

**COUNTY OF FRANKLIN, VIRGINIA**

**ANNUAL COMPREHENSIVE FINANCIAL REPORT**

**FOR THE YEAR ENDED JUNE 30, 2022**

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Prepared by the Franklin County  
Department of Finance

**COUNTY OF FRANKLIN, VIRGINIA**  
**ANNUAL COMPREHENSIVE FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2022**

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## INTRODUCTORY SECTION

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December 7, 2022

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, 2022. 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, 2022. 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 2022, 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, 2022 is estimated at 54,188 with a population density of 81.12 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 moderated from highs last year during the height of the COVID-19 pandemic. The unemployment rate in June 2022 was 3.00%.

Much of fiscal year 2022 was spent on a number of capital projects including new business park development, the design of a new fire/EMS station, 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 37<sup>th</sup> 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 40<sup>th</sup> in announced private investment Virginia and was the 23<sup>rd</sup> 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**

During the year, the Franklin Center for Advanced Learning and Enterprise continued to expand its reach to provide employer and employee services in a “One Stop Environment”. The consortium, composed of 19 partners, provides opportunities in employment, training, and education. Representatives from the local school system, colleges, government and community agencies work together to provide workforce development services to the citizens and employers of Franklin County.

Franklin County continues to place major emphasis upon the capital needs of the County School System. 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. Future discussions will determine a major capital investment in renovating the Benjamin Franklin Middle School and the development and construction of a new career and technical education center at the Franklin County High School.

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.

### **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.

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 \$37.9 million for the year ended June 30, 2022. This is an increase from the prior fiscal year of approximately \$3.1 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**

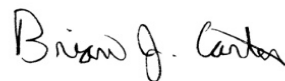
**Independent Audit.** State statutes require an annual audit by independent certified public accountants. The accounting firm of Robinson, Farmer, Cox Associates was selected by the County to perform this audit. In addition to meeting the requirements set forth in state statutes, the audit also was 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, 2022



Ronnie Mitchell  
Blackwater District

Ronnie Thompson  
Chairman  
Boone District

Tim Tatum  
Vice-Chairman  
Blue Ridge District

Tommy Cundiff  
Union Hall District

Lorie Smith  
Gills Creek District

Leland Mitchell  
Snow Creek District

Mike Carter  
Rocky Mount District



## **Franklin County Officials**

### **June 30, 2022**

#### **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  
Leland 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 ..... Don Smith  
Director of Park & Recreation ..... Paul Chapman  
Director of Library Services..... Alison Barry  
Director of Franklin Center..... Kathy Hodges  
Director of Family Resource Center ..... Angela Phillips  
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**

Ben Cook, Boone District  
B.W. Wright, Blackwater District  
Mark Young, Vice Chair, Gills Creek District  
Leslie Holden, Blue Ridge District  
Vacant, 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, 2022

## School Board Members



Julie Nix  
julie.nix@frco.k12.va.us  
*Chairperson*  
Blue Ridge District



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



Dawn McCray  
dawn.mccray@frco.k12.va.us  
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  
*Vice 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

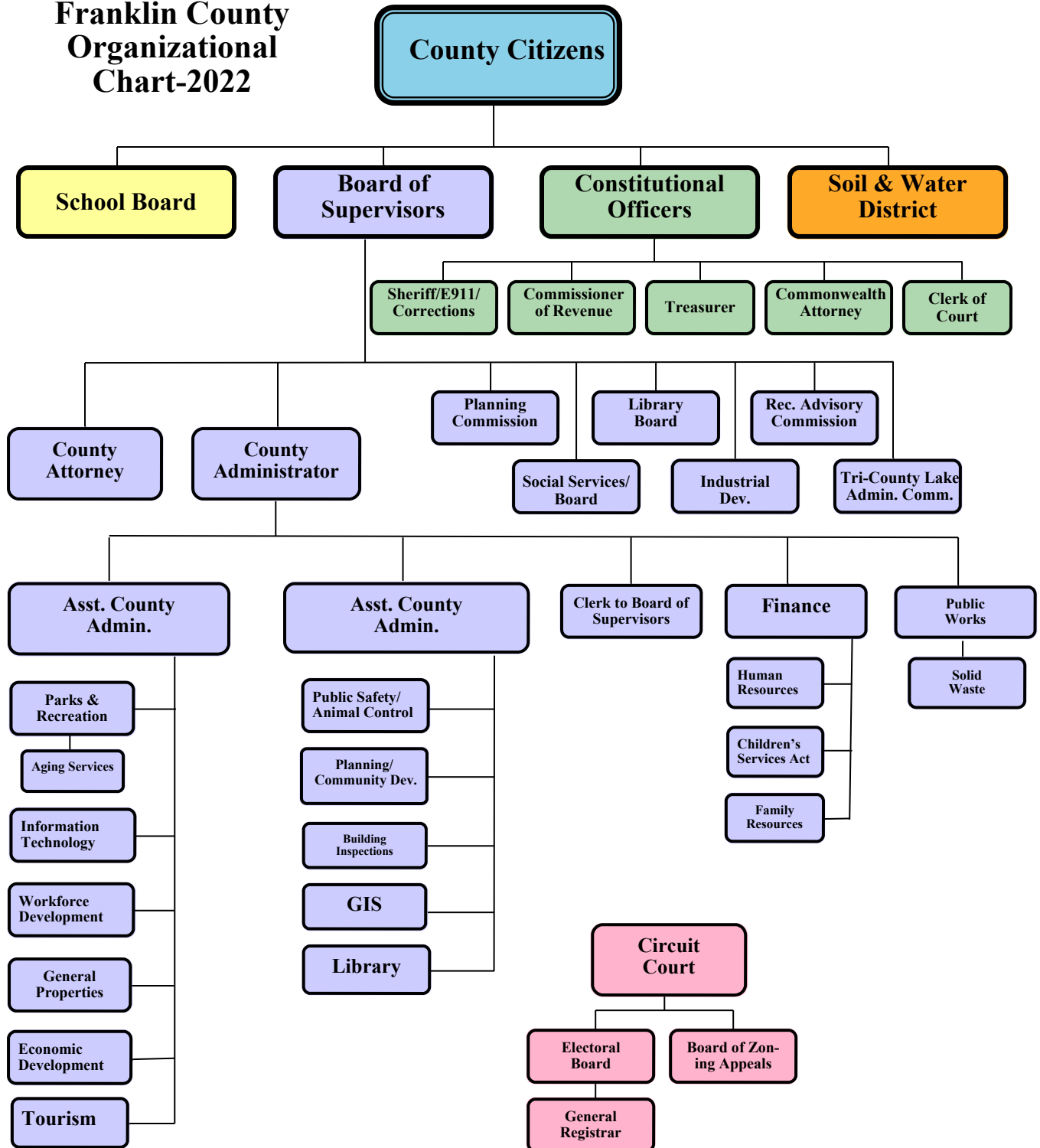
## School Administration

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 Guilliams  
Supervisor of Transportation ..... Cherie Whitlow  
Supervisor of Maintenance ..... Mark Law  
Coordinator of Purchasing ..... Jessica Pendleton



# Franklin County Organizational Chart-2022





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, 2021

*Christopher P. Morill*

Executive Director/CEO



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## FINANCIAL SECTION

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# ROBINSON, FARMER, COX ASSOCIATES, PLLC

*Certified Public Accountants*

## Independent Auditors' Report

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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, 2022, 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, 2022, 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 2022, the County adopted new accounting guidance, GASB Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

#### *Restatement of Beginning Balances*

As described in Note 25 to the financial statements, in 2022, the County restated beginning balances to reflect the requirements of GASB Statement No. 87. 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 December 7, 2022, 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  
December 7, 2022

## 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, 2022. 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 2021-2022:**

- The total net position for governmental activities was \$124.8 million at the end of FY 2022. This figure is based on assets totaling \$208.7 million, deferred outflows of resources of \$4.7 million, liabilities of \$77.3 million, and deferred inflows of resources of \$11.3 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 \$35 million more than the \$97.6 million of expenses (Exhibit 2).
- The business-type activities net position at June 30, 2022 totaled \$1.14 million. This figure is based on total assets of \$1.17 million and minimal liabilities.
- Total general fund revenues were more than the final budgeted amount by \$4.5 million or approximately 3.6 percent. Actual expenditures were \$3.6 million less than the final expenditure budget.
- The County's total outstanding debt decreased \$10.7 million at fiscal year-end. This decrease is due to a reduction in net pension liability of approximately \$8.4 million. See Notes 7 and 8 for additional information on long-term obligations.
- Component Unit School Board's net position was a deficit of \$36.5 million at the end of FY 2022. Of this amount, \$27.4 million is net investment in capital assets, \$3.1 million is restricted, and the unrestricted deficit was \$67 million deficit. 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 \$37.9 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:

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>		<b>Component Unit</b>	
	FY2022	FY2021	FY2022	FY2021	FY2022	FY2021	FY2022	FY2021
Current and other assets	\$ 114.6	\$ 78.7	\$ 0.3	\$ 0.3	\$ 114.9	\$ 79.0	\$ 10.2	\$ 5.8
Capital assets, net	94.1	92.7	0.9	0.9	95.0	93.6	28.5	28.0
Total assets	<u>\$ 208.7</u>	<u>\$ 171.4</u>	<u>\$ 1.2</u>	<u>\$ 1.2</u>	<u>\$ 209.9</u>	<u>\$ 172.6</u>	<u>\$ 38.7</u>	<u>\$ 33.8</u>
Deferred outflows of resources	\$ 4.7	\$ 5.6	\$ -	\$ -	\$ 4.7	\$ 5.6	\$ 18.3	\$ 22.9
Other liabilities	\$ 10.6	\$ 9.0	\$ 0.1	\$ -	\$ 10.7	\$ 9.0	\$ 3.5	\$ 2.1
Long-term liabilities	66.7	77.6	-	-	66.7	77.6	53.4	92.0
Total liabilities	<u>\$ 77.3</u>	<u>\$ 86.6</u>	<u>\$ 0.1</u>	<u>\$ -</u>	<u>\$ 77.4</u>	<u>\$ 86.6</u>	<u>\$ 56.9</u>	<u>\$ 94.1</u>
Deferred inflows of resources	\$ 11.3	\$ 0.5	\$ -	\$ -	\$ 11.3	\$ 0.5	\$ 36.6	\$ 9.5
Net position:								
Net investment in capital assets	\$ 52.6	\$ 48.5	\$ 0.8	\$ 0.9	\$ 53.4	\$ 49.4	\$ 27.4	\$ 28.0
Restricted	6.7	1.7	-	-	6.7	1.7	3.1	1.9
Unrestricted	65.5	39.7	0.3	0.3	65.8	40.0	(67.0)	(76.8)
Total net position	<u>\$ 124.8</u>	<u>\$ 89.9</u>	<u>\$ 1.1</u>	<u>\$ 1.2</u>	<u>\$ 125.9</u>	<u>\$ 91.1</u>	<u>\$ (36.5)</u>	<u>\$ (46.9)</u>

The County's combined net position increased from \$89.9 million to \$124.8 million as a result of an increase in cash and cash equivalents from the conversion to twice-a-year real estate tax collections. Unrestricted governmental net position, the portion of net position that can be used to finance the day-to-day activities of the County totaled \$65.5 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 \$10.5 million as a result of an increase in cash and cash equivalents and 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, 2022 (in millions):

	Governmental Activities		Business-type Activities		Total Primary Government		Component Unit	
	FY2022	FY2021	FY2022	FY2021	FY2022	FY2021	FY2022	FY2021
<b>Revenues:</b>								
<b>Program revenues:</b>								
Charges for Services	\$ 4.3	\$ 3.9	\$ -	\$ 0.1	\$ 4.3	\$ 4.0	\$ 1.7	\$ 1.1
Operating Grants & Contributions	23.8	26.5	-	-	23.8	26.5	60.9	54.7
Capital Grants & Contributions	0.8	0.2	-	-	0.8	0.2	0.1	-
<b>Total Program Revenues</b>	<b>\$ 28.9</b>	<b>\$ 30.6</b>	<b>\$ -</b>	<b>\$ 0.1</b>	<b>\$ 28.9</b>	<b>\$ 30.7</b>	<b>\$ 62.7</b>	<b>\$ 55.8</b>
<b>General Revenues:</b>								
Property Taxes	\$ 83.5	\$ 60.1	\$ -	\$ -	\$ 83.5	\$ 60.1	\$ -	\$ -
Other Taxes	13.4	12.7	-	-	13.4	12.7	-	-
Other	6.7	6.2	-	-	6.7	6.2	-	-
Payments from the County	-	-	-	-	-	-	36.1	39.3
<b>Total General Revenues</b>	<b>\$ 103.6</b>	<b>\$ 79.0</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 103.6</b>	<b>\$ 79.0</b>	<b>\$ 36.1</b>	<b>\$ 39.3</b>
<b>Total Revenues</b>	<b>\$ 132.5</b>	<b>\$ 109.6</b>	<b>\$ -</b>	<b>\$ 0.1</b>	<b>\$ 132.5</b>	<b>\$ 109.7</b>	<b>\$ 98.8</b>	<b>\$ 95.1</b>
<b>Expenses</b>								
General Government Administration	\$ 5.3	\$ 5.4	\$ -	\$ -	\$ 5.3	\$ 5.4	\$ -	\$ -
Judicial Administration	3.0	2.9	-	-	3.0	2.9	-	-
Public Safety	20.9	26.2	-	-	20.9	26.2	-	-
Public Works	8.6	7.8	-	-	8.6	7.8	-	-
Health and Welfare	15.6	14.9	-	-	15.6	14.9	-	-
Education	36.1	39.3	-	-	36.1	39.3	88.3	88.3
Parks, Recreation, and Cultural	3.6	2.6	-	-	3.6	2.6	-	-
Community Development	3.9	3.7	-	-	3.9	3.7	-	-
Interest on Long-Term Debt	0.6	2.3	-	-	0.6	2.3	-	-
Utility Fund	-	-	0.1	-	-	-	-	-
<b>Total Expenses</b>	<b>\$ 97.6</b>	<b>\$ 105.1</b>	<b>\$ 0.1</b>	<b>\$ -</b>	<b>\$ 97.6</b>	<b>\$ 105.1</b>	<b>\$ 88.3</b>	<b>\$ 88.3</b>
Change in Net Position	\$ 34.9	\$ 4.5	\$ (0.1)	\$ 0.1	\$ 34.9	\$ 4.6	\$ 10.5	\$ 6.8
Net Position, Beginning	\$ 89.9	\$ 85.4	\$ 1.2	\$ 1.1	\$ 91.1	\$ 86.5	\$ (46.9)	\$ (53.7)
Net Position, Ending	\$ 124.8	\$ 89.9	\$ 1.1	\$ 1.2	\$ 126.0	\$ 91.1	\$ (36.4)	\$ (46.9)

## Revenues

For the fiscal year ended June 30, 2022, revenues from governmental activities totaled \$132.5 million, an increase of \$23 million from the prior fiscal year. Property tax revenues, the County's largest local revenue source, were \$83.5 million, an increase of \$23.4 million over the prior fiscal year primarily from increased personal property tax collections related to increased vehicle assessments and a change to twice-a-year real property tax collections. 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 \$13.4 million, which was an increase of \$0.7 million from FY 2021. Operating grants and contributions totaled \$23.8 million, reflecting a \$2.7 million decrease 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 \$98.8 million, including a \$36.1 million payment from the general government.

### **Expenses**

For the fiscal year ended June 30, 2022, expenses for governmental activities totaled \$97.6 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 \$36.1 million to the operation of the Franklin County Public Schools. This amount represented about 37% of the County's governmental activities expenses.

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

For the fiscal year ended June 30, 2022, the County's general fund reflects total fund balances of \$43.7 million, roughly an increase of \$3.8 million from the fiscal year ended June 30, 2021. The increase is mainly due to personal property tax collections caused by higher vehicle assessments.

The County Capital Projects fund balance increased from fiscal year 2021 due to an increase in cash and cash equivalents. A capital reserve was established with funds received from the conversion to twice-a-year real estate tax collections.

Other Governmental Funds are comprised of the E911 fund. This fund balance increased by approximately 35% due to an increase in cash and cash equivalents and increased State revenue from FY 2021 to FY 2022.

### **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, 2021.
- To reappropriate monies to pay for commitments in the form of encumbrances established prior to June 30, 2021 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 2022 (in millions):

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>
Revenues:			
Taxes	\$ 70.3	\$ 90.8	\$ 95.4
Other	5.6	5.7	6.2
Intergovernmental	21.5	26.9	26.4
Total revenues	<u>\$ 97.4</u>	<u>\$ 123.4</u>	<u>\$ 128.0</u>
Expenditures:			
Expenditures	\$ 91.7	\$ 99.0	\$ 95.5
Total expenditures	<u>\$ 91.7</u>	<u>\$ 99.0</u>	<u>\$ 95.5</u>
Other financing sources (uses):	<u>\$ (3.5)</u>	<u>\$ (29.8)</u>	<u>\$ (28.7)</u>
Net change in fund balance	\$ 2.2	\$ (5.4)	\$ 3.8
Fund balance - beginning	-	5.4	39.9
Fund balance - ending	<u>\$ 2.2</u>	<u>\$ -</u>	<u>\$ 43.7</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 \$3,463,957 were spent during the fiscal year, and remaining ARPA funds of \$7,421,545 are reported as unearned revenue as of June 30, 2022.

The increase in comparing original budget to actual budget for taxes is due to approximately \$20 million received and appropriated due to the transition to twice-a-year real estate tax collections. Intergovernmental revenues were increased during the year from grants being received by the County. One of the most significant budget adjustments is from approximately \$3.5 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 the County collecting additional personal property tax revenues caused by increased vehicle assessment values and additional real estate tax collections.

