

*Community  
Community*



*Growth  
Growth*



## CITY OF FRANKLIN, VIRGINIA COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Period Ended June 30, 2017  
Prepared by the Department of Finance



*Spirit  
Spirit*



## City of Franklin, Virginia

### Table of Contents

Year Ended June 30, 2017

	<b>Pages</b>
<b>FINANCIAL SECTION</b>	
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-13
<b>Basic Financial Statements</b>	
<b>Government-Wide Financial Statements</b>	
Exhibit 1      Statement of Net Position	14
Exhibit 2      Statement of Activities	15
<b>Fund Financial Statements</b>	
Exhibit 3      Balance Sheet – Governmental Funds and Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	16-17
Exhibit 4      Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds and Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	18-19
Exhibit 5      Statement of Net Position – Proprietary Funds	20
Exhibit 6      Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds	21
Exhibit 7      Statement of Cash Flows – Proprietary Funds	22
Exhibit 8      Statement of Fiduciary Net Position – Agency Funds	23
Notes to the Financial Statements	24-81
<b>Required Supplementary Information</b>	
Exhibit 9      Schedule of Revenues, Expenditures, Changes in Fund Balances – Budget and Actual – General Fund and Virginia Public Assistance Fund	82-83
Exhibit 10      Schedule of Funding Progress for Other Post-Employment Benefits	84
Schedule of Changes in the Political Subdivision's Net Pension Liability and Related Ratios	85-86
Schedule of Employer's Share of Net Pension Liability – VRS Teacher Retirement Plan	87

	<b>Pages</b>
Schedule of Employer Contributions	88
Notes to Required Supplementary Information	89
<b>Other Supplementary Information</b>	
<b>Combining and Individual Nonmajor Fund Statements</b>	
<b>Primary Government</b>	
Schedule 1 Combining Balance Sheet – Nonmajor Special Revenue Funds	90
Schedule 2 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Special Revenue Funds	91
Schedule 3 Combining Statement of Fiduciary Net Position – Agency Funds	92
Schedule 4 Combining Statements of Changes in Assets and Liabilities – Agency Funds	93-94
<b>Discretely Presented Component Unit – School Board</b>	
Schedule 5 Combining Balance Sheet	95
Schedule 6 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	96
Schedule 7 Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual	97
<b>Discretely Presented Component Unit – Industrial Development Authority</b>	
Schedule 8 Statement of Net Position	98
Schedule 9 Statement of Revenues, Expenses, and Changes in Net Position	99
Schedule 10 Statement of Cash Flows	100
<b>Supporting Schedules</b>	
Schedule 11 Schedule of Revenues – Budget and Actual – General Fund	101-103
Schedule 12 Schedule of Expenditures – Budget and Actual – General Fund	104-107
Schedule 13 Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Capital Projects Fund and Debt Service Fund	108
<b>STATISTICAL SECTION</b>	
Table 1 Government-Wide Revenues	109
Table 2 Government-Wide Expenses by Function	110
Table 3 General Governmental Revenues by Source	111
Table 4 General Governmental Expenditures by Function	112

	<b>Pages</b>
Table 5 Fund Balances – Governmental Funds	113
Table 6 Changes in Fund Balance – Governmental Funds	114
Table 7 Net Position by Component	115
Table 8 Change in Net Position	116-117
Table 9 Property Tax Levies and Collections	118
Table 10 Assessed Value of Taxable Property	119
Table 11 Property Tax Rates	120
Table 12 Principal Taxpayers – Real Estate	121
Table 13 Principal Taxpayers – Personal Property	122
Table 14 Taxable Sales by Category	123
Table 15 Ratio of Net General Bonded Debt to Assessed Value	124
Table 16 Legal Debt Margin Information	125
Table 17 Ratio of Annual Debt Service Expenditures to Total General Governmental Expenditures	126
Table 18 Ratios of Outstanding Debt by Type	127
Table 19 Demographic Statistics	128
Table 20 Principal Employers	129
Table 21 Full-Time Equivalent City Government Employees by Function/Program	130
Table 22 Operating Indicators by Function/Program	131
Table 23 Capital Asset Statistics by Function/Program	132

## **COMPLIANCE (SINGLE AUDIT) SECTION**

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	133-134
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	135-136
Report on Compliance with Commonwealth of Virginia's Laws, Regulations, Contracts, and Grants	137-138
Schedule of Expenditures of Federal Awards	139-140
Notes to Schedule of Expenditures of Federal Awards	141
Schedule of Findings and Questioned Costs	142

# FINANCIAL SECTION





**Creedle  
Jones  
& Alga**

*A Professional Corporation*

Robin B. Jones, CPA, CFP  
David V. Alga, CPA, CVA, CFF  
Denise C. Williams, CPA, CSEP  
Scott A. Thompson, CPA, CGMA  
Kimberly W. Jackson, CPA

James A. Allen, Jr., CPA  
Nadine L. Chase, CPA

Sherwood H. Creedle, Emeritus

Members of  
American Institute of Certified Public Accountants  
Virginia Society of Certified Public Accountants

## INDEPENDENT AUDITOR'S REPORT

To the Honorable Members of City Council  
City of Franklin, Virginia

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Franklin, Virginia, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Franklin, Virginia's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Franklin, Virginia, as of June 30, 2017, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.



## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-13 and budgetary comparison information, schedule of funding progress for other post-employment benefits, schedule of changes in the political subdivision's net pension liability and related ratios, schedule of employer's share of net pension liability VRS Teacher Retirement Plan, schedule of employer contributions, and notes to required supplementary information on pages 82-89 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Franklin, Virginia's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, component unit financial statements, schedule of revenues and expenses—budget to actual, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, component unit financial statements, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund statements, component unit financial statements, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2017, on our consideration of the City of Franklin, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Franklin, Virginia's internal control over financial reporting and compliance.

*Creedle, Jones & Alga, P.C.*

Creedle, Jones & Alga, P.C.  
Certified Public Accountants

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year July 1, 2016 – June 30, 2017

This section of the City of Franklin, Virginia's (the City's) annual financial report presents an overall review of the City's financial activities for the fiscal year ended June 30, 2017. To enhance your understanding of the City's financial performance, please read this discussion and analysis in conjunction with the transmittal letter in the front of this report, the City's basic financial statements, and supplementary information following this section.

### Financial Highlights

#### General Fund

- The City's real estate tax rate remained at .99 cents per \$100 of assessed valuation.
- Overall, General Fund revenues (less transfers) decreased by \$133,383 from FY 2016 from \$20,955,776 to \$20,822,393.
- At the close of FY 2017, unassigned fund balance for the General Fund was \$5,546,439. At the close of FY 2016, the unassigned fund balance of the General Fund was \$5,490,089. This represents an increase of \$56,350 or 1.03%.
- The composition of the \$6,575,056 fund balance at the end of the year was 84.4% unassigned, 14.8% nonspendable, and .9% restricted.
- The General Fund, on a current financial resources basis, reported revenues and other financing sources of \$(187,449) under expenditures and financing uses. This is after making a \$4,987,395 payment to Franklin City Schools, \$135,389 payment to the Airport Fund (Enterprise), \$784,083 to Special Revenue Funds, and \$1,133,457 to the Debt Service Fund. Expenditures decreased by \$954,533 when compared to FY 2016.

#### Governmental Activities

- The assets and deferred outflows of resources of the City of Franklin, Virginia exceeded its liabilities and deferred inflows of resources at the close of fiscal year 2017 by \$22,553,199 (net position). Of this amount, \$992,529 represents an unrestricted net position, which may be used to meet the City's ongoing obligation; \$3,264,640 represents a restricted net position. The residual \$18,296,030 relates to net investment in capital assets and is not available for expenditure.
- The City's total net position increased by \$1,604,381 from the prior year. Of this amount, the business-type activities net position increased \$710,883 while governmental activities net position increased by \$893,498, exclusive of restatement of net position.
- The City's total outstanding general obligation debt (including premiums) at June 30, 2017 was \$19,493,835. This includes \$3,713,722 in business-activity debt and \$15,780,113 in general government activities.



## Overview of the Financial Statements

This Comprehensive Annual Financial Report consists of four sections: introductory, financial, statistical, and financial compliance reports for federal funds. The financial section consists of three (3) sections: management's discussion and analysis, basic financial statements, and supplementary information. The City's basic financial statements comprise three components: (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.

The City's financial statements present two kinds of statements, each with a different snapshot of the City's finances. The government-wide financial statements provide both long-term and short-term information about the City's overall financial status. The fund financial statements focus on the individual parts of the City government, reporting the City's operations in more detail than the government-wide statements. Both perspectives allow the user to address relevant questions, broaden the basis of comparison, and enhance the City's accountability.

## Government-Wide Financial Statements

*Government-wide financial statements* are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business. The *Statement of Net Position* presents information on all City assets and liabilities with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. However, other non-financial factors will need to be considered, such as changes in the City's property tax base and condition of the City's infrastructure. The *Statement of Activities* presents information identifying how net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of when cash is received or paid.

In the ***Statement of Net Position*** and the ***Statement of Activities***, the City is divided into the following:

- Governmental activities – The City's basic municipal services are reported here and include general government administration, judicial administration, public safety, highways and streets, community development, public health, and cultural and recreation. These activities are mainly supported by taxes and intergovernmental revenue.
- Business-type activities – The City charges user fees to customers to help offset all or most of the cost of the services provided. The business-type activities of the City reported in this section include Water and Sewer Utility, Electric Utility, Solid Waste, and Airport operations. While the Solid Waste, Water and Sewer, and Electric Utility Funds are self-supporting, the City provides general fund support for operation of the Airport.
- Component Units – The government-wide financial statements include not only the City itself (known as the Primary Government), but also the following legally separate component units for which the City is financially accountable for providing operating and capital funding, the City of Franklin Public Schools and the City of Franklin Industrial Development Authority. Financial information for these component units is reported separately from the financial information presented for the primary government and can be found in the "Other Supplementary Information" section of this report.

## Fund Financial Statements

A fund is a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate finance-related legal compliance. In the Basic Financial Statements, the emphasis is on major funds. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

- **Governmental Funds** – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. The focus here is on (1) inflows and outflows of cash and other financial resources that can be readily converted into cash and (2) the balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating whether there are more or fewer resources that can be spent in the short term to finance City operations. Because this information does not address the long-term focus of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. A reconciliation between the government-wide financial statements and the fund financial statements is included as part of the basic financial statements.

The City maintains several individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General, Virginia Public Assistance, Capital Projects, and Debt Service Funds. Data from the other governmental funds are combined into a single aggregate presentation. Individual funds data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual budget for its various funds. To demonstrate compliance with this budget, budgetary comparison statements have been provided.

- **Proprietary Funds** – The City maintains proprietary funds to account for enterprise fund operations that report the same functions as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer, electrical, solid waste, and airport operations. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information on each fund.
- **Fiduciary Funds** – The fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support City programs. The accounting for fiduciary funds is similar to the proprietary funds.

### Notes to the Financial Statements

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

### Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary and other supplementary information concerning the City, including financial information of the School Board and Industrial Development Authority component units. Supplementary information follows the Notes to the Financial Statements.

### Government-Wide Financial Statements Analysis

Over time, net position may serve as a useful indicator of a government's financial position. At the close of the most recent fiscal year, the City's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$22,553,199.

**Summary of Net Position**  
As of June 30, 2017 and 2016

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Primary Government</b>	
	<b><u>2017</u></b>	<b><u>2016</u></b>	<b><u>2017</u></b>	<b><u>2016</u></b>	<b><u>2017</u></b>	<b><u>2016</u></b>
<b>Assets</b>						
Current and other assets	\$ 10,553,350	\$ 11,293,288	\$ 3,971,418	\$ 4,248,793	\$ 14,524,768	\$ 15,542,081
Capital assets (net)	<u>26,573,661</u>	<u>26,742,515</u>	<u>11,270,345</u>	<u>11,493,050</u>	<u>37,844,006</u>	<u>38,235,565</u>
Total Assets	<b>37,127,011</b>	<b>38,035,803</b>	<b>15,241,763</b>	<b>15,741,843</b>	<b>52,368,774</b>	<b>53,777,646</b>
<b>Deferred Outflows of Resources</b>	<b><u>1,685,366</u></b>	<b><u>1,160,468</u></b>	<b><u>369,004</u></b>	<b><u>266,994</u></b>	<b><u>2,054,370</u></b>	<b><u>1,427,462</u></b>
Total Assets and Deferred Outflows of Resources	<b><u>\$ 38,812,377</u></b>	<b><u>\$ 39,196,271</u></b>	<b><u>\$ 15,610,767</u></b>	<b><u>\$ 16,008,837</u></b>	<b><u>\$ 54,423,144</u></b>	<b><u>\$ 55,205,108</u></b>
<b>Liabilities</b>						
Current and other liabilities	\$ 965,368	\$ 1,449,745	\$ 2,070,298	\$ 2,809,971	\$ 3,035,666	\$ 4,259,716
Long-term liabilities	<u>23,314,338</u>	<u>23,586,990</u>	<u>5,357,365</u>	<u>5,617,610</u>	<u>28,671,703</u>	<u>29,204,600</u>
Total Liabilities	<b>24,279,706</b>	<b>25,036,735</b>	<b>7,427,663</b>	<b>8,427,581</b>	<b>31,707,369</b>	<b>33,464,316</b>
<b>Deferred Inflows of Resources</b>	<b>124,095</b>	<b>644,458</b>	<b>38,481</b>	<b>147,516</b>	<b>162,576</b>	<b>791,974</b>
<b>Net Position</b>						
Net investment in capital assets	10,732,282	7,885,690	7,563,748	7,194,170	18,296,030	15,079,860
Restricted	3,264,640	3,119,104	-	-	3,264,640	3,119,104
Unrestricted	<u>411,654</u>	<u>2,510,284</u>	<u>580,875</u>	<u>239,570</u>	<u>992,529</u>	<u>2,749,854</u>
Total Net Position (Restated)	<b><u>14,408,576</u></b>	<b><u>13,515,078</u></b>	<b><u>8,144,623</u></b>	<b><u>7,433,740</u></b>	<b><u>22,553,199</u></b>	<b><u>20,948,818</u></b>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<b><u>\$ 38,812,377</u></b>	<b><u>\$ 39,196,271</u></b>	<b><u>\$ 15,610,767</u></b>	<b><u>\$ 16,008,837</u></b>	<b><u>\$ 54,423,144</u></b>	<b><u>\$ 55,205,108</u></b>

The largest portion of the City's total net position of \$22,553,199 is its \$18,296,030 net investment in capital assets (e.g., land, buildings and improvements, machinery and equipment), less any related debt used to acquire or construct those assets that are still outstanding. The City uses these capital assets to provide services to citizens. Consequently, these assets are not available for future spending. The remaining net position is comprised of \$992,529 in unrestricted net position, which may be used to meet the City's ongoing obligations, and \$3,264,640 in restricted assets.

The City's financial position includes \$992,529, or 4.4% of the net position, as unrestricted net position. The \$411,654 from governmental activities and \$580,875 from business-type activities are available to allow the City to provide obligations to citizens and creditors.

## Statement of Activities

The following table indicates the changes in the net position of the governmental and business-type activities:

### Summary of Changes in Net Position

For the Fiscal Years Ended June 30, 2017 and 2016

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
<b>Revenues</b>						
<b>Program Revenues</b>						
Charges for services	\$ 1,923,563	\$ 1,580,520	\$ 19,370,025	\$ 17,984,923	\$ 21,293,588	\$ 19,565,443
Operating grants and contributions	4,224,244	4,416,976	125,114	56,052	4,349,358	4,473,028
<b>General Revenues</b>						
Real estate and personal property taxes	7,223,791	7,304,907	-	-	7,223,791	7,304,907
Other local taxes	5,577,423	5,566,974	-	-	5,577,423	5,566,974
Revenue sharing from counties	785,799	709,171	-	-	785,799	709,171
Noncategorical aid from state	1,628,216	1,639,089	-	-	1,628,216	1,639,089
Use of money and property	445,878	417,798	1,341	9,495	447,219	427,293
Miscellaneous	745,336	872,161	26,244	7,032	771,580	879,193
<b>Transfers in (out)</b>	<u>1,467,807</u>	<u>1,454,330</u>	<u>(1,467,807)</u>	<u>(1,454,330)</u>	<u>-</u>	<u>-</u>
Total Revenues and Transfers	<b>24,022,057</b>	23,961,926	<b>18,054,917</b>	16,603,172	<b>42,076,974</b>	40,565,098
<b>Expenses</b>						
General government administration	2,846,060	2,656,226	-	-	2,846,060	2,656,226
Judicial administration	357,168	307,583	-	-	357,168	307,583
Public safety	7,653,661	7,037,551	-	-	7,653,661	7,037,551
Public works	2,214,262	2,988,081	-	-	2,214,262	2,988,081
Health and welfare	1,845,518	2,026,852	-	-	1,845,518	2,026,852
Education	5,085,157	6,231,066	-	-	5,085,157	6,231,066
Parks, recreation, and cultural	899,851	848,064	-	-	899,851	848,064
Community development	1,821,402	2,013,965	-	-	1,821,402	2,013,965
Interest and fees on long-term debt	405,480	516,465	-	-	405,480	516,465
Water and sewer	-	-	2,854,187	2,742,836	2,854,187	2,742,836
Electric	-	-	12,697,183	12,900,263	12,697,183	12,900,263
Solid waste	-	-	1,209,202	1,235,963	1,209,202	1,235,963
Airport	-	-	583,462	515,723	583,462	515,723
Total Expenses	<u>23,128,559</u>	<u>24,625,853</u>	<u>17,344,034</u>	<u>17,394,785</u>	<u>40,472,593</u>	<u>42,020,638</u>
Increase (Decrease) in Net Position	<b>893,498</b>	(663,927)	<b>710,883</b>	(791,613)	<b>1,604,381</b>	(1,455,540)
Beginning Net Position (Restated)	<u>13,515,078</u>	14,179,005	<u>7,433,740</u>	8,225,353	<u>20,948,818</u>	22,404,358
Ending Net Position	<u>\$ 14,408,576</u>	<u>\$ 13,515,078</u>	<u>\$ 8,144,623</u>	<u>\$ 7,433,740</u>	<u>\$ 22,553,199</u>	<u>\$ 20,948,818</u>

## Government Activities

Real estate and personal property tax revenue, the City's largest revenue source, totaled \$7,223,791, a decrease from the previous year at \$7,304,907. The City's real estate tax rate remained at .99 cents per hundred dollars of assessed valuation. Personal property was taxed at \$4.50 per \$100 of assessed value and represents \$1,629,725 of total general property taxes (excludes tax relief portion of \$1,048,897. Other local tax revenues, which totaled \$5,577,423, consist primarily of local option sales, consumer utility, business license, motor vehicle license, lodging, and meals taxes.

Revenue Sharing from Counties of \$785,799 represents revenue sharing payments received from Isle of Wight and Southampton Counties as part of annexation and service providing agreements. This is an increase from FY 2016 revenue sharing payments of \$715,519. Charges for services represent revenue received primarily from ambulance services and administration reimbursements from certain General Fund costs of the Enterprise Funds.

The City's expenses for governmental activities cover a wide range of services as seen in the above table. Overall, expenses for governmental activities decreased \$1,689,989. The table below provides an overview of program expenses and related revenues.

### Net Cost of Governmental Activities

For the Fiscal Years Ended June 30, 2017 and 2016

	<u>2017</u>		<u>2016</u>	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
General government administration	\$ 2,846,060	\$ (1,676,053)	\$ 2,656,226	\$ (1,738,709)
Judicial administration	357,168	(349,844)	307,583	(295,708)
Public safety	7,653,661	(6,712,578)	7,037,551	(5,945,002)
Public works	2,214,262	278,616	2,988,081	(456,178)
Health and welfare	1,845,518	(587,869)	2,026,852	(759,363)
Education	5,085,157	(5,085,157)	6,231,066	(6,231,066)
Parks, recreation, and cultural	899,851	(888,325)	848,064	(840,498)
Community development	1,821,402	(1,554,062)	2,013,965	(1,845,368)
Interest on long-term debt	<u>405,480</u>	<u>(405,480)</u>	<u>758,348</u>	<u>(758,348)</u>
Total	<u>\$ 23,128,559</u>	<u>\$ (16,980,752)</u>	<u>\$ 24,867,736</u>	<u>\$ (18,870,240)</u>

## Business-Type Activities

Business-type activities are made up of the electric, solid waste, water and sewer, and airport fund activities.

Business-type activities increased the City's net position by \$710,883. Total revenues for business-type activities increased from FY 2016 by \$1,457,389. Total business-type expenses decreased by \$716,527.

## FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

### Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. At the end of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$9,349,895, compared to \$9,579,267 last year. The various components are discussed below:

- **General Fund.** The general fund is the chief operating fund of the City. At the conclusion of the current fiscal year, the combined fund balance totaled \$6,575,056, which reflects a \$187,449 decrease over the prior year ending fund balance of \$6,762,505. Of this balance, \$5,546,439, or 84.4%, represents unassigned funds, which are available for operations of the government. The remaining \$1,028,617 is allocated among nonspendable and restricted fund balances. The unassigned fund balance expressed as a percentage of total fund expenditures is a useful measure of the general fund's liquidity. For the fiscal year ended June 30, 2017, this percentage totaled 26.98%, an improvement over the previous year.
- **Capital Projects Fund.** The capital projects fund accounts for all general government, including schools, construction projects, excluding capital projects related to business-type activities which are accounted for elsewhere. At the end of the current fiscal year, the assigned fund balance totaled \$58,743.
- **Debt Service Fund.** The debt service fund has a restricted fund balance of \$2,326,707, which represents funds purposed to pay future debt service obligations.
- **Proprietary Funds.** The City's Proprietary Funds (Enterprise Funds) provide the same type of information found in the government-wide financial statements, but in more detail. The City's enterprise funds account for its water and sewer, solid waste, municipal electric, and airport operations. Total net position of the enterprise funds at the end of the current fiscal year totaled \$8,144,623, an increase of \$710,883 (excludes restatement of net position of \$665,776) over the prior balance of \$6,767,964.

### GENERAL FUND BUDGETARY HIGHLIGHTS

The City's annual budget, which is prepared on an operating basis, includes estimated revenues and annual appropriations. Annual operating budgets are adopted by ordinance for the General Fund, Debt Service Fund, Water and Sewer Fund, Solid Waste, Electric Fund, Airport Fund, and Special Revenue Funds. However, the Consolidated Grant Funds, Fiduciary Funds, and the Capital Projects Fund are excluded from the annual operating budget.

During the year, City Council revised the budget on several occasions to include the appropriation of prior year reserves, grants, donations, and other revenues. Actual expenditures varied significantly from the final budgeted amount for the General Fund. The actual contribution to the local school board was \$4,987,395 at the close of the fiscal year.



The following table provides an overview of the original approved budget, the final amended budget, and actual amounts for both revenues and expenditures in the General Fund.

