</u>	<u>\$ 68,979</u>	<u>\$ (3,989)</u>
 Total revenue from the Commonwealth	 <u>\$ 72,968</u>	 <u>\$ 72,968</u>	 <u>\$ 68,979</u>	 <u>\$ (3,989)</u>
 Total E-911 Fund	 <u>\$ 963,204</u>	 <u>\$ 584,214</u>	 <u>\$ 577,725</u>	 <u>\$ (6,489)</u>
<b>Nonmajor Capital Projects Funds:</b>				
<b>School Construction Fund:</b>				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 231,021	\$ 231,021
Total revenue from use of money and property	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 231,021</u>	<u>\$ 231,021</u>
 Miscellaneous revenue:				
Other miscellaneous	\$ -	\$ -	\$ 187,343	\$ 187,343
Total miscellaneous revenue	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 187,343</u>	<u>\$ 187,343</u>
 Total revenue from local sources	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 418,364</u>	 <u>\$ 418,364</u>
 Total School Construction Fund	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 418,364</u>	 <u>\$ 418,364</u>
 Total Primary Government	 <u>\$ 60,156,187</u>	 <u>\$ 67,555,856</u>	 <u>\$ 68,654,200</u>	 <u>\$ 1,098,344</u>

County of Franklin, Virginia  
 Schedule of Revenues - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2007

<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:</b>				
<b>Special Revenue Funds:</b>				
<b>School Operating Fund:</b>				
Revenue from local sources:				
Charges for services:				
Other charges for education	\$ -	\$ -	\$ 55,407	\$ 55,407
Cafeteria sales	1,864,060	1,864,060	1,794,554	(69,506)
Cannery fees	-	-	14,230	14,230
Total charges for services	<u>\$ 1,864,060</u>	<u>\$ 1,864,060</u>	<u>\$ 1,864,191</u>	<u>\$ 131</u>
<b>Discretely Presented Component Unit - School Board: (Continued)</b>				
<b>Special Revenue Funds: (Continued)</b>				
<b>School Operating Fund: (Continued)</b>				
Revenue from local sources: (Continued)				
Miscellaneous revenue:				
Miscellaneous	\$ 108,982	\$ 108,982	\$ 146,467	\$ 37,485
Total miscellaneous revenue	<u>\$ 108,982</u>	<u>\$ 108,982</u>	<u>\$ 146,467</u>	<u>\$ 37,485</u>
Recovered costs:				
Insurance recoveries and rebates	\$ 10,131	\$ 10,131	\$ 20,555	\$ 10,424
Sale of supplies	-	-	28,180	28,180
Sale of school buses	-	-	5,450	5,450
Sale of other equipment	13,618	13,618	41,315	27,697
Other recovered costs	-	-	268,780	268,780
Total recovered costs	<u>\$ 23,749</u>	<u>\$ 23,749</u>	<u>\$ 364,280</u>	<u>\$ 340,531</u>
Total revenue from local sources	<u>\$ 1,996,791</u>	<u>\$ 1,996,791</u>	<u>\$ 2,374,938</u>	<u>\$ 378,147</u>
Revenues from local governments:				
Contribution from County of Franklin, Virginia	\$ 30,432,942	\$ 25,211,065	\$ 25,640,822	\$ 429,757
Payments from other localities	258,026	258,026	432,755	174,729
Total revenues from local governments	<u>\$ 30,690,968</u>	<u>\$ 25,469,091</u>	<u>\$ 26,073,577</u>	<u>\$ 604,486</u>
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Categorical aid:				
Adult literacy	\$ -	\$ -	\$ 142,654	\$ 142,654
Adult secondary education	12,305	-	24,180	24,180
At risk four-year olds	434,511	458,651	458,651	-
At risk payments	432,164	-	439,259	439,259
Basic school aid	18,618,705	18,514,408	19,365,245	850,837
E-rate rebate	175,000	175,000	158,473	(16,527)
Early reading intervention	68,112	68,112	59,806	(8,306)
English as a second language	78,018	78,313	72,835	(5,478)
GED funds	-	-	49,052	49,052
Gifted and talented	173,829	173,829	176,779	2,950
Homebound education	-	-	16,755	16,755
Mentor teacher program	-	-	8,965	8,965
Primary class size	531,663	528,774	552,455	23,681
Race to GED	-	-	42,408	42,408
Regular foster care	164,218	192,536	66,817	(125,719)
Remedial education	399,806	399,806	406,591	6,785
Remedial summer education	145,393	145,393	168,001	22,608
Retirement fringe benefits	1,394,975	1,342,826	1,365,617	22,791
Salary supplement	499,757	495,412	503,820	8,408

County of Franklin, Virginia  
 Schedule of Revenues - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2007

<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>Special Revenue Funds: (Continued)</b>				
<b>School Operating Fund: (Continued)</b>				
Intergovernmental revenues: (continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
School construction	\$ 190,300	\$ 190,300	\$ 189,832	\$ (468)
School food	40,933	40,933	54,188	13,255
Share of state sales tax	7,763,199	7,863,199	7,442,491	(420,708)
Social security fringe benefits	1,060,354	1,060,354	1,078,351	17,997
Special education	2,594,392	2,594,392	2,638,425	44,033
Special education - foster children	-	431,922	107,970	(323,952)
Special education-regional program	344,017	344,017	317,235	(26,782)
Standards of Learning algebra readiness	63,089	63,089	59,524	(3,565)
State lottery payments	991,954	1,011,814	1,024,478	12,664
Technology	440,000	440,000	440,000	-
Textbook payment	435,788	435,788	443,185	7,397
Vocational adult education	538,869	538,869	588,335	49,466
Vocational education - equipment	26,076	26,076	17,054	(9,022)
Vocational occupational preparedness	-	-	23,039	23,039
Other state funds	93,107	84,416	276,812	192,396
Total categorical aid	<u>\$ 37,710,534</u>	<u>\$ 37,698,229</u>	<u>\$ 38,779,282</u>	<u>\$ 1,081,053</u>
Total revenue from the Commonwealth	<u>\$ 37,710,534</u>	<u>\$ 37,698,229</u>	<u>\$ 38,779,282</u>	<u>\$ 1,081,053</u>
Revenue from the federal government:				
Categorical aid:				
Adult basic education	\$ 90,712	\$ 103,017	\$ 473,730	\$ 370,713
Advanced placement grant	-	-	572	572
Drug free schools	41,116	41,116	34,594	(6,522)
Even Start Family Literacy	125,000	125,000	132,440	7,440
Learn and serve grant	90,442	-	45,000	45,000
Literacy challenge grant	31,916	31,916	31,992	76
Title II	346,886	346,886	345,899	(987)
Learning grant	172,337	132,484	103,476	(29,008)
Reading first	127,198	127,198	394,250	267,052
Refugee children	-	-	-	-
School food	1,368,479	1,368,479	1,650,399	281,920
Title I	1,643,281	1,643,281	1,543,428	(99,853)
Title VI	37,857	37,857	29,401	(8,456)
Title VI-B, special education flow-through	1,793,700	1,961,584	1,499,008	(462,576)
Title VI-B, special education pre-school	37,589	-	37,998	37,998
Vocational education	144,834	144,834	139,810	(5,024)
Total categorical aid	<u>\$ 6,051,347</u>	<u>\$ 6,063,652</u>	<u>\$ 6,461,997</u>	<u>\$ 398,345</u>
Total revenue from the federal government	<u>\$ 6,051,347</u>	<u>\$ 6,063,652</u>	<u>\$ 6,461,997</u>	<u>\$ 398,345</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 76,449,640</u>	<u>\$ 71,227,763</u>	<u>\$ 73,689,794</u>	<u>\$ 2,462,031</u>