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, 2022, in millions of dollars:

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>		<b>Component Unit</b>	
	FY2022	FY2021	FY2022	FY2021	FY2022	FY2021	FY2022	FY2021
Non-Depreciable Assets:								
Land	\$ 19.5	\$ 18.9	\$ -	\$ -	\$ 19.5	\$ 18.9	\$ 0.7	\$ 0.7
Construction in Progress	26.0	24.0	-	-	26.0	24.0	1.2	0.4
Other Capital Assets:								
Buildings and Improvements	57.8	55.8	-	-	57.8	55.8	65.0	63.7
Infrastructure	6.4	6.4	1.3	1.3	7.7	7.7	-	-
Machinery and Equipment	48.7	47.3	-	-	48.7	47.3	22.8	21.9
Accumulated Depreciation	(64.3)	(59.7)	(0.5)	(0.4)	(64.8)	(60.1)	(61.3)	(58.8)
Total	\$ 94.1	\$ 92.7	\$ 0.8	\$ 0.9	\$ 94.9	\$ 93.6	\$ 28.4	\$ 27.9

The table below shows the change in capital assets for the fiscal year ended June 30, 2022 in millions of dollars:

	<b>Balance June 30, 2021</b>	<b>Net Additions/ Deletions</b>	<b>Balance June 30, 2022</b>
Non-Depreciable Assets:			
Land	\$ 19.6	\$ 0.6	\$ 20.2
Construction in Progress	24.4	2.7	27.1
Other Capital Assets:			
Buildings and Improvements	119.5	3.3	122.8
Infrastructure	7.7	-	7.7
Machinery and Equipment	69.2	2.3	71.5
Accumulated Amortization	-	(0.8)	(0.8)
Accumulated Depreciation	(118.9)	(6.3)	(125.2)
Total	\$ 121.5	\$ 1.8	\$ 123.3

During the FY 2022 budget process, the Board of Supervisors approved a five-year Capital Improvement Program (CIP) that totaled \$4.1 million. Various projects have been funded in the plan and include software and hardware upgrades for the Information Technology department, trail, park and field development for the Parks and Recreation department, 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 87 – Leases, during the fiscal year. As a result, adjustments were made to capital assets to record leases 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, 2022 and at June 30, 2021, in millions of dollars:

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>		<b>Component Unit</b>	
	<b>FY2022</b>	<b>FY2021</b>	<b>FY2022</b>	<b>FY2021</b>	<b>FY2022</b>	<b>FY2021</b>	<b>FY2022</b>	<b>FY2021</b>
Direct Borrowings and Placements	\$ 8.1	\$ 8.6	\$ -	\$ -	\$ 8.1	\$ 8.6	\$ -	\$ -
Revenue Bonds	40.8	44.9	-	-	40.8	44.9	-	-
Capital Leases	-	1.8	-	-	-	1.8	-	-
Lease Liabilities	3.6	-	-	-	3.6	-	-	-
Landfill Closure/Post Closure Liability	9.9	9.3	-	-	9.9	9.3	-	-
Compensated Absences	1.9	1.8	-	-	1.9	1.8	1.1	1.0
Other Post Employment Benefits	2.5	2.6	-	-	2.5	2.6	15.3	16.5
Net Pension Liability	-	8.4	-	-	-	8.4	37.0	74.5
<b>Total</b>	<b>\$ 66.8</b>	<b>\$ 77.4</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 66.8</b>	<b>\$ 77.4</b>	<b>\$ 53.4</b>	<b>\$ 92.0</b>

Debt was adjusted due to the implementation of GASB 87 – Leases during FY 2022. The reduction in long-term liabilities is mostly due to decreases in the net pension liability for both the County and the School System component unit. 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. Capital leases of longer than three (3) years duration will be included as debt for the purpose of computing the ratios expressed herein.

Franklin County maintains bond ratings of Aa2 from Moody's, AA+ from Standard & Poor's, and AA from Fitch.

## **Economic Factors and Future Budgets**

Recent trends and revenue forecasts from the Commonwealth of Virginia indicate that the State is experiencing better than expected revenue during the COVID-19 pandemic due to relatively strong income and sales tax collections and Federal government spending. 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 40% 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 Plan.
- 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](http://www.franklincountyva.gov).

## **Basic Financial Statements**

County of Franklin, Virginia  
Statement of Net Position  
June 30, 2022

June 30, 2022

	Primary Government			Component Unit
	Governmental	Business-type		
	Activities	Activities	Total	School Board
ASSETS				
Cash and cash equivalents	\$ 88,015,311	\$ 313,859	\$ 88,329,170	\$ 4,379,383
Receivables (net of allowance for uncollectibles):				
Taxes receivable	3,594,225	-	3,594,225	-
Accounts receivable	1,512,177	14,746	1,526,923	24,013
Other local taxes receivable	407,699	-	407,699	-
Leases receivable	102,363	-	102,363	-
Due from other governmental units	6,435,584	-	6,435,584	3,551,722
Inventories	-	-	-	188,448
Prepaid expenses	1,311,949	-	1,311,949	316,908
Net pension asset	3,466,410	-	3,466,410	874,610
Restricted assets:				
Cash and cash equivalents	-	-	-	905,257
Cash and cash equivalents (in custody of others)	9,750,632	-	9,750,632	-
Capital assets (net of accumulated depreciation):				
Land	18,888,660	-	18,888,660	725,315
Buildings and improvements	31,372,418	-	31,372,418	23,051,921
Machinery and equipment	13,967,874	-	13,967,874	3,500,276
Infrastructure	320,130	839,326	1,159,456	-
Construction in progress	25,987,435	-	25,987,435	1,152,055
Right-to-use capital assets (net of accumulated amortization):				
Land	552,421	-	552,421	-
Buildings and improvements	696,056	-	696,056	-
Machinery and equipment	2,348,236	-	2,348,236	30,195
Total assets	\$ 208,729,580	\$ 1,167,931	\$ 209,897,511	\$ 38,700,103
DEFERRED OUTFLOWS OF RESOURCES				
Pension related items	\$ 4,096,081	\$ -	\$ 4,096,081	\$ 14,836,799
OPEB related items	583,252	-	583,252	3,494,201
Total deferred outflows of resources	\$ 4,679,333	\$ -	\$ 4,679,333	\$ 18,331,000
LIABILITIES				
Accounts payable	\$ 1,670,425	\$ 28,900	\$ 1,699,325	\$ 1,458,016
Accrued liabilities	-	-	-	956,943
Construction accounts payable	685,707	-	685,707	1,017,413
Accrued interest payable	400,962	-	400,962	-
Unearned revenue	7,806,573	-	7,806,573	107,980
Long-term liabilities:				
Due within one year	6,062,807	-	6,062,807	833,448
Due in more than one year	60,666,025	-	60,666,025	52,528,301
Total liabilities	\$ 77,292,499	\$ 28,900	\$ 77,321,399	\$ 56,902,101
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue - prepaid property taxes	\$ 956,062	\$ -	\$ 956,062	\$ -
Lease related items	97,479	-	97,479	-
Pension related items	9,576,840	-	9,576,840	34,056,147
OPEB related items	667,047	-	667,047	2,499,281
Total deferred inflows of resources	\$ 11,297,428	\$ -	\$ 11,297,428	\$ 36,555,428
NET POSITION				
Net investment in capital assets	\$ 52,561,283	\$ 839,326	\$ 53,400,609	\$ 27,411,292
Restricted:				
E-911	1,483,604	-	1,483,604	-
Law Library	174,427	-	174,427	-
Forfeited Assets	151,728	-	151,728	-
Courthouse maintenance	307,005	-	307,005	-
Tourism initiatives	7,500	-	7,500	-
Inmates	25,573	-	25,573	-
Opioid settlement receivable	1,116,816	-	1,116,816	-
Net pension asset	3,466,410	-	3,466,410	874,610
School cafeteria programs	-	-	-	905,257
School activity fund	-	-	-	1,355,154
Unrestricted (deficit)	65,524,640	299,705	65,824,345	(66,972,739)
Total net position	\$ 124,818,986	\$ 1,139,031	\$ 125,958,017	\$ (36,426,426)

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, 2022

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions		Primary Government		Component Unit
			Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
<b>PRIMARY GOVERNMENT:</b>							
Governmental activities:							
General government administration	\$ 5,290,522	\$ 7,805	\$ 483,084	\$ -	\$ (4,799,633)	\$ -	\$ (4,799,633)
Judicial administration	3,012,728	61,051	1,203,241	-	(1,748,436)	-	(1,748,436)
Public safety	20,888,269	2,432,543	8,151,709	260,312	(10,043,705)	-	(10,043,705)
Public works	8,560,780	1,473,005	44,218	-	(7,043,557)	-	(7,043,557)
Health and welfare	15,576,472	14,175	11,754,157	-	(3,808,140)	-	(3,808,140)
Education	36,137,371	-	-	-	(36,137,371)	-	(36,137,371)
Parks, recreation, and cultural	3,616,164	276,732	183,398	-	(3,156,034)	-	(3,156,034)
Community development	3,932,419	-	1,999,226	554,186	(1,379,007)	-	(1,379,007)
Interest on long-term debt	615,088	-	-	-	(615,088)	-	(615,088)
Total governmental activities	\$ 97,629,813	\$ 4,265,311	\$ 23,819,033	\$ 814,498	\$ (68,730,971)	\$ -	\$ (68,730,971)
Business-type activities:							
Utility Fund	\$ 51,164	\$ 24,747	\$ -	\$ -	\$ (26,417)	\$ (26,417)	\$ (26,417)
Total primary government	\$ 97,680,977	\$ 4,290,058	\$ 23,819,033	\$ 814,498	\$ (68,730,971)	\$ (26,417)	\$ (68,757,388)
<b>COMPONENT UNIT:</b>							
School Board	\$ 88,290,937	\$ 1,655,411	\$ 60,918,208	\$ 106,114	\$ -	\$ -	\$ (25,611,204)
Total component unit	\$ 88,290,937	\$ 1,655,411	\$ 60,918,208	\$ 106,114	\$ -	\$ -	\$ (25,611,204)
General revenues and transfers:							
General property taxes					\$ 83,536,406	\$ -	\$ 83,536,406
Other local taxes:							
Local sales and use taxes					7,043,338	-	7,043,338
Consumers' utility taxes					1,017,326	-	1,017,326
Business license taxes					5,517	-	5,517
Utility license taxes					201,654	-	201,654
Motor vehicle licenses					2,061,003	-	2,061,003
Bank stock taxes					281,964	-	281,964
Taxes on recordation and wills					1,046,385	-	1,046,385
Hotel and motel room taxes					334,941	-	334,941
Restaurant food taxes					1,404,130	-	1,404,130
Unrestricted revenues from use of money and property					538,486	-	538,486
Miscellaneous					1,368,896	-	1,368,896
Payments from the County of Franklin, Virginia					-	-	-
Grants and contributions not restricted to specific programs					4,838,623	-	4,838,623
Transfers					(15,000)	15,000	-
Total general revenues and transfers					\$ 103,663,669	\$ 15,000	\$ 103,678,669
Change in net position					\$ 34,932,698	\$ (11,417)	\$ 34,921,281
Net position - beginning, as restated					89,886,288	1,150,448	91,036,736
Net position - ending					\$ 124,818,986	\$ 1,139,031	\$ 125,958,017
							\$ (36,426,426)

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

County of Franklin, Virginia  
Balance Sheet  
Governmental Funds  
June 30, 2022

	<u>General</u>	<u>E-911 Funds</u>	<u>County Capital Projects</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 48,943,440	\$ 1,471,529	\$ 37,600,342	\$ 88,015,311
Receivables (net of allowance for uncollectibles):				
Taxes receivable	3,594,225	-	-	3,594,225
Accounts receivable	1,512,177	-	-	1,512,177
Other local taxes receivable	407,699	-	-	407,699
Leases receivable	102,363	-	-	102,363
Due from other governmental units	5,613,565	43,331	778,688	6,435,584
Prepaid items	-	-	1,311,949	1,311,949
Restricted assets:				
Cash and cash equivalents (in custody of others)	-	-	9,750,632	9,750,632
Total assets	<u>\$ 60,173,469</u>	<u>\$ 1,514,860</u>	<u>\$ 49,441,611</u>	<u>\$ 111,129,940</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 1,639,169	\$ 31,256	\$ -	\$ 1,670,425
Construction accounts payable	-	-	685,707	685,707
Unearned revenue	7,484,451	-	322,122	7,806,573
Total liabilities	<u>\$ 9,123,620</u>	<u>\$ 31,256</u>	<u>\$ 1,007,829</u>	<u>\$ 10,162,705</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - prepaid property taxes	\$ 956,062	\$ -	\$ -	\$ 956,062
Unavailable revenue - due from other governments	1,929,530	-	-	1,929,530
Unavailable revenue - property taxes	3,276,038	-	-	3,276,038
Unavailable revenue - opioid settlement receivable	1,078,023	-	-	1,078,023
Lease related items	102,363	-	-	102,363
Total deferred inflows of resources	<u>\$ 7,342,016</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,342,016</u>
<b>FUND BALANCES</b>				
Nonspendable				
Prepaid items	\$ -	\$ -	\$ 1,311,949	\$ 1,311,949
Restricted:				
E-911	-	1,483,604	-	1,483,604
Law Library	174,427	-	-	174,427
Forfeited Assets	151,728	-	-	151,728
Capital projects	-	-	9,750,632	9,750,632
Courthouse maintenance	307,005	-	-	307,005
Tourism initiatives	7,500	-	-	7,500
Inmates	25,573	-	-	25,573
Opioid settlement receivable	38,793	-	-	38,793
Assigned:				
Debt service	5,076,580	-	-	5,076,580
Capital projects	-	-	37,371,201	37,371,201
Unassigned	37,926,227	-	-	37,926,227
Total fund balances	<u>\$ 43,707,833</u>	<u>\$ 1,483,604</u>	<u>\$ 48,433,782</u>	<u>\$ 93,625,219</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 60,173,469</u>	<u>\$ 1,514,860</u>	<u>\$ 49,441,611</u>	<u>\$ 111,129,940</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, 2022

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	93,625,219	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			
Capital assets			
Land	\$	18,888,660	
Buildings and improvements		31,372,418	
Machinery and equipment		13,967,874	
Infrastructure		320,130	
Construction in progress		25,987,435	
Right-to-use capital assets			
Land		552,421	
Buildings and improvements		696,056	
Machinery and equipment		2,348,236	94,133,230
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	\$	1,929,530	
Unavailable revenue-property taxes		3,276,038	
Unavailable revenue-opioid settlement receivable		1,078,023	
Net pension asset		3,466,410	9,750,001
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.			
Pension related items	\$	4,096,081	
OPEB related items		583,252	4,679,333
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 leases liabilities	\$	(46,852,658)	
Accrued interest payable		(400,962)	
Unamortized bond premium		(5,694,214)	
Landfill closure/postclosure liability		(9,856,429)	
Compensated absences		(1,868,434)	
Net OPEB liabilities		(2,457,097)	(67,129,794)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.			
Pension related items	\$	(9,576,840)	
OPEB related items		(667,047)	
Leases receivable related items		4,884	(10,239,003)
Net position of governmental activities			<u>\$ 124,818,986</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, 2022

	<u>General</u>	<u>E-911 Fund</u>	<u>County Capital Projects</u>	<u>Total</u>
<b>REVENUES</b>				
General property taxes	\$ 82,009,088	\$ -	\$ -	\$ 82,009,088
Other local taxes	13,396,258	-	-	13,396,258
Permits, privilege fees, and regulatory licenses	653,380	-	-	653,380
Fines and forfeitures	45,353	-	-	45,353
Revenue from the use of money and property	541,141	-	28,472	569,613
Charges for services	3,530,567	-	-	3,530,567
Miscellaneous	396,810	-	-	396,810
Recovered costs	1,035,339	-	-	1,035,339
Intergovernmental	26,389,837	453,543	2,628,774	29,472,154
Total revenues	<u>\$ 127,997,773</u>	<u>\$ 453,543</u>	<u>\$ 2,657,246</u>	<u>\$ 131,108,562</u>
<b>EXPENDITURES</b>				
Current:				
General government administration	\$ 5,275,244	\$ -	\$ -	\$ 5,275,244
Judicial administration	3,116,250	-	-	3,116,250
Public safety	18,714,300	1,256,519	-	19,970,819
Public works	4,510,233	-	-	4,510,233
Health and welfare	15,840,860	-	-	15,840,860
Education	35,712,506	-	-	35,712,506
Parks, recreation, and cultural	2,405,861	-	-	2,405,861
Community development	3,222,037	-	-	3,222,037
Capital projects	-	-	8,671,565	8,671,565
Debt service:				
Principal retirement	4,112,113	-	-	4,112,113
Interest and other fiscal charges	2,538,232	-	-	2,538,232
Total expenditures	<u>\$ 95,447,636</u>	<u>\$ 1,256,519</u>	<u>\$ 8,671,565</u>	<u>\$ 105,375,720</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 32,550,137</u>	<u>\$ (802,976)</u>	<u>\$ (6,014,319)</u>	<u>\$ 25,732,842</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ -	\$ 1,186,973	\$ 28,630,574	\$ 29,817,547
Transfers out	(29,832,547)	-	-	(29,832,547)
Issuance of lease liabilities	907,535	-	-	907,535
Issuance of note payable (financed purchase)	191,580	-	-	191,580
Total other financing sources (uses)	<u>\$ (28,733,432)</u>	<u>\$ 1,186,973</u>	<u>\$ 28,630,574</u>	<u>\$ 1,084,115</u>
Net change in fund balances	\$ 3,816,705	\$ 383,997	\$ 22,616,255	\$ 26,816,957
Fund balances - beginning	39,891,128	1,099,607	25,817,527	66,808,262
Fund balances - ending	<u>\$ 43,707,833</u>	<u>\$ 1,483,604</u>	<u>\$ 48,433,782</u>	<u>\$ 93,625,219</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, 2022

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

Net change in fund balances - total governmental funds \$ 26,816,957

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 amount by which the capital outlays exceeded depreciation/amortization in the current period.

Capital outlays	\$ 6,351,299	
Depreciation/amortization expense	(6,239,966)	111,333

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)	\$ (70,518)	
Transfer of asset to School Board	(106,114)	(176,632)

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

Property taxes	\$ 1,527,318	
Receivable from Western Virginia Water Authority - long term	(105,937)	
Opioid settlement receivable	1,078,023	
Leases receivable related items	4,884	2,504,288

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 lease liabilities	\$ (907,535)	
Issuance of note payable (finance purchase)	(191,580)	

Principal repayments:

General obligation bonds	472,338	
Revenue bonds	2,920,000	
Note payable (financed purchase)	47,895	
Lease liabilities	671,880	

Decrease (increase) in estimated liability:

Landfill closure/postclosure liability	(523,129)	2,489,869
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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	\$ (56,890)	
Change in accrued interest payable	625,069	
Amortization of bond premium	1,298,075	
Change in OPEB related items	36,431	
Change in pension related items	1,284,198	3,186,883

Change in net position of governmental activities	\$	34,932,698
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The notes to the financial statements are an integral part of this statement.