### Budgetary Comparison

#### General Fund

For the Fiscal Years Ended June 30, 2017 and 2016

	<u>2017</u>			<u>2016</u>		
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
<b>Revenues</b>						
Taxes	\$ 7,478,693	\$ 7,478,693	\$ 7,249,980	\$ 7,397,314	\$ 7,432,144	\$ 7,343,086
Other	8,910,715	9,150,868	9,244,942	8,654,432	8,704,722	8,987,187
Intergovernmental	<u>4,000,232</u>	<u>4,326,015</u>	<u>4,327,471</u>	<u>3,954,170</u>	<u>4,640,924</u>	<u>4,625,503</u>
Total	<u>20,389,640</u>	<u>20,955,576</u>	<u>20,822,393</u>	<u>20,005,916</u>	<u>20,777,790</u>	<u>20,955,776</u>
<b>Expenditures</b>	<u>20,430,069</u>	<u>21,302,831</u>	<u>20,560,109</u>	<u>20,439,136</u>	<u>21,930,185</u>	<u>21,514,642</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(40,429)</u>	<u>(347,255)</u>	<u>262,284</u>	<u>(433,220)</u>	<u>(1,152,395)</u>	<u>(558,866)</u>
<b>Other Financing Sources (Uses)</b>						
Issuance of debt	-	-	-	-	-	461,416
Transfers in	1,603,196	1,603,196	1,603,196	1,547,601	1,547,601	1,558,424
Transfers (out)	<u>(2,017,182)</u>	<u>(2,021,234)</u>	<u>(2,052,929)</u>	<u>(1,933,004)</u>	<u>(1,954,124)</u>	<u>(1,767,674)</u>
Total	<u>(413,986)</u>	<u>(418,038)</u>	<u>(449,733)</u>	<u>(385,403)</u>	<u>(406,523)</u>	<u>252,166</u>
Net Change in Fund Balance Before Transfer from Surplus	<u>(454,415)</u>	<u>(765,293)</u>	<u>(187,449)</u>	<u>(818,623)</u>	<u>(1,558,918)</u>	<u>(306,700)</u>
Transfer from Surplus Funds	<u>454,415</u>	<u>765,293</u>	<u>-</u>	<u>818,623</u>	<u>1,558,918</u>	<u>-</u>
Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (187,449)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (306,700)</u>

The difference between the original budget and the final amended budget for the City's General Fund expenditures was approximately \$872,762 representing an increase in appropriations. One major variance is due to the following appropriation and anticipated expenditure made during FY 2017:

- \$504,270 increase in Public Works for streets of which was VDOT funded projects.

### CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital Assets.** The City's investment in capital assets for its governmental and business-type activities as of June 30, 2017, totaled \$37,844,006 net of accumulated depreciation. Investment in capital assets includes land and easements, buildings, improvements other than buildings, infrastructure, machinery and equipment, and construction in progress. Net capital assets decreased \$(168,854) in the governmental activities and \$(222,705) in the proprietary activities. Additional details on school board capital assets can be located in the notes to the financial statements. See Note 7 – Capital Assets.

The following table summarizes capital assets, net of depreciation:

### Change in Capital Assets

#### Primary Government

##### Governmental Activities

	<u>Balance July 1, 2016</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2017</u>
Land	\$ 5,109,209	\$ -	\$ 5,109,209
Buildings	18,360,787	-	18,360,787
Improvements other than buildings	3,279,335	-	3,279,335
Machinery and equipment	10,127,879	499,979	10,627,858
School joint tenancy assets	4,888,086	-	4,888,086
Infrastructure	17,642,870	1,034,774	18,677,644
Total Capital Assets	59,408,166	1,534,753	60,942,919
Less: Accumulated depreciation and amortization	(32,665,651)	(1,703,607)	(34,369,258)
Total Capital Assets, Net	<u>\$ 26,742,515</u>	<u>\$ (168,854)</u>	<u>\$ 26,573,661</u>

##### Business-Type Activities

	<u>Balance July 1, 2016</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2017</u>
Land	\$ 179,258	\$ -	\$ 179,258
Construction in progress	-	92,756	92,756
Infrastructure	36,370,873	491,682	36,862,555
Buildings and improvements	1,449,418	-	1,449,418
Machinery and equipment	6,183,473	558,804	6,742,277
Total Capital Assets	44,183,022	1,143,242	45,326,264
Less: Accumulated depreciation and amortization	(32,689,972)	(1,365,947)	(34,055,919)
Total Capital Assets, Net	<u>\$ 11,493,050</u>	<u>\$ (222,705)</u>	<u>\$ 11,270,345</u>

#### Component Unit

##### School Board

	<u>Balance July 1, 2016</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2017</u>
Land and land improvements	\$ 151,010	\$ -	\$ 151,010
Buildings and improvements	13,444,543	18,540	13,463,083
Infrastructure	4,974,372	(254,710)	4,719,662
Joint tenancy assets	(4,888,086)	-	(4,888,086)
Furniture, equipment, and vehicles	3,916,618	266,077	4,182,695
Total Capital Assets	17,598,457	29,907	17,628,364
Less: Accumulated depreciation and amortization	(8,122,618)	(119,048)	(8,241,666)
Total Capital Assets, Net	<u>\$ 9,475,839</u>	<u>\$ (89,141)</u>	<u>\$ 9,386,698</u>

**Debt Administration.** The City's total outstanding general obligation debt at June 30, 2017 was \$15,325,946, which is considered to be tax supported debt. Other general fund long-term liabilities are also provided. Enterprise Fund (water and sewer, electric, and solid waste) debt, which is directly supported by revenues generated from operations and not supported by taxes is \$3,686,000. Additional details on the long-term debt activity can be located in Note 8, Long-Term Obligations.

	<u>Balance July 1, 2016</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2017</u>
<b>Governmental Activities</b>			
General obligation bonds	\$ 15,873,619	\$ (547,673)	\$ 15,325,946
Capital leases	484,548	(113,701)	370,847
Landfill obligation	765,308	(765,308)	-
OPEB obligation	718,350	(13,275)	705,075
Compensated absences	775,529	(53,082)	722,447
	18,617,354	(1,493,039)	17,124,315
Add: Premiums	481,368	(27,201)	454,167
Total Governmental Activities	<u>\$ 19,098,722</u>	<u>\$ (1,520,240)</u>	<u>\$ 17,578,482</u>
<b>Business-Type Activities</b>			
Bonds payable	\$ 4,180,000	\$ (494,000)	\$ 3,686,000
Capital leases	87,197	(21,017)	66,180
OPEB obligation	239,450	(4,425)	235,025
Compensated absences	96,568	1,747	98,315
	4,603,215	(517,695)	4,085,520
Add: Premiums	31,684	(3,962)	27,722
Total Business-Type Activities	<u>\$ 4,634,899</u>	<u>\$ (521,657)</u>	<u>\$ 4,113,242</u>

State statutes limit the amount of general obligation debt a government may issue to 10% of its total assessed valuation of real and public service corporations. The City's ratio of net general bonded debt to assessed value totals 3.62%.

	<u>FY 2017</u>	<u>FY 2016</u>
<b>General Government Activities</b>		
Bonds payable - general	\$ 8,870,517	\$ 9,308,190
School related bonds and notes	<u>6,455,429</u>	<u>6,565,429</u>
Total Tax Supported Debt	<u>15,325,946</u>	15,873,619
<b>Business-Type Activities</b>	<u>3,686,000</u>	4,180,000
Total Long-Term Debt	<u>\$ 19,011,946</u>	<u>\$ 20,053,619</u>
Per Capita Tax Supported	<u>\$ 1,845</u>	<u>\$ 1,870</u>
Total Per Capita Debt	<u>\$ 2,289</u>	<u>\$ 2,362</u>

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The June 30, 2017 unemployment rate for the City of Franklin, Virginia was 5.6% compared to 3.9% for Virginia and the national rate of 4.5%. The June 30, 2016 unemployment rate for the City of Franklin, Virginia was 5.9%, compared to the state's unemployment rate of 4.0% and the average national rate of 5.1%.
- In FY 17-18, the City's adopted budget anticipates the general fund budget to be \$23,710,650, an increase of \$3,321,010 or 16.3% over prior year's original budget.

## REQUEST FOR INFORMATION

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the funds it receives. Questions concerning this report or requests for additional information should be directed to the City of Franklin, Director of Finance, 207 West Second Avenue, Franklin, Virginia 23851.

# BASIC FINANCIAL STATEMENTS



## City of Franklin, Virginia

## Statement of Net Position

At June 30, 2017

	<u>Primary Government</u>			<u>Component Units</u>	
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>	<u>School Board</u>	<u>Industrial Development Authority</u>
<b>Assets</b>					
Cash and cash equivalents	\$ 5,542,426	\$ 2,766,289	\$ 8,308,715	\$ 617,995	\$ 14,316
<i>Receivables (net of allowance for uncollectibles)</i>					
Property taxes receivable	542,460	-	542,460	-	-
Accounts receivable	465,871	2,152,888	2,618,759	4,588	-
Internal balances	969,874	(969,874)	-	-	-
Due from primary government	-	-	-	-	-
Due from other governmental units	661,607	-	661,607	607,476	-
Inventories	-	22,115	22,115	15,040	-
<b>Restricted Assets</b>					
<i>Temporarily restricted</i>					
Cash and cash equivalents	2,326,707	-	2,326,707	-	-
<i>Other assets</i>					
Prepays	44,405	-	44,405	-	-
<b>Capital Assets (net of accumulated depreciation)</b>	<u>26,573,661</u>	<u>11,270,345</u>	<u>37,844,006</u>	<u>9,386,698</u>	<u>-</u>
Total Assets	37,127,011	15,241,763	52,368,774	10,631,797	14,316
<b>Deferred Outflows of Resources</b>					
Deferred outflows - pension	1,375,785	295,699	1,671,484	2,397,822	-
Deferred outflows - loss on refunding	<u>309,581</u>	<u>73,305</u>	<u>382,886</u>	<u>-</u>	<u>-</u>
Total Deferred Outflows of Resources	1,685,366	369,004	2,054,370	2,397,822	-
Total Assets and Deferred Outflows of Resources	<u>\$ 38,812,377</u>	<u>\$ 15,610,767</u>	<u>\$ 54,423,144</u>	<u>\$ 13,029,619</u>	<u>\$ 14,316</u>
<b>Liabilities</b>					
Accounts payable and accrued liabilities	\$ 718,105	\$ 1,164,980	\$ 1,883,085	\$ 1,174,353	\$ -
Customers' deposits	-	850,798	850,798	-	-
Accrued interest payable	172,561	54,520	227,081	-	-
Due to component unit school board	-	-	-	-	-
Deposits held in escrow	74,702	-	74,702	-	-
<b>Long-Term Liabilities</b>					
<i>Due within one year</i>					
Long-term liabilities	708,974	533,492	1,242,466	-	-
<i>Due in more than one year</i>					
OPEB liability	705,075	235,025	940,100	255,934	-
Compensated absences	722,447	98,315	820,762	203,628	-
Capital lease obligations	256,344	44,650	300,994	-	-
Bonds, loans, and premiums	15,185,642	3,201,760	18,387,402	-	-
Net pension liability	<u>5,735,856</u>	<u>1,244,123</u>	<u>6,979,979</u>	<u>14,137,371</u>	<u>-</u>
Total Liabilities	24,279,706	7,427,663	31,707,369	15,771,286	-
<b>Deferred Inflows of Resources</b>					
Deferred inflows VRS pension	<u>124,095</u>	<u>38,481</u>	<u>162,576</u>	<u>1,216,719</u>	<u>-</u>
Total Deferred Inflows of Resources	124,095	38,481	162,576	1,216,719	-
<b>Net Position</b>					
Net investment in capital assets	10,732,282	7,563,748	18,296,030	9,386,698	-
<b>Restricted for</b>					
Debt service	2,326,707	-	2,326,707	-	-
Capital projects	186,502	-	186,502	-	-
Community development	252,125	-	252,125	-	-
Public safety and parks, recreation, and cultural, health and welfare	499,306	-	499,306	-	-
Unrestricted (deficit)	<u>411,654</u>	<u>580,875</u>	<u>992,529</u>	<u>(13,345,084)</u>	<u>14,316</u>
Total Net Position (Deficit)	<u>14,408,576</u>	<u>8,144,623</u>	<u>22,553,199</u>	<u>(3,958,386)</u>	<u>14,316</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 38,812,377</u>	<u>\$ 15,610,767</u>	<u>\$ 54,423,144</u>	<u>\$ 13,029,619</u>	<u>\$ 14,316</u>

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



**City of Franklin, Virginia**  
Statement of Activities  
For the Year Ended June 30, 2017

<u>Functions/Programs</u>	<u>Program Revenues</u>				<u>Net (Expense) Revenue and Changes in Net Position</u>				
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Primary Government Business-Type Activities</u>	<u>Total</u>	<u>Component Units</u> <u>School Board</u>	<u>Industrial Development Authority</u>
<b>Primary Government</b>									
<b>Governmental Activities</b>									
General government administration	\$ 2,846,060	\$ 984,336	\$ 185,671	\$ -	\$ (1,676,053)		\$ (1,676,053)		
Judicial administration	357,168	7,324	-	-	(349,844)		(349,844)		
Public safety	7,653,661	375,713	565,370	-	(6,712,578)		(6,712,578)		
Public works	2,214,262	549,664	1,943,214	-	278,616		278,616		
Health and welfare	1,845,518	-	1,257,649	-	(587,869)		(587,869)		
Education	5,085,157	-	-	-	(5,085,157)		(5,085,157)		
Parks, recreation, and cultural	899,851	6,526	5,000	-	(888,325)		(888,325)		
Community development	1,821,402	-	267,340	-	(1,554,062)		(1,554,062)		
Interest on long-term debt	405,480	-	-	-	(405,480)		(405,480)		
Total Governmental Activities	23,128,559	1,923,563	4,224,244	-	(16,980,752)		(16,980,752)		
<b>Business-Type Activities</b>									
Water and sewer	2,854,187	3,573,740	728	-		\$ 720,281	720,281		
Solid waste	1,209,202	1,373,427	-	-		164,225	164,225		
Electric	12,697,183	14,332,022	7,383	-		1,642,222	1,642,222		
Airport	583,462	90,836	117,003	-		(375,623)	(375,623)		
Total Business-Type Activities	17,344,034	19,370,025	125,114	-		2,151,105	2,151,105		
Total Primary Government	\$ 40,472,593	\$ 21,293,588	\$ 4,349,358	\$ -			(14,829,647)		
<b>Component Units</b>									
School Board	\$ 16,613,370	\$ 155,143	\$ 10,915,304	\$ -				\$ (5,542,923)	\$ -
Industrial Development Authority	-	-	-	-				-	-
Total - Component Units	\$ 16,613,370	\$ 155,143	\$ 10,915,304	\$ -				(5,542,923)	-
<b>General Revenues</b>									
General property taxes					7,223,791	-	7,223,791	-	-
Other local taxes					5,577,423	-	5,577,423	-	-
Revenue sharing from counties					785,799	-	785,799	-	-
Use of property					444,868	-	444,868	4,990	-
Investment earnings					1,010	1,341	2,351	-	2
Miscellaneous					745,336	26,244	771,580	347,459	-
Contribution from City of Franklin, Virginia					-	-	-	5,085,157	-
Noncategorical aid from Commonwealth of Virginia					1,628,216	-	1,628,216	-	-
<b>Transfers in (out)</b>					1,467,807	(1,467,807)	-	-	-
Total General Revenues and Transfers					17,874,250	(1,440,222)	16,434,028	5,437,606	2
Change in Net Position					893,498	710,883	1,604,381	(105,317)	2
Net Position (Deficit) - Beginning of Year (Restated)					13,515,078	7,433,740	20,948,818	(3,853,069)	14,314
Net Position (Deficit) - End of Year					\$ 14,408,576	\$ 8,144,623	\$ 22,553,199	\$ (3,958,386)	\$ 14,316

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

## City of Franklin, Virginia

## Balance Sheet

## Governmental Funds

At June 30, 2017

	<u>General Fund</u>	<u>Virginia Public Assistance</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>						
Cash and cash equivalents	\$ 5,267,123	\$ 130,081	\$ 127,759	\$ -	\$ 523,352	\$ 6,048,315
<i>Receivables - net of allowance for uncollectibles</i>						
Property taxes receivable	542,460	-	-	-	-	542,460
Accounts receivable	411,525	-	-	-	54,346	465,871
Other current assets - prepaid expenses	44,405	-	-	-	-	44,405
Due from other funds	969,874	930	-	-	-	970,804
Due from other governmental units	462,938	107,076	-	-	91,593	661,607
<i>Restricted assets</i>						
Cash and cash equivalents	-	-	-	2,326,707	-	2,326,707
Total Assets	<u>\$ 7,698,325</u>	<u>\$ 238,087</u>	<u>\$ 127,759</u>	<u>\$ 2,326,707</u>	<u>\$ 669,291</u>	<u>\$ 11,060,169</u>
<b>Liabilities</b>						
Pooled cash deficit	\$ -	\$ -	\$ 355,895	\$ -	\$ 149,994	\$ 505,889
Accounts payable and accrued liabilities	665,191	15,733	-	-	37,181	718,105
Due to other funds	930	-	-	-	-	930
Deposits held in escrow	46,500	-	-	-	28,202	74,702
Total Liabilities	712,621	15,733	355,895	-	215,377	1,299,626
<b>Deferred Inflows of Resources</b>	410,648	-	-	-	-	410,648
<b>Fund Balances</b>						
<i>Nonspendable</i>						
Long-term receivables - airport	969,874	-	-	-	-	969,874
<i>Restricted</i>						
Public safety	-	-	-	-	61,721	61,721
Health and welfare	-	222,354	-	-	25,970	248,324
Parks, recreation, and cultural	-	-	-	-	189,261	189,261
Community development	-	-	-	-	252,125	252,125
Debt service	-	-	-	2,326,707	-	2,326,707
Capital projects	58,743	-	127,759	-	-	186,502
<i>Unassigned</i>						
General fund	5,546,439	-	(355,895)	-	(75,163)	5,115,381
Total Fund Balances (Deficit)	<u>6,575,056</u>	<u>222,354</u>	<u>(228,136)</u>	<u>2,326,707</u>	<u>453,914</u>	<u>9,349,895</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 7,698,325</u>	<u>\$ 238,087</u>	<u>\$ 127,759</u>	<u>\$ 2,326,707</u>	<u>\$ 669,291</u>	<u>\$ 11,060,169</u>

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

City of Franklin, Virginia

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

At June 30, 2017

Total Fund Balances for Governmental Funds \$ 9,349,895

**Total net position reported for governmental activities in the Statement of Net Position is different because:**

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

Land and construction in progress	\$ 5,109,209
Buildings and improvements, net of accumulated depreciation	12,363,928
Infrastructure, net of accumulated depreciation	4,671,724
School joint tenancy assets	1,931,104
Furniture, equipment, and vehicles, net of accumulated depreciation	<u>2,497,696</u>

Total Capital Assets 26,573,661

Other assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.

Unavailable revenue - taxes and licenses	410,648
--	---------

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.

Deferred outflows of resources related to pensions	1,375,785
Deferred inflows of resources related to pensions	<u>(124,095)</u>

Total Deferred Outflows and Inflows of Resources 1,251,690

Liabilities applicable to the City's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities.

Balances of long-term liabilities affecting net position are as follows:

Bonds, capital leases, and notes payable with related premiums	(16,150,960)
Deferred outflows - refunding on debt	309,581
Accrued interest payable on debt	(172,561)
OPEB obligation	(705,075)
Net VRS pension liability	(5,735,856)
Compensated absences	<u>(722,447)</u>

Total (23,177,318)

Total Net Position of Governmental Activities \$ 14,408,576

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

City of Franklin, Virginia

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2017

	General Fund	Virginia Public Assistance	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
General property taxes	\$ 7,249,980	\$ -	\$ -	\$ -	\$ -	\$ 7,249,980
Other local taxes	5,577,423	-	-	-	-	5,577,423
Permits, privilege fees, and regulatory licenses	532,781	-	-	-	-	532,781
Fines and forfeitures	34,508	-	-	-	-	34,508
Revenue from the use of money and property	232,382	-	1,009	59,072	153,415	445,878
Charges for services	1,356,274	-	-	-	-	1,356,274
Miscellaneous	1,272,896	19,629	24,287	-	214,323	1,531,135
Recovered costs	238,678	-	-	-	-	238,678
<i>Intergovernmental</i>						
Revenue from the Commonwealth of Virginia	4,305,476	363,913	-	-	74,187	4,743,576
Revenue from the Federal Government	21,995	819,549	-	-	267,340	1,108,884
Total Revenues	20,822,393	1,203,091	25,296	59,072	709,265	22,819,117
<b>Expenditures</b>						
<b>Current</b>						
General government administration	2,465,991	-	44,405	-	-	2,510,396
Judicial administration	357,168	-	-	-	-	357,168
Public safety	7,342,416	-	198,911	-	85,125	7,626,452
Public works	3,477,128	-	136,866	-	-	3,613,994
Health and welfare	191,343	1,447,795	-	-	165,196	1,804,334
Education	4,987,395	-	56,109	-	-	5,043,504
Parks, recreation, and cultural	726,750	-	-	-	25,685	752,435
Community development	986,178	-	-	-	832,643	1,818,821
<i>Debt service</i>						
Principal retirement	-	-	-	547,673	-	547,673
Interest and other fiscal charges	25,740	-	-	415,779	-	441,519
Total Expenditures	20,560,109	1,447,795	436,291	963,452	1,108,649	24,516,296
Excess (Deficiency) of Revenues Over (Under) Expenditures	262,284	(244,704)	(410,995)	(904,380)	(399,384)	(1,697,179)
<b>Other Financing Sources (Uses)</b>						
Transfers in	1,603,196	467,058	-	1,133,457	317,025	3,520,736
Transfers (out)	(2,052,929)	-	-	-	-	(2,052,929)
Total Other Financing Sources (Uses)	(449,733)	467,058	-	1,133,457	317,025	1,467,807
Net Change in Fund Balances	(187,449)	222,354	(410,995)	229,077	(82,359)	(229,372)
Fund Balances - Beginning of Year	6,762,505	-	182,859	2,097,630	536,273	9,579,267
Fund Balances (Deficit) - End of Year	\$ 6,575,056	\$ 222,354	\$ (228,136)	\$ 2,326,707	\$ 453,914	\$ 9,349,895

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

City of Franklin, Virginia

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances  
of Governmental Funds to the Statement of Activities

Year Ended June 30, 2017

Net Change in Fund Balances - Total Governmental Funds \$ (229,372)

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

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 as depreciation expense. The following is a computation of these differences.