County of Franklin, Virginia  
 Schedule of Expenditures - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2007

<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>General Fund:</b>				
General government administration:				
Legislative:				
Board of supervisors	\$ 1,587,251	\$ 550,210	\$ 527,640	\$ 22,570
General and financial administration:				
County administrator	\$ 354,340	\$ 418,533	\$ 389,983	\$ 28,550
Risk management	282,250	282,250	273,235	9,015
Human resources	242,748	289,924	83,153	206,771
County planner	-	65,000	15,000	50,000
Land use	34,987	34,987	34,688	299
Commissioner of revenue	545,260	527,822	452,241	75,581
Reassessment	150,000	396,703	409,372	(12,669)
Treasurer	438,085	438,385	438,558	(173)
Finance	312,573	272,961	238,070	34,891
Information technology	919,231	952,138	852,606	99,532
Telecommunications	62,700	62,700	55,591	7,109
Total general and financial administration	<u>\$ 3,342,174</u>	<u>\$ 3,741,403</u>	<u>\$ 3,242,497</u>	<u>\$ 498,906</u>
Board of elections:				
Registrar	\$ 135,477	\$ 155,416	\$ 139,344	\$ 16,072
Electoral board and officials	45,375	44,115	29,534	14,581
Total board of elections	<u>\$ 180,852</u>	<u>\$ 199,531</u>	<u>\$ 168,878</u>	<u>\$ 30,653</u>
Total general government administration	<u>\$ 5,110,277</u>	<u>\$ 4,491,144</u>	<u>\$ 3,939,015</u>	<u>\$ 552,129</u>
Judicial administration:				
Courts:				
Circuit court	\$ 88,688	\$ 94,689	\$ 91,262	\$ 3,427
General district court	11,243	11,243	17,906	(6,663)
Law library	15,000	24,765	9,927	14,838
Special magistrates	2,975	2,975	688	2,287
Juvenile and domestic relations court	468,462	458,338	420,149	38,189
Juvenile court services	48,926	63,903	61,371	2,532
Sheriff-courts	532,710	532,710	458,037	74,673
Clerk of the circuit court	545,040	628,032	581,684	46,348
Total courts	<u>\$ 1,713,044</u>	<u>\$ 1,816,655</u>	<u>\$ 1,641,024</u>	<u>\$ 175,631</u>
Commonwealth's attorney:				
Commonwealth's attorney	560,252	593,262	573,094	20,168
Total commonwealth's attorney	<u>\$ 560,252</u>	<u>\$ 593,262</u>	<u>\$ 573,094</u>	<u>\$ 20,168</u>
Total judicial administration	<u>\$ 2,273,296</u>	<u>\$ 2,409,917</u>	<u>\$ 2,214,118</u>	<u>\$ 195,799</u>
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 3,512,960	\$ 4,818,544	\$ 3,390,129	\$ 1,428,415
Total law enforcement and traffic control	<u>\$ 3,512,960</u>	<u>\$ 4,818,544</u>	<u>\$ 3,390,129</u>	<u>\$ 1,428,415</u>
Correction and detention:				
County operated institutions	\$ 2,150,902	\$ 2,568,648	\$ 3,156,508	\$ (587,860)
Total correction and detention	<u>\$ 2,150,902</u>	<u>\$ 2,568,648</u>	<u>\$ 3,156,508</u>	<u>\$ (587,860)</u>

County of Franklin, Virginia  
 Schedule of Expenditures - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2007

<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>General Fund: (Continued)</b>				
Public safety: (Continued)				
Inspections:				
Building	\$ 410,602	\$ 434,506	\$ 388,754	\$ 45,752
Total inspections	<u>\$ 410,602</u>	<u>\$ 434,506</u>	<u>\$ 388,754</u>	<u>\$ 45,752</u>
Other protection:				
Animal control	\$ 172,071	\$ 206,992	\$ 225,361	\$ (18,369)
Director of public safety	1,907,157	1,699,024	1,832,571	(133,547)
Department of forestry	13,336	13,336	13,337	(1)
Emergency medical services	-	1,042,508	541,069	501,439
Asset forfeiture	25,000	99,791	50,306	49,485
E-911	100,000	974,462	647,702	326,760
Total other protection	<u>\$ 2,217,564</u>	<u>\$ 4,036,113</u>	<u>\$ 3,310,346</u>	<u>\$ 725,767</u>
Total public safety	<u>\$ 8,292,028</u>	<u>\$ 11,857,811</u>	<u>\$ 10,245,737</u>	<u>\$ 1,612,074</u>
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Highways, streets, bridges and sidewalks	\$ 450	\$ 74,046	\$ 73,596	\$ 450
Total maintenance of highways, streets, bridges & sidewalks	<u>\$ 450</u>	<u>\$ 74,046</u>	<u>\$ 73,596</u>	<u>\$ 450</u>
Sanitation and waste removal:				
Refuse collection and disposal	\$ 1,679,392	\$ 5,646,382	\$ 1,496,215	\$ 4,150,167
Scale house	45,605	45,605	42,889	2,716
Recycling program	77,361	77,361	62,978	14,383
Total sanitation and waste removal	<u>\$ 1,802,358</u>	<u>\$ 5,769,348</u>	<u>\$ 1,602,082</u>	<u>\$ 4,167,266</u>
Maintenance of general buildings and grounds:				
General properties	\$ 1,749,819	\$ 2,299,536	\$ 1,877,718	\$ 421,818
Mechanic	171,560	171,560	188,459	(16,899)
Armory	33,250	33,250	21,478	11,772
Courthouse maintenance	14,000	505	-	505
Total maintenance of general buildings and grounds	<u>\$ 1,954,629</u>	<u>\$ 2,504,346</u>	<u>\$ 2,087,655</u>	<u>\$ 416,691</u>
Total public works	<u>\$ 3,757,437</u>	<u>\$ 8,347,740</u>	<u>\$ 3,763,333</u>	<u>\$ 4,584,407</u>
Health and welfare:				
Health:				
Supplement of local health department	\$ 309,852	\$ 309,852	\$ 309,853	\$ (1)
Total health	<u>\$ 309,852</u>	<u>\$ 309,852</u>	<u>\$ 309,853</u>	<u>\$ (1)</u>
Mental health and mental retardation:				
Developmental Center of Franklin	\$ 49,000	\$ 49,000	\$ 49,000	\$ -
Total mental health and mental retardation	<u>\$ 49,000</u>	<u>\$ 49,000</u>	<u>\$ 49,000</u>	<u>\$ -</u>

County of Franklin, Virginia  
 Schedule of Expenditures - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2007

