

FRANKLIN COUNTY, VIRGINIA

Annual Comprehensive Financial Report

Fiscal Year Ended June 30, 2023



COUNTY OF FRANKLIN, VIRGINIA

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2023

Prepared by the Franklin County
Department of Finance

**COUNTY OF FRANKLIN, VIRGINIA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2023**

TABLE OF CONTENTS

INTRODUCTORY SECTION

	<u>Page</u>
Letter of Transmittal	1-4
Historical Sketch of Franklin County	5
List of Elected and Appointed Officials	6-8
Organizational Chart.....	9
Certificate of Achievement for Excellence in Financial Reporting	10

FINANCIAL SECTION

Independent Auditors' Report	11-14
Management's Discussion and Analysis	15-23

	<u>Exhibit</u>	<u>Page</u>
Basic Financial Statements:		
Government-Wide Financial Statements:		
Statement of Net Position	1	24
Statement of Activities	2	25
Fund Financial Statements:		
Governmental Fund Financial Statements:		
Balance Sheet - Governmental Funds	3	26
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	4	27
Statement of Revenues, Expenditures and Change in Fund Balances - Governmental Funds	5	28
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	6	29
Proprietary Fund Financial Statements:		
Statement of Net Position - Proprietary Fund	7	30
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Fund	8	31
Statement of Cash Flows - Proprietary Fund	9	32
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Position - Fiduciary Funds	10	33
Statement of Changes in Fiduciary Net Position - Fiduciary Funds	11	34
Notes to Financial Statements		35-123

**COUNTY OF FRANKLIN, VIRGINIA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2023**

TABLE OF CONTENTS (CONTINUED)

FINANCIAL SECTION (Continued)

	<u>Exhibit</u>	<u>Page</u>
Required Supplementary Information:		
Pension Plans:		
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios		
Primary Government	12	124
Component Unit School Board (nonprofessional)	13	125
Schedule of Employer's Share of Net Pension Liability VRS Teacher Retirement Plan	14	126
Schedule of Employer Contributions	15	127
Notes to Required Supplementary Information.....	16	128
Other Postemployment Benefits Plan (OPEB) - Health Insurance:		
Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios		
Primary Government	17	129
Component Unit School Board	18	130
Notes to Required Supplementary Information.....	19	131
Other Postemployment Benefits Plan (OPEB) - Group Life Insurance (GLI) Plan:		
Schedule of Employer's Share of Net OPEB Liability	20	132
Schedule of Employer Contributions	21	133
Notes to Required Supplementary Information.....	22	134
Other Postemployment Benefits Plan (OPEB) - Health Insurance Credit (HIC) Plan:		
Schedule of Changes in Net OPEB Liability and Related Ratios - Component Unit School Board (nonprofessional).....	23	135
Schedule of School Board's Share of Net OPEB Liability - Component Unit School Board (professional)	24	136
Schedule of Employer Contributions	25	137
Notes to Required Supplementary Information.....	26	138
Budgetary Schedules:		
Schedule of Revenues, Expenditures and Change in Fund Balances - Budget and Actual:		
General Fund	27	139-140
Special Revenue Fund-Major Fund	28	141
Other Supplementary Information:		
Budgetary Schedules:		
Schedule of Revenues, Expenditures and Change in Fund Balances - Budget and Actual:		
Capital Projects Fund-Major Fund	29	142
Combining and Individual Fund Financial Statements and Schedules:		
Combining Statement of Fiduciary Net Position - Fiduciary Funds.....	30	143
Combining Statement of Changes in Fiduciary Net Position - Fiduciary Funds.....	31	144

**COUNTY OF FRANKLIN, VIRGINIA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2023**

TABLE OF CONTENTS (CONTINUED)

FINANCIAL SECTION (Continued)

Other Supplementary Information: (Continued)

	<u>Exhibit</u>	<u>Page</u>
Discretely Presented Component Unit - School Board:		
Balance Sheet	32	145
Statement of Revenues, Expenditures, and Changes in Fund Balances		
Governmental Funds	33	146
Schedule of Revenues, Expenditures, and Changes in Fund Balances		
Budget and Actual	34	147

STATISTICAL SECTION

	<u>Table</u>	<u>Page</u>
Financial Trends:		
Net Position by Component	1	148
Changes in Net Position	2	149-150
Fund Balances of Governmental Funds	3	151
Changes in Fund Balances of Governmental Funds	4	152
Revenue Capacity:		
General Governmental Tax Revenues by Source.....	5	153
Assessed Value and Estimated Actual Value of Taxable Property.....	6	154
Property Tax Rates-Direct and Overlapping Governments	7	155
Principal Property Taxpayers	8	156
Property Tax Levies and Collections	9	157
Debt Capacity:		
Ratios of Outstanding Debt by Type	10	158
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita	11	159
Direct and Overlapping Governmental Activities Debt	12	160
Legal Debt Margin Information	13	161
Demographic and Economic Information:		
Demographic and Economic Statistics	14	162
Principal Employers	15	163
Operating Information:		
Full-time Equivalent County Government Employees by Function.....	16	164
Operating Indicators by Function	17	165
Capital Asset Statistics by Function.....	18	166

**COUNTY OF FRANKLIN, VIRGINIA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2023**

TABLE OF CONTENTS (CONTINUED)

COMPLIANCE SECTION

	<u>Page</u>
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and on Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	167-168
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	169-171
Schedule of Expenditures of Federal Awards	172-173
Schedule of Findings and Questioned Costs	174-175
Summary Schedule of Prior Audit Findings	176

INTRODUCTORY SECTION



November 22, 2023

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

We are pleased to submit Franklin County's Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2023. State law requires that all local governments have their accounts and records audited annually as of June 30 by an independent certified public accountant. This report has been prepared in accordance with the standards of financial reporting as prescribed by the Governmental Accounting Standards Board (GASB), the Financial Accounting Standards Board (FASB) and the Auditor of Public Accounts for the Commonwealth of Virginia.

The ACFR was prepared with an emphasis on full disclosure of the financial activities of the County. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the government and is based upon a comprehensive framework of internal controls that has been established for this purpose. Because the cost of internal controls should not exceed the anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The auditing firm of Robinson, Farmer, Cox Associates has issued an unmodified opinion on the County's financial statements as of and for the year ended June 30, 2023. The audit was conducted in accordance with professional standards which require that the independent auditors plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The independent auditors' report is located in the front of the financial section of this report.

Under generally accepted accounting principles, as promulgated by the Governmental Accounting Standards board (GASB), management is required to provide a narrative that precedes the basic financial statements. This Management's Discussion and Analysis (MD&A) provides an introduction, overview, and analysis of financial results for fiscal year 2023, along with summaries of the government wide financial statements that follow. Management's Discussion and Analysis is contained in the financial section of this report.

Profile of the Government

Within the boundaries of Franklin County lie the independent towns of Rocky Mount and Boones Mill. The County's population at June 30, 2023 is estimated at 54,155 with a population density of 78.44 people per square mile. Franklin County is included in the Roanoke Metropolitan Statistical Area (MSA) that has a total population of approximately 300,000.

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

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

Economic Conditions and Outlook

Franklin County, the seventh largest county in size in Virginia with an area of 690.43 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 unemployment rate has remained consistent with the U.S. average. The unemployment rate in June 2023 was 3.40%.

Much of fiscal year 2023 was spent on a number of capital projects including new business park development, the construction of a new fire/EMS station, broadband expansion, and consolidated solid waste collection site improvements. The County continues to develop its park system with various rehab projects being completed at a number of parks.

The future economic outlook for Franklin County is positive. From 2018 through 2021, Franklin County ranked 37th out of Virginia's 135 localities in the number of jobs created (including ranking as the #25 county). For the same period, Franklin County ranked 40th in announced private investment Virginia and was the 23rd ranked county. With a stable employment base, easy market access, low construction costs, quality work force, and excellent quality of life, Franklin County and the region is ready to continue future economic growth. In the years to come, the County will focus on diversifying the

employment opportunities within the County by recruiting various technology related companies and traditional manufacturing businesses to utilize the training provided by the local schools and colleges. The County continues broadband internet expansion throughout the County. A housing study was conducted to assess current and future housing needs to attract families to live, work, and play in Franklin County. Future plans will reflect infrastructure investments for future village plans to aid in population growth.

Major Initiatives

Franklin County continues to place major emphasis upon the capital needs of the County School System. Each year the County attempts to fund a five-year School Capital Projects Plan including roof replacements, paving projects, plumbing fixture upgrades, water system upgrades and security enhancements at various schools. A major capital investment in upgrading the heating and air conditioning units and renovating the Benjamin Franklin Middle School was initiated during the fiscal year. Design began for the development and construction of a new career and technical education center at the Franklin County High School. These investments will be crucial for future education and workforce development.

The County is working on various projects to improve our community. The County continues to develop the approximately 550-acre Summit View Business Park. Summit View will be a multi-use site with plans for commercial and recreational uses. During the fiscal year, work continued to develop and construct collection and recycling centers and to remove the old green box sites throughout the County. A Public Safety Fire/EMS station was constructed to enhance fire and EMS coverage to the County's citizens.

For the Future

The County is looking to enhance broadband internet service for its citizens and businesses. The County created a broadband authority to work with private providers in order to best manage and direct the broadband initiative. Various grants have been levered with local funds to generate millions of dollars in ongoing investment for broadband expansion.

A housing study was performed to assess the County's current housing inventory and future investment needs. Future planning processes will incorporate working with community partners to develop a diverse housing inventory to better position the County for population growth.

The County plans to look at future funding needs for fire and EMS services for fire apparatus, EMS vehicles, equipment, and emergency services facilities.

Long-Term Financial Planning

Capital Improvement Program. The Capital Improvement Program (CIP) is a listing of capital needs projected over a 5-year period for County services. It is a planning document and provides a listing of projects requested by County departments and the

School system. The CIP is updated annually. Projects are removed from the plan as they are completed or as priorities change. The plan is intended to assist the County Board of Supervisors in the preparation of the County budget.

General Fund Balance (Unassigned). The Board of Supervisors has adopted a policy to keep the unassigned general fund balance at a minimum of twenty percent of annual general fund operating revenues. Bond rating agencies have also recommended the unassigned general fund balance be maintained at this level. The unassigned general fund balance is \$43.3 million for the year ended June 30, 2023. This is an increase from the prior fiscal year of approximately \$5.4 million and is the result of revenue collections in excess of budget as well as one-time expenditure savings from County departments and the public school system as federal stimulus spending was received in response to the COVID-19 pandemic.

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

Other Information

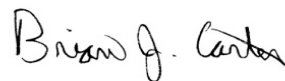
Independent Audit. State statutes require an annual audit by independent certified public accountants. The accounting firm of Robinson, Farmer, Cox Associates was selected by the County to perform this audit. In addition to meeting the requirements set forth in state statutes, the audit also was designed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

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

Sincerely,



Christopher L. Whitlow
County Administrator



Brian J. Carter, CPA
Director of Finance & Human Services

HISTORICAL SKETCH OF FRANKLIN COUNTY

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

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

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

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

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

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

Franklin County Board of Supervisors June 30, 2023



Tommy Cundiff
Union Hall District

Lorie Smith
Vice-Chair
Gills Creek District

Mike Carter
Rocky Mount District

Ronnie Mitchell
Blackwater District

Tim Tatum
Chairman
Blue Ridge District

Ronnie Thompson
Boone District

Nick Mitchell
Snow Creek District



Franklin County Officials

June 30, 2023

Board of Supervisors

Ronnie Thompson, Chairman, Boone District
Tim Tatum, Vice-Chairman, Blue Ridge District
Lorie Smith, Gills Creek District
Mike Carter, Rocky Mount District
Ronnie Mitchell, Blackwater District
Nick Mitchell, Snow Creek District
Tommy Cundiff, Union Hall District

County Administration

County Attorney.....Guynn & Waddell, P.C.
County Administrator..... Christopher Whitlow
Assistant County Administrator Michael Burnette
Assistant County Administrator Steve Sandy
Director of Finance & Human Services Brian Carter
Director of Economic Development..... Beth Simms
Director of Tourism & Marketing..... Kevin Tosh
Director of Information Technology John Harrison
Director of Planning Lisa Cooper
Coordinator of GIS..... Eric Schmidt
Director of Public Safety..... William Ferguson
Director of General Properties Brandy Rosser
Director of Public Works Jeff Gauldin
Director of Park & Recreation Paul Chapman
Director of Library Services..... Vacant
Director of Franklin Center..... Kathy Hodges
Director of Family Resource Center Angela Phillips
Chief Building Official John Broughton
Unit Coordinator of Va. Cooperative Extension Carol Haynes
General Registrar Kay Chitwood

Constitutional Officers

Clerk of the Circuit Court..... Teresa Brown
Commissioner of the Revenue Margaret Torrence
Commonwealth Attorney (interim)..... Cooper Brown
Sheriff Bill Overton, Jr.
Treasurer Susan Wray

Franklin County Social Services Board Members

Vacant, Boone District
B.W. Wright, Blackwater District
Mark Young, Vice Chair, Gills Creek District
Leslie Holden, Blue Ridge District
Bill Gruchow, Union Hall District
Sharon Tudor, Chair, Rocky Mount District
Kimberly Seagle, Snow Creek District
Tommy Cundiff, BOS Member

Director of Social Services..... Anita Turner

Franklin County Public Schools June 30, 2023

School Board Members



Jonathan Holley
jonathan.holley@frco.k12.va.us
Blue Ridge District



Arlet Greer
arlet.greer@frco.k12.va.us
Blackwater District



Dawn McCray
dawn.mccray@frco.k12.va.us
Vice Chairperson
Boone District



Jon Atchue
jon.atchue@frco.k12.va.us
Gills Creek District



Kevin David
kevin.david@frco.k12.va.us
Member at Large



Jeff Worley
jeff.worley@frco.k12.va.us
Chairperson
Rocky Mount
District



P.D. Hambrick
pd.hambrick@frco.k12.va.us
Union Hall District



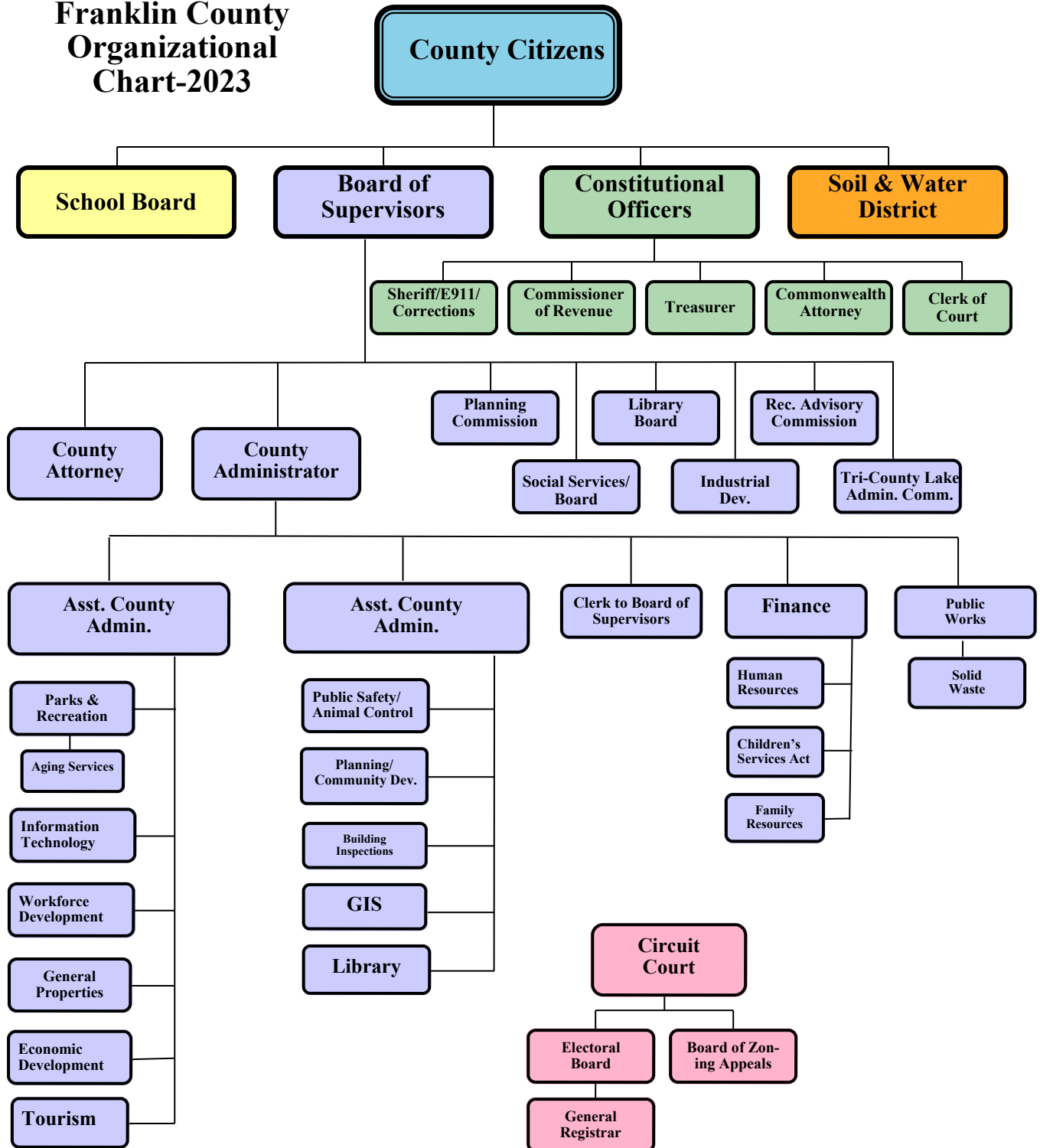
Carletta Whiting
carletta.whiting@frco.k12.va.us
Snow Creek District

School Administration

Dr. Bernice Cobbs, Superintendent of Schools

Assistant Superintendent.....	Suzanne M. Rogers
Director of Human Resources.....	Gregg Cuddy
Director of Business & Finance.....	C. David Terry
K-12 Director of Curriculum & Instruction.....	Brenda Muse
Coordinator of Federal Programs.....	Brenda McGrath
Coordinator of Testing.....	Kara Bernard
Director of Pupil Personnel Services	Sherry Lynch
Director of Technology.....	Timothy H. Morris
Coordinator of Student Services/Clerk	Janet J. Stockton
Coordinator School Food Services/Nutrition.....	Heather Snead
Director of Operations	Jason Guillems
Supervisor of Transportation	Jeff Hodges
Supervisor of Maintenance	Mark Law
Coordinator of Purchasing	Jessica Pendleton

Franklin County Organizational Chart-2023





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**County of Franklin
Virginia**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morill

Executive Director/CEO

FINANCIAL SECTION



ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Franklin, Virginia, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Franklin, Virginia, as of and for the year ended June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the County of Franklin, Virginia, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As described in Note 25 to the financial statements, in 2023, the discretely presented component unit (School Board) adopted new accounting guidance, GASB Statement No. 96, *Subscription-Based IT Arrangement (SBITAs)*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the County of Franklin, Virginia's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the *Specifications for Audits of Counties, Cities, and Towns* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the *Specifications for Audits of Counties, Cities, and Towns*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County of Franklin, Virginia's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the County of Franklin, Virginia's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Franklin, Virginia's basic financial statements. The accompanying combining and individual fund financial statements and schedules and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2023, on our consideration of the County of Franklin, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the County of Franklin, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County of Franklin, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Blacksburg, Virginia
November 22, 2023

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, 2023. We encourage readers to consider the information presented here in conjunction with the additional information that we have furnished in our letter of transmittal.

Financial Highlights for Fiscal Year 2022-2023:

- The total net position for governmental activities was \$142 million at the end of FY 2023. This figure is based on assets totaling \$221.7 million, deferred outflows of resources of \$3.9 million, liabilities of \$77.8 million, and deferred inflows of resources of \$5.7 million. Liabilities include a non-current component for long-term debt associated with the acquisition of assets for the County and School system. The total for assets includes school properties financed with debt (Exhibit 1).
- During the year, the County's taxes and other revenues for governmental programs were \$17 million more than the \$101.1 million of expenses (Exhibit 2).
- The business-type activities net position at June 30, 2023 totaled \$1.13 million. This figure is based on total assets of \$1.15 million and minimal liabilities.
- Total general fund revenues were more than the final budgeted amount by \$4.5 million or approximately 4 percent. Actual expenditures were \$5.7 million less than the final expenditure budget.
- The County's total outstanding debt increased \$5.4 million at fiscal year-end. This increase is due to revenue bonds being issued for new landfill projects and permanently financing a 2019 line-of-credit for various projects for approximately \$14.1 million. See Notes 7 and 8 for additional information on long-term obligations.
- Component Unit School Board's net position was a deficit of \$27.5 million at the end of FY 2023. Of this amount, \$28.9 million is net investment in capital assets, \$5.1 million is restricted, and the unrestricted deficit was \$61.5 million. The large deficit is from Franklin County's share of the net pension liability for the state retirement teacher pool.
- At the end of the current fiscal year, the general fund unassigned fund balance was approximately \$43.3 million. The Board of Supervisors has adopted a policy to keep the unassigned general fund balance at a minimum of twenty percent of general fund operating revenues.

Overview of the Financial Statements

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

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

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

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

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

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

Fund Financial Statements

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

The County has three types of funds:

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

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

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

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

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

Financial Analysis of the County as a Whole

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

	Governmental Activities		Business-type Activities		Total Primary Government		Component Unit	
	FY2023	FY2022	FY2023	FY2022	FY2023	FY2022	FY2023	FY2022
Current and other assets	\$ 123.9	\$ 114.6	\$ 0.3	\$ 0.3	\$ 124.2	\$ 114.9	\$ 8.9	\$ 10.2
Capital assets, net	97.8	94.1	0.8	0.9	98.6	95.0	28.9	28.5
Total assets	<u>\$ 221.7</u>	<u>\$ 208.7</u>	<u>\$ 1.1</u>	<u>\$ 1.2</u>	<u>\$ 222.8</u>	<u>\$ 209.9</u>	<u>\$ 37.8</u>	<u>\$ 38.7</u>
Deferred outflows of resources	\$ 3.8	\$ 4.7	\$ -	\$ -	\$ 3.8	\$ 4.7	\$ 15.4	\$ 18.3
Other liabilities	\$ 5.7	\$ 10.6	\$ -	\$ 0.1	\$ 5.7	\$ 10.7	\$ 3.4	\$ 3.5
Long-term liabilities	72.1	66.7	-	-	72.1	66.7	61.2	53.4
Total liabilities	<u>\$ 77.8</u>	<u>\$ 77.3</u>	<u>\$ -</u>	<u>\$ 0.1</u>	<u>\$ 77.8</u>	<u>\$ 77.4</u>	<u>\$ 64.6</u>	<u>\$ 56.9</u>
Deferred inflows of resources	\$ 5.7	\$ 11.3	\$ -	\$ -	\$ 5.7	\$ 11.3	\$ 16.1	\$ 36.6
Net position:								
Net investment in capital assets	\$ 55.4	\$ 52.6	\$ 0.8	\$ 0.8	\$ 56.2	\$ 53.4	\$ 28.9	\$ 27.4
Restricted	3.6	6.7	-	-	3.6	6.7	5.1	3.1
Unrestricted	83.0	65.5	0.3	0.3	83.3	65.8	(61.5)	(67.0)
Total net position	<u>\$ 142.0</u>	<u>\$ 124.8</u>	<u>\$ 1.1</u>	<u>\$ 1.1</u>	<u>\$ 143.1</u>	<u>\$ 125.9</u>	<u>\$ (27.5)</u>	<u>\$ (36.5)</u>

The County's combined net position increased from \$124.8 million to \$142 million as a result of an increase in cash and cash equivalents from conservative budget assumptions and an increase in investment earnings. Unrestricted governmental net position, the portion of net position that can be used to finance the day-to-day activities of the County totaled \$83 million. Net position: net investment in capital assets represents the amount of capital assets owned by the County less any related debt. Net position is reported as restricted when constraints on asset use are externally imposed by creditors, grantors, contributors, regulators, or imposed by law through constitutional provisions or enabling legislation. For example: E911 funds are restricted so that they can be used for the E911 purposes.

Business-type net position remained relatively unchanged.

Component unit net position increased by \$9 million as a result of a reduction in long-term liabilities mostly due to a decrease in the pension liability.

Summary of Activities:

The following table shows the revenues and expenses of the governmental activities for the year ended June 30, 2023 (in millions):

	Governmental Activities		Business-type Activities		Total Primary Government		Component Unit	
	FY2023	FY2022	FY2023	FY2022	FY2023	FY2022	FY2023	FY2022
Revenues:								
Program revenues:								
Charges for Services	\$ 4.4	\$ 4.3	\$ -	\$ -	\$ 4.4	\$ 4.3	\$ 2.1	\$ 1.7
Operating Grants & Contributions	27.5	23.8	-	-	27.5	23.8	70.9	60.9
Capital Grants & Contributions	0.2	0.8	-	-	0.2	0.8	-	0.1
Total Program Revenues	\$ 32.1	\$ 28.9	\$ -	\$ -	\$ 32.1	\$ 28.9	\$ 73.0	\$ 62.7
General Revenues:								
Property Taxes	\$ 65.1	\$ 83.5	\$ -	\$ -	\$ 65.1	\$ 83.5	\$ -	\$ -
Other Taxes	13.8	13.4	-	-	13.8	13.4	-	-
Other	7.3	6.7	-	-	7.3	6.7	-	-
Payments from the County	-	-	-	-	-	-	34.8	36.1
Total General Revenues	\$ 86.2	\$ 103.6	\$ -	\$ -	\$ 86.2	\$ 103.6	\$ 34.8	\$ 36.1
Total Revenues	\$ 118.3	\$ 132.5	\$ -	\$ -	\$ 118.3	\$ 132.5	\$ 107.8	\$ 98.8
Expenses								
General Government Administration	\$ 5.8	\$ 5.3	\$ -	\$ -	\$ 5.8	\$ 5.3	\$ -	\$ -
Judicial Administration	3.0	3.0	-	-	3.0	3.0	-	-
Public Safety	19.1	20.9	-	-	19.1	20.9	-	-
Public Works	13.6	8.6	-	-	13.6	8.6	-	-
Health and Welfare	15.8	15.6	-	-	15.8	15.6	-	-
Education	34.8	36.1	-	-	34.8	36.1	98.8	88.4
Parks, Recreation, and Cultural	3.6	3.6	-	-	3.6	3.6	-	-
Community Development	4.2	3.9	-	-	4.2	3.9	-	-
Interest on Long-Term Debt	1.2	0.6	-	-	1.2	0.6	-	-
Utility Fund	-	-	-	0.1	-	0.1	-	-
Total Expenses	\$ 101.1	\$ 97.6	\$ -	\$ 0.1	\$ 101.1	\$ 97.7	\$ 98.8	\$ 88.4
Change in Net Position	\$ 17.2	\$ 34.9	\$ -	\$ (0.1)	\$ 17.2	\$ 34.8	\$ 9.0	\$ 10.4
Net Position, Beginning	\$ 124.8	\$ 89.9	\$ 1.1	\$ 1.2	\$ 125.9	\$ 91.1	\$ (36.5)	\$ (46.9)
Net Position, Ending	\$ 142.0	\$ 124.8	\$ 1.1	\$ 1.1	\$ 143.1	\$ 125.9	\$ (27.5)	\$ (36.5)

Revenues

For the fiscal year ended June 30, 2023, revenues from governmental activities totaled \$118.3 million, a decrease of \$14.2 million from the prior fiscal year. The County switched to twice-a-year real estate tax collections in 2022, and a one-time collection of real estate taxes occurred in FY 2022 due to the timing differences between the calendar tax year and the fiscal year. Property tax revenues, the County's largest local revenue source, were \$65.1 million, a decrease of \$18.4 million due to the change to twice-a-year real estate tax collection. The County assesses all real property every four years. The most recent reassessed values were effective January 1, 2020.

Other local taxes (including sales taxes, recordation taxes, and meals taxes) were \$13.8 million, which was an increase of \$0.4 million from FY 2022. Operating grants and contributions totaled \$27.5 million, reflecting a \$3.7 million increase from the prior fiscal year.

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

Component unit revenues total \$107.8 million, including a \$34.8 million payment from the general government.

Expenses

For the fiscal year ended June 30, 2023, expenses for governmental activities totaled \$101.1 million. Expenses contain the local county support of the school system.

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

Education is a high priority in the Franklin County community; consequently, the County contributed \$34.8 million to the operation of the Franklin County Public Schools. This amount represented about 34.4% of the County's governmental activities expenses.

Financial Analysis of the County's Funds

For the fiscal year ended June 30, 2023, the County's general fund reflects total fund balances of \$50.1 million, roughly an increase of \$6.4 million from the fiscal year ended June 30, 2022. The increase is mainly due to expenditure savings with the public school system using federal stimulus funds and increased investment income caused by higher interest rates.

The County Capital Projects fund balance increased from fiscal year 2022 due to an increase in cash and cash equivalents resulting from a borrowing for the construction of a new cell in the County landfill.

The E911 fund balance remained relatively unchanged from FY 2022 to FY 2023.