Capital asset additions	\$ 1,534,753	
Depreciation expense	<u>(1,703,607)</u>	(168,854)

Revenues in the Statement of Activities that do not provide current financial resources are deferred in the fund statements. (26,189)

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

Principal payments	547,673	
Deferred outflows - refunding of debt	(104,863)	
Lease payments	113,701	
Premium on bond issue and interest charges	<u>27,201</u>	
Net Adjustment		583,712

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. Changes in the following accounts are as follows:

Compensated absences	53,082	
Landfill closure and post-closure costs	765,308	
Net pension liability	(1,247,588)	
Deferred inflows - VRS pension	520,363	
Deferred outflows - VRS pension	629,761	
Other postemployment benefits	<u>13,275</u>	
Net Adjustment		<u>734,201</u>

Change in Net Position of Governmental Activities \$ 893,498

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

**City of Franklin, Virginia**  
Statement of Net Position  
Proprietary Funds  
At June 30, 2017

	<u>Water and Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Electric Fund</u>	<u>Airport Fund</u>	<u>Total</u>
<b>Assets</b>					
<b>Current Assets</b>					
Cash and cash equivalents	\$ 1,767,110	\$ 240,652	\$ 803,251	\$ 200	\$ 2,811,213
Receivables, net	451,323	149,860	1,546,586	5,119	2,152,888
Inventories	-	-	-	22,115	22,115
Total Current Assets	2,218,433	390,512	2,349,837	27,434	4,986,216
<b>Noncurrent Assets</b>					
Capital assets, net	3,707,974	596,513	3,443,036	3,522,822	11,270,345
Total Noncurrent Assets	3,707,974	596,513	3,443,036	3,522,822	11,270,345
<b>Other Assets</b>					
	-	-	-	-	-
Total Assets	5,926,407	987,025	5,792,873	3,550,256	16,256,561
<b>Deferred Outflows of Resources</b>					
Deferred outflows of resources - pension	103,129	42,733	133,299	16,538	295,699
Deferred outflows - loss on refunding	33,759	-	39,546	-	73,305
Total Deferred Outflows of Resources	136,888	42,733	172,845	16,538	369,004
Total Assets and Deferred Outflows of Resources	<u>\$ 6,063,295</u>	<u>\$ 1,029,758</u>	<u>\$ 5,965,718</u>	<u>\$ 3,566,794</u>	<u>\$ 16,625,565</u>
<b>Liabilities</b>					
<b>Current Liabilities</b>					
Pooled cash deficit	\$ -	\$ -	\$ -	\$ 44,924	\$ 44,924
Accounts payable and accrued liabilities	297,043	46,337	817,276	4,324	1,164,980
Customers' deposits	-	-	850,798	-	850,798
Accrued interest payable	33,308	2,973	18,239	-	54,520
Due to other funds	-	-	-	969,874	969,874
Current portion of long-term liabilities	296,617	-	215,343	-	511,960
Total Current Liabilities	626,968	49,310	1,901,656	1,019,122	3,597,056
<b>Noncurrent Liabilities, Net of Current Portion</b>					
Net pension liability	432,498	174,719	567,915	68,991	1,244,123
OPEB liability	75,208	47,005	103,411	9,401	235,025
Compensated absences	29,458	14,636	45,235	8,986	98,315
Capital lease obligations	-	-	66,180	-	66,180
Long-term notes and bonds and premiums	1,935,703	248,000	1,018,059	-	3,201,762
Total Noncurrent Liabilities	2,472,867	484,360	1,800,800	87,378	4,845,405
Total Liabilities	3,099,835	533,670	3,702,456	1,106,500	8,442,461
<b>Deferred Inflows of Resources</b>					
VRS pension	17,281	2,916	16,790	1,494	38,481
Total Deferred Inflows of Resources	17,281	2,916	16,790	1,494	38,481
<b>Net Position</b>					
Net investment in capital assets	1,509,413	348,513	2,182,999	3,522,823	7,563,748
Unrestricted	1,436,766	144,659	63,473	(1,064,023)	580,875
Total Net Position	2,946,179	493,172	2,246,472	2,458,800	8,144,623
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 6,063,295</u>	<u>\$ 1,029,758</u>	<u>\$ 5,965,718</u>	<u>\$ 3,566,794</u>	<u>\$ 16,625,565</u>

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



## City of Franklin, Virginia

## Statement of Revenues, Expenses, and Changes in Net Position

## Proprietary Funds

Year Ended June 30, 2017

	<u>Water and Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Electric Fund</u>	<u>Airport Fund</u>	<u>Total</u>
<b>Operating Revenues</b>					
Charges for services	\$ 3,573,740	\$ 1,373,427	\$ 14,332,022	\$ 90,836	\$ 19,370,025
Miscellaneous	10,352	-	15,501	391	26,244
Operating grants - state	728	-	7,383	33,522	41,633
Operating grants - federal	-	-	-	83,481	83,481
<b>Total Operating Revenues</b>	<b>3,584,820</b>	<b>1,373,427</b>	<b>14,354,906</b>	<b>208,230</b>	<b>19,521,383</b>
<b>Operating Expenses</b>					
Salaries and wages	515,413	206,594	614,051	82,738	1,418,796
Fringe benefits	204,279	103,689	205,261	31,264	544,493
Contractual services	367,472	-	413,922	-	781,394
Repairs and maintenance	128,621	52,158	75,006	45,328	301,113
Utilities	193,137	-	32,233	20,456	245,826
Insurance	69,238	7,037	18,372	9,114	103,761
Materials and supplies	334,904	62,100	166,615	14,187	577,806
Other charges	74,048	465,077	10,220,621	34,048	10,793,794
Payment to general fund for services and taxes	318,368	210,560	485,171	36,511	1,050,610
Depreciation and amortization	550,820	95,557	409,754	309,816	1,365,947
<b>Total Operating Expenses</b>	<b>2,756,300</b>	<b>1,202,772</b>	<b>12,641,006</b>	<b>583,462</b>	<b>17,183,540</b>
<b>Operating Income (Loss)</b>	<b>828,520</b>	<b>170,655</b>	<b>1,713,900</b>	<b>(375,232)</b>	<b>2,337,843</b>
<b>Nonoperating Revenues (Expenses)</b>					
Interest income	1,256	-	85	-	1,341
Interest expense	(97,887)	(6,430)	(56,177)	-	(160,494)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>(96,631)</b>	<b>(6,430)</b>	<b>(56,092)</b>	<b>-</b>	<b>(159,153)</b>
<b>Income (Loss) Before Transfers</b>	<b>731,889</b>	<b>164,225</b>	<b>1,657,808</b>	<b>(375,232)</b>	<b>2,178,690</b>
Transfers in	-	-	-	135,389	135,389
Transfers (out)	(110,460)	(82,845)	(1,409,891)	-	(1,603,196)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>(110,460)</b>	<b>(82,845)</b>	<b>(1,409,891)</b>	<b>135,389</b>	<b>(1,467,807)</b>
<b>Change in Net Position</b>	<b>621,429</b>	<b>81,380</b>	<b>247,917</b>	<b>(239,843)</b>	<b>710,883</b>
<b>Total Net Position - Beginning of Year (Restated)</b>	<b>2,324,750</b>	<b>411,792</b>	<b>1,998,555</b>	<b>2,698,643</b>	<b>7,433,740</b>
<b>Total Net Position - End of Year</b>	<b>\$ 2,946,179</b>	<b>\$ 493,172</b>	<b>\$ 2,246,472</b>	<b>\$ 2,458,800</b>	<b>\$ 8,144,623</b>

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

**City of Franklin, Virginia**  
Statement of Cash Flows  
Proprietary Funds  
Year Ended June 30, 2017

	<u>Water and Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Electric Fund</u>	<u>Airport Fund</u>	<u>Total</u>
<b>Cash Flows from Operating Activities</b>					
Receipts from customers and users	\$ 3,307,052	\$ 1,288,415	\$ 14,372,876	\$ 114,379	\$ 19,082,722
Operating grants	728	-	7,383	117,003	125,114
Payments to suppliers for goods and services	(1,266,710)	(911,887)	(11,425,651)	(160,013)	(13,764,261)
Payments to and on behalf of employees	<u>(719,692)</u>	<u>(210,283)</u>	<u>(819,312)</u>	<u>(114,002)</u>	<u>(1,863,289)</u>
Net Cash Provided by (Used in) Operating Activities	1,321,378	166,245	2,135,296	(42,633)	3,580,286
<b>Cash Flows from Noncapital Financing Activities</b>					
Transfers from other funds	-	-	-	135,389	135,389
Transfers (to) other funds	<u>(110,460)</u>	<u>(82,845)</u>	<u>(1,409,891)</u>	<u>-</u>	<u>(1,603,196)</u>
Net Cash Provided by (Used in) Noncapital Financing Activities	(110,460)	(82,845)	(1,409,891)	135,389	(1,467,807)
<b>Cash Flows from Capital and Related Financing Activities</b>					
Purchase of fixed assets	(797,748)	(245,700)	(7,038)	(92,756)	(1,143,242)
Payment on long-term debt	(289,618)	-	(228,018)	-	(517,636)
Interest paid on capital debt	<u>(77,335)</u>	<u>(6,448)</u>	<u>(54,553)</u>	<u>-</u>	<u>(138,336)</u>
Net Cash Used in Capital and Related Financing Activities	(1,164,701)	(252,148)	(289,609)	(92,756)	(1,799,214)
<b>Cash Flows from Investing Activities</b>					
Interest income	<u>1,256</u>	<u>-</u>	<u>85</u>	<u>-</u>	<u>1,341</u>
Net Cash Provided by Investing Activities	<u>1,256</u>	<u>-</u>	<u>85</u>	<u>-</u>	<u>1,341</u>
Net Increase (Decrease) in Cash and Cash Equivalents	47,473	(168,748)	435,881	-	314,606
Cash and Cash Equivalents - Beginning of Year	<u>1,719,637</u>	<u>409,400</u>	<u>367,370</u>	<u>200</u>	<u>2,496,607</u>
Cash and Cash Equivalents - End of Year	<u>\$ 1,767,110</u>	<u>\$ 240,652</u>	<u>\$ 803,251</u>	<u>\$ 200</u>	<u>\$ 2,811,213</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</b>					
Operating income (loss)	\$ 828,520	\$ 170,655	\$ 1,713,900	\$ (375,232)	\$ 2,337,843
<i>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</i>					
Depreciation expense	550,820	95,557	409,754	309,816	1,365,947
(Increase) decrease in accounts receivable	(277,040)	(85,012)	(37,230)	23,154	(376,128)
(Increase) decrease in inventories	-	-	-	(12,309)	(12,309)
(Increase) decrease in other assets	-	-	-	12,633	12,633
(Increase) decrease in deferred outflows - VRS	(46,092)	(20,375)	(58,010)	(7,559)	(132,036)
Increase (decrease) in accounts payable and accrued liabilities	211,171	(10,185)	(26,487)	(355)	174,144
Increase (decrease) in pooled cash deficit	-	-	-	(2,090)	(2,090)
Increase (decrease) in compensated absences	2,221	(7,025)	5,789	762	1,747
Increase (decrease) in net pension liability	91,258	40,342	114,846	14,966	261,412
Increase (decrease) in deferred inflows - VRS	(38,064)	(16,827)	(47,902)	(6,242)	(109,035)
Increase (decrease) in OPEB liability	(1,416)	(885)	(1,947)	(177)	(4,425)
Increase (decrease) in customer deposits	<u>-</u>	<u>-</u>	<u>62,583</u>	<u>-</u>	<u>62,583</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 1,321,378</u>	<u>\$ 166,245</u>	<u>\$ 2,135,296</u>	<u>\$ (42,633)</u>	<u>\$ 3,580,286</u>

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

## City of Franklin, Virginia

## Statement of Fiduciary Net Position

## Agency Funds

Year Ended June 30, 2017

	<u>All Agency Funds</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 103,370
Total Assets	<u>\$ 103,370</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	\$ 2,874
Amounts held for others	<u>100,496</u>
Total Liabilities	<u>\$ 103,370</u>

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

## City of Franklin, Virginia

### Notes to the Financial Statements

Year Ended June 30, 2017

## 1 Summary of Significant Accounting Policies

### *Narrative Profile*

The City of Franklin, Virginia (City) is a political subdivision of the Commonwealth of Virginia operating under the council-manager form of government. The elected seven-member City Council, vested with legislative powers, appoints the City Manager who is the executive and administrative head of the City's government.

The City engages in a comprehensive range of municipal services, including general government administration, judicial administration, public safety, public works, health and welfare, education, parks, recreation, and cultural, and community development.

The financial statements of the City of Franklin, Virginia have been prepared in conformity with accounting principles generally accepted in the United States of America as specified by the Governmental Accounting Standards Board (GASB) and the specifications promulgated by the Auditor of Public Accounts (APA) of the Commonwealth of Virginia. The more significant of the government's accounting policies are described below.

### **A. Government-wide and Fund Financial Statements**

#### *Management's Discussion and Analysis*

GASB Statement No. 34 and GASB Statement No. 37 require financial statements to be accompanied by a narrative introduction of the basic financial statements and an analytical overview of the government's financial activities in the form of Management's Discussion and Analysis (MD&A).

#### *Government-wide Financial Statements*

The reporting model includes financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities (such as cash and accounts payable) but also capital assets and long-term liabilities (such as buildings and infrastructure, including bridges and roads, and general obligation debt). Accrual accounting also reports all of the revenue and cost of providing services each year, not just those received or paid in the current year or soon thereafter.

#### *Statement of Net Position*

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

### ***Statement of Activities***

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

### ***Budgetary Comparison Schedules***

Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in one way or another in the process of establishing the annual operating budgets of state and local governments and have a keen interest in following the actual financial progress of their governments over the course of the year. Many governments, however, revise their original budget over the course of the year for a variety of reasons. Under the GASB 34 reporting model, governments will continue to provide budgetary comparison information in their annual report including the government's original budget and a comparison of final budget and actual results.

The City's annual budget, which is prepared on an operating basis, includes estimated revenues and annual appropriations. Annual operating budgets are adopted by ordinance for the General Fund, Debt Service Fund, Capital Projects Fund, Water and Sewer Fund, Solid Waste, Electric Fund, Airport Fund, and Special Revenue Funds. However, the Consolidated Grant Funds and Fiduciary Funds are excluded from the annual operating budget.

#### **B. Other Related Organizations**

Included in the City's Financial Report – None

#### **C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The accompanying financial statements are prepared in accordance with pronouncements issued by the Governmental Accounting Standards Board. The principles prescribed by GASB represent generally accepted accounting principles applicable to governmental units.

The City applies all GASB pronouncements.

### ***Government-Wide and Fund Accounting Financial Statements***

The basic financial statements include both government-wide (based on the City as a whole) and fund accounting financial statements. The focus is on either the City as a whole or major individual fund (within the fund financial statements). Both the government-wide and fund accounting financial statements (within the basic financial statements) categorize primary activities as either governmental or business-type. In the government-wide Statement of Net Position, both the governmental and business-type activities columns are (a) presented on a consolidated basis by column, and (b) are reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. The City generally first uses restricted assets for expenses incurred for which both restricted and unrestricted assets are available. The City may defer the use of restricted assets based on a review of the specific transaction.

The government-wide Statement of Activities is reported using the economic resources measurement focus and the accrual basis of accounting which reflect both the gross and net cost per functional category (public safety, public works, health and welfare, etc.), which are otherwise being supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function (public safety, public works, health and welfare, etc.) or a business-type activity. The City does not allocate indirect expenses. The operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The governmental funds' major fund statements in the fund financial statements are presented on a current financial resource measurement focus using the modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented which briefly explains the adjustments necessary to reconcile the fund-based financial statements with the governmental column of the government-wide presentation.

The City's fiduciary funds are presented in the fund financial statements by type. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

The focus of the GASB 34 model is on the City as a whole and the fund financial statements, including the major individual funds of the governmental and business-type categories, as well as the fiduciary funds, (by category) and the component units. Each presentation provides valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the information.

The government-wide Statements of Net Position and Statement of Activities and all proprietary funds and trust funds are accounted for using the economic resources measurement focus and the accrual basis of accounting.

With this measurement focus, all assets and all liabilities associated with the operating of these activities are included on their Statement of Net Position. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in total net position.

The Statement of Net Position and Statement of Activities of the Proprietary Funds and Fiduciary Funds are presented on the accrual basis of accounting. Under this method of accounting, revenues are recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet on the funds statements. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in fund balances.



The fund financial statements of the Governmental Funds are maintained and reported on the modified accrual basis of accounting. Under this method of accounting, revenues are recognized in the period in which they become measurable and available. With respect to real and personal property tax revenues and other local taxes, the term “available” is limited to collections within sixty days of the fiscal year end. Levies made prior to the fiscal year end but which are not available are deferred. Interest income is recorded as earned. Federal and state reimbursement-type grants are recorded as revenue when related eligible expenditures are incurred. Expenditures, other than accrued interest on long-term debt, are recorded when the fund liability is incurred.

In the fund financial statements, financial transactions and accounts of the City are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The focus of governmental and proprietary fund financial statements is on major funds. Fund statements present the financial information of each major fund in a separate column. Nonmajor funds are aggregated and displayed in a single column.

The main operating fund, the general fund, is always reported as a major fund. Other individual governmental or enterprise funds are reported in separate columns as major funds based on the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of the fund are at least 10% of the corresponding total for all funds of that category or type (that is, total governmental or total enterprise funds), and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the fund are at least 5% of the corresponding total for all governmental and enterprise funds combined.

In addition to funds that meet the major fund criteria, any other governmental or enterprise fund that management believes is particularly important to financial statement users may be reported as a major fund.

- **Governmental Funds**

Governmental funds are those through which most governmental functions typically are financed.

- **General Fund**

The General Fund is the primary operating fund of the City. This fund is used to account for all financial transactions and resources except those required to be accounted for in another fund. Revenues are derived primarily from property and other local taxes, state and federal grants and subsidies, licenses, permits, charges for services, and interest income. A significant part of the General Fund’s revenues is transferred to other funds and component units. The General Fund is considered a major fund.

- **Special Revenue Funds**

The Special Revenue Funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Special Revenue Funds of the City are as follows:

- *Virginia Public Assistance Fund* – accounts for revenues and expenditures related to services provided by the Department of Social Services. Most revenues are derived from the Commonwealth of Virginia and the federal government. This fund is considered a major fund.
- *Comprehensive Services Act Fund* – accounts for revenues and expenditures related to the Comprehensive Services Act for At-risk Youth and Families. Revenues are derived from categorical aid received from the Commonwealth of Virginia.
- *Regional Fire Training Grounds Fund* – accounts for revenues and expenditures related to maintenance of the Regional Fire Training Grounds. Most revenues are derived from rental income for use by other localities.
- *Foundation Grants Fund* – accounts for revenues and expenditures related to local grants. Revenues are derived from local grants.
- *Community Development Block Grant Fund* – accounts for all entitlement funds received under Title I of the Housing and Community Development Act of 1974, commonly known as the Community Development Block Grant Program.
- *Community Development Downtown Grant Fund* – accounts for revenues and expenditures related to development and rehabilitation of the downtown area. Revenues are derived from categorical aid received from the Commonwealth of Virginia and the federal government.
- *Madison Street Project Fund* – accounts for revenues and expenses related to the Madison Street Community Improvement Project Fund.
- *Western Tidewater Home Consortium Fund* – accounts for revenues and expenditures related to a joint venture with the City of Suffolk and Isle of Wight County to provide affordable housing.
- *Neighborhood Stabilization Program Fund* – accounts for a federal grant and the related expenditures. The grant is to be used for community development.
- *Cobbtown Grant Fund* – accounts for revenues and expenditures related to development and rehabilitation of the Cobbtown area of the City. Revenues are derived from categorical aid received from the Commonwealth of Virginia and the federal government.
- *Police Federal Forfeiture Fund* – accounts for revenues and expenditures related to police forfeitures. Revenues are derived from entitlement funds received from the federal government.
- *Police State Forfeiture Fund* – accounts for revenues and expenditures related to police forfeitures. Revenues are derived from entitlement funds received from the Commonwealth of Virginia.

- *Police Evidence Holding Fund* – accounts for revenues and expenditures related to police evidence that is held for the courts.
- *Camp Homestead Fund* – accounts for revenues and expenditures related to the maintenance and upkeep of the Camp family home on Homestead Lane.
- *Economic Development Fund* – accounts for revenues and expenditures related to economic development efforts of the City including rental of the building in Pretlow Industrial Park and operation of the incubator building.
- *Willie Camp Younts Fund* – accounts for revenues and expenditures related to the maintenance of the Willie Camp Younts cemetery.
- *Southview Cemetery Trust Fund* – accounts for revenues and expenditures of the Southview Cemetery.
- *Cemetery Perpetual Care Trust Fund* – accounts for revenues and expenditures of the Cemetery.
- *Charles Smith Cemetery Trust Fund* – accounts for revenues and expenditures of the Charles Smith Cemetery.

- **Debt Service Fund**

The Debt Service Fund accounts for and reports resources that are restricted, committed or assigned to expenditure for principal and interest, reports financial resources being accumulated for future debt service, and accounts for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. The Debt Service Fund is considered a major governmental fund.

- **Capital Projects Fund**

The Capital Projects Fund accounts and reports financial resources that are restricted, committed or assigned to expenditure for capital outlays, except for those financed by proprietary funds or for assets held in trust for individuals, private organizations, or other governments. The Capital Projects Fund is considered a major governmental fund.

- **Proprietary Fund**

Proprietary Funds are used to account for activities that are similar to those often found in the private sector. All assets, liabilities, equities, revenues, expenses, and transfers relating to the primary government's business activities are accounted for through proprietary funds. The measurement focus is on the determination of net income, financial position, and cash flows. Proprietary Funds distinguish operating revenues and expenses from nonoperating revenues and expenses. 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 Proprietary Funds are charges for services. Operating expenses include cost of sales and services, personnel, contractual services, and depreciation. The City applies all current GASB pronouncements. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this

general rule are other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. The City's proprietary funds consist of only enterprise funds.

- *Enterprise Funds*

The Enterprise Funds account for operations that are financed in a manner similar to private business enterprises, where the intent is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

- *Water and Sewer Fund* – accounts for the provision of water and sewer services to City residents. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operating, maintenance, billing, collections, financing and related debt service, and capital assets of the water and sewage systems.
- *Electric Fund* – accounts for the provision of electrical services to City residents. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operation, maintenance, billing, collections, financing and related debt service, and capital assets of the electrical systems.
- *Airport Fund* – accounts for the operations of the City-owned airport. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operation, maintenance, billing, collections, financing and related debt service, and capital assets of the airport.
- *Solid Waste Fund* – accounts for the provision of garbage services to City residents and businesses. All activities necessary to provide such services are accounted for in this fund, including but not limited to administration, operating, billing, collections, financing and related debt service and capital assets of solid waste operations.

- **Fiduciary Funds**

Fiduciary Funds are used to account for assets held by the City in a trustee capacity or as an agent for individual, private organizations, and other governments. Fiduciary funds are not included in the government-wide financial statements.

- **Trust and Agency Funds**

Trust and Agency Funds include nonexpendable trust funds and agency funds. Nonexpendable trust funds are accounted for and reported as Proprietary Fund types because capital maintenance is critical. Nonexpendable trust funds account for the expenditure of income earned by principal held in trust, the principal amount of which cannot be expended.

- **Agency Funds**

Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of the results of operations. The following are agency funds reported by the City:

- *Special Welfare – SSI Fund* – account for receipts of welfare checks and foster children support checks from the state government and payments made on behalf of individuals.
- *Flexible Spending Fund* – accounts for monies received from employees to pay for medical claims.
- *Smart Beginnings Fund* – accounts for monies received to promote early childhood growth.
- *Employees Emergency Trust* – accounts for monies received from employees to be used for emergencies in the City.
- *Fire and Rescue Volunteers Fund* – accounts for revenues and expenditures related to the activities of the fire and rescue volunteers.
- *Special Welfare Fund* – This fund accounts for monies provided primarily through private donors for assistance of children in foster care, needy senior citizens, and others. This fund is also used to account for monies received from other governments and individuals (i.e., social security and child support) to be paid to special welfare recipients.
- *Children’s Center Fund* – accounts for revenues and expenditures related to activities dealing with the Children’s Center Fund.

- **Discretely Presented Component Units**

- *City of Franklin Public Schools*

The City of Franklin Public Schools (School Board) is responsible for elementary and secondary education within the City. The Schools are fiscally dependent upon the City because the City Council approves the annual budget of the Schools, levies the necessary taxes to finance the Schools’ operations, and approves the borrowing of money. The School Board is reported in a separate column to emphasize that it is legally separate from the City. During the current year, the City contributed \$4,987,395 to the School Board from the General Fund, exclusive of debt service.

- *School Operating Fund* – accounts for revenues and expenditures relating to the operation of the City of Franklin Public Schools. Revenues are derived from the General Fund and from state and federal funds.
- *Cafeteria Fund* – accounts for revenues and expenditures relating to the operation of school cafeterias. Revenues are derived from state and federal funds.
- *School Textbook Fund* – accounts for revenues and expenditures relating to the purchase of school textbooks. Revenues are derived from state and federal funds.