County of Franklin, Virginia  
Statement of Net Position  
Proprietary Fund  
June 30, 2022

	Enterprise Fund Utility Fund
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 313,859
Accounts receivable, net of allowance for uncollectibles	14,746
Total current assets	<u>\$ 328,605</u>
Noncurrent assets:	
Capital assets:	
Infrastructure	\$ 1,319,774
Accumulated depreciation	(480,448)
Total capital assets	<u>\$ 839,326</u>
Total noncurrent assets	<u>\$ 839,326</u>
Total assets	<u>\$ 1,167,931</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	\$ 28,900
Total current liabilities	<u>\$ 28,900</u>
Total liabilities	<u>\$ 28,900</u>
<b>NET POSITION</b>	
Investment in capital assets	\$ 839,326
Unrestricted	299,705
Total net position	<u>\$ 1,139,031</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, 2022

	Enterprise Fund <u>Utility Fund</u>
<b>OPERATING REVENUES</b>	
Charges for services:	
Water and sewer revenue	\$ 10,724
Connection fees (operating)	14,023
Total operating revenues	<u>\$ 24,747</u>
<b>OPERATING EXPENSES</b>	
Utilities	\$ 407
Repairs and maintenance	10,588
Professional services	7,324
Depreciation	32,845
Total operating expenses	<u>\$ 51,164</u>
Operating income (loss)	<u>\$ (26,417)</u>
Transfers in	<u>\$ 15,000</u>
Change in net position	\$ (11,417)
Net position - beginning	1,150,448
Net position - ending	<u><u>\$ 1,139,031</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, 2022

	Enterprise Fund <u>Utility Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers and users	\$ 20,169
Payments for materials and supplies	(20,358)
Net cash provided by (used for) operating activities	<u>\$ (189)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
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	\$ 14,811
Cash and cash equivalents - beginning	299,048
Cash and cash equivalents - ending	<u><u>\$ 313,859</u></u>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>	
Operating income (loss)	<u>\$ (26,417)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	\$ 32,845
(Increase) decrease in accounts receivable	(4,578)
Increase (decrease) in accounts payable	(2,039)
Total adjustments	<u>\$ 26,228</u>
Net cash provided by (used for) operating activities	<u><u>\$ (189)</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, 2022

	<b>Custodial Funds</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 623,350
Receivables:	
Other receivables	3,696
Total assets	<u>\$ 627,046</u>
<b>LIABILITIES</b>	
Accounts payable	\$ 1,054
Total liabilities	<u>\$ 1,054</u>
<b>NET POSITION</b>	
Restricted:	
Amounts held for social services clients	\$ 92,961
Amounts held for performance bonds	489,898
Amounts held for library	4,000
Amounts held for inmates	8,337
Amounts held for court systems	30,796
Total net position	<u>\$ 625,992</u>
Total liabilities and net position	<u>\$ 627,046</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, 2022

	<b>Custodial Funds</b>
<b>ADDITIONS</b>	
Interest income	\$ 418
Gifts and donations	126,982
Deposits from inmates	213,832
Seized property	67,305
Performance bond payment	119,900
Miscellaneous	13,502
Total additions	<u>\$ 541,939</u>
<b>DEDUCTIONS</b>	
Special welfare payments	\$ 121,823
Inmate refunds	210,844
Refund of performance bond payments	47,677
Return of seized property	79,305
Total deductions	<u>\$ 459,649</u>
Net increase (decrease) in fiduciary net position	\$ 82,290
Net position, beginning of year	<u>543,702</u>
Net position, end of year	<u><u>\$ 625,992</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, 2022

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

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

#### **A. Financial Reporting Entity**

The County of Franklin, Virginia (government) is a municipal corporation governed by an elected seven-member Board of Supervisors. The accompanying financial statements present the government and its component unit, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government’s operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is 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	\$	125,032
Piedmont Community Services		302,096
Roanoke Valley Detention Commission		214,127
Western Virginia Regional Jail		2,775,785
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 (Custodial Funds)* account for assets held by the government in a trustee capacity or as custodian for individuals, private organizations, other governmental units, or other funds. Custodial funds include the Special Welfare, Escrow Fund for Soil and Erosion Control Agreement, Seized Assets, Library, and Inmate Funds.

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 5<sup>th</sup> and December 5<sup>th</sup>. Personal property taxes are due and collectible annually on December 5<sup>th</sup>. The County bills and collects its own property taxes.

5. Allowance for Uncollectible Accounts

The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$715,834 at June 30, 2022 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.



**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:

<b>Assets</b>	<b>Years</b>
Buildings	40
Building improvements	10-40
Structures, lines, and accessories	20-40
Machinery and equipment	4-30
Right-to-use assets	
Land	10-20
Buildings	6-21
Machinery and equipment	3-10

**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

The following classifications of fund balance describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

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 an ordinance 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 ordinance remains in place until the resources have been spent for the specified purpose or the Board adopts another ordinance 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.

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.

**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)

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.
- 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.

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

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

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 \$9,750,632 at year end, are expected to be used for capital projects or outlays during the next two years.

19. Leases

The County and School Board leases various assets 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.

*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.

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

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

19. Leases (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).

*Key Estimates and Judgments*

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

- The County and School Board uses the interest rate stated in lease 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.
- The lease term includes the noncancellable period of the lease and certain periods covered by options to extend to reflect how long the lease 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 incentives and certain other payments are included in the measurement of the lease liability (lessee) or lease receivable (lessor).

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

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**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.
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

Expenditures did exceeded appropriations in the law enforcement and traffic control department.

C. Deficit fund balance

At June 30, 2022, 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.

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 and 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).

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, 2022, 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, 2022, the County did not have any investments requiring concentration of credit risk disclosures that exceeded 5% of total investments.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022**Note 3-Deposits and Investments: (continued)**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, 2022 were rated by Standard and Poor's and/or an equivalent national rating organization and the ratings are presented below using the Standard and Poor's rating scale.

<u>County's Rated Debt Investments' Values</u>	
<u>Rated Debt Investments</u>	<u>Fair Quality Ratings</u>
	<u>AAAm</u>
SNAP	<u>\$ 9,750,632</u>

External Investment Pools

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

Interest Rate Risk

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

<u>Investment Maturities (in years)</u>		
<u>Investment Type</u>	<u>Fair Value</u>	<u>1 Year</u>
SNAP	<u>\$ 9,750,632</u>	<u>\$ 9,750,632</u>
Totals	<u>\$ 9,750,632</u>	<u>\$ 9,750,632</u>

*Remainder of page left blank intentionally.*

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022**Note 4-Due from Other Governmental Units:**

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

	Primary Government	Component Unit- School Board
<u>Local Government:</u>		
Western Virginia Water Authority	\$ 1,929,530	\$ -
<u>Commonwealth of Virginia:</u>		
Local sales tax	1,259,246	-
State sales tax	-	900,379
Noncategorical aid	345,758	-
Categorical aid-shared expenses	399,038	-
Categorical aid-VPA funds	248,184	-
Categorical aid-CSA funds	786,841	-
Other categorical aid	903,662	439,382
<u>Federal Government:</u>		
Categorical aid-VPA funds	383,189	-
Other categorical aid	180,136	2,211,961
Totals	\$ 6,435,584	\$ 3,551,722

**Note 5-Interfund Transfers:**

Interfund transfers for the year ended June 30, 2022, consisted of the following:

Fund	Transfers In	Transfers Out
<u>Primary Government:</u>		
General Fund	\$ -	\$ 29,832,547
Utility Fund	15,000	-
County Capital Projects Fund	28,630,574	-
E-911 Fund	1,186,973	-
<u>Component Unit School Board</u>		
School Operating Fund	210,651	633,281
School Activity Fund	633,281	210,651
Total	\$ 30,676,479	\$ 30,676,479

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022

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**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, 2022.

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

Primary government contributions to component units for the year ended June 30, 2022, consisted of the following:

Component Unit:	
School Board	\$ 35,712,506
Total	<u>\$ 35,712,506</u>

There were no component-unit obligations at June 30, 2022.

*Remainder of page left blank intentionally.*

COUNTY OF FRANKLIN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022

**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, 2022.

	Balance July 1, 2021	GASBS No. 87 Adjustment/ Restatement	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2022
Direct borrowings and placements:					
General obligation bonds	\$ 2,654,913	\$ -	\$ -	\$ (472,338)	\$ 2,182,575
Revenue bonds	5,769,236	-	-	(105,000)	5,664,236
Premiums on revenue bonds	148,226	-	-	(44,050)	104,176
Note payable (financed purchase)	-	-	191,580	(47,895)	143,685
Other debt:					
Revenue bond	38,070,000	-	-	(2,815,000)	35,255,000
Premium on revenue bond	6,844,063	-	-	(1,254,025)	5,590,038
Lease liabilities	-	3,371,507	907,535	(671,880)	3,607,162
Capital leases	1,843,941	(1,843,941)	-	-	-
Landfill closure/postclosure liability	9,333,300	-	706,168	(183,039)	9,856,429
Compensated absences	1,811,544	-	1,822,494	(1,765,604)	1,868,434
Net OPEB liabilities	2,648,865	-	625,929	(817,697)	2,457,097
Net pension liability <sup>1</sup>	8,355,986	-	9,216,027	(17,572,013)	-
Total	\$ 77,480,074	\$ 1,527,566	\$ 13,469,733	\$ (25,748,541)	\$ 66,728,832

<sup>1</sup>Beginning balance resulted in net pension liability; however, the ending balance is a net pension asset.

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
2023	\$ 634,712	\$ 277,914	\$ 3,370,000	\$ 1,438,650	\$ 656,769	\$ 101,375
2024	644,174	250,687	2,815,000	1,284,025	668,966	82,450
2025	4,408,209	166,039	2,960,000	1,139,650	651,130	62,957
2026	491,334	84,181	1,740,000	1,022,150	644,494	43,177
2027	507,067	61,836	1,835,000	932,775	426,791	25,921
2028-2032	770,000	172,269	8,870,000	3,260,675	470,206	26,012
2033-2037	535,000	29,541	9,195,000	1,417,975	88,806	3,255
2038-2041	-	-	4,470,000	227,400	-	-
Totals	\$ 7,990,496	\$ 1,042,467	\$ 35,255,000	\$ 10,723,300	\$ 3,607,162	\$ 345,147

COUNTY OF FRANKLIN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022

**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 <sup>2</sup>	4.1-5.6%	11/10/2004	2025	\$ 2,500,000	\$ 375,000	\$ 125,000
GO bond-VPSA <sup>2</sup>	4.225-5.1%	11/9/2006	2027	6,760,943	1,807,575	351,817
Total General Obligation Bonds					\$ 2,182,575	\$ 476,817
Revenue Bonds:						
Revenue bond <sup>3</sup>	4.68%	7/27/2016	2035	2,505,000	\$ 1,910,000	\$ 110,000
Revenue bond <sup>4</sup>	2.00%	12/6/2019	2025	5,700,000	3,754,236	-
Total Revenue Bonds					\$ 5,664,236	\$ 110,000
Note payable (financed purchase)	0.00%	7/1/2021	2025	239,475	\$ 143,685	\$ 47,895
Total Direct Borrowings and Placements					\$ 7,990,496	\$ 634,712
Other Debt:						
Revenue bond <sup>1</sup>	3-5%	12/10/2020	2041	38,070,000	\$ 35,255,000	\$ 3,370,000
Lease Liabilities:						
Building-Public Safety <sup>(5)</sup>	2.00%	6/1/2018	2024	125,359	\$ 42,912	\$ 21,986
Copier-Public Safety	0.76%	9/1/2021	2027	38,373	32,058	7,601
Copier-Circuit Court	0.76%	2/1/2022	2027	29,927	27,459	5,910
Copier-Finance/CSA <sup>(5)</sup>	0.42%	8/1/2020	2024	22,213	9,147	6,855
Copier-Library <sup>(5)</sup>	0.76%	2/1/2019	2024	19,638	6,296	3,967
Copier-Development Services	0.42%	7/1/2021	2025	25,692	17,818	7,898
Copier-Sheriff <sup>(5)</sup>	0.42%	3/1/2020	2023	21,657	6,137	6,137
Copier-Public Safety	2.81%	5/1/2022	2027	19,549	18,896	3,702
Copier-Social Services <sup>(5)</sup>	0.42%	12/1/2019	2024	21,566	3,010	3,010
Library Building <sup>(5)</sup>	1.49%	1/1/2008	2028	1,543,506	670,974	111,331
Enforcer Fire Truck <sup>(5)</sup>	3.02%	12/27/2018	2028	958,702	609,051	94,111
Pumper and Platform Fire Truck <sup>(5)</sup>	3.75%	2/15/2019	2028	1,437,597	925,119	140,352
Ambulances	2.74%	10/1/2021	2026	708,171	574,089	137,756
Cell Tower-Ferrum <sup>(5)</sup>	5.00%	5/1/2016	2026	87,507	45,230	10,119
Cell Tower-Burnt Chimney	3.50%	7/1/2021	2031	44,178	41,043	3,273
Cell Tower-Cahas Mountain <sup>(5)</sup>	3.00%	7/1/2016	2026	177,229	84,540	19,220
Sheriff IT	0.42%	10/1/2021	2024	23,376	15,551	7,759
Social Services Vehicles <sup>(5)</sup>	8.99%	12/1/2020	2026	92,340	66,930	17,518
Social Services Vehicles	18.20-19.25%	7/1/2021	2026	18,269	15,587	2,891
Land <sup>(5)</sup>	3.00%	5/1/2021	2026	50,266	39,777	9,494
Land <sup>(5)</sup>	2.00%	1/1/2016	2036	362,159	280,906	15,586
Land <sup>(5)</sup>	2.00%	2/1/2016	2026	178,805	74,632	20,293
Total Leases Liabilities					\$ 3,607,162	\$ 656,769
Other Obligations:						
Landfill Closure/Postclosure Liability					\$ 9,856,429	\$ -
Premiums on Revenue Bonds					5,694,214	-
Compensated Absences					1,868,434	1,401,326
Net OPEB Liabilities					2,457,097	-
Total Other Obligations					\$ 19,876,174	\$ 1,401,326
Total Long-term obligations					\$ 66,728,832	\$ 6,062,807

<sup>1</sup> Denotes debt refinanced for General Government Projects and School Construction

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

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

<sup>4</sup> Denotes debt that is in draw down phase. As of June 30, 2022, only \$3,754,236 has been drawn down.

<sup>5</sup> 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022**Note 7-Long-Term Obligations: (continued)**Primary Government - Governmental Activities Obligations: (continued)

## Details of long-term obligations: (continued)

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 \$9,750,632.

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.

**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, 2022.

	Balance July 1, 2021	GASBS No. 87 Adjustment	Increases	Decreases	Balance June 30, 2022
Lease liabilities	\$ -	\$ 186,373	\$ -	\$ (155,316)	\$ 31,057
Compensated absences	1,024,712	-	813,676	(768,534)	1,069,854
Net OPEB liabilities	16,542,549	-	3,241,529	(4,474,807)	15,309,271
Net pension liability	74,454,499	-	17,500,402	(55,003,334)	36,951,567
Total	<u>\$ 92,021,760</u>	<u>\$ 186,373</u>	<u>\$ 21,555,607</u>	<u>\$ (60,401,991)</u>	<u>\$ 53,361,749</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022**Note 8-Long-Term Obligations-Component Unit School Board: (continued)**Discretely Presented Component Unit-School Board Obligations: (continued)

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

Year Ending June 30,	Lease Liabilities	
	Principal	Interest
2023	\$ 31,057	\$ 1,047
Totals	\$ 31,057	\$ 1,047

Details of long-term obligations:

	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Total Amount	Amount Due Within One Year
Lease liabilities:						
Copiers-Print Shop <sup>(1)</sup>	0.32%	8/1/2017	2023	\$ 336,522	\$ 5,651	\$ 5,651
Copiers-Schools <sup>(1)</sup>	0.32%	8/1/2017	2023	330,692	5,553	5,553
Vehicles <sup>(1)</sup>	11.04%	5/1/2018	2023	94,872	19,853	19,853
Total lease liabilities					\$ 31,057	\$ 31,057
Other Obligations:						
Compensated absences					\$ 1,069,854	\$ 802,391
Net OPEB liabilities					15,309,271	-
Net pension liability					36,951,567	-
Total Long-Term Obligations					\$ 53,361,749	\$ 833,448

<sup>1</sup> 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 of the discretely presented component unit-School Board, compensated absences, net pension liability, and net OPEB liabilities are generally liquidated by the School fund.

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**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.

***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.



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

***Benefit Structures (continued)***

- 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.

***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.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022**Note 9-Pension Plans: (continued)*****Employees Covered by Benefit Terms***

As of the June 30, 2020 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<b>Primary Government</b>	<b>Component Unit School Board Nonprofessional</b>
Inactive members or their beneficiaries currently receiving benefits	201	200
Inactive members:		
Vested inactive members	56	28
Non-vested inactive members	127	92
Inactive members active elsewhere in VRS	113	26
Total inactive members	296	146
Active members	363	266
Total covered employees	860	612

***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, 2022 was 9.96% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

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 \$1,608,809 and \$1,538,973 for the years ended June 30, 2022 and June 30, 2021, respectively.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022

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**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, 2022 was 7.44% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

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 \$396,949 and \$382,098 for the years ended June 30, 2022 and June 30, 2021, respectively.

***Net Pension Asset***

The net pension asset (NPA) 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 assets were measured as of June 30, 2021. The total pension liabilities used to calculate the net pension assets were determined by an actuarial valuation performed as of June 30, 2020, and rolled forward to the measurement date of June 30, 2021.

***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, 2020, 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, 2021.

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

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**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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022**Note 9-Pension Plans: (continued)*****Actuarial Assumptions - General Employees (continued)***

The actuarial assumptions used in the June 30, 2020 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, 2020, 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, 2021.