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, 2022.
- To reappropriate monies to pay for commitments in the form of encumbrances established prior to June 30, 2022 but not paid by that date.
- To appropriate borrowed funds, grants and other revenues received in the current fiscal year.
- To appropriate one-time funds from the conversion to twice-a-year real estate tax collections.

The following table presents revenues and expenditures for the General Fund only for FY 2023 (in millions):

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>
Revenues:			
Taxes	\$ 75.3	\$ 75.3	\$ 78.5
Other	6.0	6.4	8.4
Intergovernmental	22.2	31.2	30.5
Total revenues	<u>\$ 103.5</u>	<u>\$ 112.9</u>	<u>\$ 117.4</u>
Expenditures:			
Expenditures	\$ 94.6	\$ 102.5	\$ 96.8
Total expenditures	<u>\$ 94.6</u>	<u>\$ 102.5</u>	<u>\$ 96.8</u>
Other financing sources (uses):	<u>\$ (5.1)</u>	<u>\$ (14.8)</u>	<u>\$ (14.2)</u>
Net change in fund balance	\$ 3.8	\$ (4.4)	\$ 6.4
Fund balance - beginning	(3.8)	4.4	43.7
Fund balance - ending	<u>\$ 0.0</u>	<u>\$ -</u>	<u>\$ 50.1</u>

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

On March 11, 2021, the American Rescue Plan Act (ARPA) of 2021 was passed by the federal government. ARPA funds in the amount of \$6.6 million were spent during the fiscal year, and remaining ARPA funds of approximately \$922,000 are reported as unearned revenue as of June 30, 2023.

The increase in comparing original budget to amended budget for other revenues is due to additional grants and donations received during the fiscal year or carried forward from the prior fiscal year. Intergovernmental revenues were increased during the year from grants being received by the County. One of the most significant budget adjustments is from approximately \$6.6 million in American Rescue Plan Act (ARPA) funds received from the federal government.

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

Actual revenues were more than anticipated due to increased investment income from higher interest rates on the County's deposits.

Actual expenditures were less than the final amended budget because of general savings in department budgets.

Capital Assets

The following table displays the County's and Schools' (Component Unit) capital assets at June 30, 2023, in millions of dollars:

	Governmental Activities		Business-type Activities		Total Primary Government		Component Unit	
	FY2023	FY2022	FY2023	FY2022	FY2023	FY2022	FY2023	FY2022
Non-Depreciable Assets:								
Land	\$ 19.4	\$ 19.5	\$ -	\$ -	\$ 19.4	\$ 19.5	\$ 0.7	\$ 0.7
Construction in Progress	31.5	26.0	-	-	31.5	26.0	0.5	1.2
Other Capital Assets:								
Buildings and Improvements	59.4	57.8	-	-	59.4	57.8	67.3	65.0
Infrastructure	6.4	6.4	1.3	1.3	7.7	7.7	-	-
Machinery and Equipment	51.2	48.7	-	-	51.2	48.7	23.6	22.8
Accumulated Depreciation	(70.1)	(64.3)	(0.5)	(0.4)	(70.6)	(64.7)	(63.2)	(61.2)
Total	\$ 97.8	\$ 94.1	\$ 0.8	\$ 0.9	\$ 98.6	\$ 95.0	\$ 28.9	\$ 28.5

The table below shows the change in capital assets for the fiscal year ended June 30, 2023 in millions of dollars:

	Balance June 30, 2022	Net Additions/ Deletions	Balance June 30, 2023
Non-Depreciable Assets:			
Land	\$ 20.2	\$ (0.1)	\$ 20.1
Construction in Progress	27.1	4.9	32.0
Other Capital Assets:			
Buildings and Improvements	122.8	3.8	126.6
Infrastructure	7.7	-	7.7
Machinery and Equipment	71.5	3.2	74.7
Accum. Depreciation/Amortization	(125.8)	(7.8)	(133.6)
Total	\$ 123.5	\$ 4.0	\$ 127.5

During the FY 2023 budget process, the Board of Supervisors approved a five-year Capital Improvement Program (CIP) that totaled \$9 million. The most significant project funded was the construction of a new cell at the County landfill. Various projects have been funded in the plan and include software and hardware upgrades for the Information Technology department, trail, park and field development for the Parks and Recreation department, vehicle and equipment replacement for the Sheriff's Office and Public Safety department, and \$1.4 million for various school projects. Smaller projects make up the balance of the funding and include such items as capital maintenance and landfill engineering and development. The County implemented GASB 96 – Subscription-based Information Technology Arrangements, during the fiscal year. As a result, adjustments were made to capital assets to record arrangements in accordance with the new standard.

Additional detailed capital asset information can be found in Note 17 in the "Notes to Financial Statements" section of the report.

Long Term Obligations

The following table displays the County and Schools (Component Unit) Outstanding Debt at June 30, 2023 and at June 30, 2022, in millions of dollars:

	Governmental Activities		Business-type Activities		Total Primary Government		Component Unit	
	FY2023	FY2022	FY2023	FY2022	FY2023	FY2022	FY2023	FY2022
Direct Borrowings and Placements	\$ 16.9	\$ 8.1	\$ -	\$ -	\$ 16.9	\$ 8.1	\$ -	\$ -
Revenue Bonds	36.4	40.8	-	-	36.4	40.8	-	-
Lease/Subscription Liabilities	2.9	3.6	-	-	2.9	3.6	0.1	-
Landfill Closure/Post Closure Liability	11.4	9.9	-	-	11.4	9.9	-	-
Compensated Absences	2.1	1.9	-	-	2.1	1.9	1.1	1.1
Other Post Employment Benefits	2.4	2.4	-	-	2.4	2.4	14.3	15.3
Net Pension Liability	-	-	-	-	-	-	45.7	37.0
Total	\$ 72.1	\$ 66.7	\$ -	\$ -	\$ 72.1	\$ 66.7	\$ 61.2	\$ 53.4

Debt was adjusted due to the implementation of GASB 87 – Leases during FY 2022 and GASB 96 – Subscription-based Information Technology Arrangements during FY 2023. The increase in long-term liabilities is mostly due to a new borrowing to fund various capital projects at the County landfill. Additional detailed information on long-term debt activity can be found in Note 7 and 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 (revised September 18, 2018):

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. The County’s tax-supported debt outstanding shall not exceed 3.5% of total assessed value during a five-year planning window; and
4. The County’s tax-supported debt service shall not exceed 10% of general government expenditures, including operational expenditures of the school component unit, during a five-year planning window; and
5. Notes payable (financed purchases) 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 Aa2 from Moody’s, AA+ from Standard & Poor’s, and AA from Fitch. Moody’s upgraded the County’s rating outlook to positive during FY 2023.

Economic Factors and Future Budgets

Recent trends and revenue forecasts from the Commonwealth of Virginia indicate that the State is will have sufficient revenue to meet its obligations, but will have very little remaining for additional discretionary spending as a result of one-time federal stimulus running out. Franklin County's population growth has remained relatively flat over the last decade, and the County is still very dependent on the State for support of the school system and constitutional offices including the Sheriff's office. Approximately 35% of total County and School Board revenues are from the Commonwealth of Virginia.

Factors that are expected to impact future budgets include:

- Projected increases in health insurance premiums.
- Projected increases in retirement contribution rates assessed by the Virginia Retirement System.
- Funding for the Capital Improvement Program.
- Uncertainty regarding the local, state, and national economy due to inflation.
- A continued increase in interest rates and the slow-down of economic growth.
- Future State funding for local Constitutional Officers and the School division.
- Receipt of opioid settlement funds.

Contacting the County's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the resources it receives and their uses. Questions concerning this report or requests for additional financial information should be directed to the Director of Finance, 1255 Franklin Street, Suite 111, Rocky Mount, Virginia 24151, telephone (540) 483-6664. The County's website address is www.franklincountyva.gov.

Basic Financial Statements

County of Franklin, Virginia
Statement of Net Position
June 30, 2023

June 30, 2023

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	School Board
ASSETS				
Cash and cash equivalents	\$ 96,983,407	\$ 338,813	\$ 97,322,220	\$ 4,397,547
Receivables (net of allowance for uncollectibles):				
Taxes receivable	4,170,786	-	4,170,786	-
Accounts receivable	1,406,335	7,720	1,414,055	8,157
Other local taxes receivable	396,088	-	396,088	-
Leases receivable	71,728	-	71,728	-
Due from other governmental units	6,298,831	-	6,298,831	2,810,899
Inventories	-	-	-	178,153
Prepaid expenses	449,173	-	449,173	230,780
Net pension asset	24,511	-	24,511	-
Restricted assets:				
Cash and cash equivalents	-	-	-	1,241,816
Cash and cash equivalents (in custody of others)	14,091,713	-	14,091,713	-
Capital assets:				
Capital assets, not being depreciated/amortized	50,234,223	-	50,234,223	1,257,686
Capital assets, net of accumulated depreciation/amortization	47,530,848	806,481	48,337,329	27,672,435
Total assets	\$ 221,657,643	\$ 1,153,014	\$ 222,810,657	\$ 37,797,473
DEFERRED OUTFLOWS OF RESOURCES				
Pension related items	\$ 3,121,860	\$ -	\$ 3,121,860	\$ 12,146,447
OPEB related items	728,835	-	728,835	3,208,341
Total deferred outflows of resources	\$ 3,850,695	\$ -	\$ 3,850,695	\$ 15,354,788
LIABILITIES				
Accounts payable	\$ 2,122,932	\$ 27,778	\$ 2,150,710	\$ 2,308,044
Accrued liabilities	-	-	-	1,039,929
Construction accounts payable	1,950,236	-	1,950,236	-
Accrued interest payable	381,545	-	381,545	-
Unearned revenue	1,244,371	-	1,244,371	107,980
Long-term liabilities:				
Due within one year	6,190,390	-	6,190,390	887,098
Due in more than one year	65,947,245	-	65,947,245	60,273,515
Total liabilities	\$ 77,836,719	\$ 27,778	\$ 77,864,497	\$ 64,616,566
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue - prepaid property taxes	\$ 1,100,678	\$ -	\$ 1,100,678	\$ -
Lease related items	63,181	-	63,181	-
Pension related items	3,766,609	-	3,766,609	13,264,560
OPEB related items	733,752	-	733,752	2,807,092
Total deferred inflows of resources	\$ 5,664,220	\$ -	\$ 5,664,220	\$ 16,071,652
NET POSITION				
Net investment in capital assets	\$ 55,442,548	\$ 806,481	\$ 56,249,029	\$ 28,873,207
Restricted:				
E-911	1,718,429	-	1,718,429	-
Law Library	183,874	-	183,874	-
Forfeited Assets	129,908	-	129,908	-
Courthouse maintenance	338,709	-	338,709	-
Tourism initiatives	7,500	-	7,500	-
Inmates	34,410	-	34,410	-
Opioid settlement receivable	1,166,322	-	1,166,322	-
Net pension asset	24,511	-	24,511	-
School cafeteria programs	-	-	-	1,241,816
School activity fund	-	-	-	1,488,001
School construction	-	-	-	2,407,033
Unrestricted (deficit)	82,961,188	318,755	83,279,943	(61,546,014)
Total net position	\$ 142,007,399	\$ 1,125,236	\$ 143,132,635	\$ (27,535,957)

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, 2023

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position				Component Unit	
	Expenses	Charges for Services	Operating Grants and Contributions		Governmental Activities	Primary Government Business-type Activities		Total	School Board	
			Contributions	Capital Contributions		Activities	Activities			
PRIMARY GOVERNMENT:										
Governmental activities:										
General government administration	\$ 5,778,826	\$ 6,085	\$ 491,610	\$ -	\$ (5,281,131)	\$ -	\$ (5,281,131)	\$ -		
Judicial administration	3,051,012	113,648	1,184,620	-	(1,752,744)	-	(1,752,744)	-		
Public safety	19,054,976	2,579,170	12,046,963	197,857	(4,230,986)	-	(4,230,986)	-		
Public works	13,587,532	1,375,797	22,656	-	(12,189,079)	-	(12,189,079)	-		
Health and welfare	15,799,906	15,442	11,764,121	-	(4,020,343)	-	(4,020,343)	-		
Education	34,851,238	-	-	-	(34,851,238)	-	(34,851,238)	-		
Parks, recreation, and cultural	3,565,724	295,513	203,596	-	(3,066,615)	-	(3,066,615)	-		
Community development	4,221,682	-	1,764,057	40,000	(2,417,625)	-	(2,417,625)	-		
Interest on long-term debt	1,218,193	-	-	-	(1,218,193)	-	(1,218,193)	-		
Total governmental activities	\$ 101,129,089	\$ 4,385,655	\$ 27,477,623	\$ 237,857	\$ (69,027,954)	\$ -	\$ (69,027,954)	\$ -		
Business-type activities:										
Utility Fund	\$ 44,878	\$ 16,083	\$ -	\$ -	\$ -	\$ (28,795)	\$ (28,795)	\$ -		
Total primary government	\$ 101,173,967	\$ 4,401,738	\$ 27,477,623	\$ 237,857	\$ (69,027,954)	\$ (28,795)	\$ (69,056,749)	\$ -		
COMPONENT UNIT:										
School Board	\$ 98,961,744	\$ 2,088,480	\$ 70,912,493	\$ -	\$ -	\$ -	\$ -	\$ (25,960,771)		
Total component unit	\$ 98,961,744	\$ 2,088,480	\$ 70,912,493	\$ -	\$ -	\$ -	\$ -	\$ (25,960,771)		
General revenues and transfers:										
General property taxes	\$ 65,082,053	\$ -	\$ -	\$ -	\$ 65,082,053	\$ -	\$ 65,082,053	\$ -		
Other local taxes:										
Local sales and use taxes					7,525,118	-	7,525,118	-		
Consumers' utility taxes					1,023,671	-	1,023,671	-		
Business license taxes					5,708	-	5,708	-		
Utility license taxes					205,547	-	205,547	-		
Motor vehicle licenses					2,099,499	-	2,099,499	-		
Bank stock taxes					318,384	-	318,384	-		
Taxes on recordation and wills					717,975	-	717,975	-		
Hotel and motel room taxes					412,640	-	412,640	-		
Restaurant food taxes					1,498,447	-	1,498,447	-		
Unrestricted revenues from use of money					2,322,771	-	2,322,771	2		
Miscellaneous					322,677	-	322,677	-		
Payments from the County of Franklin, Virginia					-	-	-	34,851,238		
Grants and contributions not restricted to specific programs					4,696,877	-	4,696,877	-		
Transfers					(15,000)	15,000	-	-		
Total general revenues and transfers					\$ 86,216,367	\$ 15,000	\$ 86,231,367	\$ 34,851,240		
Change in net position					\$ 17,188,413	\$ (13,795)	\$ 17,174,618	\$ 8,890,469		
Net position - beginning					124,818,986	1,139,031	125,958,017	(36,426,426)		
Net position - ending					\$ 142,007,399	\$ 1,125,236	\$ 143,132,635	\$ (27,535,957)		

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

County of Franklin, Virginia
Balance Sheet
Governmental Funds
June 30, 2023

	<u>General</u>	<u>E-911 Funds</u>	<u>County Capital Projects</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 48,626,626	\$ 1,722,385	\$ 46,634,396	\$ 96,983,407
Receivables (net of allowance for uncollectibles):				
Taxes receivable	4,170,786	-	-	4,170,786
Accounts receivable	1,406,335	-	-	1,406,335
Other local taxes receivable	396,088	-	-	396,088
Leases receivable	71,728	-	-	71,728
Due from other governmental units	5,955,506	37,559	305,766	6,298,831
Prepaid items	-	-	449,173	449,173
Restricted assets:				
Cash and cash equivalents (in custody of others)	-	-	14,091,713	14,091,713
Total assets	<u>\$ 60,627,069</u>	<u>\$ 1,759,944</u>	<u>\$ 61,481,048</u>	<u>\$ 123,868,061</u>
LIABILITIES				
Accounts payable	\$ 2,081,417	\$ 41,515	\$ -	\$ 2,122,932
Construction accounts payable	-	-	1,950,236	1,950,236
Unearned revenue	922,249	-	322,122	1,244,371
Total liabilities	<u>\$ 3,003,666</u>	<u>\$ 41,515</u>	<u>\$ 2,272,358</u>	<u>\$ 5,317,539</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - prepaid property taxes	\$ 1,100,678	\$ -	\$ -	\$ 1,100,678
Unavailable revenue - due from other governments	1,818,129	-	-	1,818,129
Unavailable revenue - property taxes	3,679,353	-	-	3,679,353
Unavailable revenue - opioid settlement receivable	881,949	-	-	881,949
Lease related items	71,728	-	-	71,728
Total deferred inflows of resources	<u>\$ 7,551,837</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,551,837</u>
FUND BALANCES				
Nonspendable				
Prepaid items	\$ -	\$ -	\$ 449,173	\$ 449,173
Restricted:				
E-911	-	1,718,429	-	1,718,429
Law Library	183,874	-	-	183,874
Forfeited Assets	129,908	-	-	129,908
Capital projects	-	-	14,091,713	14,091,713
Courthouse maintenance	338,709	-	-	338,709
Tourism initiatives	7,500	-	-	7,500
Inmates	34,410	-	-	34,410
Opioid settlement receivable	284,373	-	-	284,373
Assigned:				
Debt service	5,745,182	-	-	5,745,182
Capital projects	-	-	44,667,804	44,667,804
Unassigned	43,347,610	-	-	43,347,610
Total fund balances	<u>\$ 50,071,566</u>	<u>\$ 1,718,429</u>	<u>\$ 59,208,690</u>	<u>\$ 110,998,685</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 60,627,069</u>	<u>\$ 1,759,944</u>	<u>\$ 61,481,048</u>	<u>\$ 123,868,061</u>

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

County of Franklin, Virginia
Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Position
June 30, 2023

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds		\$ 110,998,685
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Capital assets, not being depreciated/amortized	\$ 50,234,223	
Capital assets being depreciated/amortized	117,615,686	
Accumulated depreciation/amortization	<u>(70,084,838)</u>	97,765,071
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Unavailable revenue-Western Virginia Water Authority	\$ 1,818,129	
Unavailable revenue-property taxes	3,679,353	
Unavailable revenue-opioid settlement receivable	881,949	
Net pension asset	<u>24,511</u>	6,403,942
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.		
Pension related items	\$ 3,121,860	
OPEB related items	<u>728,835</u>	3,850,695
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		
General obligation bonds, revenue bonds, finance purchase, and lease liabilities	\$ (50,548,041)	
Accrued interest payable	(381,545)	
Unamortized bond premium	(5,715,959)	
Landfill closure/postclosure liability	(11,362,147)	
Compensated absences	(2,076,998)	
Net OPEB liabilities	<u>(2,434,490)</u>	(72,519,180)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.		
Pension related items	\$ (3,766,609)	
OPEB related items	(733,752)	
Leases receivable related items	<u>8,547</u>	(4,491,814)
Net position of governmental activities		<u><u>\$ 142,007,399</u></u>

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

County of Franklin, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2023

	<u>General</u>	<u>E-911 Fund</u>	<u>County Capital Projects</u>	<u>Total</u>
REVENUES				
General property taxes	\$ 64,678,738	\$ -	\$ -	\$ 64,678,738
Other local taxes	13,806,989	-	-	13,806,989
Permits, privilege fees, and regulatory licenses	613,220	-	-	613,220
Fines and forfeitures	58,412	-	-	58,412
Revenue from the use of money and property	2,173,322	-	392,308	2,565,630
Charges for services	3,679,725	-	-	3,679,725
Miscellaneous	558,183	-	71,969	630,152
Recovered costs	1,376,910	-	-	1,376,910
Intergovernmental	30,490,730	267,513	1,654,114	32,412,357
Total revenues	<u>\$ 117,436,229</u>	<u>\$ 267,513</u>	<u>\$ 2,118,391</u>	<u>\$ 119,822,133</u>
EXPENDITURES				
Current:				
General government administration	\$ 6,230,618	\$ -	\$ -	\$ 6,230,618
Judicial administration	3,228,318	-	-	3,228,318
Public safety	19,726,937	1,326,962	-	21,053,899
Public works	4,920,510	-	-	4,920,510
Health and welfare	16,123,298	-	-	16,123,298
Education	33,081,973	-	1,420,000	34,501,973
Parks, recreation, and cultural	2,667,540	-	-	2,667,540
Community development	3,789,465	-	-	3,789,465
Capital projects	-	-	12,397,564	12,397,564
Debt service:				
Principal retirement	5,012,275	-	-	5,012,275
Interest and other fiscal charges	1,798,894	-	-	1,798,894
Bond issuance costs	236,185	-	289,071	525,256
Total expenditures	<u>\$ 96,816,013</u>	<u>\$ 1,326,962</u>	<u>\$ 14,106,635</u>	<u>\$ 112,249,610</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 20,620,216</u>	<u>\$ (1,059,449)</u>	<u>\$ (11,988,244)</u>	<u>\$ 7,572,523</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 260,000	\$ 1,294,274	\$ 13,740,288	\$ 15,294,562
Transfers out	(15,049,562)	-	(260,000)	(15,309,562)
Revenue bond proceeds	-	-	8,174,579	8,174,579
Bond premium proceeds	-	-	1,108,285	1,108,285
Proceeds of refunding bonds	5,936,185	-	-	5,936,185
Debt service-current refunding-principal	(5,700,000)	-	-	(5,700,000)
Issuance of lease liabilities	296,894	-	-	296,894
Total other financing sources (uses)	<u>\$ (14,256,483)</u>	<u>\$ 1,294,274</u>	<u>\$ 22,763,152</u>	<u>\$ 9,800,943</u>
Net change in fund balances	\$ 6,363,733	\$ 234,825	\$ 10,774,908	\$ 17,373,466
Fund balances - beginning	43,707,833	1,483,604	48,433,782	93,625,219
Fund balances - ending	<u>\$ 50,071,566</u>	<u>\$ 1,718,429</u>	<u>\$ 59,208,690</u>	<u>\$ 110,998,685</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, 2023

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

Net change in fund balances - total governmental funds \$ 17,373,466

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/amortization expense. This is the detail of items supporting this adjustment:

Capital outlays	\$ 10,109,241	
Depreciation/amortization expense	(6,129,401)	3,979,840

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

Disposal of assets (net)		(347,999)
--------------------------	--	-----------

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

Property taxes	\$ 403,315	
Receivable from Western Virginia Water Authority - long term	(111,401)	
Opioid settlement receivable	(196,074)	
Leases receivable related items	3,663	99,503

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

Debt issued or incurred:

Issuance of revenue bond	\$ (14,110,764)	
Issuance premium (to be amortized against interest expense)	(1,108,285)	
Issuance of lease liabilities	(296,894)	

Principal repayments:

General obligation bonds	476,817	
Revenue bonds	9,180,000	
Note payable (financed purchase)	47,895	
Lease liabilities	1,007,563	

Decrease (increase) in estimated liability:

Landfill closure/postclosure liability	(1,505,718)	(6,309,386)
--	-------------	-------------

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

Change in compensated absences	\$ (208,564)	
Change in accrued interest payable	19,417	
Amortization of bond premium	1,086,540	
Change in OPEB related items	101,485	
Change in pension related items	1,394,111	2,392,989

Change in net position of governmental activities	\$	<u>17,188,413</u>
---	----	-------------------

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

County of Franklin, Virginia
Statement of Net Position
Proprietary Fund
June 30, 2023

	Enterprise Fund <u>Utility Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 338,813
Accounts receivable, net of allowance for uncollectibles	7,720
Total current assets	<u>\$ 346,533</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	\$ 806,481
Total noncurrent assets	<u>\$ 806,481</u>
Total assets	<u>\$ 1,153,014</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 27,778
Total current liabilities	<u>\$ 27,778</u>
Total liabilities	<u>\$ 27,778</u>
NET POSITION	
Investment in capital assets	\$ 806,481
Unrestricted	318,755
Total net position	<u><u>\$ 1,125,236</u></u>

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

County of Franklin, Virginia
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
For the Year Ended June 30, 2023

	Enterprise Fund <u>Utility Fund</u>
OPERATING REVENUES	
Charges for services:	
Water and sewer revenue	\$ 9,225
Connection fees (operating)	6,858
Total operating revenues	<u>\$ 16,083</u>
OPERATING EXPENSES	
Utilities	\$ 811
Repairs and maintenance	3,044
Professional services	8,178
Depreciation	32,845
Total operating expenses	<u>\$ 44,878</u>
Operating income (loss)	<u>\$ (28,795)</u>
Transfers in	<u>\$ 15,000</u>
Change in net position	\$ (13,795)
Net position - beginning	1,139,031
Net position - ending	<u><u>\$ 1,125,236</u></u>

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, 2023

	Enterprise Fund <u>Utility Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 23,109
Payments for materials and supplies	(13,155)
Net cash provided by (used for) operating activities	<u>\$ 9,954</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	<u>\$ 15,000</u>
Net cash provided by (used for) noncapital financing activities	<u>\$ 15,000</u>
Net increase (decrease) in cash and cash equivalents	\$ 24,954
Cash and cash equivalents - beginning	313,859
Cash and cash equivalents - ending	<u><u>\$ 338,813</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	<u>\$ (28,795)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	\$ 32,845
(Increase) decrease in accounts receivable	7,026
Increase (decrease) in accounts payable	(1,122)
Total adjustments	<u>\$ 38,749</u>
Net cash provided by (used for) operating activities	<u><u>\$ 9,954</u></u>

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

County of Franklin, Virginia
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2023

	Custodial Funds
ASSETS	
Cash and cash equivalents	\$ 1,064,907
Receivables:	
Other receivables	4,566
Total assets	<u>\$ 1,069,473</u>
LIABILITIES	
Accounts payable	\$ 1,056
Total liabilities	<u>\$ 1,056</u>
NET POSITION	
Restricted:	
Amounts held for social services clients	\$ 188,109
Amounts held for performance bonds	840,572
Amounts held for library	4,000
Amounts held for inmates	8,958
Amounts held for court systems	26,778
Total net position	<u>\$ 1,068,417</u>
Total liabilities and net position	<u>\$ 1,069,473</u>

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

County of Franklin, Virginia
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2023

	<u>Custodial Funds</u>
ADDITIONS	
Interest income	\$ 663
Gifts and donations	147,595
Deposits from inmates	161,008
Seized property	17,180
Performance bond payment	358,969
Miscellaneous	12,016
Total additions	<u>\$ 697,431</u>
DEDUCTIONS	
Special welfare payments	\$ 64,463
Inmate refunds	160,387
Refund of performance bond payments	8,958
Return of seized property	21,198
Total deductions	<u>\$ 255,006</u>
Net increase (decrease) in fiduciary net position	\$ 442,425
Net position, beginning of year	<u>625,992</u>
Net position, end of year	<u><u>\$ 1,068,417</u></u>

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

COUNTY OF FRANKLIN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023

Note 1-Summary of Significant Accounting Policies:

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

A. Financial Reporting Entity

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

Blended component units - None

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

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

Related Organizations - None

Jointly governed organizations to which the County and School Board makes appointments and contributions are listed below:

County:

Roanoke Valley Economic Development Partnership	\$	122,641
Piedmont Community Services		498,297
Roanoke Valley Detention Commission		242,356
Western Virginia Regional Jail		3,424,806
Western Virginia Water Authority		N/A

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

B. Government-wide and fund financial statements

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

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

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

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

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

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

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of recognition in the financial statements of various kinds of transactions or events.

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

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

The government-wide, proprietary, and fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. 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 when they have been earned and 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 principal and interest expenditure on general long-term debt, including lease liabilities, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions, including entering into contracts giving the government the right to use lease assets, are reported as expenditures in the governmental funds. Issuance of long-term debt and financing through leases are reported as other financing sources.

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

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

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

The County reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for and reports all financial resources of the general government, except those required to be accounted for and reported in other funds. The general fund includes the activities of the Courthouse Maintenance Fund, the Asset Forfeiture Funds, Law Library Funds, Tourism Initiatives Fund, the Debt Service Fund, and the Inmate Commissary Funds.

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

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

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

The County reports the following major capital projects funds:

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

The County reports the following major proprietary fund:

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

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

Additionally, the government reports the following fund types:

Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to support the Government's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. For the County all fiduciary funds are custodial funds. Custodial funds include the special welfare fund, soil and erosion control fund, library fund, inmate fund and seized asset fund.

The School Board reports the following major governmental funds:

The *School Operating Fund* is the primary operating fund of the School Board and accounts for and reports all revenues and expenditures applicable to the general operations of the public school system. Revenues are derived primarily from appropriations from the County and state and federal grants.

The *School Activity Fund* accounts for and reports all funds received from extracurricular school activities, such as entertainment, athletic contests, club dues, fundraisers, etc., and from any and all activities of the individual schools.

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

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

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

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

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

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

1. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government. For purposes of the statement of cash flows, the government's proprietary funds consider their demand deposits and all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

2. Investments

Investments with a maturity of less than one year when purchased, non-negotiable certificates of deposit, other nonparticipating investments and external investment pools are stated at cost or amortized cost. Investments with a maturity greater than one year when purchased are stated at fair value. Fair value is the price that would be received to sell an investment in an orderly transaction at year end.