- *Industrial Development Authority*

The Industrial Development Authority of the City of Franklin (IDA) was established under the Industrial Development and Revenue Bond Act – *Code of Virginia*. A separate board appointed by the City Council governs the IDA. The IDA is authorized to acquire, own, lease, and dispose of properties and to conduct related activities to promote industry and develop trade by inducing manufacturing, industrial, governmental, and commercial enterprises to locate or to remain in the City. In prior years, the City made significant capital contributions toward properties the IDA developed and marketed. The City is involved in the day-to-day operations of the IDA, including the determination of its operating budget. Financial statements of the IDA are included in a discretely presented component unit column and/or row of the government-wide financial statements, as well as in the other supplementary information section. The IDA does not issue separate financial statements.

#### **D. Budgets and Budgetary Accounting**

The City utilizes the following procedures in establishing the budgetary data reflected in the required supplementary information:

- At least 60 days prior to June 30, the City Manager submits to City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- The budget is formulated from estimates of revenues and expected expenditures from each department. The School Board is treated as a single expenditure line item.
- When the City Manager submits the proposed budget to City Council, he also recommends an appropriation ordinance and an ordinance levying the tax rates for the ensuing year.
- City Council then holds public hearings on the proposed budget. Notice of such public hearings must appear in a local newspaper not less than seven days prior to the hearing.
- The budget must be approved by a majority vote of City Council and legally adopted before July 1. If City Council does not adopt the proposed budget before July 1, the budget as submitted is automatically adopted.
- Additional appropriations may be made by City Council only if there is an undesignated fund balance or additional funding becomes available.
- The City Manager is authorized to transfer budgeted amounts within departments up to \$10,000. Expenditures over this amount must be approved by City Council. The School Board is authorized to transfer budgeted amounts within the school system's categories.
- Appropriations lapse on June 30 for all City units.
- All budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America as applicable to governmental entities.

Formal budgetary information is employed as a management control device. Annual operating budgets are adopted by ordinance passed by City Council for the General Fund, Special Revenue Funds, the Debt Service Fund, Capital Projects Fund, and the Proprietary Funds.

Budgets for proprietary fund types are prepared on the accrual basis of accounting. The General, Special Revenue, and Debt Service funds' budgets are adopted on the modified accrual basis of accounting.

**E. Allowance for Uncollectible Amounts**

The City calculates its allowance for uncollectible property taxes, refuse collection, and utility service charges using historical collection data. At June 30, 2017, the allowance attributed to the General Fund amounted to \$289,518 and Enterprise Fund in the amount of \$961,176.

**F. Cash and Investments**

Cash and investments are stated at cost which approximates fair value. Interest income on investments is allocated to the appropriate funds based upon the average monthly cash balance of each fund. Interest income is accrued as earned.

**G. Inventories**

Inventories of materials and supplies in the governmental and proprietary fund types are recorded at cost. The cost of inventory is recorded as an expenditure at the time individual inventory items are consumed (consumption method) on a first-in, first-out basis.

**H. Capital Assets**

Capital outlays are recorded as expenditures of the governmental funds and as assets in the government-wide financial statements to the extent the City's capitalization threshold is met. Depreciation is recorded on capital assets on a government-wide basis.

Capital outlays of the proprietary funds are recorded as capital assets and depreciated over their estimated useful lives on a straight-line basis on both the fund basis and the government-wide basis. Interest expense is capitalized on proprietary fund type assets acquired with tax-exempt debt. The amount of interest expense capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project against interest income earned on invested proceeds over the same period.

The City's capitalization policy threshold is \$5,000, or \$1,000 or more for office equipment. All capital assets are valued at historical cost or estimated historical cost if actual cost was not available. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value. Assets acquired under capital leases are capitalized at the net present value of all lease payments.

The estimated useful lives of capital assets are as follows:

<u>Asset Description</u>	<u>Estimated Lives</u>
Buildings	40 years
Improvements other than buildings	20-50 years
Machinery and equipment	3-50 years
Infrastructure	10-30 years

Maintenance, repairs, and minor equipment are charged to operations when incurred. Expenditures that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of land, buildings, and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the results of operations.



**I. Compensated Absences**

City employees are granted vacation and sick pay in varying amounts based on years of service. Employees may accumulate, subject to certain limitations, unused vacation and sick pay earned and, upon retirement, termination or death, may be compensated for certain amounts at specified rates. The cost of accumulated vacation and sick pay expected to be paid from future expendable resources is accounted for as a liability in the government-wide statements and proprietary fund statements.

**J. Pensions**

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

**K. Unearned Revenue**

Unearned revenue in the governmental fund types consists of revenues that are measurable but not available for use during the current period. Property taxes receivable at June 30 not collected within 45 days after that date are reported as unearned revenue in the fund financial statements. In the business-type funds, connection fees received in advance of performance of the related service are recorded as unearned revenue.

**L. Statement of Cash Flows**

For purposes of the Statement of Cash Flows, all highly liquid investments (including restricted assets) with original purchased maturities of three-months or less are considered to be cash equivalents.

**M. Estimates**

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenditures/expenses. Actual results could differ from those estimates and assumptions.

**N. Prepaid Expenses**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in both government-wide and fund financial statements.

**O. Credit Risk**

The assessed value of real estate and personal property for the City's ten largest taxpayers comprise 15.18% and 11.23% of the City's real estate and personal property tax base, respectively. Concentration of credit risk with respect to receivables is limited due to the large number of citizens comprising the City's taxpayer base.

## **P. Net Position**

Net position in the government-wide financial statements are classified as Net Investment in Capital Assets; restricted; and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

## **Q. Fund Equity**

Beginning with fiscal year 2011, the City implemented GASB Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- **Nonspendable fund balance** – amounts that cannot be expended as they are either: (a) in nonspendable form; or, (b) legally or contractually required to be maintained intact by the governmental entity. Items in a nonspendable form include inventories and prepaid items. The corpus of an endowment is an example of an amount that is legally or contractually required to be maintained intact and is not available for expenditure;
- **Restricted fund balance** – amounts that are legally constrained for a specific purpose by external parties, constitutional provisions, bond indenture, or enabling legislation. External parties include creditors, grantors, contributors or laws and regulations. Enabling legislation includes any act of law or regulation that authorizes the government to assess, levy, charge, or otherwise mandate payment of resources and includes a legally enforceable requirement that those resources be used only for the specific purpose stipulated in the enabling legislation. An act of law can originate external to the government or be self-imposed through the enactment of an ordinance by the governmental body. The expenditure of resources restriction must originate within the enabling legislation; whereas funds restricted outside originating legislation will be considered committed or assigned.
- **Committed fund balance** – amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation;
- **Assigned fund balance** – amounts constrained for a specific purpose by the City Manager. Assignments shall not create a deficit in any fund or segment of fund balance;
- **Unassigned fund balance** – amounts not classified as nonspendable, restricted, committed, or assigned as noted above. The General Fund is the only fund that would report a positive unassigned fund balance.

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

The City Council establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the City Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes). The City's Fund Balance Policy adopted by the Governing Body delegates the authority to assign fund balances for specific purposes to the City Manager.

Assignment within the General Fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the City.

#### **R. 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 in two installments on June 5 and December 5. Personal property taxes are due and collectible annually on November 5. The City bills and collects its own property taxes.

#### **S. Adoption of New GASB Pronouncements**

During the fiscal year ended June 30, 2017, the City adopted the following GASB statements:

- Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions"
- Statement No. 82, "Pension Issues, an Amendment of GASB Statements No. 67, No. 68, and No. 73"
- Statement No. 83, "Certain Asset Retirement Obligations"

The adoption of these statements had no effect on the current financial statements.

#### **T. Subsequent Events**

Management has performed an analysis of the activities and transactions subsequent to June 30, 2017 to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended June 30, 2017. Management has performed their analysis through November 30, 2017.

## **2 Deposits and Investments**

### **Deposits**

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

### **Investments**

Statutes authorize the City 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).

The City’s investment policy authorizes the City to purchase investments consistent with obligations permitted by statutes of the Commonwealth of Virginia.

The policy requires that all investments shall be held by the City or purchased by a third-party custodial agent who may not otherwise be a counterparty to the investment transaction.

### **Credit Risk of Debt Securities**

As required by state statute, the Policy requires that commercial paper have a short-term debt rating of no less than “A-1” (or its equivalent) from at least two of the following: Moody’s Investors Service, Standard & Poor’s, or Fitch Investor’s Service. Corporate notes, negotiable certificates of deposit and bank deposit notes maturing in less than that one year must have a short-term debt rating of at least “A-1” by Standard & Poor’s and “P-1” by Moody’s Investors Service. Notes having a maturity of greater than one year must be rated “AA” by Standard & Poor’s and “Aa” by Moody’s Investors Service.

### **Interest Rate Risk**

The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

## **3 Interfund Receivables and Payables**

Interfund balances at June 30, 2017 were as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
<b>Governmental Funds</b>		
General	\$ 969,874	\$ 930
Social Services	930	-
<b>Proprietary Funds</b>		
Airport	-	969,874
<b>Total</b>	<u>\$ 970,804</u>	<u>\$ 970,804</u>
<b>Component Unit - School Board</b>		
Operating Fund to Cafeteria Fund	\$ 1,725	\$ 1,725
Operating Fund to Textbook Fund	82,094	82,094
<b>Total</b>	<u>\$ 83,819</u>	<u>\$ 83,819</u>

The receivables and payables between funds account for the time differences in recording interfund transfers.

Interfund transfers for the year ended June 30, 2017 were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
<b>City of Franklin, Virginia</b>		
<b>General Fund</b>		
Transfers between General Fund and Electric Fund	\$ 1,409,891	\$ -
Transfers between General Fund and Solid Waste Fund	82,845	-
Transfers between General Fund and Water and Sewer Fund	110,460	-
Transfers between General Fund and Airport Fund	-	135,389
From General Fund to Comprehensive Services Fund	-	111,230
From General Fund to Virginia Public Assistance Fund	-	467,058
From General Fund to Economic Development Fund	-	205,795
From General Fund to Debt Service Fund	-	1,133,457
<b>Comprehensive Services Act Fund</b>		
From General Fund to Comprehensive Services Fund	111,230	-
<b>Virginia Public Assistance Fund</b>		
From General Fund to Virginia Public Assistance Fund	467,058	-
<b>Economic Development Fund</b>		
From General Fund to Economic Development Fund	205,795	-
<b>Debt Service Fund</b>		
From General Fund to Debt Service Fund	<u>1,133,457</u>	<u>-</u>
Subtotal - Governmental Funds	3,520,736	2,052,929
<b>Proprietary Funds</b>		
Transfers between General Fund and Electric Fund	-	110,460
Transfers between General Fund and Solid Waste Fund	-	82,845
Transfers between General Fund and Water and Sewer Fund	-	1,409,891
Transfers between General Fund and Airport Fund	<u>135,389</u>	<u>-</u>
Subtotal - Proprietary Funds	<u>135,389</u>	<u>1,603,196</u>
	<u>\$ 3,656,125</u>	<u>\$ 3,656,125</u>

Transfers between major funds and other nonmajor governmental and proprietary funds were primarily to support operations of the funds.

#### **4 Transfer to Component Units/Transfer from Primary Government**

Details of the primary government due to component units as of June 30, 2017 are as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
<b>City of Franklin, Virginia to Component Units</b>		
<b>Primary Government - City of Franklin, Virginia</b>		
To Component Unit - School Board	\$ -	\$ 4,987,395
<b>Component Unit - School Board</b>		
From Primary Government - City of Franklin, Virginia	<u>4,987,395</u>	<u>-</u>
	<u>\$ 4,987,395</u>	<u>\$ 4,987,395</u>

## 5 Receivables

Receivables in the fund statements at June 30, 2017 are as follows:

### Primary Government

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Business- type Activities</u>	<u>Total</u>
<b>Revenues</b>				
Property taxes	\$ 633,076	\$ -	\$ -	\$ 633,076
Accounts receivable	<u>610,427</u>	<u>54,346</u>	<u>3,114,064</u>	<u>3,778,837</u>
Total Receivables	1,243,503	54,346	3,114,064	4,411,913
<b>Less: Allowance for Uncollectible Accounts</b>				
Property taxes	90,616	-	-	90,616
Utility and other service charges	<u>198,902</u>	<u>-</u>	<u>961,176</u>	<u>1,160,078</u>
Total Receivables	<u>289,518</u>	<u>-</u>	<u>961,176</u>	<u>1,250,694</u>
<b>Receivables, Net</b>				
Property taxes	542,460	-	-	542,460
Accounts receivable	<u>411,525</u>	<u>54,346</u>	<u>2,152,888</u>	<u>2,618,759</u>
Receivables, Net	<u>\$ 953,985</u>	<u>\$ 54,346</u>	<u>\$ 2,152,888</u>	<u>\$ 3,161,219</u>

*The remainder of this page is left blank intentionally.*

## 6 Due from Other Governments

Due from other governments consists of the following at June 30, 2017:

### Primary Government

	<u>General</u>	<u>Virginia Public Assistance</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>	<u>Component Unit - School Board</u>
<b>Commonwealth of Virginia</b>					
State and local sales taxes	\$ 314,388	\$ -	\$ -	\$ 314,388	\$ 265,408
Communications tax	86,194	-	-	86,194	-
Auto rental tax	2,599	-	-	2,599	-
Compensation Board	13,180	-	-	13,180	-
Recordation tax	2,876	-	-	2,876	-
Comprehensive services	-	-	8,170	8,170	-
911 funds	9,122	-	-	9,122	-
Other state funds	34,579	-	-	34,579	-
Public assistance	-	107,076	-	107,076	-
	<u>462,938</u>	<u>107,076</u>	<u>8,170</u>	<u>578,184</u>	<u>265,408</u>
<b>Federal Government</b>					
Title VIB Flow-Through	-	-	-	-	51,526
Title VI Rural and Low Income	-	-	-	-	13,793
Title II	-	-	-	-	15,669
Title I	-	-	-	-	164,716
Adult Basic Education	-	-	-	-	7,233
School Improvement Program	-	-	-	-	40,641
Community Development Block Grant	-	-	83,423	83,423	-
School food program	-	-	-	-	48,490
	<u>-</u>	<u>-</u>	<u>83,423</u>	<u>83,423</u>	<u>342,068</u>
	<u>\$ 462,938</u>	<u>\$ 107,076</u>	<u>\$ 91,593</u>	<u>\$ 661,607</u>	<u>\$ 607,476</u>

*The remainder of this page is left blank intentionally.*



## 7 Capital Assets

A summary of changes in capital assets for the primary government follows:

### Governmental Activities

	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017
<b>Capital Assets Not Being Depreciated</b>				
Land	\$ 5,109,209	\$ -	\$ -	\$ 5,109,209
Total Capital Assets Not Being Depreciated	5,109,209	-	-	5,109,209
<b>Capital Assets Being Depreciated</b>				
Buildings	18,360,787	-	-	18,360,787
Improvements other than buildings	3,279,335	-	-	3,279,335
Machinery, equipment, other	10,127,879	499,979	-	10,627,858
School joint tenancy assets	4,888,086	-	-	4,888,086
Infrastructure	17,642,870	1,034,774	-	18,677,644
Total Capital Assets Being Depreciated	54,298,957	1,534,753	-	55,833,710
<b>Less: Accumulated depreciation</b>				
Buildings	6,537,943	477,687	-	7,015,630
Improvements other than buildings	2,260,564	-	-	2,260,564
Machinery, equipment, other	7,490,118	640,044	-	8,130,162
School joint tenancy assets	2,859,220	97,762	-	2,956,982
Infrastructure	13,517,806	488,114	-	14,005,920
Total Accumulated Depreciation	32,665,651	1,703,607	-	34,369,258
Subtotal Capital Assets, Net	21,633,306	(168,854)	-	21,464,452
Total Capital Assets, Governmental Activities, Net	\$ 26,742,515	\$ (168,854)	\$ -	\$ 26,573,661

Legislation enacted during the year ended June 30, 2002, Section 15.2-1800.1 of the Code of Virginia 1950, as amended, has changed the reporting of local capital assets and related debt for financial statement purposes. Historically, debt incurred by local governments "on-behalf" of school boards was reported in the school board's discrete column along with the related capital assets. Under the law, local governments have a "tenancy in common" with the school board whenever the locality incurs any financial obligations for any school property which is payable over more than one year. For financial reporting purposes, the legislation permits the locality to report the portion of school property related to any outstanding financial obligation eliminating any potential deficit from capitalizing assets financed with debt. The effect on the City of Franklin, Virginia for the year ended June 30, 2017 is that school financed assets in the amount of \$1,931,104 net are reported in the Primary Government for financial reporting purposes.

Depreciation expense for governmental activities was charged to functions of the primary government as follows:

General Governmental Administration	\$ 438,204
Public Safety	435,180
Public Works	539,951
Health and Welfare	47,175
Parks, Recreation, and Cultural	145,335
Education	<u>97,762</u>
Total	<u>\$ 1,703,607</u>

A summary of changes in capital assets for the enterprise funds follows:

#### Business-Type Activities

	<u>Balance July 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2017</u>
<b>Water and Sewer Fund</b>				
<b>Other Capital Assets</b>				
Infrastructure	\$ 16,312,894	\$ 491,682	\$ -	<b>\$ 16,804,576</b>
Machinery and equipment	<u>1,980,899</u>	<u>306,066</u>	<u>-</u>	<u><b>2,286,965</b></u>
Total Other Capital Assets	18,293,793	797,748	-	<b>19,091,541</b>
<b>Less: Accumulated depreciation</b>				
Infrastructure	13,725,303	402,890	-	<b>14,128,193</b>
Machinery and equipment	<u>1,107,444</u>	<u>147,930</u>	<u>-</u>	<u><b>1,255,374</b></u>
Total Accumulated Depreciation	<u>14,832,747</u>	<u>550,820</u>	<u>-</u>	<u><b>15,383,567</b></u>
Subtotal Capital Assets, Net	<u>3,461,046</u>	<u>246,928</u>	<u>-</u>	<u><b>3,707,974</b></u>
Total Water and Sewer Fund	<u><b>\$ 3,461,046</b></u>	<u><b>\$ 246,928</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 3,707,974</b></u>
<b>Solid Waste Fund</b>				
<b>Other Capital Assets</b>				
Infrastructure	\$ 223,500	\$ -	\$ -	<b>\$ 223,500</b>
Machinery and equipment	<u>1,297,331</u>	<u>245,700</u>	<u>-</u>	<u><b>1,543,031</b></u>
Total Other Capital Assets	1,520,831	245,700	-	<b>1,766,531</b>
<b>Less: Accumulated depreciation</b>				
Infrastructure	211,237	9,095	-	<b>220,332</b>
Machinery and equipment	<u>863,224</u>	<u>86,462</u>	<u>-</u>	<u><b>949,686</b></u>
Total Accumulated Depreciation	<u>1,074,461</u>	<u>95,557</u>	<u>-</u>	<u><b>1,170,018</b></u>
Subtotal Capital Assets, Net	<u>446,370</u>	<u>150,143</u>	<u>-</u>	<u><b>596,513</b></u>
Total Solid Waste Fund	<u><b>\$ 446,370</b></u>	<u><b>\$ 150,143</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 596,513</b></u>

	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017
<b>Electric Fund</b>				
<b>Other Capital Assets</b>				
Infrastructure	\$ 13,252,098	\$ -	\$ -	\$ 13,252,098
Buildings and improvements	34,966	-	-	34,966
Machinery and equipment	2,551,248	7,038	-	2,558,286
Total Other Capital Assets	15,838,312	7,038	-	15,845,350
<b>Less: Accumulated depreciation</b>				
Infrastructure	10,010,862	323,268	-	10,334,130
Buildings and improvements	34,966	-	-	34,966
Machinery and equipment	1,946,732	86,486	-	2,033,218
Total Accumulated Depreciation	11,992,560	409,754	-	12,402,314
Subtotal Capital Assets, Net	3,845,752	(402,716)	-	3,443,036
Total Electric Fund	\$ 3,845,752	\$ (402,716)	\$ -	\$ 3,443,036
<b>Airport Fund</b>				
<b>Capital Assets Not Being Depreciated</b>				
Land	\$ 179,258	\$ -	\$ -	\$ 179,258
Construction in progress	-	92,756	-	92,756
Total Capital Assets Not Being Depreciated	179,258	92,756	-	272,014
<b>Other Capital Assets</b>				
Infrastructure	6,582,381	-	-	6,582,381
Buildings and improvements	1,414,452	-	-	1,414,452
Machinery and equipment	353,995	-	-	353,995
Total Other Capital Assets	8,350,828	-	-	8,350,828
<b>Less: Accumulated depreciation</b>				
Infrastructure	3,230,495	262,487	-	3,492,982
Buildings and improvements	1,234,256	39,704	-	1,273,960
Machinery and equipment	325,453	7,625	-	333,078
Total Accumulated Depreciation	4,790,204	309,816	-	5,100,020
Subtotal Capital Assets, Net	3,560,624	(309,816)	-	3,250,808
Total Airport Fund	\$ 3,739,882	\$ (217,060)	\$ -	\$ 3,522,822

	<u>Balance July 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2017</u>
<b>Total Business-Type Activities</b>				
<b>Capital Assets Not Being Depreciated</b>				
Land	\$ 179,258	\$ -	\$ -	\$ 179,258
Construction in progress	-	92,756	-	92,756
Total Capital Assets Not Being Depreciated	179,258	92,756	-	272,014
<b>Other Capital Assets</b>				
Infrastructure	36,370,873	491,682	-	36,862,555
Buildings and improvements	1,449,418	-	-	1,449,418
Machinery and equipment	6,183,473	558,804	-	6,742,277
Total Other Capital Assets	44,003,764	1,050,486	-	45,054,250
<b>Less: Accumulated depreciation</b>	32,689,972	1,365,947	-	34,055,919
Total Capital Assets, Net	11,313,792	(315,461)	-	10,998,331
Business-Type Activities	<u>\$ 11,493,050</u>	<u>\$ (222,705)</u>	<u>\$ -</u>	<u>\$ 11,270,345</u>

A summary of changes in capital assets for the Component Unit – School Board follows:

#### Component Unit - School Board

	<u>Balance July 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2017</u>
<b>Other Capital Assets</b>				
Land improvement	\$ 151,010	\$ -	\$ -	\$ 151,010
Buildings	13,444,543	18,540	-	13,463,083
Infrastructure	4,974,372	-	254,710	4,719,662
School joint tenancy assets	(4,888,086)	-	-	(4,888,086)
Machinery and equipment	3,916,618	542,855	276,778	4,182,695
Total Other Capital Assets	17,598,457	561,395	531,488	17,628,364
<b>Less: Accumulated depreciation</b>				
Land improvement	104,785	4,370	-	109,155
Buildings	6,830,939	233,827	-	7,064,766
Infrastructure	773,816	95,445	46,504	822,757
School joint tenancy assets	(2,859,220)	(97,762)	-	(2,956,982)
Machinery and equipment	3,272,298	192,339	262,667	3,201,970
Total Accumulated Depreciation	8,122,618	428,219	309,171	8,241,666
Other Capital Assets, Net	9,475,839	133,176	222,317	9,386,698
Total Capital Assets, Net	<u>\$ 9,475,839</u>	<u>\$ 133,176</u>	<u>\$ 222,317</u>	<u>\$ 9,386,698</u>

## 8 Long-Term Obligations

The following is a summary of the changes in long-term obligations of the primary government and its Component Unit – School Board, respectively, for the year ended June 30, 2017:

	<u>Balance</u> <u>July 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2017</u>	<u>Due Within</u> <u>One Year</u>
<b>Primary Government</b>					
<b>Governmental Activities</b>					
General obligations bonds	\$ 15,873,619	\$ -	\$ 547,673	\$ 15,325,946	\$ 567,270
Capital lease obligations	484,548	-	113,701	370,847	114,503
Premium on bond issuance	481,368	-	27,201	454,167	27,201
Landfill post-closure/corrective action	765,308	-	765,308	-	-
Compensated absences	775,529	601,205	654,287	722,447	-
Other postemployment benefits	718,350	-	13,275	705,075	-
Total Governmental Activities	19,098,722	601,205	2,121,445	17,578,482	708,974
<b>Business-Type Activities</b>					
Bonds payable	4,180,000	-	494,000	3,686,000	508,000
Capital lease obligations	87,197	-	21,017	66,180	21,530
Premium on bond issuance	31,684	-	3,962	27,722	3,962
Total Bonds and Loan	4,298,881	-	518,979	3,779,902	533,492
Compensated absences	96,568	130,893	129,146	98,315	-
Other postemployment benefits	239,450	-	4,425	235,025	-
Total Business-Type Activities	4,634,899	130,893	652,550	4,113,242	533,492
Total Primary Government	<u>\$ 23,733,621</u>	<u>\$ 732,098</u>	<u>\$ 2,773,995</u>	<u>\$ 21,691,724</u>	<u>\$ 1,242,466</u>
<b>Component Unit - School Board</b>					
Compensated absences	\$ 241,515	\$ 401,101	\$ 438,988	\$ 203,628	\$ -
Other postemployment benefits	235,600	20,334	-	255,934	-
Total School Board	<u>\$ 477,115</u>	<u>\$ 421,435</u>	<u>\$ 438,988</u>	<u>\$ 459,562</u>	<u>\$ -</u>

**Note:** General obligation bonds have been issued for both governmental and business-type activities. These bonds are direct obligations and pledge the full faith and credit of the government and are subject to the provisions of the Internal Revenue Code of 1986 related to arbitrage, interest, and income tax regulations under those provisions.

