

COUNTY OF FRANKLIN, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2010

Prepared by the Franklin County
Department of Finance

COUNTY OF FRANKLIN, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2010

TABLE OF CONTENTS

INTRODUCTORY SECTION

| | <u>Page</u> |
|--|-------------|
| Letter of Transmittal..... | 1-4 |
| Historical Sketch of Franklin County | 5 |
| List of Elected and Appointed Officials | 6-7 |
| Organizational Chart..... | 8 |
| Certificate of Achievement for Excellence in Financial Reporting | 9 |

FINANCIAL SECTION

| | |
|--|-------|
| Independent Auditors' Report | 10-11 |
| Management's Discussion and Analysis | 12-21 |

| | <u>Exhibit</u> | <u>Page</u> |
|---|----------------|-------------|
| Basic Financial Statements: | | |
| Government-Wide Financial Statements: | | |
| Statement of Net Assets | 1 | 22 |
| Statement of Activities..... | 2 | 23 |
| Fund Financial Statements: | | |
| Governmental Fund Financial Statements: | | |
| Balance Sheet – Governmental Funds | 3 | 24 |
| Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets | 4 | 25 |
| Statement of Revenues, Expenditures and Change in Fund Balances – Governmental Funds..... | 5 | 26 |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 6 | 27 |
| Proprietary Fund Financial Statements: | | |
| Statement of Net Assets – Proprietary Fund | 7 | 28 |
| Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Fund | 8 | 29 |
| Statement of Cash Flows – Proprietary Fund | 9 | 30 |
| Fiduciary Fund Financial Statements: | | |
| Statement of Fiduciary Net Assets – Fiduciary Funds | 10 | 31 |
| Notes to Financial Statements | | 32-66 |

COUNTY OF FRANKLIN, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2010

TABLE OF CONTENTS (CONTINUED)

FINANCIAL SECTION (Continued)

| | <u>Exhibit</u> | <u>Page</u> |
|--|-----------------------|--------------------|
| Required Supplementary Information: | | |
| Schedule of Funding Progress Defined Benefit and Healthcare Plans | 11 | 67 |
| Individual Fund Statements: | | |
| Schedule of Revenues, Expenditures and Change in Fund Balances – Budget and Actual - General Fund | 12 | 68 |

OTHER SUPPLEMENTARY INFORMATION SECTION:

Supplementary Financial Statements:

Combining and Individual Fund Statements and Schedules:

 Schedule of Revenues, Expenditures and Change in Fund Balances –
 Budget and Actual:

| | | |
|---|----|----|
| County Capital Projects Fund – Major Fund | 13 | 69 |
| School Construction Fund – Major fund | 14 | 70 |
| Schedule of Revenues, Expenditures, and Changes in Fund Balances -- Budget and Actual -- Nonmajor Special Revenue Fund | 15 | 71 |
| Combining Statement of Fiduciary Net Assets – Fiduciary Funds | 16 | 72 |
| Combining Statement of Changes in Assets and Liabilities – Fiduciary Funds | 17 | 73 |

Discretely Presented Component Unit – School Board:

| | | |
|---|----|----|
| Balance Sheet | 18 | 74 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds | 19 | 75 |
| Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual | 20 | 76 |

| | | |
|--|------------------------|--------------------|
| | <u>Schedule</u> | <u>Page</u> |
|--|------------------------|--------------------|

Supporting Schedules:

| | | |
|---|---|-------|
| Schedule of Revenues – Budget and Actual Governmental Funds | 1 | 77-83 |
| Schedule of Expenditures – Budget and Actual Governmental Funds | 2 | 84-88 |

**COUNTY OF FRANKLIN, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2010**

TABLE OF CONTENTS (CONTINUED)

STATISTICAL SECTION

Statistical Information:

| | <u>Table</u> | <u>Page</u> |
|---|--------------|-------------|
| Financial Trends: | | |
| Net Assets by Component | 1 | 89 |
| Changes in Net Assets | 2 | 90-91 |
| Fund Balances of Governmental Funds | 3 | 92 |
| Changes in Fund Balances of Governmental Funds | 4 | 93 |
| Revenue Capacity: | | |
| Tax Revenues by Source | 5 | 94 |
| Assessed Value and Estimated Actual Value of Taxable Property | 6 | 95 |
| Property Tax Rates | 7 | 96 |
| Principal Property Taxpayers | 8 | 97 |
| Property Tax Levies and Collections | 9 | 98 |
| Debt Capacity: | | |
| Ratios of Outstanding Debt by Type | 10 | 99 |
| Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita | 11 | 100 |
| Direct and Overlapping Governmental Activities Debt | 12 | 101 |
| Legal Debt Margin | 13 | 102 |
| Demographic and Economic Information: | | |
| Demographic and Economic Statistics | 14 | 103 |
| Principal Employers | 15 | 104 |
| Operating Information: | | |
| Full-time Equivalent County Government Employees by Function | 16 | 105 |
| Operating Indicators by Function | 17 | 106 |
| Capital Asset Statistics by Function | 18 | 107 |

COMPLIANCE SECTION

Page

Compliance:

| | |
|--|---------|
| Report on Internal Control over Financial Reporting and on Compliance and on Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 108-109 |
| Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133 | 110-111 |
| Schedule of Expenditures of Federal Awards | 112-114 |
| Schedule of Findings and Questioned Costs | 115-116 |

INTRODUCTORY SECTION



December 7, 2010

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

We are pleased to submit Franklin County's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2010. State law requires that all local governments have their accounts and records audited annually as of June 30 by an independent certified public accountant. This report has been prepared in accordance with the standards of financial reporting as prescribed by the Governmental Accounting Standards Board (GASB), the Financial Accounting Standards Board (FASB) and the Auditor of Public Accounts for the Commonwealth of Virginia.

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

The auditing firm of Robinson, Farmer, Cox Associates has issued an unqualified opinion on the County's financial statements as of and for the year ended June 30, 2010. 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 as introduction, overview and analysis of financial results for fiscal year 2009-2010 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 2010 is estimated at 53,450 with a population density of 72.4 people per square mile. Franklin County is included in the Roanoke Metropolitan Statistical Area (MSA) that has a total population of approximately 300,000.

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

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

Economic Conditions and Outlook

Franklin County, the seventh largest county in size in Virginia with an area of 721 square miles, is located in southwest Virginia. By offering close proximity to all markets along the East coast, the County is an excellent location for local industries and commerce. The local economy remained fairly strong this past fiscal year compared to the national economy with an average unemployment rate of 8.4%.

Much of fiscal year 2009-2010 was spent on a number of new capital projects including fire and rescue apparatus replacement and the adaptive reuse of a former grocery store into a government center for County offices. The County continues to develop its' park system with major work being completed at the Smith Mountain Lake park and various rehab projects at other parks.

The future economic outlook for Franklin County looks very good. With space available in several industrial parks, a stable employment base, easy market access, low construction costs, quality work force and excellent quality of life, Franklin County and the region is ready to continue future economic growth. In the years to come, the County will focus on diversifying the employment opportunities within the County by recruiting various technology related companies and traditional manufacturing businesses to utilize the training provided by the local schools and colleges.

Major Initiatives

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

Franklin County continues to place major emphasis upon the capital needs of the County School System. Construction was completed on a new elementary school in the Windy Gap area of the County which will relieve overcrowding at neighboring existing elementary schools. This school opened in August 2009.

The County is working on various projects to improve our community. In conjunction with the Western Virginia Water Authority, a new 12-inch water line is being constructed that will serve homes and businesses along the growing Route 220 Corridor. A new water line extension along Route 616 in the Westlake area of the County will improve public utilities in that area.

For the Future

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

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

Long-Term Financial Planning

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

General Fund Balance (Undesignated). The Board of Supervisors has adopted a policy to keep the undesignated general fund balance at a minimum of 10% of the County budget. Bond rating agencies also recommend the undesignated fund balance be maintained at a level between 10% and 15% of the general fund revenues. The undesignated general fund balance is 16% for the year ended June 30, 2010. This is an

increase from last year as a result of less fund balance being used for capital projects and expenditures being frozen throughout most of the fiscal year.

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

Other Information

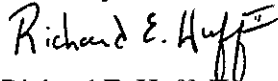
Independent Audit. State statutes require an annual audit by independent certified public accountants. The accounting firm of Robinson, Farmer, Cox Associates was selected by the County to perform this audit. In addition to meeting the requirements set forth in state statutes, the audit also was designed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

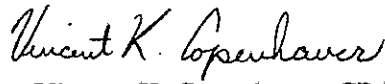
Awards. The Government Finance Officers Association of the United State and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County of Franklin, Virginia for its comprehensive annual financial report for the fiscal year ended June 30, 2009. This was the tenth consecutive year that Franklin County has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

Sincerely,


Richard E. Huff, II
County Administrator


Vincent K. Copenhaver, CPA
Director of Finance

A HISTORICAL SKETCH OF FRANKLIN COUNTY

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

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

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

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

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

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

Franklin County Officials

June 30, 2010

Board of Supervisors

Charles Wagner, Chairman, Rocky Mount District
Wayne Angell, Vice-Chairman, Blackwater District
Russell Johnson, Gills Creek District
Leland Mitchell, Snow Creek District
Ronnie Thompson, Boone District
Bobby Thompson, Blue Ridge District
David Cundiff, Union Hall District

County Administration

Richard E. Huff, II, County Administrator

| | |
|--|---------------------|
| County Attorney | B. James Jefferson |
| Assistant County Administrator | Christopher Whitlow |
| Assistant County Administrator | Larry Moore |
| Director of Finance | Vincent Copenhaver |
| Acting Director of Commerce & Leisure Services | Michael Burnette |
| Director of Information Technology | Sandie Terry |
| Director of Planning | Neil Holthouser |
| Director of Public Safety | Daryl Hatcher |
| Director of General Properties | Michael Thurman |
| Director of Solid Waste | Barry Sink |
| Director of Aging Services | Rose Boyd |
| Director of Library Services | David Bass |
| Director of Franklin Center | Kathy Hodges |
| Director of Family Resource Center | Cynthia Treadway |
| Director of Social Services | Andy Crawford |
| Chief Building Official | B. Donald Beard |
| Unit Coordinator of Va. Cooperative Extension | Shewana Hairston |
| Registrar | Kay Chitwood |

Constitutional Officers

| | |
|-----------------------------------|-------------------|
| Clerk of the Circuit Court | Teresa Brown |
| Commissioner of the Revenue | Margaret Torrence |
| Commonwealth Attorney | Cliff Hapgood |
| Sheriff | Ewell Hunt |
| Treasurer | Lynda Messenger |

Franklin County Social Services Board Members

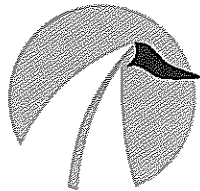
Wendie W. Dungan, Union Hall District
Danny Agee, Blackwater District
Charles Wagner, Rocky Mount District/BOS Representative
Pat Strike, Boone District
Howard Ferguson, Snow Creek District
Benson Beck, Gills Creek District
Martha H. Bowling, Blue Ridge District

Franklin County Public Schools School Board Members

Evelyn Cundiff, Chair, Gills Creek District
G. B. Washburn, Jr., Vice-Chair, Snow Creek District
Sarah Alexander, Rocky Mount District
Stephen E. Brubaker, Blackwater District
P. D. Hambrick, Union Hall District
William O. Helm, Jr., Member-At-Large
Edward C. Jamison, Blue Ridge District
Marilyn R. Starkey, Boone District

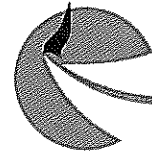
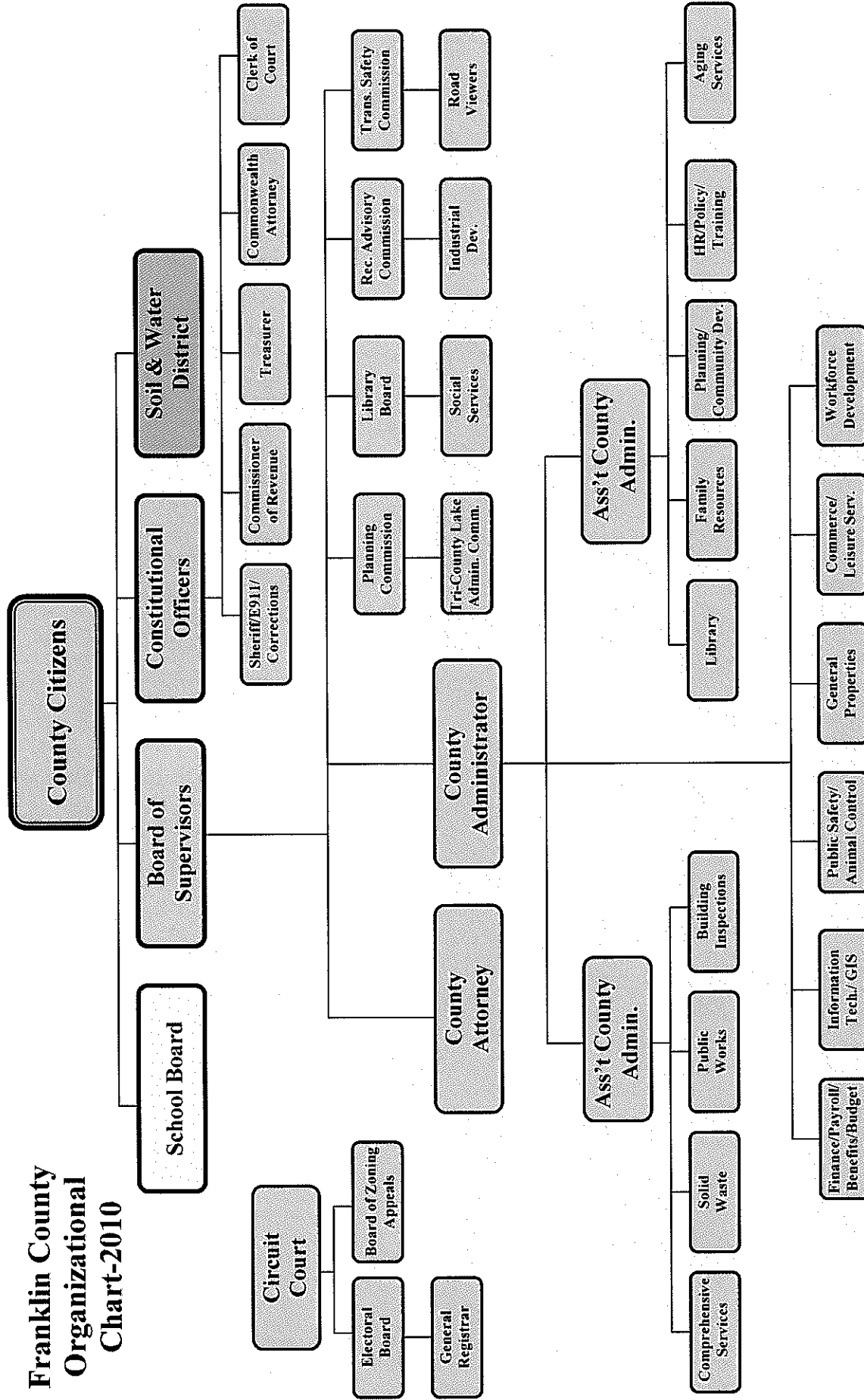
School Administration

Dr. Charles H. Lackey, Superintendent of Schools
Assistant Superintendent..... Suzanne M. Rogers
Director of Human Resources..... Phillip L. Poff
Director of Business & Finance..... Lee E. Cheatham, CPA
K-5 Director of Curriculum & Instruction..... Bernice Cobbs
6-12 Director of Curriculum & Instruction..... Keith Pennington
Coordinator of Federal Programs..... Kimberly Poindexter
Coordinator of Testing..... Elaine Hawkins
Director of Special Programs & Services..... Gwendolyn A. Adkins
Coordinator of Special Education Services..... Dr. W. Worth Bradley
Elementary Coordinator for Special Education..... Sherry Whitaker
Director of Technology Services K-12..... George F. Washington
Coordinator of Public Relations & Volunteers..... Janet J. Stockton
Supervisor of Food Services..... Chuck L. Hutto
Director of Facilities & Transportation..... Steven C. Oakes
Supervisor of Transportation..... Donna C. Carter
Supervisor of Maintenance..... Darryl K. Spencer
Coordinator of Purchasing..... David M. Leffue



Franklin County
A Natural Setting for Opportunity

Franklin County Organizational Chart-2010



Franklin County
A Natural Setting for Opportunity

Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of Franklin
Virginia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2009

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



President

Executive Director

FINANCIAL SECTION

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the County of Franklin, Virginia, as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of Franklin, Virginia's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the County of Franklin, Virginia, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2010, 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, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

Robinson, Turner, Co. Associates

Christiansburg, Virginia
December 7, 2010

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, 2010. Please read it in conjunction with the transmittal letter at the front of this report and with the County's financial statements, which follow this section.

Financial Highlights for Fiscal Year 2010

Total net assets for governmental activities were \$60.6 million at the end of FY 2010 (Exhibit 1). This figure is based on assets totaling \$105.1 million and liabilities of \$44.5 million. The liabilities amount includes a non-current component for long-term debt associated with the acquisition of assets for the County and School system. Included in the total assets figure are debt financed School Board assets which remain assets of the primary government until related debts are paid in full. At year end, the net value of these assets totaled \$30.1 million and the related debt outstanding was \$23.7 million.

- During the year, the County's taxes and other revenues for governmental programs were \$3.9 million more than the \$72.1 million of expenses (Exhibit 2).
- The business-type activities total net assets at June 30, 2010 totaled \$1.4 million. This figure is based on total assets of \$1.4 million and liabilities of \$503.
- Total general fund revenues were more than the final budgeted amount by \$0.4 million or approximately 1.0 percent. Actual expenditures were \$10.9 million less than the final expenditure budget.
- The County's total outstanding debt at fiscal year end increased by a net amount of \$1.1 million. \$3.5 million in General Obligation Bonds were issued during the year to refund an old bond series from 1998 and a new estimate for landfill closure and post closure added \$2.7 million. Retirements totaled \$6.4 million. See Note 8 for additional information on long-term debt.
- Component Unit net assets were \$18.4 million at the end of FY2010. Of this amount, \$19.9 million is invested in capital assets, net of related debt (An unrestricted deficit of \$1.5 million is shown on the statement as well).
- At the end of the current fiscal year, undesignated fund balance for the general fund was approximately \$19.9 million or 15.8% of fiscal year 2010 general, special revenue and component unit fund revenues. The Board of Supervisors has adopted a policy to keep the undesignated general fund balance at a minimum of 10% of general, special revenue and component unit fund revenues.

Overview of the Financial Statements

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

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

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

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

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government, judicial administration, public safety, health and welfare, parks and recreation, solid waste and community development. The County's business-type activities include the operation of the County's remaining water systems.

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

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

The County has three kinds of funds:

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

additional information is provided in exhibits 4 and 6 that explains the relationship (or difference) between them.

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

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

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

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

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Financial Analysis of the County as a Whole

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

Summary of Net Assets:

The following table reflects the condensed Statement of Net Assets at June 30, 2010 as presented in the government-wide financial statements (in millions):

| | Governmental Activities | | Business-type Activities | | Total Primary Government | | Component Unit | |
|-----------------------------|--------------------------------|---------------|---------------------------------|---------------|---------------------------------|---------------|-----------------------|---------------|
| | <u>FY2010</u> | <u>FY2009</u> | <u>FY2010</u> | <u>FY2009</u> | <u>FY2010</u> | <u>FY2009</u> | <u>FY2010</u> | <u>FY2009</u> |
| Current and other assets | \$37.1 | \$37.5 | \$0.3 | \$0.7 | \$37.4 | \$38.2 | \$1.9 | \$2.9 |
| Capital assets, net | 68.0 | 63.0 | 1.1 | 1.7 | 69.1 | 64.7 | 19.9 | 19.5 |
| Total assets | 105.1 | 100.5 | 1.4 | 2.4 | 106.5 | 102.9 | 21.8 | 22.4 |
| Other liabilities | 2.1 | 2.6 | 0.0 | 0.0 | 2.1 | 2.6 | 1.6 | 2.2 |
| Long-term liabilities | 42.4 | 41.2 | 0.0 | 0.0 | 42.4 | 41.2 | 1.8 | 1.4 |
| Total liabilities | 44.5 | 43.8 | 0.0 | 0.0 | 44.5 | 43.8 | 3.4 | 3.6 |
| Net assets: | | | | | | | | |
| Invested in capital assets, | | | | | | | | |
| net of related debt | 35.1 | 31.4 | 1.1 | 1.7 | 36.2 | 33.1 | 19.9 | 19.5 |
| Restricted | 0.3 | 0.2 | 0.0 | 0.0 | 0.3 | 0.2 | | |
| Unrestricted | 25.2 | 25.1 | 0.3 | 0.7 | 25.5 | 25.8 | (1.5) | (0.7) |
| Total net assets | \$60.6 | \$56.7 | \$1.4 | \$2.4 | \$62.0 | \$59.1 | \$18.4 | \$18.8 |

The County's combined net assets increased from \$59.1 million to \$62 million as a result of the increase in net activities of the primary government of \$2.9 million. The increase is the result of stronger than anticipated revenues received during the fiscal year. Unrestricted net assets, the portion of net assets that can be used to finance the day-to-day activities of the County totaled \$25.2 million. Net assets invested in capital assets, net of related debt, represents the amount of capital assets owned by the County. Net assets are reported as restricted when constraints on asset use are externally imposed by creditors, grantors, contributors, regulators, or imposed by law through constitutional provisions or enabling legislation. E911 funds are restricted so that they can be used for the E911 purposes.

Business-type net assets decreased from \$2.4 million to \$1.4 million as a result of utility infrastructure being transferred to a regional water and sewer authority.

Component unit net assets increased slightly as the result of investment in school assets.

Summary of Activities:

The following table shows the revenues and expenses of the governmental activities for the year ended June 30, 2010 (in millions):

| | Governmental Activities | | Business-type Activities | | Total Primary Government | | Component Unit | |
|--|-------------------------|---------------|--------------------------|---------------|--------------------------|---------------|----------------|---------------|
| | <u>FY2010</u> | <u>FY2009</u> | <u>FY2010</u> | <u>FY2009</u> | <u>FY2010</u> | <u>FY2009</u> | <u>FY2010</u> | <u>FY2009</u> |
| Revenues: | | | | | | | | |
| Program revenues: | | | | | | | | |
| Charges for Services | \$2.5 | \$2.3 | \$0.0 | \$0.2 | \$2.5 | \$2.5 | \$2.3 | \$2.4 |
| Operating Grants & Contributions | 11.8 | 11.9 | 0.0 | 0.0 | 11.8 | 11.9 | 48.1 | 49.0 |
| Capital Grants & Contributions | 2.2 | 1.3 | 0.0 | 0.1 | 2.2 | 1.4 | 0.0 | 0.2 |
| General Revenues | | | | | | | | |
| Property Taxes | 42.9 | 43.4 | 0.0 | 0.0 | 42.9 | 43.4 | 0.0 | 0.0 |
| Other Taxes | 7.7 | 10.0 | 0.0 | 0.0 | 7.7 | 10.0 | 0.0 | 0.0 |
| Other | 8.4 | 5.8 | 0.0 | 0.0 | 8.4 | 5.8 | 0.1 | 0.0 |
| Payments from the County | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 26.0 | 29.6 |
| Total Revenues | 75.5 | 74.7 | 0.0 | 0.3 | 75.5 | 75.0 | 76.5 | 81.2 |
| Expenses | | | | | | | | |
| General Government | 3.9 | 4.0 | 0.0 | 0.0 | 3.9 | 4.0 | 0.0 | 0.0 |
| Judicial Administration | 2.4 | 2.7 | 0.0 | 0.0 | 2.4 | 2.7 | 0.0 | 0.0 |
| Public Safety | 14.4 | 12.7 | 0.0 | 0.0 | 14.4 | 12.7 | 0.0 | 0.0 |
| Public Works | 5.4 | 3.1 | 0.0 | 0.0 | 5.4 | 3.1 | 0.0 | 0.0 |
| Health and Welfare | 10.2 | 10.0 | 0.0 | 0.0 | 10.2 | 10.0 | 0.0 | 0.0 |
| Education | 27.0 | 29.6 | 0.0 | 0.0 | 27.0 | 29.6 | 76.9 | 80.1 |
| Parks, Recreation and Cultural | 2.1 | 2.3 | 0.0 | 0.0 | 2.1 | 2.3 | 0.0 | 0.0 |
| Community Development | 5.1 | 5.2 | 0.0 | 0.0 | 5.1 | 5.2 | 0.0 | 0.0 |
| Interest on Long-Term Debt | 1.5 | 1.5 | 0.0 | 0.0 | 1.5 | 1.5 | 0.0 | 0.0 |
| Water | 0.0 | 0.0 | 0.6 | 2.6 | 0.6 | 2.6 | 0.0 | 0.0 |
| Total Expenses | 72.0 | 71.1 | 0.6 | 2.6 | 72.6 | 73.7 | 76.9 | 80.1 |
| Excess or Deficiency Before Transfers | 3.5 | 3.6 | (0.6) | (2.3) | 2.9 | 1.3 | (0.4) | 1.1 |
| Transfers | 0.4 | (0.4) | (0.4) | 0.4 | 0.0 | 0.0 | 0.0 | 0.0 |
| Change in Net Assets | 3.9 | 3.2 | (1.0) | (1.9) | 2.9 | 1.3 | (0.4) | 1.1 |
| Net Assets, Beginning of Year | 56.7 | 53.5 | 2.4 | 4.3 | 59.1 | 57.8 | 18.8 | 17.7 |
| Net Assets, Ending | \$60.6 | \$56.7 | \$1.4 | \$2.4 | \$62.0 | \$59.1 | \$18.4 | \$18.8 |

Revenues

For the fiscal year ended June 30, 2010, revenues from governmental activities totaled \$75.5 million, an increase of \$0.8 million from the prior fiscal year. Property tax revenues, the County's largest local revenue source, were \$42.9 million, a decrease of \$0.5 million over the prior fiscal year. This decrease resulted from reduced personal property assessed values that were effective January 1, 2009. The County assesses all real property every four years with the next reassessed values being effective January 1, 2012.