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

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

3. Receivables and payables

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

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

4. Property Taxes

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

5. Allowance for Uncollectible Accounts

The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$746,195 at June 30, 2023 and is comprised solely of property taxes.

6. Use of Estimates

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

7. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), and are reported in the applicable governmental or business-type columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$20,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

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

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

7. Capital assets (continued)

As the County and Component Unit School Board constructs or acquires capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost (except for intangible right-to-use lease assets (lease assets), the measurement of which is discussed in more detail below). The reported value excludes normal maintenance and repairs, which are amounts spent in relation to capital assets that do not increase the asset's capacity or efficiency or increases its estimated useful life. Donated capital assets are recorded at acquisition value at the date of donation. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential on the date of the donation. Intangible assets follow the same capitalization policies as tangible capital assets and are reported with tangible assets in the appropriate capital asset class.

Land and construction in progress are not depreciated. The other tangible and intangible property, plant, equipment, lease assets and infrastructure of the primary government, as well as the component unit, is depreciated/amortized using the straight-line method over the following estimated useful lives:

Assets	Years
Leased land	10-20
Buildings	40
Leased buildings	6-21
Building improvements	10-40
Structures, lines, and accessories	20-40
Machinery and equipment	4-30
Leases machinery and equipment	3-10
Subscription assets	3

8. Compensated Absences

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

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

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

9. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure/expense) until then. The County only has one item that qualifies for reporting in this category. It is comprised of certain items related to pension and OPEB. For more detailed information on these items, reference the related notes.

In addition to liabilities, the statement of financial position includes a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has multiple items that qualify for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivables, opioid settlement receivables, and amounts due from other governments are reported in the governmental funds balance sheet. The property tax amount is comprised of prepaid tax amounts and uncollected property taxes due prior to June 30 and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, prepaid tax amounts are reported as deferred inflows of resources. In addition, certain items related to pension, OPEB, and leases are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

10. Pensions

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

11. Other Postemployment Benefits (OPEB)

For purposes of measuring the net VRS related OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to the OPEB, and OPEB expense, information about the fiduciary net position of the VRS GLI, HIC, and Teacher HIC OPEB Plans and the additions to/deductions from the VRS OPEB Plans' fiduciary net position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

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

12. Long-term obligations

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

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

13. Fund balance

In governmental fund types, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called "fund balance." The governmental funds report the following categories of fund balance, based on the nature of any limitations requiring the use of resources for specific purposes:

Nonspendable - amounts that are either not in spendable form (such as inventory and prepaids) or are legally or contractually required to be maintained intact (corpus of a permanent fund).

Restricted - amounts that can be spent only for the specific purposes stipulated by external resource providers such as grantors or enabling federal, state, or local legislation. Restrictions may be changed or lifted only with the consent of the resource providers.

Committed - amounts that can be used only for the specific purposes determined by the adoption of a resolution committing fund balance for a specified purpose by the Board of Supervisors prior to the end of the fiscal year. Once adopted, the limitation imposed by the resolution remains in place until the resources have been spent for the specified purpose or the Board adopts another resolution to remove or revise the limitation.

Assigned - amounts a government intends to use for a specific purpose but do not meet the criteria to be classified as committed; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

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

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

13. Fund balance (continued)

Unassigned - amounts that are available for any purpose; positive amounts are only reported in the general fund. Additionally, any deficit fund balance within the other governmental fund types is reported as unassigned.

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

The Board of Supervisors establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment, which does not lapse at year end, is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by Board of Supervisors through adoption or amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

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

14. Net Position

For government-wide reporting as well as in proprietary funds, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

- Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.
- Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.

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

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

14. Net Position (continued)

- Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

15. Net Position Flow Assumption

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

16. Prepaid Items

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

17. Inventories

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

18. Cash in the Custody of Others

Certain bond and lease proceeds, held by trustee(s) pursuant to the County's bond and lease agreements, are reported in the financial statements as cash and cash equivalents in the custody of others. These funds, totaling \$14,091,713 at year end, are expected to be used for capital projects or outlays during the next two years.

19. Leases and Subscription-Based IT Arrangements

The County and School Board has various lease assets and subscription-based IT arrangements (SBITAs) requiring recognition. A lease is a contract that conveys control of the right to use another entity's nonfinancial asset. Lease recognition does not apply to short-term leases, contracts that transfer ownership, leases of assets that are investments, or certain regulated leases. A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction..

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

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

19. Leases and Subscription-Based IT Arrangements (continued)

Lessor

The County recognizes leases receivable and deferred inflows of resources in the government-wide and governmental fund financial statements. At commencement of the lease, the lease receivable is measured at the present value of lease payments expected to be received during the lease term, reduced by any provision for estimated uncollectible amounts. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is measured at the initial amount of the lease receivable, less lease payments received from the lessee at or before the commencement of the lease term (less any lease incentives).

Lessee

The County and School Board recognizes lease liabilities and intangible right-to-use lease assets (lease assets) with an initial value of \$20,000, individually or in the aggregate in the government-wide financial statements. At the commencement of the lease, the lease liability is measured at the present value of payments expected to be made during the lease term (less any lease incentives). The lease liability is reduced by the principal portion of payments made. The lease asset is measured at the initial amount of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. The lease asset is amortized over the shorter of the lease term or the useful life of the underlying asset.

Subscriptions

The County and School Board recognizes intangible right-to-use subscription assets (subscription assets) and corresponding subscription liabilities with an initial value of \$20,000, in individually or in the aggregate, in the government-wide financial statements. At the commencement of the subscription, the subscription liability is measured at the present value of payments expected to be made during the subscription liability term (less any contract incentives). The subscription liability is reduced by the principal portion of payments made. The subscription asset is measured at the initial amount of the subscription liability payments made to the SBITA vendor before commencement of the subscription term, and capitalizable implementation costs, less any incentives received from the SBITA vendor at or before the commencement of the subscription term. The subscription asset is amortized over the shorter of the subscription term or the useful life of the underlying IT asset.

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

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

19. Leases and Subscription-Based IT Arrangements (continued)

Key Estimates and Judgments

Lease and subscription-based IT arrangement accounting includes estimates and judgments for determining the (1) rate used to discount the expected lease and subscription payments to present value, (2) lease and subscription term, and (3) lease and subscription payments.

- The County and School Board uses the interest rate stated in lease or subscription contracts. When the interest rate is not provided or the implicit rate cannot be readily determined, the County and School Board uses its estimated incremental borrowing rate as the discount rate for leases and subscriptions.
- The lease and subscription terms include the noncancellable period of the lease or subscription and certain periods covered by options to extend to reflect how long the lease or subscription is expected to be in effect, with terms and conditions varying by the type of underlying asset.
- Fixed and certain variable payments as well as lease or subscription incentives and certain other payments are included in the measurement of the lease receivable (lessor), lease liability (lessee) or subscription liability.

The County and School Board monitor changes in circumstances that would require a remeasurement or modification of its leases and subscriptions. The County and School Board will remeasure the lease receivable and deferred inflows of resources (lessor), the lease asset and liability (lessee) or the subscription asset and liability if certain changes occur that are expected to significantly affect the amount of the lease receivable, lease liability or subscription liability.

Note 2-Stewardship, Compliance, and Accountability:

A. Budgetary information

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

1. Prior to March 30, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them. The following funds have legally adopted budgets: General Fund, the Special Revenue Fund, the Capital Projects Fund, and the School Operating Fund.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.

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

A. Budgetary information (continued)

4. The Appropriations Resolution places legal restrictions on expenditures at the department level. Only the Board of Supervisors can revise the appropriation for each department or category. The County Administrator is authorized to transfer budgeted amounts within general government departments; however, the School Board is authorized to transfer budgeted amounts within the school system's categories.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Fund (except the School Fund), and the Capital Projects Fund. The School Fund is integrated only at the level of legal adoption (fund level).
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30, for all County units. The County's practice is to appropriate Capital Projects by Project. Several supplemental appropriations were necessary during this fiscal year.
8. Budgetary data presented in the accompanying financial statements is the revised budget as of June 30, and the original budget adopted by the Board of Supervisors.
9. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to commit that portion of the applicable appropriations, is not part of the County's accounting system.

B. Excess of expenditures over appropriations

For the year ended June 30, 2023, expenditures did not exceed appropriations in any departments.

C. Deficit fund balance

At June 30, 2023, there were no funds with deficit fund balance.

Note 3-Deposits and Investments:

Deposits:

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023**Note 3-Deposits and Investments: (continued)**Investments:

Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper that has received at least two of the following ratings: P-1 by Moody's Investors Service, Inc.; A-1 by Standard & Poor's; or F1 by Fitch Ratings, Inc. (Section 2.2-4502), banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP).

Interest Rate Risk

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

Investment Maturities (in years)		
Investment Type	Fair Value	1 Year
SNAP	\$ 14,091,713	\$ 14,091,713
Local Government Investment Pool (LGIP)	20,352,234	20,352,234
Totals	\$ 34,443,947	\$ 34,443,947

Credit Risk of Debt Securities

The County has not adopted an investment policy for credit risk. The County's rated debt investments as of June 30, 2023 were rated by Standard & Poor's and/or an equivalent national rating organization and the ratings are presented below using the Standard and Poor's rating scale.

County's Rated Debt Investments' Values	
Rated Debt Investments	Fair Quality Ratings
	AAAm
SNAP	\$ 14,091,713
Local Government Investment Pool (LGIP)	20,352,234

Note 3-Deposits and Investments: (continued)

Custodial Credit Risk (Investments)

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Neither the County nor its discretely presented component unit has an investment policy for custodial credit risk. As of June 30, 2023, the County and the Component Unit - School Board did not hold any investments that were subject to custodial credit risk.

Concentration of Credit Risk

At June 30, 2023, the County did not have any investments requiring concentration of credit risk disclosures that exceeded 5% of total investments.

External Investment Pools

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

Remainder of page left blank intentionally.

COUNTY OF FRANKLIN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Note 4-Due from Other Governmental Units:

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

	<u>Primary Government</u>	<u>Component Unit- School Board</u>
<u>Local Government:</u>		
Western Virginia Water Authority	\$ 1,818,129	\$ -
<u>Commonwealth of Virginia:</u>		
Local sales tax	1,382,435	-
State sales tax	-	837,999
Noncategorical aid	350,076	-
Categorical aid-shared expenses	498,596	-
Categorical aid-VPA funds	226,958	-
Categorical aid-CSA funds	938,890	-
Other categorical aid	602,300	-
<u>Federal Government:</u>		
Categorical aid-VPA funds	376,292	-
Other categorical aid	105,155	1,972,900
Totals	<u>\$ 6,298,831</u>	<u>\$ 2,810,899</u>

Note 5-Interfund Transfers:

Interfund transfers for the year ended June 30, 2023, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General Fund	\$ 260,000	\$ 15,049,562
Utility Fund	15,000	-
County Capital Projects Fund	13,740,288	260,000
E-911 Fund	1,294,274	-
Component Unit School Board		
School Operating Fund	220,712	589,836
School Activity Fund	589,836	220,712
Total	<u>\$ 16,120,110</u>	<u>\$ 16,120,110</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Note 5-Interfund Transfers: (continued)

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

There were no interfund obligations at June 30, 2023.

Note 6-Component-Unit Contributions and Obligations:

Primary government contributions to component units for the year ended June 30, 2023, consisted of the following:

Component Unit:	
School Board	\$ 34,501,973
Total	<u>\$ 34,501,973</u>

There were no component-unit obligations at June 30, 2023.

Remainder of page left blank intentionally.

COUNTY OF FRANKLIN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Note 7-Long-Term Obligations:

Primary Government - Governmental Activities Obligations:

The following is a summary of long-term obligation transactions of the County for the year ended June 30, 2023.

	Balance July 1, 2022	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2023
Direct borrowings and placements:				
General obligation bonds	\$ 2,182,575	\$ -	\$ (476,817)	\$ 1,705,758
Revenue bonds	5,664,236	14,110,764	(5,810,000)	13,965,000
Premiums on revenue bonds	104,176	1,108,285	(42,773)	1,169,688
Note payable (financed purchase)	143,685	-	(47,895)	95,790
Other debt:				
Revenue bond	35,255,000	-	(3,370,000)	31,885,000
Premium on revenue bond	5,590,038	-	(1,043,767)	4,546,271
Lease liabilities	3,607,162	296,894	(1,007,563)	2,896,493
Landfill closure/postclosure liability	9,856,429	1,505,718	-	11,362,147
Compensated absences	1,868,434	1,609,890	(1,401,326)	2,076,998
Net OPEB liabilities	2,457,097	998,436	(1,021,043)	2,434,490
Total	\$ 66,728,832	\$ 19,629,987	\$ (14,221,184)	\$ 72,137,635

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

Year Ending June 30,	Direct Borrowings and Placements		Other Debt		Lease Liabilities	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 1,084,174	\$ 608,177	\$ 2,815,000	\$ 1,284,025	\$ 733,467	\$ 85,438
2025	1,023,974	666,589	2,960,000	1,139,650	722,870	63,342
2026	1,021,334	619,231	1,740,000	1,022,150	607,158	41,574
2027	1,062,066	569,761	1,835,000	932,775	324,496	24,827
2028	720,000	526,656	2,130,000	833,650	315,840	14,181
2029-2033	4,200,000	2,058,784	8,435,000	2,852,875	127,970	13,253
2034-2038	4,710,000	967,794	8,580,000	1,087,725	64,692	1,698
2039-2042	1,945,000	200,700	3,390,000	131,800	-	-
Totals	\$ 15,766,548	\$ 6,217,692	\$ 31,885,000	\$ 9,284,650	\$ 2,896,493	\$ 244,313

COUNTY OF FRANKLIN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Note 7-Long-Term Obligations: (continued)

Primary Government - Governmental Activities Obligations: (continued)

Details of long-term obligations:

	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Balance Governmental Activities	Amount Due Within One Year
Direct Borrowings and Placements -						
General Obligation Bonds:						
GO bond-VPsA ²	4.1-5.6%	11/10/2004	2025	\$ 2,500,000	\$ 250,000	\$ 125,000
GO bond-VPsA ²	4.225-5.1%	11/9/2006	2027	6,760,943	1,455,758	356,279
Total General Obligation Bonds					<u>\$ 1,705,758</u>	<u>\$ 481,279</u>
Revenue Bonds:						
Revenue bond ³	4.68%	7/27/2016	2035	2,505,000	\$ 1,800,000	\$ 115,000
Revenue bond	4-5%	6/6/2023	2043	12,165,000	12,165,000	440,000
Total Revenue Bonds					<u>\$ 13,965,000</u>	<u>\$ 555,000</u>
Note payable (financed purchase)	0.00%	7/1/2021	2025	239,475	\$ 95,790	\$ 47,895
Total Direct Borrowings and Placements					<u>\$ 15,766,548</u>	<u>\$ 1,084,174</u>
Other Debt:						
Revenue bond ¹	3-5%	12/10/2020	2041	38,070,000	\$ 31,885,000	\$ 2,815,000
Lease Liabilities:						
Building-Public Safety ⁴	2.00%	6/1/2018	2024	125,359	\$ 20,926	\$ 20,926
Copier-Public Safety	0.76%	9/1/2021	2027	38,373	24,456	7,660
Copier-Circuit Court	0.76%	2/1/2022	2027	29,927	21,549	5,955
Copier-Finance/CSA ⁴	0.42%	8/1/2020	2024	22,213	2,292	2,292
Copier-Development Services	0.42%	7/1/2021	2025	25,692	9,920	7,931
Copier-Public Safety	2.81%	5/1/2022	2027	19,549	15,195	3,808
Library Building ⁴	1.49%	1/1/2008	2026	1,320,531	286,282	111,616
Enforcer Fire Truck ⁴	3.02%	12/27/2018	2028	958,702	514,940	96,953
Pumper and Platform Fire Truck ⁴	3.75%	2/15/2019	2028	1,437,597	784,767	145,615
Ambulances	2.74%	10/1/2021	2026	708,171	436,333	141,531
Cell Tower-Ferrum ⁴	5.00%	5/1/2016	2026	87,507	35,111	11,259
Cell Tower-Burnt Chimney	3.50%	7/1/2021	2031	44,178	37,771	3,555
Cell Tower-Cahas Mountain ⁴	3.00%	7/1/2016	2026	177,229	65,320	20,458
Sheriff IT	0.42%	10/1/2021	2024	23,376	7,792	7,792
Social Services Vehicles ⁴	8.99%	12/1/2020	2026	77,700	34,587	13,412
Social Services Vehicles	18.20-19.25%	7/1/2021	2026	18,269	12,698	3,479
Land ⁴	3.00%	5/1/2021	2026	50,266	30,284	10,104
Land ⁴	2.00%	1/1/2016	2036	362,159	265,320	16,326
Land ⁴	2.00%	2/1/2016	2026	178,805	54,339	20,702
Building-Public Safety	2.67%	7/1/2022	2025	75,127	51,476	25,395
Building-Public Safety	2.67%	7/1/2022	2025	75,127	51,476	25,395
Copier-Commissioner of Revenue	2.41%	4/1/2023	2028	25,286	24,093	4,846
Copier-Library	2.44%	4/1/2023	2028	36,148	34,443	6,924
Social Services Vehicles	4.94%	9/23/2022	2028	24,713	22,414	5,624
Social Services Vehicles	11.38%	1/13/2023	2028	30,665	27,489	4,560
Social Services Vehicles	4.56%	3/20/2023	2026	29,828	25,220	9,349
Total Leases Liabilities					<u>\$ 2,896,493</u>	<u>\$ 733,467</u>
Other Obligations:						
Landfill Closure/Postclosure Liability					\$ 11,362,147	\$ -
Premiums on Revenue Bonds					5,715,959	-
Compensated Absences					2,076,998	1,557,749
Net OPEB Liabilities					2,434,490	-
Total Other Obligations					<u>\$ 21,589,594</u>	<u>\$ 1,557,749</u>
Total Long-term obligations					<u>\$ 72,137,635</u>	<u>\$ 6,190,390</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Note 7-Long-Term Obligations: (continued)

Primary Government - Governmental Activities Obligations: (continued)

Details of long-term obligations: (continued)

¹ Denotes debt refinanced for General Government Projects and School Construction

² Denotes debt issued for School Construction

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

⁴ The lease issue date and amount of original issue are from the onset of the lease agreement. The amounts included in the GASB Statement No. 87 implementation are as of July 1, 2021, the date of implementation. Original information is included for informational purposes only.

For the governmental activities, landfill closure and post closure liability, compensated absences, net OPEB liabilities, and net pension liability are generally liquidated by the General Fund. At year end, unspent bond proceeds totaled \$14,091,713.

If an event of default occurs with GO bonds and revenue bonds, the principal of the bond(s) may be declared immediately due and payable to the register owner of the bond(s) by written notice to the County.

The County's GO bonds and revenue bond (exclusive of the \$38,070,000 revenue bonds) are subject to the state aid intercept program. Under terms of this program, the County's State aid is redirected to bond holders to cure any event(s) of default.

The County's lease revenue bonds are secured by real estate held by the County including the Summit Park Business Park, the Government Complex and Windy Gap Elementary School.

Current refunding:

The County performed a current refunding of the 2019 \$5.7 million issuance during the year. The refunding was undertaken to extend the maturity of the prior bond (originally set to mature on October 1, 2024) and not to reduce interest costs. Cost associated with the issuance totaled \$236,185 and the refunding bond was issued as part of the County's \$12.165 million dollar issuance.

Remainder of page left blank intentionally.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023**Note 8-Long-Term Obligations-Component Unit School Board:**Discretely Presented Component Unit-School Board Obligations:

The following is a summary of long-term obligation transactions of the Component-Unit School Board for the year ended June 30, 2023.

	Balance July 1, 2022	GASB No. 96 Adjustment	Increases	Decreases	Balance June 30, 2023
Lease liabilities	\$ 31,057	\$ -	\$ -	\$ (31,057)	\$ -
Subscription liability	-	109,449	-	(52,535)	56,914
Compensated absences	1,069,854	-	839,449	(802,391)	1,106,912
Net OPEB liabilities	15,309,271	-	3,899,039	(4,862,026)	14,346,284
Net pension liability	36,951,567	-	38,752,037	(30,053,101)	45,650,503
Total	<u>\$ 53,361,749</u>	<u>\$ 109,449</u>	<u>\$ 43,490,525</u>	<u>\$ (35,801,110)</u>	<u>\$ 61,160,613</u>

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

Year Ending June 30,	Subscription Liability	
	Principal	Interest
2024	\$ <u>56,914</u>	\$ <u>2,277</u>
Totals	<u>\$ 56,914</u>	<u>\$ 2,277</u>

Remainder of page left blank intentionally.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Note 8-Long-Term Obligations-Component Unit School Board: (continued)Discretely Presented Component Unit-School Board Obligations: (continued)Details of long-term obligations:

	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Total Amount	Amount Due Within One Year
Subscription liability:						
IT Software ⁽¹⁾	4.00%	7/1/2021	2024	\$ 157,858	\$ 56,914	\$ 56,914
Total subscription liability					\$ 56,914	\$ 56,914
Other Obligations:						
Compensated absences					\$ 1,106,912	\$ 830,184
Net OPEB liabilities					14,346,284	-
Net pension liability					45,650,503	-
Total Long-Term Obligations					\$ 61,160,613	\$ 887,098

¹ The subscription lease issue date and amount of original issue are from the onset of the lease agreement. The amounts included in the GASB Statement No. 96 implementation are as of July 1, 2022, the date of implementation. Original information is included for informational purposes only.

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

Note 9-Pension Plans:***Plan Description***

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

Note 9-Pension Plans: (continued)

Benefit Structures

The System administers three different benefit structures for covered employees - Plan 1, Plan 2 and Hybrid. Each of these benefit structures has different eligibility criteria, as detailed below.

- a. Employees hired with a membership date July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of service credit or age 50 with at least 30 years of service credit. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of service credit or age 50 with at least 10 years of service credit. Hazardous duty employees (law enforcement officers, firefighters, and sheriffs) are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.
- b. Employees with a membership date from July 1, 2010 to December 31, 2013, that have not taken a refund or employees with a membership date prior to July 1, 2010 and not vested before January 1, 2013, are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit or when the sum of their age plus service credit equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. Hazardous duty employees are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.
- c. Non-hazardous duty employees with a membership date on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 - April 30, 2014, with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit, or when the sum of their age plus service credit equals 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

Note 9-Pension Plans: (continued)

Average Final Compensation and Service Retirement Multiplier

The VRS defined benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee's average final compensation multiplied by the employee's total service credit. Under Plan 1, average final compensation is the average of the employee's 36 consecutive months of highest compensation, and the multiplier is 1.70% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.70% or 1.85% for hazardous duty employees as elected by the employer. Under Plan 2, average final compensation is the average of the employee's 60 consecutive months of highest compensation, and the retirement multiplier is 1.65% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.70% or 1.85% for hazardous duty employees as elected by the employer. Under the Hybrid Plan, average final compensation is the average of the employee's 60 consecutive months of highest compensation, and the multiplier is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

Cost-of-Living Adjustment (COLA) in Retirement and Death and Disability Benefits

Retirees with an unreduced benefit or with a reduced benefit with at least 20 years of service credit are eligible for an annual COLA beginning July 1 after one full calendar year from the retirement date. Retirees with a reduced benefit and who have less than 20 years of service credit are eligible for an annual COLA beginning on July 1 after one calendar year following the unreduced retirement eligibility date. Under Plan 1, the COLA cannot exceed 5.00%. Under Plan 2 and the Hybrid Plan, the COLA cannot exceed 3.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia, as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

Remainder of page left blank intentionally.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023**Note 9-Pension Plans: (continued)*****Employees Covered by Benefit Terms***

As of the June 30, 2021 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Primary Government	Component Unit School Board Nonprofessional
Inactive members or their beneficiaries currently receiving benefits	216	211
Inactive members:		
Vested inactive members	61	29
Non-vested inactive members	137	106
Inactive members active elsewhere in VRS	108	30
Total inactive members	306	165
Active members	370	252
Total covered employees	892	628

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement.

The County's contractually required employer contribution rate for the year ended June 30, 2023 was 10.21% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the County were \$1,931,166 and \$1,685,413 for the years ended June 30, 2023 and June 30, 2022, respectively.

Remainder of page left blank intentionally.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Note 9-Pension Plans: (continued)

Contributions (continued)

The Component Unit School Board's contractually required employer contribution rate for nonprofessional employees for the year ended June 30, 2023 was 7.22% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Component Unit School Board's nonprofessional employees were \$400,783 and \$397,016 for the years ended June 30, 2023 and June 30, 2022, respectively.

Net Pension Liability/Asset

The net pension liability/asset (NPL/A) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. The County's and Component Unit School Board's (nonprofessional) net pension liability/asset were measured as of June 30, 2022. The total pension liabilities used to calculate the net pension liability/asset were determined by an actuarial valuation performed as of June 30, 2021, and rolled forward to the measurement date of June 30, 2022.

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the County's and Component Unit School Board's (nonprofessional) Retirement Plan was based on an actuarial valuation as of June 30, 2021, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

Inflation	2.50%
Salary increases, including inflation	3.50% - 5.35%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation

Remainder of page left blank intentionally.

Note 9-Pension Plans: (continued)

Actuarial Assumptions - General Employees (continued)

Mortality rates:

All Others (Non-10 Largest) - Non-Hazardous Duty: 15% of deaths are assumed to be service-related

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

Mortality Improvement:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

Remainder of page left blank intentionally.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023**Note 9-Pension Plans: (continued)*****Actuarial Assumptions - General Employees (continued)***

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

All Others (Non-10 Largest) - Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the County's Retirement Plan was based on an actuarial valuation as of June 30, 2021, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

Inflation	2.50%
Salary increases, including inflation	3.50% - 4.75%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation

Remainder of page left blank intentionally.

Note 9-Pension Plans: (continued)

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits (continued)

Mortality rates:

All Others (Non-10 Largest) - Hazardous Duty: 45% of deaths are assumed to be service related

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally with a Modified MP-2020 Improvement Scale; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally with a Modified MP-2020 Improvement Scale; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally with a Modified MP-2020 Improvement Scale; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally with a Modified MP-2020 Improvement Scale; 110% of rates for males and females set forward 2 years

Mortality Improvement:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

Remainder of page left blank intentionally.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023**Note 9-Pension Plans: (continued)*****Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits (continued)***

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

All Others (Non-10 Largest) - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Largest 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Remainder of page left blank intentionally.

Note 9-Pension Plans: (continued)***Long-Term Expected Rate of Return***

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

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS - Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP - Private Investment Partnership	3.00%	6.55%	0.20%
Total	100.00%		5.33%
		Inflation	2.50%
		Expected arithmetic nominal return**	7.83%

* The above allocation provides a one-year expected return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%.

**On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75% which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

Note 9-Pension Plans: (continued)

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes, and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the County and Component Unit School Board (nonprofessional) was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2023, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2021 actuarial valuations, whichever was greater. Through the fiscal year ended June 30, 2022, the rate contributed by the school division for the VRS Teacher Retirement Plan was subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contributions rate. From July 1, 2022 on, participating employers and school divisions are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Remainder of page left blank intentionally.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023**Note 9-Pension Plans: (continued)*****Changes in Net Pension Liability (Asset)***

	Primary Government		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2021	\$ 76,963,937	\$ 80,430,347	\$ (3,466,410)
Changes for the year:			
Service cost	\$ 1,976,181	\$ -	\$ 1,976,181
Interest	5,205,683	-	5,205,683
Differences between expected and actual experience	(1,346,505)	-	(1,346,505)
Contributions - employer	-	1,685,413	(1,685,413)
Contributions - employee	-	845,646	(845,646)
Net investment income	-	(89,600)	89,600
Benefit payments	(3,637,780)	(3,637,780)	-
Administrator charges	-	(49,860)	49,860
Other changes	-	1,861	(1,861)
Net changes	\$ 2,197,579	\$ (1,244,320)	\$ 3,441,899
Balances at June 30, 2023	\$ 79,161,516	\$ 79,186,027	\$ (24,511)

Remainder of page left blank intentionally.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023**Note 9-Pension Plans: (continued)****Changes in Net Pension Liability (Asset) (continued)**

	Component School Board (nonprofessional)		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2021	\$ 25,554,905	\$ 26,429,515	\$ (874,610)
Changes for the year:			
Service cost	\$ 466,114	\$ -	\$ 466,114
Interest	1,711,792	-	1,711,792
Differences between expected and actual experience	(30,675)	-	(30,675)
Contributions - employer	-	397,016	(397,016)
Contributions - employee	-	269,471	(269,471)
Net investment income	-	(20,786)	20,786
Benefit payments	(1,322,284)	(1,322,284)	-
Administrator charges	-	(16,510)	16,510
Other changes	-	605	(605)
Net changes	\$ 824,947	\$ (692,488)	\$ 1,517,435
Balances at June 30, 2022	\$ 26,379,852	\$ 25,737,027	\$ 642,825

Remainder of page left blank intentionally.