General obligation debt of the governmental activities at June 30, 2017 is comprised of the following:

<u>Description</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Authorized and Issued</u>	<u>Outstanding June 30, 2017</u>
<b>Primary Government</b>					
<b>Governmental Obligations</b>					
<i>General Obligation Bonds</i>					
Public Improvement Series 1999A	05/28/99	07/15/19	3.97	\$ 2,041,330	\$ 297,517
Virginia General Obligation Qualified Zone Academy Bond, Series 2003	12/31/03	12/31/17	-	1,000,000	1,000,000
Virginia General Obligation Qualified Zone Academy Bond, Series 2005	12/29/05	12/20/20	-	2,214,429	2,214,429
Public Improvement Series 2008	02/15/08	01/15/18	3.56	400,000	47,000
Public Improvement and Refunding Series 2010	04/27/10	01/15/26	2.00-4.50	5,235,000	680,000
General Obligation Refunding Bond, Series 2013	04/04/13	10/01/38	3.65	2,075,000	1,875,000
General Obligation School Bonds, Series 2013A	04/12/13	07/15/33	3.05-5.05	1,695,000	1,525,000
Virginia General Obligation Qualified Zone Academy Bond, Series 2014	12/30/14	12/01/24	0.0	1,816,000	1,716,000
Tax-Exempt GO Bond Refunding Series 2015A	10/09/15	10/09/30	2.60	2,568,000	2,514,000
Tax-Exempt GO Bond Refunding Series 2015B	10/09/15	10/09/31	3.90	3,549,000	3,457,000
Southampton County Debt Assumed*	01/01/96	06/30/14	N/A	N/A	-
Total General Obligation Bonds					15,325,946
<i>Capital Lease Obligations</i>					
Fire truck	06/13/11	08/20/20	3.74	217,020	93,997
Telephone system	07/01/15	07/01/20	0.0	461,417	276,850
Total Capital Lease Obligations					370,847
Premium on bond issuance					454,167
Compensated absences					722,447
Other postemployment benefits					705,075
Total General Long-Term Obligations					17,578,482

\*On March 27, 1995, the City entered into an annexation agreement with Southampton County and agreed to assume 2.04% of the County's general obligation debt.

<u>Description</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Authorized and Issued</u>	<u>Outstanding June 30, 2017</u>
<b>Proprietary Funds</b>					
<i>Water and Sewer Fund</i>					
General Obligation Bonds - Public Improvement and Refunding Series 2010	04/27/10	01/15/26	2.00-4.50	3,435,000	<b>455,000</b>
Taxable General Obligation Refunding Bond, Series 2012A	12/20/12	01/15/24	3.05	1,387,000	<b>1,287,000</b>
Tax Exempt General Obligation Public Improvement and Refunding Bond, Series 2012B	12/20/12	01/15/23	3.05	907,000	<b>472,000</b>
Premium on bond issuance					<b>18,320</b>
Compensated absences					<b>29,458</b>
Other postemployment benefits					<b>75,208</b>
Total Water and Sewer Fund					<b>2,336,986</b>
<i>Electric Fund</i>					
General Obligation Bonds - Public Improvement and Refunding Series 2010	04/27/10	01/15/26	2.00-4.50	3,435,000	<b>695,000</b>
Tax-Exempt General Obligation Public Improvement and Refunding Bond, Series 2012B	12/20/12	01/15/23	3.05	844,000	<b>529,000</b>
Premium on bond issuance					<b>9,402</b>
Capital lease obligation (Bucket Truck)	10/22/12	10/22/19	2.00	147,297	<b>66,180</b>
Compensated absences					<b>45,235</b>
Other postemployment benefits					<b>103,411</b>
Total Electric Fund					<b>1,448,228</b>
<i>Airport Fund</i>					
Compensated absences					<b>8,986</b>
Other postemployment benefits					<b>9,401</b>
Total Airport Fund					<b>18,387</b>
<i>Solid Waste Funds</i>					
G.O. Bond Refinancing Series 2015A	10/09/15	10/09/32	2.60	248,000	<b>248,000</b>
Compensated absences					<b>14,636</b>
Other postemployment benefits					<b>47,005</b>
Total Solid Waste Funds					<b>309,641</b>
Total Proprietary Funds					<b>4,113,242</b>
Total Primary Government					<b>\$ 21,691,724</b>



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

Fiscal Year Ending June 30,	General Obligation Bonds		Capital Leases		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 567,270	\$ 390,623	\$114,503	\$ 3,520	\$ 681,773	\$ 394,143
2019	1,535,092	372,585	115,335	2,688	1,650,427	375,273
2020	652,155	355,203	116,198	1,825	768,353	357,028
2021	2,804,429	339,366	24,811	929	2,829,240	340,295
2022	800,400	325,627	-	-	800,400	325,627
2023-2027	3,955,800	1,281,704	-	-	3,955,800	1,281,704
2028-2032	3,965,800	603,023	-	-	3,965,800	603,023
2033-2037	790,000	126,849	-	-	790,000	126,849
2038-2042	255,000	11,897	-	-	255,000	11,897
	<u>\$ 15,325,946</u>	<u>\$ 3,806,877</u>	<u>\$370,847</u>	<u>\$ 8,962</u>	<u>\$ 15,696,793</u>	<u>\$ 3,815,839</u>

### Long-Term Liabilities – Business-Type Activities

Long-term obligations of the business-type activities at June 30, 2017 are comprised of the following:

Fiscal Year Ending June 30,	Water and Sewer Fund		General Obligation Bonds Electric Fund		Solid Waste Fund		Total		Capital Leases Electric Fund	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 294,000	\$ 72,235	\$ 214,000	\$ 39,554	\$ -	\$ 6,448	\$ 508,000	\$ 118,237	\$ 21,530	\$ 1,615
2019	302,000	64,053	220,000	33,652	-	6,448	522,000	104,153	22,055	1,089
2020	311,000	55,086	222,000	27,234	-	6,448	533,000	88,768	22,595	551
2021	321,000	44,869	234,000	19,254	-	6,448	555,000	70,571	-	-
2022	333,000	33,825	241,000	10,780	600	6,448	574,600	51,053	-	-
2023-2027	653,000	33,338	93,000	2,037	46,200	29,546	792,200	64,921	-	-
2028-2032	-	-	-	-	201,200	23,582	201,200	23,582	-	-
	<u>\$ 2,214,000</u>	<u>\$ 303,406</u>	<u>\$ 1,224,000</u>	<u>\$ 132,511</u>	<u>\$ 248,000</u>	<u>\$ 85,368</u>	<u>\$ 3,686,000</u>	<u>\$ 521,285</u>	<u>\$ 66,180</u>	<u>\$ 3,255</u>

### General Obligation Debt Limit

The Commonwealth of Virginia imposes a legal limit of 10% of the assessed valuation of taxable real property as the amount of general obligation borrowing which may be issued by the City. As of June 30, 2017, the City's Legal Debt Margin is as follows:

Total Assessed Value of Taxed Assessed Value	
Assessed value of real estate	<u>\$ 551,169,536</u>
Debt Limit - 10% of Total Assessed Value	\$ 55,116,954
Amount of Debt Applicable to Debt Limit	
General Obligation Debt	
Primary Government	\$ 15,325,946
Business-Type	<u>3,686,000</u>
Total General Obligation Debt	<u>19,011,946</u>
Legal Debt Margin	<u>\$ 36,105,008</u>

**Note:** The City was in compliance with all significant financial covenants contained in the various indentures at June 30, 2017.

The following provides the purpose for each debt issuance of the City of Franklin, Virginia.

<u>Debt Issuance</u>	<u>Reason for Debt Issuance</u>
<b>Governmental Activities</b>	
Public Improvement and Refunding Series 2010	Schools Realignment and Gym, Social Services Building, King Center, City Buildings
Public Improvement Series 1999A	School Roofs
Public Improvement Series 2004	Bleachers - Armory Field/Athletic Field FHS
Public Improvement Series 2008	Cemetery Expansion - Poplar Springs
Virginia General Obligation Qualified Zone Academy Bond, Series 2005	Capital School Improvements
Virginia Public School Authority Series 1995A	Franklin High School Air Conditioning and Band Room
Virginia General Obligation Qualified Zone Academy Bond, Series 2003	Capital School Improvement Projects
Southampton County Debt Assumed*	Phase II Annexation
Taxable General Obligation Refunding Bond, Series 2012A	Refinancing of existing indebtedness; Capital Projects, including building repairs, computer systems upgrades, vehicle and equipment purchases, HVAC repair, and water main improvement
Tax-Exempt General Obligation Public Improvement and Refunding Bond, Series 2012B	Refinancing of existing indebtedness; Capital Projects, including building repairs, computer systems upgrades, vehicle and equipment purchases, and HVAC repair
General Obligation Refunding Bond, Series 2013	Refunding of 2002 RD Loan
General Obligation School Bonds, Series 2013A	Capital Projects, including building repairs, bleacher replacements, school bus purchases, HVAC repairs, oven replacements, and track resurfacing
Virginia General Obligation Qualified Zone Academy Bond, Series 2014	Technology improvements for all schools; energy/HVAC improvements, roof repairs
Tax-Exempt GO Bond Refunding Series 2015A	Refunding of existing indebtedness; capital projects as shown in Taxable GO Refunding Bond, Series 2012A
Tax-Exempt GO Bond Refunding Series 2015B	Refunding of existing indebtedness; capital projects as shown in Tax Exempt GO Public Improvement and Refunding Bond Series 2012B

## Debt Issuance

## Reason for Debt Issuance

### **Business-Type Activities**

#### **Water and Sewer Fund**

General Obligation Bonds - Public Improvement and Refunding Series 2010

Water/Sewer Line Extensions, Hunterdale Pump Station

Taxable General Obligation Refunding Bond, Series 2012A

Refinancing of existing indebtedness; Capital Projects, including water main improvement

Tax-Exempt General Obligation Public Improvement and Refunding Bond, Series 2012B

Refinancing of existing indebtedness; Capital Projects, including water main improvement

#### **Electric Fund**

General obligation bonds - Public Improvement and Refunding Series 2010

Generation and Distribution Facilities Improvements

Tax-Exempt General Obligation Public Improvement and Refunding Bond, Series 2012B

Refinancing of existing indebtedness; Capital Projects, including refurbishment of building to house City's electric department

Tax-Exempt GO Bond Refunding Series 2015B

Refunding of existing indebtedness; equipment and other capital improvements

#### **Solid Waste Fund**

Tax-Exempt General Obligation Public Improvement and Refunding Bond, Series 2012B

Garbage Truck

## **9** **Net Investment in Capital Assets**

The "net investment in capital assets" amount reported on the government-wide Statement of Net Position as of June 30, 2017 is determined as follows:

	<b><u>Governmental Activities</u></b>	<b><u>Business-Type Activities</u></b>	<b><u>Component Unit - School Board</u></b>
<b>Net Investment in Capital Assets</b>			
Cost of Capital Assets	\$ 60,942,919	\$ 45,326,264	\$ 17,628,364
Less: Accumulated depreciation	<u>(34,369,258)</u>	<u>(34,055,919)</u>	<u>(8,241,666)</u>
Book value	26,573,661	11,270,345	9,386,698
Less: Capital related debt	(15,696,793)	(3,686,000)	-
Less: Capital leases	-	(66,180)	-
Add: Loss on refunding	309,581	73,305	-
Less: Bond premiums	<u>(454,167)</u>	<u>(27,722)</u>	<u>-</u>
Net Investment in Capital Assets	<u>\$ 10,732,282</u>	<u>\$ 7,563,748</u>	<u>\$ 9,386,698</u>

## **10** **Compensated Absences**

City employees earn annual leave at the rate of 17 to 29 days per year depending on length of service. A maximum of 34 to 58 days of annual leave, depending on length of service, may be carried over to succeeding years and may be paid if not used prior to termination.

The governmental and business-type activities have outstanding accrued vacation totaling \$722,447 and \$98,315, respectively, as of June 30, 2017. The general fund has normally been used in prior years to liquidate the liability for compensated absences.

City employees no longer earn sick leave. A policy was adopted on January 1, 2002, in which all compensated absences are classified as annual leave. Any unused sick leave accrued as of January 1, 2002, was placed in a "sick leave bank" which can be used in the event of illness or injury in lieu of using paid time off days. Up to 3 days of banked sick leave may also be used annually for the sickness of an immediate family member. Employees who leave employment after 5 years or more of continuous service are paid for 25% of their sick leave balance (earned prior to January 1, 2002) based on their final rate of pay; however, the total amount of sick leave compensation may not exceed \$2,500.

Twelve-month employees of the City of Franklin Public Schools earn annual vacation leave as follows:

<u>Years of Experience</u>	<u>Rate</u>	<u>Days Per Year</u>
1 - 7	1 day per month	12
8 - 12	1-1/4 days per month	15
13 and over	1-1/2 days per month	18

Vacation leave is accumulated monthly. Employees may accumulate leave not to exceed a total of 24 months unless authorized by the Superintendent. Upon resignation or retirement from employment with the school system, an employee will be paid for unused vacation leave up to 24 months.

All employees of the City of Franklin Public Schools earn one day per month of sick leave. Employees who retire under provisions of the Virginia Retirement System Act while employed by the City of Franklin Public Schools will receive severance compensation for unused sick leave at a rate of \$30 per day, not to exceed 200 days. The school system will accept transfer of up to 90-days accumulated unused sick leave earned by an employee while employed by another local school division or an institution accredited by the Virginia Department of Education. At June 30, 2017, accumulated unpaid vacation and sick leave amounted to \$203,628.

## 11 Appropriation to School from Governmental Funds

Following is a summary of adjustments made to the local school appropriation when converting from fund financial statements to government-wide financial statements:

	<u>School Board</u>
Appropriation from City General Fund	\$ 4,987,395
Outlays paid by Capital Projects Fund	<u>56,109</u>
Total from Governmental Funds	5,043,504
Adjustment for expenses paid by City not capitalized	(56,109)
Depreciation expense on school joint tenancy buildings	<u>97,762</u>
Appropriation to School Fund by Government-Wide Statements	<u>\$ 5,085,157</u>

## 12 Deferred Inflows of Resources

Deferred inflows of resources from unavailable property taxes and other local taxes and licenses are comprised of the following:

### Governmental Funds

#### General Fund

Delinquent taxes not collected within 60 days	<u>\$ 410,648</u>
---	-------------------

Total Deferred Inflows of Resources - Governmental Funds	<u>\$ 410,648</u>
---	-------------------

## 13 Pension Plan

### Plan Description

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

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

*The remainder of this page is left blank intentionally.*

## RETIREMENT PLAN PROVISIONS

### PLAN 1

#### *About Plan 1*

Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.

#### *Eligible Members*

Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.

#### *Hybrid Opt-In Election*

VRS Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

#### **Political Subdivision Employees Only:**

Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.

### PLAN 2

#### *About Plan 2*

Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.

#### *Eligible Members*

Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.

#### *Hybrid Opt-In Election*

Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

#### **Political Subdivision Employees Only:**

Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.

### HYBRID RETIREMENT PLAN

#### *About the Hybrid Retirement Plan*

The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (See "Eligible Members")

- The defined benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula.
- The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.
- In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

#### *Eligible Members*

Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:

- Political subdivision employees\*
- School division employees
- Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1 - April 30, 2014; the plan's effective date for opt-in members was July 1, 2014

#### **\*Non-Eligible Members**

Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:

- Political subdivision employees who are covered by enhanced benefits for hazardous duty employees

#### **Political Subdivision Employees Only:**

Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.

## **PLAN 1**

### ***Retirement Contributions***

Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions and school divisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.

### ***Creditable Service***

Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

### ***Vesting***

Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.

Members are always 100% vested in the contributions that they make.

## **PLAN 2**

### ***Retirement Contributions***

Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions and school divisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016.

### ***Creditable Service***

Same as Plan 1.

### ***Vesting***

Same as Plan 1.

## **HYBRID RETIREMENT PLAN**

### ***Retirement Contributions***

A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

### ***Creditable Service***

#### **Defined Benefit Component:**

Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

#### **Defined Contributions Component:**

Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

### ***Vesting***

#### **Defined Benefit Component:**

Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.

#### **Defined Contributions Component:**

Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.

Members are always 100% vested in the contributions that they make.



## PLAN 1

### *Calculating the Benefit*

The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier, and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.

An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.

### *Average Final Compensation*

A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.

### *Service Retirement Multiplier*

The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members and school division members is 1.70%.

**Sheriffs and regional jail superintendents:** The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.

**Political subdivision hazardous duty employees:** The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.

## PLAN 2

### *Calculating the Benefit*

See definition under Plan 1.

### *Average Final Compensation*

A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.

### *Service Retirement Multiplier*

Same as Plan 1 for service earned, purchased, or granted prior to January 1, 2013. For non-hazardous duty members and school division members, the retirement multiplier is 1.65% for creditable service earned, purchased, or granted on or after January 1, 2013.

**Sheriffs and regional jail superintendents:** Same as Plan 1.

**Political subdivision hazardous duty employees:** Same as Plan 1.

## HYBRID RETIREMENT PLAN

Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.

- After two years, a member is 50% vested and may withdraw 50% of employer contributions.
- After three years, a member is 75% vested and may withdraw 75% of employer contributions.
- After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.

Distribution is not required by law until age 70 1/2.

### *Calculating the Benefit*

#### **Defined Benefit Component:**

See definition under Plan 1.

#### **Defined Contribution Component:**

The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.

### *Average Final Compensation*

Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.

### *Service Retirement Multiplier*

#### **Defined Benefit Component:**

The retirement multiplier for the defined benefit component is 1.00%.

For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

**Sheriffs and regional jail superintendents:** Not applicable.

**Political subdivision hazardous duty employees:** Not applicable.

#### **Defined Contribution Component**

Not applicable.

**PLAN 1**  
***Normal Retirement Age***

Age 65.

**Political subdivisions hazardous duty employees:**  
Age 60.

***Earliest Unreduced Retirement Eligibility***

Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.

**Political subdivisions hazardous duty employees:**  
Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.

***Earliest Reduced Retirement Eligibility***

Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.

**Political subdivisions hazardous duty employees:**  
Age 50 with at least five years of creditable service.

***Cost-of-Living Adjustment (COLA) in Retirement***

The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.

***Eligibility:***

For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.

For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.

**PLAN 2**  
***Normal Retirement Age***

Normal Social Security retirement age.

**Political subdivisions hazardous duty employees:**  
Same as Plan 1.

***Earliest Unreduced Retirement Eligibility***

Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.

**Political subdivisions hazardous duty employees:**  
Same as Plan 1.

***Earliest Reduced Retirement Eligibility***

Age 60 with at least five years (60 months) of creditable service.

**Political subdivisions hazardous duty employees:**  
Same as Plan 1.

***Cost-of-Living Adjustment (COLA) in Retirement***

The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.

***Eligibility:***

*Same as Plan 1*

**HYBRID  
RETIREMENT PLAN**  
***Normal Retirement Age***

**Defined Benefit Component:**

Same as Plan 2.

**Political subdivisions hazardous duty employees:**  
Not applicable.

**Defined Contribution Component:**

Members are eligible to receive distributions upon leaving employment, subject to restrictions.

***Earliest Unreduced Retirement Eligibility***

**Defined Benefit Component:**

Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

**Political subdivisions hazardous duty employees:**  
Not applicable.

**Defined Contribution Component:**

Members are eligible to receive distributions upon leaving employment, subject to restrictions.

***Earliest Reduced Retirement Eligibility***

**Defined Benefit Component:**

Age Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.

**Political subdivisions hazardous duty employees:**  
Not applicable

**Defined Contribution Component:**

Members are eligible to receive distributions upon leaving employment, subject to restrictions.

***Cost-of-Living Adjustment (COLA) in Retirement***

**Defined Benefit Component:**

Same as Plan 2

**Defined Contribution Component:**

Not applicable

***Eligibility:***

*Same as Plan 1 and Plan 2*

### PLAN 1

#### **Exceptions to COLA Effective Dates:**

The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:

- The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
- The member retires on disability.
- The political subdivision member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).
- The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
- The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.

#### **Disability Coverage**

Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service, regardless of when it was earned, purchased, or granted.

VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

**School division:** N/A

#### **Purchase of Prior Service**

Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts towards vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.

### PLAN 2

#### **Exceptions to COLA Effective Dates:**

Same as Plan 1

#### **Disability Coverage**

Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased, or granted.

VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

**School division:** N/A

#### **Purchase of Prior Service**

Same as Plan 1

### HYBRID RETIREMENT PLAN

#### **Exceptions to COLA Effective Dates:**

Same as Plan 1 and Plan 2

#### **Disability Coverage**

Employees of political subdivisions and school divisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.

Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

#### **Purchase of Prior Service**

#### **Defined Benefit Component:**

Same as Plan 1, with the following exceptions:

- Hybrid Retirement Plan members are ineligible for ported service.
- The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation.
- Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost.

#### **Defined Contribution Component:**

Not applicable

### ***Employees Covered by Benefit Terms***

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

	<u>Primary Government - City</u>	<u>School Board - General Employees</u>
	<u>Number</u>	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	111	13
Inactive members:		
Vested inactive members	27	1
Non-vested inactive members	40	4
Inactive members active elsewhere in VRS	<u>62</u>	<u>7</u>
Total inactive members	129	12
Active members	<u>187</u>	<u>18</u>
Total covered employees	<u>427</u>	<u>43</u>

### ***Contributions***

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions and school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00%-member contribution may have been assumed by the employer. Beginning July 1, 2012, new employees were required to pay the 5.00%-member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00%-member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

**If the employer used the certified rate:** The City's political subdivision contractually required contribution rate for the year ended June 30, 2017 was 10.98% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The school board – general employees' contribution rate was 7.11%.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the political subdivision for the City employees were \$824,531 and \$815,838 for the years ended June 30, 2017 and June 30, 2016, respectively.