Other local taxes (including sales taxes, recordation taxes, and meals taxes) were \$7.7 million, which was a large decrease from FY2009. This decrease results from the communications tax (\$2.3 million) being shown as intergovernmental revenue instead of local revenue. Intergovernmental revenues totaled \$11.8 million, roughly no change from the prior fiscal year.

Business-type revenues consist of charges to customers for water consumption. During FY09-10, the remainder of the County's major water systems was transferred to the Western Virginia Water Authority - a regional provider of water and sewer services.

Component unit revenues total \$76.5 million, including a \$26.0 million transfer from the primary government. Revenues decreased by \$4.7 million from the prior fiscal year. The majority of this decrease (\$2.8 million) is a reduced transfer of capital assets from the primary government to the School Board. In addition to the aforementioned local decrease, the School System's state and federal revenues decreased by \$1.1 million dollars.

Expenses

For the fiscal year ended June 30, 2010, expenses for governmental activities totaled \$72.0 million. Included in the expenses are increases related to additional landfill closure and post closure liability.

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

Education is a high priority in the Franklin County community; consequently the Board of Supervisors contributed \$27.0 million to the operation of the Franklin County schools. This amount represented about 38% of the County's general fund expenses.

Financial Analysis of the County's Funds

For the fiscal year ended June 30, 2010, the County's general fund reflects a fund balance of \$19.9 million, an increase of \$2.9 million from the fiscal year ended June 30, 2009. This increase is due to revenues being received slightly over budget and decreased contributions to the component unit school fund.

The County Capital Projects fund balance decreased from fiscal year 08-09 as debt proceeds were spent for various capital projects.

The School Construction fund balance decreased \$1 million as bond proceeds were spent for the remainder of the construction of a new elementary school in the northern part of the County. This new school opened in August 2009.

Other Governmental Funds is comprised of the E911 fund. This fund balance remained basically unchanged from FY08-09 to FY09-10.

Total net assets decreased in the County's Utility Fund by \$1.0 million because of the transfer of the County's remaining water system to the Western Virginia Water Authority. Operations of the major water systems in the County will now be managed by this regional authority.

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, 2009.
- To re-appropriate monies to pay for commitments in the form of encumbrances established prior to June 30, 2009 but not paid by that date.
- To appropriate grants and other revenues received in the current fiscal year.

The following table presents revenues and expenditures for the General Fund only for FY 2010 (in millions):

| | Original Budget | Amended Budget | Actual |
|---|----------------------------|---------------------------|----------------|
| Revenues: | | | |
| Property Taxes | \$ 41.5 | \$ 41.5 | \$ 42.5 |
| Intergovernmental | 17.7 | 17.9 | 17.3 |
| Other | 11.8 | 12.1 | 12.0 |
| Total | <u>\$ 71.0</u> | <u>\$ 71.5</u> | <u>\$ 71.8</u> |
| Expenditures and Other Uses (Sources): | | | |
| Expenditures | \$ 68.6 | \$ 78.9 | \$ 68.0 |
| Other uses (sources) | 2.9 | (4.5) | 0.9 |
| Total | <u>71.5</u> | <u>74.4</u> | <u>68.9</u> |
| Net Change in Fund Balance | (0.5) | (2.9) | 2.9 |
| Fund Balances – Beginning | 0.5 | 2.9 | 17.0 |
| Fund Balances – Ending | <u>\$ 0.0</u> | <u>\$ 0.0</u> | <u>\$ 19.9</u> |

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

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

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

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

Actual expenditures were less than the final amended budget because of capital projects being budgeted but not spent during the 2009-2010 fiscal year. It's the County's policy for unspent appropriated capital project budgets to carry forward into the next fiscal year so that the project may continue and be completed. In some cases, expenditures on a particular capital project may span multiple fiscal years.

Capital Assets

The following table displays the County and Schools (Component Unit) capital assets at June 30, 2010, in millions of dollars:

| | Governmental Activities | | Business-type Activities | | Total Primary Government | | Component Unit | |
|--------------------------------|--------------------------------|---------------|---------------------------------|---------------|---------------------------------|---------------|-----------------------|---------------|
| | <u>FY2010</u> | <u>FY2009</u> | <u>FY2010</u> | <u>FY2009</u> | <u>FY2010</u> | <u>FY2009</u> | <u>FY2010</u> | <u>FY2009</u> |
| Non-Depreciable Assets: | | | | | | | | |
| Land | \$3.0 | \$2.0 | \$0.0 | \$0.0 | \$3.0 | \$2.0 | \$0.7 | \$0.7 |
| Construction in Progress | 8.3 | 15.0 | 0.0 | 0.0 | 8.3 | 15.0 | 0.6 | 2.0 |
| Other Capital Assets: | | | | | | | | |
| Buildings and Systems | 63.0 | 51.1 | 1.1 | 1.7 | 64.1 | 52.8 | 31.0 | 28.5 |
| Machinery and Equipment | 20.9 | 19.2 | 0.0 | 0.0 | 20.9 | 19.2 | 13.3 | 12.7 |
| Accumulated Depreciation | (27.2) | (24.3) | (0.1) | (0.1) | (27.3) | (24.4) | (25.7) | (24.4) |
| Totals | \$68.0 | \$63.0 | 1.0 | 1.6 | \$69.0 | \$64.6 | \$19.9 | \$19.5 |

The table below shows the change in capital assets for the fiscal year ended June 30, 2010 in millions of dollars:

| | Balance June 30, 2009 | Net Additions/Deletions | Balance June 30, 2010 |
|--------------------------------|----------------------------------|------------------------------------|----------------------------------|
| Non-Depreciable Assets: | | | |
| Land | \$2.7 | \$1.0 | \$3.7 |
| Construction in Progress | 17.0 | (8.1) | 8.9 |
| Other Capital Assets: | | | |
| Buildings and Systems | 81.1 | 14.0 | 95.1 |
| Machinery and Equipment | 31.9 | 2.3 | 34.2 |
| Accumulated Depreciation | (48.8) | (4.2) | (53.) |
| Totals | \$83.9 | \$5.0 | 88.9 |

During the FY10 budget process, the Board of Supervisors approved a five-year Capital Improvement Program (CIP) that totaled \$3.4 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 and \$1.1 million for various school projects. Smaller projects make up the balance of the funding and include such items as fire/rescue apparatus replacement and Landfill engineering and development.

Additional detailed capital asset information can be found in Note 13 in the "Notes to Financial Statements" section of the report.

Long Term Debt

The following table displays the County and Schools (Component Unit) Outstanding Debt at June 30, 2010 and at June 30, 2009, in millions of dollars:

| | Governmental Activities | | Business-type Activities | | Total Primary Government | | Component Unit | |
|--------------------------------|--------------------------------|---------------|---------------------------------|---------------|---------------------------------|---------------|-----------------------|---------------|
| | <u>FY2010</u> | <u>FY2009</u> | <u>FY2010</u> | <u>FY2009</u> | <u>FY2010</u> | <u>FY2009</u> | <u>FY2010</u> | <u>FY2009</u> |
| General Obligation Bonds | \$30.4 | \$31.3 | \$0.0 | \$0.0 | \$30.4 | \$31.3 | \$0.0 | \$0.0 |
| Revenue Bonds | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Literary Loans | 4.9 | 5.5 | 0.0 | 0.0 | 4.9 | 5.5 | 0.0 | 0.0 |
| Capital Leases | 0.5 | 0.8 | 0.0 | 0.0 | 0.5 | 0.8 | 0.0 | 0.0 |
| Landfill Closure/Post | | | | | | | | |
| Closure Liability | 4.8 | 2.1 | 0.0 | 0.0 | 4.8 | 2.1 | 0.0 | 0.0 |
| Compensated Absences | 1.5 | 1.3 | 0.0 | 0.0 | 1.5 | 1.3 | 0.8 | 0.9 |
| Other post employment benefits | 0.3 | 0.2 | 0.0 | 0.0 | 0.3 | 0.2 | 1.0 | 0.5 |
| Total | \$42.4 | \$41.2 | \$0.0 | \$0.0 | \$42.4 | \$41.2 | \$1.8 | \$1.4 |

Additional detailed information on long-term debt activity can be found in Notes 8 and 9 in the "Notes to Financial Statements" section of the report.

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

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

6. Capital leases of longer than three (3) years duration will be included as debt for the purpose of computing the ratios expressed herein.

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

Economic Factors and Future Budgets

Recent trends and revenue forecasts from the Commonwealth of Virginia indicate that the State is experiencing the economic slowdown that is impacting our national economy as well. Although Franklin County's population growth continues to be one of the fastest in the State of Virginia, the County is still very dependent on the State for support of the school system and constitutional officers including the Sheriff's office. Approximately 46% of total County revenues are from the State of Virginia.

Factors that are expected to impact future budgets include:

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

Contacting the County's Financial Management

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

Basic Financial Statements

County of Franklin, Virginia
Statement of Net Assets
June 30, 2010

| | Primary Government | | | Component |
|--|--------------------|---------------|----------------|---------------|
| | Governmental | Business-type | Total | Unit |
| | Activities | Activities | | School Board |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 29,137,680 | \$ 295,034 | \$ 29,432,714 | \$ - |
| Cash in custody of others | 295,455 | - | 295,455 | 321,159 |
| Receivables (net of allowance for uncollectibles): | | | | |
| Taxes receivable | 2,536,473 | - | 2,536,473 | - |
| Accounts receivable | - | 2,048 | 2,048 | - |
| Other local taxes receivable | 635,532 | - | 635,532 | - |
| Due from component unit | 1,097,547 | - | 1,097,547 | - |
| Due from other governmental units | 3,223,362 | - | 3,223,362 | 1,569,898 |
| Deferred charges | 188,623 | - | 188,623 | - |
| Capital assets (net of accumulated depreciation): | | | | |
| Land | 2,991,172 | - | 2,991,172 | 725,315 |
| Buildings and system | 48,854,312 | - | 48,854,312 | 13,671,613 |
| Machinery and equipment | 7,802,127 | - | 7,802,127 | 4,868,063 |
| Infrastructure | - | 1,056,539 | 1,056,539 | - |
| Construction in progress | 8,301,755 | - | 8,301,755 | 610,574 |
| Total assets | \$ 105,064,038 | \$ 1,353,621 | \$ 106,417,659 | \$ 21,766,622 |
| LIABILITIES | | | | |
| Accounts payable | \$ 1,412,783 | \$ 503 | \$ 1,413,286 | \$ 472,351 |
| Accrued interest payable | 633,294 | - | 633,294 | - |
| Due to primary government | - | - | - | 1,097,547 |
| Unearned revenue | 39,225 | - | 39,225 | - |
| Long-term liabilities: | | | | |
| Due within one year | 4,228,823 | - | 4,228,823 | 632,942 |
| Due in more than one year | 38,131,036 | - | 38,131,036 | 1,168,161 |
| Total liabilities | \$ 44,445,161 | \$ 503 | \$ 44,445,664 | \$ 3,371,001 |
| NET ASSETS | | | | |
| Invested in capital assets, net of related debt | \$ 35,077,663 | \$ 1,056,539 | \$ 36,134,202 | \$ 19,875,565 |
| Restricted for: | | | | |
| Capital projects | 295,455 | - | 295,455 | - |
| Unrestricted (deficit) | 25,245,759 | 296,579 | 25,542,338 | (1,479,944) |
| Total net assets | \$ 60,618,877 | \$ 1,353,118 | \$ 61,971,995 | \$ 18,395,621 |

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, 2010

| Functions/Programs | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Assets | | | |
|--|------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|-----------------|-----------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | Component Unit | |
| | | | | | Governmental Activities | Business-type Activities | Total | School Board |
| PRIMARY GOVERNMENT: | | | | | | | | |
| Governmental activities: | | | | | | | | |
| General government administration | \$ 3,934,191 | \$ 22,775 | \$ 401,676 | \$ - | \$ (3,509,740) | \$ - | \$ (3,509,740) | \$ - |
| Judicial administration | 2,354,044 | 144,054 | 897,622 | - | (1,312,368) | - | (1,312,368) | - |
| Public safety | 14,444,078 | 1,561,354 | 5,674,817 | 883,452 | (6,324,455) | - | (6,324,455) | - |
| Public works | 5,397,533 | 637,029 | 67,083 | - | (4,693,421) | - | (4,693,421) | - |
| Health and welfare | 10,201,556 | 22,198 | 4,515,269 | - | (5,664,089) | - | (5,664,089) | - |
| Education | 27,011,085 | - | - | - | (27,011,085) | - | (27,011,085) | - |
| Parks, recreation, and cultural | 2,132,551 | 107,936 | 193,919 | 500 | (1,830,196) | - | (1,830,196) | - |
| Community development | 5,126,182 | - | 108,357 | 1,375,202 | (3,642,623) | - | (3,642,623) | - |
| Interest on long-term debt | 1,496,120 | - | - | - | (1,496,120) | - | (1,496,120) | - |
| Total governmental activities | \$ 72,097,340 | \$ 2,495,346 | \$ 11,888,743 | \$ 2,259,154 | \$ (55,484,097) | \$ - | \$ (55,484,097) | \$ - |
| Business-type activities: | | | | | | | | |
| Utility Fund | \$ 615,957 | \$ 26,031 | \$ - | \$ - | \$ - | \$ (589,926) | \$ (589,926) | \$ - |
| Total primary government | \$ 72,713,297 | \$ 2,521,377 | \$ 11,888,743 | \$ 2,259,154 | \$ (55,484,097) | \$ (589,926) | \$ (56,074,023) | \$ - |
| COMPONENT UNITS: | | | | | | | | |
| School Board | \$ 76,966,816 | \$ 2,273,273 | \$ 48,183,862 | \$ - | \$ - | \$ - | \$ - | \$ (26,509,681) |
| Total component units | \$ 76,966,816 | \$ 2,273,273 | \$ 48,183,862 | \$ - | \$ - | \$ - | \$ - | \$ (26,509,681) |
| General revenues: | | | | | | | | |
| General property taxes | | | | | \$ 42,935,336 | \$ - | \$ 42,935,336 | \$ - |
| Other local taxes: | | | | | | | | |
| Local sales and use taxes | | | | | 3,634,351 | - | 3,634,351 | - |
| Consumers' utility taxes | | | | | 970,934 | - | 970,934 | - |
| Business license taxes | | | | | 4,440 | - | 4,440 | - |
| Utility license taxes | | | | | 283,223 | - | 283,223 | - |
| Motor vehicle licenses | | | | | 1,207,504 | - | 1,207,504 | - |
| Bank stock taxes | | | | | 125,681 | - | 125,681 | - |
| E-911 taxes | | | | | 1,121 | - | 1,121 | - |
| Taxes on recordation and wills | | | | | 507,081 | - | 507,081 | - |
| Hotel and motel room taxes | | | | | 98,194 | - | 98,194 | - |
| Restaurant food taxes | | | | | 834,617 | - | 834,617 | - |
| Unrestricted revenues from use of money and property | | | | | 1,064,806 | 374 | 1,065,180 | 5,459 |
| Miscellaneous | | | | | 1,849,101 | - | 1,849,101 | 68,687 |
| Payments from County of Franklin | | | | | - | - | - | 26,059,965 |
| Grants and contributions not restricted to specific programs | | | | | 5,483,807 | - | 5,483,807 | - |
| Gain on disposal of capital assets | | | | | - | - | - | 8,826 |
| Transfers | | | | | 419,940 | (419,940) | - | - |
| Total general revenues | | | | | \$ 59,420,136 | \$ (419,566) | \$ 59,000,570 | \$ 26,141,937 |
| Change in net assets | | | | | \$ 3,936,039 | \$ (1,009,492) | \$ 2,926,547 | \$ (367,744) |
| Net assets - beginning | | | | | 56,682,838 | 2,362,610 | 59,045,448 | 18,763,365 |
| Net assets - ending | | | | | \$ 60,618,877 | \$ 1,353,118 | \$ 61,971,995 | \$ 18,395,621 |

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

County of Franklin, Virginia
Balance Sheet
Governmental Funds
June 30, 2010

| | <u>General</u> | <u>County Capital Projects</u> | <u>School Construction</u> | <u>Other Governmental Funds</u> | <u>Total</u> |
|---|----------------------|------------------------------------|--------------------------------|---|----------------------|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 16,361,637 | \$ 12,724,508 | \$ - | \$ 51,535 | \$ 29,137,680 |
| Cash in custody of others | - | - | 295,455 | - | 295,455 |
| Receivables (net of allowance for uncollectibles): | | | | | |
| Taxes receivable | 2,536,473 | - | - | - | 2,536,473 |
| Other local taxes receivable | 635,532 | - | - | - | 635,532 |
| Due from component unit | 1,097,547 | - | - | - | 1,097,547 |
| Due from other governmental units | 2,211,692 | 1,011,670 | - | - | 3,223,362 |
| Total assets | <u>\$ 22,842,881</u> | <u>\$ 13,736,178</u> | <u>\$ 295,455</u> | <u>\$ 51,535</u> | <u>\$ 36,926,049</u> |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ 709,287 | \$ 698,328 | \$ - | \$ 5,168 | \$ 1,412,783 |
| Deferred revenue | 2,261,374 | - | - | - | 2,261,374 |
| Total liabilities | <u>\$ 2,970,661</u> | <u>\$ 698,328</u> | <u>\$ -</u> | <u>\$ 5,168</u> | <u>\$ 3,674,157</u> |
| Fund balances: | | | | | |
| Reserved for: | | | | | |
| Capital projects | \$ - | \$ - | \$ 295,455 | \$ - | \$ 295,455 |
| Unreserved: | | | | | |
| Undesignated, reported in: | | | | | |
| General fund | 19,872,220 | - | - | - | 19,872,220 |
| Special revenue funds | - | - | - | 46,367 | 46,367 |
| Designated, reported in: | | | | | |
| Capital projects funds | - | 13,037,850 | - | - | 13,037,850 |
| Total fund balances | <u>\$ 19,872,220</u> | <u>\$ 13,037,850</u> | <u>\$ 295,455</u> | <u>\$ 46,367</u> | <u>\$ 33,251,892</u> |
| Total liabilities and fund balances | <u>\$ 22,842,881</u> | <u>\$ 13,736,178</u> | <u>\$ 295,455</u> | <u>\$ 51,535</u> | <u>\$ 36,926,049</u> |

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

County of Franklin, Virginia
 Reconciliation of the Balance Sheet of Governmental Funds
 To the Statement of Net Assets
 June 30, 2010

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

| | |
|--|----------------------|
| Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds | \$ 33,251,892 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | 67,949,366 |
| Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. | 2,222,149 |
| Bond issuance cost are reported as an expenditure in the funds, however they are deferred and amortized in the government-wide statements | 188,623 |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. | (42,993,153) |
| Net assets of governmental activities | <u>\$ 60,618,877</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, 2010

| | <u>General</u> | <u>County Capital Projects</u> | <u>School Construction</u> | <u>Other Governmental Funds</u> | <u>Total</u> |
|--|----------------------|--|--------------------------------|---|-----------------------|
| REVENUES | | | | | |
| General property taxes | \$ 42,515,165 | \$ - | \$ - | \$ - | \$ 42,515,165 |
| Other local taxes | 7,666,025 | - | - | 1,121 | 7,667,146 |
| Permits, privilege fees, and regulatory licenses | 359,451 | - | - | - | 359,451 |
| Fines and forfeitures | 15,002 | - | - | - | 15,002 |
| Revenue from the use of money and property | 1,061,127 | 2,896 | 783 | - | 1,064,806 |
| Charges for services | 2,120,893 | - | - | - | 2,120,893 |
| Miscellaneous | 168,339 | 1,680,411 | - | 351 | 1,849,101 |
| Recovered costs | 646,857 | - | - | - | 646,857 |
| Intergovernmental revenues: | | | | | |
| Commonwealth | 14,456,024 | 935,237 | - | 53,676 | 15,444,937 |
| Federal | 2,832,850 | 1,323,917 | - | - | 4,156,767 |
| Total revenues | <u>\$ 71,841,733</u> | <u>\$ 3,942,461</u> | <u>\$ 783</u> | <u>\$ 55,148</u> | <u>\$ 75,840,125</u> |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General government administration | \$ 3,703,759 | \$ - | \$ - | \$ - | \$ 3,703,759 |
| Judicial administration | 2,406,096 | - | - | - | 2,406,096 |
| Public safety | 12,609,868 | - | - | 1,095,150 | 13,705,018 |
| Public works | 3,293,949 | - | - | - | 3,293,949 |
| Health and welfare | 10,357,762 | - | - | - | 10,357,762 |
| Education | 26,058,965 | - | - | - | 26,058,965 |
| Parks, recreation, and cultural | 1,868,801 | - | - | - | 1,868,801 |
| Community development | 2,044,767 | - | - | - | 2,044,767 |
| Capital projects | 1,000,000 | 7,841,194 | 911,056 | - | 9,752,250 |
| Debt service: | | | | | |
| Principal retirement | 2,960,922 | - | - | - | 2,960,922 |
| Interest and other fiscal charges | 1,602,618 | - | - | - | 1,602,618 |
| Bond issuance costs | 58,250 | - | - | - | 58,250 |
| Total expenditures | <u>\$ 67,965,757</u> | <u>\$ 7,841,194</u> | <u>\$ 911,056</u> | <u>\$ 1,095,150</u> | <u>\$ 77,813,157</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ 3,875,976</u> | <u>\$ (3,898,733)</u> | <u>\$ (910,273)</u> | <u>\$ (1,040,002)</u> | <u>\$ (1,973,032)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers in | \$ 123,884 | \$ 1,427,355 | \$ - | \$ 1,034,414 | \$ 2,585,653 |
| Transfers out | (2,165,713) | - | - | - | (2,165,713) |
| Proceeds of refunding bonds | 2,464,000 | - | - | - | 2,464,000 |
| Proceeds from note issuance | 1,000,000 | - | - | - | 1,000,000 |
| Refunded bonds redeemed | (2,355,000) | - | - | - | (2,355,000) |
| Total other financing sources (uses) | <u>\$ (932,829)</u> | <u>\$ 1,427,355</u> | <u>\$ -</u> | <u>\$ 1,034,414</u> | <u>\$ 1,528,940</u> |
| Net change in fund balances | \$ 2,943,147 | \$ (2,471,378) | \$ (910,273) | \$ (5,588) | \$ (444,092) |
| Fund balances - beginning | 16,929,073 | 15,509,228 | 1,205,728 | 51,955 | 33,695,984 |
| Fund balances - ending | <u>\$ 19,872,220</u> | <u>\$ 13,037,850</u> | <u>\$ 295,455</u> | <u>\$ 46,367</u> | <u>\$ 33,251,892</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, 2010

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

| | | |
|--|----|-----------|
| Net change in fund balances - total governmental funds | \$ | (444,092) |
|--|----|-----------|

| | | |
|---|--|-----------|
| Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period. | | 4,939,176 |
|---|--|-----------|

| | | |
|--|--|---------|
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | 420,171 |
|--|--|---------|

| | | |
|--|--|-----------|
| The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. | | (780,335) |
|--|--|-----------|

| | | |
|--|--|-----------|
| 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. | | (198,881) |
|--|--|-----------|

| | | |
|---|----|------------------|
| Change in net assets of governmental activities | \$ | <u>3,936,039</u> |
|---|----|------------------|

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

County of Franklin, Virginia
Statement of Net Assets
Proprietary Fund
June 30, 2010

| | Enterprise Fund Utility Fund |
|--|---------------------------------------|
| ASSETS | |
| Current assets: | |
| Cash and cash equivalents | \$ 295,034 |
| Accounts receivable, net of allowance for uncollectibles | 2,048 |
| Total current assets | <u>\$ 297,082</u> |
| Noncurrent assets: | |
| Capital assets: | |
| Infrastructure | \$ 1,144,839 |
| Less accumulated depreciation | (88,300) |
| Total capital assets | <u>\$ 1,056,539</u> |
| Total noncurrent assets | <u>\$ 1,056,539</u> |
| Total assets | <u>\$ 1,353,621</u> |
| LIABILITIES | |
| Current liabilities: | |
| Accounts payable | \$ 503 |
| Total current liabilities | <u>\$ 503</u> |
| Total liabilities | <u>\$ 503</u> |
| NET ASSETS | |
| Invested in capital assets | \$ 1,056,539 |
| Unrestricted (deficit) | 296,579 |
| Total net assets | <u>\$ 1,353,118</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 Fund Net Assets
Proprietary Fund
For the Year Ended June 30, 2010

| | Enterprise Fund Utility Fund |
|---|---------------------------------------|
| OPERATING REVENUES | |
| Charges for services: | |
| Water and sewer revenue | \$ 22,893 |
| Connection fees (operating) | 2,500 |
| Other revenues | 638 |
| Total operating revenues | <u>\$ 26,031</u> |
| OPERATING EXPENSES | |
| Utilities | \$ 2,884 |
| Repairs and maintenance | 640 |
| Professional services | 16,658 |
| Purchased services | 11,333 |
| Depreciation | 29,663 |
| Total operating expenses | <u>\$ 61,178</u> |
| Operating income (loss) | <u>\$ (35,147)</u> |
| NONOPERATING REVENUES (EXPENSES) | |
| Investment earnings | \$ 374 |
| Loss on disposal of assets | (554,779) |
| Total nonoperating revenues (expenses) | <u>\$ (554,405)</u> |
| Income before contributions and transfers | <u>\$ (589,552)</u> |
| Transfers out | (419,940) |
| Change in net assets | <u>\$ (1,009,492)</u> |
| Total net assets - beginning | 2,362,610 |
| Total net assets - ending | <u>\$ 1,353,118</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, 2010

| | Enterprise Fund Utility Fund |
|---|---------------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Receipts from customers and users | \$ 30,930 |
| Payments for materials and supplies | (49,870) |
| Net cash provided (used) by operating activities | <u>\$ (18,940)</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | |
| Transfers to other funds | \$ (419,940) |
| Net cash provided (used) by noncapital financing activities | <u>\$ (419,940)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Interest and dividends received | \$ 374 |
| Net cash provided (used) by investing activities | <u>\$ 374</u> |
| Net increase (decrease) in cash and cash equivalents | (438,506) |
| Cash and cash equivalents - beginning | \$ 733,540 |
| Cash and cash equivalents - ending | <u><u>\$ 295,034</u></u> |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | |
| Operating income (loss) | \$ (35,147) |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | |
| Depreciation expense | \$ 29,663 |
| (Increase) decrease in accounts receivable | 6,584 |
| Increase (decrease) in customer deposits | (1,685) |
| Increase (decrease) in accounts payable | (18,355) |
| Total adjustments | <u>\$ 16,207</u> |
| Net cash provided (used) by operating activities | <u><u>\$ (18,940)</u></u> |

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

County of Franklin, Virginia
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2010

| | Agency Funds |
|--|-------------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 236,560 |
| Cash in custody of others | 75,582 |
| Total assets | <u>\$ 312,142</u> |
| LIABILITIES | |
| Amounts held for social services clients | \$ 24,135 |
| Amounts held for citizens | 19,869 |
| Amounts held for performance bonds | 188,556 |
| Amounts held for library | 4,000 |
| Amounts held for inmates | 75,582 |
| Total liabilities | <u>\$ 312,142</u> |

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

COUNTY OF FRANKLIN, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

Note 1-Summary of Significant Accounting Policies:

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

A. Reporting Entity

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

Blended component units - None

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

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

Related Organizations - None

Jointly Governed Organizations - The County and the Counties of Roanoke and Craig and the Cities of Roanoke and Salem participate in supporting the Roanoke Valley Regional Board, an educational partnership. The governing body of this organization is appointed by the respective governing bodies of the participating jurisdictions. For the fiscal year ended June 30, 2010, the Franklin County School Board contributed \$661,009. Other organizations to which the County makes appointments and contributions are listed below:

| | |
|---|-----------|
| Roanoke Valley Economic Development Partnership | \$ 98,522 |
| Piedmont Community Services | 89,349 |
| Roanoke Valley Detention Commission | 314,288 |
| Western Virginia Regional Jail | 2,108,568 |

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

B. Government-wide and fund financial statements

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

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

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

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

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

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

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

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

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

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

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

The County reports the following major governmental funds:

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

The County reports the following major capital projects funds:

The County capital projects fund accounts for the financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by the Proprietary Fund and the School Construction Fund.