Note 9-Pension Plans: (continued)***Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate***

The following presents the net pension liability (asset) of the County and Component Unit School Board (nonprofessional) using the discount rate of 6.75%, as well as what the County's and Component Unit School Board's (nonprofessional) net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
County			
Net Pension Liability (Asset)	\$ 10,398,405	\$ (24,511)	\$ (8,542,693)
Component Unit School Board (nonprofessional)			
Net Pension Liability (Asset)	\$ 3,741,273	\$ 642,825	\$ (1,911,764)

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

For the year ended June 30, 2023, the County and Component Unit School Board (nonprofessional) recognized pension expense of \$613,659 and \$(95,467), respectively. At June 30, 2023, the County and Component Unit School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government		Component Unit School Board (nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 132,883	\$ 1,478,128	\$ -	\$ 87,153
Changes of assumptions	1,057,811	-	208,453	-
Net difference between projected and actual earnings on pension plan investments	-	2,288,481	-	765,132
Employer contributions subsequent to the measurement date	1,931,166	-	400,783	-
Total	\$ 3,121,860	\$ 3,766,609	\$ 609,236	\$ 852,285

Note 9-Pension Plans: (continued)***Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)***

\$1,931,166 and \$400,783 reported as deferred outflows of resources related to pensions resulting from the County's and Component Unit School Board's (nonprofessional) contributions, respectively, subsequent to the measurement date will be recognized as a increase of the Net Pension Asset in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30</u>	<u>Primary Government</u>	<u>Component Unit School Board (nonprofessional)</u>
2024	\$ (783,472)	\$ (167,901)
2025	(1,134,824)	(316,198)
2026	(1,753,555)	(516,153)
2027	1,095,936	356,420

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2022 Annual Comprehensive Financial Report (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2022-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Component Unit School Board (Professional)***Plan Description***

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

Remainder of page left blank intentionally.

Note 9-Pension Plans: (continued)

Component Unit School Board (Professional) (continued)

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Each School Division's contractually required employer contribution rate for the year ended June 30, 2023 was 16.62% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the School Board were \$7,164,047 and \$7,022,934 for the years ended June 30, 2023 and June 30, 2022, respectively.

In June 2022, the Commonwealth made a special contribution of approximately \$442.4 million to the VRS Teacher Retirement Plan. This special payment was authorized by a budget amendment included in Chapter 1 of the 2022 Appropriation Act, and is classified as a non-employer contribution.

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

At June 30, 2023, the school division reported a liability of \$45,007,678 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2022 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation performed as of June 30, 2021, and rolled forward to the measurement date of June 30, 2022. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2022, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the school division's proportion was 0.47274% as compared to 0.47599% at June 30, 2021.

For the year ended June 30, 2023, the school division recognized pension expense of \$1,223,939. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions. Beginning with the June 30, 2022 measurement date, the difference between expected and actual contributions is included with the pension expense calculation.

Remainder of page left blank intentionally.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023**Note 9-Pension Plans: (continued)****Component Unit School Board (Professional) (continued)*****Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)***

At June 30, 2023, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 3,103,457
Net difference between projected and actual earnings on pension plan investments	-	5,868,059
Changes of assumptions	4,243,317	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	129,847	3,440,759
Employer contributions subsequent to the measurement date	7,164,047	-
Total	\$ 11,537,211	\$ 12,412,275

\$7,164,047 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30</u>	
2024	\$ (2,810,588)
2025	(3,294,340)
2026	(4,514,625)
2027	2,580,442

Note 9-Pension Plans: (continued)

Component Unit School Board (Professional) (continued)

Actuarial Assumptions

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2021, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

Inflation	2.50%
Salary increases, including inflation	3.50% - 5.95%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation

Mortality rates:

Pre-Retirement:

Pub-2010 Amount Weighted Teachers Employee Rates projected generationally; 110% of rates for males

Post-Retirement:

Pub-2010 Amount Weighted Teachers Healthy Retiree Rates projected generationally; males set forward 1 year; 105% of rates for females

Post-Disablement:

Pub-2010 Amount Weighted Teachers Disabled Rates projected generationally; 110% of rates for males and females

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally

Mortality Improvement:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

Remainder of page left blank intentionally.

Note 9-Pension Plans: (continued)**Component Unit School Board (Professional) (continued)*****Actuarial Assumptions (continued)***

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

Remainder of page left blank intentionally.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Note 9-Pension Plans: (continued)

Component Unit School Board (Professional) (continued)

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2022, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

	<u>Teacher Employee Retirement Plan</u>
Total Pension Liability	\$ 54,732,329
Plan Fiduciary Net Position	45,211,731
Employers' Net Pension Liability (Asset)	\$ <u>9,520,598</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.61%

The total pension liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net pension liability is disclosed in accordance with the requirements of GASB Statement No. 67 in the System's notes to the financial statements and required supplementary information.

The long-term expected rate of return and discount rate information previously described also apply to this plan.

Remainder of page left blank intentionally.

Note 9-Pension Plans: (continued)**Component Unit School Board (Professional) (continued)*****Sensitivity of the School Division's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate***

The following presents the school division's proportionate share of the net pension liability using the discount rate of 6.75%, as well as what the school division's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	Rate		
	1% Decrease	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)
School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability	\$ 80,387,159	\$ 45,007,678	\$ 16,201,001

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2022 Annual Comprehensive Financial Report (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2022-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Remainder of page left blank intentionally.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023**Note 9-Pension Plans: (continued)****Primary Government and Component Unit School Board****Aggregate Pension Information**

The following is a summary of deferred outflows, deferred inflows, net pension liabilities (assets), and pension expense for the year ended June 30, 2023.

	Primary Government				Component Unit School Board			
	Deferred Outflows	Deferred Inflows	Net Pension Liability (Asset)	Pension Expense	Deferred Outflows	Deferred Inflows	Net Pension Liability (Asset)	Pension Expense
VRS Pension Plans:								
Primary Government	\$ 3,121,860	\$ 3,766,609	\$ (24,511)	\$ 613,659	\$ -	\$ -	\$ -	\$ -
School Board Nonprofessional	-	-	-	-	609,236	852,285	642,825	(95,467)
School Board Professional	-	-	-	-	11,537,211	12,412,275	45,007,678	1,223,939
Totals	<u>\$ 3,121,860</u>	<u>\$ 3,766,609</u>	<u>\$ (24,511)</u>	<u>\$ 613,659</u>	<u>\$ 12,146,447</u>	<u>\$ 13,264,560</u>	<u>\$ 45,650,503</u>	<u>\$ 1,128,472</u>

Note 10-Other Postemployment Benefits-Health Insurance:**Plan Description**

In addition to the pension benefits described in Note 9, the County and Component Unit School Board administer single employer defined benefit healthcare plans, The Franklin County Postemployment Benefits Plan and the Franklin County Public Schools Postemployment Plan. The plans provide postemployment health care benefits to all eligible permanent employees who meet the requirements under the County's and School Board's pension plans. The plans do not issue a publicly available financial report.

Primary Government**Benefits Provided**

The County administers a single-employer healthcare plan ("the Plan"). The Plan provides for participation by eligible retirees of the County and their dependents in the health and dental insurance programs available to County employees. The Plan will provide retiring employees the option to continue health and dental insurance offered by the County. An eligible County retiree may receive this benefit until the retiree is eligible to receive Medicare. To be eligible for this benefit a retiree must have 15 years of service with the County and the employee must have attained the age of fifty (50). The benefits, employee contributions and the employer contributions are governed by the County Board and can be amended through Board action. The Plan does not issue a publicly available financial report.

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

Primary Government (continued)

Plan Membership

At July 1, 2022 (measurement date), the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	2
Active employees	376
Total	<u>378</u>

Contributions

The board does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the County Board. The amount paid by the County for OPEB as the benefits came due during the year ended June 30, 2023 was \$54,000.

Total OPEB Liability

The County's total OPEB liability was measured as of July 1, 2022. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation performed as of July 1, 2022.

Actuarial Assumptions

The total OPEB liability in the July 1, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary Increases	2.50%
Discount Rate	3.69%

Mortality rates were based on RP-2014 Mortality Table, fully generational with base year 2006, projected using two-dimensional mortality improvement scale MP-2021.

Note 10-Other Postemployment Benefits-Health Insurance: (continued)Primary Government (continued)***Discount Rate***

The discount rate should be the single rate that reflects the following:

- a) The long-term expected rate of return on OPEB plan investments that are expected to be used to finance the payment of benefits, to the extent that (1) the OPEB plan's fiduciary net position is projected to be sufficient to make projected benefit payments and (2) OPEB plan assets are expected to be invested using a strategy to achieve that return.
- b) A yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale), to the extent that the conditions in (a) are not met.

Since the plan has no assets, the discount rate is equal to the Fidelity Index's "20-year Municipal GO AA Index" as of the measurement date.

Changes in Total OPEB Liability

	Primary Government Total OPEB Liability
Beginning Balances	\$ 1,540,000
Changes for the year:	
Service cost	\$ 103,000
Interest	31,000
Difference between expected and actual experience	238,000
Benefit payments	(54,000)
Changes of assumptions	(414,000)
Net changes	\$ (96,000)
Ending Balances	\$ 1,444,000

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023**Note 10-Other Postemployment Benefits-Health Insurance: (continued)**Primary Government (continued)***Sensitivity of the Total OPEB Liability to Changes in the Discount Rate***

The following amounts present the total OPEB liability of the County, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.69%) or one percentage point higher (4.69%) than the current discount rate:

Rate		
1% Decrease (2.69%)	Current Discount Rate (3.69%)	1% Increase (4.69%)
\$ 1,611,000	\$ 1,444,000	\$ 1,296,000

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the County, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (5.75% for fiscal year 2023, decreasing to an ultimate rate of 4.00%) or one percentage point higher (7.75% for fiscal year 2023, decreasing to an ultimate rate of 6.00%) than the current healthcare cost trend rates:

Rates		
1% Decrease (5.75% for fiscal year 2023, decreasing to an ultimate rate of 4.00%)	Healthcare Cost Trend (6.75% for fiscal year 2023, decreasing to an ultimate rate of 5.00%)	1% Increase (7.75% for fiscal year 2023, decreasing to an ultimate rate of 6.00%)
\$ 1,261,000	\$ 1,444,000	\$ 1,661,000

Remainder of page left blank intentionally.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023**Note 10-Other Postemployment Benefits-Health Insurance: (continued)**Primary Government (continued)***OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources***

For the year ended June 30, 2023, the County recognized OPEB expense in the amount of \$41,000. At June 30, 2023, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 199,000	\$ 156,000
Changes of assumptions	172,000	363,000
Benefit payments subsequent to the measurement date	54,000	-
Total	\$ <u>425,000</u>	\$ <u>519,000</u>

\$54,000 reported as deferred outflows of resources related to OPEB resulting from the County's benefit payments subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the fiscal year ending June 30, 2024. Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense in future reporting periods as follows:

<u>Year ended June 30</u>	
2024	\$ (97,000)
2025	(10,000)
2026	(3,000)
2027	(7,000)
2028	(29,000)
Thereafter	(2,000)

Additional disclosures on changes in total OPEB liability, related ratios, and employer contributions can be found in the required supplementary information following the notes to the financial statements.

Remainder of page left blank intentionally.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

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

Component Unit School Board

Benefits Provided

The Component Unit School Board administers a single-employer healthcare plan (“the Plan”). The Plan provides for participation by eligible retirees of the School Board and their dependents in the health and dental insurance programs available to School Board employees. The Plan will provide retiring employees the option to continue health and dental insurance offered by the School Board. An eligible retiree may receive this benefit until the retiree is eligible to receive Medicare. To be eligible for this benefit a retiree must have 15 years of service with the School Board and the employee must have attained the age of fifty (50). The benefits, employee contributions and the employer contributions are governed by the School Board and can be amended through Board action. The Plan does not issue a publicly available financial report.

Plan Membership

At July 1, 2022 (measurement date), the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	48
Active employees	<u>1,117</u>
Total	<u><u>1,165</u></u>

Contributions

The board does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the School Board. The amount paid by the School Board for OPEB as the benefits came due during the year ended June 30, 2023 was \$405,000.

Total OPEB Liability

The School Board’s total OPEB liability was measured as of July 1, 2022. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation performed as of July 1, 2022, using updated actuarial assumptions.

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

Component Unit School Board (continued)

Actuarial Assumptions

The total OPEB liability in the July 1, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary Increases	2.50%
Discount Rate	3.69%

Mortality rates were based on RP-2014 Mortality Table, fully generational with base year 2006, projected using two-dimensional mortality improvement scale MP-2021.

The date of the most recent actuarial experience study for which significant assumptions were based is not available.

Discount Rate

The discount rate should be the single rate that reflects the following:

- a. The long-term expected rate of return on OPEB plan investments that are expected to be used to finance the payment of benefits, to the extent that (1) the OPEB plan’s fiduciary net position is projected to be sufficient to make projected benefit payments and (2) OPEB plan assets are expected to be invested using a strategy to achieve that return.
- b. A yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale), to the extent that the conditions in (a) are not met.

Since the plan has no assets, the discount rate is equal to the Fidelity Index’s “20-year Municipal GO AA Index” as of the measurement date.

Remainder of page left blank intentionally.

Note 10-Other Postemployment Benefits-Health Insurance: (continued)**Component Unit School Board (continued)*****Changes in Total OPEB Liability***

		Component Unit School Board Total OPEB Liability
Beginning Balances	\$	6,358,000
Changes for the year:		
Service cost	\$	288,000
Interest		124,000
Difference between expected and actual experience		354,000
Benefit payments		(1,184,000)
Assumption changes		(405,000)
Net changes	\$	(823,000)
Ending Balances	\$	5,535,000

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following amounts present the total OPEB liability of the School Board, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.69%) or one percentage point higher (4.69%) than the current discount rate:

Rate		
1% Decrease (2.69%)	Current Discount Rate (3.69%)	1% Increase (4.69%)
\$ 6,073,000	\$ 5,535,000	\$ 5,048,000

Remainder of page left blank intentionally.

Note 10-Other Postemployment Benefits-Health Insurance: (continued)**Component Unit School Board (continued)*****Sensitivity of the Total OPEB Liability to Changes in the Discount Rate (continued)***

The following presents the total OPEB liability of the School Board, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower ((5.75)% for fiscal year 2023, decreasing to an ultimate rate of 4.00%) or one percentage point higher (1.00% for fiscal year 2022, then 8.00% for fiscal year 2023 decreasing to an ultimate rate of 6.00%) than the current healthcare cost trend rates:

Rates		
1% Decrease	Healthcare Cost	1% Increase
(5.75% for fiscal year	Trend	(7.75% for fiscal year
2023, decreasing to an	(6.75% for fiscal year	2023, decreasing to an
ultimate rate of 4.00%)	2023, decreasing to an	ultimate rate of 6.00%)
	ultimate rate of 5.00%)	
\$ 4,945,000	\$ 5,535,000	\$ 6,223,000

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2023, the School Board recognized OPEB expense in the amount of \$535,000. At June 30, 2023, the School Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 613,000	\$ 143,000
Changes of assumptions	736,000	1,089,000
Benefit payments subsequent to the measurement date	405,000	-
Total	\$ 1,754,000	\$ 1,232,000

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

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

Component Unit School Board (continued)

***OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources
(continued)***

\$405,000 reported as deferred outflows of resources related to OPEB resulting from the School Board's benefit payments subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the fiscal year ending June 30, 2024. Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2024	\$ 118,000
2025	67,000
2026	12,000
2027	(39,000)
2028	(41,000)

Additional disclosures on changes in total OPEB liability, related ratios, and employer contributions can be found in the required supplementary information following the notes to the financial statements.

Note 11-Group Life Insurance (GLI) Plan (OPEB Plan):

Plan Description

The Group Life Insurance (GLI) Plan was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS GLI Plan upon employment. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

In addition to the Basic GLI benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional GLI Plan. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured plan, it is not included as part of the GLI Plan OPEB.

Note 11-Group Life Insurance (GLI) Plan (OPEB Plan): (continued)

Plan Description (continued)

The specific information for GLI Program OPEB, including eligibility, coverage and benefits is described below:

Eligible Employees

The GLI Plan was established July 1, 1960, for state employees, teachers, and employees of political subdivisions that elect the plan. Basic GLI coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.

Benefit Amounts

The GLI Plan is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the Plan provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, seatbelt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of service credit, the minimum benefit payable was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$8,984 as of June 30, 2023.

Contributions

The contribution requirements for the GLI Plan are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Plan was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% ($1.34\% \times 60\%$) and the employer component was 0.54% ($1.34\% \times 40\%$). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2023 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability.

Contributions to the GLI Plan from the County were \$108,427 and \$96,629 for the years ended June 30, 2023 and June 30, 2022, respectively.

Contributions to the GLI Plan from the Component Unit School Board (nonprofessional) were \$33,724 and \$31,852 for the years ended June 30, 2023 and June 30, 2022, respectively.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Note 11-Group Life Insurance (GLI) Plan (OPEB Plan): (continued)

Contributions (continued)

Contributions to the GLI Plan from the Component Unit School Board (professional) were \$243,034 and \$237,030 for the years ended June 30, 2023 and June 30, 2022, respectively.

In June 2022, the Commonwealth made a special contribution of approximately \$30.4 million to the Group Life Insurance Plan. This special payment was authorized by a budget amendment included in Chapter 1 of the 2022 Appropriation Act, and is classified as a non-employer contribution.

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Plan OPEB

Primary Government

At June 30, 2023, the entity reported a liability of \$990,490 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2022 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2021, and rolled forward to the measurement date of June 30, 2022. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Plan for the year ended June 30, 2022 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the participating employer's proportion was 0.0823% as compared to 0.0788% at June 30, 2021.

For the year ended June 30, 2023, the participating employer recognized GLI OPEB expense of \$56,981. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

Component Unit School Board (nonprofessional)

At June 30, 2023, the entity reported a liability of \$326,551 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2022 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2021, and rolled forward to the measurement date of June 30, 2022. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Plan for the year ended June 30, 2022 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022 and June 30, 2021, the participating employer's proportion was 0.0271%.

For the year ended June 30, 2023, the participating employer recognized GLI OPEB expense of \$7,211. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023**Note 11-Group Life Insurance (GLI) Plan (OPEB Plan): (continued)*****GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Plan OPEB (continued)*****Component Unit School Board (professional)**

At June 30, 2023, the entity reported a liability of \$2,429,746 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2022 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2021, and rolled forward to the measurement date of June 30, 2022. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Plan for the year ended June 30, 2022 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the participating employer's proportion was 0.2018% as compared to 0.2036% at June 30, 2021.

For the year ended June 30, 2023, the participating employer recognized GLI OPEB expense of \$40,339. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2023, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Primary Government		Component Unit School Board (nonprofessional)		Component Unit School Board (professional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 78,434	\$ 39,736	\$ 25,859	\$ 13,100	\$ 192,405	\$ 97,476
Net difference between projected and actual earnings on GLI OPEB plan investments	-	61,891	-	20,405	-	151,823
Change in assumptions	36,944	96,478	12,180	31,807	90,626	236,667
Changes in proportion	80,030	16,647	608	17,771	18,944	207,242
Employer contributions subsequent to the measurement date	108,427	-	33,724	-	243,034	-
Total	<u>\$ 303,835</u>	<u>\$ 214,752</u>	<u>\$ 72,371</u>	<u>\$ 83,083</u>	<u>\$ 545,009</u>	<u>\$ 693,208</u>

Note 11-Group Life Insurance (GLI) Plan (OPEB Plan): (continued)***GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Plan OPEB (continued)***

\$108,427, \$33,724, and \$243,034 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	<u>Primary Government</u>	<u>Component Unit School Board (nonprofessional)</u>	<u>Component Unit School Board (professional)</u>
2024	\$ 3,413	\$ (9,681)	\$ (87,014)
2025	1,300	(10,133)	(97,598)
2026	(40,448)	(21,242)	(175,185)
2027	15,705	(942)	(9,114)
2028	686	(2,438)	(22,322)

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2021, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022. The assumptions include several employer groups. Salary increases and mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS Annual Report.

Inflation	2.50%
Salary increases, including inflation:	
Teachers	3.50%-5.95%
Locality - General employees	3.50%-5.35%
Locality - Hazardous Duty employees	3.50%-4.75%
Investment rate of return	6.75%, net of investment expenses, including inflation

Note 11-Group Life Insurance (GLI) Plan (OPEB Plan): (continued)

Actuarial Assumptions (continued)

Mortality Rates - Teachers

Pre-Retirement:

Pub-2010 Amount Weighted Teachers Employee Rates projected generationally; 110% of rates for males

Post-Retirement:

Pub-2010 Amount Weighted Teachers Healthy Retiree Rates projected generationally; males set forward 1 year; 105% of rates for females

Post-Disablement:

Pub-2010 Amount Weighted Teachers Disabled Rates projected generationally; 110% of rates for males and females

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

Note 11-Group Life Insurance (GLI) Plan (OPEB Plan): (continued)**Actuarial Assumptions: (continued)****Mortality Rates - Teachers (continued)**

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

Note 11-Group Life Insurance (GLI) Plan (OPEB Plan): (continued)

Mortality Rates - Non-Largest Ten Locality Employers - General Employees

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; males set forward 2 years; 105% of rates for females set forward 3 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 95% of rates for males set forward 2 years; 95% of rates for females set forward 1 year

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 110% of rates for males set forward 3 years; 110% of rates for females set forward 2 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Note 11-Group Life Insurance (GLI) Plan (OPEB Plan): (continued)**Mortality Rates - Non-Largest Ten Locality Employers - General Employees (continued)**

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Mortality Rates - Non-Largest Ten Locality Employers - Hazardous Duty Employees**Pre-Retirement:**

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

Note 11-Group Life Insurance (GLI) Plan (OPEB Plan): (continued)***Actuarial Assumptions: (continued)*****Mortality Rates - Non-Largest Ten Locality Employers - Hazardous Duty Employees (continued)**

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Note 11-Group Life Insurance (GLI) Plan (OPEB Plan): (continued)

NET GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Plan represents the plan's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2022, NOL amounts for the GLI Plan is as follows (amounts expressed in thousands):

		GLI OPEB Plan
		<hr/>
Total GLI OPEB Liability	\$	3,672,085
Plan Fiduciary Net Position		2,467,989
		<hr/>
GLI Net OPEB Liability (Asset)	\$	<u>1,204,096</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		67.21%

The total GLI OPEB liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net GLI OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

Remainder of page left blank intentionally.

Note 11-Group Life Insurance (GLI) Plan (OPEB Plan): (continued)***Long-Term Expected Rate of Return***

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

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS - Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP - Private Investment Partnership	3.00%	6.55%	0.20%
Total	100.00%		5.33%
		Inflation	2.50%
		Expected arithmetic nominal return**	7.83%

*The above allocation provides a one-year return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%.

**On October 10, 2019, VRS Board elected a long-term rate of return of 6.75%, which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

Note 11-Group Life Insurance (GLI) Plan (OPEB Plan): (continued)***Discount Rate***

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2022, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2022 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

Sensitivity of the Employer's Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate

The following presents the employer's proportionate share of the net GLI OPEB liability using the discount rate of 6.75%, as well as what the employer's proportionate share of the net GLI OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	Rate		
	1% Decrease	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)
County's proportionate share of the GLI Plan Net OPEB Liability	\$ 1,441,278	\$ 990,490	\$ 626,191
Component Unit School Board (nonprofessional) proportionate share of the GLI Plan Net OPEB Liability	\$ 475,170	\$ 326,551	\$ 206,447
Component Unit School Board (professional) proportionate share of the GLI Plan Net OPEB Liability	\$ 3,535,565	\$ 2,429,746	\$ 1,536,093

Note 11-Group Life Insurance (GLI) Plan (OPEB Plan): (continued)

GLI Plan Fiduciary Net Position

Detailed information about the Group Life Insurance Program's Fiduciary Net Position is available in the separately issued VRS 2022 Annual Comprehensive Financial Report (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2022-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 12-Health Insurance Credit (HIC) Plan (OPEB Plan):

Plan Description

The Political Subdivision Health Insurance Credit (HIC) Plan was established pursuant to §51.1-1400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent employees of participating political subdivisions are automatically covered by the VRS Political Subdivision HIC Plan upon employment. This is an agent multiple-employer plan administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The HIC is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

The specific information about the Political Subdivision HIC Plan OPEB, including eligibility, coverage and benefits is described below:

Eligible Employees

The Political Subdivision Retiree HIC Plan was established July 1, 1993 for retired political subdivision employees of employers who elect the benefit and retire with at least 15 years of service credit. Eligible employees include full-time permanent salaried employees of the participating political subdivision who are covered under the VRS pension plan. These employees are enrolled automatically upon employment.

Benefit Amounts

The Political Subdivision Retiree HIC Plan is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired political subdivision employees of participating employers. For employees who retire, the monthly benefit is \$1.50 per year of service per month with a maximum benefit of \$45.00 per month. For employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is \$45.00 per month.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023**Note 12-Health Insurance Credit (HIC) Plan (OPEB Plan): (continued)*****HIC Plan Notes***

The monthly HIC benefit cannot exceed the individual premium amount. There is no HIC for premiums paid and qualified under LODA; however, the employee may receive the credit for premiums paid for other qualified health plans. Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the HIC as a retiree.

Employees Covered by Benefit Terms

As of the June 30, 2021 actuarial valuation, the following employees were covered by the benefit terms of the HIC OPEB plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	77
Inactive members:	
Vested inactive members	2
Total inactive members	<u>79</u>
Active members	<u>252</u>
Total covered employees	<u><u>331</u></u>

Contributions

The contribution requirements for active employees is governed by §51.1-1402(E) of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. The School Board's (nonprofessional) contractually required employer contribution rate for the year ended June 30, 2023 was 0.46% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the School Board (nonprofessional) to the HIC Plan were \$28,515 and \$26,897 for the years ended June 30, 2023 and June 30, 2022, respectively.

Net HIC OPEB Liability

The School Board's (nonprofessional) net HIC OPEB liability was measured as of June 30, 2022. The total HIC OPEB liability was determined by an actuarial valuation performed as of June 30, 2021, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Note 12-Health Insurance Credit (HIC) Plan (OPEB Plan): (continued)

Actuarial Assumptions

The total HIC OPEB liability was based on an actuarial valuation as of June 30, 2021, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

Inflation	2.50%
Salary increases, including inflation:	
Locality - General employees	3.50%-5.35%
Investment rate of return	6.75%, net of investment expenses, including inflation

Mortality Rates - Non-Largest Ten Locality Employers - General Employees

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

Note 12-Health Insurance Credit (HIC) Plan (OPEB Plan): (continued)***Actuarial Assumptions: (continued)*****Mortality Rates - Non-Largest Ten Locality Employers - General Employees (continued)**

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Remainder of page left blank intentionally.

Note 12-Health Insurance Credit (HIC) Plan (OPEB Plan): (continued)***Long-Term Expected Rate of Return***

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

Asset Class (Strategy)	Long-term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS - Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP - Private Investment Partnership	3.00%	6.55%	0.20%
Total	<u>100.00%</u>		<u>5.33%</u>
		Inflation	<u>2.50%</u>
		Expected arithmetic nominal return**	<u>7.83%</u>

*The above allocation provides a one-year return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%.

**On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75% which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023**Note 12-Health Insurance Credit (HIC) Plan (OPEB Plan): (continued)*****Discount Rate***

The discount rate used to measure the total HIC OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ended June 30, 2022, the rate contributed by the entity for the HIC OPEB was 100% of the actuarially determined contribution rate. From July 1, 2022 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the HIC OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total HIC OPEB liability.

Changes in Net HIC OPEB Liability

	Increase (Decrease)		
	Total HIC OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net HIC OPEB Liability (Asset) (a) - (b)
Balances at June 30, 2021	\$ 595,024	\$ 426,283	\$ 168,741
Changes for the year:			
Service cost	\$ 8,050	\$ -	\$ 8,050
Interest	39,445	-	39,445
Differences between expected and actual experience	(24,397)	-	(24,397)
Assumption changes	18,608	-	18,608
Contributions - employer	-	26,897	(26,897)
Net investment income	-	745	(745)
Benefit payments	(37,393)	(37,393)	-
Administrative expenses	-	(721)	721
Other changes	-	6,427	(6,427)
Net changes	\$ 4,313	\$ (4,045)	\$ 8,358
Balances at June 30, 2022	\$ 599,337	\$ 422,238	\$ 177,099

Note 12-Health Insurance Credit (HIC) Plan (OPEB Plan): (continued)***Sensitivity of the School Board's (nonprofessional) HIC Net OPEB Liability to Changes in the Discount Rate***

The following presents the School Board's (nonprofessional) Health Insurance Credit Plan net HIC OPEB liability using the discount rate of 6.75%, as well as what the School Board's (nonprofessional) net HIC OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
Component Unit School Board (nonprofessional)			
Net HIC OPEB Liability	\$ 236,762	\$ 177,099	\$ 125,771

HIC Plan OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to HIC Plan OPEB

For the year ended June 30, 2023, the School Board (nonprofessional) recognized HIC Program OPEB expense of \$6,921. At June 30, 2023, the School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to the School Board's (nonprofessional) HIC Program from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 3,060	\$ 36,520
Net difference between projected and actual earnings on HIC OPEB plan investments	-	10,918
Change in assumptions	23,021	-
Employer contributions subsequent to the measurement date	28,515	-
Total	\$ 54,596	\$ 47,438

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Note 12-Health Insurance Credit (HIC) Plan (OPEB Plan): (continued)

HIC Plan OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to HIC Plan OPEB (continued)

\$28,515 reported as deferred outflows of resources related to the HIC OPEB resulting from the School Board's (nonprofessional) contributions subsequent to the measurement date will be recognized as a reduction of the Net HIC OPEB Liability in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIC OPEB will be recognized in the HIC OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>		
2024	\$	(4,236)
2025		(9,594)
2026		(12,209)
2027		4,682

HIC Plan Data

Information about the VRS Political Subdivision HIC Plan is available in the separately issued VRS 2022 Annual Comprehensive Financial Report (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2022-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 13-Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan):

Plan Description

The Virginia Retirement System (VRS) Teacher Employee Health Insurance Credit (HIC) Plan was established pursuant to §51.1-1400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Employee HIC Plan. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The HIC is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

Note 13-Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (continued)

Plan Description (continued)

The specific information for the Teacher HIC Plan OPEB, including eligibility, coverage, and benefits is described below:

Eligible Employees

The Teacher Employee Retiree HIC Plan was established July 1, 1993 for retired Teacher Employees covered under VRS who retire with at least 15 years of service credit. Eligible employees include full-time permanent (professional) salaried employees of public school divisions covered under VRS. These employees are enrolled automatically upon employment.