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

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**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

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**Note 9-Pension Plans: (continued)*****Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits (continued)***

The actuarial assumptions used in the June 30, 2020, 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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022**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:

<b>Asset Class (Strategy)</b>	<b>Long-Term Target Asset Allocation</b>	<b>Arithmetic Long-term Expected Rate of Return</b>	<b>Weighted Average Long-term Expected Rate of Return*</b>
Public Equity	34.00%	5.00%	1.70%
Fixed Income	15.00%	0.57%	0.09%
Credit Strategies	14.00%	4.49%	0.63%
Real Assets	14.00%	4.76%	0.67%
Private Equity	14.00%	9.94%	1.39%
MAPS - Multi-Asset Public Strategies	6.00%	3.29%	0.20%
PIP - Private Investment Partnership	3.00%	6.84%	0.21%
<b>Total</b>	<b>100.00%</b>		<b>4.89%</b>
		Inflation	2.50%
		Expected arithmetic nominal return*	7.39%

\* The above allocation provides a one-year expected return of 7.39%. 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 6.94%, 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, 2021, 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, 2017 actuarial valuations, whichever was greater. Through the fiscal year ended June 30, 2021, 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, 2021 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.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022**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, 2020	\$ 72,802,511	\$ 64,446,525	\$ 8,355,986
Changes for the year:			
Service cost	\$ 1,918,435	\$ -	\$ 1,918,435
Interest	4,785,463	-	4,785,463
Changes in assumptions	2,468,227	-	2,468,227
Differences between expected and actual experience	(1,197,163)	-	(1,197,163)
Contributions - employer	-	1,538,973	(1,538,973)
Contributions - employee	-	766,212	(766,212)
Net investment income	-	17,534,422	(17,534,422)
Benefit payments	(3,813,536)	(3,813,536)	-
Administrator charges	-	(43,899)	43,899
Other changes	-	1,650	(1,650)
Net changes	\$ 4,161,426	\$ 15,983,822	\$ (11,822,396)
Balances at June 30, 2021	\$ 76,963,937	\$ 80,430,347	\$ (3,466,410)

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022**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, 2020	\$ 24,515,761	\$ 21,581,598	\$ 2,934,163
Changes for the year:			
Service cost	\$ 523,311	\$ -	\$ 523,311
Interest	1,601,900	-	1,601,900
Changes in assumptions	716,877	-	716,877
Differences between expected and actual experience	(235,118)	-	(235,118)
Contributions - employer	-	382,098	(382,098)
Contributions - employee	-	260,087	(260,087)
Net investment income	-	5,787,904	(5,787,904)
Benefit payments	(1,567,826)	(1,567,826)	-
Administrator charges	-	(14,888)	14,888
Other changes	-	542	(542)
Net changes	\$ 1,039,144	\$ 4,847,917	\$ (3,808,773)
Balances at June 30, 2021	\$ 25,554,905	\$ 26,429,515	\$ (874,610)

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**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)	\$ 6,585,923	\$ (3,466,410)	\$ (11,767,568)
Component Unit School Board (nonprofessional)			
Net Pension Liability (Asset)	\$ 2,108,381	\$ (874,610)	\$ (3,380,849)

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

For the year ended June 30, 2022, the County and Component Unit School Board (nonprofessional) recognized pension expense of \$324,611 and \$(77,745), respectively. At June 30, 2022, 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	\$ 465,094	\$ 860,749	\$ -	\$ 256,182
Changes of assumptions	2,022,178	-	462,665	-
Net difference between projected and actual earnings on pension plan investments	-	8,716,091	-	2,860,233
Employer contributions subsequent to the measurement date	1,608,809	-	396,949	-
Total	\$ 4,096,081	\$ 9,576,840	\$ 859,614	\$ 3,116,415

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022**Note 9-Pension Plans: (continued)*****Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)***

\$1,608,809 and \$396,949 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, 2023. 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>
2023	\$ (1,094,971)	\$ (603,017)
2024	(1,497,961)	(512,433)
2025	(1,849,313)	(665,725)
2026	(2,647,323)	(872,575)

***Pension Plan Data***

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2021 Annual Comprehensive Financial Report (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2021-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.

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**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, 2022 was 16.62% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. 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 \$7,022,934 and \$6,729,094 for the years ended June 30, 2022 and June 30, 2021, respectively.

In June 2021, the Commonwealth made a special contribution of approximately \$61.3 million to the VRS Teacher Retirement Plan. This special payment was authorized by a budget amendment included in Chapter 552 of the 2021 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, 2022, the school division reported a liability of \$36,951,567 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2021 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation performed as of June 30, 2020, and rolled forward to the measurement date of June 30, 2021. 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, 2021, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2021, the school division's proportion was 0.47599% as compared to 0.49150% at June 30, 2020.

For the year ended June 30, 2022, the school division recognized pension expense of \$(326,267). Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022**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, 2022, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 3,147,311
Net difference between projected and actual earnings on pension plan investments	-	23,285,889
Changes of assumptions	6,473,818	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	480,433	4,506,532
Employer contributions subsequent to the measurement date	7,022,934	-
Total	<u>\$ 13,977,185</u>	<u>\$ 30,939,732</u>

\$7,022,934 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, 2023. 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:

<b><u>Year ended June 30</u></b>	
2023	\$ (5,657,104)
2024	(5,374,229)
2025	(5,861,634)
2026	(7,094,742)
2027	2,228

**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, 2020, 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, 2021.

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

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

The actuarial assumptions used in the June 30, 2020 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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022

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**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, 2021, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

	<b><u>Teacher Employee Retirement Plan</u></b>
Total Pension Liability	\$ 53,381,141
Plan Fiduciary Net Position	45,617,878
Employers' Net Pension Liability (Asset)	\$ <u>7,763,263</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	85.46%

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.

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**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	\$ 71,314,524	\$ 36,951,567	\$ 8,683,446

***Pension Plan Fiduciary Net Position***

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2021 Annual Comprehensive Financial Report (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2021-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022**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, 2022.

	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	\$ 4,096,081	\$ 9,576,840	\$ (3,466,410)	\$ 324,611	\$ -	\$ -	\$ -	\$ -
School Board Nonprofessional	-	-	-	-	859,614	3,116,415	(874,610)	(77,745)
School Board Professional	-	-	-	-	13,977,185	30,939,732	36,951,567	(326,267)
Totals	<u>\$ 4,096,081</u>	<u>\$ 9,576,840</u>	<u>\$ (3,466,410)</u>	<u>\$ 324,611</u>	<u>\$ 14,836,799</u>	<u>\$ 34,056,147</u>	<u>\$ 36,076,957</u>	<u>\$ (404,012)</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, 2021 (measurement date), the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	11
Active employees	<u>324</u>
Total	<u><u>335</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 County Board. The amount paid by the County for OPEB as the benefits came due during the year ended June 30, 2022 was \$46,000.

***Total OPEB Liability***

The County's total OPEB liability was measured as of July 1, 2021. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation performed as of July 1, 2020, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of July 1, 2021.

***Actuarial Assumptions***

The total OPEB liability in the July 1, 2020 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	1.92%

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***

	<b>Primary Government Total OPEB Liability</b>
Beginning Balances	\$ 1,343,000
Changes for the year:	
Service cost	\$ 87,000
Interest	34,000
Difference between expected and actual experience	(45,000)
Benefit payments	(46,000)
Changes of assumptions	167,000
Net changes	\$ 197,000
Ending Balances	\$ 1,540,000

**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 (0.92%) or one percentage point higher (2.92%) than the current discount rate:

Rate		
1% Decrease (0.92%)	Current Discount Rate (1.92%)	1% Increase (2.92%)
\$ 1,700,000	\$ 1,540,000	\$ 1,398,000

***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 (1.44% for fiscal year 2022, then 6.00% for fiscal year 2023 decreasing to an ultimate rate of 4.00%) or one percentage point higher (3.44% 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 (1.44% for fiscal year 2022, then 6.00% for fiscal year 2023 decreasing to an ultimate rate of 4.00%)	Healthcare Cost Trend (2.44% for fiscal year 2022, then 7.00% for fiscal year 2023 decreasing to an ultimate rate of 5.00%)	1% Increase (3.44% for fiscal year 2022, then 8.00% for fiscal year 2023 decreasing to an ultimate rate of 6.00%)
\$ 1,347,000	\$ 1,540,000	\$ 1,771,000

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022**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, 2022, the County recognized OPEB expense in the amount of \$60,000. At June 30, 2022, 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	\$ -	\$ 261,000
Changes of assumptions	224,000	32,000
Employer contributions subsequent to the measurement date	46,000	-
Total	\$ <u>270,000</u>	\$ <u>293,000</u>

\$46,000 reported as deferred outflows of resources related to OPEB resulting from the County's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the fiscal year ending June 30, 2023. 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>	
2023	\$ (68,000)
2024	(68,000)
2025	19,000
2026	26,000
2027	22,000

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.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022

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**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, 2021 (measurement date), the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	56
Active employees	<u>1,148</u>
Total	<u><u>1,204</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, 2022 was \$440,000.

***Total OPEB Liability***

The School Board’s total OPEB liability was measured as of July 1, 2021. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation performed as of July 1, 2020, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of July 1, 2021.

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

Component Unit School Board (continued)

***Actuarial Assumptions***

The total OPEB liability in the July 1, 2020 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	1.92%

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.

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

		<b>Component Unit School Board Total OPEB Liability</b>
Beginning Balances	\$	5,891,000
Changes for the year:		
Service cost	\$	248,000
Interest		145,000
Difference between expected and actual experience		(152,000)
Benefit payments		(440,000)
Assumption changes		666,000
Net changes	\$	467,000
Ending Balances	\$	6,358,000

***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 (0.92%) or one percentage point higher (2.92%) than the current discount rate:

<b>Rate</b>		
<b>1% Decrease (0.92%)</b>	<b>Current Discount Rate (1.92%)</b>	<b>1% Increase (2.92%)</b>
\$ 6,947,000	\$ 6,358,000	\$ 5,812,000

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022**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 ((1.00)% for fiscal year 2022, then 6.00% 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		
	Healthcare Cost	
1% Decrease	Trend	1% Increase
((1.00%) for fiscal year 2022, then 6.00% for fiscal year 2023	((0.00%) for fiscal year 2022, then 7.00% for fiscal year 2023	(1.00% for fiscal year 2022, then 8.00% for fiscal year 2023
\$ 5,566,000	\$ 6,358,000	\$ 7,302,000

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

For the year ended June 30, 2022, the School Board recognized OPEB expense in the amount of \$670,000. At June 30, 2022, 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	\$ 516,000	\$ 183,000
Changes of assumptions	931,000	199,000
Employer contributions subsequent to the measurement date	440,000	-
Total	\$ 1,887,000	\$ 382,000

**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)***

\$440,000 reported as deferred outflows of resources related to OPEB resulting from the School Board's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the fiscal year ending June 30, 2023. 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>	
2023	\$ 269,000
2024	269,000
2025	218,000
2026	163,000
2027	112,000
Thereafter	34,000

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 \$8,722 as of June 30, 2022.

***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, 2022 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. 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 \$96,629 and \$87,816 for the years ended June 30, 2022 and June 30, 2021, respectively.

Contributions to the GLI Plan from the Component Unit School Board (nonprofessional) were \$31,852 and \$30,239 for the years ended June 30, 2022 and June 30, 2021, respectively.

**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 \$237,030 and \$226,988 for the years ended June 30, 2022 and June 30, 2021, respectively.

***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, 2022, the entity reported a liability of \$917,097 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2021 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, 2020, and rolled forward to the measurement date of June 30, 2021. 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, 2021 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2021, the participating employer's proportion was 0.0788% as compared to 0.0782% at June 30, 2020.

For the year ended June 30, 2022, the participating employer recognized GLI OPEB expense of \$53,444. 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, 2022, the entity reported a liability of \$315,750 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2021 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, 2020, and rolled forward to the measurement date of June 30, 2021. 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, 2021 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2021, the participating employer's proportion was 0.0271% as compared to 0.0283% at June 30, 2020.

For the year ended June 30, 2022, the participating employer recognized GLI OPEB expense of \$9,308. 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, 2022**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, 2022, the entity reported a liability of \$2,370,340 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2021 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, 2020, and rolled forward to the measurement date of June 30, 2021. 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, 2021 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2021, the participating employer's proportion was 0.2036% as compared to 0.2102% at June 30, 2020.

For the year ended June 30, 2022, the participating employer recognized GLI OPEB expense of \$61,033. 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, 2022, 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	\$ 104,598	\$ 6,988	\$ 36,012	\$ 2,406	\$ 270,346	\$ 18,061
Net difference between projected and actual earnings on GLI OPEB plan investments	-	218,891	-	75,363	-	565,749
Change in assumptions	50,559	125,478	17,407	43,201	130,676	324,313
Changes in proportion	61,466	22,690	1,956	22,539	41,458	243,109
Employer contributions subsequent to the measurement date	96,629	-	31,852	-	237,030	-
Total	<u>\$ 313,252</u>	<u>\$ 374,047</u>	<u>\$ 87,227</u>	<u>\$ 143,509</u>	<u>\$ 679,510</u>	<u>\$ 1,151,232</u>



NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022**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)***

\$96,629, \$31,852, and \$237,030 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, 2023. 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>
2023	\$ (29,307)	\$ (19,183)	\$ (152,848)
2024	(23,705)	(16,419)	(133,712)
2025	(25,838)	(16,871)	(144,287)
2026	(66,152)	(27,981)	(222,613)
2027	(12,422)	(7,680)	(55,292)

***Actuarial Assumptions***

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2020, 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, 2021. 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)***

The actuarial assumptions used in the June 30, 2020 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

**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, 2022

**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, 2020 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, 2020 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, 2022

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**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, 2021, NOL amounts for the GLI Plan is as follows (amounts expressed in thousands):

	<b>GLI OPEB Plan</b>
Total GLI OPEB Liability	\$ 3,577,346
Plan Fiduciary Net Position	<u>2,413,074</u>
GLI Net OPEB Liability (Asset)	<u>\$ 1,164,272</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	67.45%

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:

<b>Asset Class (Strategy)</b>	<b>Long-Term Target Asset Allocation</b>	<b>Arithmetic Long-term Expected Rate of Return</b>	<b>Weighted Average Long-term Expected Rate of Return*</b>
Public Equity	34.00%	5.00%	1.70%
Fixed Income	15.00%	0.57%	0.09%
Credit Strategies	14.00%	4.49%	0.63%
Real Assets	14.00%	4.76%	0.67%
Private Equity	14.00%	9.94%	1.39%
MAPS - Multi-Asset Public Strategies	6.00%	3.29%	0.20%
PIP - Private Investment Partnership	3.00%	6.84%	0.21%
Total	100.00%		4.89%
		Inflation	2.50%
		Expected arithmetic nominal return*	7.39%

\*The above allocation provides a one-year return of 7.39%. 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 6.94%, 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 40<sup>th</sup> 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, 2021, 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, 2021 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	\$ 1,339,912	\$ 917,097	\$ 575,655
Component Unit School Board (nonprofessional) proportionate share of the GLI Plan Net OPEB Liability	\$ 461,322	\$ 315,750	\$ 198,194
Component Unit School Board (professional) proportionate share of the GLI Plan Net OPEB Liability	\$ 3,463,153	\$ 2,370,340	\$ 1,487,844



**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 2021 Annual Comprehensive Financial Report (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2021-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, 2022**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, 2020 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	70
Inactive members:	
Vested inactive members	4
Total inactive members	<u>74</u>
Active members	<u>266</u>
Total covered employees	<u><u>340</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, 2022 was 0.46% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2020. 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 \$26,893 and \$25,686 for the years ended June 30, 2022 and June 30, 2021, respectively.

During the 2020 session, House Bill 1513 was enacted. This bill required the addition of Health Insurance Credit benefits for non-teacher employees effective July 1, 2021. While benefit payments became effective July 1, 2021, employers were required to pre-fund the benefits beginning July 1, 2020. The bill impacted 95 employers and resulted in approximately \$2.5 million of additional employer contributions in FY 2021.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022

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

***Net HIC OPEB Liability***

The School Board's (nonprofessional) net HIC OPEB liability was measured as of June 30, 2021. The total HIC OPEB liability was determined by an actuarial valuation performed as of June 30, 2020, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021.

***Actuarial Assumptions***

The total HIC OPEB liability was based on an actuarial valuation as of June 30, 2020, 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, 2021.

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, 2020 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:

<b>Asset Class (Strategy)</b>	<b>Long-term Target Asset Allocation</b>	<b>Arithmetic Long-term Expected Rate of Return</b>	<b>Weighted Average Long-term Expected Rate of Return*</b>
Public Equity	34.00%	5.00%	1.70%
Fixed Income	15.00%	0.57%	0.09%
Credit Strategies	14.00%	4.49%	0.63%
Real Assets	14.00%	4.76%	0.67%
Private Equity	14.00%	9.94%	1.39%
MAPS - Multi-Asset Public Strategies	6.00%	3.29%	0.20%
PIP - Private Investment Partnership	3.00%	6.84%	0.21%
Total	100.00%		4.89%
		Inflation	2.50%
		Expected arithmetic nominal return*	7.39%

\*The above allocation provides a one-year return of 7.39%. 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 6.94%, 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 40<sup>th</sup> 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, 2022**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, 2021, the rate contributed by the entity for the HIC OPEB was 100% of the actuarially determined contribution rate. From July 1, 2021 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, 2020	\$ 597,058	\$ 347,579	\$ 249,479
Changes for the year:			
Service cost	\$ 10,676	\$ -	\$ 10,676
Interest	39,089	-	39,089
Differences between expected and actual experience	(26,032)	-	(26,032)
Assumption changes	10,159	-	10,159
Contributions - employer	-	25,686	(25,686)
Net investment income	-	89,986	(89,986)
Benefit payments	(35,926)	(35,926)	-
Administrative expenses	-	(1,042)	1,042
Net changes	\$ (2,034)	\$ 78,704	\$ (80,738)
Balances at June 30, 2021	\$ 595,024	\$ 426,283	\$ 168,741

**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	\$ 230,869	\$ 168,741	\$ 115,573

***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, 2022, the School Board (nonprofessional) recognized HIC Program OPEB expense of \$11,756. At June 30, 2022, 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	\$ 6,616	\$ 25,583
Net difference between projected and actual earnings on HIC OPEB plan investments	-	43,037
Change in assumptions	12,995	682
Employer contributions subsequent to the measurement date	26,893	-
Total	\$ 46,504	\$ 69,302

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022**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)***

\$26,893 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, 2023. 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>		
2023	\$	(10,605)
2024		(8,585)
2025		(13,943)
2026		(16,558)

***HIC Plan Data***

Information about the VRS Political Subdivision HIC Plan is available in the separately issued VRS 2021 Annual Comprehensive Financial Report (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2021-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, 2022 was 1.21% of covered employee compensation for employees in the VRS Teacher Employee HIC Plan. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. 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 \$530,702 and \$508,267 for the years ended June 30, 2022 and June 30, 2021, respectively.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022**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, 2022, the school division reported a liability of \$6,096,440 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, 2021 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, 2020 and rolled forward to the measurement date of June 30, 2021. 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, 2021, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2021, the school division's proportion of the VRS Teacher Employee HIC Program was 0.4750% as compared to 0.4923% at June 30, 2020.