<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>General Fund: (Continued)</b>				
Health and welfare: (Continued)				
Welfare:				
Public assistance and welfare administration	\$ 4,447,166	\$ 4,628,573	\$ 4,787,179	\$ (158,606)
Youth services agency	3,340,476	3,836,090	3,946,099	(110,009)
Family resource center	254,545	301,631	261,378	40,253
Area agency on aging	269,083	269,083	256,990	12,093
Contribution to Special Welfare fund	59,290	59,290	59,290	-
Assistance - institutions	15,270	15,270	15,270	-
Total welfare	<u>\$ 8,385,830</u>	<u>\$ 9,109,937</u>	<u>\$ 9,326,206</u>	<u>\$ (216,269)</u>
Total health and welfare	<u>\$ 8,744,682</u>	<u>\$ 9,468,789</u>	<u>\$ 9,685,059</u>	<u>\$ (216,270)</u>
Education:				
Other instructional costs:				
Contribution to County School Board	\$ 26,489,637	\$ 26,489,637	\$ 25,640,822	\$ 848,815
Total education	<u>\$ 26,489,637</u>	<u>\$ 26,489,637</u>	<u>\$ 25,640,822</u>	<u>\$ 848,815</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Parks and recreation	\$ 1,186,113	\$ 2,452,539	\$ 1,601,042	\$ 851,497
Total parks and recreation	<u>\$ 1,186,113</u>	<u>\$ 2,452,539</u>	<u>\$ 1,601,042</u>	<u>\$ 851,497</u>
Library:				
Library administration	\$ 600,010	\$ 818,363	\$ 699,664	\$ 118,699
Total library	<u>\$ 600,010</u>	<u>\$ 818,363</u>	<u>\$ 699,664</u>	<u>\$ 118,699</u>
Total parks, recreation, and cultural	<u>\$ 1,786,123</u>	<u>\$ 3,270,902</u>	<u>\$ 2,300,706</u>	<u>\$ 970,196</u>
Community development:				
Planning and community development:				
Community development	\$ 602,773	\$ 679,607	\$ 628,255	\$ 51,352
Ferrum T-21 project	-	15,000	73	14,927
WFDC-tobacco grant	-	-	1,194	(1,194)
Economic development	647,614	5,257,743	2,275,852	2,981,891
Tourism	67,000	200,516	202,952	(2,436)
Workforce development grant	-	6,043,753	4,404,312	1,639,441
Public works	343,521	358,521	257,307	101,214
GIS and mapping	131,286	146,991	103,941	43,050
4-H youth	6,000	6,000	6,000	-
IPR grant	150,000	150,000	20,254	129,746
Planning	185,246	232,877	172,609	60,268
Contributions to other entities	148,800	155,799	155,799	-
Total planning and community development	<u>\$ 2,282,240</u>	<u>\$ 13,246,807</u>	<u>\$ 8,228,548</u>	<u>\$ 5,018,259</u>
Environmental management:				
Contribution to soil and water district	\$ 177,649	\$ 217,902	\$ 208,603	\$ 9,299
Total environmental management	<u>\$ 177,649</u>	<u>\$ 217,902</u>	<u>\$ 208,603</u>	<u>\$ 9,299</u>
Cooperative extension program:				
Extension office	\$ 94,484	\$ 94,484	\$ 72,921	\$ 21,563
Total cooperative extension program	<u>\$ 94,484</u>	<u>\$ 94,484</u>	<u>\$ 72,921</u>	<u>\$ 21,563</u>
Total community development	<u>\$ 2,554,373</u>	<u>\$ 13,559,193</u>	<u>\$ 8,510,072</u>	<u>\$ 5,049,121</u>



County of Franklin, Virginia  
 Schedule of Expenditures - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2007

<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>General Fund: (Continued)</b>				
Nondepartmental:				
Contingencies	\$ 455,300	\$ 293,119	\$ 40,097	\$ 253,022
Total nondepartmental	<u>\$ 455,300</u>	<u>\$ 293,119</u>	<u>\$ 40,097</u>	<u>\$ 253,022</u>
Capital projects:				
Career center	\$ 174,331	\$ 222,811	\$ 131,011	\$ 91,800
Total capital projects	<u>\$ 174,331</u>	<u>\$ 222,811</u>	<u>\$ 131,011</u>	<u>\$ 91,800</u>
Debt service:				
Principal retirement	\$ 631,865	\$ 666,353	\$ 2,076,767	\$ (1,410,414)
Interest and other fiscal charges	772,665	1,609,153	1,232,658	\$ 376,495
Total debt service	<u>\$ 1,404,530</u>	<u>\$ 2,275,506</u>	<u>\$ 3,309,425</u>	<u>\$ (1,033,919)</u>
Total General Fund	<u>\$ 61,042,014</u>	<u>\$ 82,686,569</u>	<u>\$ 69,779,395</u>	<u>\$ 12,907,174</u>
<b>Nonmajor Special Revenue Fund:</b>				
<b>E-911 Fund:</b>				
Public safety:				
Other protection:				
E-911 Administration	\$ 917,431	\$ 917,103	\$ 879,577	\$ 37,526
Total other protection	<u>\$ 917,431</u>	<u>\$ 917,103</u>	<u>\$ 879,577</u>	<u>\$ 37,526</u>
Total public safety	<u>\$ 917,431</u>	<u>\$ 917,103</u>	<u>\$ 879,577</u>	<u>\$ 37,526</u>
Total E-911 Fund	<u>\$ 917,431</u>	<u>\$ 917,103</u>	<u>\$ 879,577</u>	<u>\$ 37,526</u>
<b>Nonmajor Capital Projects Funds:</b>				
<b>School Construction Fund</b>				
Capital projects:				
Capital projects expenditures:				
Capital projects expenditures	\$ -	\$ -	\$ 390,906	\$ (390,906)
Total capital projects	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 390,906</u>	<u>\$ (390,906)</u>
Total School Construction Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 390,906</u>	<u>\$ (390,906)</u>
Total Primary Government	<u>\$ 61,959,445</u>	<u>\$ 83,603,672</u>	<u>\$ 71,049,878</u>	<u>\$ 12,553,794</u>
<b>Discretely Presented Component Unit - School Board</b>				
<b>Special revenue funds:</b>				
<b>School Operating Fund:</b>				
Education:				
Administration of schools:				
Administration cost	\$ 1,943,190	\$ 1,943,190	\$ 936,344	\$ 1,006,846
Total administration of schools	<u>\$ 1,943,190</u>	<u>\$ 1,943,190</u>	<u>\$ 936,344</u>	<u>\$ 1,006,846</u>
Instruction costs:				
Instruction cost	\$ 51,743,343	\$ 51,607,578	\$ 53,402,894	\$ (1,795,316)
Total instruction costs	<u>\$ 51,743,343</u>	<u>\$ 51,607,578</u>	<u>\$ 53,402,894</u>	<u>\$ (1,795,316)</u>

County of Franklin, Virginia  
 Schedule of Expenditures - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2007

<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>Discretely Presented Component Unit - School Board (Continued)</b>				
<b>Special revenue funds: (Continued)</b>				
<b>School Operating Fund: (Continued)</b>				
Education: (Continued)				
Operating costs:				
Pupil transportation	\$ 5,533,573	\$ 5,533,573	\$ 5,683,533	\$ (149,960)
Operation and maintenance of school plant	6,654,342	6,631,542	6,850,222	(218,680)
School food and non-instructional	3,273,472	3,273,472	3,602,333	(328,861)
Facilities	4,814,436	-	1,756,803	(1,756,803)
Total operating costs	<u>\$ 20,275,823</u>	<u>\$ 15,438,587</u>	<u>\$ 17,892,891</u>	<u>\$ (2,454,304)</u>
Total education	<u>\$ 73,962,356</u>	<u>\$ 68,989,355</u>	<u>\$ 72,232,129</u>	<u>\$ (3,242,774)</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 73,962,356</u>	<u>\$ 68,989,355</u>	<u>\$ 72,232,129</u>	<u>\$ (3,242,774)</u>

## Statistical Section

<u>Contents</u>	<u>Tables</u>
<b>Financial Trends</b> These tables contain trend information to help the reader understand how the the County's financial performance and well-being have changed over time.	1 - 5
<b>Revenue Capacity</b> These tables contain information to help the reader assess the factors affecting the County's ability to generate its property and sales taxes.	6 - 9
<b>Debt Capacity</b> 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 - 12
<b>Demographic and Economic Information</b> 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.	13 - 14
<b>Operating Information</b> 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.	15 - 17

*Sources:* Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial reports for the relevant year. The County implemented GASB Statement 34 in fiscal year 2003; schedules presenting government-wide information include information beginning in that year.