Benefit Amounts

The Teacher Employee HIC Plan is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired teachers. For Teacher and other professional school employees who retire, the monthly benefit is \$4.00 per year of service per month with no cap on the benefit amount. For Teacher and other professional school employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is either: \$4.00 per month, multiplied by twice the amount of service credit, or \$4.00 per month, multiplied by the amount of service earned had the employee been active until age 60, whichever is lower.

HIC Plan Notes

The monthly HIC benefit cannot exceed the individual premium amount. Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the HIC as a retiree.

Contributions

The contribution requirements for active employees is governed by §51.1-1401(E) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2023 was 1.21% of covered employee compensation for employees in the VRS Teacher Employee HIC Plan. This rate was the final approved General Assembly rate, which was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the school division to the VRS Teacher Employee Health Insurance Credit Plan were \$543,362 and \$530,702 for the years ended June 30, 2023 and June 30, 2022, respectively.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023**Note 13-Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (continued)*****Teacher Employee HIC OPEB Liabilities, Teacher Employee HIC OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Teacher Employee HIC Plan OPEB***

At June 30, 2023, the school division reported a liability of \$5,877,888 for its proportionate share of the VRS Teacher Employee HIC Net OPEB Liability. The Net VRS Teacher Employee HIC OPEB Liability was measured as of June 30, 2022 and the total VRS Teacher Employee HIC OPEB liability used to calculate the Net VRS Teacher Employee HIC OPEB Liability was determined by an actuarial valuation performed as of June 30, 2021 and rolled forward to the measurement date of June 30, 2022. The school division's proportion of the Net VRS Teacher Employee HIC OPEB Liability was based on the school division's actuarially determined employer contributions to the VRS Teacher Employee HIC OPEB plan for the year ended June 30, 2022, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the school division's proportion of the VRS Teacher Employee HIC Program was 0.4706% as compared to 0.4750% at June 30, 2021.

For the year ended June 30, 2023, the school division recognized VRS Teacher Employee HIC OPEB expense of \$391,061. Since there was a change in proportionate share between measurement dates, a portion of the VRS Teacher Employee HIC Net OPEB expense was related to deferred amounts from changes in proportionate share and differences between actual and expected contributions.

At June 30, 2023, the school division reported deferred outflows of resources and deferred inflows of resources related to the VRS Teacher Employee HIC OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 239,592
Net difference between projected and actual earnings on Teacher HIC OPEB plan investments	-	5,900
Change in assumptions	171,723	15,010
Change in proportion	67,280	490,861
Employer contributions subsequent to the measurement date	<u>543,362</u>	<u>-</u>
Total	<u>\$ 782,365</u>	<u>\$ 751,363</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Note 13-Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (continued)

Teacher Employee HIC OPEB Liabilities, Teacher Employee HIC OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Teacher Employee HIC Plan OPEB (continued)

\$543,362 reported as deferred outflows of resources related to the Teacher Employee HIC OPEB resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Teacher Employee HIC OPEB Liability in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee HIC OPEB will be recognized in the Teacher Employee HIC OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>		
2024	\$	(96,627)
2025		(98,944)
2026		(113,780)
2027		(94,116)
2028		(73,643)
Thereafter		(35,250)

Actuarial Assumptions

The total Teacher Employee HIC OPEB liability for the VRS Teacher Employee HIC Program was based on an actuarial valuation as of June 30, 2021, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

Inflation	2.50%
Salary increases, including inflation	3.50%-5.95%
Investment rate of return	6.75%, net of investment expenses, including inflation

Note 13-Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (continued)***Actuarial Assumptions (continued)*****Mortality Rates - Teachers**

Pre-Retirement:

Pub-2010 Amount Weighted Teacher Employee Rates projected generationally; 110% of rates for males

Post-Retirement:

Pub-2010 Amount Weighted Teachers Healthy Retiree Rates projected generationally; males set forward 1 year; 105% of rates for females

Post-Disablement:

Pub-2010 Amount Weighted Teachers Disabled Rates projected generationally; 110% of rates for males and females

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

Note 13-Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (continued)***Net Teacher Employee HIC OPEB Liability***

The net OPEB liability (NOL) for the Teacher Employee HIC Plan represents the plan's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2021, NOL amounts for the VRS Teacher Employee HIC Plan is as follows (amounts expressed in thousands):

		Teacher Employee HIC OPEB Plan
Total Teacher Employee HIC OPEB Liability	\$	1,470,891
Plan Fiduciary Net Position		221,845
Teacher Employee Net HIC OPEB Liability (Asset)	\$	<u>1,249,046</u>
Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability		15.08%

The total Teacher Employee HIC OPEB liability is calculated by the System's actuary, and the plan's fiduciary net position is reported in the System's financial statements. The net Teacher Employee HIC OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

Remainder of page left blank intentionally.

Note 13-Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (continued)***Long-Term Expected Rate of Return***

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

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS - Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP - Private Investment Partnership	3.00%	6.55%	0.20%
Total	100.00%		5.33%
		Inflation	2.50%
		Expected arithmetic nominal return**	7.83%

*The above allocation provides a one-year return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%.

**On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which was roughly 40th percentile of expected long-term results to the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

Note 13-Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (continued)***Discount Rate***

The discount rate used to measure the total Teacher Employee HIC OPEB was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2022, the rate contributed by each school division for the VRS Teacher Employee HIC Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2022 on, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Teacher Employee HIC OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total Teacher Employee HIC OPEB liability.

Sensitivity of the School Division's Proportionate Share of the Teacher Employee HIC Net OPEB Liability to Changes in the Discount Rate

The following presents the school division's proportionate share of the VRS Teacher Employee HIC Plan net HIC OPEB liability using the discount rate of 6.75%, as well as what the school division's proportionate share of the net HIC OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
School division's proportionate share of the VRS Teacher Employee HIC OPEB Plan Net HIC OPEB Liability	\$ 6,624,447	\$ 5,877,888	\$ 5,245,049

Teacher Employee HIC OPEB Fiduciary Net Position

Detailed information about the VRS Teacher Employee HIC Plan's Fiduciary Net Position is available in the separately issued VRS 2022 Annual Comprehensive Financial Report (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2022-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Note 14-Aggregate OPEB Information:

The following is a summary of deferred outflows, deferred inflows, net OPEB liabilities, and OPEB expense for the year ended June 30, 2023.

	Primary Government				Component Unit School Board			
	Deferred Outflows	Deferred Inflows	Net OPEB Liability	OPEB Expense	Deferred Outflows	Deferred Inflows	Net OPEB Liability	OPEB Expense
County Stand-Alone Plan	\$ 425,000	\$ 519,000	\$ 1,444,000	\$ 41,000	\$ -	\$ -	\$ -	\$ -
School Stand-Alone Plan	-	-	-	-	1,754,000	1,232,000	5,535,000	535,000
VRS OPEB Plans:								
Group Life Insurance Plan:								
County	303,835	214,752	990,490	56,981	-	-	-	-
School Board Nonprofessional	-	-	-	-	72,371	83,083	326,551	7,211
School Board Professional	-	-	-	-	545,009	693,208	2,429,746	40,339
Health Insurance Credit Plan - School Board Nonprofessional	-	-	-	-	54,596	47,438	177,099	6,921
Teacher Health Insurance Credit Plan	-	-	-	-	782,365	751,363	5,877,888	391,061
Totals	\$ 728,835	\$ 733,752	\$ 2,434,490	\$ 97,981	\$ 3,208,341	\$ 2,807,092	\$ 14,346,284	\$ 980,532

Note 15-Line of Duty Act (LODA) (OPEB Benefits):

The Line of Duty Act (LODA) provides death and healthcare benefits to certain law enforcement and rescue personnel, and their beneficiaries, who were disabled or killed in the line of duty. Benefit provisions and eligibility requirements are established by title 9.1 Chapter 4 of the Code of Virginia. Funding of LODA benefits is provided by employers in one of two ways: (a) participation in the Line of Duty and Health Benefits Trust Fund (LODA Fund), administered by the Virginia Retirement System (VRS) or (b) self-funding by the employer or through an insurance company.

The County has elected to provide LODA benefits through an insurance company. The obligation for the payment of benefits has been effectively transferred from the County to VACORP. VACORP assumes all liability for the County's LODA claims that are approved by VRS. The pool purchases reinsurance to protect the pool from extreme claims costs.

The current-year OPEB expense/expenditure for the insured benefits is defined as the amount of premiums or other payments required for the insured benefits for the reporting period in accordance with the agreement with the insurance company for LODA and a change in liability to the insurer equal to the difference between amounts recognized as OPEB expense and amounts paid by the employer to the insurer. The County's LODA coverage is fully covered or "insured" through VACORP. This is built into the LODA coverage cost presented in the annual renewals. The County's LODA premium for the year ended June 30, 2023 was \$76,133.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Note 16-Unearned and Deferred/Unavailable Revenue:

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

	Government-wide Statements	Balance Sheet
	Governmental Activities	Governmental Funds
Primary Government:		
Deferred/Unavailable revenue:		
Unavailable property tax revenue representing uncollected property tax billings are not available for the funding of current expenditures	\$ -	\$ 3,679,353
Prepaid property taxes due after June 30 but paid in advance by taxpayers	1,100,678	1,100,678
Unavailable opioid settlement receivable not available for the funding of current expenditures	-	881,949
Unavailable revenue representing locality compensation payments that are not available for funding current expenditures	-	1,818,129
Lease related items	63,181	71,728
Total deferred/unavailable revenue	<u>\$ 1,163,859</u>	<u>\$ 7,551,837</u>
Unearned revenue:		
Unspent Commonwealth Opportunity Funds received during previous fiscal years	\$ 300,000	\$ 300,000
Unspent VRA funds received during previous fiscal years	22,122	22,122
Unspent American Rescue Plan Act received during the previous fiscal years	872,249	872,249
Unspent LATCF grant funds received during the fiscal year	50,000	50,000
Total unearned revenue	<u>\$ 1,244,371</u>	<u>\$ 1,244,371</u>
Component Unit School Board:		
Unearned revenue:		
Unspent grant funds received in advance	<u>\$ 107,980</u>	<u>\$ 107,980</u>

COUNTY OF FRANKLIN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Note 17-Capital Assets:

Capital asset activity for the year ended June 30, 2023 was as follows:

Primary Government:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated/amortized:				
Land	\$ 18,888,660	\$ -	\$ (129,634)	\$ 18,759,026
Construction in progress	25,987,435	5,603,257	(115,495)	31,475,197
Total capital assets not being depreciated/amortized	<u>\$ 44,876,095</u>	<u>\$ 5,603,257</u>	<u>\$ (245,129)</u>	<u>\$ 50,234,223</u>
Capital assets, being depreciated/amortized:				
Lease land	\$ 639,559	\$ -	\$ -	\$ 639,559
Buildings and improvements	57,012,340	190,825	-	57,203,165
Lease buildings and improvements	836,731	1,544,488	(197,330)	2,183,889
Machinery and equipment	45,971,745	2,739,526	(330,167)	48,381,104
Lease machinery and equipment	2,756,332	146,640	(58,136)	2,844,836
Infrastructure	6,363,133	-	-	6,363,133
Total capital assets being depreciated/amortized	<u>\$ 113,579,840</u>	<u>\$ 4,621,479</u>	<u>\$ (585,633)</u>	<u>\$ 117,615,686</u>
Accumulated depreciation/amortization:				
Lease land	\$ (87,138)	\$ (87,151)	\$ -	\$ (174,289)
Buildings and improvements	(25,639,922)	(1,822,593)	-	(27,462,515)
Lease buildings and improvements	(140,675)	(676,121)	-	(816,796)
Machinery and equipment	(32,003,871)	(3,070,979)	327,720	(34,747,130)
Lease machinery and equipment	(408,096)	(459,712)	39,548	(828,260)
Infrastructure	(6,043,003)	(12,845)	-	(6,055,848)
Total accumulated depreciation/amortization	<u>\$ (64,322,705)</u>	<u>\$ (6,129,401)</u>	<u>\$ 367,268</u>	<u>\$ (70,084,838)</u>
Total capital assets being depreciated/amortized, net	<u>\$ 49,257,135</u>	<u>\$ (1,507,922)</u>	<u>\$ (218,365)</u>	<u>\$ 47,530,848</u>
Governmental activities capital assets, net	<u>\$ 94,133,230</u>	<u>\$ 4,095,335</u>	<u>\$ (463,494)</u>	<u>\$ 97,765,071</u>

Remainder of page left blank intentionally.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023**Note 17-Capital Assets: (continued)**

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities:				
Capital assets, being depreciated:				
Infrastructure	\$ 1,319,774	\$ -	\$ -	\$ 1,319,774
Total capital assets being depreciated	\$ 1,319,774	\$ -	\$ -	\$ 1,319,774
Accumulated depreciation:				
Infrastructure	\$ (480,448)	\$ (32,845)	\$ -	\$ (513,293)
Total accumulated depreciation	\$ (480,448)	\$ (32,845)	\$ -	\$ (513,293)
Total capital assets being depreciated, net	\$ 839,326	\$ (32,845)	\$ -	\$ 806,481
Business-type activities capital assets, net	\$ 839,326	\$ (32,845)	\$ -	\$ 806,481

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

Governmental activities:	
General government administration	\$ 151,262
Judicial administration	122,443
Public safety	3,478,991
Public works	1,222,317
Health and welfare	48,517
Education	349,265
Parks, recreation, and cultural	528,111
Community development	228,495
Total depreciation/amortization expense-governmental activities	\$ 6,129,401
Business-type activities	
Utility fund	\$ 32,845

COUNTY OF FRANKLIN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Note 17-Capital Assets: (continued)

Capital asset activity for the School Board for the year ended June 30, 2023 was as follows:

Discretely Presented Component Unit:

	Beginning Balance	GASB No. 96 Adjustment	Increases	Decreases	Ending Balance
Governmental Activities:					
Capital assets, not being depreciated:					
Land	\$ 725,315	\$ -	\$ -	\$ -	\$ 725,315
Construction in progress	1,152,055	-	1,351,001	(1,970,685)	532,371
Total capital assets not being depreciated	<u>\$ 1,877,370</u>	<u>\$ -</u>	<u>\$ 1,351,001</u>	<u>\$ (1,970,685)</u>	<u>\$ 1,257,686</u>
Capital assets, being depreciated:					
Buildings and improvements	\$ 65,037,394	\$ -	\$ 2,226,476	\$ -	\$ 67,263,870
Machinery and equipment	22,633,320	-	1,300,338	(479,628)	23,454,030
Lease machinery and equipment	186,373	-	-	(186,373)	-
Subscription asset	-	109,449	-	-	109,449
Total capital assets being depreciated	<u>\$ 87,857,087</u>	<u>\$ 109,449</u>	<u>\$ 3,526,814</u>	<u>\$ (666,001)</u>	<u>\$ 90,827,349</u>
Accumulated depreciation/amortization:					
Buildings and improvements	\$ (41,985,473)	\$ -	\$ (1,607,519)	\$ -	\$ (43,592,992)
Machinery and equipment	(19,133,044)	-	(853,856)	479,628	(19,507,272)
Lease machinery and equipment	(156,178)	-	(30,195)	186,373	-
Subscription asset	-	-	(54,650)	-	(54,650)
Total accumulated depreciation/amortization	<u>\$ (61,274,695)</u>	<u>\$ -</u>	<u>\$ (2,546,220)</u>	<u>\$ 666,001</u>	<u>\$ (63,154,914)</u>
Total capital assets being depreciated/amortized, net	<u>\$ 26,582,392</u>	<u>\$ 109,449</u>	<u>\$ 980,594</u>	<u>\$ -</u>	<u>\$ 27,672,435</u>
Governmental activities capital assets, net	<u>\$ 28,459,762</u>	<u>\$ 109,449</u>	<u>\$ 2,331,595</u>	<u>\$ (1,970,685)</u>	<u>\$ 28,930,121</u>

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

Remainder of page left blank intentionally.

COUNTY OF FRANKLIN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Note 18-Leases Receivable:

Primary Government:

The following is a summary of leases receivable transactions of the County for the year ended June 30, 2023:

	Beginning Balance	Increases/ Issuances	Decreases/ Retirements	Ending Balance	Interest Revenue
Leases receivable	\$ 102,363	\$ -	\$ (30,635)	\$ 71,728	\$ 2,152

Details of leases receivable:

Lease Description	Lease Origination Date*	End Date	Payment Frequency	Discount Rate	Ending Balance	Amount Due Within One Year
Cell Tower	3/17/2017	1/31/2026	Monthly	2.22%	\$ 54,513	\$ 14,780
Property	8/1/2019	7/31/2024	Monthly	3.00%	17,215	15,868
Total					\$ 71,728	\$ 30,648

There are no variable payments for any of the lease receivables above

*Date shown is the original lease commencement date. GASB Statement No. 87 was implemented as of July 1, 2021.

Note 19-Risk Management:

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Note 20-Contingent Liabilities:

Federal programs in which the County and its component unit participate were audited in accordance with the provisions of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Pursuant to the provisions of this circular all major programs and certain other programs were tested for compliance with applicable grant requirements. While no matters of noncompliance were disclosed by audit, the Federal Government may subject grant programs to additional compliance tests, which may result in disallowed expenditures. In the opinion of management, any future disallowances of current grant program expenditures, if any, would be immaterial.

Note 21-Surety Bonds:

Primary Government:

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

Component Unit - School Board:

<u>The Netherlands Insurance Company</u>	
All School Board employees-Public Employee Dishonesty coverage	\$ 100,000

Note 22-Landfill Closure and Post-closure Care Cost:

State and federal laws and regulations require the County to place a final cover on its landfill sites when it stops accepting waste and to perform certain maintenance and monitoring functions at each site after closure. The County maintains two landfill sites (permit site 72 and permit site 577). The estimated total costs necessary to monitor site 72 is \$7,856,630. The estimated total costs necessary to close and monitor site 577 (open cells phase 1 and 2) is \$5,232,115. The estimated closure and post-closure care liability for sites 72 and 577 (Phase 1 and 2 only) are \$7,856,630 and \$3,505,517, respectively, based on capacity used as of June 30, 2023. Landfill site 72 has reached 100% of capacity and no additional waste will be accepted at the site. The County will recognize remaining closure and post-closure care totaling \$1,726,598 over the remaining useful life of site 577 (Phase 1 and 2 only). The estimated remaining life for landfill site 577 (Phase 1 and 2 only) is 25 years and the landfill for Phase 1 and 2 has reached 67% of its useful life. The cost presented above represent what it would cost to perform closure and post-closure care in 2023. Actual costs for closure and post-closure monitoring may change due to inflation, deflation, changes in technology or changes in applicable laws or regulations.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023**Note 22-Landfill Closure and Post-closure Care Cost: (Continued)**

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

Note 23-Commitments and Contingencies:

The County and Component Unit School Board were involved in major construction projects during the fiscal year as presented below, along with the anticipated funding source.

<u>Project</u>	<u>Contract Amount</u>	<u>Contract Amount Outstanding at June 30, 2023</u>	<u>Funding Source</u>
County:			
Glade Hill Fire and EMS Station	\$ 4,731,749	\$ 344,735	Local Funds
Summit View Business Park-Dogwood Site	1,599,750	1,459,768	Local Funds

Note 24-Arbitrage Rebate Compliance:

As of June 30, 2023 and for the year then ended, the County was liable for amounts due under current rules governing arbitrage earnings totaling \$256,168. Such amount has been recorded as an account payable in the accompanying financial statements.

Note 25-Adoption of Accounting Principle:

The School Board implemented provisions of Governmental Accounting Standards Board Statement No. 96, *Subscription-Based IT Arrangement (SBITAs)* during the fiscal year ended June 30, 2023. Statement No. 96, *SBITAs* requires recognition of certain subscription assets and liabilities for certain contracts that convey control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. Using the facts and circumstances that existed at the beginning of the year of implementation, the following balances were recognized as of July 1, 2022 related to the subscription:

	<u>Component Unit School Board</u>
Subscription asset	<u>\$ 109,449</u>
Subscription liability	<u>\$ 109,449</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

Note 26-Upcoming Pronouncements:

Statement No. 99, *Omnibus 2022*, addresses (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The effective dates differ based on the requirements of the Statement, ranging from April 2022 to for fiscal years beginning after June 15, 2023.

Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*, provides more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability for accounting changes and error corrections. The requirements of this Statement are effective for fiscal years beginning after June 15, 2023.

Statement No. 101, *Compensated Absences*, updates the recognition and measurement guidance for compensated absences. It aligns the recognition and measurement guidance under a unified model and amends certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023.

Implementation Guide No. 2021-1, *Implementation Guidance Update—2021*, with dates ranging from reporting periods beginning after June 15, 2022 to reporting periods beginning after June 15, 2023.

Implementation Guide No. 2023-1, *Implementation Guidance Update—2023*, effective for fiscal years beginning after June 15, 2023.

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

Required Supplementary Information

County of Franklin, Virginia
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
Primary Government
Pension Plans
For the Measurement Dates of June 30, 2014 through June 30, 2022

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability									
Service cost	\$ 1,976,181	\$ 1,918,435	\$ 1,870,749	\$ 1,662,664	\$ 1,607,749	\$ 1,582,705	\$ 1,596,251	\$ 1,591,346	\$ 1,541,854
Interest	\$ 5,205,683	\$ 4,785,463	\$ 4,519,616	\$ 4,366,029	\$ 4,194,487	\$ 4,072,411	\$ 4,022,691	\$ 3,833,934	\$ 3,634,557
Changes in assumptions	-	2,468,727	-	1,949,320	-	-	-	-	-
Differences between expected and actual experience	(1,346,505)	(1,197,163)	1,129,516	(42,359)	(33,861)	(554,510)	(1,935,754)	(74,392)	-
Benefit payments	(3,637,780)	(3,813,536)	(3,349,280)	(3,351,161)	(3,284,389)	(2,920,845)	(3,024,968)	(2,283,746)	(2,372,581)
Net change in total pension liability	\$ 2,197,579	\$ 4,161,426	\$ 4,170,601	\$ 4,584,493	\$ 2,483,986	\$ 1,925,709	\$ 658,220	\$ 3,067,142	\$ 2,803,830
Total pension liability - beginning	\$ 76,963,937	\$ 72,802,511	\$ 68,631,910	\$ 64,047,417	\$ 61,563,431	\$ 59,637,722	\$ 58,979,502	\$ 55,912,360	\$ 53,108,530
Total pension liability - ending (a)	\$ 79,161,516	\$ 76,963,937	\$ 72,802,511	\$ 68,631,910	\$ 64,047,417	\$ 61,563,431	\$ 59,637,722	\$ 58,979,502	\$ 55,912,360
Plan fiduciary net position									
Contributions - employer	\$ 1,685,413	\$ 1,538,973	\$ 1,276,788	\$ 1,261,119	\$ 1,222,510	\$ 1,205,273	\$ 1,480,199	\$ 1,463,447	\$ 1,571,032
Contributions - employee	845,646	766,212	778,541	777,659	683,573	677,313	646,070	641,611	639,291
Net investment income	(89,600)	17,534,422	1,230,108	4,095,098	4,323,405	6,482,816	919,931	2,345,600	7,019,995
Benefit payments	(3,637,780)	(3,813,536)	(3,349,280)	(3,351,161)	(3,284,389)	(2,920,845)	(3,024,968)	(2,283,746)	(2,372,581)
Administrator charges	(49,860)	(43,899)	(41,981)	(40,796)	(37,655)	(37,699)	(33,293)	(31,880)	(37,649)
Other	1,861	1,650	(1,453)	(2,577)	(3,837)	(5,757)	(392)	(498)	370
Net change in plan fiduciary net position	\$ (1,244,320)	\$ 15,983,822	\$ (107,277)	\$ 2,739,342	\$ 2,903,607	\$ 5,401,101	\$ (12,453)	\$ 2,134,534	\$ 6,820,458
Plan fiduciary net position - beginning	\$ 80,430,347	\$ 64,446,525	\$ 64,553,802	\$ 61,814,460	\$ 58,910,853	\$ 53,509,752	\$ 53,522,205	\$ 51,387,671	\$ 44,567,213
Plan fiduciary net position - ending (b)	\$ 79,186,027	\$ 80,430,347	\$ 64,446,525	\$ 64,553,802	\$ 61,814,460	\$ 58,910,853	\$ 53,509,752	\$ 53,522,205	\$ 51,387,671
County's net pension liability (asset) - ending (a) - (b)	\$ (24,511)	\$ (3,466,410)	\$ 8,355,986	\$ 4,078,108	\$ 2,232,957	\$ 2,652,578	\$ 6,127,970	\$ 5,457,297	\$ 4,524,689
Plan fiduciary net position as a percentage of the total pension liability	100.03%	104.50%	88.52%	94.06%	96.51%	95.69%	89.72%	90.75%	91.91%
Covered payroll	\$ 17,832,302	\$ 16,262,282	\$ 16,095,359	\$ 15,635,066	\$ 14,190,626	\$ 13,878,181	\$ 13,038,257	\$ 12,814,396	\$ 12,688,971
County's net pension liability as a percentage of covered payroll	-0.14%	-21.32%	51.92%	26.08%	15.74%	19.11%	47.00%	42.59%	35.66%

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

County of Franklin, Virginia
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
Component Unit School Board (nonprofessional)

Pension Plans										
For the Measurement Dates of June 30, 2014 through June 30, 2022										
	2022	2021	2020	2019	2018	2017	2016	2015	2014	
Total pension liability										
Service cost	\$ 466,114	\$ 523,311	\$ 529,604	\$ 491,582	\$ 484,820	\$ 479,271	\$ 481,215	\$ 504,997	\$ 511,225	
Interest	1,711,792	1,601,900	1,577,984	1,510,520	1,465,539	1,433,243	1,393,998	1,334,350	1,273,433	
Changes in assumptions	-	716,877	-	629,540	-	(191,482)	-	-	-	
Differences between expected and actual experience	(30,675)	(235,118)	(390,573)	351,293	(233,292)	(328,537)	(411,768)	(67,675)	-	
Benefit payments	(1,322,284)	(1,567,826)	(1,157,593)	(1,210,900)	(938,055)	(924,207)	(881,382)	(957,755)	(871,073)	
Net change in total pension liability	\$ 824,947	\$ 1,039,144	\$ 559,422	\$ 1,772,035	\$ 779,012	\$ 468,288	\$ 582,063	\$ 813,917	\$ 913,585	
Total pension liability - beginning	25,554,905	24,515,761	23,956,339	22,184,304	21,405,292	20,937,004	20,354,941	19,541,024	18,627,439	
Total pension liability - ending (a)	<u>\$ 26,379,852</u>	<u>\$ 25,554,905</u>	<u>\$ 24,515,761</u>	<u>\$ 23,956,339</u>	<u>\$ 22,184,304</u>	<u>\$ 21,405,292</u>	<u>\$ 20,937,004</u>	<u>\$ 20,354,941</u>	<u>\$ 19,541,024</u>	
Plan fiduciary net position										
Contributions - employer	\$ 397,016	\$ 382,098	\$ 352,871	\$ 352,380	\$ 390,066	\$ 383,934	\$ 403,517	\$ 393,215	\$ 395,872	
Contributions - employee	269,471	260,087	273,426	270,463	263,768	258,203	249,885	244,347	247,003	
Net investment income	(20,786)	5,787,904	413,063	1,378,580	1,458,537	2,170,292	308,412	788,531	2,390,492	
Benefit payments	(1,322,284)	(1,567,826)	(1,157,593)	(1,210,900)	(938,055)	(924,207)	(881,382)	(957,755)	(871,073)	
Administrator charges	(16,510)	(14,888)	(14,235)	(13,860)	(12,592)	(12,546)	(11,060)	(10,964)	(12,959)	
Other	605	542	(487)	(867)	(1,300)	(1,933)	(131)	(168)	126	
Net change in plan fiduciary net position	\$ (692,488)	\$ 4,847,917	\$ (132,955)	\$ 775,796	\$ 1,100,424	\$ 1,873,743	\$ 69,241	\$ 457,206	\$ 2,149,461	
Plan fiduciary net position - beginning	26,429,515	21,581,598	21,714,553	20,938,757	19,778,333	17,904,590	17,835,349	17,378,143	15,228,682	
Plan fiduciary net position - ending (b)	<u>\$ 25,737,027</u>	<u>\$ 26,429,515</u>	<u>\$ 21,581,598</u>	<u>\$ 21,714,553</u>	<u>\$ 20,938,757</u>	<u>\$ 19,778,333</u>	<u>\$ 17,904,590</u>	<u>\$ 17,835,349</u>	<u>\$ 17,378,143</u>	
School Division's net pension liability (asset) - ending (a) - (b)	\$ 642,825	\$ (874,610)	\$ 2,934,163	\$ 2,241,786	\$ 1,245,547	\$ 1,626,959	\$ 3,032,414	\$ 2,519,592	\$ 2,162,881	
Plan fiduciary net position as a percentage of the total pension liability	97.56%	103.42%	88.03%	90.64%	94.39%	92.40%	85.52%	87.62%	88.93%	
Covered payroll	\$ 5,846,249	\$ 5,588,264	\$ 5,869,163	\$ 5,677,195	\$ 5,511,781	\$ 5,338,148	\$ 5,110,248	\$ 4,950,850	\$ 4,945,841	
School Division's net pension liability as a percentage of covered payroll	11.00%	-15.65%	49.99%	39.49%	22.60%	30.48%	59.34%	50.89%	43.73%	