For the year ended June 30, 2022, the school division recognized VRS Teacher Employee HIC OPEB expense of \$420,404. 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 proportion.

At June 30, 2022, 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:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 106,382
Net difference between projected and actual earnings on Teacher HIC OPEB plan investments	-	80,309
Change in assumptions	164,798	24,501
Change in proportion	98,460	542,046
Employer contributions subsequent to the measurement date	530,702	-
Total	<u>\$ 793,960</u>	<u>\$ 753,238</u>

**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)***

\$530,702 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, 2023. 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>		
2023	\$	(83,561)
2024		(84,473)
2025		(86,764)
2026		(101,588)
2027		(81,759)
Thereafter		(51,835)

***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, 2020, 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, 2021.

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, 2020 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):

	<b>Teacher Employee HIC OPEB Plan</b>
Total Teacher Employee HIC OPEB Liability	\$ 1,477,874
Plan Fiduciary Net Position	194,305
Teacher Employee Net HIC OPEB Liability (Asset)	\$ <u>1,283,569</u>
Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability	13.15%

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.

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**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:

<b>Asset Class (Strategy)</b>	<b>Long-Term Target Asset Allocation</b>	<b>Arithmetic Long-term Expected Rate of Return</b>	<b>Weighted Average Long-term Expected Rate of Return*</b>
Public Equity	34.00%	5.00%	1.70%
Fixed Income	15.00%	0.57%	0.09%
Credit Strategies	14.00%	4.49%	0.63%
Real Assets	14.00%	4.76%	0.67%
Private Equity	14.00%	9.94%	1.39%
MAPS - Multi-Asset Public Strategies	6.00%	3.29%	0.20%
PIP - Private Investment Partnership	3.00%	6.84%	0.21%
Total	<u>100.00%</u>		<u>4.89%</u>
		Inflation	<u>2.50%</u>
		Expected arithmetic nominal return*	<u>7.39%</u>

\*The above allocation provides a one-year return of 7.39%. 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 6.94%, including expected inflation of 2.50%.

\*On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which was roughly 40<sup>th</sup> 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, 2021, 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, 2021 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	\$ 6,862,902	\$ 6,096,440	\$ 5,447,831

***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 2021 Annual Comprehensive Financial Report (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2021-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, 2022

**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, 2022.

	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	\$ 270,000	\$ 293,000	\$ 1,540,000	\$ 60,000	\$ -	\$ -	\$ -	\$ -
School Stand-Alone Plan	-	-	-	-	1,887,000	382,000	6,358,000	670,000
VRS OPEB Plans:								
Group Life Insurance Plan:								
County	313,252	374,047	917,097	53,444	-	-	-	-
School Board Nonprofessional	-	-	-	-	87,227	143,509	315,750	9,308
School Board Professional	-	-	-	-	679,510	1,151,232	2,370,340	61,033
Health Insurance Credit Plan - School								
Board Nonprofessional	-	-	-	-	46,504	69,302	168,741	11,756
Teacher Health Insurance Credit Plan	-	-	-	-	793,960	753,238	6,096,440	420,404
Totals	\$ 583,252	\$ 667,047	\$ 2,457,097	\$ 113,444	\$ 3,494,201	\$ 2,499,281	\$ 15,309,271	\$ 1,172,501

**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, 2022 was \$81,369.



NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022**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	\$ -	\$ 3,276,038
Prepaid property taxes due after June 30 but paid in advance by taxpayers	956,062	956,062
Unavailable opioid settlement receivable not available for the funding of current expenditures	-	1,078,023
Unavailable revenue representing locality compensation payments that are not available for funding current expenditures	-	1,929,530
Total deferred/unavailable revenue	<u>\$ 956,062</u>	<u>\$ 7,239,653</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 grant funds received during the fiscal year	62,906	62,906
Unspent American Rescue Plan Act received during the current fiscal year	7,421,545	7,421,545
Total unearned revenue	<u>\$ 7,806,573</u>	<u>\$ 7,806,573</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, 2022

**Note 17-Capital Assets:**

Capital asset activity for the year ended June 30, 2022 was as follows:

**Primary Government:**

	Beginning Balance	GASBS No. 87 Adjustment/ Restatement	Increases	Decreases <sup>1</sup>	Ending Balance
Governmental Activities:					
Capital assets, not being depreciated:					
Land	\$ 18,888,660	\$ -	\$ -	\$ -	\$ 18,888,660
Construction in progress	23,976,944	-	3,753,870	(1,743,379)	25,987,435
Total capital assets not being depreciated	<u>\$ 42,865,604</u>	<u>\$ -</u>	<u>\$ 3,753,870</u>	<u>\$ (1,743,379)</u>	<u>\$ 44,876,095</u>
Capital assets, being depreciated:					
Buildings and improvements	\$ 55,830,042	\$ -	\$ 1,769,403	\$ (587,105)	\$ 57,012,340
Machinery and equipment	47,343,784	(2,488,731)	1,663,870	(547,178)	45,971,745
Infrastructure	6,363,133	-	-	-	6,363,133
Total capital assets being depreciated	<u>\$ 109,536,959</u>	<u>\$ (2,488,731)</u>	<u>\$ 3,433,273</u>	<u>\$ (1,134,283)</u>	<u>\$ 109,347,218</u>
Accumulated depreciation:					
Buildings and improvements	\$ (24,267,000)	\$ -	\$ (1,795,661)	\$ 422,739	\$ (25,639,922)
Machinery and equipment	(30,101,510)	573,116	(3,010,389)	534,912	(32,003,871)
Infrastructure	(5,291,416)	-	(751,587)	-	(6,043,003)
Total accumulated depreciation	<u>\$ (59,659,926)</u>	<u>\$ 573,116</u>	<u>\$ (5,557,637)</u>	<u>\$ 957,651</u>	<u>\$ (63,686,796)</u>
Total capital assets being depreciated, net	<u>\$ 49,877,033</u>	<u>\$ (1,915,615)</u>	<u>\$ (2,124,364)</u>	<u>\$ (176,632)</u>	<u>\$ 45,660,422</u>
Right-to-use capital assets, being amortized:					
Land	\$ -	\$ 595,381	\$ 44,178	\$ -	\$ 639,559
Buildings and improvements	-	883,151	-	(46,420)	836,731
Machinery and equipment	-	1,892,975	863,357	-	2,756,332
Total right-to-use capital assets being amortized	<u>\$ -</u>	<u>\$ 3,371,507</u>	<u>\$ 907,535</u>	<u>\$ (46,420)</u>	<u>\$ 4,232,622</u>
Accumulated amortization:					
Land	\$ -	\$ -	\$ (87,138)	\$ -	\$ (87,138)
Buildings and improvements	-	-	(187,095)	46,420	(140,675)
Machinery and equipment	-	-	(408,096)	-	(408,096)
Total accumulated amortization	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (682,329)</u>	<u>\$ 46,420</u>	<u>\$ (635,909)</u>
Total right-to-use capital assets being amortized, net	<u>\$ -</u>	<u>\$ 3,371,507</u>	<u>\$ 225,206</u>	<u>\$ -</u>	<u>\$ 3,596,713</u>
Governmental activities capital assets, net	<u>\$ 92,742,637</u>	<u>\$ 1,455,892</u>	<u>\$ 1,854,712</u>	<u>\$ (1,920,011)</u>	<u>\$ 94,133,230</u>

<sup>1</sup> Current year deletions include the transfer of a building with a net book value of \$106,114 (cost \$373,439 and accumulated depreciation \$267,325) to the School Board.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022**Note 17-Capital Assets: (continued)**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type Activities:				
Capital assets, being depreciated:				
Infrastructure	\$ <u>1,319,774</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>1,319,774</u>
Total capital assets being depreciated	\$ <u>1,319,774</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>1,319,774</u>
Accumulated depreciation:				
Infrastructure	\$ <u>(447,603)</u>	\$ <u>(32,845)</u>	\$ <u>-</u>	\$ <u>(480,448)</u>
Total accumulated depreciation	\$ <u>(447,603)</u>	\$ <u>(32,845)</u>	\$ <u>-</u>	\$ <u>(480,448)</u>
Total capital assets being depreciated, net	\$ <u>872,171</u>	\$ <u>(32,845)</u>	\$ <u>-</u>	\$ <u>839,326</u>
Business-type activities capital assets, net	\$ <u>872,171</u>	\$ <u>(32,845)</u>	\$ <u>-</u>	\$ <u>839,326</u>

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

Governmental activities:	
General government administration	\$ 144,886
Judicial administration	127,031
Public safety	2,792,056
Public works	1,997,022
Health and welfare	42,563
Education	349,265
Parks, recreation, and cultural	551,275
Community development	<u>235,868</u>
Total depreciation/amortization expense-governmental activities	\$ <u>6,239,966</u>
Business-type activities	
Utility fund	\$ <u>32,845</u>

COUNTY OF FRANKLIN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022

**Note 17-Capital Assets: (continued)**

Capital asset activity for the School Board for the year ended June 30, 2022 was as follows:

**Discretely Presented Component Unit:**

	Beginning Balance	GASBS No. 87 Adjustment	Increases <sup>1</sup>	Decreases	Ending Balance
Governmental Activities:					
Capital assets, not being depreciated:					
Land	\$ 725,315	\$ -	\$ -	\$ -	\$ 725,315
Construction in progress	442,516	-	1,646,066	(936,527)	1,152,055
Total capital assets not being depreciated	<u>\$ 1,167,831</u>	<u>\$ -</u>	<u>\$ 1,646,066</u>	<u>\$ (936,527)</u>	<u>\$ 1,877,370</u>
Capital assets, being depreciated:					
Buildings and improvements	\$ 63,710,584	\$ -	\$ 1,326,810	\$ -	\$ 65,037,394
Machinery and equipment	21,924,034	-	879,578	(170,292)	22,633,320
Total capital assets being depreciated	<u>\$ 85,634,618</u>	<u>\$ -</u>	<u>\$ 2,206,388</u>	<u>\$ (170,292)</u>	<u>\$ 87,670,714</u>
Accumulated depreciation:					
Buildings and improvements	\$ (40,434,295)	\$ -	\$ (1,551,178)	\$ -	\$ (41,985,473)
Machinery and equipment	(18,394,546)	-	(908,790)	170,292	(19,133,044)
Total accumulated depreciation	<u>\$ (58,828,841)</u>	<u>\$ -</u>	<u>\$ (2,459,968)</u>	<u>\$ 170,292</u>	<u>\$ (61,118,517)</u>
Total capital assets being depreciated, net	<u>\$ 26,805,777</u>	<u>\$ -</u>	<u>\$ (253,580)</u>	<u>\$ -</u>	<u>\$ 26,552,197</u>
Right-to-use capital assets, being amortized:					
Machinery and equipment	\$ -	\$ 186,373	\$ -	\$ -	\$ 186,373
Total right-to-use capital assets being amortized	<u>\$ -</u>	<u>\$ 186,373</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 186,373</u>
Accumulated amortization:					
Machinery and equipment	\$ -	\$ -	\$ (156,178)	\$ -	\$ (156,178)
Total accumulated amortization	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (156,178)</u>	<u>\$ -</u>	<u>\$ (156,178)</u>
Total right-to-use capital assets being amortized, net	<u>\$ -</u>	<u>\$ 186,373</u>	<u>\$ (156,178)</u>	<u>\$ -</u>	<u>\$ 30,195</u>
Governmental activities capital assets, net	<u>\$ 27,973,608</u>	<u>\$ 186,373</u>	<u>\$ 1,236,308</u>	<u>\$ (936,527)</u>	<u>\$ 28,459,762</u>

<sup>1</sup> Current year additions include the transfer of a building with a net book value of \$106,114 (cost \$373,439 and accumulated depreciation \$267,325) from the County.

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

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COUNTY OF FRANKLIN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022

**Note 18-Leases Receivable:**

Primary Government:

The following is a summary of leases receivable transactions of the County for the year ended June 30, 2022:

	Beginning Balance	GASBS No. 87 Implementation	Increases/ Issuances	Decreases/ Retirements	Ending Balance	Interest Revenue
Leases receivable	\$ -	\$ 133,490	\$ -	\$ (31,127)	\$ 102,363	\$ 2,953

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%	\$ 68,968	\$ 14,455
Cell Tower	12/1/2017	11/30/2022	Monthly	2.00%	1,244	1,244
Property	8/1/2019	7/31/2024	Monthly	3.00%	32,151	14,936
Total					<u>\$ 102,363</u>	<u>\$ 30,635</u>

*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, 2022

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

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 close and monitor sites 72 and 577 are \$9,323,447 and \$4,885,261, respectively. The estimated closure and post-closure care liability for sites 72 and 577 are \$9,323,447 and \$532,982, respectively, based on capacity used as of June 30, 2022. 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 \$4,352,279 over the remaining useful life of site 577. The estimated remaining life for landfill site 577 is 37.8 years and the landfill has reached 10.91% of its useful life. The cost presented above represent what it would cost to perform closure and post-closure care in 2022. Actual costs for closure and post-closure monitoring may change due to inflation, deflation, changes in technology or changes in applicable laws or regulations.

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

COUNTY OF FRANKLIN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022

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**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, 2022</u>	<u>Funding Source</u>
County:			
Glade Hill Fire and EMS Station	\$ 4,731,749	\$ 4,105,889	Local Funds
Component Unit School Board:			
Renovations to Burnt Chimney and Snow Creek Elementary Schools	646,300	379,583	Local Funds
Renovations to Glade Hill and Sontag Elementary Schools	1,128,657	343,856	Local Funds

**Note 24-Arbitrage Rebate Compliance:**

As of June 30, 2022 and for the year then ended, the County was not liable for any amounts due under current rules governing arbitrage earnings.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022**Note 25-Adoption of Accounting Principle:**

The County implemented provisions of Governmental Accounting Standards Board Statement No. 87, *Leases* during the fiscal year ended June 30, 2022. Statement No. 87, *Leases* requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Using the facts and circumstances that existed at the beginning of the year of implementation, the following balances were recognized as of July 1, 2021 related to the leases. Additionally, the implementation of this Statement resulted in the adjustment/restatement of net position as described below:

	Governmental Activities	Component Unit School Board	General Fund
Beginning net position, as previously reported	\$ 89,957,962	n/a	n/a
GASBS No. 87 Implementation:			
Remove capital leases	1,843,941	n/a	n/a
Record lease liabilities	(1,843,941)	n/a	n/a
Remove capital assets, net	(1,915,615)	n/a	n/a
Record right-to-use capital assets, net	1,843,941	n/a	n/a
Beginning net position, as restated	\$ 89,886,288	n/a	n/a
GASBs No. 87 Implementation Adjustments:			
Lessee activity:			
Right-to-use capital assets activity:			
Right-to-use capital assets restatement from above	\$ 1,843,941	\$ -	n/a
Right-to-use capital assets	1,527,566	186,373	n/a
Total right-to-use capital assets activity	\$ 3,371,507	\$ 186,373	n/a
Lease liability activity:			
Lease liability restatement from above	\$ (1,843,941)	\$ -	n/a
Lease liabilities	(1,527,566)	(186,373)	n/a
Total lease liability activity	\$ (3,371,507)	\$ (186,373)	n/a
Lessor activity:			
Lease receivable	\$ 133,490	n/a	\$ 133,490
Deferred inflows of resources-leases	\$ 133,490	n/a	\$ 133,490

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**Note 26-Subsequent Event:**

**ARPA Funding**

On March 11, 2021, the American Rescue Plan (ARPA) Act of 2021 was passed by the federal government. A primary component of the ARPA was the establishment of the Coronavirus State and Local Fiscal Recovery Fund (CSLFRF). Local governments are to receive funds in two tranches, with 50% provided beginning in May 2021 and the balance delivered approximately 12 months later.

As of June 30, 2022, the County received their share of CSLFRF funds. As a condition of receiving CSLFRF funds, any funds unobligated by December 31, 2024, and unexpended by December 31, 2026, will be returned to the federal government. Unspent funds in the amount of \$7,421,545 are reported as unearned revenue as of June 30.

**ESF Funding**

The CARES Act also established the Education Stabilization Fund (ESF) and allocated \$30.75 billion to the U.S. Department of Education. The ESF is composed of three primary emergency relief funds: (1) a Governor's Emergency Education Relief (GEER) Fund, (2) an Elementary and Secondary School Emergency Relief (ESSER) Fund, and (3) a Higher Education Emergency Relief (HEER) Fund. The Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA Act) was signed into law on December 27, 2020 and added \$81.9 billion to the ESF. In March 2021, the American Rescue Plan Act (ARP Act), in support of ongoing state and institutional COVID-19 recovery efforts, added more than \$170 billion to the ESF. The School Board is receiving this funding from the Virginia Department of Education on a reimbursement basis.

**Note 27-Upcoming Pronouncements:**

Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021.

Statement No. 94, *Public-Private and Public-Public Partnerships and Availability of Payment Arrangements*, addresses issues related to public-private and public-public partnership arrangements. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022.

Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022.

**Note 27-Upcoming Pronouncements: (continued)**

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.