COUNTY OF FRANKLIN, VIRGINIA

Table 1

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

	2003	2004	2005	2006	2007
<b>Governmental activities</b>					
Invested in capital assets, net of related debt	13,158,358	16,145,464	16,433,828	13,464,803	13,726,563
Restricted	-	134,201	200,123	174,252	6,822,191
Unrestricted	18,036,357	17,381,645	21,556,678	32,261,985	28,843,796
<b>Total governmental activities net assets</b>	<b>31,194,715</b>	<b>33,661,310</b>	<b>38,190,629</b>	<b>45,901,040</b>	<b>49,392,550</b>
<b>Business-type activities</b>					
Invested in capital assets, net of related debt	-	551,803	628,315	1,547,373	1,724,684
Restricted	-	-	-	-	-
Unrestricted	-	(315,892)	1,667,338	1,758,683	1,916,298
<b>Total business-type activities net assets</b>	<b>-</b>	<b>235,911</b>	<b>2,295,653</b>	<b>3,306,056</b>	<b>3,640,982</b>
<b>Primary government</b>					
Invested in capital assets, net of related debt	13,158,358	16,697,267	17,062,143	15,012,176	15,451,247
Restricted	-	134,201	200,123	174,252	6,822,191
Unrestricted	18,036,357	17,065,753	23,224,016	34,020,668	30,760,094
<b>Total primary government net assets</b>	<b>31,194,715</b>	<b>33,897,221</b>	<b>40,486,282</b>	<b>49,207,096</b>	<b>53,033,532</b>

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

COUNTY OF FRANKLIN, VIRGINIA

Table 2

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

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b>Expenses</b>					
Governmental activities:					
General government	2,715,918	2,991,740	3,004,469	3,463,168	4,157,343
Judicial administration	1,628,330	1,891,174	1,970,309	3,326,151	2,160,555
Public safety	6,997,025	7,759,941	8,205,130	8,464,171	10,347,921
Public works	1,609,720	1,290,295	2,012,628	986,891	1,982,292
Health and welfare	5,772,246	7,107,058	7,486,945	8,070,657	9,732,455
Education	21,540,338	21,027,314	23,380,369	24,078,623	28,332,013
Parks, recreation and cultural	1,045,509	976,713	1,078,612	1,284,696	1,656,664
Community development	3,363,765	2,545,117	1,706,253	1,887,256	3,873,631
Interest on long-term debt	1,084,452	988,256	943,084	1,274,457	1,435,334
Total governmental activities expenses	<u>45,757,303</u>	<u>46,577,608</u>	<u>49,787,799</u>	<u>52,836,070</u>	<u>63,678,208</u>
Business-type activities:					
Water	-	480,817	60,868	413,450	581,355
Total business-type activities expenses	<u>-</u>	<u>480,817</u>	<u>60,868</u>	<u>413,450</u>	<u>581,355</u>
Total primary government expenses	<u>45,757,303</u>	<u>47,058,425</u>	<u>49,848,667</u>	<u>53,249,520</u>	<u>64,259,563</u>
<b>Program Revenues</b>					
Governmental activities:					
Charges for services:					
General government	-	30	183,138	-	45,684
Judicial administration	43,924	380,442	313,868	788,901	200,374
Public safety	56,304	451,852	508,486	463,421	1,317,116
Public works	685,487	811,993	919,688	920,146	947,685
Health and welfare	26,059	184,900	180,009	19,005	25,398
Education	-	-	-	-	-
Parks, recreation and cultural	45,783	72,615	84,531	86,633	85,315
Community development	18,382	149,187	-	293,449	286,174
Operating grants and contributions	8,351,117	9,471,293	9,288,324	10,348,984	11,965,531
Capital grants and contributions	-	592,704	832,018	412,417	854,268
Total governmental activities program revenues	<u>9,227,056</u>	<u>12,115,016</u>	<u>12,310,062</u>	<u>13,332,956</u>	<u>15,727,545</u>
Business-type activities:					
Charges for services:					
Water	-	6,325	37,496	333,003	145,464

Operating grants and contributions	-	-	-	-	-
Capital grants and contributions	-	158,600	915,400	422,022	141,761
Total business-type activities program revenues	-	164,925	952,896	755,025	287,225
Total primary government program revenues	9,227,056	12,279,941	13,262,958	14,087,981	16,014,770
Net (expense) / revenue					
Governmental activities	(36,530,247)	(34,462,592)	(37,477,737)	(39,503,114)	(47,950,663)
Business-type activities	-	(315,892)	892,028	341,575	(294,130)
Total primary government net expense	(36,530,247)	(34,778,484)	(36,585,709)	(39,161,539)	(48,244,793)
<b>General Revenues and Other Changes in Net Assets</b>					
Governmental activities:					
Taxes					
Property taxes	22,839,897	23,919,026	28,631,256	30,887,533	32,824,967
Local sales and use taxes		3,468,199	3,795,054	4,163,629	4,242,805
Taxes on recordation and wills		474,457	917,206	993,726	842,747
Motor vehicle licenses taxes		1,195,147	1,237,090	1,265,605	1,279,225
Consumer utility taxes		2,412,622	2,427,461	2,468,539	1,715,239
Business licenses taxes		3,922	3,394	4,261	4,998
Other local taxes	8,437,529	1,640,641	1,758,704	2,078,429	2,975,802
Permits, privilege fees and regulatory licenses	443,193	-	-	-	-
Unrestricted grants and contributions	3,330,174	3,462,993	2,973,473	3,579,663	5,351,267
Unrestricted revenues from use of money and property	444,966	325,696	610,065	1,293,731	2,532,079
Miscellaneous	635,270	578,287	793,590	1,122,032	356,373
Transfers	36,045	(271,507)	(1,140,237)	(643,621)	(347,878)
Total governmental activities	36,167,074	37,209,483	42,007,056	47,213,527	51,777,624
Business-type activities:					
Unrestricted grants and contributions	-	-	-	-	137,663
Transfers	-	271,507	1,140,237	643,621	347,878
Unrestricted revenues from use of money and property	-	-	27,477	25,207	21,332
Total business-type activities	-	271,507	1,167,714	668,828	506,873
Total primary government	36,167,074	37,480,990	43,174,770	47,882,355	52,284,497
<b>Change in Net Assets</b>					
Governmental activities	(363,173)	2,746,891	4,529,319	7,710,413	3,826,961
Business-type activities	-	(44,385)	2,059,742	1,010,403	212,743
Total primary government	(363,173)	2,702,506	6,589,061	8,720,816	4,039,704