For the school board – general employees, employer contributions were \$30,483 and \$44,719 for the years ended June 30, 2017 and June 30, 2016, respectively.

Each school divisions – teachers contractually required contribution rate for the year ended June 30, 2017 was 14.66% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015 and reflects the transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarial rate for the Teacher Retirement Plan was 16.32%. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Based on the provisions of §51.1-145 of the *Code of Virginia*, as amended, the contributions were funded at 89.84% of the actuarial rate for the year ended June 30, 2017. Contributions to the pension plan from the school division – teachers were \$1,246,206 and \$1,068,615 for the years ended June 30, 2017 and June 30, 2016, respectively.

### ***Net Pension Liability***

The political subdivisions net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2015, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

### ***Net Pension Liability – Teacher Employee Retirement Plan***

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2016, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

	<b>Teacher Employee Retirement Plan</b>
Total Pension Liability	\$ 44,182,326
Plan Fiduciary Net Position	<u>30,168,211</u>
Employer's Net Pension Liability (Asset)	<u>\$ 14,014,115</u>
 Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	 68.28%

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

### ***Actuarial Assumptions – General Employees and School Division – Teachers***

The total pension liability for General Employees in the Political Subdivision's Retirement Plan and VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2015, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

### General Employees

### Teachers

Inflation	2.5 percent	2.5 percent
Salary increases, including inflation	3.5 percent - 5.35 percent	3.5 percent - 5.95 percent
Investment rate of return	7.0 percent, net of pension plan investment expense, including inflation*	7.0 percent, net of pension plan investment expense, including inflation*

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

### **Political Subdivisions**

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

#### Largest 10 – Non-LEOS:

##### Pre-Retirement:

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

##### Post-Retirement:

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

##### Post-Disablement:

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

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

##### Pre-Retirement:

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

##### Post-Retirement:

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

##### Post-Disablement:

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

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

#### Largest 10 – Non-LEOS:

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

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

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

**School Divisions – Teachers**

Mortality rates:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30 2015 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

**Actuarial Assumptions – Public Safety Employees**

The total pension liability for Public Safety employees in the Political Subdivision Retirement Plan was based on an actuarial valuation as of June 30, 2015, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

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

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

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



Largest 10 – LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

All Others (Non 10 Largest) – LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) – LEOS:

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

***Long-Term Expected Rate of Return***

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

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

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

### **Discount Rate**

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

### Changes in Net Pension Liability

#### Primary Government - City

	Total Pension Liability (a)	<u>Increase (Decrease)</u> Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2015	\$ 35,864,607	\$ 30,393,628	\$ 5,470,979
<b>Changes for the Year</b>			
Service cost	971,564	-	971,564
Interest	2,442,204	-	2,442,204
Benefit changes	-	-	-
Differences between expected and actual experience	(225,106)	-	(225,106)
Contributions - employer	-	816,294	(816,294)
Contributions - employee	-	369,825	(369,825)
Net investment income	-	512,886	(512,886)
Benefit payments, including refunds	(1,951,971)	(1,951,971)	-
Refunds of employee contributions	-	-	-
Administrative expenses	-	(19,122)	19,122
Other changes	-	(221)	221
Net Changes	<u>1,236,691</u>	<u>(272,309)</u>	<u>1,509,000</u>
Balances at June 30, 2016	<u>\$ 37,101,298</u>	<u>\$ 30,121,319</u>	<u>\$ 6,979,979</u>

*The remainder of this page is left blank intentionally.*

**Component Unit School Board -  
General Employees**

		<u>Increase (Decrease)</u>	
	<u>Total</u> <u>Pension</u> <u>Liability</u> <u>(a)</u>	<u>Plan</u> <u>Fiduciary</u> <u>Net Position</u> <u>(b)</u>	<u>Net</u> <u>Pension</u> <u>Liability</u> <u>(a) - (b)</u>
Balances at June 30, 2015	\$ 1,793,267	\$ 1,718,226	\$ 75,041
<b>Changes for the Year</b>			
Service cost	47,491	-	47,491
Interest	122,398	-	122,398
Benefit changes	-	-	-
Differences between expected and actual experience	(77,469)	-	(77,469)
Contributions - employer	-	43,846	(43,846)
Contributions - employee	-	19,491	(19,491)
Net investment income	-	29,837	(29,837)
Benefit payments, including refunds	(89,460)	(89,460)	-
Refunds of employee contributions	-	-	-
Administrative expenses	-	(1,071)	1,071
Other changes	-	(13)	13
Net Changes	<u>2,960</u>	<u>2,630</u>	<u>330</u>
Balances at June 30, 2016	<u>\$ 1,796,227</u>	<u>\$ 1,720,856</u>	<u>\$ 75,371</u>

***Sensitivity of the Political Subdivision's and School Division's – Teacher Proportionate Share of the Net Pension Liability to Changes in the Discount Rate***

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

	<u>1.00% Decrease</u> <u>(6.00%)</u>	<u>Current Discount</u> <u>Rate (7.00%)</u>	<u>1.00% Increase</u> <u>(8.00%)</u>
<b>Primary Government - City</b>			
<b>Political subdivision's</b>			
Net Pension Liability	<u>\$ 11,482,036</u>	<u>\$ 6,979,979</u>	<u>\$ 3,208,434</u>
<b>Component Unit School Board -</b>			
<b>General Employees</b>	<u>\$ 279,511</u>	<u>\$ 75,371</u>	<u>\$ (97,507)</u>
<b>School Division's Proportionate</b>			
<b>Share of the VRS Teacher</b>			
<b>Employee Retirement Plan</b>			
Net Pension Liability	<u>\$ 20,045,000</u>	<u>\$ 14,062,000</u>	<u>\$ 9,133,000</u>

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

For the year ended June 30, 2017, the City's political subdivision recognized pension expense of \$942,792.

For the year ended June 30, 2017, the school board – general employees recognized pension expense of \$(4,180).

At June 30, 2017, the school division – teachers reported a liability of \$14,062,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2016 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2016 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2016, the school division's proportion was .10034% as compared to .10104% at June 30, 2015.

For the year ended June 30, 2017, the school division recognized pension expense of \$1,115,000. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2017, the political subdivision and school division – teachers reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

*The remainder of this page is left blank intentionally.*

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<b>Primary Government - City's Political Subdivision</b>		
Differences between expected and actual experience	\$ 57,891	\$ 162,576
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	789,062	-
Employer contributions subsequent to the measurement date	<u>824,531</u>	<u>-</u>
Total	<u>\$ 1,671,484</u>	<u>\$ 162,576</u>
<b>Component Unit School Board - General Employees</b>		
Differences between expected and actual experience	\$ -	\$ 60,719
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	44,133	-
Employer contributions subsequent to the measurement date	<u>30,483</u>	<u>-</u>
Total	<u>\$ 74,616</u>	<u>\$ 60,719</u>
<b>Component Unit School Board - Teachers</b>		
Differences between expected and actual experience	\$ -	\$ 455,000
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	803,000	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	274,000	701,000
Employer contributions subsequent to the measurement date	<u>1,246,206</u>	<u>-</u>
Total	<u>\$ 2,323,206</u>	<u>\$ 1,156,000</u>

\$1,671,484 for the City's political subdivision, \$74,616 for School Board General Employees and \$2,323,206 for the Teacher VRS Pool reported as deferred outflows of resources related to pensions resulting from the political subdivision and school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

**Year Ended  
June 30,**

**Primary Government -  
City's Political Subdivision**

2018	\$ (20,422)
2019	(34,447)
2020	421,807
2021	317,438
2022	-
Thereafter	-

**Component Unit School  
Board - General Employees**

2018	\$ (36,338)
2019	(24,061)
2020	25,914
2021	17,899
2022	-
Thereafter	-

**Component Unit School  
Board - Teachers**

2018	\$ (189,000)
2019	(189,000)
2020	208,000
2021	125,000
2022	(34,000)
Thereafter	-

***Pension Plan Fiduciary Net Position***

Detailed information about the VRS Political Subdivision's and Teacher Retirement Plans' Virginia Retirement System's Fiduciary Net Position is available in the separately issued VRS 2016 Comprehensive Annual Financial Report (CAFR). A copy of the 2016 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2016-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

## **14 Joint Ventures and Related Organizations**

**Blackwater Regional Library**

The City participates in the operation of the Blackwater Regional Library that serves Southampton County, City of Franklin, Towns of Smithfield, Wakefield, and Waverly and three neighboring counties. Separate financial statements are available from the Blackwater Regional Library.



### **Franklin-Southampton Economic Development Commission**

The City participates in the operation of the Franklin-Southampton Economic Development Commission that operates in the City of Franklin and Southampton County. Separate financial statements are available from the Franklin-Southampton Economic Development Commission.

### **Western Tidewater Regional Jail Authority**

The City participated in the construction of the facilities for the Western Tidewater Regional Jail Authority located in the City of Franklin. The jail became operational in July 1992. Operational funding surpluses and deficiencies are shared by member jurisdictions based on their ownership percentages. Separate financial statements are available from the Western Tidewater Regional Jail Authority.

### **Western Tidewater Community Services Board**

The City participates in the operation of the Western Tidewater Community Services Board that serves the City of Franklin and the counties of Isle of Wight and Southampton. Separate financial statements are available from the Western Tidewater Community Services Board.

## **15** **Contingent Liabilities**

Federal programs in which the City participates were audited in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Pursuant to these requirements, certain programs were tested for compliance with applicable grant requirements. The Federal government may subject grant programs to additional compliance tests that may result in disallowed expenditures. In the opinion of management, future disallowances of current program expenditures, if any, would be immaterial.

General obligation bonds of \$3,686,000 have been recorded in the Enterprise Funds from which repayment is anticipated. The General Fund has a contingent liability for repayment of the aforementioned amounts should the Enterprise Funds be unable to pay.

The Airport Fund obtained a grant from the Department of Aviation, Commonwealth of Virginia, for rehabilitation of the airport entrance road. Grant provisions require the City to operate and maintain the airport as a public use facility for a period of twenty years from the final payment date of this grant. The final payment was received in September 1998. If the airport should cease to be used as a public use facility prior to September 2018, the City would be required to repay the Commonwealth a pro-rata share (computed monthly) of all monies received under this grant based on the period of operation and maintenance.

Health insurance coverage for full-time salaried employees of the City of Franklin and the Component Unit – School Board is obtained through Local Choice. This employee health insurance fund is an account established by the Commonwealth Treasury and maintained by the Department of Accounts within which contributions to the plan are deposited. The yearly premiums paid into the plan are adjusted for deviations in claim experience. Employees may choose to terminate participation in the health benefits program with a 90-day notice. The local employer is responsible for any adverse experience adjustments that apply to the terminating year and any prior year within which the employer participated in the program. No estimate can be made as to possible future costs in excess of monthly premiums paid.

# 16 Other Post-Employment Benefits Program

## Background

In fiscal year 2009, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 45 for other post-employment benefits (OPEB) offered to retirees. This standard addresses how local governments should account for and report their costs related to post-employment health-care and nonpension benefits, such as the City's retiree health benefit subsidy. Historically, the City's subsidy was funded on a pay-as-you-go basis, but GASB Statement No. 45 requires that the City accrue the cost of the retiree health subsidy and other post-employment benefits during the period of the employees' active employment, while the benefits are being earned, and disclose the unfunded actuarial accrued liability in order to accurately account for the total future cost of post-employment benefits and the financial impact on the City. This funding methodology mirrors the funding approach used for pension benefits.

## City

### A. Plan Description

The City provides post-retirement medical and dental coverage benefits for employees who are eligible for retirement benefits and are covered by the active plan at time of retirement. Individuals who retire from City service with full VRS benefits (i.e., 50 years of age and 30 years of continuous service) and 10 years (retirees employed after June 30, 2004) or 5 years (retirees employed prior to July 1, 2004) of service with the City, are eligible for medical insurance and dental coverage benefits under the City's plan for active employees until age 65 when they become eligible for Medicare, at which time benefits cease. The retiree's spouse can receive benefits under the plan with the premium to be paid by the retiree.

### B. Funding Policy

The City establishes employer contribution rates for plan participants as part of the budgetary process each year. The City also determines how the plan will be funded each year, whether it will partially fund the plan or fully fund the plan. Again this is determined annually as part of the budgetary process. Participating retirees are responsible for the insurance premium (health and dental) at the same cost as for active employees. Retirees pay 100% of spousal premiums. Coverage ceases when retirees reach the age of 65. Surviving spouses are not allowed access to the plan. In addition, retirees employed after June 30, 2004 and all retirees with less than 10 years of service with the City must pay a 2.00% administrative fee.

### C. Annual OPEB and Net OPEB Obligation

The annual cost of other post-employment benefits (OPEB) under GASB 45 is called the annual required contribution or ARC. The estimated pay-as-you-go cost for OPEB benefits is \$940,100 for fiscal year 2017. The City has paid an estimated \$233,900 towards this obligation during the fiscal year. The City is required to contribute the annual required contribution of the employer (ARC) an amount actuarially determined in accordance within the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

### *Annual OPEB Cost*

The estimated contributions are based on projected medical premium payments and credit for the implicit rate subsidy made during the year for the retirees by the City. The following table shows the components of the City's annual OPEB cost for the year, the estimated annual contributions to the plan, and changes in the City's net OPEB obligation.

Annual required contribution	\$ 233,900
Interest on net OPEB obligation	33,500
Adjustment to annual required contribution	<u>(51,200)</u>
Annual OPEB cost (expense)	216,200
Estimated contributions made	<u>(233,900)</u>
Decrease in Net OPEB Obligation	(17,700)
Net OPEB Obligation - Beginning of Year	<u>957,800</u>
Net OPEB Obligation - End of Year	<u>\$ 940,100</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2017, 2016, and 2015 are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2015	\$ 288,800	69.8%	\$ 893,800
June 30, 2016	297,300	78.4%	957,800
<b>June 30, 2017</b>	<b>216,200</b>	<b>108.19%</b>	<b>940,100</b>

### *D. Funded Status and Funding Progress*

The funded status of the plan as of June 30, 2017 (based on the valuation dated July 1, 2016), is as follows:

Actuarial accrued liability (AAL)	\$ 2,799,100
Actuarial value of plan assets	\$ -
Unfunded actuarial accrued liability (UAAL)	\$ 2,799,100
Funded ratio (actuarial value of plan assets / AAL)	0%
Covered payroll (active plan members)	\$ 7,535,900
UAAL as a percentage of covered payroll	37.14%

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

#### *E. Actuarial Methods and Assumptions*

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) 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.

##### *Cost Method*

The entry age normal cost method is used to determine the plan's funding of liabilities and costs. Under this cost method, the actuarial present value of projected benefits of every active participant as if the plan's provisions on the valuation date had always been in effect, is determined as a level percentage of expected annual earnings for each future year of expected service. A normal cost for each year from the assumed entry date is determined by applying this level percentage of pay to the assumed earnings for that year (or if benefits are not pay related, the level amount for each year).

Under these methods, inactive participants have no normal cost, and their actuarial liability is the present value of the plan benefits to which they and their beneficiaries are entitled. The plan's total annual normal cost and actuarial liability are the sum of the individual participant amounts.

An experience gain or loss is a decrease or increase in the unfunded actuarial liability attributable to actual experience that differed from that expected by the actuarial assumptions. Such gains or losses are explicitly recognized under this method.

The UAAL is being amortized as a level percentage of projected payroll over 30 years.

##### *Interest Assumptions*

Discount rate (unfunded)	4.00%
Annual amortization increase rate	2.50%
Amortization period	30 years
Healthcare trend rate	9%

## School Board

### A. Plan Description

The School Board provides post-retirement medical and dental coverage benefits for employees who are eligible for retirement benefits and are covered by the active plan at time of retirement. Individuals who retire from School Board service with full VRS benefits (i.e., 50 years of age and 30 years of continuous service) and 5 years of service with the School Board, are eligible for medical insurance and dental coverage benefits under the School Board's plan for active employees until age 65 when they become eligible for Medicare, at which time benefits cease. The retiree's spouse can receive benefits under the plan with the premium to be paid by the retiree.

### B. Funding Policy

The School Board establishes employer contribution rates for plan participants as part of the budgetary process each year. The School Board also determines how the plan will be funded each year, whether it will partially fund the plan or fully fund the plan. Again, this is determined annually as part of the budgetary process. Retirees pay the full premium for health and dental coverage. Retirees pay 100% of spousal premiums. Coverage ceases when retirees reach the age of 65.

### C. Annual OPEB Cost and Net OPEB Obligation

The annual cost of other post-employment benefits (OPEB) under GASB 45 is called the annual required contribution or ARC. The estimated pay-as-you-go cost for OPEB benefits is \$255,934 for fiscal year 2017. The School Board has paid an estimated \$43,700 towards this obligation during the fiscal year. The School 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 cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The estimated contributions are based on projected medical premium payments and credit for the implicit rate subsidy made during the year for the retirees by the School Board. The following table shows the components of the School Board's annual OPEB cost for the year, the estimated annual contributions to the plan, and changes in the School Board's net OPEB obligation:

Annual required contribution	\$ 64,500
Interest on net OPEB obligation	8,246
Adjustment to annual required contribution	<u>(8,712)</u>
Annual OPEB cost (expense)	64,034
Estimated contributions made	<u>(43,700)</u>
Increase in net OPEB obligation	20,334
Net OPEB Obligation - Beginning of Year	<u>235,600</u>
Net OPEB Obligation - End of Year	<u>\$ 255,934</u>

### *Annual OPEB Cost*

The School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2017, 2016, and 2015 are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2015	\$ 71,200	70.2%	\$ 206,200
June 30, 2016	75,300	63.7%	235,600
<b>June 30, 2017</b>	<b>64,034</b>	<b>68.2%</b>	<b>255,934</b>

### *D. Funded Status and Funding Progress*

The funded status of the Plan as of June 30, 2017 is as follows:

Actuarial accrued liability (AAL)	\$ 692,200
Actuarial value of plan assets	\$ -
Unfunded actuarial accrued liability (UAAL)	\$ 692,200
Funded ratio (actuarial value of plan assets / AAL)	0.00%
Covered payroll (active plan members)	\$ 6,647,800
UAAL as a percentage of covered payroll	10.41%

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

### *E. Actuarial Methods and Assumptions*

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) 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.

### *Cost Method*

The entry age normal cost method is used to determine the plan's funding of liabilities and costs. Under this cost method, the actuarial present value of projected benefits of every active participant as if the plan's provisions on the valuation date had always been in effect, is determined as a level percentage of expected annual earnings for each future year of expected service. A normal cost for each year from the assumed entry date is determined by applying this level percentage of pay to the assumed earnings for that year (or if benefits are not pay related, the level amount for each year). Under these methods, inactive participants have no normal cost, and their actuarial liability is the present value of the plan benefits to which they and their beneficiaries are entitled. The plan's total annual normal cost and actuarial liability are the sum of the individual participant amounts.

An experience gain or loss is a decrease or increase in the unfunded actuarial liability attributable to actual experience that differed from that expected by the actuarial assumptions. Such gains or losses are explicitly recognized under this method.

The UAAL is being amortized as a level percentage of projected payroll over 30 years.

### *Interest Assumptions*

Valuation Date	July 1, 2016
Actuarial Cost Method	Entry Age Normal, Level Percentage of Pay
Amortization method	Level Percentage of Payroll
Amortization period	30 years (open)
Asset Valuation Method	Not applicable
Actuarial Assumptions:	
Investment Rate of Return	3.50%
Payroll Growth Rate	3.00%
Healthcare trend assumption	Getzen Trend Model

In addition to the benefits described above, the School Board participates in the Health Insurance Credit Program administered by the Virginia Retirement System.

## **Health Insurance Credit Program**

### *A. Plan Description*

The School Board participates in the Health Insurance Credit Program, a plan designed to assist retirees with the cost of health insurance coverage. This program is an agent and cost sharing, multiple employer defined benefit plan administered by the Virginia Retirement System (VRS). The Virginia General Assembly establishes the dollar amount of the health insurance credit for each year of creditable service. The credit amount and eligibility differs for state, school division, political subdivision, local officer, local social services department, and general registrar retirees.



An employee of the School Board who retires under VRS with at least 15 years of total creditable service under the System and is enrolled in a health insurance plan, is eligible to receive a monthly health insurance credit of \$1.50 per year of creditable service up to a maximum monthly credit of \$45. However, such credit shall not exceed the health insurance premium for the retiree. Disabled retirees automatically receive the maximum monthly health insurance credit of \$45.

Benefit provisions and eligibility requirements are established by Title 51.1, Chapter 14 of the Code of Virginia. The VRS actuarially determines the amount necessary to fund all credits provided, reflects the cost of such credits in the applicable employer contribution rate pursuant to §51.1-145, and prescribes such terms and conditions as are necessary to carry out the provisions of the health insurance credit program. VRS issues separate financial statements.

**B. Funding Policy**

As a participating local political subdivision, the School Board is required to contribute the entire amount necessary to fund participation in the program using the actuarial basis specified by the Code of Virginia and the VRS Board of Trustees. The School Board's contribution rate for the fiscal year ended 2017 was .20% of annual covered payroll.

**C. OPEB Cost and Net OPEB Obligations**

The annual cost of OPEB under Governmental Accounting Standards Board (GASB) 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions, is based on the annual required contribution (ARC). The School Board is required to contribute the ARC, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

For 2017 and 2016, the School Board's contribution of \$839 and \$817, respectively, was equal to the ARC and OPEB cost. The School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 and 2016 are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost (ARC)</u>	<u>Percentage of ARC Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2016	\$ 817	100%	\$ -
<b>June 30, 2017</b>	<b>839</b>	<b>100%</b>	<b>-</b>

#### *D. Funded Status and Funding Progress*

The funded status of the plan as of June 30, 2016, the most recent actuarial valuation date, is as follows:

Actuarial accrued liability (AAL)	\$ 34,167
Actuarial value of plan assets	31,002
Unfunded actuarial accrued liability (UAAL)	3,165
Funded ratio (actuarial value of plan assets / AAL)	90.74%
Covered payroll (active plan members)	420,435
UAAL as a percentage of covered payroll	0.75%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future and reflect a long-term perspective. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

#### *E. Actuarial Methods and Assumptions*

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) 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 included techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The entry age normal cost method was used to determine the plan's funding liabilities and costs. The actuarial assumptions included a 7.5% investment rate of return, compounded annually, including an inflation component of 2.5%, a payroll growth rate of 3%, no escalation in retiree subsidies and an annual healthcare cost trend rate of 8.0%, trending down over the next five years to a rate of 5.0% for future years. The initial unfunded actuarial liability is being amortized as a level percentage of projected payroll on a closed basis over 19 to 28 years.

#### *F. Professional Employees – Discretely Presented Component Unit - School Board*

The School Board participates in the Health Insurance Credit Program, a plan designed to assist retirees with the cost of health insurance coverage. This program is a cost sharing, multiple-employer defined benefit plan administered by the Virginia Retirement System (VRS). The Virginia General Assembly establishes the dollar amount of the health insurance credit for each year of creditable service.

A teacher, who retires under VRS with at least 15 years of total creditable service under the System and is enrolled in a health insurance plan, is eligible to receive a monthly health insurance credit of \$4 per year of creditable service. However, such credit shall not exceed the health insurance premium for the retiree. Disabled retirees automatically receive a monthly health insurance credit of \$4 multiplied by the smaller of (i) twice the amount of their creditable service or (ii) the amount of creditable service they would have completed at age 60 if they had remained in service to that age.