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, 2021

	2021	2020	2019	2018	2017	2016	2015	2014
<b>Total pension liability</b>								
Service cost	\$ 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	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	2,468,227	-	1,949,320	-	(254,052)	-	-	-
Differences between expected and actual experience	(1,197,163)	1,129,516	(42,359)	(33,861)	(554,510)	(1,935,754)	(74,392)	-
Net change in total pension liability	(3,813,536)	(3,349,280)	(3,351,161)	(3,284,389)	(2,920,845)	(3,024,968)	(2,283,746)	(2,372,581)
Benefit payments	4,161,426	4,170,601	4,584,493	2,483,986	1,925,709	658,220	3,067,142	2,803,830
<b>Total pension liability - beginning</b>	<b>72,802,511</b>	<b>68,631,910</b>	<b>64,047,417</b>	<b>61,563,431</b>	<b>59,637,722</b>	<b>58,979,502</b>	<b>55,912,360</b>	<b>53,108,530</b>
<b>Total pension liability - ending (a)</b>	<b>76,963,937</b>	<b>72,802,511</b>	<b>68,631,910</b>	<b>64,047,417</b>	<b>61,563,431</b>	<b>59,637,722</b>	<b>58,979,502</b>	<b>55,912,360</b>
<b>Plan fiduciary net position</b>								
Contributions - employer	\$ 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	766,212	778,541	777,659	683,573	677,313	646,070	641,611	639,291
Net investment income	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	(3,813,536)	(3,349,280)	(3,351,161)	(3,284,389)	(2,920,845)	(3,024,968)	(2,283,746)	(2,372,581)
Administrator charges	(43,899)	(41,981)	(40,796)	(37,699)	(37,293)	(33,293)	(31,880)	(37,649)
Other	1,650	(1,453)	(2,577)	(3,837)	(5,757)	(392)	(498)	370
<b>Net change in plan fiduciary net position</b>	<b>15,983,822</b>	<b>(107,277)</b>	<b>2,739,342</b>	<b>2,903,607</b>	<b>5,401,101</b>	<b>(12,453)</b>	<b>2,134,534</b>	<b>6,820,458</b>
<b>Plan fiduciary net position - beginning</b>	<b>64,446,525</b>	<b>64,553,802</b>	<b>61,814,460</b>	<b>58,910,863</b>	<b>53,509,752</b>	<b>53,522,205</b>	<b>51,387,671</b>	<b>44,567,213</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>80,430,347</b>	<b>64,446,525</b>	<b>64,553,802</b>	<b>61,814,460</b>	<b>58,910,853</b>	<b>53,509,752</b>	<b>53,522,205</b>	<b>51,387,671</b>
<b>County's net pension liability (asset) - ending (a) - (b)</b>	<b>\$ (3,466,410)</b>	<b>\$ 8,355,986</b>	<b>\$ 4,078,108</b>	<b>\$ 2,232,957</b>	<b>\$ 2,652,578</b>	<b>\$ 6,127,970</b>	<b>\$ 5,457,297</b>	<b>\$ 4,524,689</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	104.50%	88.52%	94.06%	96.51%	95.69%	89.72%	90.75%	91.91%
<b>Covered payroll</b>	\$ 16,262,282	\$ 16,095,359	\$ 15,635,066	\$ 14,190,626	\$ 13,878,181	\$ 13,038,257	\$ 12,814,396	\$ 12,688,971
<b>County's net pension liability as a percentage of covered payroll</b>	-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, 2021

	2021	2020	2019	2018	2017	2016	2015	2014
<b>Total pension liability</b>								
Service cost	\$ 523,311	\$ 529,604	\$ 491,582	\$ 484,820	\$ 479,271	\$ 481,215	\$ 504,997	\$ 511,225
Interest	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	(235,118)	(390,573)	351,293	(233,292)	(328,537)	(411,768)	(67,675)	-
Benefit payments	(1,567,826)	(1,157,593)	(1,210,900)	(938,055)	(924,207)	(881,382)	(957,755)	(871,073)
<b>Net change in total pension liability</b>	\$ 1,039,144	\$ 559,422	\$ 1,772,035	\$ 779,012	\$ 468,288	\$ 582,063	\$ 813,917	\$ 913,585
<b>Total pension liability - beginning</b>	\$ 24,515,761	\$ 23,956,339	\$ 22,184,304	\$ 21,405,292	\$ 20,937,004	\$ 20,354,941	\$ 19,541,024	\$ 18,627,439
<b>Total pension liability - ending (a)</b>	\$ 25,554,905	\$ 24,515,761	\$ 23,956,339	\$ 22,184,304	\$ 21,405,292	\$ 20,937,004	\$ 20,354,941	\$ 19,541,024
<b>Plan fiduciary net position</b>								
Contributions - employer	\$ 382,098	\$ 352,871	\$ 352,380	\$ 390,066	\$ 383,934	\$ 403,517	\$ 393,215	\$ 395,872
Contributions - employee	260,087	273,426	270,463	263,768	258,203	249,885	244,347	247,003
Net investment income	5,787,904	413,063	1,378,580	1,458,537	2,170,292	308,412	788,531	2,390,492
Benefit payments	(1,567,826)	(1,157,593)	(1,210,900)	(938,055)	(924,207)	(881,382)	(957,755)	(871,073)
Administrator charges	(14,888)	(14,235)	(13,860)	(12,592)	(12,546)	(11,060)	(10,964)	(12,959)
Other	542	(487)	(867)	(1,300)	(1,933)	(131)	(168)	126
<b>Net change in plan fiduciary net position</b>	\$ 4,847,917	\$ (132,955)	\$ 775,796	\$ 1,160,424	\$ 1,873,743	\$ 69,241	\$ 457,206	\$ 2,149,461
<b>Plan fiduciary net position - beginning</b>	\$ 21,581,598	\$ 21,714,553	\$ 20,938,757	\$ 19,778,333	\$ 17,904,590	\$ 17,835,349	\$ 17,378,143	\$ 15,228,682
<b>Plan fiduciary net position - ending (b)</b>	\$ 26,429,515	\$ 21,581,598	\$ 21,714,553	\$ 20,938,757	\$ 19,778,333	\$ 17,904,590	\$ 17,835,349	\$ 17,378,143
<b>School Division's net pension liability (asset) - ending (a) - (b)</b>	\$ (874,610)	\$ 2,934,163	\$ 2,241,786	\$ 1,245,547	\$ 1,626,959	\$ 3,032,414	\$ 2,519,592	\$ 2,162,881
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	103.42%	88.03%	90.64%	94.39%	92.40%	85.52%	87.62%	88.93%
<b>Covered payroll</b>	\$ 5,588,264	\$ 5,869,163	\$ 5,677,195	\$ 5,511,781	\$ 5,338,148	\$ 5,110,248	\$ 4,950,850	\$ 4,945,841
<b>School Division's net pension liability as a percentage of covered payroll</b>	-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, 2021

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)
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, 2013 through June 30, 2022

Date	Contractually Required Contribution (1)*	Contributions in Relation to Contractually Required Contribution (2)*	Contribution Deficiency (Excess)** (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
<b>Primary Government</b>					
2022	\$ 1,608,809	\$ 1,608,809	\$ -	\$ 17,832,302	9.02%
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%
2013	1,493,503	1,493,503	-	12,132,435	12.31%
<b>Component Unit School Board (nonprofessional)</b>					
2022	\$ 396,949	\$ 396,949	\$ -	\$ 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%
2013	492,154	393,429	98,725	4,911,717	8.01%
<b>Component Unit School Board (professional)</b>					
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%
2013	4,266,094	4,266,094	-	36,587,427	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, 2022

**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, 2020 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, 2021

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

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, 2021

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

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, 2022

**Primary Government**

Valuation Date: 7/1/2020  
Measurement Date: 7/1/2021

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	1.92%
Inflation	2.50%
Healthcare Trend Rate	2.44% for fiscal year end 2022 (to reflect actual experience), then 7.00% 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: 7/1/2020  
Measurement Date: 7/1/2021

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	1.92%
Inflation	2.50%
Healthcare Trend Rate	0.00% for fiscal year end 2022 (to reflect actual experience), then 7.00% 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, 2021

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)
<b>Primary Government</b>					
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%
<b>Component Unit School Board (nonprofessional)</b>					
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%
<b>Component Unit School Board (professional)</b>					
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, 2013 through June 30, 2022

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
<b>Primary Government</b>					
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%
2013	58,236	58,236	-	12,132,435	0.48%
<b>Component Unit School Board (nonprofessional)</b>					
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%
2013	23,650	23,650	-	4,911,717	0.48%
<b>Component Unit School Board (professional)</b>					
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%
2013	175,982	175,982	-	36,587,427	0.48%

County of Franklin, Virginia  
Notes to Required Supplementary Information  
Group Life Insurance (GLI) Plan  
For the Year Ended June 30, 2022

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**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, 2020 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, 2021

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

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, 2021

Date	Employer's Proportion of the Net HIC OPEB Liability (Asset)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset)	Employer's Covered Payroll	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4)	Plan Fiduciary Net Position as a Percentage of Total HIC OPEB Liability (6)
(1)	(2)	(3)	(4)	(5)	(6)
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, 2013 through June 30, 2022

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
<b>Component Unit School Board (nonprofessional)</b>					
2022	\$ 26,893	\$ 26,893	\$ -	\$ 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%
2013	28,011	28,011	-	4,911,717	0.57%
<b>Component Unit School Board (professional)</b>					
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%
2013	406,120	406,120	-	36,587,427	1.11%

County of Franklin, Virginia  
Notes to Required Supplementary Information  
Health Insurance Credit (HIC) Plan  
For the Year Ended June 30, 2022

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**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, 2020, 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, 2020 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, 2022

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
<b>REVENUES</b>				
General property taxes	\$ 59,057,123	\$ 79,624,276	\$ 82,009,088	\$ 2,384,812
Other local taxes	11,225,178	11,225,178	13,396,258	2,171,080
Permits, privilege fees, and regulatory licenses	445,293	445,293	653,380	208,087
Fines and forfeitures	25,038	25,038	45,353	20,315
Revenue from the use of money and property	598,271	618,271	541,141	(77,130)
Charges for services	3,113,725	3,563,031	3,530,567	(32,464)
Miscellaneous	133,930	174,081	396,810	222,729
Recovered costs	1,248,801	918,180	1,035,339	117,159
Intergovernmental	21,456,059	26,861,671	26,389,837	(471,834)
Total revenues	\$ 97,303,418	\$ 123,455,019	\$ 127,997,773	\$ 4,542,754
<b>EXPENDITURES</b>				
General government administration				
Legislative	\$ 485,803	\$ 557,268	\$ 557,018	\$ 250
General and financial administration	4,587,774	4,607,133	4,373,333	233,800
Board of elections	380,136	406,437	344,893	61,544
Total general government administration	\$ 5,453,713	\$ 5,570,838	\$ 5,275,244	\$ 295,594
Judicial administration				
Courts	\$ 2,090,253	\$ 2,341,747	\$ 2,257,341	\$ 84,406
Commonwealth's attorney	849,185	863,143	858,909	4,234
Total judicial administration	\$ 2,939,438	\$ 3,204,890	\$ 3,116,250	\$ 88,640
Public safety				
Law enforcement and traffic control	\$ 4,948,937	\$ 5,870,140	\$ 5,876,883	\$ (6,743)
Correction and detention	4,851,342	5,131,512	4,694,992	436,520
Inspections	488,122	519,434	508,077	11,357
Other protection*	5,542,688	6,707,087	7,634,348	(927,261)
Total public safety	\$ 15,831,089	\$ 18,228,173	\$ 18,714,300	\$ (486,127)
Public works				
Sanitation and waste removal	\$ 2,858,415	\$ 2,923,045	\$ 2,921,994	\$ 1,051
Maintenance of general buildings and grounds	1,700,509	1,717,562	1,588,239	129,323
Total public works	\$ 4,558,924	\$ 4,640,607	\$ 4,510,233	\$ 130,374
Health and welfare				
Health	\$ 381,598	\$ 381,598	\$ 381,598	\$ -
Mental health and mental retardation	40,000	40,000	40,000	-
Welfare	15,128,609	15,821,343	15,419,262	402,081
Total health and welfare	\$ 15,550,207	\$ 16,242,941	\$ 15,840,860	\$ 402,081

County of Franklin, Virginia  
General Fund  
Schedule of Revenues, Expenditures, and Change in Fund Balances - Budget and Actual  
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
<b>EXPENDITURES (CONTINUED)</b>				
Education				
Other instructional costs	\$ 35,738,173	\$ 38,026,740	\$ 35,712,506	\$ 2,314,234
Total education	\$ 35,738,173	\$ 38,026,740	\$ 35,712,506	\$ 2,314,234
Parks, recreation, and cultural				
Parks and recreation	\$ 1,468,338	\$ 1,546,495	\$ 1,509,825	\$ 36,670
Library	925,578	959,378	896,036	63,342
Total parks, recreation, and cultural	\$ 2,393,916	\$ 2,505,873	\$ 2,405,861	\$ 100,012
Community development				
Planning and community development	\$ 2,793,186	\$ 3,337,848	\$ 2,904,958	\$ 432,890
Environmental management	185,320	222,616	222,614	2
Cooperative extension program	122,123	122,123	94,465	27,658
Total community development	\$ 3,100,629	\$ 3,682,587	\$ 3,222,037	\$ 460,550
Nondepartmental	\$ 315,421	\$ 31,241	\$ -	\$ 31,241
Total nondepartmental	\$ 315,421	\$ 31,241	\$ -	\$ 31,241
Debt service				
Principal retirement	\$ 3,413,145	\$ 4,248,954	\$ 4,112,113	\$ 136,841
Interest and other fiscal charges	2,423,057	2,610,047	2,538,232	71,815
Total debt service	\$ 5,836,202	\$ 6,859,001	\$ 6,650,345	\$ 208,656
Total expenditures	\$ 91,717,712	\$ 98,992,891	\$ 95,447,636	\$ 3,545,255
Excess (deficiency) of revenues over (under) expenditures	\$ 5,585,706	\$ 24,462,128	\$ 32,550,137	\$ 8,088,009
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	\$ (3,445,668)	\$ (29,836,286)	\$ (29,832,547)	\$ 3,739
Issuance of lease liabilities*	-	-	907,535	907,535
Issuance of note payable (financed purchase)*	-	-	191,580	191,580
Total other financing sources (uses)	\$ (3,445,668)	\$ (29,836,286)	\$ (28,733,432)	\$ 1,102,854
Net change in fund balances	\$ 2,140,038	\$ (5,374,158)	\$ 3,816,705	\$ 9,190,863
Fund balances - beginning	(2,140,038)	5,374,158	39,891,128	34,516,970
Fund balances - ending	\$ -	\$ -	\$ 43,707,833	\$ 43,707,833

Note: All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP), except for the treatment of leases and financed purchases. \*Lease and financed purchases totaling \$1,099,115 as posted to other protection are not subject to appropriation.

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, 2022

	E-911 Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Intergovernmental	\$ 60,000	\$ 114,734	\$ 453,543	\$ 338,809
Total revenues	\$ 60,000	\$ 114,734	\$ 453,543	\$ 338,809
EXPENDITURES				
Current:				
Public safety	\$ 1,270,025	\$ 1,458,932	\$ 1,256,519	\$ 202,413
Total expenditures	\$ 1,270,025	\$ 1,458,932	\$ 1,256,519	\$ 202,413
Excess (deficiency) of revenues over (under) expenditures	\$ (1,210,025)	\$ (1,344,198)	\$ (802,976)	\$ 541,222
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 1,210,025	\$ 1,344,198	\$ 1,186,973	\$ (157,225)
Total other financing sources (uses)	\$ 1,210,025	\$ 1,344,198	\$ 1,186,973	\$ (157,225)
Net change in fund balances	\$ -	\$ -	\$ 383,997	\$ 383,997
Fund balances - beginning	-	-	1,099,607	1,099,607
Fund balances - ending	\$ -	\$ -	\$ 1,483,604	\$ 1,483,604

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

## **Other Supplementary Information**

## **FIDUCIARY FUNDS**

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

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

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

Inmate 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, 2022

	Custodial Funds					
	Special Welfare Fund	Escrow Fund for Soil and Erosion Control Agreement	Library Fund	Inmate Fund	Seized Assets	Total
<b>ASSETS</b>						
Cash and cash equivalents	\$ 92,961	\$ 489,898	\$ 4,000	\$ 5,695	\$ 30,796	\$ 623,350
Receivables:						
Other receivables	-	-	-	3,696	-	3,696
Total assets	\$ 92,961	\$ 489,898	\$ 4,000	\$ 9,391	\$ 30,796	\$ 627,046
<b>LIABILITIES</b>						
Accounts payable	\$ -	\$ -	\$ -	\$ 1,054	\$ -	\$ 1,054
Total liabilities	\$ -	\$ -	\$ -	\$ 1,054	\$ -	\$ 1,054
<b>NET POSITION</b>						
Restricted:						
Amounts held for social services clients	\$ 92,961	\$ -	\$ -	\$ -	\$ -	\$ 92,961
Amounts held for performance bonds	-	489,898	-	-	-	489,898
Amounts held for library	-	-	4,000	-	-	4,000
Amounts held for inmates	-	-	-	8,337	-	8,337
Amounts held for court systems	-	-	-	-	30,796	30,796
Total net position	\$ 92,961	\$ 489,898	\$ 4,000	\$ 8,337	\$ 30,796	\$ 625,992
Total liabilities and net position	\$ 92,961	\$ 489,898	\$ 4,000	\$ 9,391	\$ 30,796	\$ 627,046



County of Franklin, Virginia  
Combining Statement of Changes in Fiduciary Net Position  
Fiduciary Funds  
For the Year Ended June 30, 2022

	Custodial Funds					
	Special Welfare Fund	Escrow Fund for Soil and Erosion Control Agreement	Library Fund	Inmate Fund	Seized Assets	Total
<b>ADDITIONS</b>						
Interest income	\$ -	\$ 418	\$ -	\$ -	\$ -	\$ 418
Gifts and donations	126,982	-	-	-	-	126,982
Deposits from inmates	-	-	-	213,832	-	213,832
Seized property	-	-	-	-	67,305	67,305
Performance bond payment	-	119,900	-	-	-	119,900
Miscellaneous	13,502	-	-	-	-	13,502
Total additions	\$ 140,484	\$ 120,318	\$ -	\$ 213,832	\$ 67,305	\$ 541,939
<b>DEDUCTIONS</b>						
Special welfare payments	\$ 121,823	\$ -	\$ -	\$ -	\$ -	\$ 121,823
Inmate refunds	-	-	-	210,844	-	210,844
Refund of performance bond payments	-	47,677	-	-	-	47,677
Return of seized property	-	-	-	-	79,305	79,305
Total deductions	\$ 121,823	\$ 47,677	\$ -	\$ 210,844	\$ 79,305	\$ 459,649
Net increase (decrease) in fiduciary net position	\$ 18,661	\$ 72,641	\$ -	\$ 2,988	\$ (12,000)	\$ 82,290
Net position, beginning of year	74,300	417,257	4,000	5,349	42,796	543,702
Net position, end of year	\$ 92,961	\$ 489,898	\$ 4,000	\$ 8,337	\$ 30,796	\$ 625,992