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

COUNTY OF FRANKLIN, VIRGINIA

Table 3

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

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General fund										
Reserved	-	-	-	-	-	-	11,379	33,436	85,811	221,133
Unreserved	15,250,140	16,383,147	17,196,618	19,109,944	18,485,155	18,756,057	19,026,439	23,649,911	35,092,881	31,908,499
Total general fund	<u>15,250,140</u>	<u>16,383,147</u>	<u>17,196,618</u>	<u>19,109,944</u>	<u>18,485,155</u>	<u>18,756,057</u>	<u>19,037,818</u>	<u>23,683,347</u>	<u>35,178,692</u>	<u>32,129,632</u>
All other governmental funds										
Reserved							122,822	2,237,117	88,441	6,632,094
Unreserved, reported in:										
Special revenue funds	108,400	218,544	137,428	136,330	45,496	288,363	-	-	-	-
Capital projects funds	3,048,054	2,094,089	2,862,106	2,808,993	2,639,442	1,129,671	627,965	556,871	-	-
Debt service funds	-	-	-	-	-	-	-	-	-	-
Permanent funds	-	-	-	-	-	-	-	-	-	-
Total all other governmental funds	<u>3,156,454</u>	<u>2,312,633</u>	<u>2,999,534</u>	<u>2,945,323</u>	<u>2,684,938</u>	<u>1,418,034</u>	<u>750,787</u>	<u>2,793,988</u>	<u>88,441</u>	<u>6,632,094</u>

COUNTY OF FRANKLIN, VIRGINIA

Table 4

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

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

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<b>Revenues</b>										
General property taxes	17,571,547	18,318,491	18,299,563	20,400,584	20,776,235	22,799,617	23,728,713	28,585,380	30,818,386	32,707,564
Other local taxes	5,807,801	6,282,585	6,756,077	7,616,475	7,738,185	8,437,529	9,194,988	10,138,909	10,974,189	11,060,816
Permits, privilege fees and regulatory licenses	268,425	331,334	325,306	315,694	342,874	443,193	535,956	620,966	764,826	691,500
Fines and forfeitures	8,693	10,892	5,884	8,922	6,009	5,488	26,594	23,516	16,968	16,378
Revenue from use of money and property	887,208	1,054,254	1,129,429	1,828,072	983,815	459,049	335,508	626,119	1,319,687	2,532,079
Charges for services	2,041,772	2,263,705	2,209,296	2,173,111	2,161,503	2,267,154	2,968,197	3,164,906	3,628,164	2,199,868
Miscellaneous	628,419	649,967	746,410	938,870	941,233	1,117,340	1,100,148	1,329,195	1,750,210	543,716
Recovered costs	755,559	486,875	1,027,833	619,277	828,401	656,811	1,194,949	907,568	1,782,271	731,213
Intergovernmental:										
Commonwealth	25,628,620	28,907,447	32,153,858	35,347,353	36,032,514	36,231,910	38,803,598	42,650,111	45,471,082	14,723,153
Federal	4,516,666	5,008,097	5,315,848	5,744,328	6,047,396	6,452,040	7,229,534	8,668,290	9,135,829	3,447,913
<b>Total revenues</b>	<b>58,114,710</b>	<b>63,313,647</b>	<b>67,969,504</b>	<b>74,992,686</b>	<b>75,858,165</b>	<b>78,870,131</b>	<b>85,118,185</b>	<b>96,714,960</b>	<b>105,661,612</b>	<b>68,654,200</b>
<b>Expenditures</b>										
General government administration	1,806,807	2,182,542	2,293,779	2,281,829	2,441,919	2,707,339	2,971,402	3,491,287	3,591,991	3,939,015
Judicial administration	960,971	1,185,261	1,420,223	1,482,185	1,719,941	1,692,142	1,929,484	2,014,628	2,082,436	2,214,118
Public safety	5,013,178	5,707,617	5,727,227	6,772,877	6,796,796	7,093,902	7,956,964	8,012,239	10,499,222	11,125,314
Public works	937,765	1,275,032	1,070,664	1,576,674	1,759,923	1,723,695	2,131,223	2,024,491	2,567,643	3,763,333
Health and welfare	3,402,812	3,707,451	4,808,838	5,183,115	5,578,251	5,851,028	7,083,647	7,472,930	8,383,152	9,685,059
Education	37,112,540	40,765,517	44,489,647	48,402,552	50,477,643	52,026,264	54,975,876	61,488,183	66,045,924	25,640,822
Parks, recreation and cultural	813,025	896,967	1,022,702	1,068,034	945,366	1,224,957	2,393,733	2,019,168	1,616,131	2,300,706
Community development	773,142	2,237,929	840,493	907,132	1,370,015	3,545,022	2,963,825	1,818,675	1,765,265	8,510,072
Nondepartmental										40,097
Capital projects	4,216,093	1,707,034	4,623,355	8,903,737	4,561,691	778,025	-	619,332	3,265,505	521,917
Debt service										
Principal	4,665,552	2,259,873	2,372,360	9,769,940	2,783,178	2,233,556	1,985,865	1,806,075	1,848,143	2,076,767
Interest and other fiscal charges	1,251,575	973,926	1,198,965	1,042,306	1,276,851	1,126,740	1,026,506	961,179	1,035,008	1,232,658
<b>Total expenditures</b>	<b>60,953,460</b>	<b>62,899,149</b>	<b>69,868,253</b>	<b>87,390,381</b>	<b>79,711,574</b>	<b>80,002,670</b>	<b>85,418,525</b>	<b>91,728,187</b>	<b>102,700,420</b>	<b>71,049,878</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(2,838,750)</b>	<b>414,498</b>	<b>(1,898,749)</b>	<b>(12,397,695)</b>	<b>(3,853,409)</b>	<b>(1,132,539)</b>	<b>(300,340)</b>	<b>4,986,773</b>	<b>2,961,192</b>	<b>(2,395,678)</b>
<b>Other financing sources (uses)</b>										
Transfers in	46,759	-	-	-	-	-	604,185	416,279	807,277	1,094,447
Transfers out	-	-	-	-	-	-	(875,692)	(1,556,516)	(1,450,896)	(1,442,325)
Bonds issued	2,680,000	10,105,088	10,900,000	6,853,636	1,060,611	-	-	2,689,762	6,500,000	6,573,600
Capital leases	-	-	-	-	-	-	272,235	234,024	234,332	-
Sale of capital assets	-	-	10,589	10,275	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>2,726,759</b>	<b>10,105,088</b>	<b>10,910,589</b>	<b>6,863,911</b>	<b>1,060,611</b>	<b>-</b>	<b>728</b>	<b>1,783,549</b>	<b>6,090,713</b>	<b>6,225,722</b>
<b>Net change in fund balances</b>	<b>(111,991)</b>	<b>10,519,586</b>	<b>9,011,840</b>	<b>(5,533,784)</b>	<b>(2,792,798)</b>	<b>(1,132,539)</b>	<b>(299,612)</b>	<b>6,770,322</b>	<b>9,051,905</b>	<b>3,830,044</b>
<b>Debt service as a percentage of noncapital expenditures</b>	<b>12%</b>	<b>6%</b>	<b>6%</b>	<b>16%</b>	<b>6%</b>	<b>4%</b>	<b>4%</b>	<b>3%</b>	<b>3%</b>	<b>5%</b>
	5,917,127	3,233,799	3,571,325	10,812,246	4,060,029	3,360,296	3,012,371	2,767,254	2,883,151	3,309,425
	50,820,240	57,958,316	61,673,573	67,674,398	71,089,854	75,864,349	82,406,154	88,341,601	96,551,764	67,178,439