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

County of Franklin, Virginia
Schedule of Employer's Share of Net Pension Liability VRS Teacher Retirement Plan
Pension Plans
For the Measurement Dates of June 30, 2014 through June 30, 2022

Date (1)	Employer's Proportion of the Net Pension Liability (Asset) (2)	Employer's Proportionate Share of the Net Pension Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (6)
2022	0.47274%	\$ 45,007,678	\$ 43,859,644	102.62%	82.61%
2021	0.47599%	36,951,567	42,101,193	87.77%	85.46%
2020	0.49150%	71,520,336	43,442,199	164.63%	71.47%
2019	0.51755%	68,112,521	43,405,899	156.92%	73.51%
2018	0.53086%	62,429,000	42,999,994	145.18%	74.81%
2017	0.52102%	64,075,000	41,110,236	155.86%	72.92%
2016	0.51319%	71,919,000	39,107,172	183.90%	68.28%
2015	0.51253%	64,509,000	38,098,804	169.32%	70.68%
2014	0.51106%	61,760,000	37,343,508	165.38%	70.88%

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

County of Franklin, Virginia
Schedule of Employer Contributions
Pension Plans
For the Years Ended June 30, 2014 through June 30, 2023

Date	Contractually Required Contribution (1)*	Contributions in Relation to Contractually Required Contribution (2)*	Contribution Deficiency (Excess)** (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Primary Government					
2023	\$ 1,931,166	\$ 1,931,166	\$ -	\$ 20,054,809	9.63%
2022	1,685,413	1,685,413	-	17,832,302	9.45%
2021	1,538,973	1,538,973	-	16,262,282	9.46%
2020	1,276,788	1,276,788	-	16,095,359	7.93%
2019	1,261,119	1,261,119	-	15,635,066	8.07%
2018	1,222,510	1,222,510	-	14,190,626	8.61%
2017	1,205,273	1,205,273	-	13,878,181	8.68%
2016	1,480,199	1,480,199	-	13,038,257	11.35%
2015	1,463,447	1,463,447	-	12,814,396	11.42%
2014	1,571,032	1,571,032	-	12,688,971	12.38%
Component Unit School Board (nonprofessional)					
2023	\$ 400,783	\$ 400,783	\$ -	\$ 6,198,861	6.47%
2022	397,016	397,016	-	5,846,249	6.79%
2021	382,098	382,098	-	5,588,264	6.84%
2020	352,871	352,871	-	5,869,163	6.01%
2019	352,380	352,380	-	5,677,195	6.21%
2018	390,066	390,066	-	5,511,781	7.08%
2017	383,934	383,934	-	5,338,148	7.19%
2016	480,874	409,331	71,543	5,110,248	8.01%
2015	465,863	396,553	69,310	4,950,850	8.01%
2014	495,573	396,162	99,411	4,945,841	8.01%
Component Unit School Board (professional)					
2023	\$ 7,164,047	\$ 7,164,047	\$ -	\$ 44,905,971	15.95%
2022	7,022,934	7,022,934	-	43,859,644	16.01%
2021	6,729,094	6,729,094	-	42,101,193	15.98%
2020	6,545,102	6,545,102	-	43,442,199	15.07%
2019	6,625,677	6,625,677	-	43,405,899	15.26%
2018	6,865,084	6,865,084	-	42,999,994	15.97%
2017	5,966,307	5,966,307	-	41,110,236	14.51%
2016	5,456,224	5,456,224	-	39,107,172	13.95%
2015	5,506,000	5,506,000	-	38,098,804	14.45%
2014	4,354,253	4,354,253	-	37,343,508	11.66%

*Excludes contributions (mandatory and match on voluntary) to the defined contribution portion of the Hybrid plan.

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

County of Franklin, Virginia
Notes to Required Supplementary Information
Pension Plans
For the Year Ended June 30, 2023

Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions - The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

All Others (Non 10 Largest) - Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

All Others (Non 10 Largest) - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Largest 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Component Unit School Board - Professional Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

County of Franklin, Virginia
Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios
Primary Government
Health Insurance
For the Measurement Dates of July 1, 2017 through July 1, 2022

	2022	2021	2020	2019	2018	2017
Total OPEB liability						
Service cost	\$ 103,000	\$ 87,000	\$ 73,000	\$ 66,000	\$ 106,000	\$ 103,000
Interest	31,000	34,000	40,000	42,000	61,000	57,000
Differences between expected and actual experience	238,000	(45,000)	(51,000)	(7,000)	(535,000)	-
Benefit payments	(54,000)	(46,000)	(46,000)	(41,000)	(41,000)	(57,000)
Changes of assumptions	(414,000)	167,000	86,000	56,000	(92,000)	-
Net change in total OPEB liability	\$ (96,000)	\$ 197,000	\$ 102,000	\$ 116,000	\$ (501,000)	\$ 103,000
Total OPEB liability - beginning	1,540,000	1,343,000	1,241,000	1,125,000	1,626,000	1,523,000
Total OPEB liability - ending	\$ 1,444,000	\$ 1,540,000	\$ 1,343,000	\$ 1,241,000	\$ 1,125,000	\$ 1,626,000
Covered-employee payroll	\$ 19,768,000	\$ 14,847,000	\$ 14,847,000	\$ 14,253,000	\$ 14,253,000	\$ 12,311,000
County's total OPEB liability (asset) as a percentage of covered-employee payroll	7.30%	10.37%	9.05%	8.71%	7.89%	13.21%

Schedule is intended to show information for 10 years. Additional years will be included as they become available.

County of Franklin, Virginia
Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios
Component Unit School Board
Health Insurance

For the Measurement Dates of July 1, 2017 through July 1, 2022

	2022	2021	2020	2019	2018	2017
Total OPEB liability						
Service cost	\$ 288,000	\$ 248,000	\$ 272,000	\$ 245,000	\$ 205,000	\$ 200,000
Interest	124,000	145,000	175,000	197,000	166,000	161,000
Differences between expected and actual experience	354,000	(152,000)	116,000	(103,000)	1,132,000	-
Benefit payments	(1,184,000)	(440,000)	(686,000)	(237,000)	(237,000)	(198,000)
Changes of assumption	(405,000)	666,000	354,000	233,000	(511,000)	-
Net change in total OPEB liability	\$ (823,000)	\$ 467,000	\$ 231,000	\$ 335,000	\$ 755,000	\$ 163,000
Total OPEB liability - beginning	6,358,000	5,891,000	5,660,000	5,325,000	4,570,000	4,407,000
Total OPEB liability - ending	\$ 5,535,000	\$ 6,358,000	\$ 5,891,000	\$ 5,660,000	\$ 5,325,000	\$ 4,570,000
Covered-employee payroll	\$ 42,338,000	\$ 45,132,000	\$ 45,132,000	\$ 45,682,000	\$ 45,682,000	\$ 43,002,000
School Board's total OPEB liability (asset) as a percentage of covered-employee payroll	13.07%	14.09%	13.05%	12.39%	11.66%	10.63%

Schedule is intended to show information for 10 years. Additional years will be included as they become available.

County of Franklin, Virginia
Notes to Required Supplementary Information
Health Insurance
For the Year Ended June 30, 2023

Primary Government

Valuation Date: 7/1/2022
Measurement Date: 7/1/2022

No assets are accumulated in a trust that meets the criteria in GASB 75 to pay related benefits.

Methods and assumptions used to determine OPEB liability:

Actuarial Cost Method	Entry age actuarial cost method
Discount Rate	3.69%
Inflation	2.50%
Healthcare Trend Rate	6.75% for fiscal year end 2023, decreasing 0.25% per year to an ultimate rate of 5.00%
Salary Increase Rates	2.50%
Retirement Age	The average age at retirement is 62
Mortality Rates	RP-2014 Mortality Table, fully generational with base year 2006, projected using two-dimensional mortality improvement scale MP-2021

Component Unit School Board

Valuation Date: 7/1/2022
Measurement Date: 7/1/2022

No assets are accumulated in a trust that meets the criteria in GASB 75 to pay related benefits.

Methods and assumptions used to determine OPEB liability:

Actuarial Cost Method	Entry age actuarial cost method
Discount Rate	3.69%
Inflation	2.50%
Healthcare Trend Rate	6.75% for fiscal year end 2023, decreasing 0.25% per year to an ultimate rate of 5.00%
Salary Increase Rates	2.50%
Retirement Age	The average age at retirement is 62
Mortality Rates	RP-2014 Mortality Table, fully generational with base year 2006, projected using two-dimensional mortality improvement scale MP-2021

County of Franklin, Virginia
Schedule of Employer's Share of Net OPEB Liability
Group Life Insurance (GLI) Plan
For the Measurement Dates of June 30, 2017 through June 30, 2022

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
Primary Government					
2022	0.0823%	\$ 990,490	\$ 17,894,246	5.54%	67.21%
2021	0.0788%	917,097	16,262,282	5.64%	67.45%
2020	0.0782%	1,305,865	16,100,425	8.11%	52.64%
2019	0.0800%	1,302,139	15,650,066	8.32%	52.00%
2018	0.0749%	1,137,000	14,190,626	8.01%	51.22%
2017	0.0756%	1,138,000	13,878,181	8.20%	48.86%
Component Unit School Board (nonprofessional)					
2022	0.0271%	\$ 326,551	\$ 5,898,477	5.54%	67.21%
2021	0.0271%	315,750	5,603,198	5.64%	67.45%
2020	0.0283%	472,281	5,880,208	8.03%	52.64%
2019	0.0291%	472,883	5,697,345	8.30%	52.00%
2018	0.0291%	441,000	5,511,781	8.00%	51.22%
2017	0.0289%	436,000	5,338,148	8.17%	48.86%
Component Unit School Board (professional)					
2022	0.2018%	\$ 2,429,746	\$ 43,894,512	5.54%	67.21%
2021	0.2036%	2,370,340	42,130,781	5.63%	67.45%
2020	0.2102%	3,507,393	43,500,950	8.06%	52.64%
2019	0.2216%	3,605,696	43,425,037	8.30%	52.00%
2018	0.2269%	3,446,000	42,999,994	8.01%	51.22%
2017	0.2232%	3,359,000	41,110,236	8.17%	48.86%

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

County of Franklin, Virginia
Schedule of Employer Contributions
Group Life Insurance (GLI) Plan
For the Years Ended June 30, 2014 through June 30, 2023

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Primary Government					
2023	\$ 108,427	\$ 108,427	\$ -	\$ 20,079,036	0.54%
2022	96,629	96,629	-	17,894,246	0.54%
2021	87,816	87,816	-	16,262,282	0.54%
2020	83,161	83,161	-	16,100,425	0.52%
2019	81,381	81,381	-	15,650,066	0.52%
2018	73,897	73,897	-	14,190,626	0.52%
2017	72,521	72,521	-	13,878,181	0.52%
2016	62,584	62,584	-	13,038,257	0.48%
2015	61,632	61,632	-	12,814,396	0.48%
2014	60,972	60,972	-	12,688,971	0.48%
Component Unit School Board (nonprofessional)					
2023	\$ 33,724	\$ 33,724	\$ -	\$ 6,245,199	0.54%
2022	31,852	31,852	-	5,898,477	0.54%
2021	30,239	30,239	-	5,603,198	0.54%
2020	30,283	30,283	-	5,880,208	0.51%
2019	29,628	29,628	-	5,697,345	0.52%
2018	28,764	28,764	-	5,511,781	0.52%
2017	27,796	27,796	-	5,338,148	0.52%
2016	24,629	24,629	-	5,110,248	0.48%
2015	23,872	23,872	-	4,950,850	0.48%
2014	23,948	23,948	-	4,945,841	0.48%
Component Unit School Board (professional)					
2023	\$ 243,034	\$ 243,034	\$ -	\$ 45,006,332	0.54%
2022	237,030	237,030	-	43,894,512	0.54%
2021	226,988	226,988	-	42,130,781	0.54%
2020	224,963	224,963	-	43,500,950	0.52%
2019	225,822	225,822	-	43,425,037	0.52%
2018	224,337	224,337	-	42,999,994	0.52%
2017	214,115	214,115	-	41,110,236	0.52%
2016	188,419	188,419	-	39,107,172	0.48%
2015	183,496	183,496	-	38,098,804	0.48%
2014	179,808	179,808	-	37,343,508	0.48%

County of Franklin, Virginia
Notes to Required Supplementary Information
Group Life Insurance (GLI) Plan
For the Year Ended June 30, 2023

Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions - The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Teachers

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Non-Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

County of Franklin, Virginia
Schedule of Changes in the Net OPEB Liability and Related Ratios
Component Unit School Board (nonprofessional)
Health Insurance Credit (HIC) Plan
For the Measurement Dates of June 30, 2017 through June 30, 2022

	2022	2021	2020	2019	2018	2017
Total HIC OPEB Liability						
Service cost	\$ 8,050	\$ 10,676	\$ 10,444	\$ 10,641	\$ 11,000	\$ 10,000
Interest	39,445	39,089	36,926	35,301	35,000	35,000
Changes of benefit terms	-	-	24,322	-	-	-
Differences between expected and actual experience	(24,397)	(26,032)	(4,489)	17,284	-	-
Changes in assumptions	18,608	10,159	-	12,716	(11,000)	(18,000)
Benefit payments	(37,393)	(35,926)	(34,386)	(32,016)	(34,000)	(20,000)
Other changes	-	-	-	315	-	-
Net change in total HIC OPEB liability	\$ 4,313	\$ (2,034)	\$ 32,817	\$ 44,241	\$ 1,000	\$ 7,000
Total HIC OPEB Liability - beginning	595,024	597,058	564,241	520,000	519,000	512,000
Total HIC OPEB Liability - ending (a)	\$ 599,337	\$ 595,024	\$ 597,058	\$ 564,241	\$ 520,000	\$ 519,000
Plan fiduciary net position						
Contributions - employer	\$ 26,897	\$ 25,686	\$ 24,414	\$ 24,036	\$ 25,000	\$ 25,000
Net investment income	745	89,986	6,984	21,449	23,000	33,000
Benefit payments	(37,393)	(35,926)	(34,386)	(32,016)	(34,000)	(20,000)
Administrative expense	(721)	(1,042)	(662)	(462)	(1,000)	(1,000)
Other	6,427	-	(3)	225	(1,000)	2,000
Net change in plan fiduciary net position	\$ (4,045)	\$ 78,704	\$ (3,653)	\$ 13,232	\$ 12,000	\$ 39,000
Plan fiduciary net position - beginning	426,283	347,579	351,232	338,000	326,000	287,000
Plan fiduciary net position - ending (b)	\$ 422,238	\$ 426,283	\$ 347,579	\$ 351,232	\$ 338,000	\$ 326,000
School Division's net HIC OPEB liability - ending (a) - (b)	\$ 177,099	\$ 168,741	\$ 249,479	\$ 213,009	\$ 182,000	\$ 193,000
Plan fiduciary net position as a percentage of the total HIC OPEB liability	70.45%	71.64%	58.22%	62.25%	65.00%	62.81%
Covered payroll	\$ 5,846,249	\$ 5,588,264	\$ 5,869,163	\$ 5,677,195	\$ 5,511,781	\$ 5,338,148
School Division's net HIC OPEB liability as a percentage of covered payroll	3.03%	3.02%	4.25%	3.75%	3.30%	3.62%

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

County of Franklin, Virginia
Schedule of School Board's Share of Net OPEB Liability
Component Unit School Board (professional)
Teacher Health Insurance Credit (HIC) Plan
For the Measurement Dates of June 30, 2017 through June 30, 2022

Date (1)	Employer's Proportion of the Net HIC OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total HIC OPEB Liability (6)
2022	0.4706%	\$ 5,877,888	\$ 43,859,644	13.40%	15.08%
2021	0.4750%	6,096,440	42,101,193	14.48%	13.15%
2020	0.4923%	6,422,396	43,407,803	14.80%	9.95%
2019	0.5177%	6,776,673	43,405,899	15.61%	8.97%
2018	0.5318%	6,751,000	42,999,994	15.70%	8.08%
2017	0.5213%	6,613,000	41,110,236	16.09%	7.04%

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

County of Franklin, Virginia
Schedule of Employer Contributions
Health Insurance Credit (HIC) Plan
For the Years Ended June 30, 2014 through June 30, 2023

Date	Contributions in Relation to				Contributions as a % of Covered Payroll (5)
	Contractually Required Contribution (1)	Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	
Component Unit School Board (nonprofessional)					
2023	\$ 28,515	\$ 28,515	\$ -	\$ 6,198,861	0.46%
2022	26,897	26,897	-	5,846,249	0.46%
2021	25,686	25,686	-	5,588,264	0.46%
2020	24,414	24,414	-	5,869,163	0.42%
2019	23,847	23,847	-	5,677,195	0.42%
2018	25,354	25,354	-	5,511,781	0.46%
2017	24,500	24,500	-	5,338,148	0.46%
2016	24,018	24,018	-	5,110,248	0.47%
2015	23,268	23,268	-	4,950,850	0.47%
2014	28,191	28,191	-	4,945,841	0.57%
Component Unit School Board (professional)					
2023	\$ 543,362	\$ 543,362	\$ -	\$ 44,905,971	1.21%
2022	530,702	530,702	-	43,859,644	1.21%
2021	508,267	508,267	-	42,101,193	1.21%
2020	518,001	518,001	-	43,407,803	1.19%
2019	520,868	520,868	-	43,405,899	1.20%
2018	528,853	528,853	-	42,999,994	1.23%
2017	456,669	456,669	-	41,110,236	1.11%
2016	414,766	414,766	-	39,107,172	1.06%
2015	403,923	403,923	-	38,098,804	1.06%
2014	414,849	414,849	-	37,343,508	1.11%

County of Franklin, Virginia
Notes to Required Supplementary Information
Health Insurance Credit (HIC) Plan
For the Year Ended June 30, 2023

Component Unit School Board (nonprofessional)

Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions - The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Component Unit School Board (professional)

Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions - The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

County of Franklin, Virginia
General Fund
Schedule of Revenues, Expenditures, and Change in Fund Balances - Budget and Actual
For the Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final	Amounts	
REVENUES				
General property taxes	\$ 63,153,426	\$ 63,153,431	\$ 64,678,738	\$ 1,525,307
Other local taxes	12,175,821	12,175,821	13,806,989	1,631,168
Permits, privilege fees, and regulatory licenses	456,459	456,459	613,220	156,761
Fines and forfeitures	17,331	17,331	58,412	41,081
Revenue from the use of money and property	574,440	574,440	2,173,322	1,598,882
Charges for services	3,086,293	3,424,247	3,679,725	255,478
Miscellaneous	191,157	244,514	558,183	313,669
Recovered costs	1,690,369	1,665,349	1,376,910	(288,439)
Intergovernmental	22,152,895	31,211,547	30,490,730	(720,817)
Total revenues	\$ 103,498,191	\$ 112,923,139	\$ 117,436,229	\$ 4,513,090
EXPENDITURES				
General government administration				
Legislative	\$ 517,821	\$ 554,313	\$ 554,313	\$ -
General and financial administration	4,892,873	5,440,286	5,250,311	189,975
Board of elections	440,178	495,451	425,994	69,457
Total general government administration	\$ 5,850,872	\$ 6,490,050	\$ 6,230,618	\$ 259,432
Judicial administration				
Courts	\$ 2,267,674	\$ 2,492,927	\$ 2,317,172	\$ 175,755
Commonwealth's attorney	883,279	911,580	911,146	434
Total judicial administration	\$ 3,150,953	\$ 3,404,507	\$ 3,228,318	\$ 176,189
Public safety				
Law enforcement and traffic control	\$ 5,318,028	\$ 6,481,461	\$ 6,301,140	\$ 180,321
Correction and detention	5,451,239	5,852,676	5,637,727	214,949
Inspections	526,955	535,256	519,357	15,899
Other protection*	6,360,358	7,175,653	7,268,713	(93,060)
Total public safety	\$ 17,656,580	\$ 20,045,046	\$ 19,726,937	\$ 318,109
Public works				
Sanitation and waste removal	\$ 2,999,784	\$ 3,248,554	\$ 3,180,420	\$ 68,134
Maintenance of general buildings and grounds	1,751,890	1,785,331	1,740,090	45,241
Total public works	\$ 4,751,674	\$ 5,033,885	\$ 4,920,510	\$ 113,375
Health and welfare				
Health	\$ 370,018	\$ 370,018	\$ 370,018	\$ -
Mental health and mental retardation	40,000	40,000	40,000	-
Welfare	16,305,611	16,774,099	15,713,280	1,060,819
Total health and welfare	\$ 16,715,629	\$ 17,184,117	\$ 16,123,298	\$ 1,060,819

County of Franklin, Virginia
General Fund
Schedule of Revenues, Expenditures, and Change in Fund Balances - Budget and Actual
For the Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
EXPENDITURES (CONTINUED)				
Education				
Other instructional costs	\$ 34,792,606	\$ 36,670,752	\$ 33,081,973	\$ 3,588,779
Total education	\$ 34,792,606	\$ 36,670,752	\$ 33,081,973	\$ 3,588,779
Parks, recreation, and cultural				
Parks and recreation	\$ 1,588,831	\$ 1,714,781	\$ 1,698,032	\$ 16,749
Library	948,607	1,002,120	969,508	32,612
Total parks, recreation, and cultural	\$ 2,537,438	\$ 2,716,901	\$ 2,667,540	\$ 49,361
Community development				
Planning and community development	\$ 3,048,792	\$ 3,785,800	\$ 3,428,776	\$ 357,024
Environmental management	185,320	254,320	254,264	56
Cooperative extension program	127,846	127,846	106,425	21,421
Total community development	\$ 3,361,958	\$ 4,167,966	\$ 3,789,465	\$ 378,501
Debt service				
Principal retirement	\$ 4,151,134	\$ 5,012,275	\$ 5,012,275	\$ -
Interest and other fiscal charges	1,669,089	1,817,982	1,798,894	19,088
Bond issuance costs*	-	-	236,185	(236,185)
Total debt service	\$ 5,820,223	\$ 6,830,257	\$ 7,047,354	\$ (217,097)
Total expenditures	\$ 94,637,933	\$ 102,543,481	\$ 96,816,013	\$ 5,727,468
Excess (deficiency) of revenues over (under) expenditures	\$ 8,860,258	\$ 10,379,658	\$ 20,620,216	\$ 10,240,558
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 5,573,915	\$ 5,833,915	\$ 260,000	\$ (5,573,915)
Transfers out	\$ (10,657,856)	\$ (20,623,477)	\$ (15,049,562)	\$ 5,573,915
Issuance of lease liabilities*	-	-	296,894	296,894
Proceeds of refunding bonds*	-	-	5,936,185	5,936,185
Debt service-current refunding-principal*	-	-	(5,700,000)	(5,700,000)
Total other financing sources (uses)	\$ (5,083,941)	\$ (14,789,562)	\$ (14,256,483)	\$ 533,079
Net change in fund balances	\$ 3,776,317	\$ (4,409,904)	\$ 6,363,733	\$ 10,773,637
Fund balances - beginning	(3,776,317)	4,409,904	43,707,833	39,297,929
Fund balances - ending	\$ -	\$ -	\$ 50,071,566	\$ 50,071,566

Note: All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP), except for the treatment of debt refundings and lease/SBITA issuance activity. These items are not subject to appropriation and therefore the issuances and related expenditures are not budgeted. Accordingly, issuances totaling \$6,233,079, principal payments of \$5,700,000; issuance costs of \$236,185; and capital outlays in other protection of \$236,185 are not budgeted.

County of Franklin, Virginia
Schedule of Revenues, Expenditures, and Change in Fund Balances - Budget and Actual
Special Revenue Fund - Major Fund
For the Year Ended June 30, 2023

	E-911 Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Intergovernmental	\$ 75,000	\$ 131,600	\$ 267,513	\$ 135,913
Total revenues	\$ 75,000	\$ 131,600	\$ 267,513	\$ 135,913
EXPENDITURES				
Current:				
Public safety	\$ 1,345,619	\$ 1,425,874	\$ 1,326,962	\$ 98,912
Total expenditures	\$ 1,345,619	\$ 1,425,874	\$ 1,326,962	\$ 98,912
Excess (deficiency) of revenues over (under) expenditures	\$ (1,270,619)	\$ (1,294,274)	\$ (1,059,449)	\$ 234,825
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 1,270,619	\$ 1,294,274	\$ 1,294,274	\$ -
Total other financing sources (uses)	\$ 1,270,619	\$ 1,294,274	\$ 1,294,274	\$ -
Net change in fund balances	\$ -	\$ -	\$ 234,825	\$ 234,825
Fund balances - beginning	-	-	1,483,604	1,483,604
Fund balances - ending	\$ -	\$ -	\$ 1,718,429	\$ 1,718,429

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

County of Franklin, Virginia
Schedule of Revenues, Expenditures, and Change in Fund Balances - Budget and Actual
Capital Projects Fund - Major Fund
For the Year Ended June 30, 2023

	County Capital Projects				Variance with Final Budget Positive Positive (Negative)
	Budgeted Amounts		Actual		
	Original	Final			
REVENUES					
Revenue from the use of money and property	\$ -	\$ -	\$ 392,308	\$ 392,308	
Miscellaneous	-	59,496	71,969	12,473	
Intergovernmental	-	33,684,044	1,654,114	(32,029,930)	
Total revenues	\$ -	\$ 33,743,540	\$ 2,118,391	\$ (31,625,149)	
EXPENDITURES					
Capital projects	\$ 2,776,775	\$ 81,530,802	\$ 12,397,564	\$ 69,133,238	
Education:					
Contribution to County School Board	1,080,000	1,420,000	1,420,000	-	
Debt service:					
Bond issuance costs	-	453,082	289,071	164,011	
Total expenditures	\$ 3,856,775	\$ 83,403,884	\$ 14,106,635	\$ 69,297,249	
Excess (deficiency) of revenues over (under) expenditures	\$ (3,856,775)	\$ (49,660,344)	\$ (11,988,244)	\$ 37,672,100	
OTHER FINANCING SOURCES (USES)					
Transfers in	\$ 3,856,775	\$ 13,798,741	\$ 13,740,288	\$ (58,453)	
Transfers out	-	(260,000)	(260,000)	-	
Revenue bond proceeds	-	8,338,590	8,174,579	(164,011)	
Bond premium proceeds	-	1,108,285	1,108,285	-	
Total other financing sources (uses)	\$ 3,856,775	\$ 22,985,616	\$ 22,763,152	\$ (222,464)	
Net change in fund balances	\$ -	\$ (26,674,728)	\$ 10,774,908	\$ 37,449,636	
Fund balances - beginning	-	26,674,728	48,433,782	21,759,054	
Fund balances - ending	\$ -	\$ -	\$ 59,208,690	\$ 59,208,690	

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

FIDUCIARY FUNDS

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

Soil and Erosion Control Fund- 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.

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

Inmate Fund- The Jail Inmate fund accounts for the inmate trust funds.

Seized Assets - Sheriff's Office - The Seized Assets - Sheriff's Office fund accounts for funds that have been confiscated by the courts. These fund are held by the Sheriff until the courts rule on the return or distribution of same.