The School Construction Fund accounts for financial resources to be used for the acquisition or construction of major capital school facilities, other than those financed by Proprietary Funds and the County Capital Projects Fund.

The County reports the following major proprietary fund:

Activity associated with the County's water system is accounted for in the Utility Fund.

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

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

The government reports the following non-major governmental funds:

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

Additionally, the government reports the following fund types:

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

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

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

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

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

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

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

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

D. Assets, liabilities, and net assets or equity

1. Deposits and investments

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

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

2. Receivables and payables

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

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

3. Property Taxes

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

4. Allowance for Uncollectible Accounts

The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$420,936 at June 30, 2010 and is comprised solely of property taxes.

Note 1-Summary of Significant Accounting Policies: (continued)**D. Assets, liabilities, and net assets or equity (continued)****5. Use of Estimates**

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

6. Capital assets

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

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

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

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

| Assets | Years |
|------------------------------------|--------------|
| Buildings | 40 |
| Building improvements | 40 |
| Structures, lines, and accessories | 20-40 |
| Machinery and equipment | 4-30 |

7. Compensated Absences

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

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

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

8. Long-term obligations

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

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

9. Fund equity

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

10. Net Assets

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

11. Prepaid Items

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

12. Inventories

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

13. Cash in the Custody of Others:

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**Note 2-Reconciliation of Government-Wide and Fund Financial Statements:**

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

The governmental fund balance sheet includes a reconciliation between *fund balance-total governmental funds* and *net assets-governmental activities* as reported in the government-wide statements of net assets. One element of that reconciliation explains that long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. The details of these (\$42,993,153) and (\$1,801,103) differences for the primary government and discretely presented component unit, respectively, are as follows:

| | Primary Government | Component Unit |
|---|-----------------------|-------------------|
| Bonds payable | \$ (29,877,385) | \$ - |
| Literary loans payable | (4,930,250) | - |
| Leases payable | (548,397) | - |
| Premium on bond | (420,671) | - |
| Accrued interest payable | (633,294) | - |
| Landfill accrued closure and post-closure monitoring costs | (4,756,606) | - |
| Compensated absences | (1,477,390) | (843,923) |
| Other post-employment benefits | (349,160) | (957,180) |
| Net adjustment to reduce <i>fund balance-total governmental funds</i> to arrive at <i>net assets-governmental activities</i> | \$ (42,993,153) | \$ (1,801,103) |

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**Note 2-Reconciliation of Government-Wide and Fund Financial Statements: (continued)**

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances-total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of these \$4,939,176 and \$393,297 differences for the primary government and discretely presented component unit, respectively, are as follows:

| | Primary Government | Component Unit |
|---|-----------------------|--------------------|
| Capital outlays | \$ 8,711,826 | \$ 2,354,447 |
| Deleted assets (net of accumulated depreciation) | (233,280) | - |
| Depreciation expense | <u>(3,539,370)</u> | <u>(1,961,150)</u> |
| Net adjustment to increase (decrease) <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i> | <u>\$ 4,939,176</u> | <u>\$ 393,297</u> |

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**Note 2-Reconciliation of Government-Wide and Fund Financial Statements: (continued)**

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

Another element of that reconciliation states "the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this (\$780,335) difference in the primary government are as follows:

| | <u>Primary Government</u> |
|--|-------------------------------|
| Debt Issued or incurred: | |
| Proceeds from general obligation bonds | \$ (3,464,000) |
| Less: Bond issuance costs | 58,250 |
| Landfill closure/post-closure care liability | (2,690,507) |
| Principal repayments: | |
| General obligation debt | <u>5,315,922</u> |
| Net adjustment to decrease <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i> | <u>\$ (780,335)</u> |

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**Note 2-Reconciliation of Government-Wide and Fund Financial Statements: (continued)**

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

Another element of that reconciliation states, "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of these (\$198,881) and (\$435,211) differences for the primary government and discretely presented component unit, respectively, are as follows:

| | Primary Government | Component Unit |
|--|-----------------------|---------------------|
| (Increase) decrease in compensated absences | \$ (130,219) | \$ 44,969 |
| (Increase) decrease in accrued interest | 87,062 | - |
| Amortization of bond premium | 26,980 | - |
| Amortization of bond issuance cost | (7,544) | |
| (Increase) decrease in OPEB liability | <u>(175,160)</u> | <u>(480,180)</u> |
| Net adjustment to increase (decrease) <i>net changes</i> <i>in fund balances-total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i> | \$ <u>(198,881)</u> | \$ <u>(435,211)</u> |

Note 3-Stewardship, Compliance, and Accountability:

A. Budgetary information

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

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

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

5. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds (except the School Fund), Debt Service Funds, and the General Capital Projects Funds. The School Fund and School Capital Projects Fund are integrated only at the level of legal adoption.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30, for all County units. The County's practice is to appropriate Capital Projects by Project. Several supplemental appropriations were necessary during this fiscal year.
8. 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 reserve that portion of the applicable appropriations, is not part of the County's accounting system.

B. Excess of expenditures over appropriations

Expenditures exceeded appropriations in the Capital Projects Fund for the ended June 30, 2010.

C. Deficit fund equity

At June 30, 2010, there were no funds with deficit fund equity.

Note 4-Deposits and Investments:

Deposits:

All cash of the County of Franklin is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et. seq. of the Code of Virginia or covered by federal depository insurance.

Investments:

Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP). As of June 30, 2010 and for the year then ended, the County of Franklin did not have any investments.

Note 4-Deposits and Investments: (Continued)

Custodial Credit Risk (Investments)

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Neither the County nor its discretely presented component unit has an investment policy for custodial credit risk. As of June 30, 2010, 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, 2010, the County did not have any investments meeting the GASB 40 definition requiring concentration of credit risk disclosures that exceeded 5% of total investments.

Credit Risk of Debt Securities

State law limits investments in commercial paper to holdings rated by at least two of the following: Moody's Investors Service, Inc., within its NCO/Moody's rating of prime 1, by Standard & Poor's, Inc., within its rating of A-1, by Fitch Investor's Services, Inc., within its rating of F-1, by Duff and Phelps, Inc., within its rating of D-1. State law further limits investments in corporate notes and bonds to those with a rating of at least Aa by Moody's Investors Service, Inc., and a rating of at least AA by Standard & Poors, Inc. In addition, State law permits investments in Stocks, bonds, notes, and other evidences of indebtedness of the Commonwealth and those unconditionally guaranteed as to the payment of principal and interest by the Commonwealth. It is the government's policy to limit its investments to those allowed under State law.

Interest Rate Risk

At June 30, 2010, the County did not have any investments meeting the GASB 40 definition requiring interest rate risk disclosures.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**Note 5-Due from Other Governmental Units:**

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

| | Primary Government | Component Unit- School Board |
|--|-----------------------|---------------------------------|
| <u>Western Virginia Water Authority:</u> | | |
| Project allocation | \$ 313,251 | \$ - |
| <u>Commonwealth of Virginia:</u> | | |
| Local sales tax | 689,712 | - |
| State sales tax | - | 527,174 |
| Non-categorical aid | 97,237 | - |
| Categorical aid-shared expenses | 409,692 | - |
| Categorical aid-VPA funds | 164,353 | - |
| Categorical aid-CSA funds | 609,347 | - |
| <u>Federal Government:</u> | | |
| Categorical aid-VPA funds | 241,351 | - |
| Other categorical aid | 698,419 | 1,042,724 |
| Totals | \$ 3,223,362 | \$ 1,569,898 |

Note 6-Interfund/Component-Unit Obligations:

| Fund | Due to Primary Government/ Component Unit | Due from Primary Government/ Component Unit |
|--------------------------------|---|---|
| Primary Government: | | |
| General Fund | \$ - | \$ 1,097,547 |
| Component Unit - School Board: | | |
| School Fund | \$ 1,097,547 | \$ - |

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**Note 7-Interfund Transfers:**

Interfund transfers for the year ended June 30, 2010, consisted of the following:

| <u>Fund</u> | <u>Transfers In</u> | <u>Transfers Out</u> |
|------------------------------|---------------------|----------------------|
| Primary Government: | | |
| General Fund | \$ 123,884 | \$ 2,165,713 |
| Utility Fund | - | 419,940 |
| County Capital Projects Fund | 1,427,355 | - |
| E-911 | 1,034,414 | - |
| | <u>2,585,653</u> | <u>2,585,653</u> |
| Total | \$ <u>2,585,653</u> | \$ <u>2,585,653</u> |

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

Note 8-Long-Term Debt:Primary Government - Governmental Activity Indebtedness:

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

| <u>Year Ending June 30,</u> | <u>General Obligation Bonds and Notes</u> | | <u>Literary Fund Loans</u> | |
|---------------------------------|---|---------------------|----------------------------|-------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| 2011 | \$ 2,293,614 | \$ 1,193,116 | \$ 613,750 | \$ 147,908 |
| 2012 | 2,320,631 | 1,120,798 | 613,750 | 129,495 |
| 2013 | 2,276,537 | 1,033,370 | 613,750 | 111,083 |
| 2014 | 2,332,456 | 946,664 | 613,750 | 92,670 |
| 2015 | 2,383,018 | 857,863 | 613,750 | 74,258 |
| 2016-2020 | 9,960,062 | 3,004,939 | 1,861,500 | 119,798 |
| 2021-2025 | 5,977,666 | 1,094,338 | - | - |
| 2026-2030 | 1,443,401 | 336,365 | - | - |
| 2031-2035 | 890,000 | 110,600 | - | - |
| Totals | \$ <u>29,877,385</u> | \$ <u>9,698,053</u> | \$ <u>4,930,250</u> | \$ <u>675,212</u> |

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**Note 8-Long-Term Debt: (Continued)**

The County has entered into capital leases for a trackloader, phone systems, building/planning software, and a track excavator. These lease agreements qualify as capital leases for accounting purposes and therefore have been recorded at the present value of their future minimum lease payments as of the inception date.

Total assets acquired through capital leases are as follows:

| | |
|------------------------------|--------------------------|
| Trackloader | \$ 234,332 |
| Phone system | 257,668 |
| Track excavator | 283,891 |
| Building/Planning software | 310,486 |
| Phone system-social services | 54,978 |
| Total assets | <u>\$ 1,141,355</u> |
| Accumulated Depreciation | <u>(394,770)</u> |
| Net Book Value of Assets | <u><u>\$ 746,585</u></u> |

Present value of future minimum lease payments:

| Year Ending June 30, | Capital Leases |
|---|--------------------------|
| 2010 | \$ 234,194 |
| 2011 | 181,742 |
| 2012 | 161,022 |
| 2013 | 12,609 |
| 2014 | |
| Total minimum lease payments | <u>\$ 589,567</u> |
| Less: amount representing interest | <u>(41,170)</u> |
| Present value of future minimum lease payments | <u><u>\$ 548,397</u></u> |

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**Note 8-Long-Term Debt: (continued)**

The following is a summary of long-term debt transactions of the County for the year ended June 30, 2010.

| | Balance July 1, 2009 | Issuances | Retirements | Balance June 30, 2010 |
|--|-------------------------|--------------|----------------|--------------------------|
| General Obligation | | | | |
| Bonds and Notes | \$ 30,874,272 | \$ 3,464,000 | \$ (4,460,887) | \$ 29,877,385 |
| Premiums on bonds | 447,652 | | (26,981) | 420,671 |
| Literary loans | 5,544,000 | | (613,750) | 4,930,250 |
| Capital leases | 789,682 | | (241,285) | 548,397 |
| Landfill closure/ postclosure liability | 2,066,099 | 2,690,507 | | 4,756,606 |
| Compensated absences | 1,347,171 | 1,140,596 | (1,010,377) | 1,477,390 |
| Other post-employment benefits | 174,000 | 209,160 | (34,000) | 349,160 |
| Total | \$ 41,242,876 | \$ 7,504,263 | \$ (6,387,280) | \$ 42,359,859 |

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Note 8-Long-Term Debt: (continued)Primary Government - Governmental Activity Indebtedness:

Details of long-term indebtedness:

| | Interest Rates | Issue Date | Final Maturity Date | Amount of Original Issue | Balance Governmental Activities | Amount Due Within One Year |
|--|-------------------|---------------|---------------------------|--------------------------------|---------------------------------------|----------------------------------|
| General Obligation Bonds and Notes: | | | | | | |
| GO bond ² | 4.85-6.6% | 8/1/1991 | 2012 | \$ 1,319,970 | \$ 168,268 | \$ 82,661 |
| GO bond ² | 5.0-5.9% | 11/16/2000 | 2020 | 6,285,526 | 3,725,518 | 309,863 |
| GO bond ² | 5.1-6.35% | 5/18/2000 | 2021 | 3,400,000 | 1,870,000 | 170,000 |
| GO bond ² | 4.1-5.6% | 11/10/2004 | 2025 | 2,500,000 | 1,875,000 | 125,000 |
| GO bond ¹ | 3.710% | 7/13/2005 | 2021 | 6,500,000 | 2,018,045 | 151,900 |
| GO bond ² | 4.225-5.1% | 11/9/2006 | 2027 | 6,760,943 | 5,704,354 | 300,290 |
| GO bond ¹ | 3.910% | 12/20/2007 | 2023 | 4,253,000 | 3,833,400 | 231,900 |
| GO bond ² | 3.910% | 12/20/2007 | 2023 | 4,897,000 | 4,413,800 | 267,000 |
| GO bond ³ | 4.68% | 6/12/2009 | 2035 | 2,905,000 | 2,905,000 | 60,000 |
| Note Payable - WVCC ¹ | 0.00% | 12/15/2009 | 2019 | 1,000,000 | 900,000 | 100,000 |
| GO refunding bond ¹ | 1.615% | 6/24/2010 | 2014 | 2,464,000 | 2,464,000 | 495,000 |
| Total General Obligation Bonds and Notes | | | | | <u>\$ 29,877,385</u> | <u>\$ 2,293,614</u> |
| Literary Loans: (Bonded indebtedness) (School Construction) ² | | | | | | |
| State Literary Fund Loan | 3% | 3/17/1997 | 2017 | \$ 1,072,000 | \$ 375,200 | \$ 53,600 |
| State Literary Fund Loan | 3% | 3/17/1997 | 2017 | 1,029,000 | 360,150 | 51,450 |
| State Literary Fund Loan | 3% | 3/17/1997 | 2017 | 967,000 | 338,450 | 48,350 |
| State Literary Fund Loan | 3% | 3/17/1997 | 2017 | 539,000 | 188,650 | 26,950 |
| State Literary Fund Loan | 3% | 3/17/1997 | 2017 | 988,000 | 345,800 | 49,400 |
| State Literary Fund Loan | 3% | 9/15/1997 | 2017 | 210,000 | 84,000 | 10,500 |
| State Literary Fund Loan | 3% | 10/7/1997 | 2017 | 854,000 | 341,600 | 42,700 |
| State Literary Fund Loan | 3% | 10/7/1997 | 2017 | 844,000 | 337,600 | 42,200 |
| State Literary Fund Loan | 3% | 10/7/1997 | 2017 | 772,000 | 308,800 | 38,600 |
| State Literary Fund Loan | 3% | 7/16/1998 | 2018 | 5,000,000 | 2,250,000 | 250,000 |
| Total Literary Loans | | | | | <u>\$ 4,930,250</u> | <u>\$ 613,750</u> |
| Other Obligations: | | | | | | |
| Landfill Closure/Post-closure | | | | | | |
| Monitoring Costs | n/a | n/a | n/a | n/a | \$ 4,756,606 | \$ - |
| Capital Leases | n/a | n/a | n/a | n/a | 548,397 | 213,416 |
| Premium on \$2,500,000 GO bond | n/a | n/a | n/a | n/a | 136,483 | - |
| Premium on \$6,760,943 GO bond | n/a | n/a | n/a | n/a | 159,242 | - |
| Premium on \$2,905,000 GO bond | n/a | n/a | n/a | n/a | 124,946 | - |
| Compensated Absences | n/a | n/a | n/a | n/a | 1,477,390 | 1,108,043 |
| Other post-employment benefits | n/a | n/a | n/a | n/a | 349,160 | - |
| Total Other Obligations | | | | | <u>\$ 7,552,224</u> | <u>\$ 1,321,459</u> |
| Total Long-term debt | | | | | <u>\$ 42,359,859</u> | <u>\$ 4,228,823</u> |

¹ Denotes debt issued for General Government Projects² Denotes debt issued for School Construction³ Denotes debt issued for Utility Assets transferred to the Western Virginia Water Authority (Operating Debt)

For the governmental activities, compensated absences are generally liquidated by the General Fund. Landfill closure and postclosure monitoring costs are generally liquidated by the General Fund.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**Note 9-Long-Term Debt-Component Unit School Board:**Discretely Presented Component Unit-School Board-Indebtedness:

The following is a summary of long-term debt transactions of the Component-Unit School Board for the year ended June 30, 2010.

| | Balance July 1, 2009 | Issuances | Retirements | Balance June 30, 2010 |
|--------------------------------|-------------------------|---------------------|---------------------|--------------------------|
| Compensated absences | \$ 888,892 | \$ 621,700 | \$ (666,669) | \$ 843,923 |
| Other post-employment benefits | 477,000 | 701,180 | (221,000) | 957,180 |
| Total | <u>\$ 1,365,892</u> | <u>\$ 1,322,880</u> | <u>\$ (887,669)</u> | <u>\$ 1,801,103</u> |

Details of long-term indebtedness:

| | Total Amount | Amount Due Within One Year |
|--------------------------------|---------------------|-------------------------------|
| <u>Other Obligations:</u> | | |
| Compensated absences | \$ 843,923 | \$ 632,942 |
| Other post-employment benefits | 957,180 | - |
| Total Long-Term Obligations | <u>\$ 1,801,103</u> | <u>\$ 632,942</u> |

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

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Note 10-Employee Retirement System and Pension Plans:

A. Plan Description

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

All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 for participating local law enforcement officers, firefighters, and sheriffs) or at age 50 with at least 30 years of service if elected by the employer (age 50 with at least 25 years of service for participating local law enforcement officers, firefighters, and sheriffs) payable monthly for life in an amount equal to 1.70% of their average final compensation (AFC) for each year of credited service (1.85% for sheriffs and if the employer elects, for other employees in hazardous duty positions receiving enhanced benefits). Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living adjustment (COLA) beginning in their second year of retirement. The COLA is limited to 5.00% per year. AFC is defined as the highest consecutive 36 months of reported compensation. Participating local law enforcement officers, firefighters, and sheriffs may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The system issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from their website at <http://www.varetire.org/Pdf/Publications/2009-Annual-Report.pdf> or obtained by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

B. Funding Policy

Primary Government:

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their annual salary to the VRS. This 5.00% member contribution may be assumed by the employer. In addition, the County is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The County's contribution rate for the fiscal year ended 2010 was 7.41% of annual covered payroll.

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

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their annual salary to the VRS. This 5.00% member contribution may be assumed by the employer. In addition, the School Board is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The School Board's contribution rate for the fiscal year ended 2010 was 9.02% of annual covered payroll.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**Note 10-Employee Retirement System and Pension Plans: (continued)****C. Annual Pension Cost**

For fiscal year 2010, the County of Franklin, Virginia's annual pension cost of \$865,122 and \$462,009 was equal to the County of Franklin, Virginia's required and actual contributions for the County and the School Board Non-Professionals, respectively.

Three-Year Trend Information

| | Fiscal Year Ending | Annual Pension Cost (APC) ¹ | Percentage of APC Contributed | Net Pension Obligation |
|--------------------------------------|--------------------------|--|-------------------------------------|------------------------------|
| Primary Government: | | | | |
| County | 6/30/2008 | \$ 833,644 | 100.00% | \$ - |
| | 6/30/2009 | 898,427 | 100.00% | - |
| | 6/30/2010 | 865,122 | 100.00% | - |
| Discretely Presented-Component Unit: | | | | |
| School Board Non-Professional | 6/30/2008 | \$ 365,013 | 100.00% | \$ - |
| | 6/30/2009 | 460,501 | 100.00% | - |
| | 6/30/2010 | 462,009 | 100.00% | - |

¹ Employer portion only

The required contribution was determined as part of the June 30, 2007 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2007 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the County's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. County's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2007 was 20 years.

D. Funded Status and Funding Progress**Primary Government:**

As of June 30, 2009, the most recent actuarial valuation date, the plan was 89.63% funded. The actuarial accrued liability for benefits was \$42,315,620 and the actuarial value of assets was \$37,926,618, resulting in an unfunded actuarial accrued liability (UAAL) of \$4,389,002. The covered payroll (annual payroll of active employees covered by the plan) was \$11,906,562, and ratio of the UAAL to the covered payroll was 36.86%.

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

D. Funded Status and Funding Progress (continued)

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

As of June 30, 2009, the most recent actuarial valuation date, the plan was 84.26% funded. The actuarial accrued liability for benefits was \$15,456,816, and the actuarial value of assets was \$13,023,595, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,433,221. The covered payroll (annual payroll of active employees covered by the plan) was \$5,135,329, and ratio of the UAAL to the covered payroll was 47.38%.

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability (AAL) for benefits.

E. Discretely Presented Component Unit School Board (Professional Employees)

Plan Description

The Franklin County School Board contributes to the Virginia Retirement System (VRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System. VRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the State legislature. The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from their website at <http://www.varetire.org/Pdf/Publications/2009-Annual-Report.pdf> or obtained by writing to the System at P.O. Box 2500, Richmond, VA, 23218-2500.

Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their annual salary to the VRS. This 5.00% member contribution may be assumed by the employer. In addition, the School Board is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The School Board's contribution to the statewide cost sharing pool for professional employees was \$2,407,049, \$3,369,227, and \$3,745,318 for the fiscal years ended 2010, 2009, and 2008 respectively. Employer contributions represented 6.265%, 8.81%, and 10.30% of covered payroll for the fiscal years ended 2010, 2009, and 2008 respectively.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**Note 11-Other Postemployment Benefits (OPEB):**

From an accrual accounting perspective, the cost of post-employment health care benefits (OPEB), like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in future years when it will be paid. In adopting the requirements of GASB Statement No. 45 during the year ended June 30, 2009, the County recognizes the cost of post-employment health care in the year when the employee services are rendered, reports the accumulating liability, and provides information useful in assessing potential demands on the County's future cash flows. Recognition of the liability accumulated from prior years will be phased in over 30 years, commencing with the 2009 liability.

Primary Government**A. Plan Description**

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

B. Funding Policy

The County of Franklin, Virginia currently pays for post-retirement health care benefits on a pay-as-you-go basis. The County of Franklin, Virginia currently has 303 employees that are eligible for the program. In addition, for retirees of the County of Franklin, Virginia, 100 percent of premiums are the responsibility of the retiree. The rates were as follows:

| Participants | Premiums | |
|-------------------|------------------|----------|
| | Health Insurance | Dental |
| Employee | \$ 441.69 | \$ 25.00 |
| Employee / Spouse | 927.55 | 40.42 |
| Employee / Child | 675.79 | 39.16 |
| Family | 1,143.98 | 76.92 |

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**Note 11-Other Postemployment Benefits (OPEB): (continued)**Primary Government (continued)

C. Annual OPEB Cost

For 2010, the Board's annual contribution of \$34,000 did not equal the annual OPEB cost of \$209,160. The obligation calculation is as follows:

| | |
|--|----------------|
| Annual required contribution | \$ 208,000 |
| Interest on net OPEB obligation | 6,960 |
| Adjustment to annual required contribution | <u>(5,800)</u> |
| Annual OPEB cost (expense) | 209,160 |
| Contributions made | <u>34,000</u> |
| Increase in net OPEB obligation | 175,160 |
| Net OPEB obligation - beginning of year | <u>174,000</u> |
| Net OPEB obligation - ending of year | \$ 349,160 |

The Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 were as follows:

| Fiscal Year Ended* | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|-----------------------|---------------------|--|------------------------|
| 6/30/2009 | \$ 208,000 | 16.35% | \$ 174,000 |
| 6/30/2010 | \$ 209,160 | 16.26% | \$ 349,160 |

* Information has only been available for two years.