COUNTY OF FRANKLIN, VIRGINIA

Table 5

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

<b>Fiscal Year</b>	<b>Property Tax</b>	<b>Local sales and use Tax</b>	<b>Consumer Utility Tax</b>	<b>Motor Vehicle License Tax</b>	<b>Recordation and Wills Tax</b>	<b>Business License Tax</b>	<b>Total</b>
2007	32,707,564	4,242,805	1,715,239	1,279,225	842,747	NA	40,787,580
2006	30,818,386	4,163,629	1,880,168	1,265,605	993,726	NA	39,121,514
2005	28,585,380	3,795,054	2,231,212	1,237,090	917,206	NA	36,765,942
2004	23,728,713	3,468,199	2,220,250	1,195,147	474,457	NA	31,086,766
2003	22,799,617	3,219,293	1,963,300	1,161,540	406,001	NA	29,549,751
2002	20,776,235	3,285,950	1,772,190	928,387	320,890	NA	27,083,652
2001	20,400,584	3,364,569	1,799,513	904,076	238,917	NA	26,707,659
2000	18,299,563	2,892,372	1,537,038	870,657	206,476	NA	23,806,106
1999	18,318,491	2,543,409	1,533,898	845,831	252,560	NA	23,494,189
1998	17,571,547	2,297,569	1,511,067	808,570	188,532	NA	22,377,285

COUNTY OF FRANKLIN, VIRGINIA

Table 6

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

<u>Fiscal Year</u>	<u>Real Estate</u>	<u>Personal Property/ Mobile Homes</u>	<u>Public Service</u>	<u>Total Taxable Assessed Value</u>	<u>Estimated Actual Taxable Value</u>	<u>Assessed Value as a Percentage of Actual Value</u>
2007	4,807,045,787	650,618,707	102,235,038	5,559,899,532	5,473,576,675	101.58%
2006	4,585,493,371	597,474,085	116,612,320	5,299,579,776	5,247,621,108	100.99%
2005	4,382,613,489	532,486,457	123,952,019	5,039,051,965	4,862,156,452	103.64%
2004	3,020,413,294	516,158,225	114,165,109	3,650,736,628	3,570,721,262	102.24%
2003	2,889,431,935	498,164,448	114,645,858	3,502,242,241	3,402,529,942	102.93%
2002	2,746,712,053	501,931,899	119,385,761	3,368,029,713	3,317,207,813	101.53%
2001	2,652,573,388	471,218,672	117,823,499	3,241,615,559	3,080,072,572	105.24%
2000	2,235,349,548	443,177,566	96,965,856	2,775,492,970	2,677,432,837	103.66%
1999	2,159,381,113	421,983,233	98,194,451	2,679,558,797	2,615,571,473	102.45%
1998	2,089,204,704	397,033,585	98,141,841	2,584,380,130	2,524,061,284	102.39%

Source: Commissioner of Revenue

COUNTY OF FRANKLIN, VIRGINIA

Table 7

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

Fiscal Years	Direct Rates				Overlapping Rates Town of Rocky Mount	
	Real Estate	Personal Property	Machinery and Tools	Merchant's Capital	Real Estate	Personal Property
2007	0.53	1.67	0.54	1.08	0.14	0.51
2006	0.53	1.67	0.60	1.08	0.14	0.51
2005	0.52	1.67	0.54	1.08	0.11	0.51
2004	0.60	1.67	0.54	1.08	0.12	0.51
2003	0.60	1.67	0.54	1.08	0.12	0.51
2002	0.55	1.67	0.54	1.08	0.12	0.51
2001	0.55	1.67	0.54	1.08	0.12	0.51
2000	0.55	1.67	0.54	1.08	0.12	0.51
1999	0.55	1.67	0.54	1.08	0.12	0.51
1998	0.55	1.67	0.54	1.08	0.12	0.51

(1) Per \$100 of assessed value

COUNTY OF FRANKLIN, VIRGINIA

Table 8

Principal Property Taxpayers  
 Current Year and the Period Seven Years Prior  
 (Data not available before June 30, 2006)

Taxpayer	Type Business	Fiscal Year 2007		Fiscal Year 2000	
		2007 Assessed Valuation (Millions)	% of Total Assessed Valuation	2000 Assessed Valuation (Millions)	% of Total Assessed Valuation
American Electric Power	Electric Utility	55	1.19%	48	2.15%
Central Telephone Company	Telephone Utility	25	0.58%	24	1.07%
Franklin Real Estate Company	Real Estate	25	0.52%	18	0.81%
Bridgewater Pointe Partners LLC	Real Estate	18	0.37%		
Lake Watch LLC	Real Estate	16	0.33%		
Lowes Home Centers, Inc	Retail	15	0.31%		
Willard Construction Company	Construction	13	0.27%		
Windstar Properties LLC	Real Estate	11	0.23%		
Franklin Memorial Hospital	Health Care	9	0.19%		
Optima Properties	Real Estate	9	0.19%		
Willard Construction Company	Construction			17	0.76%
Wal Mart	Retail			7	0.31%
MW Manufacturers Inc.	Manufacturing			8	0.36%
Lane Company	Manufacturing			8	0.36%
Southgate Associates II LLP	Shopping Center			7	0.31%
Snyder Hunt Corporation	Real Estate			5	0.22%
Fleetwood Homes of Virginia	Manufacturing			5	0.22%
		<u>196</u>	<u>4.08%</u>	<u>147</u>	<u>6.58%</u>

Source: Commissioner of Revenue

COUNTY OF FRANKLIN, VIRGINIA

Table 9

Property Tax Levies and Collections  
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2007	35,220,150	34,085,239	96.78%	1,085,155	35,170,394	99.86%
2006	33,219,244	32,075,823	96.56%	966,584	33,042,407	99.47%
2005	30,889,511	29,883,296	96.74%	550,783	30,434,079	98.53%
2004	26,061,495	25,699,189	98.61%	520,400	26,219,589	100.61%
2003	24,944,600	24,233,719	97.15%	375,537	24,609,256	98.66%
2002	22,712,734	22,406,720	98.65%	424,327	22,831,047	100.52%
2001	21,541,571	20,959,641	97.30%	400,790	21,360,431	99.16%
2000	18,818,283	18,390,955	97.73%	462,471	18,853,426	100.19%
1999	18,024,019	17,564,449	97.45%	392,736	17,957,185	99.63%
1998	17,371,772	16,937,577	97.50%	361,628	17,299,205	99.58%

Source: Commissioner of Revenue, County Treasurer's office

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	Literary Fund Loans	Other Notes/Bonds	Capital Leases	General Obligation Bonds	Capital Leases			
2007	25,905,826	6,771,500	358,129	326,557	2,285,700	-	35,647,712	129233.29%	698
2006	20,667,755	7,385,250	180,274	454,046	2,429,600	-	38,502,175	144625.40%	769
2005	15,151,697	8,072,000	189,762	397,165	2,567,600	-	26,378,224	104472.35%	530
2004	13,490,375	8,792,200	-	410,338	2,700,000	-	25,392,913	100569.98%	518
2003	14,409,416	9,512,400	-	484,727	-	-	24,406,543	98704.02%	501
2002	12,289,500	10,301,500	-	954,662	-	-	24,500,324	101707.52%	511
2001	13,463,179	11,122,900	-	371,672	-	-	24,957,751	106493.22%	528
2000	11,629,703	19,456,800	-	192,468	-	-	31,278,971	141700.51%	680
1999	9,285,611	12,790,700	-	520,456	-	-	22,596,767	106277.71%	491
1998	9,980,423	8,374,600	-	507,053	-	-	18,862,076	92050.54%	417