## **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, 2022

	School Operating Fund	School Activity Fund	Total School Board
<b>ASSETS</b>			
Cash and cash equivalents	\$ 3,029,513	\$ 1,349,870	\$ 4,379,383
Accounts receivable	1,453	22,560	24,013
Due from other governmental units	3,551,722	-	3,551,722
Inventories	188,448	-	188,448
Prepaid items	316,908	-	316,908
Restricted assets:			
Cash and cash equivalents	905,257	-	905,257
Total assets	<u>\$ 7,993,301</u>	<u>\$ 1,372,430</u>	<u>\$ 9,365,731</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 1,440,740	\$ 17,276	\$ 1,458,016
Accrued liabilities	956,943	-	956,943
Construction accounts payable	1,017,413	-	1,017,413
Unearned revenue	107,980	-	107,980
Total liabilities	<u>\$ 3,523,076</u>	<u>\$ 17,276</u>	<u>\$ 3,540,352</u>
<b>FUND BALANCES</b>			
Nonspendable			
Inventories	\$ 188,448	\$ -	\$ 188,448
Prepaid items	316,908	-	316,908
Restricted			
Cafeteria program	905,257	-	905,257
School activity fund	-	1,355,154	1,355,154
Unassigned	3,059,612	-	3,059,612
Total fund balances	<u>\$ 4,470,225</u>	<u>\$ 1,355,154</u>	<u>\$ 5,825,379</u>
Total liabilities and fund balances	<u>\$ 7,993,301</u>	<u>\$ 1,372,430</u>	<u>\$ 9,365,731</u>
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:			
Total fund balances per above			\$ 5,825,379
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			
Capital assets			
Land		\$ 725,315	
Buildings and improvements		23,051,921	
Machinery and equipment		3,500,276	
Construction in progress		1,152,055	
Right-to-use capital assets			
Machinery and equipment		<u>30,195</u>	28,459,762
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.			
Pension related items		\$ 14,836,799	
OPEB related items		3,494,201	
Net pension asset		<u>874,610</u>	19,205,610
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.			
Lease liabilities		\$ (31,057)	
Compensated absences		(1,069,854)	
Net OPEB liabilities		(15,309,271)	
Net pension liability		<u>(36,951,567)</u>	(53,361,749)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.			
Pension related items		\$ (34,056,147)	
OPEB related items		<u>(2,499,281)</u>	(36,555,428)
Net position of governmental activities			<u><u>\$ (36,426,426)</u></u>

County of Franklin, Virginia  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds - Discretely Presented Component Unit - School Board**  
**For the Year Ended June 30, 2022**

	School Operating Fund	School Activity Fund*	Total School Board
<b>REVENUES</b>			
Revenue from the use of money and property	\$ 2	\$ -	\$ 2
Charges for services	309,288	1,346,123	1,655,411
Miscellaneous	176	-	176
Recovered costs	1,303,339	-	1,303,339
Intergovernmental	96,338,721	-	96,338,721
Total revenues	<u>\$ 97,951,526</u>	<u>\$ 1,346,123</u>	<u>\$ 99,297,649</u>
<b>EXPENDITURES</b>			
Current:			
Education	\$ 92,965,096	\$ 1,708,670	\$ 94,673,766
Capital projects	2,444,550	-	2,444,550
Debt service:			
Principal retirement	155,316	-	155,316
Interest and other fiscal charges	3,764	-	3,764
Total expenditures	<u>\$ 95,568,726</u>	<u>\$ 1,708,670</u>	<u>\$ 97,277,396</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 2,382,800</u>	<u>\$ (362,547)</u>	<u>\$ 2,020,253</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	\$ 210,651	\$ 633,281	\$ 843,932
Transfers out	(633,281)	(210,651)	(843,932)
Sale of capital assets	36,652	-	36,652
Total other financing sources (uses)	<u>\$ (385,978)</u>	<u>\$ 422,630</u>	<u>\$ 36,652</u>
Net change in fund balances	\$ 1,996,822	\$ 60,083	\$ 2,056,905
Fund balances - beginning	2,473,403	1,295,071	3,768,474
Fund balances - ending	<u>\$ 4,470,225</u>	<u>\$ 1,355,154</u>	<u>\$ 5,825,379</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			\$ 2,056,905
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 amount by which the capital outlays exceeded depreciation/amortization in the current period.			
Capital outlays		\$ 2,169,049	
Depreciation/amortization expense		<u>(2,081,496)</u>	87,553
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.			
Transfer of asset from County			106,114
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			155,316
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		\$ (45,142)	
Changes in OPEB related items		(143,567)	
Changes in pension related items		<u>8,127,452</u>	7,938,743
Change in net position of governmental activities			<u>\$ 10,344,631</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, 2022

	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	855,720	855,720	309,288	(546,432)
Miscellaneous	80,585	80,585	176	(80,409)
Recovered costs	1,400,034	1,400,034	1,303,339	(96,695)
Intergovernmental	95,169,355	98,599,010	96,338,721	(2,260,289)
Total revenues	\$ 97,505,694	\$ 100,935,349	\$ 97,951,526	\$ (2,983,823)
EXPENDITURES				
Current:				
Education	\$ 95,837,003	\$ 97,223,666	\$ 92,965,096	\$ 4,258,570
Capital projects	1,526,111	3,569,103	2,444,550	1,124,553
Debt service:				
Principal retirement	155,316	155,316	155,316	-
Interest and other fiscal charges	3,764	3,764	3,764	-
Total expenditures	\$ 97,522,194	\$ 100,951,849	\$ 95,568,726	\$ 5,383,123
Excess (deficiency) of revenues over (under) expenditures	\$ (16,500)	\$ (16,500)	\$ 2,382,800	\$ 2,399,300
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 210,651	\$ 210,651
Transfers out	-	-	(633,281)	(633,281)
Sale of capital assets	16,500	16,500	36,652	20,152
Total other financing sources (uses)	\$ 16,500	\$ 16,500	\$ (385,978)	\$ (402,478)
Net change in fund balances	\$ -	\$ -	\$ 1,996,822	\$ 1,996,822
Fund balances - beginning	-	-	2,473,403	2,473,403
Fund balances - ending	\$ -	\$ -	\$ 4,470,225	\$ 4,470,225

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

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## STATISTICAL SECTION

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## Statistical Section

### Contents

### Tables

#### Financial Trends

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

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#### Revenue Capacity

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

5 - 9

#### Debt Capacity

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

10 - 13

#### Demographic and Economic Information

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

14 - 15

#### Operating Information

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

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

## COUNTY OF FRANKLIN, VIRGINIA

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

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Governmental activities										
Net investment in capital assets	47,333,389	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
Restricted	388,906	373,539	365,467	540,757	685,889	839,910	1,169,763	1,440,174	1,722,119	6,733,063
Unrestricted	19,852,817	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
Total governmental activities net position	67,575,112	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
Business-type activities										
Net investment in capital assets	1,134,931	1,102,086	1,069,241	1,036,396	1,003,551	970,706	937,861	905,016	872,171	839,326
Unrestricted	182,806	210,379	241,149	259,552	88,379	152,635	184,179	215,360	278,277	299,705
Total business-type activities net position	1,317,737	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
Primary government										
Net investment in capital assets	48,468,320	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
Restricted	388,906	373,539	365,467	540,757	685,889	839,910	1,169,763	1,440,174	1,722,119	6,733,063
Unrestricted	20,035,623	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
Total primary government net position	68,892,849	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

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.

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)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Expenses</b>										
Governmental activities:										
General government administration	4,297,357	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
Judicial administration	2,535,881	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
Public safety	14,590,942	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
Public works	4,728,017	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
Health and welfare	10,269,099	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
Education	31,912,383	32,492,221	33,439,404	33,018,170	33,293,793	39,361,738	34,270,534	33,371,513	39,256,053	36,137,371
Parks, recreation and cultural	2,071,985	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
Community development	3,003,651	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
Interest on long-term debt	946,745	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
Total governmental activities expenses	74,356,060	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
Business-type activities:										
Utility fund	42,490	47,643	45,390	42,039	46,549	44,286	47,768	43,575	56,148	51,164
Total business-type activities expenses	42,490	47,643	45,390	42,039	46,549	44,286	47,768	43,575	56,148	51,164
Total primary government expenses	74,398,550	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
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
General government administration	7,980	12,224	7,104	6,009	19,490	17,761	11,501	9,705	7,704	7,805
Judicial administration	103,748	162,402	128,609	69,044	65,325	81,650	59,083	50,134	32,725	61,051
Public safety	1,781,500	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
Public works	952,990	942,265	888,773	889,386	961,582	1,057,377	1,309,122	1,326,812	1,421,389	1,473,005
Health and welfare	13,425	18,731	23,630	22,071	20,997	17,863	19,700	16,567	11,075	14,175
Parks, recreation and cultural	194,202	188,675	251,127	225,093	215,302	262,204	282,591	177,919	143,330	276,732
Operating grants and contributions	11,412,589	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
Capital grants and contributions	864,885	299,810	832,390	543,093	798,442	205,004	207,831	186,191	194,823	814,498
Total governmental activities program revenues	15,331,319	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
Business-type activities:										
Charges for services:										
Water	31,084	25,371	26,315	23,576	27,531	60,697	31,467	26,911	71,220	24,747
Total business-type activities program revenues	31,084	25,371	26,315	23,576	27,531	60,697	31,467	26,911	71,220	24,747
Total primary government program revenues	15,362,403	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

COUNTY OF FRANKLIN, VIRGINIA

Table 2  
Page 2 of 2

Changes in Net Position  
Last Ten Fiscal Years

(accrual basis of accounting)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Net (expense) / revenue										
Governmental activities	(59,024,741)	(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)
Business-type activities	(11,406)	(22,272)	(19,075)	(18,463)	(19,018)	16,411	(16,301)	(16,664)	15,072	(26,417)
Total primary government net expense	(59,036,147)	(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)
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Taxes										
Property taxes	46,330,843	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
Local sales and use taxes	4,029,528	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
Taxes on recordation and wills	513,088	468,085	469,299	470,807	547,449	523,550	533,816	691,985	1,141,090	1,046,385
Motor vehicle licenses taxes	1,148,502	833,472	1,930,605	2,100,109	2,024,297	2,011,649	2,058,850	2,030,181	2,122,224	2,061,003
Consumers' utility taxes	973,782	976,804	979,527	982,747	987,461	992,508	996,808	999,577	1,011,793	1,017,326
Business licenses taxes	4,798	13,745	4,079	3,314	3,986	4,744	3,659	3,633	5,297	5,517
Other local taxes	1,429,674	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
Unrestricted grants and contributions	5,478,612	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
Unrestricted revenues from use of money and property	1,129,807	1,142,792	907,931	1,012,753	1,147,211	1,002,611	1,519,309	1,129,087	657,441	538,486
Miscellaneous	584,600	552,240	2,928,292	507,848	319,274	280,591	437,990	587,268	520,490	1,368,896
Transfers	783,000	(17,000)	(17,000)	(4,021)	185,000	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)
Total governmental activities	62,406,234	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
Business-type activities:										
Transfers	(783,000)	17,000	17,000	4,021	(185,000)	15,000	15,000	15,000	15,000	15,000
Total business-type activities	(783,000)	17,000	17,000	4,021	(185,000)	15,000	15,000	15,000	15,000	15,000
Total primary government	61,623,234	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
<b>Change in Net Position</b>										
Governmental activities	3,381,493	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
Business-type activities	(794,406)	(5,272)	(2,075)	(14,442)	(204,018)	31,411	(1,301)	(1,664)	30,072	(11,417)
Total primary government	2,587,087	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

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.

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)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
General fund										
Nonspendable	-	-	-	-	-	-	2,537	-	-	-
Restricted	253,224	246,039	207,076	319,373	415,280	455,827	526,067	553,381	622,512	705,026
Assigned	277,289	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
Unassigned	20,397,311	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
Total general fund	20,927,824	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
All other governmental funds										
Nonspendable	-	-	-	-	474,741	4,184,291	1,380,049	940,810	1,231,445	1,311,949
Restricted, reported in:										
Special revenue funds	135,682	127,500	158,391	221,384	270,609	384,083	643,696	886,793	1,099,607	1,483,604
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
Assigned, reported in:										
Capital projects funds	11,776,528	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
Total all other governmental funds	11,912,210	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

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)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Revenues</b>										
General property taxes	46,529,172	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
Other local taxes	8,099,372	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
Permits, privilege fees and regulatory licenses	356,552	381,133	498,402	335,137	399,129	442,699	430,996	475,697	556,813	653,380
Fines and forfeitures	67,474	110,411	110,271	43,159	43,499	57,918	39,501	34,923	16,086	45,353
Revenue from use of money and property	1,129,807	1,142,792	907,931	1,012,753	1,147,211	1,002,611	1,519,309	1,129,087	657,441	569,613
Charges for services	2,629,819	2,776,411	2,472,381	2,648,331	2,736,347	2,822,896	3,283,610	3,352,722	3,365,648	3,530,567
Miscellaneous	584,600	552,240	327,376	599,515	408,072	371,706	529,143	683,524	621,950	396,810
Recovered costs	515,589	466,701	999,921	897,113	974,192	922,698	909,869	697,663	886,642	1,035,339
Intergovernmental	17,756,086	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
Total revenues	77,668,471	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
<b>Expenditures</b>										
General government administration	4,201,866	3,847,437	4,324,399	4,344,882	4,175,626	4,285,933	4,780,174	4,976,543	5,199,542	5,275,244
Judicial administration	2,401,013	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
Public safety	13,882,120	14,095,220	13,749,080	13,615,077	14,543,850	14,542,008	15,405,011	16,883,628	24,031,305	19,970,819
Public works	3,679,291	3,597,660	3,639,061	3,449,535	3,382,687	3,519,675	3,966,697	3,955,700	3,994,404	4,510,233
Health and welfare	10,357,775	11,053,119	11,525,467	11,475,912	12,320,615	13,509,837	14,769,839	15,209,386	14,787,784	15,840,860
Education	30,878,312	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
Parks, recreation and cultural	1,915,968	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
Community development	3,157,331	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
Nondepartrmental	46,897	3,978	26,674	-	-	-	-	-	-	-
Capital projects/outlays	7,103,074	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
Debt service										
Principal	6,304,484	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
Interest and other fiscal charges	1,040,602	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
Bond issuance costs	14,958	120,500	131,432	-	246,657	-	525,047	142,329	566,091	-
Total expenditures	84,983,691	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
Excess of revenues over (under) expenditures	(7,315,220)	(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
<b>Other financing sources (uses)</b>										
Transfers in	9,373,684	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
Transfers out	(8,590,684)	(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)
Bonds and notes issued	3,068,750	9,744,000	12,500,000	-	16,154,000	-	16,345,000	142,329	3,611,907	-
Premium on debt issuance	-	-	-	-	-	-	160,508	-	6,844,063	-
Refunded bonds issued	-	-	-	-	12,863,000	-	-	-	38,070,000	-
Debt service-current refunding-principal	-	-	-	-	(12,709,005)	-	-	-	(44,857,000)	-
Capital leases	-	-	-	-	-	-	1,315,000	-	92,433	-
Leases payable issued	655,000	-	-	-	-	2,396,299	-	-	-	907,535
Note payable (financed purchase)	-	-	-	-	-	-	-	-	-	191,580
Sale of capital assets	251,124	-	3,000	-	-	-	-	-	-	-
Total other financing sources (uses)	4,757,874	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
Net change in fund balances	(2,557,346)	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
Debt service as a percentage of noncapital expenditures	10%	5%	6%	7%	7%	7%	7%	7%	5%	7%
Total Debt Service Expenditures	7,345,086	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
Total Governmental Non-capital Expenditures	76,621,759	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

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.