D. Funded Status and Funding Progress

The funded status of the Plan as of June 30, 2008 (the most recent valuation), was as follows:

| | |
|---|---------------|
| Actuarial accrued liability (AAL) | \$ 1,802,000 |
| Actuarial value of plan assets | \$ - |
| Unfunded actuarial accrued liability (UAAL) | \$ 1,802,000 |
| Funded ratio (actuarial value of plan assets/AAL) | 0.00% |
| Covered payroll (active plan members) | \$ 11,648,075 |
| UAAL as a percentage of covered payroll | 15.47% |

Note 11-Other Postemployment Benefits (OPEB): (continued)

Primary Government (continued)

D. Funded Status and Funding Progress (continued)

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

E. Actuarial methods and Assumptions

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

In the July 1, 2008, actuarial valuation, the projected unit of credit actuarial cost method was used. Under this method, future benefits are projected and the present value of such benefits is allocated from date of hire to date of eligibility. The actuarial assumptions included: inflation at 2.5%, an investment rate of return at 4.0%, and a health care trend rate of 10% graded to 5% over 10 years. The UAAL is being amortized as a level percentage over the remaining closed amortization period, which at June 30, 2010, was 28 years.

Component Unit: School Board

A. Plan Description

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Note 11-Other Postemployment Benefits (OPEB): (continued)

Component Unit: School Board: (continued)

B. Funding Policy

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

| Participants | Premiums | |
|-------------------|------------------|----------|
| | Health Insurance | Dental |
| Employee | \$ 450.90 | \$ 29.78 |
| Employee / Spouse | 954.82 | 59.25 |
| Employee / Child | 666.92 | 53.10 |
| Family | 1,060.91 | 91.75 |

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

C. Annual OPEB Cost

For 2010, the Board's annual contribution of \$221,000 did not equal the annual OPEB cost of \$701,180. The obligation calculation is as follows:

| | |
|--|------------|
| Annual required contribution | \$ 698,000 |
| Interest on net OPEB obligation | 19,080 |
| Adjustment to annual required contribution | (15,900) |
| Annual OPEB cost (expense) | 701,180 |
| Contributions made | 221,000 |
| Increase in net OPEB obligation | 480,180 |
| Net OPEB obligation - beginning of year | 477,000 |
| Net OPEB obligation - ending of year | \$ 957,180 |

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**Note 11-Other Postemployment Benefits (OPEB): (continued)**Component Unit: School Board: (continued)**C. Annual OPEB Cost (continued)**

The Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 were as follows:

| Fiscal Year Ended* | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|-----------------------|---------------------|--|------------------------|
| 6/30/2009 | \$ 698,000 | 31.66% | \$ 477,000 |
| 6/30/2010 | \$ 701,180 | 31.52% | \$ 957,180 |

* Information has only been available for two years.

D. Funded Status and Funding Progress

The funded status of the Plan as of June 30, 2008 (the most recent valuation), was as follows:

| | |
|---|---------------|
| Actuarial accrued liability (AAL) | \$ 6,636,000 |
| Actuarial value of plan assets | \$ - |
| Unfunded actuarial accrued liability (UAAL) | \$ 6,636,000 |
| Funded ratio (actuarial value of plan assets/AAL) | 0.00% |
| Covered payroll (active plan members) | \$ 42,780,643 |
| UAAL as a percentage of covered payroll | 15.51% |

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

Note 11-Other Postemployment Benefits (OPEB): (continued)

Component Unit: School Board: (continued)

E. Actuarial methods and Assumptions

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

In the July 1, 2008, actuarial valuation, the projected unit of credit actuarial cost method was used. Under this method, future benefits are projected and the present value of such benefits is allocated from date of hire to date of eligibility. The actuarial assumptions included: inflation at 2.5%, an investment rate of return at 4.0%, and a health care trend rate of 10% graded to 5% over 10 years. The UAAL is being amortized as a level percentage over the remaining closed amortization period, which at June 30, 2010, was 28 years.

Note 12-Unearned Revenue:

Unearned revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Unearned revenue totaling \$2,261,374 is comprised of the following:

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2010, but paid in advance by the taxpayers totaled \$39,225 at June 30, 2010.

Uncollected Taxes – Property taxes receivable not collected within 60 days after year end are reflected as deferred revenues. These taxes totaled \$2,222,149 at June 30, 2010.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**Note 13-Capital Assets:**

Capital asset activity for the year ended June 30, 2010 was as follows:

Primary Government:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|------------------------|-----------------------|------------------------|------------------------|
| Governmental Activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 1,991,172 | \$ 1,000,000 | \$ - | \$ 2,991,172 |
| Construction in progress | 15,002,370 | 6,136,172 | (12,836,787) | 8,301,755 |
| Total capital assets not being depreciated | <u>\$ 16,993,542</u> | <u>\$ 7,136,172</u> | <u>\$ (12,836,787)</u> | <u>\$ 11,292,927</u> |
| Capital assets, being depreciated: | | | | |
| Buildings | \$ 51,132,011 | \$ 11,862,098 | \$ - | \$ 62,994,109 |
| Machinery and equipment | 19,170,721 | 2,550,343 | (829,336) | 20,891,728 |
| Total capital assets being depreciated | <u>\$ 70,302,732</u> | <u>\$ 14,412,441</u> | <u>\$ (829,336)</u> | <u>\$ 83,885,837</u> |
| Less: accumulated depreciation for: | | | | |
| Buildings | \$ (12,491,556) | \$ (1,648,241) | \$ - | \$ (14,139,797) |
| Machinery and equipment | (11,794,528) | (1,891,129) | 596,056 | (13,089,601) |
| Total accumulated depreciation | <u>\$ (24,286,084)</u> | <u>\$ (3,539,370)</u> | <u>\$ 596,056</u> | <u>\$ (27,229,398)</u> |
| Total capital assets being depreciated, net | <u>\$ 46,016,648</u> | <u>\$ 10,873,071</u> | <u>\$ (233,280)</u> | <u>\$ 56,656,439</u> |
| Governmental activities capital assets, net | <u>\$ 63,010,190</u> | <u>\$ 18,009,243</u> | <u>\$ (13,070,067)</u> | <u>\$ 67,949,366</u> |

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**Note 13-Capital Assets: (continued)**

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|----------------------|-------------|--------------|-------------------|
| Business-type Activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Construction in progress | \$ - | \$ - | \$ - | \$ - |
| Total capital assets not being depreciated | \$ - | \$ - | \$ - | \$ - |
| Capital assets, being depreciated: | | | | |
| Infrastructure | \$ 1,751,679 | \$ - | \$ (606,840) | \$ 1,144,839 |
| Total capital assets being depreciated | \$ 1,751,679 | \$ - | \$ (606,840) | \$ 1,144,839 |
| Less: accumulated depreciation for: | | | | |
| Infrastructure | \$ (110,698) | \$ (29,663) | \$ 52,061 | \$ (88,300) |
| Total accumulated depreciation | \$ (110,698) | \$ (29,663) | \$ 52,061 | \$ (88,300) |
| Total capital assets being depreciated, net | \$ 1,640,981 | \$ (29,663) | \$ (554,779) | \$ 1,056,539 |
| Business-type activities capital assets, net | \$ 1,640,981 | \$ (29,663) | \$ (554,779) | \$ 1,056,539 |

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Note 13-Capital Assets: (continued)

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

| | |
|--|---------------------|
| Governmental activities: | |
| General government administration | \$ 218,407 |
| Judicial administration | 6,179 |
| Public safety | 1,339,393 |
| Public works | 500,922 |
| Health and welfare | 198,477 |
| Education | 951,337 |
| Parks, recreation, and cultural | 312,694 |
| Community development | <u>11,961</u> |
| Total depreciation expense-governmental activities | \$ <u>3,539,370</u> |
| Business-type activities | |
| Utility fund | \$ <u>29,663</u> |

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**Note 13-Capital Assets: (continued)**

Capital asset activity for the School Board for the year ended June 30, 2010 was as follows:

Discretely Presented Component Unit:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|------------------------|-----------------------|-----------------------|------------------------|
| Governmental Activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 725,315 | \$ - | \$ - | \$ 725,315 |
| Construction in progress | 1,999,401 | 689,560 | (2,078,387) | 610,574 |
| Total capital assets not being depreciated | <u>\$ 2,724,716</u> | <u>\$ 689,560</u> | <u>\$ (2,078,387)</u> | <u>\$ 1,335,889</u> |
| Capital assets, being depreciated: | | | | |
| Buildings | \$ 28,509,097 | \$ 2,494,876 | \$ - | \$ 31,003,973 |
| Machinery and equipment | 12,663,909 | 1,248,398 | (639,407) | 13,272,900 |
| Total capital assets being depreciated | <u>\$ 41,173,006</u> | <u>\$ 3,743,274</u> | <u>\$ (639,407)</u> | <u>\$ 44,276,873</u> |
| Less: accumulated depreciation for: | | | | |
| Buildings | \$ (16,579,836) | \$ (752,524) | \$ - | \$ (17,332,360) |
| Machinery and equipment | (7,835,618) | (1,208,626) | 639,407 | (8,404,837) |
| Total accumulated depreciation | <u>\$ (24,415,454)</u> | <u>\$ (1,961,150)</u> | <u>\$ 639,407</u> | <u>\$ (25,737,197)</u> |
| Total capital assets being depreciated, net | <u>\$ 16,757,552</u> | <u>\$ 1,782,124</u> | <u>\$ -</u> | <u>\$ 18,539,676</u> |
| Governmental activities capital assets, net | <u>\$ 19,482,268</u> | <u>\$ 2,471,684</u> | <u>\$ (2,078,387)</u> | <u>\$ 19,875,565</u> |

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Note 14-Risk Management:

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

Note 15-Contingent Liabilities:

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

Note 16-Surety Bonds:

Primary Government:

| | |
|--|------------|
| Fidelity & Deposit Company of Maryland-Surety: | |
| Teresa J. Brown, Clerk of the Circuit Court | \$ 500,000 |
| Lynda F. Messenger, Treasurer | 500,000 |
| Margaret S. Torrence, Commissioner of the Revenue | 3,000 |
| Ewell A. Hunt, Sheriff | 30,000 |
| All constitutional officers' employees: blanket bond | 50,000 |
| All Social Services employees-blanket bond | 100,000 |

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Note 16-Surety Bonds: (continued)

Component Unit – School Board:

| | | |
|--|----|---------|
| Fidelity and Casualty Company of New York: | | |
| Charles H. Lackey, Superintendent of Schools | \$ | 20,000 |
| David Leffue | | 20,000 |
| Lee Cheatham | | 20,000 |
| Georgia Ferguson | | 20,000 |
| Marguerite Whitmer | | 20,000 |
| Pacific Employers Insurance Company: | | |
| All School Board employees-blanket bond | \$ | 100,000 |

Note 17-Landfill Closure and Post-closure Care Cost:

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site after closure. The estimated total cost necessary to close and monitor the landfill is \$6,795,152. \$4,756,606 is the estimated closure and post-closure care liability at June 30, 2010 based on the capacity used as of the same date. The County will recognize the remaining closure and post-closure care totaling \$2,038,546 over the remaining useful life of the landfill which is two years. The landfill has reached 70% of capacity and the County expects to close the landfill in 2012. This represents what it would cost to perform closure and post-closure care in 2010. Actual costs for closure and post-closure monitoring may change due to inflation, deflation, changes in technology or changes in regulations. The County uses the Commonwealth of Virginia's financial assurance mechanism to meet the Department of Environmental Quality's assurance requirements for landfill closure and post-closure costs.

Note 18-Current Debt Refunding:

The County issued debt totaling \$2,464,000 to provide funds for a current refunding of \$2,355,000 in outstanding debt plus accrued interest of \$50,750. Bond issuance costs totaled \$58,250. The refunding reduced future debt service payments by \$113,162; resulting in a present value savings (economic benefit) of \$108,825.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**Note 19-Designated and Reserved Fund Balances/Restricted Net Assets:**

Primary Government:

| | | |
|--|----|-------------------|
| Reserved for school capital projects | \$ | 295,455 |
| Designated for county capital projects | | <u>13,037,850</u> |

| | | |
|--|----|-------------------|
| Total Primary Government designations and reservations | \$ | <u>13,333,305</u> |
|--|----|-------------------|

Note 20 – Water and Wastewater Services:

During the fiscal year, the County joined the Western Virginia Water Authority as a member. As a result, the Regional Authority will provide water and wastewater services to the citizens of Franklin County. The County has transferred water systems to the Authority under their operating agreement.

Note 21 – Commitments and Contingencies:

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

| <u>Project</u> | <u>Contract Amount</u> | <u>Contract Amount Outstanding at June 30, 2010</u> | <u>Funding Source</u> |
|--|------------------------|---|-----------------------|
| Franklin County Government Center | \$ 5,911,699 | \$ 286,404 | Bond Proceeds |
| Franklin County Government Center - Lower Level | 289,826 | 134,966 | Bond Proceeds |
| CEED Building Design & Construction (School Board) | 839,334 | 385,494 | Local Funds |
| CEED Building Construction (School Board) | 173,000 | 112,200 | Local Funds |

Note 22 – Subsequent Events:

Subsequent events were evaluated through December 7, 2010.

Required Supplementary Information

County of Franklin, Virginia
Required Supplementary Information

Schedule of Funding Progress Defined Benefit and Healthcare Plans
For the Year Ended June 30, 2010

Primary Government: County Retirement Plan

| Valuation as of (1) | Actuarial Value of Assets (2) | Actuarial Accrued Liability (AAL) (3) | Unfunded AAL (UAAL) (3) - (2) (4) | Funded Ratio Assets as % of AAL (2)/(3) (5) | Annual Covered Payroll (6) | UAAL as a % of Covered Payroll (4)/(6) (7) |
|---------------------------|--|--|--|--|-------------------------------------|---|
| June 30, 2009 | \$ 37,926,618 | \$ 42,315,620 | \$ 4,389,002 | 89.63% | \$ 11,906,562 | 36.86% |
| June 30, 2008 | 36,560,423 | 38,771,088 | 2,210,665 | 94.30% | 11,648,075 | 18.98% |
| June 30, 2007 | 33,376,334 | 34,236,170 | 859,836 | 97.49% | 10,577,228 | 8.13% |

Discretely Presented Component Unit:

School Board Non-Professional Retirement Plan

| Valuation as of (1) | Actuarial Value of Assets (2) | Actuarial Accrued Liability (AAL) (3) | Unfunded AAL (UAAL) (3) - (2) (4) | Funded Ratio Assets as % of AAL (2)/(3) (5) | Annual Covered Payroll (6) | UAAL as a % of Covered Payroll (4)/(6) (7) |
|---------------------------|--|--|--|--|-------------------------------------|---|
| June 30, 2009 | \$ 13,023,595 | \$ 15,456,816 | \$ 2,433,221 | 84.26% | \$ 5,135,329 | 47.38% |
| June 30, 2008 | 12,440,126 | 14,068,566 | 1,628,440 | 88.42% | 4,537,430 | 35.89% |
| June 30, 2007 | 11,121,573 | 13,143,064 | 2,021,491 | 84.62% | 4,435,717 | 45.57% |

County Healthcare Plan*

| Valuation as of* (1) | Actuarial Value of Assets (2) | Actuarial Accrued Liability (AAL) (3) | Unfunded AAL (UAAL) (3) - (2) (4) | Funded Ratio Assets as % of AAL (2)/(3) (5) | Annual Covered Payroll (6) | UAAL as a % of Covered Payroll (4)/(6) (7) |
|----------------------------|--|--|--|--|-------------------------------------|---|
| June 30, 2008 | \$ - | \$ 1,802,000 | \$ 1,802,000 | 0.00% | \$ 11,648,075 | 15.47% |

School Board Healthcare Plan*

| Valuation as of* (1) | Actuarial Value of Assets (2) | Actuarial Accrued Liability (AAL) (3) | Unfunded AAL (UAAL) (3) - (2) (4) | Funded Ratio Assets as % of AAL (2)/(3) (5) | Annual Covered Payroll (6) | UAAL as a % of Covered Payroll (4)/(6) (7) |
|----------------------------|--|--|--|--|-------------------------------------|---|
| June 30, 2008 | \$ - | \$ 6,636,000 | \$ 6,636,000 | 0.00% | \$ 42,780,643 | 15.51% |

*Only one year of data available

County of Franklin, Virginia
General Fund
Schedule of Revenues, Expenditures, and Change in Fund Balances - Budget and Actual
For the Year Ended June 30, 2010

| | Budgeted Amounts | | | Variance with Final Budget - Positive (Negative) |
|---|------------------|----------------|-------------------|---|
| | Original | Final | Actual Amounts | |
| REVENUES | | | | |
| General property taxes | \$ 41,496,675 | \$ 41,496,675 | \$ 42,515,165 | \$ 1,018,490 |
| Other local taxes | 7,675,100 | 7,675,100 | 7,666,025 | (9,075) |
| Permits, privilege fees, and regulatory licenses | 400,000 | 405,000 | 359,451 | (45,549) |
| Fines and forfeitures | 11,000 | 11,000 | 15,002 | 4,002 |
| Revenue from the use of money and property | 869,000 | 869,249 | 1,061,127 | 191,878 |
| Charges for services | 2,030,443 | 2,250,849 | 2,120,893 | (129,956) |
| Miscellaneous | 281,000 | 295,826 | 168,339 | (127,487) |
| Recovered costs | 539,866 | 539,866 | 646,857 | 106,991 |
| Intergovernmental revenues: | | | | |
| Commonwealth | 17,675,066 | 15,383,945 | 14,456,024 | (927,921) |
| Federal | 68,899 | 2,540,720 | 2,832,850 | 292,130 |
| Total revenues | \$ 71,047,049 | \$ 71,468,230 | \$ 71,841,733 | \$ 373,503 |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government administration | \$ 4,024,000 | \$ 4,532,189 | \$ 3,703,759 | \$ 828,430 |
| Judicial administration | 2,611,872 | 2,695,562 | 2,406,096 | 289,466 |
| Public safety | 12,682,132 | 14,910,190 | 12,609,868 | 2,300,322 |
| Public works | 3,277,908 | 7,260,714 | 3,293,949 | 3,966,765 |
| Health and welfare | 10,881,195 | 10,911,957 | 10,357,762 | 554,195 |
| Education | 26,328,751 | 27,960,183 | 26,058,965 | 1,901,218 |
| Parks, recreation, and cultural | 1,816,886 | 2,386,952 | 1,868,801 | 518,151 |
| Community development | 2,495,061 | 3,537,460 | 2,044,767 | 1,492,693 |
| Nondepartmental | 200,000 | 138,574 | - | 138,574 |
| Capital projects ¹ | - | - | 1,000,000 | (1,000,000) |
| Debt service: | | | | |
| Principal retirement | 2,963,127 | 2,963,127 | 2,960,922 | 2,205 |
| Interest and other fiscal charges | 1,321,975 | 1,602,618 | 1,602,618 | - |
| Bond issuance costs ¹ | - | - | 58,250 | (58,250) |
| Total expenditures | \$ 68,602,907 | \$ 78,899,526 | \$ 67,965,757 | \$ 10,933,769 |
| Excess (deficiency) of revenues over (under) expenditures | \$ 2,444,142 | \$ (7,431,296) | \$ 3,875,976 | \$ 11,307,272 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | \$ - | \$ 123,884 | \$ 123,884 | \$ - |
| Transfers out | (2,941,894) | 4,434,477 | (2,165,713) | (6,600,190) |
| Proceeds of refunding bonds | - | - | 2,464,000 | 2,464,000 |
| Proceeds from notes | - | - | 1,000,000 | 1,000,000 |
| Refunded bonds redeemed ¹ | - | - | (2,355,000) | (2,355,000) |
| Total other financing sources and uses | \$ (2,941,894) | \$ 4,558,361 | \$ (932,829) | \$ (5,491,190) |
| Net change in fund balances | \$ (497,752) | \$ (2,872,935) | \$ 2,943,147 | \$ 5,816,082 |
| Fund balances - beginning | 497,752 | 2,872,935 | 16,929,073 | 14,056,138 |
| Fund balances - ending | \$ - | \$ - | \$ 19,872,220 | \$ 19,872,220 |

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

¹ Disbursements not subject to appropriation.

Other Supplementary Information Section

Supplementary Financial Statements

County of Franklin, Virginia
Schedule of Revenues, Expenditures, and Change in Fund Balances - Budget and Actual
Major Capital Projects Fund
For the Year Ended June 30, 2010

| | County Capital Projects | | | |
|---|-------------------------|-----------------|----------------|---|
| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
| | Original | Final | | |
| REVENUES | | | | |
| Revenue from the use of money and property | \$ - | \$ 2,895 | \$ 2,896 | \$ 1 |
| Miscellaneous | - | 1,367,090 | 1,680,411 | 313,321 |
| Intergovernmental revenues: | | | | |
| Commonwealth | - | 1,988,093 | 935,237 | (1,052,856) |
| Federal | - | 577,799 | 1,323,917 | 746,118 |
| Total revenues | \$ - | \$ 3,935,877 | \$ 3,942,461 | \$ 6,584 |
| EXPENDITURES | | | | |
| Capital projects | \$ 1,769,940 | \$ 14,815,166 | \$ 7,841,194 | \$ 6,973,972 |
| Total expenditures | \$ 1,769,940 | \$ 14,815,166 | \$ 7,841,194 | \$ 6,973,972 |
| Excess (deficiency) of revenues over (under) expenditures | \$ (1,769,940) | \$ (10,879,289) | \$ (3,898,733) | \$ 6,980,556 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | \$ 1,769,940 | | \$ 1,427,355 | \$ 1,427,355 |
| Transfers out | | \$ (5,606,431) | | \$ 5,606,431 |
| Total other financing sources and uses | \$ 1,769,940 | \$ (5,606,431) | \$ 1,427,355 | \$ 7,033,786 |
| Net change in fund balances | \$ - | \$ (16,485,720) | \$ (2,471,378) | \$ 14,014,342 |
| Fund balances - beginning | - | 16,485,720 | 15,509,228 | (976,492) |
| Fund balances - ending | \$ - | \$ - | \$ 13,037,850 | \$ 13,037,850 |

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

County of Franklin, Virginia
Schedule of Revenues, Expenditures, and Change in Fund Balances - Budget and Actual
Major Capital Projects Fund
For the Year Ended June 30, 2010

| | School Construction | | | | Variance with Final Budget Positive (Negative) |
|---|---------------------|----------------|--------------|------------|---|
| | Budgeted Amounts | | | | |
| | Original | Final | Actual | | |
| REVENUES | | | | | |
| Revenue from the use of money and property | \$ - | \$ 783 | \$ 783 | \$ - | |
| Total revenues | \$ - | \$ 783 | \$ 783 | \$ - | |
| EXPENDITURES | | | | | |
| Capital projects | \$ - | \$ 1,206,511 | \$ 911,056 | \$ 295,455 | |
| Total expenditures | \$ - | \$ 1,206,511 | \$ 911,056 | \$ 295,455 | |
| Excess (deficiency) of revenues over (under) expenditures | \$ - | \$ (1,205,728) | \$ (910,273) | \$ 295,455 | |
| Net change in fund balances | \$ - | \$ (1,205,728) | \$ (910,273) | \$ 295,455 | |
| Fund balances - beginning | - | 1,205,728 | 1,205,728 | - | |
| Fund balances - ending | \$ - | \$ - | \$ 295,455 | \$ 295,455 | |

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

County of Franklin, Virginia
Schedule of Revenues, Expenditures, and Change in Fund Balances - Budget and Actual
Nonmajor Special Revenue Fund
For the Year Ended June 30, 2010

| E-911 Fund | | | | | | | | |
|---|----|-------------|----|-------------|----|---|----|--------|
| | | | | | | Variance with Final Budget Positive Negative | | |
| Budgeted Amounts | | | | | | | | |
| Original | | Final | | Actual | | | | |
| REVENUES | | | | | | | | |
| Other local taxes | \$ | - | \$ | - | \$ | 1,121 | \$ | 1,121 |
| Miscellaneous | | - | | - | | 351 | | 351 |
| Intergovernmental revenues: | | | | | | | | |
| Commonwealth | | 46,000 | | 46,000 | | 53,676 | | 7,676 |
| Total revenues | \$ | 46,000 | \$ | 46,000 | \$ | 55,148 | \$ | 9,148 |
| EXPENDITURES | | | | | | | | |
| Current: | | | | | | | | |
| Public safety | \$ | 1,080,414 | \$ | 1,132,369 | \$ | 1,095,150 | \$ | 37,219 |
| Total expenditures | \$ | 1,080,414 | \$ | 1,132,369 | \$ | 1,095,150 | \$ | 37,219 |
| Excess (deficiency) of revenues over (under) expenditures | | | | | | | | |
| | \$ | (1,034,414) | \$ | (1,086,369) | \$ | (1,040,002) | \$ | 46,367 |
| OTHER FINANCING SOURCES (USES) | | | | | | | | |
| Transfers in | \$ | 1,034,414 | \$ | 1,034,414 | \$ | 1,034,414 | \$ | - |
| Total other financing sources and uses | \$ | 1,034,414 | \$ | 1,034,414 | \$ | 1,034,414 | \$ | - |
| Net change in fund balances | | | | | | | | |
| | \$ | - | \$ | (51,955) | \$ | (5,588) | \$ | 46,367 |
| Fund balances - beginning | | - | | 51,955 | | 51,955 | | - |
| Fund balances - ending | \$ | - | \$ | - | \$ | 46,367 | \$ | 46,367 |

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

FIDUCIARY FUNDS

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

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

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

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

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

County of Franklin, Virginia
Combining Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2010

| | Agency Funds | | | | | Total |
|--|--------------------|------------------------|--|-----------------|--|------------|
| | Special Welfare | Road Escrow Fund | Escrow Fund for Soil and Erosion Control Agreement | Library Fund | Inmate trust and Canteen Account Fund | |
| ASSETS | | | | | | |
| Cash and cash equivalents | \$ 24,135 | \$ 19,869 | \$ 188,556 | \$ 4,000 | \$ - | \$ 236,560 |
| Cash in custody of others | - | - | - | - | 75,582 | 75,582 |
| Total assets | \$ 24,135 | \$ 19,869 | \$ 188,556 | \$ 4,000 | \$ 75,582 | \$ 312,142 |
| LIABILITIES | | | | | | |
| Amounts held for social services clients | \$ 24,135 | \$ - | \$ - | \$ - | \$ - | \$ 24,135 |
| Amounts held for citizens | - | 19,869 | - | - | - | 19,869 |
| Amounts held for performance bonds | - | - | 188,556 | - | - | 188,556 |
| Amounts held in escrow for Library | - | - | - | 4,000 | - | 4,000 |
| Amounts held for inmates | - | - | - | - | 75,582 | 75,582 |
| Total liabilities | \$ 24,135 | \$ 19,869 | \$ 188,556 | \$ 4,000 | \$ 75,582 | \$ 312,142 |