County of Franklin, Virginia
Combining Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2023

	Custodial Funds					
	Special Welfare Fund	Soil and Erosion Control Fund	Library Fund	Inmate Fund	Seized Asset Fund	Total
ASSETS						
Cash and cash equivalents	\$ 188,109	\$ 840,572	\$ 4,000	\$ 5,448	\$ 26,778	\$ 1,064,907
Receivables:						
Other receivables	-	-	-	4,566	-	4,566
Total assets	\$ 188,109	\$ 840,572	\$ 4,000	\$ 10,014	\$ 26,778	\$ 1,069,473
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ -	\$ 1,056	\$ -	\$ 1,056
Total liabilities	\$ -	\$ -	\$ -	\$ 1,056	\$ -	\$ 1,056
NET POSITION						
Restricted:						
Amounts held for social services clients	\$ 188,109	\$ -	\$ -	\$ -	\$ -	\$ 188,109
Amounts held for performance bonds	-	840,572	-	-	-	840,572
Amounts held for library	-	-	4,000	-	-	4,000
Amounts held for inmates	-	-	-	8,958	-	8,958
Amounts held for court systems	-	-	-	-	26,778	26,778
Total net position	\$ 188,109	\$ 840,572	\$ 4,000	\$ 8,958	\$ 26,778	\$ 1,068,417
Total liabilities and net position	\$ 188,109	\$ 840,572	\$ 4,000	\$ 10,014	\$ 26,778	\$ 1,069,473

County of Franklin, Virginia
Combining Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2023

	Custodial Funds					
	Special Welfare Fund	Soil and Erosion Control Fund	Library Fund	Inmate Fund	Seized Asset Fund	Total
ADDITIONS						
Interest income	\$ -	\$ 663	\$ -	\$ -	\$ -	\$ 663
Gifts and donations	147,595	-	-	-	-	147,595
Deposits from inmates	-	-	-	161,008	-	161,008
Seized property	-	-	-	-	17,180	17,180
Performance bond payment	-	358,969	-	-	-	358,969
Miscellaneous	12,016	-	-	-	-	12,016
Total additions	\$ 159,611	\$ 359,632	\$ -	\$ 161,008	\$ 17,180	\$ 697,431
DEDUCTIONS						
Special welfare payments	\$ 64,463	\$ -	\$ -	\$ -	\$ -	\$ 64,463
Inmate refunds	-	-	-	160,387	-	160,387
Refund of performance bond payments	-	8,958	-	-	-	8,958
Return of seized property	-	-	-	-	21,198	21,198
Total deductions	\$ 64,463	\$ 8,958	\$ -	\$ 160,387	\$ 21,198	\$ 255,006
Net increase (decrease) in fiduciary net position	\$ 95,148	\$ 350,674	\$ -	\$ 621	\$ (4,018)	\$ 442,425
Net position, beginning of year	92,961	489,898	4,000	8,337	30,796	625,992
Net position, end of year	\$ 188,109	\$ 840,572	\$ 4,000	\$ 8,958	\$ 26,778	\$ 1,068,417

Other Supplementary Information

DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD

MAJOR GOVERNMENTAL FUNDS

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

School Activity Fund - The School Activity Fund accounts for and reports the operations of the individual schools.

County of Franklin, Virginia
Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2023

	School Operating Fund	School Activity Fund	Total School Board
ASSETS			
Cash and cash equivalents	\$ 2,909,546	\$ 1,488,001	\$ 4,397,547
Accounts receivable	8,157	-	8,157
Due from other governmental units	2,810,899	-	2,810,899
Inventories	178,153	-	178,153
Prepaid items	230,780	-	230,780
Restricted assets:			
Cash and cash equivalents	1,241,816	-	1,241,816
Total assets	<u>\$ 7,379,351</u>	<u>\$ 1,488,001</u>	<u>\$ 8,867,352</u>
LIABILITIES			
Accounts payable	\$ 2,308,044	\$ -	\$ 2,308,044
Accrued liabilities	1,039,929	-	1,039,929
Unearned revenue	107,980	-	107,980
Total liabilities	<u>\$ 3,455,953</u>	<u>\$ -</u>	<u>\$ 3,455,953</u>
FUND BALANCES			
Nonspendable			
Inventories	\$ 178,153	\$ -	\$ 178,153
Prepaid items	230,780	-	230,780
Restricted			
Cafeteria program	1,241,816	-	1,241,816
School activity fund	-	1,488,001	1,488,001
School construction	2,407,033		2,407,033
Unassigned	(134,384)	-	(134,384)
Total fund balances	<u>\$ 3,923,398</u>	<u>\$ 1,488,001</u>	<u>\$ 5,411,399</u>
Total liabilities and fund balances	<u>\$ 7,379,351</u>	<u>\$ 1,488,001</u>	<u>\$ 8,867,352</u>

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:

Total fund balances per above \$ 5,411,399

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Capital assets, not being depreciated/amortized	\$ 1,257,686	
Capital assets being depreciated/amortized	90,827,349	
Accumulated depreciation/amortization	<u>(63,154,914)</u>	28,930,121

Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.

Pension related items	\$ 12,146,447	
OPEB related items	<u>3,208,341</u>	15,354,788

Long-term liabilities, including compensated absences, net OPEB liabilities, and net pension liability, are not due and payable in the current period and, therefore, are not reported in the funds.

Subscription liability	\$ (56,914)	
Compensated absences	(1,106,912)	
Net OPEB liabilities	(14,346,284)	
Net pension liability	<u>(45,650,503)</u>	(61,160,613)

Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.

Pension related items	\$ (13,264,560)	
OPEB related items	<u>(2,807,092)</u>	(16,071,652)

Net position of governmental activities \$ (27,535,957)

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, 2023

	School Operating Fund	School Activity Fund*	Total School Board
REVENUES			
Revenue from the use of money and property	\$ 2	\$ -	\$ 2
Charges for services	426,451	1,662,029	2,088,480
Recovered costs	1,427,673	-	1,427,673
Intergovernmental	103,196,992	-	103,196,992
Total revenues	<u>\$ 105,051,118</u>	<u>\$ 1,662,029</u>	<u>\$ 106,713,147</u>
EXPENDITURES			
Current:			
Education	\$ 102,453,767	\$ 1,898,306	\$ 104,352,073
Capital projects	2,810,546	-	2,810,546
Debt service:			
Principal retirement	83,592	-	83,592
Interest and other fiscal charges	5,426	-	5,426
Total expenditures	<u>\$ 105,353,331</u>	<u>\$ 1,898,306</u>	<u>\$ 107,251,637</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (302,213)</u>	<u>\$ (236,277)</u>	<u>\$ (538,490)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ 220,712	\$ 589,836	\$ 810,548
Transfers out	(589,836)	(220,712)	(810,548)
Sale of capital assets	124,510	-	124,510
Total other financing sources (uses)	<u>\$ (244,614)</u>	<u>\$ 369,124</u>	<u>\$ 124,510</u>
Net change in fund balances	\$ (546,827)	\$ 132,847	\$ (413,980)
Fund balances - beginning	4,470,225	1,355,154	5,825,379
Fund balances - ending	<u>\$ 3,923,398</u>	<u>\$ 1,488,001</u>	<u>\$ 5,411,399</u>

Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:

Net change in fund balances - total governmental funds - per above \$ (413,980)

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/amortization expense. This is the detail of items supporting this adjustment:

Capital outlays	\$ 2,907,130	
Depreciation/amortization expense	<u>(2,546,220)</u>	360,910

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

State non-employer contribution to the pension plan	\$ 2,091,265	
State non-employer contribution to the OPEB plans	<u>126,209</u>	2,217,474

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of 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.

Principal repayments:		
Lease liabilities	\$ 31,057	
Subscription liability	<u>52,535</u>	83,592

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

Change in compensated absences	\$ (37,058)	
Changes in OPEB related items	243,107	
Changes in pension related items	<u>6,436,424</u>	6,642,473

Change in net position of governmental activities		<u>\$ 8,890,469</u>
---	--	---------------------

*The School Activity Fund does not require a legally adopted budget.

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, 2023

	School Operating Fund			
	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 2	\$ 2
Charges for services	849,000	849,000	426,451	(422,549)
Miscellaneous	26,385	26,385	-	(26,385)
Recovered costs	1,001,500	1,301,501	1,427,673	126,172
Intergovernmental	112,714,734	112,278,645	103,196,992	(9,081,653)
Total revenues	\$ 114,591,619	\$ 114,455,531	\$ 105,051,118	\$ (9,404,413)
EXPENDITURES				
Current:				
Education	\$ 105,280,820	\$ 105,184,732	\$ 102,453,767	\$ 2,730,965
Capital projects	9,192,993	9,758,730	2,810,546	6,948,184
Debt service:				
Principal retirement	83,592	83,592	83,592	-
Interest and other fiscal charges	5,426	5,426	5,426	-
Total expenditures	\$ 114,562,831	\$ 115,032,480	\$ 105,353,331	\$ 9,679,149
Excess (deficiency) of revenues over (under) expenditures	\$ 28,788	\$ (576,949)	\$ (302,213)	\$ 274,736
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 220,712	\$ 220,712
Transfers out	-	-	(589,836)	(589,836)
Sale of capital assets	11,212	11,212	124,510	113,298
Total other financing sources (uses)	\$ 11,212	\$ 11,212	\$ (244,614)	\$ (255,826)
Net change in fund balances	\$ 40,000	\$ (565,737)	\$ (546,827)	\$ 18,910
Fund balances - beginning	(40,000)	565,737	4,470,225	3,904,488
Fund balances - ending	\$ -	\$ -	\$ 3,923,398	\$ 3,923,398

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

STATISTICAL SECTION

Statistical Section

Contents

Tables

Financial Trends

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

1 - 4

Revenue Capacity

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

5 - 9

Debt Capacity

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

10 - 13

Demographic and Economic Information

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

14 - 15

Operating Information

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

16 - 18

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

COUNTY OF FRANKLIN, VIRGINIA

Table 1

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

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Governmental activities										
Net investment in capital assets	47,869,639	50,269,458	55,268,337	60,976,383	54,940,545	56,760,775	56,780,102	48,462,359	52,561,283	55,442,548
Restricted	373,539	365,467	540,757	685,889	839,910	1,169,763	1,440,174	1,722,119	6,733,063	3,603,663
Unrestricted	20,000,997	16,603,986	16,208,679	13,863,514	16,118,363	19,612,849	27,251,925	39,773,484	65,524,640	82,961,188
Total governmental activities net position	68,244,175	67,238,911	72,017,773	75,525,786	71,898,818	77,543,387	85,472,201	89,957,962	124,818,986	142,007,399
Business-type activities										
Net investment in capital assets	1,102,086	1,069,241	1,036,396	1,003,551	970,706	937,861	905,016	872,171	839,326	806,481
Unrestricted	210,379	241,149	259,552	88,379	152,635	184,179	215,360	278,277	299,705	318,755
Total business-type activities net position	1,312,465	1,310,390	1,295,948	1,091,930	1,123,341	1,122,040	1,120,376	1,150,448	1,139,031	1,125,236
Primary government										
Net investment in capital assets	48,971,725	51,338,699	56,304,733	61,979,934	55,911,251	57,698,636	57,685,118	49,334,530	53,400,609	56,249,029
Restricted	373,539	365,467	540,757	685,889	839,910	1,169,763	1,440,174	1,722,119	6,733,063	3,603,663
Unrestricted	20,211,376	16,845,135	16,468,231	13,951,893	16,270,998	19,797,028	27,467,285	40,051,761	65,824,345	83,279,943
Total primary government net position	69,556,640	68,549,301	73,313,721	76,617,716	73,022,159	78,665,427	86,592,577	91,108,410	125,958,017	143,132,635

Note: GASB No. 87 was implemented in fiscal year 2022. Prior years information has not been adjusted to reflect the impact of GASB No. 87.

Source: County financial reports

COUNTY OF FRANKLIN, VIRGINIA

Table 2
Page 1 of 2

Changes in Net Position
Last Ten Fiscal Years

(accrual basis of accounting)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Expenses										
Governmental activities:										
General government administration	4,618,400	4,197,118	4,470,418	4,239,321	4,037,345	4,887,402	5,301,085	5,454,676	5,290,522	5,778,826
Judicial administration	2,317,632	2,471,939	2,615,409	2,687,951	2,625,816	2,623,997	2,803,943	2,972,592	3,012,728	3,051,012
Public safety	14,813,690	14,616,834	14,292,437	15,633,686	15,199,187	17,841,422	19,407,905	26,181,049	20,888,269	19,054,976
Public works	5,018,567	4,911,210	5,136,964	5,258,525	5,777,535	6,643,021	8,514,375	7,836,486	8,560,780	13,587,532
Health and welfare	10,968,715	11,009,049	11,324,474	12,182,639	13,349,808	14,487,831	15,203,469	14,877,939	15,576,472	15,799,906
Education	32,492,221	33,439,404	33,018,170	33,293,793	39,361,738	34,270,534	32,371,513	39,256,053	36,137,371	34,851,238
Parks, recreation and cultural	1,952,891	2,287,730	2,513,834	2,509,282	2,869,781	3,323,089	3,637,616	2,550,035	3,616,164	3,565,724
Community development	3,572,124	3,298,671	3,091,287	3,272,246	2,587,937	3,156,262	2,309,353	3,700,446	3,932,419	4,221,682
Interest on long-term debt	1,046,709	1,071,097	1,061,631	1,391,894	1,151,364	1,989,275	1,611,750	2,280,755	615,088	1,218,193
Total governmental activities expenses	76,800,949	77,303,052	77,524,624	80,469,337	86,960,511	89,222,833	91,161,009	105,110,031	97,629,813	101,129,089
Business-type activities:										
Utility fund	47,643	45,390	42,039	46,549	44,286	47,768	43,575	56,148	51,164	44,878
Total business-type activities expenses	47,643	45,390	42,039	46,549	44,286	47,768	43,575	56,148	51,164	44,878
Total primary government expenses	76,848,592	77,348,442	77,566,663	80,515,886	87,004,797	89,270,601	91,204,584	105,166,179	97,680,977	101,173,967
Program Revenues										
Governmental activities:										
Charges for services:										
General government administration	12,224	7,104	6,009	19,490	17,761	11,501	9,705	7,704	7,805	6,085
Judicial administration	162,402	128,609	69,044	65,325	81,650	59,083	50,134	32,725	61,051	113,648
Public safety	1,943,658	1,781,811	1,815,624	1,896,279	1,886,658	2,072,110	2,282,205	2,322,324	2,432,543	2,579,170
Public works	942,265	888,773	889,386	961,582	1,057,377	1,309,122	1,326,812	1,421,389	1,473,005	1,375,797
Health and welfare	18,731	23,630	22,071	20,997	17,863	19,700	16,567	11,075	14,175	15,442
Parks, recreation and cultural	188,675	251,127	225,093	215,302	262,204	282,591	177,919	143,330	276,732	295,513
Operating grants and contributions	12,501,912	12,667,126	13,275,673	13,963,045	15,158,226	17,279,540	19,656,629	26,491,637	23,819,033	27,477,623
Capital grants and contributions	299,810	832,390	543,093	798,442	205,004	207,831	186,191	194,823	814,498	237,857
Total governmental activities program revenues	16,069,677	16,580,570	16,845,993	17,940,462	18,686,743	21,241,478	23,706,162	30,625,007	28,898,842	32,101,135
Business-type activities:										
Charges for services:										
Water	25,371	26,315	23,576	27,531	60,697	31,467	26,911	71,220	24,747	16,083
Total business-type activities program revenues	25,371	26,315	23,576	27,531	60,697	31,467	26,911	71,220	24,747	16,083
Total primary government program revenues	16,095,048	16,606,885	16,869,569	17,967,993	18,747,440	21,272,945	23,733,073	30,696,227	28,923,589	32,117,218

COUNTY OF FRANKLIN, VIRGINIA

Table 2
Page 2 of 2

Changes in Net Position
Last Ten Fiscal Years

(accrual basis of accounting)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Net (expense) / revenue										
Governmental activities	(60,731,272)	(60,722,482)	(60,678,631)	(62,528,875)	(68,273,768)	(67,981,355)	(67,454,847)	(74,485,024)	(68,730,971)	(69,027,954)
Business-type activities	(22,272)	(19,075)	(18,463)	(19,018)	16,411	(16,301)	(16,664)	15,072	(26,417)	(28,795)
Total primary government net expense	(60,753,544)	(60,741,557)	(60,697,094)	(62,547,893)	(68,257,357)	(67,997,656)	(67,471,511)	(74,469,952)	(68,757,388)	(69,056,749)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	46,505,312	48,388,606	49,225,877	49,452,460	49,934,797	55,666,274	57,612,940	60,074,403	83,536,406	65,082,053
Local sales and use taxes	4,087,355	4,222,615	4,355,903	4,550,334	4,733,806	5,544,968	5,664,739	6,505,973	7,043,338	7,525,118
Taxes on recordation and wills	468,085	469,299	470,807	547,449	523,550	533,816	691,985	1,141,090	1,046,385	717,975
Motor vehicle licenses taxes	833,472	1,930,605	2,100,109	2,024,297	2,011,649	2,058,850	2,030,181	2,121,224	2,061,003	2,099,499
Consumers' utility taxes	976,804	979,527	982,747	987,461	992,508	996,808	999,577	1,011,793	1,017,326	1,023,671
Business licenses taxes	13,745	4,079	3,314	3,986	4,744	3,659	3,633	5,297	5,517	5,708
Other local taxes	1,465,873	1,560,260	1,558,683	1,587,171	1,729,848	1,833,757	1,686,820	1,943,064	2,222,689	2,435,018
Unrestricted grants and contributions	5,371,657	5,313,289	5,243,473	5,232,245	5,195,015	5,045,493	4,992,431	5,004,010	4,838,623	4,696,877
Unrestricted revenues from use of money and property	1,142,792	907,931	1,012,753	1,147,211	1,002,611	1,519,309	1,129,087	657,441	538,486	2,322,771
Miscellaneous	552,240	2,928,292	507,848	319,274	280,591	437,990	587,268	520,490	1,368,896	322,677
Transfers	(17,000)	(17,000)	(4,021)	185,000	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)
Total governmental activities	61,400,335	66,687,503	65,457,493	66,036,888	66,394,119	73,625,924	75,383,661	78,970,785	103,663,669	86,216,367
Business-type activities:										
Transfers	17,000	17,000	4,021	(185,000)	15,000	15,000	15,000	15,000	15,000	15,000
Total business-type activities	17,000	17,000	4,021	(185,000)	15,000	15,000	15,000	15,000	15,000	15,000
Total primary government	61,417,335	66,704,503	65,461,514	65,851,888	66,409,119	73,640,924	75,398,661	78,985,785	103,678,669	86,231,367
Change in Net Position										
Governmental activities	669,063	5,965,021	4,778,862	3,508,013	(1,879,649)	5,644,569	7,928,814	4,485,761	34,932,698	17,188,413
Business-type activities	(5,272)	(2,075)	(14,442)	(204,018)	31,411	(1,301)	(1,664)	30,072	(11,417)	(13,795)
Total primary government	663,791	5,962,946	4,764,420	3,303,995	(1,848,238)	5,643,268	7,927,150	4,515,833	34,921,281	17,174,618

Note: GASB No. 87 was implemented in fiscal year 2022. Prior years information has not been adjusted to reflect the impact of GASB No. 87.

Note: During fiscal year 2022, the County started twice year collections for real estate taxes

Source: County financial reports

COUNTY OF FRANKLIN, VIRGINIA

Table 3

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

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General fund										
Nonspendable	-	-	-	-	-	2,537	-	-	-	-
Restricted	246,039	207,076	319,373	415,280	455,827	526,067	553,381	622,512	705,026	978,774
Assigned	2,681,011	2,942,604	2,098,960	1,865,429	1,014,989	2,019,020	3,076,648	4,455,744	5,076,580	5,745,182
Unassigned	18,430,083	18,056,775	19,831,096	20,883,932	20,883,942	23,704,454	28,548,226	34,812,872	37,926,227	43,347,610
Total general fund	21,357,133	21,206,455	22,249,429	23,164,641	22,354,758	26,252,078	32,178,255	39,891,128	43,707,833	50,071,566
All other governmental funds										
Nonspendable	-	-	-	474,741	4,184,291	1,380,049	940,810	1,231,445	1,311,949	449,173
Restricted, reported in:										
Special revenue funds	127,500	158,391	221,384	270,609	384,083	643,696	886,793	1,099,607	1,483,604	1,718,429
Capital projects funds	7,303,213	17,880,435	7,622,690	16,301,212	5,033,698	15,299,503	11,658,381	9,722,163	9,750,632	14,091,713
Assigned, reported in:										
Capital projects funds	11,831,695	12,850,860	11,136,278	7,498,512	6,400,142	8,047,775	10,402,852	14,863,919	37,371,201	44,667,804
Total all other governmental funds	19,262,408	30,889,686	18,980,352	24,545,074	16,002,214	25,371,023	23,888,836	26,917,134	49,917,386	60,927,119

Source: County financial reports

COUNTY OF FRANKLIN, VIRGINIA

Table 4

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

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenues										
General property taxes	46,773,366	48,823,104	49,308,192	49,398,702	49,888,025	55,426,396	57,306,737	60,215,038	82,009,088	64,678,738
Other local taxes	7,845,334	9,166,385	9,471,563	9,700,698	9,996,105	10,971,858	11,076,935	12,729,441	13,396,258	13,806,989
Permits, privilege fees and regulatory licenses	381,133	498,402	335,137	399,129	442,699	430,996	475,697	556,813	653,380	613,220
Fines and forfeitures	110,411	110,271	43,159	43,499	57,918	39,501	34,923	16,086	45,353	58,412
Revenue from use of money and property	1,142,792	907,931	1,012,753	1,147,211	1,002,611	1,519,309	1,129,087	657,441	569,613	2,565,630
Charges for services	2,776,411	2,472,381	2,648,931	2,736,347	2,822,896	3,283,610	3,352,722	3,365,648	3,679,725	3,530,567
Miscellaneous	552,240	327,376	599,515	408,072	371,706	529,143	683,524	621,950	396,810	630,152
Recovered costs	466,701	999,921	897,113	974,192	922,698	909,869	697,663	886,642	1,035,339	1,376,910
Intergovernmental	18,173,379	18,742,805	19,062,239	19,993,732	20,558,245	22,532,864	24,840,251	31,690,470	29,472,154	32,412,357
Total revenues	78,221,767	82,048,576	83,378,602	84,801,582	86,062,903	95,643,546	99,597,539	110,739,529	131,108,562	119,822,133
Expenditures										
General government administration	3,847,437	4,324,399	4,344,882	4,175,626	4,285,933	4,780,174	4,976,543	5,159,542	5,275,244	6,230,618
Judicial administration	2,289,679	2,574,462	2,729,767	2,822,828	2,687,211	2,707,178	2,734,533	2,827,613	3,116,250	3,228,318
Public safety	14,095,220	13,749,081	13,615,077	14,543,850	14,542,008	15,405,011	16,883,628	24,031,305	19,970,819	21,053,899
Public works	3,597,660	3,639,061	3,449,535	3,282,687	3,519,675	3,966,697	3,955,700	3,994,404	4,510,233	4,920,510
Health and welfare	11,053,119	11,525,467	11,475,912	12,320,671	13,509,837	14,769,839	15,209,386	14,787,784	15,840,860	16,123,298
Education	31,546,956	31,726,479	32,117,432	32,395,515	32,514,282	33,679,131	31,766,890	33,456,453	35,712,506	34,501,973
Parks, recreation and cultural	1,950,171	1,936,652	2,003,765	2,088,565	2,221,751	2,375,084	2,171,012	2,193,064	2,405,861	2,667,540
Community development	3,598,642	3,338,880	3,060,972	3,230,670	2,870,399	3,586,272	2,969,538	2,626,560	3,222,037	3,789,465
Nondepartmental	3,978	26,674	-	-	-	-	-	-	-	-
Capital projects/outlays	4,090,825	5,171,761	15,726,566	13,993,574	15,781,187	12,182,095	8,452,655	8,945,912	8,671,565	12,397,564
Debt service	3,122,132	3,810,068	4,566,202	4,660,578	4,646,542	4,782,334	4,454,961	3,911,652	4,112,113	5,012,275
Principal	852,941	1,103,561	1,150,831	1,053,422	1,218,120	1,424,063	1,563,703	1,244,381	2,538,232	1,798,894
Interest and other fiscal charges	120,500	131,432	-	246,657	-	525,047	142,329	566,091	-	525,256
Bond issuance costs	80,169,260	83,057,976	94,240,941	94,814,643	97,796,945	100,182,925	95,280,878	103,744,761	105,375,720	112,249,610
Total expenditures	(1,947,493)	(1,009,400)	(10,862,339)	(10,013,061)	(11,734,042)	(4,539,379)	4,316,661	6,994,768	25,732,842	7,572,523
Excess of revenues over (under) expenditures										
Other financing sources (uses)										
Transfers in	7,245,011	8,255,667	6,684,586	5,124,099	6,360,523	5,715,435	7,860,654	8,789,444	29,817,547	15,294,562
Transfers out	(7,262,011)	(8,272,667)	(6,688,607)	(4,939,099)	(6,375,523)	(5,730,435)	(7,875,654)	(8,804,444)	(29,832,547)	(15,309,562)
Bonds and notes issued	9,744,000	12,500,000	-	16,154,000	-	16,345,000	142,329	3,611,907	8,174,579	8,174,579
Premium on debt issuance	-	-	-	-	-	160,508	-	6,844,063	-	1,108,285
Refunded bonds issued	-	-	-	12,863,000	-	-	-	38,070,000	-	5,936,185
Debt service-current refunding-principal	-	-	-	(12,709,005)	-	-	-	(44,857,000)	-	(5,700,000)
Leases	-	-	-	-	2,396,299	1,315,000	-	92,433	-	-
Issuance of lease liabilities	-	-	-	-	-	-	-	-	907,535	296,894
Note payable (financed purchase)	-	-	-	-	-	-	-	-	191,580	-
Sale of capital assets	-	3,000	-	-	-	-	-	-	-	-
Total other financing sources (uses)	9,727,000	12,486,000	(4,021)	16,492,995	2,381,299	17,805,508	127,329	3,746,403	1,084,115	9,800,943
Net change in fund balances	7,779,507	11,476,600	(10,866,360)	6,479,934	(9,352,743)	13,266,129	4,443,990	10,741,171	26,816,957	17,373,466
Debt service as a percentage of noncapital expenditures	5%	6%	7%	7%	7%	7%	7%	5%	7%	7%
Total Debt Service Expenditures	3,975,073	4,913,629	5,717,033	5,714,000	5,864,662	6,206,397	6,018,664	5,156,033	6,650,345	6,811,169
Total Governmental Non-capital Expenditures	76,370,977	77,062,524	78,751,131	81,172,176	82,812,217	90,445,027	90,143,766	98,695,059	99,024,421	102,140,369

Note: GASB No. 87 was implemented in fiscal year 2022. Prior years information has not been adjusted to reflect the impact of GASB No. 87.