The School Board is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. The current rate is .20% of annual covered payroll. The School Board's contributions to VRS for the years ended June 30, 2017 and 2016, respectively, were \$839 and \$817.

## 17 Landfill Post-Closure Care Costs

State and federal laws and regulations require that the City perform certain maintenance and monitoring functions subsequent to closure of the City's landfill site. The City ceased accepting solid waste at the landfill in 1984 and completed initial closure measures in 1987. In letters dated January 13, 1995 and February 1, 1995, the Virginia Department of Environmental Quality informed the City the thirty-year post-closure period would begin in 1995 and the landfill closure had been completed in accordance with the Virginia Solid Waste Management Regulations, respectively. The post-closure care costs and corrective action activities ended in June 2015. Now \$-0- is due, as Virginia DEQ has released the City of post-closure costs and any corrective action activities.

The City has demonstrated financial assurance requirements for post-closure care and corrective action costs through the submission of a Local Government Financial Test to the Virginia Department of Environmental Quality in accordance with Section 9VAC20-70 of the Virginia Administrative Code. The City intends to fund these costs, which have all been recognized, from accumulated funds held in the general fund.

## 18 Surety Bonds

Surety bonds of the City of Franklin, Virginia are as follows:

### Division of Risk Management Surety

#### Commonwealth Funds

Commissioner of Revenue	Brenda B. Rickman	\$ 3,000
Treasurer	Dinah M. Babb	500,000

## 19 Tax Abatement Disclosures

The City negotiates property tax abatement agreements on an individual basis. The City has tax abatement agreements with three entities as of June 30, 2017.

### Facts and Assumptions

<u>Purpose</u>	<u>Amounts Paid to Businesses During the Fiscal Year</u>
<i>Increase Size and Employment in City of Franklin, Virginia</i>	
Enterprise Zone Expenses (includes building related permits, utility taxes, and connection fees)	\$ 31,809

## 20 Annexations

### *Southampton County*

The City entered into an annexation agreement with Southampton County (County) that provided for annexation in two phases. Annexation of the Phase I area, 3.93 square miles with 3.1% of the County's population per the 1980 census, was effective December 31, 1985. Annexation of the Phase II area, 0.73 square miles with 1.96% of the County's population, was effective December 31, 1995. As part of Phase I, the City agreed to pay to the County 3.798% of all the County's future obligations on general obligation debt existing at December 31, 1985. As part of Phase II, the City agreed to pay the County 2.04% of all the County's future obligations on general obligation debt existing at December 31, 1996. In addition, the City compensated the County for estimated loss of tax revenue through fiscal year 2007. The City further agreed not to institute, participate in or support, directly or indirectly, any further annexation of Southampton County prior to December 31, 2010.

The City adopted a Revenue-Sharing Agreement with the County in January 1997. County residents approved this agreement in November 1997. The agreement was reviewed and recommended for Court approval by the Commission on Local Government of the Commonwealth of Virginia in January 1999. The Revenue Sharing Agreement covers approximately 17.1 square miles in Southampton County immediately contiguous to the City of Franklin. The agreement provides that the County will pay to the City on October 15 of each year, 30% of local tax revenue collected through June 30 of that year by industries and commercial establishments located within this area that are served by City water and sewer treatment. The City is required to provide potable water for non-residential use to industrial and commercial businesses in the designated area and receive wastewater from such businesses. The agreement is to remain in effect in perpetuity as adopted, subject to amendment by agreement of the parties, except if the City, or a City water and/or sewer authority decides to discontinue operation of both its water and sewer treatment systems, the agreement may be voided upon two years' notice to the County. The designated area, which includes all portions of the County immediately contiguous to the City, is immune from annexation as long as the agreement remains in force and the City exists as a political subdivision in the nature of a city. For the year ending June 30, 2017, the City received \$68,495 in tax revenue from the County under this agreement.

### *County of Isle of Wight*

On March 11, 1986, the City entered into an agreement with the County of Isle of Wight whereby the City waived any and all of its rights and power to seek annexation of the County of Isle of Wight's territory within a designated area adjacent to the City. The agreement became effective when approved by the Court on April 13, 1987. In return, the County of Isle of Wight agreed to share with the City all local tax revenues collected within the designated area using the following percentages:

<u>Fiscal Year Ending</u>	<u>Percentage</u>
1986	5%
1987	10%
1988-1995	20%
1996 and thereafter	<sup>1</sup> 17.23%

<sup>1</sup>As adjusted by formula

The local revenues are payable to the City by the County of Isle of Wight on August 1, following the end of the fiscal year. During the year ended June 30, 2017, the City received \$717,304 from the County of Isle of Wight under this agreement for tax revenues collected for the year ended June 30, 2016.

## 21 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 \$410,648 is comprised of the following:

*Deferred Property Tax Revenue:* Unearned revenue representing uncollected tax billings not available for funding of current expenditures totaled \$410,648.

## 22 Fund Balances

Portions of the General Fund balance are assigned as follows:

- Fund balance in the amount of \$969,874 is nonspendable due to Airport Fund.
- Fund balance in the amount of \$58,743 is restricted for capital projects.
- Fund balance in the amount of \$5,546,439 is unassigned and available for subsequent expenditures.

Portions of the Capital Projects Fund are assigned/unassigned as follows:

- Fund balance in the amount of \$127,759 is assigned for expenditures for school-related capital outlays.

## 23 Expenditures in Excess of Appropriations

No funds had expenditures in excess of appropriations at June 30, 2017.

## 24 Risk Management

The City and School Board are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Also, see Note 18 for Surety Bond information.

## 25 Litigation

At June 30, 2017, there were no matters of litigation involving the City which would materially affect the City's financial position should any court decisions or pending matters not be favorable to such entities.

## 26 Legal Compliance

The Virginia Public Finance Act contains state law for issuance of long-term and short-term debt. The Act states, in part, that no municipality may issue bonds or other interest-bearing obligations, including existing indebtedness, which will at any time exceed ten percent of the assessed valuation on real estate as shown by the last preceding assessment for taxes. Short-term revenue anticipation bonds/notes, general obligation bonds approved in a referendum, revenue bonds, and contract obligations for publically owned or regional projects should not be included in the debt limitation.

## 27 **Restatement of Net Position**

The City's Electric Fund had a restatement of net position of \$665,776 due to an adjustment relating to a series of duplicate checks to an electricity provider posted to accounts payable but were voided in 2017. The Electric Fund's net position was restated from \$1,332,779 to \$1,998,555. Therefore, total business-type activities' net position at the beginning of year was restated from \$6,767,964 to \$7,433,740 as well.

The City's governmental activities had a restatement of net position relating to a loss on refunding of debt and accrued interest payable of \$241,883 that needed to be added to the FY 2017 financial statements, which caused a restatement of net position from \$13,273,195 to \$13,515,078.

# REQUIRED SUPPLEMENTARY INFORMATION



## **Note to Required Supplementary Information**

Presented budgets were prepared in accordance with accounting principles generally accepted in the United States of America.



City of Franklin, Virginia

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

Year Ended June 30, 2017

General Fund

	<u>Budgeted Amounts</u>			Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues</b>				
General property taxes	\$ 7,478,693	\$ 7,478,693	\$ 7,249,980	\$ (228,713)
Other local taxes	5,481,000	5,481,000	5,577,423	96,423
Permits, privilege fees, and regulatory licenses	165,220	391,526	532,781	141,255
Fines and forfeitures	40,250	40,250	34,508	(5,742)
Revenue from use of money and property	244,046	254,046	232,382	(21,664)
Charges for services	1,458,967	1,458,967	1,356,274	(102,693)
Miscellaneous	1,226,232	1,230,079	1,272,896	42,817
Recovered costs	295,000	295,000	238,678	(56,322)
<b>Intergovernmental</b>				
Commonwealth	3,983,637	4,297,300	4,305,476	8,176
Federal	16,595	28,715	21,995	(6,720)
Total Revenues	20,389,640	20,955,576	20,822,393	(133,183)
<b>Expenditures</b>				
<b>Current</b>				
General government administration	2,512,139	2,658,606	2,465,991	192,615
Judicial administration	329,830	347,364	357,168	(9,804)
Public safety	7,528,147	7,603,404	7,342,416	260,988
Public works	3,149,033	3,686,203	3,477,128	209,075
Health and welfare	197,536	198,836	191,343	7,493
Education	4,987,395	4,987,395	4,987,395	-
Parks, recreation, and cultural	719,826	730,952	726,750	4,202
Community development	1,006,163	1,064,331	986,178	78,153
Debt service	-	25,740	25,740	-
Total Expenditures	20,430,069	21,302,831	20,560,109	742,722
Excess (Deficiency) of Revenues Over (Under) Expenditures	(40,429)	(347,255)	262,284	609,539
<b>Other Financing Sources (Uses)</b>				
Transfers to debt service	(1,108,210)	(1,101,762)	(1,133,457)	(31,695)
Transfers in	1,603,196	1,603,196	1,603,196	-
Transfers (out)	(908,972)	(919,472)	(919,472)	-
Total Other Financing Sources (Uses)	(413,986)	(418,038)	(449,733)	(31,695)
Net Change in Fund Balances Before Transfer from Surplus	(454,415)	(765,293)	(187,449)	\$ 577,844
From Surplus	454,415	765,293	-	(765,293)
Net Change in Fund Balances	\$ -	\$ -	(187,449)	\$ (187,449)
Fund Balance - Beginning of Year			6,762,505	
Fund Balance - End of Year			\$ 6,575,056	

Virginia Public Assistance Fund

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>With</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
<b>Revenues</b>				
Miscellaneous	\$ -	\$ 32,070	\$ 19,629	\$ (12,441)
<b>Intergovernmental</b>				
Commonwealth	446,945	471,366	363,913	(107,453)
Federal	<u>769,194</u>	<u>744,773</u>	<u>819,549</u>	<u>74,776</u>
Total Revenues	1,216,139	1,248,209	1,203,091	(45,118)
<b>Expenditures</b>				
<b>Current</b>				
Health and welfare	<u>1,683,196</u>	<u>1,715,266</u>	<u>1,447,795</u>	<u>267,471</u>
Total Expenditures	<u>1,683,196</u>	<u>1,715,266</u>	<u>1,447,795</u>	<u>267,471</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(467,057)	(467,057)	(244,704)	222,353
<b>Other Financing Sources (Uses)</b>				
Transfers in (out)	<u>467,057</u>	<u>467,057</u>	<u>467,058</u>	<u>1</u>
Total Other Financing Sources (Uses)	<u>467,057</u>	<u>467,057</u>	<u>467,058</u>	<u>1</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	222,354	<u>\$ 222,354</u>
Fund Balance - Beginning of Year			-	
Fund Balance - End of Year			<u>\$ 222,354</u>	

## City of Franklin, Virginia

## Schedule of Funding Progress for Other Post-Employment Benefits

Last Three Fiscal Years

## City

<u>Valuation Date</u>	<u>Actuarial Value of Assets (AVA) (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded (Excess Funded) Actuarial Accrued (UAAL) (c) (b) - (a)</u>	<u>Funded Ratio (d) (a) / (b)</u>	<u>Annual Covered Payroll (e)</u>	<u>UAAL as % of Payroll (f) (c) / (e)</u>
7/1/2014	\$ -	\$ 3,369,100	\$ 3,369,100	0.00%	\$ 7,452,700	45.21%
7/1/2016 <sup>R</sup>	-	3,369,100	3,369,100	0.00%	7,452,700	45.21%
7/1/2017 <sup>R</sup>	-	2,799,100	2,799,100	0.00%	7,535,900	37.14%

## School Board

<u>Valuation Date</u>	<u>Actuarial Value of Assets (AVA) (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded (Excess Funded) Actuarial Accrued (UAAL) (c) (b) - (a)</u>	<u>Funded Ratio (d) (a) / (b)</u>	<u>Annual Covered Payroll (e)</u>	<u>UAAL as % of Payroll (f) (c) / (e)</u>
7/1/2014	\$ -	\$ 607,800	\$ 607,800	0.00%	\$ 5,543,600	10.96%
7/1/2016 <sup>R</sup>	-	607,800	607,800	0.00%	5,543,600	10.96%
7/1/2017 <sup>R</sup>	-	692,200	692,200	0.00%	6,647,800	10.41%

## School Board - VRS Health Insurance Credit

<u>Valuation Date</u>	<u>Actuarial Value of Assets (AVA) (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded (Excess Funded) Actuarial Accrued (UAAL) (c) (b) - (a)</u>	<u>Funded Ratio (d) (a) / (b)</u>	<u>Annual Covered Payroll (e)</u>	<u>UAAL as % of Payroll (f) (c) / (e)</u>
6/30/2016	\$ 31,002	\$ 34,167	\$ 3,165	90.74%	\$ 420,435	0.75%
6/30/2015	32,297	33,697	1,400	95.85%	399,514	0.35%
6/30/2014	32,086	33,133	1,047	96.84%	385,649	0.27%

<sup>R</sup>Rollforward calculations

**City of Franklin, Virginia**

Schedule of Changes in the Political Subdivision's Net Pension Liability  
and Related Ratios (Continued)

	<u>Primary Government</u>		
	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Total pension liability</b>			
Service cost	\$ 971,564	\$ 970,766	\$ 960,215
Interest	2,442,204	2,330,900	2,227,952
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(225,106)	129,805	-
Changes in assumptions	-	-	-
Benefit Payments, including refunds of employee contributions	<u>(1,951,971)</u>	<u>(1,730,880)</u>	<u>(1,704,071)</u>
<b>Net change in total pension liability</b>	<b>1,236,691</b>	1,700,591	1,484,096
<b>Total pension liability - beginning</b>	<b><u>35,864,607</u></b>	<u>34,164,016</u>	<u>32,679,920</u>
<b>Total pension liability - ending (a)</b>	<b><u>\$ 37,101,298</u></b>	<b><u>\$ 35,864,607</u></b>	<b><u>\$ 34,164,016</u></b>
 <b>Plan fiduciary net position</b>			
Contributions - employer	\$ 816,294	\$ 814,427	\$ 813,748
Contributions - employee	369,825	372,766	374,515
Net investment income	512,886	1,343,739	4,072,505
Benefit Payments, including refunds of employee contributions	(1,951,971)	(1,730,880)	(1,704,071)
Administrative expense	(19,122)	(18,654)	(22,183)
Other	<u>(221)</u>	<u>(286)</u>	<u>214</u>
<b>Net change in plan fiduciary net position</b>	<b>(272,309)</b>	781,112	3,534,728
<b>Plan fiduciary net position - beginning</b>	<b><u>30,393,628</u></b>	<u>29,612,516</u>	<u>26,077,788</u>
<b>Plan fiduciary net position - ending (b)</b>	<b><u>\$ 30,121,319</u></b>	<b><u>\$ 30,393,628</u></b>	<b><u>\$ 29,612,516</u></b>
 <b>Political subdivision's net pension liability - ending (a) - (b)</b>	<b><u>\$ 6,979,979</u></b>	<b><u>\$ 5,470,979</u></b>	<b><u>\$ 4,551,500</u></b>
 <b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>81.19%</b>	84.75%	86.68%
<b>Covered payroll</b>	<b>\$ 7,507,194</b>	\$ 7,368,240	\$ 7,586,380
<b>Political subdivision's net pension liability as a percentage of covered payroll</b>	<b>92.98%</b>	74.25%	60.00%

**City of Franklin, Virginia**

Schedule of Changes in the Political Subdivision's Net Pension Liability  
and Related Ratios

	<b><u>School Board</u></b> <b><u>General Employees</u></b>		
	<b><u>2016</u></b>	<b><u>2015</u></b>	<b><u>2014</u></b>
<b>Total pension liability</b>			
Service cost	\$ 47,491	\$ 48,778	\$ 47,021
Interest	122,398	118,981	114,045
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(77,469)	(29,062)	-
Changes in assumptions	-	-	-
Benefit Payments, including refunds of employee contributions	<u>(89,460)</u>	<u>(90,309)</u>	<u>(90,796)</u>
<b>Net change in total pension liability</b>	<b>2,960</b>	<b>48,388</b>	<b>70,270</b>
<b>Total pension liability - beginning</b>	<b><u>1,793,267</u></b>	<b><u>1,744,879</u></b>	<b><u>1,674,609</u></b>
<b>Total pension liability - ending (a)</b>	<b><u>\$ 1,796,227</u></b>	<b><u>\$ 1,793,267</u></b>	<b><u>\$ 1,744,879</u></b>
 <b>Plan fiduciary net position</b>			
Contributions - employer	\$ 43,846	\$ 41,701	\$ 46,023
Contributions - employee	19,491	18,929	19,200
Net investment income	29,837	75,954	230,671
Benefit Payments, including refunds of employee contributions	(89,460)	(90,309)	(90,796)
Administrative expense	(1,071)	(1,055)	(1,253)
Other	<u>(13)</u>	<u>(15)</u>	<u>12</u>
<b>Net change in plan fiduciary net position</b>	<b>2,630</b>	<b>45,205</b>	<b>203,857</b>
<b>Plan fiduciary net position - beginning</b>	<b><u>1,718,226</u></b>	<b><u>1,673,021</u></b>	<b><u>1,469,164</u></b>
<b>Plan fiduciary net position - ending (b)</b>	<b><u>\$ 1,720,856</u></b>	<b><u>\$ 1,718,226</u></b>	<b><u>\$ 1,673,021</u></b>
 <b>Political subdivision's net pension liability - ending (a) - (b)</b>	<b><u>\$ 75,371</u></b>	<b><u>\$ 75,041</u></b>	<b><u>\$ 71,858</u></b>
 <b>Plan fiduciary net position as a percentage of the total Pension liability</b>	<b>95.80%</b>	<b>95.82%</b>	<b>95.88%</b>
 <b>Covered payroll</b>	<b>\$ 428,732</b>	<b>\$419,188</b>	<b>\$391,523</b>
 <b>Political subdivision's net pension liability as a percentage of covered payroll</b>	<b>17.58%</b>	<b>17.90%</b>	<b>18.35%</b>

**City of Franklin, Virginia**

Schedule of Employer's Share of Net Pension Liability  
VRS Teacher Retirement Plan

Years Ended June 30, 2017, 2016, and 2015\*

	<u><b>2017</b></u>	<u><b>2016</b></u>	<u><b>2015</b></u>
Employer's Proportion of the Net Pension Liability (Asset)	<b>0.10034%</b>	0.10104%	0.10813%
Employer's Proportionate Share of the Net Pension Liability (Asset)	<b>\$ 14,062,000</b>	\$ 12,717,000	\$ 13,067,000
Employer's Covered Payroll	<b>\$ 7,636,068</b>	\$7,645,748	\$6,781,114
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its covered payroll	<b>184.152%</b>	166.328%	192.697%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	<b>68.28%</b>	70.68%	70.88%

*Schedule is intended to show information for 10 years. Since 2017 is the third year for this presentation, only one additional year of data is available. However, additional years will be included as they become available.*

\*The amounts presented have a measurement date of the previous fiscal year end.

# City of Franklin, Virginia

## Schedule of Employer Contributions

For the Years Ended June 30, 2008 through 2017

Date	Contributions in Relation to					Contributions as a % of Covered Payroll (5)
	Contractually Required Contribution (1)	Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)		
Primary Government						
2017	\$ 824,531	\$ 824,531	\$ -	\$ 7,507,194	10.98%	
2016	815,838	815,838	-	7,368,240	11.07%	
2015	814,427	814,427	-	7,586,380	10.74%	
2014	N/A	N/A	N/A	N/A	N/A	
2013	N/A	N/A	N/A	N/A	N/A	
2012	N/A	N/A	N/A	N/A	N/A	
2011	N/A	N/A	N/A	N/A	N/A	
2010	N/A	N/A	N/A	N/A	N/A	
2009	N/A	N/A	N/A	N/A	N/A	
2008	N/A	N/A	N/A	N/A	N/A	
Component Unit School Board - General Employees						
2017	\$ 30,483	\$ 30,483	\$ -	\$ 428,732	7.11%	
2016	44,719	44,719	-	419,188	10.67%	
2015	41,697	41,697	-	391,523	10.65%	
2014	N/A	N/A	N/A	N/A	N/A	
2013	N/A	N/A	N/A	N/A	N/A	
2012	N/A	N/A	N/A	N/A	N/A	
2011	N/A	N/A	N/A	N/A	N/A	
2010	N/A	N/A	N/A	N/A	N/A	
2009	N/A	N/A	N/A	N/A	N/A	
2008	N/A	N/A	N/A	N/A	N/A	
Component Unit School Board - Teachers						
2017	\$ 1,246,206	\$ 1,246,206	\$ -	\$ 7,636,068	16.32%	
2016	1,068,615	1,068,615	-	7,645,748	13.98%	
2015	1,081,012	1,081,012	-	6,781,114	15.94%	
2014	N/A	N/A	N/A	N/A	N/A	
2013	N/A	N/A	N/A	N/A	N/A	
2012	N/A	N/A	N/A	N/A	N/A	
2011	N/A	N/A	N/A	N/A	N/A	
2010	N/A	N/A	N/A	N/A	N/A	
2009	N/A	N/A	N/A	N/A	N/A	
2008	N/A	N/A	N/A	N/A	N/A	

**Note:** This schedule should present 10 years of data; however, the information prior to fiscal year 2015 is not available.

### For Reference Only:

Column 1 – Employer contribution rate multiplied by the employer's covered payroll

Column 2 – Actual employer contribution remitted to VRS

Column 4 – Employer's covered payroll amount for the fiscal year



## City of Franklin, Virginia

### Notes to Required Supplementary Information

For the Year Ended June 30, 2017

**Changes of benefit terms** – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this is a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2016 is not material.