County of Franklin, Virginia
Combining Statement of Changes in Assets and Liabilities
Fiduciary Funds
For the Year Ended June 30, 2010

| | Agency Funds | | | |
|----------------------------------|----------------------------|-------------------|-------------------|-----------------------------|
| | Balance July 1, 2009 | Additions | Deductions | Balance June 30, 2010 |
| ASSETS | | | | |
| Cash and cash equivalents: | | | | |
| Special Welfare Fund | \$ 45,891 | \$ 121,024 | \$ 142,780 | \$ 24,135 |
| Road Escrow Fund | 19,631 | 238 | - | 19,869 |
| Escrow Fund for Soil and Erosion | | | | |
| Control Agreement | 174,364 | 91,911 | 77,719 | 188,556 |
| Library Fund | 4,000 | - | - | 4,000 |
| Fish Virginia Program | - | 13,728 | 75,815 | (62,087) |
| Cash in custody of others | | | | |
| Inmate Trust and Canteen Funds | 89,419 | 187,740 | 201,577 | 75,582 |
| Receivables: | | | | |
| Other receivables | - | 62,087 | - | 62,087 |
| Total assets | <u>\$ 333,305</u> | <u>\$ 476,728</u> | <u>\$ 497,891</u> | <u>\$ 312,142</u> |
| LIABILITIES | | | | |
| Amounts held for others: | | | | |
| Social services clients | \$ 45,891 | \$ 121,024 | \$ 142,780 | \$ 24,135 |
| Citizens | 19,631 | 238 | - | 19,869 |
| Performance bonds | 174,364 | 91,911 | 77,719 | 188,556 |
| Library | 4,000 | - | - | 4,000 |
| State and local agencies | - | 75,815 | 75,815 | - |
| Inmates | 89,419 | 187,740 | 201,577 | 75,582 |
| Total liabilities | <u>\$ 333,305</u> | <u>\$ 476,728</u> | <u>\$ 497,891</u> | <u>\$ 312,142</u> |

DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD

MAJOR GOVERNMENTAL FUNDS

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

County of Franklin, Virginia
Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2010

| | School Operating Fund |
|--|-----------------------------|
| ASSETS | |
| Cash in custody of others | \$ 321,159 |
| Due from other governmental units | 1,569,898 |
| Total assets | <u>\$ 1,891,057</u> |
| LIABILITIES AND FUND BALANCES | |
| Liabilities: | |
| Accounts payable | \$ 472,351 |
| Due to primary government | 1,097,547 |
| Total liabilities | <u>\$ 1,569,898</u> |
| Fund balances: | |
| Unreserved: | |
| Undesignated | \$ 321,159 |
| Total fund balances | <u>\$ 321,159</u> |
| Total liabilities and fund balances | <u>\$ 1,891,057</u> |
| Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because: | |
| Total fund balances per above | \$ 321,159 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | 19,875,565 |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. | (1,801,103) |
| Net assets of governmental activities | <u>\$ 18,395,621</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, 2010

| | School Operating Fund |
|---|-----------------------------|
| REVENUES | |
| Revenue from the use of money and property | \$ 5,459 |
| Charges for services | 2,273,273 |
| Miscellaneous | 68,687 |
| Recovered costs | 655,966 |
| Intergovernmental revenues: | |
| Local government | 26,058,965 |
| Commonwealth | 37,100,843 |
| Federal | 11,083,019 |
| Total revenues | <u>\$ 77,246,212</u> |
| EXPENDITURES | |
| Current: | |
| Education | \$ 77,580,868 |
| Total expenditures | <u>\$ 77,580,868</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ (334,656)</u> |
| OTHER FINANCING SOURCES (USES) | |
| Sale of capital assets | \$ 8,826 |
| Total other financing sources and uses | <u>\$ 8,826</u> |
| Net change in fund balances | \$ (325,830) |
| Fund balances - beginning | 646,989 |
| Fund balances - ending | <u>\$ 321,159</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 | \$ (325,830) |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period. | 393,297 |
| 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. | (435,211) |
| Change in net assets of governmental activities | <u>\$ (367,744)</u> |

County of Franklin, Virginia
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2010

| | School Operating Fund | | | | Variance with Final Budget Positive (Negative) |
|---|-----------------------|---------------|---------------|----|---|
| | Budgeted Amounts | | Actual | | |
| | Original | Final | | | |
| REVENUES | | | | | |
| Revenue from the use of money and property | \$ - | \$ - | \$ 5,459 | \$ | 5,459 |
| Charges for services | 3,199,311 | 3,351,264 | 2,273,273 | | (1,077,991) |
| Miscellaneous | 131,969 | - | 68,687 | | 68,687 |
| Recovered costs | 445,976 | 455,543 | 655,966 | | 200,423 |
| Intergovernmental revenues: | | | | | |
| Local government | 26,328,751 | 27,960,183 | 26,058,965 | | (1,901,218) |
| Commonwealth | 38,659,796 | 39,575,331 | 37,100,843 | | (2,474,488) |
| Federal | 9,488,845 | 9,950,353 | 11,083,019 | | 1,132,666 |
| Total revenues | \$ 78,254,648 | \$ 81,292,674 | \$ 77,246,212 | \$ | (4,046,462) |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| Education | \$ 78,264,243 | \$ 81,302,269 | \$ 77,580,868 | \$ | 3,721,401 |
| Total expenditures | \$ 78,264,243 | \$ 81,302,269 | \$ 77,580,868 | \$ | 3,721,401 |
| Excess (deficiency) of revenues over (under) expenditures | \$ (9,595) | \$ (9,595) | \$ (334,656) | \$ | (325,061) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Sale of capital assets | \$ 9,595 | \$ 9,595 | \$ 8,826 | \$ | (769) |
| Total other financing sources and uses | \$ 9,595 | \$ 9,595 | \$ 8,826 | \$ | (769) |
| Net change in fund balances | \$ - | \$ - | \$ (325,830) | \$ | (325,830) |
| Fund balances - beginning | - | - | 646,989 | | 646,989 |
| Fund balances - ending | \$ - | \$ - | \$ 321,159 | \$ | 321,159 |

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

Supporting Schedules

County of Franklin, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2010

Schedule 1
Page 1 of 7

| Fund, Major and Minor Revenue Source | Original Budget | Final Budget | Actual | Variance with Final Budget - Positive (Negative) |
|--|--------------------|-----------------|---------------|---|
| Primary Government: | | | | |
| General Fund: | | | | |
| Revenue from local sources: | | | | |
| General property taxes: | | | | |
| Real property taxes | \$ 33,314,028 | \$ 33,314,028 | \$ 34,323,072 | \$ 1,009,044 |
| Real and personal public service corporation taxes | 679,204 | 679,204 | 738,892 | 59,688 |
| Personal property taxes | 5,868,443 | 5,868,443 | 5,570,722 | (297,721) |
| Mobile home taxes | 225,000 | 225,000 | 201,799 | (23,201) |
| Machinery and tools taxes | 430,000 | 430,000 | 534,755 | 104,755 |
| Merchant's capital | 660,000 | 660,000 | 657,593 | (2,407) |
| Penalties | 210,000 | 210,000 | 317,187 | 107,187 |
| Interest | 110,000 | 110,000 | 171,145 | 61,145 |
| Total general property taxes | \$ 41,496,675 | \$ 41,496,675 | \$ 42,515,165 | \$ 1,018,490 |
| Other local taxes: | | | | |
| Local sales and use taxes | \$ 3,800,950 | \$ 3,800,950 | \$ 3,634,351 | \$ (166,599) |
| Consumers' utility taxes | 950,000 | 950,000 | 970,934 | 20,934 |
| Business license taxes | 4,500 | 4,500 | 4,440 | (60) |
| Utility license taxes | 200,000 | 200,000 | 283,223 | 83,223 |
| Motor vehicle licenses | 1,270,650 | 1,270,650 | 1,207,504 | (63,146) |
| Bank stock taxes | 99,000 | 99,000 | 125,681 | 26,681 |
| Taxes on recordation and wills | 450,000 | 450,000 | 497,231 | 47,231 |
| Hotel and motel room taxes | 100,000 | 100,000 | 98,194 | (1,806) |
| Local probate tax | - | - | 9,850 | 9,850 |
| Restaurant food taxes | 800,000 | 800,000 | 834,617 | 34,617 |
| Total other local taxes | \$ 7,675,100 | \$ 7,675,100 | \$ 7,666,025 | \$ (9,075) |
| Permits, privilege fees, and regulatory licenses: | | | | |
| Animal licenses | \$ 30,000 | \$ 35,000 | \$ 35,194 | \$ 194 |
| Zoning and planning fees | 50,000 | 50,000 | 40,375 | (9,625) |
| Erosion and sediment control | 35,000 | 35,000 | 25,778 | (9,222) |
| Building permits | 270,000 | 270,000 | 238,035 | (31,965) |
| Land use application fees | 15,000 | 15,000 | 18,160 | 3,160 |
| Transfer fees | - | - | 1,899 | 1,899 |
| Other permits and licenses | - | - | 10 | 10 |
| Total permits, privilege fees, and regulatory licenses | \$ 400,000 | \$ 405,000 | \$ 359,451 | \$ (45,549) |
| Fines and forfeitures: | | | | |
| Court fines and forfeitures | \$ 11,000 | \$ 11,000 | \$ 15,002 | \$ 4,002 |
| Total fines and forfeitures | \$ 11,000 | \$ 11,000 | \$ 15,002 | \$ 4,002 |
| Revenue from use of money and property: | | | | |
| Revenue from use of money | \$ 800,000 | \$ 800,249 | \$ 970,967 | \$ 170,718 |
| Revenue from use of property | 69,000 | 69,000 | 90,160 | 21,160 |
| Total revenue from use of money and property | \$ 869,000 | \$ 869,249 | \$ 1,061,127 | \$ 191,878 |
| Charges for services: | | | | |
| Charges for courthouse security | \$ 62,856 | \$ 62,856 | \$ 69,117 | \$ 6,261 |
| Charges for courthouse maintenance | 12,000 | 12,000 | 12,061 | 61 |
| Charges for law enforcement and traffic control | 15,000 | 49,749 | 59,329 | 9,580 |
| Excess Clerk of Court fees | 46,667 | 46,667 | 43,825 | (2,842) |
| Charges for Commonwealth's Attorney | 3,000 | 3,000 | 2,301 | (699) |

County of Franklin, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2010

Schedule 1
Page 2 of 7

| Fund, Major and Minor Revenue Source | Original Budget | Final Budget | Actual | Variance with Final Budget - Positive (Negative) |
|--|--------------------|-----------------|---------------|---|
| Primary Government: (Continued) | | | | |
| General Fund: (Continued) | | | | |
| Revenue from local sources: (Continued) | | | | |
| Charges for services: (Continued) | | | | |
| Prisoner's board | \$ 9,000 | \$ 9,000 | \$ 10,013 | \$ 1,013 |
| Miscellaneous jail and inmate fees | - | - | 644 | 644 |
| Miscellaneous animal fees | 5,000 | 5,000 | 4,454 | (546) |
| Charges for private landfills | - | - | 25,682 | 25,682 |
| Charges for sale of maps and codes and copies | 15,000 | 15,000 | 22,775 | 7,775 |
| Charges for emergency medical services billing | 900,000 | 1,072,606 | 1,107,486 | 34,880 |
| Charges for sanitation and waste removal | 776,587 | 776,587 | 599,286 | (177,301) |
| Charges for parks and recreation | 108,100 | 121,151 | 81,367 | (39,784) |
| Charges for aging services | 25,233 | 25,233 | 22,198 | (3,035) |
| Charges for library | 25,000 | 25,000 | 26,569 | 1,569 |
| Charges for law library | 12,000 | 12,000 | 13,809 | 1,809 |
| Charges for concealed weapons permits | 15,000 | 15,000 | 19,977 | 4,977 |
| Total charges for services | \$ 2,030,443 | \$ 2,250,849 | \$ 2,120,893 | \$ (129,956) |
| Miscellaneous revenue: | | | | |
| Miscellaneous | \$ 281,000 | \$ 295,826 | \$ 168,339 | \$ (127,487) |
| Total miscellaneous revenue | \$ 281,000 | \$ 295,826 | \$ 168,339 | \$ (127,487) |
| Recovered costs: | | | | |
| Health department | \$ 144,500 | \$ 144,500 | \$ 109,230 | \$ (35,270) |
| Court reporting fees | 60,000 | 60,000 | 54,196 | (5,804) |
| Armory reimbursement | 15,000 | 15,000 | 10,952 | (4,048) |
| School resource officer | 86,658 | 86,658 | 88,976 | 2,318 |
| Office on youth | - | - | 170,022 | 170,022 |
| Advertising | - | - | 2 | 2 |
| Blue ridge soil and water | 233,708 | 233,708 | 213,479 | (20,229) |
| Total recovered costs | \$ 539,866 | \$ 539,866 | \$ 646,857 | \$ 106,991 |
| Total revenue from local sources | \$ 53,303,084 | \$ 53,543,565 | \$ 54,552,859 | \$ 1,009,294 |
| Revenue from the Commonwealth: | | | | |
| Noncategorical aid: | | | | |
| Motor vehicle carrier tax (rolling stock) | \$ 35,582 | \$ 35,582 | \$ 2,774 | \$ (32,808) |
| Mobile home titling tax | 150,000 | 150,000 | 80,012 | (69,988) |
| Grantor's tax | 142,000 | 142,000 | 131,365 | (10,635) |
| Motor vehicle rental tax | 29,000 | 29,000 | 28,355 | (645) |
| Communications tax | 2,450,000 | 2,450,000 | 2,324,280 | (125,720) |
| State recordation tax | 198,953 | 198,953 | 219,771 | 20,818 |
| Personal property tax relief funds | 2,626,618 | 2,626,618 | 2,626,618 | - |
| Total noncategorical aid | \$ 5,632,153 | \$ 5,632,153 | \$ 5,413,175 | \$ (218,978) |
| Categorical aid: | | | | |
| Shared expenses: | | | | |
| Commonwealth's attorney | \$ 505,843 | \$ 505,843 | \$ 498,007 | \$ (7,836) |
| Sheriff | 3,253,550 | 3,065,122 | 2,757,753 | (307,369) |
| Commissioner of revenue | 170,130 | 154,024 | 169,166 | 15,142 |
| Treasurer | 166,840 | 151,792 | 158,139 | 6,347 |
| Registrar/electoral board | 59,752 | 59,752 | 50,340 | (9,412) |
| Clerk of the Circuit Court | 314,078 | 338,505 | 373,199 | 34,694 |
| Total shared expenses | \$ 4,470,193 | \$ 4,275,038 | \$ 4,006,604 | \$ (268,434) |

County of Franklin, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2010

Schedule 1
Page 3 of 7

| <u>Fund, Major and Minor Revenue Source</u> | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|---|----------------------------|-------------------------|---------------|---|
| Primary Government: (Continued) | | | | |
| General Fund: (Continued) | | | | |
| Revenue from the Commonwealth: (Continued) | | | | |
| Categorical aid: (Continued) | | | | |
| Other categorical aid: | | | | |
| Public assistance and welfare administration | \$ 4,191,921 | \$ 1,914,407 | \$ 1,897,136 | \$ (17,271) |
| Comprehensive services act | 2,799,095 | 2,799,095 | 2,473,025 | (326,070) |
| Asset forfeiture funds | 25,000 | 15,277 | 15,277 | - |
| Office on youth-juvenile | 27,869 | 26,432 | 26,416 | (16) |
| Family resource center-family violence prevention | 159,838 | 117,740 | 104,789 | (12,951) |
| Family resource center-DHCD shelter grant | 18,391 | 18,391 | 13,045 | (5,346) |
| Four for life | - | 52,532 | 52,532 | - |
| Asset forfeiture funds | - | 4,863 | 4,863 | - |
| Library grants | 158,301 | 171,319 | 173,919 | 2,600 |
| Workforce development grants | 63,000 | 63,000 | 93,357 | 30,357 |
| Parks and recreation grant | - | 20,000 | 20,000 | - |
| Litter control grant | - | 12,780 | 12,780 | - |
| Selective enforcement | - | - | 359 | 359 |
| Animal friendly plates | - | 1,154 | 1,155 | 1 |
| VDA grant | - | - | 54,303 | 54,303 |
| Drug enhancement grant | 16,328 | 44,486 | 55,073 | 10,587 |
| Department of Emergency Management grant | - | 102,301 | 14,185 | (88,116) |
| Other categorical aid | 112,977 | 112,977 | 24,031 | (88,946) |
| Total other categorical aid | \$ 7,572,720 | \$ 5,476,754 | \$ 5,036,245 | \$ (440,509) |
| Total categorical aid | \$ 12,042,913 | \$ 9,751,792 | \$ 9,042,849 | \$ (708,943) |
| Total revenue from the Commonwealth | \$ 17,675,066 | \$ 15,383,945 | \$ 14,456,024 | \$ (927,921) |
| Revenue from the federal government: | | | | |
| Non-categorical aid: | | | | |
| Payments in lieu of taxes | \$ 10,079 | \$ 10,079 | \$ 16,956 | \$ 6,877 |
| Total non-categorical aid | \$ 10,079 | \$ 10,079 | \$ 16,956 | \$ 6,877 |
| Categorical aid: | | | | |
| Department of Health and Human Services payments | \$ - | \$ 2,321,309 | \$ 2,338,493 | \$ 17,184 |
| Law enforcement terrorism prevention | - | 59,876 | 59,876 | - |
| State homeland security program | - | - | 86,251 | 86,251 |
| Emergency shelter grant | - | - | 9,283 | 9,283 |
| Temporary assistance for needy families | 14,236 | 14,236 | 17,991 | 3,755 |
| CDBG/State's program | - | 6,446 | 15,000 | 8,554 |
| Edward Byrne memorial law enforcement grant | - | - | 167,233 | 167,233 |
| CDBG-indoor plumbing grant | 10,000 | 10,000 | - | (10,000) |
| Emergency management performance grant | 34,584 | 34,584 | 34,584 | - |
| DCJS grant | - | 84,190 | 87,183 | 2,993 |
| Total categorical aid | \$ 58,820 | \$ 2,530,641 | \$ 2,815,894 | \$ 285,253 |
| Total revenue from the federal government | \$ 68,899 | \$ 2,540,720 | \$ 2,832,850 | \$ 292,130 |
| Total General Fund | \$ 71,047,049 | \$ 71,468,230 | \$ 71,841,733 | \$ 373,503 |

County of Franklin, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2010

Schedule 1
Page 4 of 7

| <u>Fund, Major and Minor Revenue Source</u> | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|---|----------------------------|-------------------------|---------------|---|
| Primary Government: (Continued) | | | | |
| County Capital Projects Fund: (Continued) | | | | |
| Revenue from local sources: (Continued) | | | | |
| Revenue from use of money and property: | | | | |
| Revenue from use of money | \$ - | \$ 1,020 | \$ 1,021 | \$ 1 |
| Revenue from use of property | - | 1,875 | 1,875 | - |
| Total revenue from use of money and property | \$ - | \$ 2,895 | \$ 2,896 | \$ 1 |
| Miscellaneous revenue: | | | | |
| Donations | \$ - | \$ 16,070 | \$ 16,070 | \$ - |
| Contribution from the Town of Rocky Mount | - | 25,340 | 25,340 | - |
| Contribution from the Western Va. Water Authority | - | 1,325,560 | 1,638,811 | 313,251 |
| Miscellaneous | - | 120 | 190 | 70 |
| Total miscellaneous revenue | \$ - | \$ 1,367,090 | \$ 1,680,411 | \$ 313,321 |
| Total revenue from local sources | \$ - | \$ 1,369,985 | \$ 1,683,307 | \$ 313,322 |
| Revenue from the Commonwealth: | | | | |
| Categorical aid: | | | | |
| Other categorical aid: | | | | |
| Park and rec grants | \$ - | \$ 500 | \$ 500 | \$ - |
| Tobacco commission funds | - | 1,721,115 | 98,984 | (1,622,131) |
| Virginia fire programs | - | 118,453 | 548,453 | 430,000 |
| Wireless board funds | - | 148,025 | 287,300 | 139,275 |
| Total other categorical aid | \$ - | \$ 1,988,093 | \$ 935,237 | \$ (1,052,856) |
| Total categorical aid | \$ - | \$ 1,988,093 | \$ 935,237 | \$ (1,052,856) |
| Total revenue from the Commonwealth | \$ - | \$ 1,988,093 | \$ 935,237 | \$ (1,052,856) |
| Revenue from the federal government: | | | | |
| Categorical aid: | | | | |
| State homeland security grant | \$ - | \$ - | \$ 47,699 | \$ 47,699 |
| STAG Grant | - | 577,799 | 1,276,218 | 698,419 |
| Total categorical aid | \$ - | \$ 577,799 | \$ 1,323,917 | \$ 746,118 |
| Total revenue from the federal government | \$ - | \$ 577,799 | \$ 1,323,917 | \$ 746,118 |
| Total County Capital Projects Fund | \$ - | \$ 3,935,877 | \$ 3,942,461 | \$ 6,584 |
| Special Revenue Fund: | | | | |
| E-911 Fund: | | | | |
| Revenue from local sources: | | | | |
| Other local taxes: | | | | |
| E-911 taxes | \$ - | \$ - | \$ 1,121 | \$ 1,121 |
| Total other local taxes | \$ - | \$ - | \$ 1,121 | \$ 1,121 |
| Miscellaneous revenue: | | | | |
| Other miscellaneous | \$ - | \$ - | \$ 351 | \$ 351 |
| Total miscellaneous revenue | \$ - | \$ - | \$ 351 | \$ 351 |
| Total revenue from local sources | \$ - | \$ - | \$ 1,472 | \$ 1,472 |

County of Franklin, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2010

Schedule 1
Page 5 of 7

| <u>Fund, Major and Minor Revenue Source</u> | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|--|----------------------------|-------------------------|---------------|---|
| Special Revenue Fund: (Continued) | | | | |
| E-911 Fund: (Continued) | | | | |
| Categorical aid: | | | | |
| Wireless board reimbursement | \$ 46,000 | \$ 46,000 | \$ 53,676 | \$ 7,676 |
| Total categorical aid | \$ 46,000 | \$ 46,000 | \$ 53,676 | \$ 7,676 |
| Total revenue from the Commonwealth | \$ 46,000 | \$ 46,000 | \$ 53,676 | \$ 7,676 |
| Total E-911 Fund | \$ 46,000 | \$ 46,000 | \$ 55,148 | \$ 9,148 |
| Primary Government: (Continued) | | | | |
| Capital Projects Fund: | | | | |
| School Construction Fund: | | | | |
| Revenue from local sources: | | | | |
| Revenue from use of money and property: | | | | |
| Revenue from the use of money | \$ - | \$ 783 | \$ 783 | \$ - |
| Total revenue from use of money and property | \$ - | \$ 783 | \$ 783 | \$ - |
| Total revenue from local sources | \$ - | \$ 783 | \$ 783 | \$ - |
| Total School Construction Fund | \$ - | \$ 783 | \$ 783 | \$ - |
| Total Primary Government | \$ 71,093,049 | \$ 75,450,890 | \$ 75,840,125 | \$ 389,235 |
| Discretely Presented Component Unit - School Board: | | | | |
| Special Revenue Funds: | | | | |
| School Operating Fund: | | | | |
| Revenue from local sources: | | | | |
| Revenue from use of money and property: | | | | |
| Revenue from the use of property | \$ - | \$ - | \$ 5,459 | \$ 5,459 |
| Total revenue from use of money and property | \$ - | \$ - | \$ 5,459 | \$ 5,459 |
| Charges for services: | | | | |
| Other charges for education | \$ - | \$ - | \$ 45,365 | \$ 45,365 |
| Cafeteria sales | 2,717,076 | 2,849,045 | 1,572,716 | (1,276,329) |
| Payments from other localities | 482,235 | 482,235 | 635,781 | 153,546 |
| Cannery fees | - | 19,984 | 19,411 | (573) |
| Total charges for services | \$ 3,199,311 | \$ 3,351,264 | \$ 2,273,273 | \$ (1,077,991) |
| Miscellaneous revenue: | | | | |
| Miscellaneous | \$ 131,969 | \$ - | \$ 68,687 | \$ 68,687 |
| Total miscellaneous revenue | \$ 131,969 | \$ - | \$ 68,687 | \$ 68,687 |
| Recovered costs: | | | | |
| Insurance recoveries and rebates | \$ 8,229 | \$ 8,229 | \$ 57,278 | \$ 49,049 |
| Sale of supplies | - | - | 21,873 | 21,873 |
| Other recovered costs | 437,747 | 447,314 | 576,815 | 129,501 |
| Total recovered costs | \$ 445,976 | \$ 455,543 | \$ 655,966 | \$ 200,423 |
| Total revenue from local sources | \$ 3,777,256 | \$ 3,806,807 | \$ 3,003,385 | \$ (803,422) |
| Revenues from local governments: | | | | |
| Contribution from County of Franklin, Virginia | \$ 26,328,751 | \$ 27,960,183 | \$ 26,058,965 | \$ (1,901,218) |
| Total revenues from local governments | \$ 26,328,751 | \$ 27,960,183 | \$ 26,058,965 | \$ (1,901,218) |