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
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
2013	46,330,843	4,029,528	973,782	962,596	85,124	250,098	128,791	1,148,502	513,088	7,863	54,430,215

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
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
2013	6,512,213,873	478,922,754	62,392,929	97,259,640	-	161,030,712	7,311,819,908

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
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%
2013	0.54	2.34	1.08	0.70	-	0.66	7,100,025,919	102.98%

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
2022	0.61	2.41	0.70	1.08	0.70	0.73	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
2013	0.54	2.34	0.70	1.08	-	0.66	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 2022		Fiscal Year 2013	
		Assessed Valuation (Millions)	% of Total Assessed Valuation	Assessed Valuation (Millions)	% of Total Assessed Valuation
APPALACHIAN POWER CO	Electric Utility	141	1.70%	109	1.49%
TRINITY PACKAGING CORPORATION	Manufacturing	38	0.46%		
MCAIRLAIDS INC	Manufacturing	38	0.45%	10	0.14%
WILLARD CONSTRUCTION SMITH MOUNTAIN LAKE LLC	Construction	25	0.30%	22	0.30%
PLY GEM INDUSTRIES INC	Manufacturing	21	0.25%		
LINEAL TECHNOLOGIES INC	Manufacturing	20	0.24%		
EQUITRANS MIDSTREAM CORP	Gas Transmission	17	0.21%		
FRANKLIN REAL ESTATE CO	Real Estate	16	0.19%	24	0.33%
WAL MART REAL ESTATE	Retail	15	0.19%	10	0.14%
LOWE'S HOME CENTERS INC	Retail	14	0.16%	7	0.10%
CENTRAL TELEPHONE COMPANY	Telephone Utility	-		23	0.31%
ROCKY MOUNT DEVELOPMENT CO	Real Estate	-		10	0.14%
FRANKLIN MEMORIAL HOSPITAL	Health Care	-		8	0.11%
SOUTHGATE III LLC	Real Estate	-		7	0.10%
		344	4.15%	230	3.16%

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
2022	83,415,807	80,428,365	96.42%	-	80,428,365	96.42%
2021	59,637,649	58,234,025	97.65%	850,791	59,084,816	99.07%
2020	57,016,129	55,249,567	96.90%	1,398,475	56,648,042	99.35%
2019	55,338,694	53,812,063	97.24%	1,300,876	55,112,939	99.59%
2018	49,697,299	48,336,185	97.26%	1,200,599	49,536,784	99.68%
2017	48,928,808	47,636,981	97.36%	1,286,601	48,923,582	99.99%
2016	48,533,373	47,269,739	97.40%	1,262,419	48,532,158	100.00%
2015	47,787,435	46,494,790	97.30%	1,291,911	47,786,701	100.00%
2014	46,835,889	45,285,604	96.69%	1,549,304	46,834,908	100.00%
2013	45,660,712	44,159,107	96.71%	1,498,610	45,657,717	99.99%

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							
	General Obligation					Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	Bonds, Revenue Bonds and Notes	Capital Leases	Financed Purchase	Lease Liabilities				
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
2013	26,429,558	534,770	-	-		26,964,328	0.13%	476

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)
2022	48,796,025	-	48,796,025	0.41%	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
2013	26,429,558	-	26,429,558	0.37%	466.82

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

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

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

Direct and Overlapping Governmental Activities Debt  
As of June 30, 2022

<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	864,000	100%	864,000
Subtotal, overlapping debt			864,000
County of Franklin, direct debt			52,546,872
Total direct and overlapping debt			53,410,872

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

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Debt limit	651,221,387	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
Total net debt applicable to limit	26,429,558	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
Legal debt margin	624,791,829	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
Total net debt applicable to the limit as a percentage of debt limit	4.06%	5.05%	6.35%	5.62%	7.43%	6.67%	8.39%	7.73%	7.49%	6.80%

Legal Debt Margin Calculation for Fiscal Year 2022

Assessed value of real estate	7,180,286,520
Debt limit (10% of total assessed value)	718,028,652
Net debt applicable to limit	48,796,025
Legal debt margin	669,232,627

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

Demographic and Economic Statistics  
Last Ten Fiscal Years

<b>Fiscal Year</b>	<b>Population</b>	<b>Per Capita Personal Income</b>	<b>Total Personal Income (thousands)</b>	<b>Median Age</b>	<b>School Enrollment</b>	<b>Unemployment Rate</b>
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%
2013	56,616	34,028	1,926,529	40	7,095	4.90%

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

Principal Employers  
Current Year and Nine Years Ago

Employer	Fiscal Year 2022			Fiscal Year 2013		
	Employees*	Rank	% of Total County Employment**	Employees	Rank	% of Total County Employment
M.W. Manufacturers (Ply Gem)		1		900	2	3.34%
Franklin County Schools		2		1,392	1	5.17%
County of Franklin		3		316	5	1.17%
Carilion Franklin Mem. Hospital		4		275	8	1.02%
Franklin Memorial Hospital		5				
Wal Mart		6		400	3	1.48%
Fleetwood Homes Inc.		8				
Kroger		7				
Ferrum College		9		325	4	1.21%
Carilion Emergency		10				
Uttermost				168	9	0.62%
Ronile, Inc.				300	7	1.11%
Mod-U-Kraf Homes, Inc				125	10	0.46%
Trinity Packaging				300	6	1.11%
Totals				4,076		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	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
General Government Administration										
Legislative	1	1	1	1	1	1	1	1	1	1
General and financial administration	34	34	34	35	35	36	37	37	37	39
Judicial Administration										
Courts	8	6	9	9	9	9	9	9	9	8
Clerk of Court	10	10	10	10	10	10	10	10	10	10
Commonwealth Attorney	9	9	9	9	9	10	11	11	11	11
Public Safety										
Sheriff: Law Enforcement	39	43	54	54	54	55	59	60	60	60
Correction and Detention	37	35	21	21	21	20	21	20	20	21
Building Inspections	8	8	9	9	9	8	8	8	8	8
Animal control	3	3	3	3	3	3	3	3	3	3
Public Safety	28	29	29	30	39	39	45	48	48	49
E911	15	14	14	14	14	14	18	18	18	18
Public Works										
Solid Waste	18	18	16	16	16	18	18	18	18	18
General buildings and grounds	7	8	8	8	9	10	10	10	10	10
Public Works	3	3	3	3	3	4	3	3	3	3
Health and Welfare										
Department of social services	64	64	72	72	74	78	78	78	78	84
CSA	2	2	2	2	2	2	2	2	2	2
Family Resources	3	3	5	5	5	6	6	6	6	6
Aging Services	2	2	1	1	1	1	1	1	1	1
Recreation and Cultural										
Parks and recreation	11	10	10	10	11	12	13	13	13	15
Library	8	8	8	8	8	8	8	8	8	9
Community Development										
GIS and Mapping	2	2	2	2	2	2	2	2	2	2
Economic Development	1	2	2	2	2	3	3	3	3	3
Work Force Consortium	3	3	3	3	3	3	3	3	3	3
Planning	8	9	9	8	8	8	8	8	8	8
Totals	324	326	334	335	348	360	377	380	380	392

Source: Franklin County Adopted Budgets



Operating Indicators by Function  
Last Ten Fiscal Years

Function	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>General and financial administration</b>										
<b>Commissioner of Revenue:</b>										
Personal Property tax assessments	195,080	196,000	196,000	338,869	342,257	344,762	345,894	346,992	348,088	54,367
Real Estate tax assessments	65,742	65,000	65,000	127,529	128,931	129,256	130,524	131,329	132,117	41,603
<b>Finance:</b>										
GFOA Award for CAFR	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes
GFOA Award for Adopted Budget Book	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
<b>Information Technology:</b>										
Tech support (In Days)	5	3	4	2	2	2	2	2.6	5.48	5.81
<b>Voter Registrar:</b>										
Number of Registered Voters	35,282	35,235	35,363	35,805	35,786	36,023	36,049	38,738	39,166	39,789
<b>Judicial Administration</b>										
<b>Clerk of Court:</b>										
Criminal Cases Commenced	1,837	1,900	1,635	1,950	1,024	1,830	1,655	2,913	2,486	2,492
Deeds Recorded	9,521	9,600	7,481	8,200	8,459	8,375	7,942	11,640	12,606	10,974
<b>Public safety</b>										
<b>Sheriffs department:</b> calls for service	27,969	35,935	41,137	38,203	41,744	40,110	41,953	38,913	33,091	35,701
<b>Fire and rescue:</b> number of fire calls										
Number of rescue calls	3,917	3,065	1,541	2,021	2,012	2,083	2,229	2,206	2,299	2,268
Fire Investigations	6,484	6,625	6,714	6,479	7,021	6,057	7,013	7,050	7,977	8,419
	148	129	212	\$6.2M	51	44	89	73	55	62
<b>Building inspections:</b> Permits issued										
Total Value of Permits	1,137	1,024	1,050	978	1,003	1,058	952	1,126	1,358	1,911
	51,347,040	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
<b>Public works</b>										
<b>Landfill:</b> Refuse collected (tons)	52,910	51,646	46,784	49,142	50,627	52,363	57,482	53,593	62,850	59,529
Mulch Recycled (tons)	1,352	1,459	1,804	1,057	622	2,427	704	400	0	0
<b>Health and Welfare</b>										
<b>Social Services:</b> Children in Foster Care	116	107	105	97%	107	102	105	131	93	87
SNAP Applications	2,126	2,006	2,068	55%	2,047	1,787	1,843	2,048	1,886	2,176
On-going Medicaid Participants	8,535	7,820	8,707	46%	8,723	9,467	11,121	11,473	13,720	14,816
<b>CSA:</b> Case Load - Number of Children	235	249	270	311	298	366	311	333	218	220
<b>Aging Services:</b>										
Transportation Clients	466	444	326	8,228	343	257	185	111	142	161
<b>Culture and recreation</b>										
<b>Parks and recreation:</b>										
Sports registration/classes	4,537	4,527	3,685	3,685	3,783	3,751	3,456	2,706	3,570	3,176
Shelter reservations	167	160	3,670	235	249	315	343	103	375	447
Park Acreage	696	696	11,179	1,140	996	1,140	1,140	1,140	1,140	1,140
<b>Library:</b>										
Program Attendance	25,013	24,117	7,872	8,500	10,833	8,750	11,428	5,640*	520*	3,897
Circulation	254,099	242,338	218,037	233,598	227,519	201,533	206,108	154,581*	141,245*	167,822
<b>Community development</b>										
<b>Planning and Community Development:</b>										
Zoning permits issued	256	250	94	98	141	245	221	183	346	195
<b>Component Unit - School Board</b>										
<b>Education:</b>										
Local expenditures per pupil	4,498	4,603	4,605	4,670	4,679	4,670	4,819	5,301	5,401	5,510

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	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
General government administration										
Administration buildings	1	1	1	1	1	1	1	1	1	1
Judicial administration										
Courthouses	1	1	1	1	1	1	1	1	1	1
Public safety										
Sheriffs department:										
Patrol units	58	58	58	58	58	59	59	55	55	55
Building inspections:										
Vehicles	6	6	6	6	6	6	6	6	6	6
Animal control:										
Vehicles	3	3	3	3	3	3	3	4	4	4
Public Safety:										
Fire Stations	10	10	10	10	10	10	10	10	10	10
Public works										
Landfill:										
Collection Trucks	7	7	7	7	11	11	9	9	9	11
Green Box Sites	74	74	69	69	66	68	38*	37*	27*	37
Collection Sites	-	-	-	-	-	-	19*	22*	18*	10
Health and welfare										
Department of Social Services:										
Vehicles	13	13	13	16	17	16	17	15	17	19
Culture and recreation										
Parks and recreation:										
Parks	9	9	9	9	10	15	15	15	15	13
Libraries	2	2	2	2	2	2	2	2	2	2
Component Unit - School Board										
Education:										
Schools	15	15	15	15	15	15	15	15	15	15
School buses	162	162	162	162	162	178	174	169	170	165

Source: Individual County departments

\*County is transitioning to collection sites.

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## COMPLIANCE SECTION

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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***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Franklin, Virginia as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the County of Franklin, Virginia's basic financial statements and have issued our report thereon dated December 7, 2022.

**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 2022-001 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  
December 7, 2022



# ROBINSON, FARMER, COX ASSOCIATES, PLLC

*Certified Public Accountants*

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

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

### **Report on Compliance for Each Major Federal Program**

#### ***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, 2022. 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 types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

#### ***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  
December 7, 2022



County of Franklin, Virginia  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2022

Federal Grantor/State Pass - Through Grantor/ Program (or Cluster) Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Federal Expenditures	Expenditures to Subrecipients
<b>Department of Health and Human Services:</b>				
Pass Through Payments:				
Virginia Department of Social Services:				
MaryLee Allen Promoting Safe and Stable Families Program	93.556	0950121/0950221/0960121	\$ 62,533	
Temporary Assistance for Needy Families	93.558	0400121	359,786	
Foster Care Title IV-E	93.658	1100121/1100122	785,633	
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566	0500122	1,784	
Low Income Home Energy Assistance	93.568	0600421/0600422	58,911	
CCDF Cluster:				
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760120/0760121	80,701	
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0760121	828	
Adoption Assistance	93.659	1120120/1120121	1,112,689	
Social Services Block Grant	93.667	1000121/1000122	611,816	
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	9150120/9150121/9152121	14,967	
Children's Health Insurance Program	93.767	0540121/0540122	5,283	
Title IV-E Prevention Program	93.472	1140122	8,005	
Guardianship Assistance	93.090	1110121/1110122	557	
Community-Based Child Abuse Prevention Grants	93.590	9560121	722	
Elder Abuse Prevention Interventions Program	93.747	8000221	11,761	
Medicaid Cluster:				
Medical Assistance Program	93.778	1200122	527,007	
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	77,377	
Total Department of Health and Human Services			\$ 3,720,360	
<b>Department of Agriculture:</b>				
Pass Through Payments:				
Virginia Department of Agriculture:				
Child and Adult Care Food Program	10.558	70027/86555/70028	\$ 36,508	
Child Nutrition Cluster:				
Summer Food Services Program for Children	10.559	60302/60303	\$ 116,105	
Food Distribution (Note C)	10.555	Not available	\$ 304,755	
Virginia Department of Education:				
National School Lunch Program	10.555	40254/41106/41108	3,009,213	
COVID-19 - National School Lunch Program	10.555	86557	63,125	3,377,093
School Breakfast Program	10.553	40253/41110	1,198,736	
Total Child Nutrition Cluster				4,691,934
Pandemic EBT Administrative Costs	10.649	86556		3,063
Virginia Department of Social Services:				
SNAP Cluster:				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010121/0010122/ 0040121/0040122		1,000,411
Total Department of Agriculture			\$ 5,731,916	
<b>Department of the Justice:</b>				
Direct Payments:				
Rural Violent Crime Initiative	16.039	Not applicable	\$ 98,764	
Bulletproof Vest Partnership Program	16.607	Not applicable	11,993	
Pass Through Payments:				
Virginia Department of Criminal Justice Services:				
Violence Against Women Formula Grants	16.588	20WFA0011	35,390	
Crime Victim Assistance	16.575	19V2GX0054/18VAGX0011	123,126	
Edward Byrne Memorial Justice Assistance Grant Program	16.738	18DJBX0728	5,397	
COVID-19 Coronavirus Emergency Supplemental Funding Program	16.034	20VDBX0141	36,737	
Total Department of Justice			\$ 311,407	
<b>Department of Housing and Urban Development:</b>				
Pass Through Payments:				
Virginia Department of Housing and Community Development:				
COVID-19 Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	117618	\$ 103,000	
Total Department of Housing and Urban Development			\$ 103,000	
<b>Department of Treasury:</b>				
Direct Payments				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	Not applicable	\$ 3,463,957	
Pass Through Payments:				
Virginia Department of Compensation Board				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	2207FFARPA	213,147	
Virginia Department of Criminal Justice				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	120304	39,752	\$ 39,752
Virginia Department of Housing and Community Development				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	Not available	25,323	\$ 3,742,179
Total Department of Treasury			\$ 3,742,179	
<b>Department of Homeland Security:</b>				
Pass Through Payments:				
Virginia Department of Emergency Management:				
Emergency Management Performance Grants	97.042	EMP-2020-EP-00005	\$ 36,498	
Homeland Security Grant Program	97.067	EMW-2019-SS-00079-S01	53,559	
Total Department of Homeland Security			\$ 90,057	

County of Franklin, Virginia  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2022

Federal Grantor/State Pass - Through Grantor/ Program (or Cluster) Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Federal Expenditures	Expenditures to Subrecipients
<b>National Endowment for the Humanities</b>				
Pass Through Payments:				
Library of Virginia				
Grants to States	45.310	118903	\$ 3,925	
Total National Endowment for the Humanities			\$ 3,925	
<b>Department of Transportation:</b>				
Pass Through Payments:				
Southern Area Agency on Aging:				
Transit Services Programs Cluster:				
Enhance Mobility of Seniors and Individuals with Disabilities	20.513	Not available	\$ 7,394	
Virginia Department of Motor Vehicles:				
Alcohol Open Container Requirements	20.607	51328/52117	5,677	
Highway Safety Cluster:				
State and Community Highway Safety	20.600	51441/52122/51335/52131	5,705	
Total Department of Transportation			\$ 18,776	
<b>Department of Education:</b>				
Pass Through Payments:				
Virginia Department of Education:				
Adult Education - Basic Grants to States	84.002	42801/61111/61112	\$ 468,853	\$ 332,679
Title I, Grants to Local Educational Agencies	84.010	42901	2,874,490	
Special Education Cluster (IDEA):				
Special Education - Grants to States	84.027	43071	\$ 877,389	
Special Education - Preschool Grants	84.173	62521	37,584	
Total Special Education Cluster				914,973
Career and Technical Education -- Basic Grants to States	84.048	60031/600311005		246,351
Rural Education	84.358			3,797
English Language Acquisition State Grants	84.365	60512		695
Supporting Effective Instruction State Grant	84.367	61480		345,699
Student Support and Academic Enrichment Program	84.424	60281		133,270
COVID-19 - Education Stabilization Fund:				
COVID-19 Governor's Emergency Education Relief Fund	84.425C	70037	\$ 87,665	
		60177/50195/60041/60042/60		
COVID-19 Elementary and Secondary School Emergency Relief Fund	84.425D	170/60173	3,475,094	
COVID-19 American Rescue Plan-Elementary and Secondary School Emergency Relief	84.425U	50193	1,313,055	
Total Education Stabilization Fund				4,875,814
Total Department of Education			\$ 9,863,942	\$ 397,754
Total Expenditures of Federal Awards			\$ 23,585,562	\$ 397,754

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, 2022. 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	\$ 26,389,837
Less: Revenue from the Commonwealth	(17,378,960)
Less: Payments in Lieu of Taxes	(20,762)
Capital Projects Fund - Intergovernmental	2,628,774
Less: Revenue from the Commonwealth	(2,628,774)
E-911 Fund - Intergovernmental	453,543
Less: Revenue from the Commonwealth	(453,543)
Component Unit School Board:	
School Operating Fund - Intergovernmental	96,338,721
Less: Revenue from Local Governments	(35,712,506)
Less: Revenue from the Commonwealth	(46,030,768)

Total federal expenditures per the Schedule of Expenditures of Federal Awards \$ 23,585,562

County of Franklin, Virginia

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2022

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Section I - Summary of Auditors' Results

**Financial Statements**

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

**Federal Awards**

Internal control over major programs:	
Material weakness(es) identified?	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>
84.010	Title I Grants to Local Educational Agencies
84.027/84.173	Special Education Cluster (IDEA)
93.778	Medicaid Cluster
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	\$750,000
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Auditee qualified as low-risk auditee?	No
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County of Franklin, Virginia

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2022 (continued)

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Section II - Financial Statement Findings

Finding 2022-001  
(Material Weakness)

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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 2022/23 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, 2022

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Finding 2021-001

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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 2021-001 was recurring during the 2022 fiscal year as Finding 2022-001.
Corrective Action:	The School System will review proposed audit adjustments and will consider same in closing out the books in future periods.