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

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

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

<b>Fiscal Year</b>	<b>Gross Bonded Debt</b>	<b>Less: Amounts Reserved for Debt Service</b>	<b>Gross and Net Bonded Debt (3)</b>	<b>Ratio of Net General Obligation Debt to Assessed Value (2)</b>	<b>Net Bonded Debt per Capita (1)</b>
2007	33,003,883	-	33,003,883	0.59%	645.84
2006	28,507,051	-	28,507,051	0.54%	569.00
2005	23,223,697	-	23,223,697	0.46%	466.89
2004	22,282,575	-	22,282,575	0.61%	454.75
2003	23,921,816	-	23,921,816	0.68%	491.21
2002	25,685,437	-	25,685,437	0.76%	535.93
2001	27,990,991	-	27,990,991	0.86%	591.95
2000	31,086,503	-	31,086,503	1.12%	675.79
1999	22,076,311	-	22,076,311	0.82%	479.92
1998	19,909,471	-	19,909,471	0.77%	440.48

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

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

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

COUNTY OF FRANKLIN, VIRGINIA

Table 12

Legal Debt Margin Information  
Last Ten Fiscal Years

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Debt limit	258,438,013	267,955,880	277,549,297	324,161,556	336,802,971	350,224,224	365,073,663	503,905,197	529,957,978	555,989,953
Total net debt applicable to limit	<u>19,909,471</u>	<u>22,076,311</u>	<u>31,086,503</u>	<u>27,990,991</u>	<u>25,685,437</u>	<u>23,921,816</u>	<u>22,282,575</u>	<u>23,223,697</u>	<u>28,507,051</u>	<u>33,003,883</u>
Legal debt margin	<u>238,528,542</u>	<u>245,879,569</u>	<u>246,462,794</u>	<u>296,170,565</u>	<u>311,117,534</u>	<u>326,302,408</u>	<u>342,791,088</u>	<u>480,681,500</u>	<u>501,450,927</u>	<u>522,986,070</u>
Total net debt applicable to the limit as a percentage of debt limit	7.70%	8.24%	11.20%	8.63%	7.63%	6.83%	6.10%	4.61%	5.38%	5.94%

Legal Debt Margin Calculation for Fiscal Year 2007

Assessed value	5,559,899,532
Add back: exempt real property	-
Total assessed value	<u>5,559,899,532</u>
Debt limit (10% of total assessed value)	555,989,953
Net debt applicable to limit	<u>33,003,883</u>
Legal debt margin	<u>522,986,070</u>



Demographic and Economic Statistics  
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Population</u>	<u>Per Capita Personal Income</u>	<u>Total Personal Income</u>	<u>Median Age</u>	<u>School Enrollment</u>	<u>Unemployment Rate</u>
2007	51,102	\$ 27,082	1,383,935,000	40	7,305	3.80%
2006	50,100	26,622	Not Available	40	7,183	2.80%
2005	49,741	25,249	"	40	7,103	3.60%
2004	49,000	25,249	"	Not Available	7,096	3.60%
2003	48,700	24,727	"	"	7,114	4.50%
2002	47,927	24,089	"	"	7,031	6.20%
2001	47,286	23,436	"	"	7,039	5.30%
2000	46,000	22,074	"	"	7,044	4.30%
1999	46,000	21,262	"	"	6,930	4.10%
1998	45,200	20,491	"	"	6,964	2.80%

Source: Weldon Cooper Center, Annual school report - prepared by the county, [www.fedstats.gov](http://www.fedstats.gov)

COUNTY OF FRANKLIN, VIRGINIA

Table 14

Principal Employers  
 Current Year and Seven Years Ago  
 (Data not available prior to June 30,2000)

Employer	Fiscal Year 2007			Fiscal Year 2000		
	Employees	Rank	% of Total County Employment	Employees	Rank	% of Total County Employment
MW Manufacturers, Inc	1,367	1	5.23%	1,200	2	5.02%
Franklin County Public Schools	1,186	2	4.54%	1,281	1	5.36%
Wal-Mart	400	3	1.53%	361	5	1.51%
Franklin County	317	4	1.21%	250	9	1.05%
Trinity Packaging, Inc.	300	5	1.15%			
Ronile. Inc.	300	6	1.15%	350	6	1.46%
Uttermost Company	178	7	0.68%	150	10	0.63%
Carilion Franklin Memorial Hospital	270	8	1.03%	270	8	1.13%
The Willard Companies	265	9	1.01%			
Mod-U-Kraf Homes, Inc.	225	10	0.86%			
Fleetwood Homes of Virginia				436	4	1.82%
Cooper Wood Products				308	7	1.29%
Lane Company				500	3	2.09%
Totals	<u>4,808</u>		<u>18.41%</u>	<u>5,106</u>		<u>19.55%</u>

Source: Individual companies

COUNTY OF FRANKLIN, VIRGINIA

Table 15

Full-time Equivalent County Government Employees by Function  
 Last Six Fiscal Years  
 (Data not available prior to June 30, 2001)

Function	Full-time Equivalent Employees as of June 30						
	2001	2002	2003	2004	2005	2006	2007
General Government							
Legislative	7	7	7	7	7	7	7
General and financial administration	30	30	30	30	31	31	34
Judicial Administration							
Courts	10	10	10	11	13	13	11
Clerk of Court	10	10	10	9	9	9	10
Commonwealth Attorney	6	6	6	8	7	7	7
Public Safety							
Sheriffs department	54	54	54	54	41	43	44
Correction and Detention	26	26	26	26	26	27	32
Building inspections	6	6	6	6	7	7	8
Animal control	3	3	3	3	3	3	4
Public Safety	8	8	8	8	13	16	19
E911	1	1	1	1	14	14	14
Public Works							
Solid Waste	13	13	13	13	13	14	15
General buildings and grounds	4	4	4	4	4	5	6
Public Works					2	3	4
Health and Welfare							
Department of social services	54	54	54	61	61	61	62
CSA	1	1	1	1	1	2	2
Family Resources	5	6	6	6	6	6	6
Aging Services	3	3	3	3	3	3	3
Recreation and Cultural							
Parks and recreation	7	7	7	7	7	8	9
Library	5	5	5	5	5	6	6
Community Development							
Economic Development						1	1
Work Force Consortium	2	2	2	2	2	2	2
Planning	4	5	5	5	8	8	11
Totals	<u>259</u>	<u>261</u>	<u>261</u>	<u>270</u>	<u>283</u>	<u>296</u>	<u>317</u>

Source: Franklin County Adopted Budgets

COUNTY OF FRANKLIN, VIRGINIA

Table 16

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

Function	Fiscal Year			
	2004	2005	2006	2007
General and financial administration				
Information Technology:				
Hardware Response Time (In Days)	11.4	9.3	4.5	4.5
Voter Registrar:				
Number of Registered Voters	28,020	29,769	30,170	31,413
Public safety				
Sheriffs department:				
Physical arrests			2,823	4,173
Calls for service	15,000	15,707	16,000	26,047
Fire and rescue:				
Number of fire calls		1,074	1,298	1,225
Number of rescue calls		3,509	4,057	4,254
Fire Investigations	54	81	118	165
Building inspections:				
Permits issued	1,656	1,569	1,552	1,358
Public works				
Landfill:				
Refuse collected (tons)	60,652	59,698	61,866	61,367
Health and Welfare				
CSA:				
Case Load - Number of Children	132	167	177	242
Aging Services:				
Transportation Clients		490	894	692
Culture and recreation				
Parks and recreation:				
Sports registration/classes	4,406	4,566	4,655	4,700
Shelter reservations	269	283	250	252
Community development				
Planning:				
Zoning permits issued			2,836	2,883
Component Unit - School Board				
Education:				
Local expenditures per pupil	3,245	3,407	3,523	3,569