County of Franklin, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2010

Schedule 1
Page 6 of 7

| <u>Fund, Major and Minor Revenue Source</u> | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|--|----------------------------|-------------------------|---------------|---|
| Discretely Presented Component Unit - School Board: (Continued) | | | | |
| Special Revenue Funds: (Continued) | | | | |
| School Operating Fund: (Continued) | | | | |
| Intergovernmental revenues: | | | | |
| Revenue from the Commonwealth: | | | | |
| Categorical aid: | | | | |
| Adult literacy | \$ - | \$ - | \$ 100,000 | \$ 100,000 |
| Adult secondary education | - | - | 46,299 | 46,299 |
| At risk four-year olds | 528,336 | 528,336 | 528,336 | - |
| At risk payments | 455,978 | 455,978 | 450,041 | (5,937) |
| Basic school aid | 20,347,356 | 20,347,356 | 18,899,869 | (1,447,487) |
| Early reading intervention | 90,055 | 90,055 | 80,674 | (9,381) |
| English as a second language | 76,577 | 76,577 | 54,503 | (22,074) |
| GED funds | 33,881 | 33,881 | 23,576 | (10,305) |
| Gifted and talented | 196,723 | 196,723 | 198,126 | 1,403 |
| Group life | 43,716 | 43,716 | 30,820 | (12,896) |
| Homebound education | - | - | 43,417 | 43,417 |
| Mentor teacher program | - | - | 14,090 | 14,090 |
| National board certification | - | - | 52,500 | 52,500 |
| Primary class size | 727,628 | 727,628 | 714,817 | (12,811) |
| Race to GED | - | - | 134,244 | 134,244 |
| Regular foster care | 168,537 | 168,537 | 81,737 | (86,800) |
| Remedial education | 480,877 | 480,877 | 484,307 | 3,430 |
| Remedial summer education | 170,121 | 170,121 | 154,448 | (15,673) |
| Retirement fringe benefits | 1,547,551 | 1,547,551 | 1,171,142 | (376,409) |
| School food | 42,331 | 42,331 | 66,933 | 24,602 |
| Share of state sales tax | 6,967,352 | 6,967,352 | 6,736,264 | (231,088) |
| Social security fringe benefits | 1,202,194 | 1,202,194 | 1,210,768 | 8,574 |
| Special education | 3,103,846 | 3,103,846 | 3,125,982 | 22,136 |
| Special education - foster children | - | - | 136,331 | 136,331 |
| Special education-regional program | 389,571 | 389,571 | 460,271 | 70,700 |
| Standards of Learning algebra readiness | 70,944 | 70,944 | 68,988 | (1,956) |
| State lottery payments | 397,249 | 397,249 | 508,302 | 111,053 |
| Technology | 440,000 | 440,000 | 291,176 | (148,824) |
| Textbook payment | 518,124 | 518,124 | - | (518,124) |
| Vocational adult education | 577,053 | 577,053 | 629,068 | 52,015 |
| Vocational education - equipment | - | - | 16,784 | 16,784 |
| Vocational occupational preparedness | 39,006 | 39,006 | 21,253 | (17,753) |
| Other state funds | 44,790 | 960,325 | 565,777 | (394,548) |
| Total categorical aid | \$ 38,659,796 | \$ 39,575,331 | \$ 37,100,843 | \$ (2,474,488) |
| Total revenue from the Commonwealth | \$ 38,659,796 | \$ 39,575,331 | \$ 37,100,843 | \$ (2,474,488) |
| Revenue from the federal government: | | | | |
| Categorical aid: | | | | |
| Adult literacy | \$ 87,964 | \$ 87,964 | \$ 494,216 | \$ 406,252 |
| Drug free schools | 28,271 | 28,271 | 26,911 | (1,360) |
| Literacy challenge grant | 14,862 | 14,862 | - | (14,862) |
| National school lunch program | - | - | 1,581,242 | 1,581,242 |
| Reading first | 195,000 | 195,000 | 168,785 | (26,215) |
| School breakfast program | 2,007,321 | 2,007,321 | 571,234 | (1,436,087) |
| Title I | 1,513,725 | 1,828,249 | 1,462,718 | (365,531) |
| Title II | 335,349 | 335,349 | 358,891 | 23,542 |

County of Franklin, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2010

Schedule 1
Page 7 of 7

| <u>Fund, Major and Minor Revenue Source</u> | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|---|----------------------------|-------------------------|----------------------|---|
| Discretely Presented Component Unit - School Board: (Continued) | | | | |
| Special Revenue Funds: (Continued) | | | | |
| School Operating Fund: (Continued) | | | | |
| Intergovernmental revenues: (Continued) | | | | |
| Revenue from the federal government: (continued) | | | | |
| Categorical aid: (continued) | | | | |
| Title III | \$ 17,915 | \$ 17,915 | \$ 14,763 | \$ (3,152) |
| Title VI | - | - | 10,935 | 10,935 |
| ARRA State Stabilization Fund | 2,303,847.00 | 2,303,847 | 3,743,757 | 1,439,910 |
| ARRA Title 1 | 553,000.00 | 553,000 | 418,472 | (134,528) |
| ARRA Special Education | 393,000.00 | 393,000 | 578,556 | 185,556 |
| Title VI-B, special education flow-through | 1,876,887 | 2,023,871 | 1,484,399 | (539,472) |
| Title VI-B, special education pre-school | 36,264 | 36,264 | 36,264 | - |
| Vocational education | 125,440 | 125,440 | 131,876 | 6,436 |
| Total categorical aid | <u>\$ 9,488,845</u> | <u>\$ 9,950,353</u> | <u>\$ 11,083,019</u> | <u>\$ 1,132,666</u> |
| Total revenue from the federal government | <u>\$ 9,488,845</u> | <u>\$ 9,950,353</u> | <u>\$ 11,083,019</u> | <u>\$ 1,132,666</u> |
| Total Discretely Presented Component Unit - School Board | <u>\$ 78,254,648</u> | <u>\$ 81,292,674</u> | <u>\$ 77,246,212</u> | <u>\$ (4,046,462)</u> |

County of Franklin, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2010

Schedule 2
Page 1 of 5

| <u>Fund, Function, Activity, and Element</u> | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|--|----------------------------|-------------------------|---------------|---|
| Primary Government: | | | | |
| General Fund: | | | | |
| General government administration: | | | | |
| Legislative: | | | | |
| Board of supervisors | \$ 353,704 | \$ 353,704 | \$ 296,469 | \$ 57,235 |
| General and financial administration: | | | | |
| County administrator | \$ 386,477 | \$ 386,477 | \$ 376,241 | \$ 10,236 |
| Risk management | 353,735 | 351,460 | 335,207 | 16,253 |
| Human resources | 121,034 | 121,034 | 109,385 | 11,649 |
| Commissioner of revenue | 539,948 | 490,201 | 474,882 | 15,319 |
| Reassessment | 175,000 | 350,000 | - | 350,000 |
| Land use | 38,460 | 38,460 | 37,307 | 1,153 |
| Treasurer | 500,286 | 487,794 | 481,314 | 6,480 |
| Director of finance | 278,245 | 278,245 | 268,862 | 9,383 |
| Information technology | 1,006,430 | 1,375,511 | 1,066,782 | 308,729 |
| Telecommunications and Postage | 50,000 | 52,275 | 48,764 | 3,511 |
| Total general and financial administration | \$ 3,449,615 | \$ 3,931,457 | \$ 3,198,744 | \$ 732,713 |
| Board of elections: | | | | |
| Registrar | \$ 167,867 | \$ 193,909 | \$ 160,568 | \$ 33,341 |
| Electoral board | 52,814 | 53,119 | 47,978 | 5,141 |
| Total board of elections | \$ 220,681 | \$ 247,028 | \$ 208,546 | \$ 38,482 |
| Total general government administration | \$ 4,024,000 | \$ 4,532,189 | \$ 3,703,759 | \$ 828,430 |
| Judicial administration: | | | | |
| Courts: | | | | |
| Circuit court | \$ 98,414 | \$ 109,269 | \$ 109,265 | \$ 4 |
| General district court | 10,886 | 23,858 | 11,974 | 11,884 |
| Special magistrates | 2,075 | 2,075 | 725 | 1,350 |
| Juvenile and domestic relations court | 20,450 | 22,306 | 14,799 | 7,507 |
| Juvenile court services | 603,204 | 585,992 | 367,729 | 218,263 |
| Sheriff-courts | 519,076 | 549,960 | 549,959 | 1 |
| Clerk of the circuit court | 668,761 | 713,096 | 683,413 | 29,683 |
| Total courts | \$ 1,934,866 | \$ 2,018,556 | \$ 1,737,864 | \$ 280,692 |
| Commonwealth's attorney: | | | | |
| Commonwealth's attorney | \$ 677,006 | \$ 677,006 | \$ 668,232 | \$ 8,774 |
| Total commonwealth's attorney | \$ 677,006 | \$ 677,006 | \$ 668,232 | \$ 8,774 |
| Total judicial administration | \$ 2,611,872 | \$ 2,695,562 | \$ 2,406,096 | \$ 289,466 |
| Public safety: | | | | |
| Law enforcement and traffic control: | | | | |
| Sheriff | \$ 3,162,731 | \$ 3,331,599 | \$ 3,278,411 | \$ 53,188 |
| Total law enforcement and traffic control | \$ 3,162,731 | \$ 3,331,599 | \$ 3,278,411 | \$ 53,188 |
| Correction and detention: | | | | |
| County operated institutions and regional jail | \$ 4,888,175 | \$ 4,954,459 | \$ 4,453,652 | \$ 500,807 |
| Total correction and detention | \$ 4,888,175 | \$ 4,954,459 | \$ 4,453,652 | \$ 500,807 |
| Inspections: | | | | |
| Building | \$ 409,200 | \$ 425,522 | \$ 396,572 | \$ 28,950 |
| Total inspections | \$ 409,200 | \$ 425,522 | \$ 396,572 | \$ 28,950 |

County of Franklin, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2010

Schedule 2
Page 2 of 5

| Fund, Function, Activity, and Element | Original Budget | Final Budget | Actual | Variance with Final Budget - Positive (Negative) |
|---|----------------------|----------------------|----------------------|---|
| Primary Government: (Continued) | | | | |
| General Fund: (Continued) | | | | |
| Public safety: (Continued) | | | | |
| Other protection: | | | | |
| Director of public safety | \$ 2,947,190 | \$ 4,633,769 | \$ 3,240,959 | \$ 1,392,810 |
| Animal control | 350,830 | 371,489 | 293,520 | 77,969 |
| Department of forestry | 24,006 | 24,006 | 23,531 | 475 |
| EMS career billing | 611,460 | 659,856 | 648,019 | 11,837 |
| EMS volunteer billing | 288,540 | 509,490 | 275,204 | 234,286 |
| Total other protection | <u>\$ 4,222,026</u> | <u>\$ 6,198,610</u> | <u>\$ 4,481,233</u> | <u>\$ 1,717,377</u> |
| Total public safety | <u>\$ 12,682,132</u> | <u>\$ 14,910,190</u> | <u>\$ 12,609,868</u> | <u>\$ 2,300,322</u> |
| Public works: | | | | |
| Maintenance of highways, streets, bridges and sidewalks: | | | | |
| Highways, streets, bridges and sidewalks | \$ 450 | \$ 450 | \$ 210 | \$ 240 |
| Total maintenance of highways, streets, bridges & sidewalks | <u>\$ 450</u> | <u>\$ 450</u> | <u>\$ 210</u> | <u>\$ 240</u> |
| Sanitation and waste removal: | | | | |
| Refuse collection and disposal | \$ 1,656,429 | \$ 5,290,168 | \$ 1,659,112 | \$ 3,631,056 |
| Recycling program | 86,243 | 86,243 | 61,333 | 24,910 |
| Scale house | 59,443 | 105,943 | 58,331 | 47,612 |
| Public works | 287,946 | 326,546 | 283,334 | 43,212 |
| Total sanitation and waste removal | <u>\$ 2,090,061</u> | <u>\$ 5,808,900</u> | <u>\$ 2,062,110</u> | <u>\$ 3,746,790</u> |
| Maintenance of general buildings and grounds: | | | | |
| General properties | \$ 923,492 | \$ 1,187,459 | \$ 991,876 | \$ 195,583 |
| Mechanic | 209,280 | 209,280 | 208,515 | 765 |
| Armory | 42,625 | 42,625 | 31,238 | 11,387 |
| Courthouse maintenance | 12,000 | 12,000 | - | 12,000 |
| Total maintenance of general buildings and grounds | <u>\$ 1,187,397</u> | <u>\$ 1,451,364</u> | <u>\$ 1,231,629</u> | <u>\$ 219,735</u> |
| Total public works | <u>\$ 3,277,908</u> | <u>\$ 7,260,714</u> | <u>\$ 3,293,949</u> | <u>\$ 3,966,765</u> |
| Health and welfare: | | | | |
| Health: | | | | |
| Supplement of local health department | \$ 360,000 | \$ 360,000 | \$ 360,000 | \$ - |
| Total health | <u>\$ 360,000</u> | <u>\$ 360,000</u> | <u>\$ 360,000</u> | <u>\$ -</u> |
| Mental health and mental retardation: | | | | |
| Development center of Franklin | \$ 53,500 | \$ 53,500 | \$ 53,500 | \$ - |
| Total mental health and mental retardation | <u>\$ 53,500</u> | <u>\$ 53,500</u> | <u>\$ 53,500</u> | <u>\$ -</u> |
| Welfare: | | | | |
| Public assistance and welfare administration | \$ 5,256,353 | \$ 5,400,148 | \$ 5,314,617 | \$ 85,531 |
| Youth services agency | 4,456,467 | 4,386,400 | 3,995,641 | 390,759 |
| Family resource center | 268,018 | 225,920 | 221,748 | 4,172 |
| Area agency on aging | 369,060 | 368,192 | 294,459 | 73,733 |
| Contribution to health and welfare organizations | 89,349 | 89,349 | 89,349 | - |
| Assistance - institutions | 28,448 | 28,448 | 28,448 | - |
| Total welfare | <u>\$ 10,467,695</u> | <u>\$ 10,498,457</u> | <u>\$ 9,944,262</u> | <u>\$ 554,195</u> |
| Total health and welfare | <u>\$ 10,881,195</u> | <u>\$ 10,911,957</u> | <u>\$ 10,357,762</u> | <u>\$ 554,195</u> |
| Education: | | | | |
| Other instructional costs: | | | | |
| Contribution to County School Board | \$ 26,328,751 | \$ 27,960,183 | \$ 26,058,965 | \$ 1,901,218 |
| Total education | <u>\$ 26,328,751</u> | <u>\$ 27,960,183</u> | <u>\$ 26,058,965</u> | <u>\$ 1,901,218</u> |

County of Franklin, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2010

Schedule 2
Page 3 of 5

| <u>Fund, Function, Activity, and Element</u> | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|--|----------------------------|-------------------------|---------------|---|
| Primary Government: (Continued) | | | | |
| General Fund: (Continued) | | | | |
| Parks, recreation, and cultural: | | | | |
| Parks and recreation: | | | | |
| Parks and recreation | \$ 953,201 | \$ 1,498,257 | \$ 1,001,987 | \$ 496,270 |
| Total parks and recreation | \$ 953,201 | \$ 1,498,257 | \$ 1,001,987 | \$ 496,270 |
| Library: | | | | |
| Library administration | \$ 664,270 | \$ 684,778 | \$ 662,897 | \$ 21,881 |
| Westlake branch library | 199,415 | 203,917 | 203,917 | - |
| Total library | \$ 863,685 | \$ 888,695 | \$ 866,814 | \$ 21,881 |
| Total parks, recreation, and cultural | \$ 1,816,886 | \$ 2,386,952 | \$ 1,868,801 | \$ 518,151 |
| Community development: | | | | |
| Planning and community development: | | | | |
| Community development | \$ 638,709 | \$ 759,209 | \$ 522,828 | \$ 236,381 |
| Ferrum planning grant | - | 6,446 | 6,446 | - |
| Economic development | 679,331 | 1,433,826 | 388,964 | 1,044,862 |
| Tourism | 95,000 | 138,750 | 138,587 | 163 |
| GIS and mapping | 202,463 | 206,063 | 155,319 | 50,744 |
| 4-H youth | 3,750 | 3,750 | 3,750 | - |
| IPR grant | 10,000 | 10,000 | - | 10,000 |
| Planning | 210,169 | 270,777 | 210,205 | 60,572 |
| Franklin career center | 200,610 | 201,610 | 175,227 | 26,383 |
| Contributions to other entities | 127,900 | 179,900 | 134,035 | 45,865 |
| Total planning and community development | \$ 2,167,932 | \$ 3,210,331 | \$ 1,735,361 | \$ 1,474,970 |
| Environmental management: | | | | |
| Contribution to soil and water district | \$ 232,650 | \$ 232,650 | \$ 217,797 | \$ 14,853 |
| Total environmental management | \$ 232,650 | \$ 232,650 | \$ 217,797 | \$ 14,853 |
| Cooperative extension program: | | | | |
| Extension office | \$ 94,479 | \$ 94,479 | \$ 91,609 | \$ 2,870 |
| Total cooperative extension program | \$ 94,479 | \$ 94,479 | \$ 91,609 | \$ 2,870 |
| Total community development | \$ 2,495,061 | \$ 3,537,460 | \$ 2,044,767 | \$ 1,492,693 |
| Nondepartmental: | | | | |
| Shenandoah Valley Regional Airport | | | | - |
| Contingencies | \$ 200,000 | \$ 138,574 | \$ - | \$ 138,574 |
| Total nondepartmental | \$ 200,000 | \$ 138,574 | \$ - | \$ 138,574 |
| Capital projects: | | | | |
| Purchase of Smith Farm ¹ | \$ - | \$ - | \$ 1,000,000 | \$ (1,000,000) |
| Total capital projects | \$ - | \$ - | \$ 1,000,000 | \$ (1,000,000) |
| Debt service: | | | | |
| Principal retirement | \$ 2,963,127 | \$ 2,963,127 | \$ 2,960,922 | \$ 2,205 |
| Interest and other fiscal charges | 1,321,975 | 1,602,618 | 1,602,618 | - |
| Bond issuance costs ¹ | - | - | 58,250 | (58,250) |
| Total debt service | \$ 4,285,102 | \$ 4,565,745 | \$ 4,621,790 | \$ (56,045) |
| Total General Fund | \$ 68,602,907 | \$ 78,899,526 | \$ 67,965,757 | \$ 10,933,769 |

¹Amounts not subject to appropriation

County of Franklin, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2010

Schedule 2
Page 4 of 5

| Fund, Function, Activity, and Element | Original Budget | Final Budget | Actual | Variance with Final Budget - Positive (Negative) |
|--|--------------------|-----------------|---------------|---|
| Primary Government: (Continued) | | | | |
| County Capital Projects Fund: | | | | |
| Capital projects: | | | | |
| Burn building | \$ - | \$ 416,568 | \$ 405,571 | \$ 10,997 |
| Development Center renovations | - | 114,462 | - | 114,462 |
| Government Center | - | 4,161,586 | 3,574,855 | 586,731 |
| Landfill construction | - | 3,400,000 | - | 3,400,000 |
| Recreation park development | - | 397,986 | 197,112 | 200,874 |
| Roof replacement projects | - | 94,762 | 32,512 | 62,250 |
| School capital projects | 1,100,000.00 | 615,076 | - | 615,076 |
| Commerce Center Improvements | 50,000.00 | 1,464,000 | 61,008 | 1,402,992 |
| Courthouse improvements | - | 738,573 | - | 738,573 |
| Westlake public safety center | - | 100,000 | - | 100,000 |
| Franklin Center lower level project | - | 451,000 | 184,977 | 266,023 |
| Wireless broadband infrastructure | 65,000.00 | 65,000 | 64,910 | 90 |
| Infrastructure upgrades | 70,500.00 | 70,800 | 70,788 | 12 |
| Statue replacement | - | 162,949 | 162,949 | - |
| Boones Mill water project | - | 72,140 | 81,250 | (9,110) |
| Route 616 water project | - | 515,494 | 1,029,200 | (513,706) |
| 220 corridor water project | - | 1,315,725 | 1,525,123 | (209,398) |
| Contributions to WVWA | 484,440.00 | 484,440 | 441,632 | 42,808 |
| Public safety center | - | 160,000 | - | 160,000 |
| WFDC interiors | - | 14,605 | - | 14,605 |
| Wirtz Road water project | - | - | 9,307 | (9,307) |
| Total capital projects | 1,769,940 | 14,815,166 | 7,841,194 | 6,973,972 |
| Total County Capital Projects Fund | \$ 1,769,940 | \$ 14,815,166 | \$ 7,841,194 | \$ 6,973,972 |
| Special Revenue Fund: | | | | |
| E-911 Fund: | | | | |
| Public safety: | | | | |
| Other protection: | | | | |
| E-911 Administration | \$ 1,080,414 | \$ 1,132,369 | \$ 1,095,150 | \$ 37,219 |
| Total other protection | \$ 1,080,414 | \$ 1,132,369 | \$ 1,095,150 | \$ 37,219 |
| Total public safety | \$ 1,080,414 | \$ 1,132,369 | \$ 1,095,150 | \$ 37,219 |
| Total E-911 Fund | \$ 1,080,414 | \$ 1,132,369 | \$ 1,095,150 | \$ 37,219 |
| Capital Projects Fund: | | | | |
| School Construction Fund | | | | |
| Capital projects: | | | | |
| Capital projects expenditures: | | | | |
| Capital projects expenditures | \$ - | \$ 1,206,511 | \$ 911,056 | \$ 295,455 |
| Total capital projects | \$ - | \$ 1,206,511 | \$ 911,056 | \$ 295,455 |
| Total School Construction Fund | \$ - | \$ 1,206,511 | \$ 911,056 | \$ 295,455 |
| Total Primary Government | \$ 71,453,261 | \$ 96,053,572 | \$ 77,813,157 | \$ 18,240,415 |
| Discretely Presented Component Unit - School Board: | | | | |
| Special revenue funds: | | | | |
| School Operating Fund: | | | | |
| Education: | | | | |
| Administration of schools: | | | | |
| Administration cost | \$ 2,518,759 | \$ 2,828,501 | \$ 2,291,694 | \$ 536,807 |
| Total administration of schools | \$ 2,518,759 | \$ 2,828,501 | \$ 2,291,694 | \$ 536,807 |

County of Franklin, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2010

Schedule 2
Page 5 of 5

| <u>Fund, Function, Activity, and Element</u> | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|--|----------------------------|-------------------------|----------------------|---|
| Discretely Presented Component Unit - School Board: (Continued) | | | | |
| Special revenue funds: (Continued) | | | | |
| School Operating Fund: (Continued) | | | | |
| Education: (Continued) | | | | |
| Instruction costs: | | | | |
| Instruction cost | \$ 58,170,389 | \$ 59,485,466 | \$ 56,475,587 | \$ 3,009,879 |
| Total instruction costs | <u>\$ 58,170,389</u> | <u>\$ 59,485,466</u> | <u>\$ 56,475,587</u> | <u>\$ 3,009,879</u> |
| Operating costs: | | | | |
| Pupil transportation | \$ 5,556,999 | \$ 5,556,999 | \$ 5,866,741 | \$ (309,742) |
| Operation and maintenance of school plant | 7,254,635 | 7,254,635 | 7,216,834 | 37,801 |
| School food and non-instructional | 4,763,461 | 4,763,461 | 4,316,805 | 446,656 |
| Facilities | - | 1,413,207 | 1,413,207 | - |
| Total operating costs | <u>\$ 17,575,095</u> | <u>\$ 18,988,302</u> | <u>\$ 18,813,587</u> | <u>\$ 174,715</u> |
| Total education | <u>\$ 78,264,243</u> | <u>\$ 81,302,269</u> | <u>\$ 77,580,868</u> | <u>\$ 3,721,401</u> |
| Total Discretely Presented Component Unit - School Board | <u>\$ 78,264,243</u> | <u>\$ 81,302,269</u> | <u>\$ 77,580,868</u> | <u>\$ 3,721,401</u> |

Note 1: School Board appropriations occur at the fund level

STATISTICAL SECTION

Statistical Section

Contents

Tables

Financial Trends

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

1 - 5

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.