Note: During fiscal year 2022, the County started twice year collections for real estate taxes
Source: County financial reports

COUNTY OF FRANKLIN, VIRGINIA

Table 5

General Governmental Tax Revenues by Source

Last Ten Fiscal Years

(*accrual basis of accounting*)

Fiscal Year	Property Tax	Local sales and use Tax	Consumer Utility Tax	Meals Tax	Hotel & Motel Tax	Utility License Tax	Bank Stock Tax	Motor Vehicle License Tax	Record-ation and Wills Tax	Other Tax	Total
2023	64,678,738	7,525,118	1,023,671	1,498,447	412,640	205,547	318,384	2,099,499	695,359	28,324	78,485,727
2022	82,009,088	7,043,338	1,017,326	1,404,130	334,941	201,654	281,964	2,061,003	1,028,616	23,286	95,405,346
2021	60,215,038	6,505,973	1,011,793	1,324,144	228,461	211,989	178,470	2,122,224	1,122,616	23,771	72,944,479
2020	57,306,737	5,664,739	999,577	1,176,654	144,516	209,174	156,476	2,030,181	678,871	16,747	68,383,672
2019	55,426,396	5,544,968	996,808	1,215,742	120,111	244,986	252,918	2,058,850	516,600	20,875	66,398,254
2018	49,934,797	4,733,806	992,508	1,140,684	124,704	249,841	214,619	2,011,649	523,550	4,744	59,930,902
2017	49,398,702	4,550,334	987,461	1,059,248	117,111	235,453	175,334	2,024,297	531,590	19,845	59,099,375
2016	49,308,192	4,355,903	982,747	1,070,833	109,213	227,848	150,779	2,100,109	455,147	18,984	58,779,755
2015	48,823,104	4,222,615	979,527	1,043,851	88,041	239,118	188,100	1,930,605	469,299	5,229	57,989,489
2014	46,505,312	4,087,355	976,804	990,322	86,010	231,095	156,590	833,472	468,085	15,601	54,350,646

Note: During fiscal year 2022, the County started twice year collections for real estate taxes

Source: County financial reports

COUNTY OF FRANKLIN, VIRGINIA

Table 6

Assessed Value and Estimated Actual Value of Taxable Property

Last Ten Fiscal Years

Fiscal Year	Real Estate/ Mobile Homes	Personal Property	Merchants' Capital	Machinery & Tools	Common Carrier	Public Service	Total Taxable Assessed Value
2023	7,348,246,520	860,178,854	74,559,718	157,282,541	8,444,099	166,207,190	8,614,918,922
2022	7,180,286,520	785,478,007	70,561,850	147,866,432	6,888,712	189,571,861	8,380,653,382
2021	7,144,852,075	674,789,726	81,388,745	143,364,143	7,852,921	197,146,191	8,249,393,801
2020	6,763,102,576	612,793,070	78,239,240	132,597,424	6,761,851	179,241,818	7,772,735,979
2019	6,721,923,140	592,140,050	69,213,253	130,912,682	5,563,622	182,897,775	7,702,650,522
2018	6,667,834,790	567,350,019	69,884,565	127,061,318	5,736,714	185,338,191	7,623,205,597
2017	6,610,954,647	554,082,419	68,274,969	121,998,334	5,258,877	183,953,800	7,544,523,046
2016	6,648,979,758	532,899,913	67,089,476	118,962,981	4,200,962	180,796,084	7,552,929,174
2015	6,586,125,690	516,358,663	63,154,482	100,793,265	-	174,799,137	7,441,231,237
2014	6,563,692,254	499,419,869	62,141,114	91,386,941	-	160,408,641	7,377,048,819

Fiscal Year	Real Property Total Direct Tax Rate	Personal Property Tax Rate	Merchants' Capital Tax Rate	Machinery and Tools Tax Rate	Common Carrier Tax Rate	Total Direct Rate (Weighted Average)	Estimated Actual Value	Assessed Value as a Percentage of Actual Value
2023	0.61	2.41	1.08	0.70	0.70	0.80	8,447,131,628	101.99%
2022	0.61	2.41	1.08	0.70	0.70	0.78	8,320,918,589	100.72%
2021	0.61	2.41	1.08	0.70	0.70	0.76	8,227,432,269	100.27%
2020	0.61	2.46	1.08	0.70	0.70	0.76	7,752,893,562	100.26%
2019	0.61	2.46	1.08	0.70	0.70	0.76	7,504,490,148	102.64%
2018	0.55	2.36	1.08	0.70	0.70	0.69	7,457,191,898	102.23%
2017	0.55	2.36	1.08	0.70	0.70	0.69	7,370,533,186	102.36%
2016	0.55	2.36	1.08	0.70	0.70	0.68	7,372,387,521	102.45%
2015	0.55	2.36	1.08	0.70	-	0.68	7,309,902,429	101.80%
2014	0.54	2.34	1.08	0.70	-	0.67	7,198,027,786	102.49%

Note: During fiscal year 2022, the County started twice year collections for real estate taxes
Source: Commissioner of Revenue

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

Fiscal Years	Direct Rates					Total Direct Rate Weighted Average	Overlapping Rates Town of Rocky Mount	
	Real Estate	Personal Property	Machinery and Tools	Merchant's Capital	Common Carrier		Real Estate	Personal Property
2023	0.61	2.41	0.70	1.08	0.70	0.80	0.13	0.51
2022	0.61	2.41	0.70	1.08	0.70	0.78	0.13	0.51
2021	0.61	2.41	0.70	1.08	0.70	0.76	0.13	0.51
2020	0.61	2.46	0.70	1.08	0.70	0.76	0.13	0.51
2019	0.61	2.46	0.70	1.08	0.70	0.76	0.13	0.51
2018	0.55	2.36	0.70	1.08	0.70	0.69	0.13	0.51
2017	0.55	2.36	0.70	1.08	0.70	0.69	0.13	0.51
2016	0.55	2.36	0.70	1.08	0.70	0.68	0.13	0.51
2015	0.55	2.36	0.70	1.08	-	0.68	0.13	0.51
2014	0.54	2.34	0.70	1.08	-	0.67	0.13	0.51

(1) Per \$100 of assessed value

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

COUNTY OF FRANKLIN, VIRGINIA

Table 8

Principal Property Taxpayers

Current Year and the Period Nine Years Prior

Taxpayer	Type Business	Fiscal Year 2023		Fiscal Year 2014	
		Assessed Valuation (Millions)	% of Total Assessed Valuation	Assessed Valuation (Millions)	% of Total Assessed Valuation
APPALACHIAN POWER CO	Electric Utility	118	1.37%	121	1.64%
TRINITY PACKAGING CORPORATION	Manufacturing	30	0.35%	-	0.00%
PLY GEM INDUSTRIES INC	Manufacturing	27	0.31%	-	0.00%
MCRAILADS INC	Manufacturing	25	0.29%	10	0.14%
LINEAL TECHNOLOGIES INC	Manufacturing	21	0.24%	-	0.00%
EQUITRANS MIDSTREAM CORP	Gas Transmission	17	0.20%	-	0.00%
CENTRAL TELEPHONE COMPANY	Telephone Utility	10	0.12%	24	0.33%
FERGUSON LAND AND LUMBER	Construction	9	0.10%	-	0.00%
OMINSOURCE LLC	Manufacturing	8	0.09%	-	0.00%
LOWE'S HOME CENTERS INC	Retail	6	0.07%	7	0.09%
ROCKY MOUNT DEVELOPMENT CO	Real Estate	-	0.00%	10	0.14%
FRANKLIN MEMORIAL HOSPITAL	Health Care	-	0.00%	8	0.11%
WAL MART REAL ESTATE	Retail	-	0.00%	10	0.14%
SOUTHGATE III LLC	Real Estate	-	0.00%	7	0.09%
FRANKLIN REAL ESTATE COMPANY	Real Estate	-	0.00%	24	0.33%
WILLARD CONSTRUCTION SMITH MOUNTAIN LAKE LLC	Construction	-	0.00%	22	0.30%
		271	3.14%	243	3.31%

Source: Franklin County Commissioner of Revenue

COUNTY OF FRANKLIN, VIRGINIA

Table 9

Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount Collected	Percentage of Levy		Amount Collected	Percentage of Levy
2023	64,684,843	61,664,765	95.33%	-	61,664,765	95.33%
2022	83,415,807	80,428,365	96.42%	2,231,739	82,660,104	99.09%
2021	59,637,649	58,234,025	97.65%	792,475	59,026,500	98.98%
2020	57,016,129	55,249,567	96.90%	1,457,846	56,707,413	99.46%
2019	55,338,694	53,812,063	97.24%	1,285,444	55,097,507	99.56%
2018	49,697,299	48,336,185	97.26%	1,353,309	49,689,494	99.98%
2017	48,928,808	47,636,981	97.36%	1,288,347	48,925,328	99.99%
2016	48,533,373	47,269,739	97.40%	1,261,804	48,531,543	100.00%
2015	47,787,435	46,494,790	97.30%	1,291,903	47,786,693	100.00%
2014	46,835,889	45,285,604	96.69%	1,549,304	46,834,908	100.00%

Source: Commissioner of Revenue, County Treasurer's office

Note: During fiscal year 2022, the County started twice year collections for real estate taxes

COUNTY OF FRANKLIN, VIRGINIA

Table 10

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Years	Governmental Activities						Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds, Revenue Bonds and Notes	Leases	Financed Purchase	Lease Liabilities	Total Primary Government			
2023	53,271,717	-	95,790	2,896,493	56,264,000		0.09%	1,039
2022	48,796,025	-	143,685	3,607,162	52,546,872		0.09%	970
2021	53,486,438	1,843,941	-	-	55,330,379		0.08%	1,016
2020	52,255,755	3,269,864	-	-	55,525,619		0.07%	995
2019	56,377,013	3,506,614	-	-	59,883,627		0.06%	1,067
2018	44,481,268	2,396,299	-	-	46,877,567		0.08%	831
2017	49,145,015	-	-	-	49,145,015		0.08%	874
2016	37,383,914	133,345	-	-	37,517,259		0.00%	666
2015	41,841,733	264,911	-	-	42,106,644		0.08%	741
2014	33,164,494	394,723	-	-	33,559,217		0.10%	593

Note: Details regarding the County's outstanding debt can be found in note 7 in the notes to the financial statements.
Amounts above include any unamortized discounts or premiums.

Note: GASBS No. 87 was implemented in fiscal year 2022. Prior years information has not been adjusted to reflect the impact of GASBS No. 87.
(1) See the Schedule of Demographic and Economic Statistics - Table 14

Source: County financial reports

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

Fiscal Year	Gross Bonded Debt	Less: Amounts Reserved for Debt Service	Gross and Net Bonded Debt (3)	Ratio of Net General Bonded Debt to the Estimated Actual Value of Taxable Property (2)	Net Bonded Debt per Capita (1)
2023	53,271,717	-	53,271,717	0.63%	983.69
2022	48,796,025	-	48,796,025	0.59%	900.50
2021	53,486,438	-	53,486,438	0.65%	981.82
2020	52,255,755	-	52,255,755	0.67%	936.79
2019	56,377,013	-	56,377,013	0.75%	1004.45
2018	44,481,268	-	44,481,268	0.60%	788.30
2017	49,145,015	-	49,145,015	0.67%	874.39
2016	37,383,914	-	37,383,914	0.51%	663.15
2015	41,841,733	-	41,841,733	0.57%	736.74
2014	33,164,494	-	33,164,494	0.46%	585.78

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

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

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

Direct and Overlapping Governmental Activities Debt
As of June 30, 2023

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable (1)</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes: Town of Rocky Mount	728,000	100%	728,000
Subtotal, overlapping debt			728,000
County of Franklin, direct debt			56,264,000
Total direct and overlapping debt			56,992,000

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

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

Source: County financial reports and Town of Rocky Mount Finance Department

COUNTY OF FRANKLIN, VIRGINIA

Table 13

Legal Debt Margin Information
Last Ten Fiscal Years

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Debt limit	656,369,225	658,612,569	664,897,976	661,095,465	666,783,479	672,192,314	676,310,258	714,485,208	718,028,652	734,824,652
Total net debt applicable to limit	33,164,494	41,841,733	37,383,914	49,145,015	44,481,268	56,377,013	52,255,755	53,486,438	48,796,025	53,271,717
Legal debt margin	623,204,731	616,770,836	627,514,062	611,950,450	622,302,211	615,815,301	624,054,503	660,998,770	669,232,627	681,552,935
Total net debt applicable to the limit as a percentage of debt limit	5.05%	6.35%	5.62%	7.43%	6.67%	8.39%	7.73%	7.49%	6.80%	7.25%

Legal Debt Margin Calculation for Fiscal Year 2023

Assessed value of real estate	7,348,246,520
Debt limit (10% of total assessed value)	734,824,652
Net debt applicable to limit	53,271,717
Legal debt margin	681,552,935

Note: During fiscal year 2022, the County started twice year collections for real estate taxes

Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population	Per Capita Personal Income	Total Personal Income (thousands)	Median Age	School Enrollment	Unemployment Rate
2023	54,155	50,264	2,722,047	47	5,940	3.40%
2022	54,188	44,821	2,517,451	47	5,983	3.00%
2021	54,477	41,795	2,330,099	47	6,050	3.70%
2020	55,782	40,781	2,274,846	46	6,526	3.20%
2019	56,127	38,707	2,172,508	46	6,668	3.10%
2018	56,427	37,300	2,104,727	45	6,832	3.90%
2017	56,205	37,035	2,081,552	45	6,885	4.10%
2016	56,373	34,586	1,949,717	44	6,952	4.20%
2015	56,793	35,374	2,008,996	40	7,098	5.20%
2014	56,616	34,614	1,959,706	40	7,037	5.20%

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

Principal Employers
Current Year and Nine Years Ago

Employer	Fiscal Year 2023			Fiscal Year 2014		
	Employees*	Rank	% of Total County Employment**	Employees	Rank	% of Total County Employment
Franklin County School Board		1		1,392	1	5.17%
Cornerstone Building Brands Services		2				
County of Franklin		3		326	4	1.21%
Franklin Memorial Hospital		4		275	8	1.02%
Trinity Packaging Corporation		5		300	6	1.11%
Wal-Mart		6		400	3	1.48%
Ferrum College		8		325	5	1.17%
Kroger		7				
Arrington Management Group, LLC		9				
The Uttermost company		10		168	9	0.62%
MW Manufacturers, Inc				950	2	3.34%
Ronile, Inc.				300	7	1.11%
Modu-U-Kraf Homes of Virginia				125	10	0.46%
Totals				4,561		16.69%

*VEC report no longer includes number of employees

**VEC report no longer includes % of County employment

Source: Virginia Employment Commission, Individual companies

COUNTY OF FRANKLIN, VIRGINIA

Table 16

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

Function	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General Government Administration										
Legislative	1	1	1	1	1	1	1	1	1	1
General and financial administration	34	34	35	35	36	37	37	37	41	41
Judicial Administration										
Courts	6	9	9	9	9	9	9	9	8	8
Clerk of Court	10	10	10	10	10	10	10	10	11	11
Commonwealth Attorney	9	9	9	9	10	11	11	11	11	11
Public Safety										
Sheriff: Law Enforcement	43	54	54	54	55	59	60	60	64	64
Domestic Violence	1	1	1	1	1	1	1	1	1	1
Correction and Detention	35	21	21	21	20	21	20	20	23	23
Building inspections	8	9	9	9	8	8	8	8	8	8
Animal control	3	3	3	3	3	3	3	3	3	3
Public Safety	29	29	30	39	39	45	48	48	56	58
E911	14	14	14	14	14	18	18	18	18	18
Public Works										
Solid Waste	18	16	16	16	18	18	18	18	18	18
General buildings and grounds	8	8	8	9	10	10	10	10	10	10
Public Works	3	3	3	3	4	3	3	3	3	3
Health and Welfare										
Department of social services	64	72	72	74	78	78	78	78	87	87
CSA	2	2	2	2	2	2	2	2	2	2
Family Resources	3	5	5	5	6	6	6	6	6	6
Aging Services	2	1	1	1	1	1	1	1	1	1
Recreation and Cultural										
Parks and recreation	10	10	10	11	12	13	13	13	15	15
Library	8	8	8	8	8	8	8	8	9	9
Community Development										
GIS and Mapping	2	2	2	2	2	2	2	2	2	2
Economic Development	2	2	2	2	3	3	3	3	3	3
Work Force Consortium	3	3	3	3	3	3	3	3	3	3
Planning	9	9	8	8	8	8	8	8	8	8
Totals	327	335	336	349	361	378	381	381	412	414

Source: Franklin County Adopted Budgets

Operating Indicators by Function
Last Ten Fiscal Years

Function	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General and financial administration										
Commissioner of Revenue:										
Personal Property tax assessments	196,000	196,000	338,869	342,257	344,762	345,894	346,992	348,088	54,367	56,419
Real Estate tax assessments	65,000	65,000	127,529	128,931	129,256	130,524	131,329	132,117	41,603	41,708
Finance:										
GFOA Award for CAFR	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes
GFOA Award for Adopted Budget Book	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Information Technology:										
Tech support (In Days)	3	4	2	2	2	2	2.6	5.48	5.81	98.00%
Voter Registrar:										
Number of Registered Voters	35,235	35,363	35,805	35,786	36,023	36,049	38,738	39,166	39,789	39,815
Judicial Administration										
Clerk of Court:										
Criminal Cases Commenced	1,900	1,635	1,950	1,024	1,830	1,655	2,913	2,486	2,492	2,110
Deeds Recorded	9,600	7,481	8,200	8,459	8,375	7,942	11,640	12,606	10,974	9,500
Public safety										
Sheriffs department: calls for service	35,935	41,137	38,203	41,744	40,110	41,953	38,913	33,091	35,701	37,379
Fire and rescue: number of fire calls	3,065	1,541	2,021	2,012	2,083	2,229	2,206	2,299	2,268	2,408
Number of rescue calls	6,625	6,714	6,479	7,021	6,057	7,013	7,050	7,977	8,419	8,491
Fire Investigations	129	212	\$6.2M	51	44	89	73	55	62	36
Building inspections: Permits issued	1,024	1,050	978	1,003	1,058	952	1,126	1,358	1,911	1,254
Total Value of Permits	62,465,201	60,805,382	53,556,958	68,046,885	76,119,496	78,579,950	100,978,221	121,166,621	148,455,451	110,696,000
Public works										
Landfill: Refuse collected (tons)	51,646	46,784	49,142	50,627	52,363	57,482	53,593	62,850	59,529	59,000
Mulch Recycled (tons)	1,459	1,804	1,057	622	2,427	704	400	0	0	1,300
Health and Welfare										
Social Services: Children in Foster Care	107	105	97%	107	102	105	131	93	87	92
SNAP Applications	2,006	2,068	55%	2,047	1,787	1,843	2,048	1,886	2,176	2,162
On-going Medicaid Participants	7,820	8,707	46%	8,723	9,467	11,121	11,473	13,720	14,816	15,741
CSA: Case Load - Number of Children	249	270	311	298	366	311	333	218	220	235
Aging Services:										
Transportation Clients	444	326	8,228	343	257	185	111	142	161	244
Culture and recreation										
Parks and recreation:										
Sports registration/classes	4,527	3,685	3,685	3,783	3,751	3,456	2,706	3,570	3,176	3,493
Shelter reservations	160	3,670	235	249	315	343	103	375	447	396
Park Acreage	696	11,179	1,140	996	1,140	1,140	1,140	1,140	1,140	1,140
Library:										
Program Attendance	24,117	7,872	8,500	10,833	8,750	11,428	11,500	1,822	3,897	8,500
Circulation	242,338	218,037	233,598	227,519	201,533	206,108	154,581	141,245	167,822	172,000
Community development										
Planning and Community Development:										
Zoning permits issued	250	94	98	141	245	221	183	346	195	176
Component Unit - School Board										
Education:										
Local expenditures per pupil	4,603	4,605	4,670	4,679	4,670	4,819	5,301	5,401	5,510	5,879

Source: Individual County departments and the Franklin County School Board

COUNTY OF FRANKLIN, VIRGINIA

Table 18

Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General government administration Administration buildings	1	1	1	1	1	1	1	1	1	1
Judicial administration Courthouses	1	1	1	1	1	1	1	1	1	1
Public safety Sheriffs department: Patrol units	58	58	58	58	59	59	55	55	55	64
Building inspections: Vehicles	6	6	6	6	6	6	6	6	6	6
Animal control: Vehicles	3	3	3	3	3	3	4	4	4	4
Public Safety: Fire Stations	10	10	10	10	10	10	10	10	10	13
Public works Landfill:										
Collection Trucks	7	7	7	11	11	9	9	9	11	12
Green Box Sites	74	69	69	66	68	38*	37*	27*	37	48
Collection Sites	-	-	-	-	-	19*	22*	18*	10	10
Health and welfare Department of Social Services: Vehicles	13	13	16	17	16	17	15	17	19	17
Culture and recreation Parks and recreation: Parks Libraries	9 2	9 2	9 2	10 2	15 2	15 2	15 2	15 2	13 2	13 2
Component Unit - School Board Education: Schools School buses	15 162	15 162	15 162	15 162	15 178	15 174	15 169	15 170	15 165	15 179

Source: Individual County departments
*County is transitioning to collection sites.

COMPLIANCE SECTION



ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Franklin, Virginia as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the County of Franklin, Virginia's basic financial statements and have issued our report thereon dated November 22, 2023.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

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

County of Franklin, Virginia's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the County of Franklin, Virginia's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The County of Franklin, Virginia's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

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

Robinson, Farmer, Cox Associates

Blacksburg, Virginia
November 22, 2023



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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the County of Franklin, Virginia's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County of Franklin, Virginia's major federal programs for the year ended June 30, 2023. The County of Franklin, Virginia major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the County of Franklin, Virginia complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the County of Franklin, Virginia and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the County of Franklin, Virginia's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the County of Franklin, Virginia's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the County of Franklin, Virginia's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the County of Franklin, Virginia's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the County of Franklin, Virginia's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the County of Franklin, Virginia's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the County of Franklin, Virginia's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Robinson, Farmer, Cox Associates

Blacksburg, Virginia
November 22, 2023

County of Franklin, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

Federal Grantor/State Pass - Through Grantor/ Program (or Cluster) Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Federal Expenditures	Expenditures to Subrecipients
Department of Health and Human Services:				
Pass Through Payments:				
Virginia Department of Social Services:				
MaryLee Allen Promoting Safe and Stable Families Program	93.556	0950121/0950122/		
Temporary Assistance for Needy Families	93.558	0950221/0960121/090122	\$	103,625
Foster Care Title IV-E	93.658	0400122/0400123		398,955
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566	1100122/1100123		568,693
Low Income Home Energy Assistance	93.568	0500122/0500123		1,593
CCDF Cluster:		0600422/0600423		73,791
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760122/0760123		89,863
Chafee Education and Training Vouchers Program	93.599	9160122		800
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900121/0900122		499
Adoption Assistance	93.659	1120122/1120123		1,121,000
Social Services Block Grant	93.667	1000122/1000123		553,826
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	9150121/9150122/9152121		10,916
Children's Health Insurance Program	93.767	0540122/0540123		4,790
Title IV-E Prevention Program	93.472	1140122/1140123		9,321
Guardianship Assistance	93.090	1110122/1110123		239
Elder Abuse Prevention Interventions Program	93.747	8000221/8000321		39,708
Medicaid Cluster:				
Medical Assistance Program	93.778	1200122/1200123		551,221
Virginia Department of Education				
Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	93.354	APE402970000		45,274
Southern Area Agency on Aging:				
Aging Cluster:				
Special Programs for the Aging - Title III, Part B- Grants for Supportive Services and Senior Centers and CARES Act for Supportive Services Under Title III-B of the Older Americans Act	93.044	Not available		116,710
Total Department of Health and Human Services			\$	3,690,824
Department of Agriculture:				
Pass Through Payments:				
Virginia Department of Agriculture:				
Child and Adult Care Food Program	10.558	APE700270000/APE700280000	\$	57,205
Child Nutrition Cluster:				
Food Distribution (Note C)	10.555	Not available	\$	366,571
Virginia Department of Education:				
National School Lunch Program	10.555	APE402540000/APE411060000/		
School Breakfast Program	10.553	APE411080000	2,767,798	\$ 3,134,369
Summer Food Services Program for Children	10.559	APE402530000/APE411100000		1,190,211
Total Child Nutrition Cluster		APE603020000/APE603030000		93,108
Pandemic EBT Administrative Costs	10.649	DOE865560000		4,417,688
Virginia Department of Social Services:				3,135
SNAP Cluster:				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010122/0010123/ 0040122/0040123		1,069,478
Total Department of Agriculture			\$	5,547,506
Department of the Justice:				
Direct Payments:				
Rural Violent Crime Initiative	16.039	Not applicable	\$	35,672
Treatment Court Discretionary Grant Program	16.585	Not applicable		35,779
Pass Through Payments:				
Virginia Department of Criminal Justice Services:				
Violence Against Women Formula Grants	16.588	15JOVW21GG00568STOP		26,543
Crime Victim Assistance	16.575	19V2GX0054/20V2GX0048		168,046
Edward Byrne Memorial Justice Assistance Grant Program	16.738	18-B4034AD15		20,929
COVID-19 Coronavirus Emergency Supplemental Funding Program	16.034	2020 CESF		10,616
Total Department of Justice			\$	297,585
Department of Treasury:				
Direct Payments				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	Not applicable	\$	6,564,296
Pass Through Payments:				
Virginia Department of Education				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	APE600540000		645,728
Virginia Department of Criminal Justice				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	22-A3425ARRF		30,887
Virginia Department of Accounts Transfer Payments				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	Not available		894
Virginia Tourism Corporation				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	Not available		45,000
Virginia Department of Social Services				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	9122222	5,263	\$ 7,292,068
Total Department of Treasury			\$	7,292,068
Department of Homeland Security:				
Pass Through Payments:				
Virginia Department of Emergency Management:				
Emergency Management Performance Grants	97.042	EMP-2021-EP-00004	\$	36,498
Total Department of Homeland Security			\$	36,498

County of Franklin, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

Federal Grantor/State Pass - Through Grantor/ Program (or Cluster) Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Federal Expenditures	Expenditures to Subrecipients
Institute of Museum and Library Services				
Pass Through Payments:				
Library of Virginia				
Grants to States	45.310	Not available	\$ 18,704	
Total Institute of Museum and Library Services			\$ 18,704	
Department of Transportation:				
Pass Through Payments:				
Virginia Department of Motor Vehicles:				
Alcohol Open Container Requirements	20.607	154AL-2022-52117-22117 /ENF-AL-2023-53211-23211	\$ 38,573	
Highway Safety Cluster:				
State and Community Highway Safety	20.600	FOP-2022-52122-22122 /FSC-2022-52131-22131 /BPT-2023-53212-23212	27,228	
Total Department of Transportation			\$ 65,801	
Department of Education:				
Pass Through Payments:				
Virginia Department of Education:				
Adult Education - Basic Grants to States	84.002	APE611110000	\$ 471,375	\$ 341,535
Title I, Grants to Local Educational Agencies	84.010	/APE428010000/APE611120000 APE429010000	2,599,386	
Special Education Cluster (IDEA):				
Special Education - Grants to States	84.027	APE402870000/APE430710000	\$ 1,932,158	
Special Education - Preschool Grants	84.173	APE625210000/APE402860000	107,583	
Total Special Education Cluster			2,039,741	
Career and Technical Education -- Basic Grants to States	84.048	APE600310000/APE600311005	129	
Rural Education	84.358	APE434810000	156,005	
English Language Acquisition State Grants	84.365	APE605120000	32,534	
Supporting Effective Instruction State Grant	84.367	APE614800000	251,658	
Student Support and Academic Enrichment Program	84.424	APE602810000	158,846	
COVID-19 - Education Stabilization Fund:				
COVID-19 Governor's Emergency Education Relief Fund	84.425C	APE45278/APE70037	\$ 19,281	
		APE60177/APE5019/APE501925 /APE60041/APE60042 /APE60170/APE601730	3,158,000	
COVID-19 Elementary and Secondary School Emergency Relief Fund	84.425D		4,125,198	
COVID-19 American Rescue Plan-Elementary and Secondary School Emergency Relief	84.425U	APE50193		
Total Education Stabilization Fund			7,302,479	
Total Department of Education			\$ 13,012,153	\$ 341,535
Total Expenditures of Federal Awards			\$ 29,961,139	\$ 341,535

Notes to Schedule of Expenditures of Federal Awards

Note A-Basis of Presentation:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the County of Franklin, Virginia under programs of the federal government for the year ended June 30, 2023. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the County of Franklin, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County of Franklin, Virginia.

Note B-Summary of Significant Accounting Policies

- (1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures are not allowed or are limited as to reimbursement.
- (2) Pass-through entity identifying numbers are presented where available.
- (3) The County did not elect the 10% de minimus indirect cost rate because they only request direct costs for reimbursement.

Note C-Food Distribution

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

Note D-Outstanding Balance of Federal Loans

The County has not received any federal funding through loans.

Note E-Relationship to Financial Statements

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

Primary government:	
General Fund - Intergovernmental	\$ 30,490,730
Less: Revenue from the Commonwealth	(18,716,781)
Less: Payments in Lieu of Taxes	(22,246)
Capital Projects Fund - Intergovernmental	1,654,114
Less: Revenue from the Commonwealth	(1,625,861)
E-911 Fund - Intergovernmental	267,513
Less: Revenue from the Commonwealth	(267,513)
Component Unit School Board:	
School Operating Fund - Intergovernmental	103,196,992
Less: Revenue from Local Governments	(34,501,973)
Less: Revenue from the Commonwealth	(50,513,836)
Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$ 29,961,139

County of Franklin, Virginia

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023

Section I - Summary of Auditors' Results

Financial Statements

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

Federal Awards

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

Identification of major programs:

<u>Assistance Listing #</u>	<u>Name of Federal Program or Cluster</u>
10.553/10.555/10.559	Child Nutrition Cluster
93.658	Foster Care - Title IV-E
93.659	Adoption Assistance
21.027	Coronavirus State and Local Fiscal Recovery Funds
84.425	Education Stabilization Fund

Dollar threshold used to distinguish between Type A and Type B programs	\$898,834
--	-----------

Auditee qualified as low-risk auditee?	No
--	----

County of Franklin, Virginia

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023 (continued)

Section II - Financial Statement Findings

Finding 2023-001
(Material Weakness)

Criteria: Identification of a material adjustment to the financial statements that was not detected by the entity's internal controls indicates that a material weakness may exist.

Condition: The School Board's financial statements required year end adjusting entries to ensure such statements complied with Generally Accepted Accounting Principles.

Cause: The School System did not identify all end of the year entries that were necessary for the books to be presented in accordance with current reporting standards.

Effect: There is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected by the entity's internal controls over financial reporting.

Recommendation: The School System should review proposed audit adjustments and consider same as they close out the books for the 2023/24 fiscal year. Finance staff should review all accrual entries and balances against subsidiary ledgers and supporting documentation going forward.

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

Section III - Federal Award Findings and Questioned Costs

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

County of Franklin, Virginia

Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2023

Finding 2022-001

Finding Type:	Material Weakness
Condition:	The School Board's financial statements required year end adjusting entries to ensure such statements complied with Generally Accepted Accounting Principles.
Recommendation:	The School System should review proposed audit adjustments and consider same as they close out the books in future periods. Finance staff should review all accrual entries and balances against subsidiary ledgers and supporting documentation going forward.
Current Status:	Finding 2022-001 was recurring during the 2023 fiscal year as Finding 2023-001.
Corrective Action:	The School System will review proposed audit adjustments and will consider same in closing out the books in future periods.