Source: Individual county departments

COUNTY OF FRANKLIN, VIRGINIA

Table 17

Capital Asset Statistics by Function  
Last Ten Fiscal Years

Function	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General government										
Administration buildings	1	1	1	1	1	1	1	1	1	1
Judicial Administration										
Courthouses	1	1	1	1	1	1	1	1	1	1
Public safety										
Sheriffs department:										
Patrol units	58	58	58	58	58	58	58	58	58	58
Building inspections:										
Vehicles	5	5	5	5	5	5	5	5	5	6
Animal control:										
Vehicles	3	3	3	3	3	3	3	3	3	3
Public Safety:										
Fire Stations	10	10	10	10	10	10	10	10	10	10
Public works										
Landfill:										
Collection Trucks	7	7	7	7	7	7	7	7	7	7
Green Box Sites	74	74	74	74	74	74	74	74	74	74
Health and welfare										
Department of Social Services:										
Vehicles	8	8	8	8	8	8	8	8	8	8
Culture and recreation										
Parks and recreation:										
Parks	9	9	9	9	9	9	9	9	9	9
Libraries	1	1	1	1	1	1	1	1	1	1
Component Unit - School Board										
Education:										
Schools	14	14	14	14	14	14	14	14	14	14
School buses	162	162	162	162	162	162	162	162	162	162

Source: Individual county departments

# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited the financial statements of the County of Franklin, Virginia as of and for the year ended June 30, 2007, and have issued our report thereon dated January 30, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### **Internal Control Over Financial Reporting**

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that 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 control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

#### **Compliance and Other Matters**

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

This report is intended solely for the information and use of management, others within the entity, and is not intended to be and should not be used by anyone other than these specified parties.

Christiansburg, Virginia  
January 30, 2008

# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

We have audited the compliance of the County of Franklin, Virginia with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. The County of Franklin, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings, responses and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of County of Franklin, Virginia's management. Our responsibility is to express an opinion on County of Franklin, Virginia's compliance based on our audit.

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

In our opinion, the County of Franklin, Virginia complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

#### **Internal Control Over Compliance**

The management of the County of Franklin, Virginia is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County of Franklin, Virginia's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by



the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

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

Christiansburg, Virginia  
January 30, 2008

County of Franklin, Virginia  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended June 30, 2007

Federal Grantor/State Pass - Through Grantor/ Program Title (Pass - Through Grantor's Number)	Federal Catalog Number	Federal Awards
Department of Health and Human Services:		
Pass Through Payments:		
Department of Social Services:		
Family Preservation and Support	93.556	\$ 42,281
Temporary Assistance to Needy Families (TANF)	93.558	254,025
Low Income Home Energy Assistance	93.568	35,203
Child Care Cluster-Payments to States for Child Care Assistance	93.575	213,245
Refugee Impact Grant Analysis	93.576	270
Child Care Cluster-Child Care and Development Fund	93.596	202,125
Chafee Education and Training Vouchers	93.599	9,944
Foster Care - Title IV-E	93.658	637,136
Adoption Assistance	93.659	114,554
Social Services Block Grant	93.667	369,512
Chafee FC Independence	93.674	14,001
Medical Assistance Program (Title XIX)	93.778	<u>244,960</u>
Total Department Health and Human Services		<u>\$ 2,137,256</u>
Department of Agriculture:		
Pass Through Payments:		
Department of Agriculture:		
Child Nutrition Cluster-Food Distribution (Note 2)	10.555	\$ 180,209
Department of Education:		
Child Nutrition Cluster-National school breakfast program	10.553	479,479
Child Nutrition Cluster-National school lunch program	10.555	1,170,920
Department of Social Services:		
State Admin Matching Grants for Food Stamp Program	10.561	<u>295,571</u>
Total Department of Agriculture		<u>\$ 2,126,179</u>
Department of Justice:		
Pass Through Payments:		
Department of Criminal Justice Service:		
Junvenile justice and delinquency prevention	16.540	\$ 37,902
Violence against women formula grants	16.588	<u>37,605</u>
Total Department of Justice		<u>\$ 75,507</u>
Department of National Community Services:		
Pass Through Payments:		
Department of Education:		
Learn and Serve	94.004	<u>\$ 45,000</u>

County of Franklin, Virginia  
 Schedule of Expenditures of Federal Awards (Continued)  
 For the Year Ended June 30, 2007

Federal Grantor/State Pass - Through Grantor/ Program Title (Pass - Through Grantor's Number)	Federal Catalog Number	Federal Awards
Department of Education:		
Pass Through Payments:		
Department of Education:		
Adult Basic Education	84.002	\$ 473,730
Title I: Educationally deprived children	84.010	1,543,428
Special Education Cluster-Title VI-B: Handicapped state grants	84.027	1,499,008
Vocational Education: Basic grants to states	84.048	139,810
Special Education Cluster-Title VI-B: Handicapped preschool incentive grant	84.173	37,998
Drug free schools	84.186	34,594
Partnerships in character education-Learning grant	84.215L	103,476
Title VI: Improving school programs state block grant	84.298	29,401
Advanced Placement Incentive Program	84.330	572
Even start	84.213	132,440
Literacy Challenge Grant	84.318	31,992
Reading first	84.357	394,250
Title II-Part A: Improving Teacher Quality	84.367	345,899
		<u>4,766,598</u>
Total Department of Education		\$ 4,766,598
Department of Housing and Urban Development:		
Pass Through Payments:		
Department of Housing and Community Development:		
Home Investment Partnerships Program (HOME)	14.239	\$ 141,244
Emergency shelter grants program	14.231	28,348
Community Development Block Grant	14.228	695,008
		<u>864,600</u>
Total Department of Housing and Urban Development		\$ 864,600
U.S. Department of Homeland Security:		
Pass Through Payments:		
Department of Emergency Management:		
State Homeland Security Grant	97.004	\$ 34,584
		<u>34,584</u>
Total Federal Assistance		<u>\$ 10,049,724</u>

**County of Franklin, Virginia**  
**Schedule of Expenditures of Federal Awards (Continued)**  
**For the Year Ended June 30, 2007**

Federal Grantor/State Pass - Through Grantor/ Program Title (Pass - Through Grantor's Number)	Federal Catalog Number	Federal Awards
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**Notes to Schedule of Expenditures of Federal Awards**

**Note 1 -- Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Franklin County, Virginia and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from the amounts presented in, or used in the preparation of, the basic financial statements.

**Note 2 -- Food Distribution**

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

**Note 3 -- Relationship to the Financial Statements:**

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:	
General Fund	\$ 3,407,518
Utility Fund	-
	\$ 3,407,518
Total primary government:	
	\$ 3,407,518
Component Unit Schools:	
School Operating Fund	\$ 6,461,997
	\$ 6,461,997
Non-cash expenditures - value of donated commodities	\$ 180,209
	\$ 180,209
Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$ 10,049,724

COUNTY OF FRANKLIN, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2007

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Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified? No

Significant deficiencies identified not considered  
to be material weaknesses? No

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

Material weaknesses identified? No

Significant deficiencies identified not considered  
to be material weaknesses? None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be  
reported in accordance with Circular A-133,  
Section .510 (a)? No

Identification of major programs:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
84.002	Adult Basic Education
84.01	Title I
84.357	Reading First
14.228	Community Development Block Grant

Dollar threshold used to distinguish between Type A  
and Type B programs \$ 300,000

Auditee qualified as low-risk auditee? Yes

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None