6 - 9

Debt Capacity

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

10 - 13

Demographic and Economic Information

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

14 - 15

Operating Information

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

16 - 18

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

COUNTY OF FRANKLIN, VIRGINIA

Table 1

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

| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|------------|------------|------------|------------|------------|------------|------------|------------|
| Governmental activities | | | | | | | | |
| Invested in capital assets, net of related debt | 13,158,358 | 16,145,464 | 16,433,828 | 13,464,803 | 13,726,563 | 21,996,912 | 31,550,576 | 35,077,663 |
| Restricted | - | 134,201 | 200,123 | 174,252 | 6,853,227 | 211,128 | 159,656 | 295,455 |
| Unrestricted | 18,036,357 | 17,381,645 | 21,556,678 | 32,261,985 | 28,812,760 | 31,307,246 | 24,972,606 | 25,245,759 |
| Total governmental activities net assets | 31,194,715 | 33,661,310 | 38,190,629 | 45,901,040 | 49,392,550 | 53,515,286 | 56,682,838 | 60,618,877 |
| Business-type activities | | | | | | | | |
| Invested in capital assets, net of related debt | - | 551,803 | 628,315 | 1,547,373 | 1,724,684 | 3,027,372 | 1,640,981 | 1,056,539 |
| Restricted | - | - | - | - | - | - | - | - |
| Unrestricted | - | (315,892) | 1,667,338 | 1,758,683 | 1,916,298 | 1,303,504 | 721,629 | 296,579 |
| Total business-type activities net assets | - | 235,911 | 2,295,653 | 3,306,056 | 3,640,982 | 4,330,876 | 2,362,610 | 1,353,118 |
| Primary government | | | | | | | | |
| Invested in capital assets, net of related debt | 13,158,358 | 16,697,267 | 17,062,143 | 15,012,176 | 15,451,247 | 25,024,284 | 33,191,557 | 36,134,202 |
| Restricted | - | 134,201 | 200,123 | 174,252 | 6,853,227 | 211,128 | 159,656 | 295,455 |
| Unrestricted | 18,036,357 | 17,065,753 | 23,224,016 | 34,020,668 | 30,729,058 | 32,610,750 | 25,694,235 | 25,542,338 |
| Total primary government net assets | 31,194,715 | 33,897,221 | 40,486,282 | 49,207,096 | 53,033,532 | 57,846,162 | 59,045,448 | 61,971,995 |

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

COUNTY OF FRANKLIN, VIRGINIA

Table 2
Page 1 of 2

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

| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Expenses | | | | | | | | |
| Governmental activities: | | | | | | | | |
| General government | 2,715,918 | 2,991,740 | 3,004,469 | 3,463,168 | 4,157,343 | 4,042,082 | 4,027,157 | 3,934,191 |
| Judicial administration | 1,628,330 | 1,891,174 | 1,970,309 | 3,326,151 | 2,160,555 | 2,475,749 | 2,670,402 | 2,354,044 |
| Public safety | 6,997,025 | 7,759,941 | 8,205,130 | 8,464,171 | 10,347,921 | 12,508,248 | 12,737,913 | 14,444,078 |
| Public works | 1,609,720 | 1,290,295 | 2,012,628 | 986,891 | 1,982,292 | 3,370,489 | 3,135,781 | 5,397,533 |
| Health and welfare | 5,772,246 | 7,107,058 | 7,486,945 | 8,070,657 | 9,732,455 | 9,324,129 | 9,952,103 | 10,201,556 |
| Education | 21,540,338 | 21,027,314 | 23,380,369 | 24,078,623 | 26,332,013 | 25,784,294 | 29,621,387 | 27,011,085 |
| Parks, recreation and cultural | 1,045,509 | 976,713 | 1,078,612 | 1,284,696 | 1,656,664 | 1,916,529 | 2,310,267 | 2,132,551 |
| Community development | 3,363,765 | 2,545,117 | 1,706,253 | 1,887,256 | 3,873,631 | 4,757,659 | 5,190,199 | 5,126,182 |
| Interest on long-term debt | 1,084,452 | 988,256 | 943,084 | 1,274,457 | 1,435,334 | 1,161,205 | 1,541,431 | 1,496,120 |
| Total governmental activities expenses | 45,757,303 | 46,577,608 | 49,787,799 | 52,836,070 | 63,678,208 | 65,340,364 | 71,186,640 | 72,097,340 |
| Business-type activities: | | | | | | | | |
| Water | - | 480,817 | 60,868 | 413,450 | 581,355 | 428,708 | 2,630,752 | 615,957 |
| Total business-type activities expenses | - | 480,817 | 60,868 | 413,450 | 581,355 | 428,708 | 2,630,752 | 615,957 |
| Total primary government expenses | 45,757,303 | 47,058,425 | 49,848,667 | 53,249,520 | 64,259,563 | 65,769,072 | 73,817,392 | 72,713,297 |
| Program Revenues | | | | | | | | |
| Governmental activities: | | | | | | | | |
| Charges for services: | | | | | | | | |
| General government | 43,924 | 30 | 183,138 | - | 45,684 | 22,205 | 16,548 | 22,775 |
| Judicial administration | 56,304 | 380,442 | 313,868 | 788,901 | 200,374 | 154,556 | 122,518 | 144,054 |
| Public safety | 685,487 | 451,852 | 508,486 | 463,421 | 1,317,116 | 1,276,973 | 1,276,255 | 1,561,354 |
| Public works | 26,059 | 811,993 | 919,688 | 920,146 | 947,685 | 891,595 | 665,917 | 637,029 |
| Health and welfare | - | 184,900 | 180,009 | 19,005 | 25,398 | 22,513 | 16,737 | 22,198 |
| Education | 45,783 | - | - | - | - | - | - | - |
| Parks, recreation and cultural | 18,382 | 72,615 | 84,531 | 86,633 | 85,315 | 140,640 | 114,806 | 107,936 |
| Community development | 8,351,117 | 149,187 | - | 293,449 | 286,174 | 195,433 | 97,971 | - |
| Operating grants and contributions | - | 9,471,293 | 9,288,324 | 10,348,984 | 11,965,531 | 12,126,502 | 12,047,519 | 11,858,743 |
| Capital grants and contributions | - | 592,704 | 832,018 | 412,417 | 854,268 | 3,733,498 | 2,003,393 | 2,259,154 |
| Total governmental activities program revenues | 9,227,056 | 12,115,016 | 12,310,062 | 13,332,956 | 15,727,545 | 18,584,915 | 16,361,664 | 16,613,243 |
| Business-type activities: | | | | | | | | |
| Charges for services: | | | | | | | | |
| Water | - | 6,325 | 37,496 | 333,003 | 145,464 | 466,359 | 190,471 | 26,031 |
| Capital grants and contributions | - | 158,600 | 915,400 | 422,022 | 141,761 | 18,200 | 63,055 | - |
| Total business-type activities program revenues | - | 164,925 | 952,896 | 755,025 | 287,225 | 484,559 | 253,526 | 26,031 |
| Total primary government program revenues | 9,227,056 | 12,279,941 | 13,262,958 | 14,087,981 | 16,014,770 | 19,069,474 | 16,615,190 | 16,639,274 |

COUNTY OF FRANKLIN, VIRGINIA

Table 2
Page 2 of 2

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

| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Net (expense) / revenue | | | | | | | | |
| Governmental activities | (36,530,247) | (34,462,592) | (37,477,737) | (39,503,114) | (47,950,663) | (46,755,449) | (54,824,976) | (55,484,097) |
| Business-type activities | - | (315,892) | 892,028 | 341,575 | (294,130) | 55,851 | (2,377,226) | (589,926) |
| Total primary government net expense | (36,530,247) | (34,778,484) | (36,585,709) | (39,161,539) | (48,244,793) | (46,699,598) | (57,202,202) | (56,074,023) |
| General Revenues and Other Changes in Net Assets | | | | | | | | |
| Governmental activities: | | | | | | | | |
| Taxes | | | | | | | | |
| Property taxes | 22,839,897 | 23,919,026 | 28,631,256 | 30,887,533 | 32,824,967 | 34,255,431 | 43,374,361 | 42,935,336 |
| Local sales and use taxes | - | 3,468,199 | 3,795,054 | 4,163,629 | 4,242,805 | 4,153,451 | 3,742,268 | 3,634,351 |
| Taxes on recordation and wills | - | 474,457 | 917,206 | 993,726 | 842,747 | 658,226 | 581,797 | 507,081 |
| Motor vehicle licenses taxes | - | 1,195,147 | 1,237,090 | 1,265,605 | 1,279,225 | 1,270,653 | 1,227,296 | 1,207,504 |
| Consumer utility taxes | - | 2,412,622 | 2,427,461 | 2,468,539 | 1,715,239 | 964,500 | 969,161 | 970,934 |
| Business licenses taxes | - | 3,922 | 3,394 | 4,261 | 4,998 | 4,697 | 4,444 | 4,440 |
| Other local taxes | 8,437,529 | 1,640,641 | 1,758,704 | 2,078,429 | 2,975,802 | 3,789,514 | 3,522,927 | 3,667,116 |
| Permits, privilege fees and regulatory licenses | 443,193 | - | - | - | - | - | - | - |
| Unrestricted grants and contributions | 3,330,174 | 3,462,993 | 2,973,473 | 3,579,663 | 5,351,267 | 3,241,483 | 3,134,606 | 3,159,527 |
| Unrestricted revenues from use of money and property | 444,966 | 325,696 | 610,065 | 1,293,731 | 2,532,079 | 1,520,629 | 1,578,534 | 1,064,806 |
| Miscellaneous | 635,270 | 578,287 | 793,590 | 1,122,032 | 356,373 | 345,570 | 257,613 | 1,849,101 |
| Transfers | 36,045 | (271,507) | (1,140,237) | (643,621) | (347,878) | (599,373) | (400,479) | 419,940 |
| Total governmental activities | 36,167,074 | 37,209,483 | 42,007,056 | 47,213,527 | 51,777,624 | 49,604,781 | 57,992,528 | 59,420,136 |
| Business-type activities: | | | | | | | | |
| Unrestricted grants and contributions | - | - | - | - | 137,663 | - | - | - |
| Transfers | - | 271,507 | 1,140,237 | 643,621 | 347,878 | 599,373 | 400,479 | (419,940) |
| Unrestricted revenues from use of money and property | - | - | 27,477 | 25,207 | 21,332 | 15,158 | 8,481 | 374 |
| Total business-type activities | - | 271,507 | 1,167,714 | 668,828 | 506,873 | 614,531 | 408,960 | (419,566) |
| Total primary government | 36,167,074 | 37,480,990 | 43,174,770 | 47,882,355 | 52,284,497 | 50,219,312 | 58,401,488 | 59,000,570 |
| Change in Net Assets | | | | | | | | |
| Governmental activities | (363,173) | 2,746,891 | 4,529,319 | 7,710,413 | 3,826,961 | 2,849,332 | 3,167,552 | 3,936,039 |
| Business-type activities | - | (44,385) | 2,059,742 | 1,010,403 | 212,743 | 670,382 | (1,968,266) | (1,009,492) |
| Total primary government | (363,173) | 2,702,506 | 6,589,061 | 8,720,816 | 4,039,704 | 3,519,714 | 1,199,286 | 2,926,547 |

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

COUNTY OF FRANKLIN, VIRGINIA

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

| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| General fund | | | | | | | | | | |
| Reserved | - | - | - | 11,379 | 33,436 | 85,811 | 221,133 | 211,128 | 159,656 | - |
| Unreserved | 19,109,944 | 18,485,155 | 18,756,057 | 19,026,439 | 23,649,911 | 35,092,881 | 31,908,499 | 17,790,397 | 16,769,417 | 19,872,220 |
| Total general fund | <u>19,109,944</u> | <u>18,485,155</u> | <u>18,756,057</u> | <u>19,037,818</u> | <u>23,683,347</u> | <u>35,178,692</u> | <u>32,129,632</u> | <u>18,001,525</u> | <u>16,929,073</u> | <u>19,872,220</u> |
| All other governmental funds | | | | | | | | | | |
| Reserved | - | - | - | 122,822 | 2,237,117 | 88,441 | 6,632,094 | - | 5,049,690 | 295,455 |
| Unreserved, reported in: | | | | | | | | | | |
| Special revenue funds | 136,330 | 45,496 | 288,363 | - | - | - | - | 14,127 | 51,955 | 46,367 |
| Capital projects funds | <u>2,808,993</u> | <u>2,639,442</u> | <u>1,129,671</u> | <u>627,965</u> | <u>556,871</u> | <u>-</u> | <u>-</u> | <u>21,980,834</u> | <u>11,665,266</u> | <u>13,037,850</u> |
| Total all other governmental funds | <u>2,945,323</u> | <u>2,684,938</u> | <u>1,418,034</u> | <u>750,787</u> | <u>2,793,988</u> | <u>88,441</u> | <u>6,632,094</u> | <u>21,994,961</u> | <u>16,766,911</u> | <u>13,379,672</u> |

COUNTY OF FRANKLIN, VIRGINIA

Table 4

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

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

| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|--------------|-------------|-------------|------------|-------------|-------------|--------------|-------------|-------------|-------------|
| Revenues | | | | | | | | | | |
| General property taxes | 20,400,584 | 20,776,235 | 22,799,617 | 23,728,713 | 28,585,380 | 30,818,386 | 32,707,564 | 33,729,192 | 43,289,214 | 42,515,185 |
| Other local taxes | 7,616,475 | 7,738,185 | 8,437,529 | 9,194,988 | 10,138,909 | 10,974,189 | 691,500 | 10,841,041 | 10,047,893 | 9,991,426 |
| Permits, privilege fees and regulatory licenses | 315,694 | 342,874 | 443,193 | 535,956 | 620,966 | 764,826 | 691,500 | 573,664 | 413,467 | 359,451 |
| Fines and forfeitures | 8,922 | 6,009 | 5,488 | 23,516 | 23,516 | 16,968 | 16,378 | 10,772 | 10,082 | 15,002 |
| Revenue from use of money and property | 1,828,072 | 983,815 | 459,049 | 335,508 | 626,119 | 1,319,687 | 2,532,079 | 1,520,629 | 1,578,534 | 1,064,806 |
| Charges for services | 2,173,111 | 2,161,503 | 2,267,154 | 2,968,197 | 3,164,906 | 3,628,164 | 2,198,868 | 2,140,479 | 1,887,203 | 2,120,893 |
| Miscellaneous | 938,870 | 941,233 | 1,117,340 | 1,100,148 | 1,329,195 | 1,750,210 | 371,305 | 345,570 | 257,613 | 1,849,101 |
| Recovered costs | 619,277 | 828,401 | 656,811 | 1,194,949 | 907,569 | 1,782,271 | 731,213 | 905,027 | 744,082 | 646,857 |
| Intergovernmental: | | | | | | | | | | |
| Commonwealth | 35,347,353 | 36,032,514 | 36,231,910 | 38,803,598 | 42,650,111 | 45,471,082 | 14,723,153 | 15,740,896 | 13,002,863 | 13,120,657 |
| Federal | 5,744,328 | 6,047,396 | 6,452,040 | 7,229,534 | 8,669,290 | 9,135,829 | 3,432,981 | 3,360,587 | 4,182,655 | 4,136,767 |
| Total revenues | 74,992,686 | 75,858,165 | 78,870,131 | 85,118,185 | 96,714,960 | 105,661,612 | 58,097,541 | 69,167,857 | 75,413,606 | 75,840,125 |
| Expenditures | | | | | | | | | | |
| General government administration | 2,281,829 | 2,441,919 | 2,707,339 | 2,971,402 | 3,491,287 | 3,591,991 | 3,939,015 | 3,532,252 | 3,678,190 | 3,703,759 |
| Judicial administration | 1,482,185 | 1,719,941 | 1,692,142 | 1,929,484 | 2,014,628 | 2,082,436 | 2,214,118 | 2,517,127 | 2,647,224 | 2,406,096 |
| Public safety | 6,772,877 | 6,796,796 | 7,093,902 | 7,956,964 | 8,012,239 | 10,489,222 | 11,125,314 | 11,504,555 | 13,819,580 | 13,705,018 |
| Public works | 1,576,674 | 1,759,923 | 1,723,695 | 2,131,223 | 2,024,491 | 2,567,643 | 3,763,333 | 2,324,278 | 2,759,763 | 3,293,949 |
| Health and welfare | 5,183,115 | 5,578,251 | 5,851,028 | 7,083,647 | 7,472,930 | 8,383,152 | 9,685,059 | 9,772,708 | 10,188,370 | 10,357,762 |
| Education | 48,402,552 | 50,477,643 | 52,026,264 | 54,975,876 | 61,488,183 | 66,045,924 | 25,640,822 | 25,084,849 | 26,734,619 | 26,058,965 |
| Parks, recreation and cultural | 1,068,034 | 945,366 | 1,224,957 | 2,393,733 | 2,019,168 | 1,616,131 | 2,300,706 | 1,643,257 | 2,056,206 | 1,868,801 |
| Community development | 907,132 | 1,370,015 | 3,545,022 | 2,963,825 | 1,818,675 | 1,765,265 | 8,510,072 | 2,415,467 | 5,447,836 | 2,044,767 |
| Nondepartmental | | | | | | | 40,097 | 58,879 | 77,718 | - |
| Capital projects | 8,903,737 | 4,561,691 | 778,025 | - | 619,332 | 3,265,505 | 521,917 | 10,981,071 | 12,784,491 | 9,752,250 |
| Debt service | | | | | | | | | | |
| Principal | 9,769,940 | 2,783,178 | 2,233,556 | 1,985,865 | 1,806,075 | 1,848,143 | 2,076,767 | 6,004,140 | 2,753,602 | 2,960,922 |
| Interest and other fiscal charges | 1,042,306 | 1,276,851 | 1,126,740 | 1,026,506 | 961,179 | 1,035,008 | 1,232,658 | 1,364,839 | 1,582,736 | 1,602,618 |
| Bond issuance costs | - | - | - | - | - | - | - | 69,099 | 73,424 | 58,250 |
| Total expenditures | 87,390,381 | 79,711,574 | 80,002,670 | 85,418,525 | 91,728,187 | 102,700,420 | 71,049,878 | 77,272,519 | 84,403,759 | 77,813,157 |
| Excess of revenues over (under) expenditures | (12,397,695) | (3,853,409) | (1,132,539) | (300,340) | 4,986,773 | 2,961,192 | (12,952,337) | (8,104,662) | (8,990,153) | (1,973,032) |
| Other financing sources (uses) | | | | | | | | | | |
| Transfers in | - | - | - | 604,185 | 416,279 | 807,277 | 1,094,447 | 6,993,301 | 7,635,878 | 2,585,653 |
| Transfers out | - | - | - | (875,692) | (1,556,516) | (1,450,896) | (1,442,325) | (7,592,674) | (8,036,357) | (2,185,713) |
| Bonds and notes issued | 6,853,636 | 1,060,611 | - | - | 2,689,762 | 6,500,000 | 6,573,600 | 9,938,795 | 2,905,000 | 3,464,000 |
| Premium on debt issuance | - | - | - | - | - | - | 187,343 | - | - | - |
| Capital leases | - | - | - | - | 234,024 | 234,332 | - | - | 54,978 | - |
| Sale of capital assets | 10,275 | - | - | 272,235 | - | - | - | - | - | (2,355,000) |
| Total other financing sources (uses) | 6,863,911 | 1,060,611 | - | 728 | 1,783,549 | 6,090,713 | 6,413,065 | 9,339,422 | 2,689,651 | 1,528,940 |
| Net change in fund balances | (5,533,784) | (2,792,798) | (1,132,539) | (299,612) | 6,770,322 | 9,051,905 | (6,539,272) | 1,234,760 | (6,300,502) | (444,092) |
| Debt service as a percentage of noncapital expenditures | 16% | 6% | 4% | 4% | 3% | 3% | 5% | 13% | 6% | 7% |
| Total Debt Service Expenditures | 10,812,246 | 4,060,029 | 3,360,296 | 3,012,371 | 2,767,254 | 2,883,151 | 3,309,425 | 7,368,979 | 4,336,338 | 4,621,790 |
| Total Governmental Funds Expenditures | 67,674,398 | 71,089,854 | 75,864,349 | 82,406,154 | 88,341,601 | 96,551,764 | 67,218,536 | 58,853,370 | 67,209,506 | 64,479,541 |

COUNTY OF FRANKLIN, VIRGINIA

Table 5

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

| Fiscal Year | Property Tax | Local sales and use Tax | Consumer Utility Tax | Communications Tax(1) | Motor Vehicle License Tax | Record-ation and Wills Tax | Business License Tax | Total |
|-------------|--------------|-------------------------|----------------------|-----------------------|---------------------------|----------------------------|----------------------|------------|
| 2010 | 42,515,165 | 3,634,351 | 1,254,157 | 2,324,280 | 1,207,504 | 497,231 | 4,440 | 51,437,128 |
| 2009 | 43,289,214 | 3,742,268 | 969,161 | 2,314,629 | 1,227,296 | 581,797 | 4,444 | 52,128,809 |
| 2008 | 33,729,192 | 4,153,451 | 964,500 | 2,547,497 | 1,270,653 | 658,226 | NA | 43,323,519 |
| 2007 | 32,707,564 | 4,242,805 | 1,715,239 | 1,092,401 | 1,279,225 | 842,747 | NA | 41,879,981 |
| 2006 | 30,818,386 | 4,163,629 | 1,880,168 | - | 1,265,605 | 993,726 | NA | 39,121,514 |
| 2005 | 28,585,380 | 3,795,054 | 2,231,212 | - | 1,237,090 | 917,206 | NA | 36,765,942 |
| 2004 | 23,728,713 | 3,468,199 | 2,220,250 | - | 1,195,147 | 474,457 | NA | 31,086,766 |
| 2003 | 22,799,617 | 3,219,293 | 1,963,300 | - | 1,161,540 | 406,001 | NA | 29,549,751 |
| 2002 | 20,776,235 | 3,285,950 | 1,772,190 | - | 928,387 | 320,890 | NA | 27,083,652 |
| 2001 | 20,400,584 | 3,364,569 | 1,799,513 | - | 904,076 | 238,917 | NA | 26,707,659 |

1. The first year for communications tax was 2007.

COUNTY OF FRANKLIN, VIRGINIA

Table 6

Assessed Value and Estimated Actual Value of Taxable Property

Last Ten Fiscal Years

| Fiscal Year | Real Estate/ Mobile Homes | Personal Property | Merchants' Capital | Machinery & Tools | Public Service | Total Taxable Assessed Value |
|-------------|------------------------------|----------------------|-----------------------|----------------------|-------------------|------------------------------------|
| 2010 | 7,606,214,950 | 448,673,632 | 63,385,820 | 83,369,833 | 162,132,199 | 8,363,776,434 |
| 2009 | 7,495,611,081 | 502,466,388 | 68,422,417 | 77,815,711 | 148,209,734 | 8,292,525,331 |
| 2008 | 5,312,089,342 | 472,049,385 | 70,569,752 | 74,111,761 | 97,234,892 | 6,026,055,132 |
| 2007 | 4,807,045,787 | 510,854,136 | 76,847,910 | 62,916,661 | 102,235,038 | 5,559,899,532 |
| 2006 | 4,585,493,371 | 471,380,050 | 65,344,989 | 60,749,046 | 116,612,320 | 5,299,579,776 |
| 2005 | 4,382,613,489 | 424,712,961 | 56,610,940 | 51,162,556 | 123,952,019 | 5,039,051,965 |
| 2004 | 3,020,413,294 | 405,063,547 | 55,518,495 | 55,576,183 | 114,165,109 | 3,650,736,628 |
| 2003 | 2,889,431,935 | 390,942,638 | 53,583,066 | 53,638,744 | 114,645,858 | 3,502,242,241 |
| 2002 | 2,746,712,053 | 393,899,206 | 53,988,297 | 54,044,396 | 119,385,761 | 3,368,029,713 |
| 2001 | 2,652,573,388 | 369,796,503 | 50,684,752 | 50,737,417 | 117,823,499 | 3,241,615,559 |

| Fiscal Year | Real Property Total Direct Tax Rate | Personal Property Tax Rate | Merchants' Capital Tax Rate | Machinery and Tools Tax Rate | Total Direct Rate (Weighted Average) | Estimated Actual Taxable Value | Assessed Value as a Percentage of Actual Value |
|-------------|---|----------------------------------|-----------------------------------|------------------------------------|--|---|---|
| 2010 | 0.46 | 1.89 | 1.08 | 0.60 | 0.54 | 8,074,239,188 | 103.59% |
| 2009 | 0.46 | 1.89 | 1.08 | 0.60 | 0.55 | 8,027,547,143 | 103.30% |
| 2008 | 0.53 | 1.67 | 1.08 | 0.54 | 0.63 | 5,633,589,940 | 106.97% |
| 2007 | 0.53 | 1.67 | 1.08 | 0.54 | 0.64 | 5,473,576,675 | 101.58% |
| 2006 | 0.53 | 1.67 | 1.08 | 0.60 | 0.64 | 5,247,621,108 | 100.99% |
| 2005 | 0.52 | 1.67 | 1.08 | 0.54 | 0.62 | 4,862,156,452 | 103.64% |
| 2004 | 0.60 | 1.67 | 1.08 | 0.54 | 0.73 | 3,570,721,262 | 102.24% |
| 2003 | 0.60 | 1.67 | 1.08 | 0.54 | 0.73 | 3,402,529,942 | 102.93% |
| 2002 | 0.55 | 1.67 | 1.08 | 0.54 | 0.69 | 3,317,207,813 | 101.53% |
| 2001 | 0.55 | 1.67 | 1.08 | 0.54 | 0.69 | 3,080,072,572 | 105.24% |

Source: Commissioner of Revenue

COUNTY OF FRANKLIN, VIRGINIA

Table 7

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

| Fiscal Years | Direct Rates | | | | Total Direct Rate Weighted Average | Overlapping Rates Town of Rocky Mount | |
|-----------------|----------------|----------------------|------------------------|-----------------------|--|--|----------------------|
| | Real Estate | Personal Property | Machinery and Tools | Merchant's Capital | | Real Estate | Personal Property |
| 2010 | 0.46 | 1.89 | 0.60 | 1.08 | 0.54 | 0.12 | 0.51 |
| 2009 | 0.46 | 1.89 | 0.60 | 1.08 | 0.55 | 0.12 | 0.51 |
| 2008 | 0.53 | 1.67 | 0.54 | 1.08 | 0.63 | 0.12 | 0.51 |
| 2007 | 0.53 | 1.67 | 0.54 | 1.08 | 0.64 | 0.14 | 0.51 |
| 2006 | 0.53 | 1.67 | 0.60 | 1.08 | 0.64 | 0.14 | 0.51 |
| 2005 | 0.52 | 1.67 | 0.54 | 1.08 | 0.62 | 0.11 | 0.51 |
| 2004 | 0.60 | 1.67 | 0.54 | 1.08 | 0.73 | 0.12 | 0.51 |
| 2003 | 0.60 | 1.67 | 0.54 | 1.08 | 0.73 | 0.12 | 0.51 |
| 2002 | 0.55 | 1.67 | 0.54 | 1.08 | 0.69 | 0.12 | 0.51 |
| 2001 | 0.55 | 1.67 | 0.54 | 1.08 | 0.69 | 0.12 | 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 2010 | | Fiscal Year 2001 | |
|--------------------------------|-------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| | | Assessed Valuation (Millions) | % of Total Assessed Valuation | Assessed Valuation (Millions) | % of Total Assessed Valuation |
| American Electric Power | Electric Utility | 48 | 0.62% | 61 | 2.20% |
| Franklin Real Estate Company | Real Estate | 48 | 0.62% | 18 | 0.64% |
| Central Telephone Company | Telephone Utility | 48 | 0.62% | 41 | 1.48% |
| Branch Banking & Trust Company | Real Estate | 41 | 0.53% | | |
| Willard Construction Company | Construction | 27 | 0.35% | 17 | 0.61% |
| Lake Watch LLC | Real Estate | 23 | 0.30% | | |
| RKL Holdings | Real Estate | 19 | 0.24% | | |
| Bayview Holdings LLC | Real Estate | 16 | 0.21% | | |
| Windstar Properties LLC | Real Estate | 13 | 0.17% | | |
| Southgate Associates II LLP | Shopping Center | | 0.00% | 7 | 0.25% |
| Wal Mart | Retail | 10 | 0.13% | 7 | 0.25% |
| MW Manufacturers Inc. | Manufacturing | | 0.00% | 8 | 0.29% |
| Lane Company | Manufacturing | | 0.00% | 8 | 0.28% |
| Snyder Hunt Corporation | Real Estate | | 0.00% | 5 | 0.18% |
| Fleetwood Homes of Virginia | Manufacturing | | 0.00% | 5 | 0.18% |
| | | 293 | 3.77% | 177 | 6.37% |

Source: Franklin County Commissioner of Revenue

Table 9

COUNTY OF FRANKLIN, VIRGINIA

Property Tax Levies and Collections
Last Ten Fiscal Years

| Fiscal Year | Total Tax Levy for Fiscal Year | Collected within the Fiscal Year of the Levy | | Collections in Subsequent Years | Total Collections to Date | |
|-------------|--------------------------------|--|--------------------|---------------------------------|---------------------------|--------------------|
| | | Amount | Percentage of Levy | | Amount | Percentage of Levy |
| 2010 | 42,642,755 | 41,035,249 | 96.23% | - | 41,035,249 | 96.23% |
| 2009 | 43,103,676 | 41,569,680 | 96.44% | 699,787 | 42,269,467 | 98.06% |
| 2008 | 36,542,153 | 35,370,019 | 96.79% | 1,096,252 | 36,466,271 | 99.79% |
| 2007 | 35,220,150 | 34,085,239 | 96.78% | 1,062,355 | 35,147,594 | 99.79% |
| 2006 | 33,219,244 | 32,075,823 | 96.56% | 1,083,167 | 33,158,990 | 99.82% |
| 2005 | 30,889,511 | 29,883,296 | 96.74% | 943,797 | 30,827,093 | 99.80% |
| 2004 | 26,061,495 | 25,699,189 | 98.61% | 255,102 | 25,954,291 | 99.59% |
| 2003 | 24,944,600 | 24,233,719 | 97.15% | 649,080 | 24,882,799 | 99.75% |
| 2002 | 22,712,734 | 22,406,720 | 98.65% | 211,494 | 22,618,214 | 99.58% |
| 2001 | 21,541,571 | 20,959,641 | 97.30% | 524,977 | 21,484,618 | 99.74% |

Source: Commissioner of Revenue, County Treasurer's office

COUNTY OF FRANKLIN, VIRGINIA

Table 10

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

| Fiscal Years | Governmental Activities | | | Business-Type Activities | | | Total Primary Government | Percentage of Personal Income (1) | Per Capita (1) |
|-----------------|-------------------------------|------------------------|-------------------|--------------------------|-------------------|---|--------------------------------|---|-------------------|
| | General | | | General | | | | | |
| | Obligation Bonds and Notes | Literary Fund Loans | Capital Leases | Obligation Bonds | Capital Leases | | | | |
| 2010 | 29,877,385 | 4,930,250 | 548,397 | - | - | - | 35,356,032 | 0.08% | 669 |
| 2009 | 30,874,271 | 5,544,000 | 789,682 | - | - | - | 37,207,953 | 0.08% | 704 |
| 2008 | 29,817,038 | 6,157,750 | 963,751 | 2,135,700 | - | - | 39,074,239 | 0.07% | 749 |
| 2007 | 25,905,826 | 6,771,500 | 326,557 | 2,285,700 | - | - | 35,289,583 | 0.08% | 691 |
| 2006 | 20,667,755 | 7,385,250 | 454,046 | 2,429,600 | - | - | 30,936,651 | 0.09% | 617 |
| 2005 | 15,151,697 | 8,072,000 | 397,165 | 2,567,600 | - | - | 26,188,462 | 0.10% | 526 |
| 2004 | 13,490,375 | 8,792,200 | 410,338 | 2,700,000 | - | - | 25,392,913 | 0.10% | 518 |
| 2003 | 14,409,416 | 9,512,400 | 484,727 | - | - | - | 24,406,543 | 0.10% | 501 |
| 2002 | 12,289,500 | 10,301,500 | 954,662 | - | - | - | 23,545,662 | 0.10% | 491 |
| 2001 | 13,463,179 | 11,122,900 | 371,672 | - | - | - | 24,957,751 | 0.09% | 528 |

Note: Details regarding the County's outstanding debt can be found in the note 8 in the notes to the financial statements.

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

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

| Fiscal Year | Gross Bonded Debt | Less: Amounts Reserved for Debt Service | Gross and Net Bonded Debt (3) | Ratio of Net General Obligation Debt to Assessed Value (2) | Net Bonded Debt per Capita (1) |
|------------------------|----------------------------------|--|--|---|---|
| 2010 | 34,807,635 | - | 34,807,635 | 0.42% | 651.22 |
| 2009 | 36,418,271 | - | 36,418,271 | 0.44% | 689.20 |
| 2008 | 36,938,539 | - | 36,938,539 | 0.61% | 707.61 |
| 2007 | 33,003,883 | - | 33,003,883 | 0.59% | 645.84 |
| 2006 | 28,507,051 | - | 28,507,051 | 0.54% | 569.00 |
| 2005 | 23,223,697 | - | 23,223,697 | 0.46% | 466.89 |
| 2004 | 22,282,575 | - | 22,282,575 | 0.61% | 454.75 |
| 2003 | 23,921,816 | - | 23,921,816 | 0.68% | 491.21 |
| 2002 | 25,685,437 | - | 25,685,437 | 0.76% | 535.93 |
| 2001 | 27,990,991 | - | 27,990,991 | 0.86% | 591.95 |

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

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

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

(4) Literary loans are considered bonded indebtedness.

COUNTY OF FRANKLIN, VIRGINIA

Table 12

Direct and Overlapping Governmental Activities Debt
As of June 30, 2010

| <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 | 10,792,090 | 100% | \$ 10,792,090 |
| Subtotal, overlapping debt | | | \$ 10,792,090 |
| County of Franklin, direct debt | | | \$ 34,807,635 |
| Total direct and overlapping debt | | | \$ 45,599,725 |

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.

Table 13

COUNTY OF FRANKLIN, VIRGINIA

Legal Debt Margin Information
Last Ten Fiscal Years

| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|---------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Debt limit | 265,257,339 | 274,671,205 | 288,943,194 | 302,041,329 | 438,261,349 | 458,549,337 | 480,704,579 | 531,208,934 | 749,561,108 | 760,621,495 |
| Total net debt applicable to limit | 31,086,503 | 27,990,991 | 25,685,437 | 23,921,816 | 22,282,575 | 23,223,697 | 28,507,051 | 32,677,326 | 36,938,539 | 34,807,635 |
| Legal debt margin | 234,170,836 | 246,680,214 | 263,257,757 | 278,119,513 | 415,978,774 | 435,325,640 | 452,197,528 | 498,531,608 | 712,622,569 | 725,813,860 |
| Total net debt applicable to the limit as a percentage of debt limit | 11.72% | 10.19% | 8.89% | 7.92% | 5.08% | 5.06% | 5.93% | 6.15% | 4.93% | 4.58% |
| Legal Debt Margin Calculation for Fiscal Year 2010 | | | | | | | | | | |
| Assessed value of real estate | 7,606,214,950 | | | | | | | | | |
| Debt limit (10% of total assessed value) | 760,621,495 | | | | | | | | | |
| Net debt applicable to limit | 34,807,635 | | | | | | | | | |
| Legal debt margin | 725,813,860 | | | | | | | | | |

COUNTY OF FRANKLIN, VIRGINIA

Table 14

Demographic and Economic Statistics
Last Ten Fiscal Years

| <u>Fiscal Year</u> | <u>Population</u> | <u>Per Capita Personal Income</u> | <u>Total Personal Income</u> | <u>Median Age</u> | <u>School Enrollment</u> | <u>Unemploy- ment Rate</u> |
|------------------------|-------------------|---|--------------------------------------|-----------------------|------------------------------|--------------------------------|
| 2010 | 53,450 | \$ 29,313 | \$ 1,728,877 | 40 | 7,160 | 7.50% |
| 2009 | 52,841 | 28,893 | 1,728,877 | 40 | 7,166 | 8.40% |
| 2008 | 52,202 | 28,893 | 1,728,877 | 40 | 7,183 | 4.70% |
| 2007 | 51,102 | 27,082 | 1,674,938 | 40 | 7,305 | 3.80% |
| 2006 | 50,100 | 26,622 | 1,542,356 | 40 | 7,183 | 2.80% |
| 2005 | 49,741 | 25,249 | 1,438,445 | 40 | 7,103 | 3.60% |
| 2004 | 49,000 | 25,249 | Not Available | Not Available | 7,096 | 3.60% |
| 2003 | 48,700 | 24,727 | " | " | 7,114 | 4.50% |
| 2002 | 47,927 | 24,089 | " | " | 7,031 | 6.20% |
| 2001 | 47,286 | 23,436 | " | " | 7,039 | 5.30% |

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

COUNTY OF FRANKLIN, VIRGINIA

Table 15

Principal Employers
Current Year and Nine Years Ago

| Employer | Fiscal Year 2010 | | | Fiscal Year 2001 | | |
|-------------------------------------|------------------|------|------------------------------------|------------------|------|------------------------------------|
| | Employees | Rank | % of Total County Employment | Employees | Rank | % of Total County Employment |
| Franklin County Public Schools | 1,047 | 1 | 3.96% | 1,281 | 1 | 5.36% |
| MW Manufacturers, Inc | 1,000 | 2 | 3.78% | 1,200 | 2 | 5.02% |
| Wal-Mart | 400 | 3 | 1.51% | 361 | 5 | 1.51% |
| Ferrum College | 325 | 4 | 1.23% | - | - | - |
| Franklin County | 306 | 5 | 1.15% | 250 | 9 | 1.05% |
| Trinity Packaging, Inc. | 300 | 6 | 1.13% | - | - | - |
| Ronile. Inc. | 300 | 7 | 1.13% | 350 | 6 | 1.46% |
| Carilion Franklin Memorial Hospital | 270 | 8 | 1.02% | 270 | 8 | 1.13% |
| Uttermost Company | 155 | 9 | 0.64% | 150 | 10 | 0.63% |
| Mod-U-Kraf Homes, Inc. | 98 | 10 | 0.47% | - | - | - |
| Fleetwood Homes of Virginia | - | - | - | 436 | 4 | 1.82% |
| Cooper Wood Products | - | - | - | 308 | 7 | 1.29% |
| Lane Company | - | - | - | 500 | 3 | 2.09% |
| Totals | 4,201 | | 16.02% | 5,106 | | 21.36% |

Source: Individual companies

COUNTY OF FRANKLIN, VIRGINIA

Table 16

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

| Function | Full-time Equivalent Employees as of June 30 | | | | | | | | | |
|--------------------------------------|--|------|------|------|------|------|------|------|------|------|
| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
| General Government | | | | | | | | | | |
| Legislative | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| General and financial administration | 30 | 30 | 30 | 30 | 31 | 31 | 34 | 36 | 36 | 34 |
| Judicial Administration | | | | | | | | | | |
| Courts | 10 | 10 | 10 | 11 | 13 | 13 | 11 | 11 | 11 | 11 |
| Clerk of Court | 10 | 10 | 10 | 9 | 9 | 9 | 10 | 11 | 11 | 10 |
| Commonwealth Attorney | 6 | 6 | 6 | 8 | 7 | 7 | 7 | 8 | 8 | 8 |
| Public Safety | | | | | | | | | | |
| Sheriffs department | 54 | 54 | 54 | 54 | 41 | 43 | 44 | 41 | 38 | 36 |
| Correction and Detention | 26 | 26 | 26 | 26 | 26 | 27 | 32 | 35 | 37 | 36 |
| Building inspections | 6 | 6 | 6 | 6 | 7 | 7 | 8 | 8 | 7 | 7 |
| Animal control | 3 | 3 | 3 | 3 | 3 | 3 | 4 | 4 | 4 | 3 |
| Public Safety | 8 | 8 | 8 | 8 | 13 | 16 | 24 | 24 | 24 | 24 |
| E911 | 1 | 1 | 1 | 1 | 14 | 14 | 14 | 14 | 14 | 14 |
| Public Works | | | | | | | | | | |
| Solid Waste | 13 | 13 | 13 | 13 | 13 | 14 | 16 | 16 | 16 | 15 |
| General buildings and grounds | 4 | 4 | 4 | 4 | 4 | 5 | 8 | 8 | 7 | 7 |
| Public Works | | | | | 2 | 3 | 4 | 4 | 4 | 4 |
| Health and Welfare | | | | | | | | | | |
| Department of social services | 54 | 54 | 54 | 61 | 61 | 61 | 61 | 62 | 62 | 58 |
| CSA | 1 | 1 | 1 | 1 | 1 | 2 | 2 | 2 | 2 | 2 |
| Family Resources | 5 | 6 | 6 | 6 | 6 | 6 | 6 | 5 | 5 | 3 |
| Aging Services | 3 | 3 | 3 | 3 | 3 | 3 | 2 | 2 | 2 | 2 |
| Recreation and Cultural | | | | | | | | | | |
| Parks and recreation | 7 | 7 | 7 | 7 | 7 | 8 | 10 | 10 | 10 | 10 |
| Library | 5 | 5 | 5 | 5 | 5 | 6 | 6 | 8 | 8 | 8 |
| Community Development | | | | | | | | | | |
| GIS and Mapping | | | | | | 1 | 2 | 2 | 2 | 1 |
| Economic Development | | | | | | | 1 | 1 | 1 | 1 |
| Work Force Consortium | 2 | 2 | 2 | 2 | 2 | 2 | 3 | 3 | 3 | 3 |
| Planning | 4 | 5 | 5 | 5 | 8 | 8 | 11 | 11 | 9 | 8 |
| Totals | 253 | 255 | 255 | 264 | 277 | 290 | 321 | 327 | 322 | 306 |

Source: Franklin County Adopted Budgets

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

| Function | Fiscal Year | | | | | | |
|---|-------------|--------|--------|--------|---------|-------------|------------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
| General and financial administration | | | | | | | |
| Commissioner of Revenue: | | | | | | | |
| Personal Property tax assessments | | | | | 98,719 | 106,470 | 171,742 |
| Finance: GFOA award for CAFR | Yes | Yes | Yes | Yes | Yes | Yes | Pending |
| Information Technology: | | | | | | | |
| Tech support (In Days) | 11.4 | 9.3 | 4.5 | 4.5 | 3 | 5 | 4 |
| Voter Registrar: | | | | | | | |
| Number of Registered Voters | 28,020 | 29,769 | 30,170 | 31,413 | 31,892 | 34,003 | 34,034 |
| Judicial Administration | | | | | | | |
| Clerk of Court: | | | | | | | |
| Criminal Cases Commenced | | 1,902 | 1,927 | 1,817 | 1,704 | 2,250 | 2,070 |
| Deeds Recorded | | 15,808 | 14,234 | 12,736 | 11,033 | 10,832 | 11,280 |
| Public safety | | | | | | | |
| Sheriffs department: calls for service | 15,000 | 15,707 | 16,000 | 26,047 | 19,501 | 18,877 | 19,237 |
| Fire and rescue: number of fire calls | | | | | | | |
| Number of rescue calls | | 1,074 | 1,298 | 1,225 | 1,348 | 1,115 | 1,309 |
| Fire Investigations | 54 | 3,509 | 4,057 | 4,254 | 4,679 | 5,989 | 4,947 |
| | | 81 | 118 | 165 | 182 | 132 | 96 |
| Building inspections: Permits issued | | | | | | | |
| Total Value of Permits | 1,656 | 1,569 | 1,552 | 1,358 | 1,018 | 1,042 | 974 |
| | | | | | | 133,737,342 | 58,752,602 |
| Public works | | | | | | | |
| Landfill: Refuse collected (tons) | 60,652 | 59,698 | 61,866 | 61,367 | 59,842 | 55,491 | 49,355 |
| Mulch Recycled (tons) | | | | | 1,888 | 1,463 | 1,331 |
| Health and Welfare | | | | | | | |
| Social Services: Children in Foster Care | | | | | | | |
| SNAP Applications | | | | | 98 | 88 | 77 |
| On-going Medicaid Participants | | | | | 1,774 | 2,072 | 2,422 |
| | | | | | 6,154 | 6,767 | 7,021 |
| CSA: Case Load - Number of Children | 132 | 167 | 177 | 242 | 260 | 279 | 283 |
| Aging Services: | | | | | | | |
| Transportation Clients | | 490 | 894 | 1,104 | 572 | 553 | 614 |
| Culture and recreation | | | | | | | |
| Parks and recreation: | | | | | | | |
| Sports registration/classes | 4,406 | 4,566 | 4,655 | 4,700 | 4,566 | 5,746 | 5,449 |
| Shelter reservations | 269 | 283 | 250 | 252 | 283 | 301 | 358 |
| Park Acreage | 692 | 692 | 692 | 692 | 692 | 696 | 696 |
| Library: | | | | | | | |
| Program Attendance | | | | | 22,806 | 24,928 | 25,700 |
| Circulation | | | | | 180,738 | 191,267 | 233,626 |
| Community development | | | | | | | |
| Planning and Community Development: | | | | | | | |
| Zoning permits issued | | | | | 816 | 941 | 714 |
| Component Unit - School Board | | | | | | | |
| Education: | | | | | | | |
| Local expenditures per pupil | 3,245 | 3,407 | 3,523 | 3,569 | 3,995 | 4,326 | 4,203 |

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 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| General government Administration buildings | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Judicial Administration Courthouses | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Public safety Sheriffs department: Patrol units | 58 | 58 | 58 | 58 | 58 | 58 | 58 | 58 | 58 | 58 |
| Building inspections: Vehicles | 5 | 5 | 5 | 5 | 5 | 5 | 6 | 6 | 6 | 6 |
| Animal control: Vehicles | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Public Safety: Fire Stations | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 |
| Public works Landfill: Collection Trucks Green Box Sites | 7 74 | 7 74 | 7 74 | 7 74 | 7 74 | 7 74 | 7 74 | 7 74 | 7 74 | 7 74 |
| Health and welfare Department of Social Services: Vehicles | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 |
| Culture and recreation Parks and recreation: Parks Libraries | 9 1 | 9 1 | 9 1 | 9 1 | 9 1 | 9 1 | 9 1 | 9 2 | 9 2 | 9 2 |
| Component Unit - School Board Education: Schools School buses | 14 162 | 14 162 | 14 162 | 14 162 | 14 162 | 14 162 | 14 162 | 14 162 | 14 162 | 15 162 |

Source: Individual county departments

COMPLIANCE SECTION

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

To the Members of the Board of Supervisors
County of Franklin, Virginia
Rocky Mount, Virginia

We have audited the financial statements of the governmental activities, 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, 2010, which collectively comprise the County of Franklin, Virginia's basic financial statements and have issued our report thereon dated December 7, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

A 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.

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of the County of Franklin, Virginia in a separate letter dated December 7, 2010.

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

Robinson, Fauser, Cox Associates

Christiansburg, Virginia
December 7, 2010

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

Independent Auditors' Report

To the Members of the Board of Supervisors
County of Franklin, Virginia
Rocky Mount, Virginia

Compliance

We have audited the County of Franklin, Virginia's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the County of Franklin, Virginia's major federal programs for the year ended June 30, 2010. The County of Franklin, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County of Franklin, Virginia's management. Our responsibility is to express an opinion on the County of Franklin, Virginia's compliance based on our audit.

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

In our opinion, the County of Franklin, Virginia complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

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

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

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

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

Robinson, Turner, Cox Associates

Christiansburg, Virginia
December 7, 2010

County of Franklin, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2010

| Federal Grantor/State Pass - Through Grantor/ Program (or Cluster) Title (Pass - Through Grantor's Number) | Federal CFDA Number | Pass-through Entity Identifying Number | Federal Awards |
|---|---------------------------|---|-------------------|
| Department of Health and Human Services: | | | |
| Pass Through Payments: | | | |
| Department of Social Services: | | | |
| Promoting Safe and Stable Families | 93.556 | 93556 | \$ 17,029 |
| Temporary Assistance for Needy Families (TANF) | 93.558 | 93558 | 384,118 |
| Refugee and Entrant Assistance - State Administered Programs | 93.566 | 93566 | 1,018 |
| Low Income Home Energy Assistance | 93.568 | 93568 | 16,513 |
| Child Care and Development Block grant (CCDF Cluster) | 93.575 | 93575 | 150,146 |
| Child Care Mandatory and Matching Funds of the Child Care and Development Fund (CCDF Cluster) | 93.596 | 93596 | 105,778 |
| Chafee Education and Training Vouchers Program | 93.599 | 93599 | 12,519 |
| Child Welfare Services - State Grants | 93.645 | 93645 | 1,235 |
| Foster Care - Title IV-E | 93.658 | 93658 | 486,403 |
| Adoption Assistance | 93.659 | 93659 | 159,014 |
| Social Services Block Grant | 93.667 | 93667 | 183,572 |
| Chafee Foster Care Independence Program | 93.674 | 93674 | 20,508 |
| ARRA-Foster Care - Title IV-E | 93.658 | 93658 | 43,915 |
| ARRA-Adoption Assistance | 93.659 | 93659 | 17,611 |
| ARRA-Child Care and Development Block Grant (CCDF Cluster) | 94 | 93713 | 68,900 |
| State Children's Insurance Program | 93.767 | 93767 | 18,888 |
| Medical Assistance Program | 93.778 | 93778 | 234,748 |
| Total Department of Health and Human Services | | | \$ 1,921,915 |
| Department of Agriculture: | | | |
| Pass Through Payments: | | | |
| Department of Agriculture: | | | |
| Child Nutrition Cluster-Food Distribution (Note 2) | 10.555 | 40623 | \$ 149,587 |
| Department of Education: | | | |
| Child Nutrition Cluster-National school breakfast program | 10.553 | 40591 | 571,234 |
| Child Nutrition Cluster-National school lunch program | 10.555 | 40623 | 1,431,655 |
| Department of Social Services: | | | |
| State Admin Matching Grants for the Supplemental Nutrition Assistance Program | 10.561 | 10561 | 400,201 |
| ARRA-State Admin Matching Grants for the Supplemental Nutrition Assistance Program | 10.561 | 10561 | 34,368 |
| Total Department of Agriculture | | | \$ 2,587,045 |
| Department of Justice: | | | |
| Pass Through Payments: | | | |
| Department of Criminal Justice Services: | | | |
| Violence against women formula grants | 16.588 | 66500/46500 | \$ 87,183 |
| State Compensation Board: | | | |
| ARRA-Edward Byrne Justice Assistance Grant (JAG Program) | 16.803 | 1028 | \$ 167,233 |
| Total Department of Justice | | | \$ 254,416 |
| Environmental Protection Agency: | | | |
| Direct Payments: | | | |
| Multi-Media Capacity Building Grants for States and Tribes | 66.709 | NA | \$ 1,276,218 |

County of Franklin, Virginia
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2010

| Federal Grantor/State Pass - Through Grantor/ Program Title (Pass - Through Grantor's Number) | Federal Catalog Number | Pass-through Entity Identifying Number | Federal Awards |
|--|------------------------------|---|-------------------|
| Department of Education: | | | |
| Pass Through Payments: | | | |
| Department of Education: | | | |
| Adult Education - Basic Grants to States | 84.002 | 86668 | \$ 494,216 |
| Title I Grants to Local Educational Agencies | 84.010 | 86600 | 1,462,718 |
| Special Education_Grants to States (IDEA Cluster) | 84.027 | 87146 | 1,484,399 |
| Career and Technical Education -- Basic Grants to States | 84.048 | 86648 | 131,876 |
| Special Education_Preschool Grants (IDEA Cluster) | 84.173 | 87063A | 36,264 |
| Safe and Drug-Free Schools and Communities_National Programs | 84.184 | 86672 | 26,911 |
| State grants for innovative programs | 84.298 | 86609 | 10,935 |
| English language acquisition grants | 84.365 | 86783 | 14,763 |
| Reading First State Grants | 84.357 | 86755 | 168,785 |
| Improving Teacher Quality State Grants | 84.367 | 86739 | 358,891 |
| ARRA Special Education - grants to states (IDEA Cluster) | 84.391 | 61245 | 578,556 |
| ARRA - Title I - Grants to local educational agencies | 84.389 | 42913 | 418,472 |
| ARRA-State Fiscal Stabilization Funds | 84.394 | 62532 | 3,743,757 |
| Total Department of Education | | | \$ 8,930,543 |
| Department of Housing and Urban Development: | | | |
| Pass Through Payments: | | | |
| Department of Housing and Community Development: | | | |
| Emergency shelter grants program | 14.231 | 40559 | \$ 9,283 |
| Community Development Block Grant | 14.228 | 50797 | 15,000 |
| Total Department of Housing and Urban Development | | | \$ 24,283 |
| U.S. Department of Homeland Security: | | | |
| Pass Through Payments: | | | |
| Department of Emergency Management: | | | |
| Emergency Management Performance Grants | 97.042 | 52749 | \$ 34,584 |
| State Homeland Security Program | 97.073 | 52707/52708 | 133,950 |
| Law Enforcement Terrorism Prevention Program | 97.074 | 52717 | 59,876 |
| Total U.S. Department of Homeland Security | | | \$ 228,410 |
| Total Expenditures of Federal Awards | | | \$ 15,222,830 |

Note A-Basis of Presentation:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the County of Franklin, Virginia under programs of the federal government for the year ended June 30, 2010. The information in the Schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Because the Schedule presents only a selected portion of the operations of the County of Franklin, Virginia, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the County of Franklin, Virginia.

Note B-Summary of Significant Accounting Policies

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

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

Note C-Food Distribution

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

County of Franklin, Virginia
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2010

Intergovernmental federal revenues per the basic financial statements:

Primary government:

| | |
|---------------------------------|---------------------|
| General Fund | \$ 2,832,850 |
| Capital Projects Fund | 1,323,917 |
| Less: Payments in lieu of taxes | (16,956) |
| Total primary government: | <u>\$ 4,139,811</u> |

Component Unit Schools:

| | |
|-----------------------|----------------------|
| School Operating Fund | <u>\$ 11,083,019</u> |
|-----------------------|----------------------|

| | |
|---|-----------------------------|
| Total federal expenditures per the Schedule of Expenditures of Federal Awards | <u><u>\$ 15,222,830</u></u> |
|---|-----------------------------|

County of Franklin, Virginia

Schedule of Findings and Questioned Costs
Year Ended June 30, 2010

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

 Material weakness(es) identified? No

 Significant deficiency(ies) identified? No

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

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

Identification of major programs:

| <u>CFDA #</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------------------|--|
| 66.709 | Multi-Media Capacity Grants for States and Tribes |
| 84.002 | Adult Education - Basic Grants to States |
| 84.010/84.389 | Title 1 , Part A Cluster |
| 84.027/84.173/84.391/84.392 | Special Education Cluster (IDEA) |
| 84.394 | ARRA-State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act |
| 93.575/93.596/93.713 | Child Care and Development Funds Cluster (CCDF) |
| 93.658 | Foster Care/ARRA Foster Care |

Dollar threshold used to distinguish between Type A
and Type B programs \$456,685

Auditee qualified as low-risk auditee? Yes

County of Franklin, Virginia

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2010**

Section II - Financial Statement Findings

There are no financial statement findings to report.

Section III - Federal Award Findings and Questioned Costs

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

Section IV - Status of Prior Audit Findings and Questioned Costs

There were no findings in the prior fiscal year that related to federal programs