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

**Largest 10 – Non-LEOS:**

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

**Largest 10 – LEOS:**

- Update mortality table
- Decrease in male rates of disability

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

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

**All Others (Non 10 Largest) – LEOS:**

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

**School Division**

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

## OTHER SUPPLEMENTARY INFORMATION



City of Franklin, Virginia

Combining Balance Sheet

Nonmajor Special Revenue Funds

Year Ended June 30, 2017

				Community Development																
	Comprehensive Services Act Fund	Regional Fire Training Grounds Fund	Foundation Grants Fund	Block Grant Fund	Downtown Grant Fund	Madison Street Project Fund	Western Tidewater Home Consortium Fund	Neighborhood Stabilization Program Fund	Cobbtown Grant Fund	Police Federal Forfeiture Fund	Police State Forfeiture Fund	Police Evidence Holding Fund	Camp Homestead Fund	Economic Development Fund	Willie Camp Younts Fund	Southview Cemetery Trust Fund	Cemetery Perpetual Care Trust Fund	Charles Smith Cemetery Trust Fund	Total	
Assets																				
Cash and cash equivalents	\$ 21,190	\$ 6,173	\$ 35,579	\$ 146,137	\$ 23,914	\$ -	\$ 9,762	\$ 20,096	\$ -	\$ 12,750	\$ 7,921	\$ 1,477	\$ 6,372	\$ 49,092	\$ 50,515	\$ 3,482	\$ 116,130	\$ 12,762	\$ 523,352	
Accounts receivable (net)	335	-	-	-	-	-	11,611	-	42,400	-	-	-	-	-	-	-	-	-	54,346	
Inventory	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Due from other governmental units	8,170	-	-	-	-	83,423	-	-	-	-	-	-	-	-	-	-	-	-	91,593	
Total Assets	\$ 29,695	\$ 6,173	\$ 35,579	\$ 146,137	\$ 23,914	\$ 83,423	\$ 21,373	\$ 20,096	\$ 42,400	\$ 12,750	\$ 7,921	\$ 1,477	\$ 6,372	\$ 49,092	\$ 50,515	\$ 3,482	\$ 116,130	\$ 12,762	\$ 669,291	
Liabilities and Fund Balances																				
Liabilities																				
Reconciled overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 141,291	\$ -	\$ -	\$ 8,703	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 149,994	
Accounts payable and accrued expenses	3,725	35	2,144	-	-	17,295	-	-	-	-	-	-	-	13,982	-	-	-	-	37,181	
Deposits held in escrow	-	-	-	-	20,240	-	-	-	-	-	-	-	-	7,962	-	-	-	-	28,202	
Total Liabilities	3,725	35	2,144	-	20,240	158,586	-	-	8,703	-	-	-	-	21,944	-	-	-	-	215,377	
Fund Balances																				
Nonspendable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Restricted																				
Public safety	-	6,138	33,435	-	-	-	-	-	-	12,750	7,921	1,477	-	-	-	-	-	-	61,721	
Parks, recreation, and cultural	-	-	-	-	-	-	-	-	-	-	-	-	6,372	-	50,515	3,482	116,130	12,762	189,261	
Community development	-	-	-	146,137	3,674	-	21,373	20,096	33,697	-	-	-	-	27,148	-	-	-	-	252,125	
Health and welfare	25,970	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	25,970	
Unassigned	-	-	-	-	-	(75,163)	-	-	-	-	-	-	-	-	-	-	-	-	(75,163)	
Total Fund Balances (Deficit)	25,970	6,138	33,435	146,137	3,674	(75,163)	21,373	20,096	33,697	12,750	7,921	1,477	6,372	27,148	50,515	3,482	116,130	12,762	453,914	
Total Liabilities and Fund Balances	\$ 29,695	\$ 6,173	\$ 35,579	\$ 146,137	\$ 23,914	\$ 83,423	\$ 21,373	\$ 20,096	\$ 42,400	\$ 12,750	\$ 7,921	\$ 1,477	\$ 6,372	\$ 49,092	\$ 50,515	\$ 3,482	\$ 116,130	\$ 12,762	\$ 669,291	

City of Franklin, Virginia

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Nonmajor Special Revenue Funds

Year Ended June 30, 2017

	Comprehensive Services Act Fund	Regional Fire Training Grounds Fund	Foundation Grants Fund	Block Grant Fund	Community Development Downtown Grant Fund	Madison Street Project Fund	Western Tidewater Home Consortium Fund	Neighborhood Stabilization Program Fund	Cobbtown Grant Fund	Police Federal Forfeiture Fund	Police State Forfeiture Fund	Police Evidence Holding Fund	Camp Homestead Fund	Economic Development Fund	Willie Camp Younts Fund	Southview Cemetery Trust Fund	Cemetery Perpetual Care Trust Fund	Charles Smith Cemetery Trust Fund	Total
Revenues																			
Revenue from use of money and property	\$ -	\$ 4,500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,500	\$ 144,786	\$ 5	\$ -	\$ 2,614	\$ 10	\$ 153,415
Miscellaneous	5,749	-	33,000	-	-	2,140	158,397	-	-	-	-	-	-	15,037	-	-	-	-	214,323
Intergovernmental																			
Commonwealth of Virginia	74,187	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	74,187
Federal	-	-	-	-	-	267,340	-	-	-	-	-	-	-	-	-	-	-	-	267,340
Total Revenues	79,936	4,500	33,000	-	-	269,480	158,397	-	-	-	-	-	1,500	159,823	5	-	2,614	10	709,265
Expenditures																			
Current																			
Public safety	-	2,555	80,020	-	-	-	-	-	-	2,550	-	-	-	-	-	-	-	-	85,125
Health and welfare	165,196	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	165,196
Parks, recreation, and cultural	-	-	-	-	-	-	-	-	-	-	-	-	24,483	-	1,197	-	5	-	25,685
Community development	-	-	-	455	451	338,269	154,998	-	-	-	-	-	-	338,470	-	-	-	-	832,643
Total Expenditures	165,196	2,555	80,020	455	451	338,269	154,998	-	-	2,550	-	-	24,483	338,470	1,197	-	5	-	1,108,649
Excess (Deficiency) of Expenditures Over (Under) Revenues	(85,260)	1,945	(47,020)	(455)	(451)	(68,789)	3,399	-	-	(2,550)	-	-	(22,983)	(178,647)	(1,192)	-	2,609	10	(399,384)
Other Financing Sources (Uses)																			
Transfers in (out)	111,230	-	-	-	-	-	-	-	-	-	-	-	-	205,795	-	-	-	-	317,025
Total Other Financing Sources (Uses)	111,230	-	-	-	-	-	-	-	-	-	-	-	-	205,795	-	-	-	-	317,025
Net Change in Fund Balances	25,970	1,945	(47,020)	(455)	(451)	(68,789)	3,399	-	-	(2,550)	-	-	(22,983)	27,148	(1,192)	-	2,609	10	(82,359)
Fund Balances (Deficit) - Beginning of Year	-	4,193	80,455	146,592	4,125	(6,374)	17,974	20,096	33,697	15,300	7,921	1,477	29,355	-	51,707	3,482	113,521	12,752	536,273
Fund Balances (Deficit) - End of Year	\$ 25,970	\$ 6,138	\$ 33,435	\$ 146,137	\$ 3,674	\$ (75,163)	\$ 21,373	\$ 20,096	\$ 33,697	\$ 12,750	\$ 7,921	\$ 1,477	\$ 6,372	\$ 27,148	\$ 50,515	\$ 3,482	\$ 116,130	\$ 12,762	\$ 453,914

## City of Franklin, Virginia

## Combining Statement of Fiduciary Net Position

Agency Funds

June 30, 2017

	<u>Special Welfare - SSI Fund</u>	<u>Special Welfare Fund</u>	<u>Flexible Spending Fund</u>	<u>Employee Emergency Trust Fund</u>	<u>Smart Beginnings Fund</u>	<u>Fire and Rescue Volunteers Fund</u>	<u>Children's Center Fund</u>	<u>Total</u>
<b>Assets</b>								
Cash and cash equivalents	\$ 10,931	\$ 12,198	\$ 6,944	\$ 10,267	\$ 29,394	\$ 33,530	\$ 106	\$ 103,370
Total Assets	<u>\$ 10,931</u>	<u>\$ 12,198</u>	<u>\$ 6,944</u>	<u>\$ 10,267</u>	<u>\$ 29,394</u>	<u>\$ 33,530</u>	<u>\$ 106</u>	<u>\$ 103,370</u>
<b>Liabilities</b>								
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -	\$ 2,874	\$ -	\$ -	\$ 2,874
Amounts held for others	<u>10,931</u>	<u>12,198</u>	<u>6,944</u>	<u>10,267</u>	<u>26,520</u>	<u>33,530</u>	<u>106</u>	<u>100,496</u>
Total Liabilities	<u>\$ 10,931</u>	<u>\$ 12,198</u>	<u>\$ 6,944</u>	<u>\$ 10,267</u>	<u>\$ 29,394</u>	<u>\$ 33,530</u>	<u>\$ 106</u>	<u>\$ 103,370</u>

City of Franklin, Virginia

Combining Statements of Changes in Assets and Liabilities

Agency Funds

For the Year Ended June 30, 2017

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
<b>Special Welfare - SSI Fund</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 10,931	\$ -	\$ -	\$ 10,931
Total Assets	<u>\$ 10,931</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,931</u>
<b>Liabilities</b>				
Amounts held for others	\$ 10,931	\$ -	\$ -	\$ 10,931
Total Liabilities	<u>\$ 10,931</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,931</u>
<b>Special Welfare Fund</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 7,356	\$ 9,860	\$ 5,018	\$ 12,198
Total Assets	<u>\$ 7,356</u>	<u>\$ 9,860</u>	<u>\$ 5,018</u>	<u>\$ 12,198</u>
<b>Liabilities</b>				
Amounts held for others	\$ 7,356	\$ 9,860	\$ 5,018	\$ 12,198
Total Liabilities	<u>\$ 7,356</u>	<u>\$ 9,860</u>	<u>\$ 5,018</u>	<u>\$ 12,198</u>
<b>Flexible Spending Fund</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 8,169	\$ 30,397	\$ 31,622	\$ 6,944
Total Assets	<u>\$ 8,169</u>	<u>\$ 30,397</u>	<u>\$ 31,622</u>	<u>\$ 6,944</u>
<b>Liabilities</b>				
Amounts held for others	\$ 8,169	\$ 30,397	\$ 31,622	\$ 6,944
Total Liabilities	<u>\$ 8,169</u>	<u>\$ 30,397</u>	<u>\$ 31,622</u>	<u>\$ 6,944</u>
<b>Employee Emergency Trust Fund</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 9,311	\$ 4,854	\$ 3,898	\$ 10,267
Total Assets	<u>\$ 9,311</u>	<u>\$ 4,854</u>	<u>\$ 3,898</u>	<u>\$ 10,267</u>
<b>Liabilities</b>				
Amounts held for others	\$ 9,311	\$ 4,854	\$ 3,898	\$ 10,267
Total Liabilities	<u>\$ 9,311</u>	<u>\$ 4,854</u>	<u>\$ 3,898</u>	<u>\$ 10,267</u>

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b>Smart Beginnings Fund</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 33,325	\$ 110,608	\$ 114,539	\$ 29,394
Accounts receivable	5,000	-	5,000	-
Total Assets	<u>\$ 38,325</u>	<u>\$ 110,608</u>	<u>\$ 119,539</u>	<u>\$ 29,394</u>
<b>Liabilities</b>				
Accounts payable	\$ 4,236	\$ -	\$ 1,362	\$ 2,874
Amounts held for others	34,089	110,608	118,177	26,520
Total Liabilities	<u>\$ 38,325</u>	<u>\$ 110,608</u>	<u>\$ 119,539</u>	<u>\$ 29,394</u>
<b>Fire and Rescue Volunteers Fund</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 33,703	\$ 10,669	\$ 10,842	\$ 33,530
Total Assets	<u>\$ 33,703</u>	<u>\$ 10,669</u>	<u>\$ 10,842</u>	<u>\$ 33,530</u>
<b>Liabilities</b>				
Amounts held for others	\$ 33,703	\$ 10,669	\$ 10,842	\$ 33,530
Total Liabilities	<u>\$ 33,703</u>	<u>\$ 10,669</u>	<u>\$ 10,842</u>	<u>\$ 33,530</u>
<b>Children's Center Fund</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 30	\$ 478,804	\$ 478,728	\$ 106
Total Assets	<u>\$ 30</u>	<u>\$ 478,804</u>	<u>\$ 478,728</u>	<u>\$ 106</u>
<b>Liabilities</b>				
Amounts held for others	\$ 30	\$ 478,804	\$ 478,728	\$ 106
Total Liabilities	<u>\$ 30</u>	<u>\$ 478,804</u>	<u>\$ 478,728</u>	<u>\$ 106</u>
<b>Totals - All Agency Funds</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 102,825	\$ 645,192	\$ 644,647	\$ 103,370
Accounts receivable	5,000	-	5,000	-
Total Assets	<u>\$ 107,825</u>	<u>\$ 645,192</u>	<u>\$ 649,647</u>	<u>\$ 103,370</u>
<b>Liabilities</b>				
Accounts payable	\$ 4,236	\$ -	\$ 1,362	\$ 2,874
Amounts held for others	103,589	645,192	648,285	100,496
Total Liabilities	<u>\$ 107,825</u>	<u>\$ 645,192</u>	<u>\$ 649,647</u>	<u>\$ 103,370</u>



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

---

School Operating Fund accounts for the School Board's elementary, middle, and high schools. The Textbook Fund accounts for the distribution of textbooks to students. The Cafeteria Fund accounts for the operations of the school food services.

**City of Franklin, Virginia**  
Combining Balance Sheet  
Discretely Presented Component Unit - School Board  
June 30, 2017

	<b>School Operating Fund</b>	<b>Cafeteria Fund</b>	<b>Textbook Fund</b>	<b>Total Governmental Funds</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 73,263	\$ 349,676	\$ 195,056	\$ 617,995
<i>Receivables (net of allowance for uncollectibles)</i>				
Accounts receivable	3,736	684	168	4,588
Due from other funds	-	1,725	82,094	83,819
Due from other governmental units	558,986	48,490	-	607,476
Inventories	-	15,040	-	15,040
Total Assets	<u>\$ 635,985</u>	<u>\$ 415,615</u>	<u>\$ 277,318</u>	<u>\$ 1,328,918</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Due to other funds	\$ 83,819	\$ -	\$ -	\$ 83,819
Accounts payable and accrued liabilities	1,134,817	39,536	-	1,174,353
Total Liabilities	1,218,636	39,536	-	1,258,172
<b>Fund Balances</b>				
<i>Nonspendable</i>				
Inventory	-	15,040	-	15,040
<i>Restricted</i>				
Special revenue	(582,651)	361,039	277,318	55,706
Total Fund Balances (Deficit)	(582,651)	376,079	277,318	70,746
Total Liabilities and Fund Balances	<u>\$ 635,985</u>	<u>\$ 415,615</u>	<u>\$ 277,318</u>	<u>\$ 1,328,918</u>
<b>Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:</b>				
Total fund balances per above				\$ 70,746
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.				
Capital assets			\$ 17,628,364	
Less: Accumulated depreciation			(8,241,666)	9,386,698
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.				
Deferred outflows related to pensions			2,397,822	
Deferred inflows related to pensions			(1,216,719)	1,181,103
Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.				
Other postemployment benefits obligation			(255,934)	
Net pension liability			(14,137,371)	
Compensated absences			(203,628)	(14,596,933)
Net Position of Governmental Activities				<u>\$ (3,958,386)</u>

## City of Franklin, Virginia

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Governmental Funds - Discretely Presented Component Unit - School Board  
 For the Year Ended June 30, 2017

	<u>School Operating Fund</u>	<u>Cafeteria Fund</u>	<u>Textbook Fund</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>				
Revenue from use of money and property	\$ 4,948	\$ -	\$ 42	\$ 4,990
Charges for services	113,849	41,294	-	155,143
Miscellaneous	304,888	42,571	-	347,459
<b>Intergovernmental Revenues</b>				
Local government	4,987,395	-	-	4,987,395
Commonwealth	8,376,518	40,198	82,094	8,498,810
Federal	1,539,506	876,988	-	2,416,494
Total Revenues	15,327,104	1,001,051	82,136	16,410,291
<b>Expenditures</b>				
<b>Current</b>				
<i>Education</i>				
Instruction	11,483,958	-	45,226	11,529,184
Administration, attendance and health	1,121,429	-	-	1,121,429
Transportation	536,551	-	-	536,551
Operations and maintenance	1,677,957	-	-	1,677,957
Technology	854,313	-	-	854,313
Food services	-	886,967	-	886,967
Total Expenditures	15,674,208	886,967	45,226	16,606,401
Excess (Deficiency) of Revenues Over (Under) Expenditures	(347,104)	114,084	36,910	(196,110)
<b>Other Financing Sources (Uses)</b>				
Transfers in (out)	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	(347,104)	114,084	36,910	(196,110)
Fund Balances (Deficit) - Beginning	(235,547)	261,995	240,408	266,856
Fund Balances (Deficit) - Ending	<u>\$ (582,651)</u>	<u>\$ 376,079</u>	<u>\$ 277,318</u>	<u>\$ 70,746</u>
<b>Amounts reported for governmental activities in the Statement of Activities (Exhibit 2) are different because:</b>				
Net changes in fund balances - total governmental funds - per above				\$ (196,110)
<i>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 a computation of these differences.</i>				
Capital asset additions			\$ 561,395	
Capital dispositions			(222,317)	
Depreciation expense			<u>(428,219)</u>	(89,141)
<i>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.</i>				
Change in compensated absences			37,887	
Change in OPEB liability			(20,334)	
Change in VRS deferred outflows			901,488	
Change in VRS deferred inflows			606,223	
Change in VRS net pension liability			<u>(1,345,330)</u>	179,934
Change in Net Position of Governmental Activities				<u>\$ (105,317)</u>

## City 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, 2017

	<u>School Operating Fund</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues</b>				
Revenue from use of money and property	\$ -	\$ 2,500	\$ 4,948	\$ 2,448
Charges for services	-	130,000	113,849	(16,151)
Miscellaneous	132,500	273,995	304,888	30,893
<b>Intergovernmental</b>				
Local government	4,987,395	4,987,395	4,987,395	-
Commonwealth	8,167,666	8,825,589	8,376,518	(449,071)
Federal	2,305,366	2,330,406	1,539,506	(790,900)
<b>Total Revenues</b>	<b>15,592,927</b>	<b>16,549,885</b>	<b>15,327,104</b>	<b>(1,222,781)</b>
<b>Expenditures</b>				
<b>Current</b>				
<i>Education</i>				
Instruction	11,644,167	12,300,125	11,483,958	816,167
Administration, attendance and health	1,121,987	1,230,387	1,121,429	108,958
Transportation	458,777	533,777	536,551	(2,774)
Operations and maintenance	1,497,896	1,690,496	1,677,957	12,539
Technology	870,100	795,100	854,313	(59,213)
<b>Total Expenditures</b>	<b>15,592,927</b>	<b>16,549,885</b>	<b>15,674,208</b>	<b>875,677</b>
<b>Net Change in Fund Balances</b>	<b>\$ -</b>	<b>\$ -</b>	<b>(347,104)</b>	<b>\$ (347,104)</b>
<b>Fund Balances (Deficit) - Beginning</b>			<b>(235,547)</b>	
<b>Fund Balances (Deficit) - Ending</b>			<b>\$ (582,651)</b>	

**DISCRETELY PRESENTED COMPONENT UNIT – INDUSTRIAL DEVELOPMENT AUTHORITY**

---

## City of Franklin, Virginia

## Statement of Net Position

Discretely Presented Component Unit - Industrial Development Authority

June 30, 2017

Industrial  
Development  
Authority**Assets****Current Assets**

Cash and cash equivalents	\$ 14,316
---------------------------	-----------

Total Assets	\$ 14,316
--------------	-----------

**Net Position**

Unrestricted - community development	\$ 14,316
--------------------------------------	-----------

Total Net Position	\$ 14,316
--------------------	-----------

## City of Franklin, Virginia

## Statement of Revenues, Expenses, and Changes in Net Position

## Discretely Presented Component Unit - Industrial Development Authority

For the Year Ended June 30, 2017

	<b>Industrial Development Authority</b>
<b>Nonoperating Revenues</b>	
Interest income	\$ 2
Total Nonoperating Revenues	<u>2</u>
Change in Net Position	2
Total Net Position - Beginning	<u>14,314</u>
Total Net Position - Ending	<u><u>\$ 14,316</u></u>



## City of Franklin, Virginia

## Statement of Cash Flows

Discretely Presented Component Unit - Industrial Development Authority

For the Year Ended June 30, 2017

	<b>Industrial Development Authority</b>
<b>Cash Flows from Capital and Related Financing Activities</b>	<b>\$ -</b>
Net Cash Provided by (Used in) Capital and Related Financing Activities	-
<b>Cash Flows from Investing Activities</b>	
Interest and dividends received	<u>2</u>
Net Cash Provided by Investing Activities	<u>2</u>
Net Increase in Cash and Cash Equivalents	2
Cash and Cash Equivalents - Beginning	<u>14,314</u>
Cash and Cash Equivalents - Ending	<u><u>\$ 14,316</u></u>



City of Franklin, Virginia

Schedule of Revenues - Budget and Actual

For the Year Ended June 30, 2017

General Fund

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund</b>				
<b>Revenue from Local Sources</b>				
<i>General Property Taxes</i>				
Real property taxes	\$ 5,687,115	\$ 5,687,115	\$ 5,385,183	\$ (301,932)
Real and personal public service corporation taxes	68,000	68,000	68,614	614
Personal property taxes	1,545,000	1,545,000	1,629,725	84,725
Machinery and tools taxes	23,578	23,578	20,114	(3,464)
Penalties	95,000	95,000	99,305	4,305
Interest	60,000	60,000	47,039	(12,961)
Total General Property Taxes	7,478,693	7,478,693	7,249,980	(228,713)
<i>Other Local Taxes</i>				
Local sales and use taxes	1,823,000	1,823,000	1,799,419	(23,581)
Consumers' utility taxes	485,000	485,000	533,907	48,907
Probate taxes	2,500	2,500	5,001	2,501
Electric consumption taxes	31,000	31,000	31,254	254
Business license taxes	950,500	950,500	959,132	8,632
Motor vehicle license taxes	183,000	183,000	185,505	2,505
Bank stock taxes	65,000	65,000	56,930	(8,070)
Taxes on recordation and wills	46,000	46,000	49,729	3,729
Cigarette taxes	345,000	345,000	316,662	(28,338)
Lodging taxes	130,000	130,000	141,317	11,317
Restaurant food taxes	1,420,000	1,420,000	1,498,567	78,567
Total Other Local Taxes	5,481,000	5,481,000	5,577,423	96,423
<i>Permits, Privilege Fees, and Regulatory Licenses</i>				
Animal licenses	4,000	4,000	3,107	(893)
Building and related permits	150,470	376,276	496,800	120,524
Permits and other licenses	10,750	11,250	32,874	21,624
Total Permits, Privilege Fees, and Regulatory Licenses	165,220	391,526	532,781	141,255
<i>Fines and Forfeitures</i>				
Court fines and forfeitures	40,250	40,250	34,508	(5,742)
Total Fines and Forfeitures	40,250	40,250	34,508	(5,742)

<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>
<i>Revenues from Use of Money and Property</i>				
Revenue from use of money	3,250	3,250	959	(2,291)
Revenue from use of property	<u>240,796</u>	<u>250,796</u>	<u>231,423</u>	<u>(19,373)</u>
Total Revenue from Use of Money and Property	244,046	254,046	232,382	(21,664)
<i>Charges for Services</i>				
Law library and court fees	5,500	3,000	3,224	224
J & D Services - Southampton County	4,100	4,100	4,100	-
Fire and emergency services	128,051	128,051	128,051	-
Ambulance services	325,000	325,000	213,154	(111,846)
Janitorial services	17,000	17,000	16,883	(117)
Waste collection and disposal	210,560	210,560	210,560	-
Administration - water and sewer	291,908	291,908	291,908	-
Administration - airport	36,511	36,511	36,511	-
Administration - electric	425,887	425,887	425,887	-
Recreation fees and admissions	8,150	8,150	6,526	(1,624)
Other charges for services	<u>6,300</u>	<u>8,800</u>	<u>19,470</u>	<u>10,670</u>
Total Charges for Services	1,458,967	1,458,967	1,356,274	(102,693)
<i>Miscellaneous Revenue</i>				
Miscellaneous	28,500	32,347	57,429	25,082
Cemetery revenues	31,000	31,000	30,867	(133)
Late penalties and fees for utilities	313,000	313,000	306,864	(6,136)
Payment in lieu of taxes - water and sewer	26,450	26,450	26,460	10
Payment in lieu of taxes - electric	59,282	59,282	59,282	-
Payment in lieu of taxes - FRHA	7,000	7,000	6,195	(805)
Isle of Wight - revenue sharing	710,000	710,000	717,304	7,304
Southampton County - revenue sharing	<u>51,000</u>	<u>51,000</u>	<u>68,495</u>	<u>17,495</u>
Total Miscellaneous Revenue	1,226,232	1,230,079	1,272,896	42,817
<i>Recovered Costs</i>				
Southampton County inspections	270,000	270,000	180,556	(89,444)
Other recovered costs	<u>25,000</u>	<u>25,000</u>	<u>58,122</u>	<u>33,122</u>
Total Recovered Costs	<u>295,000</u>	<u>295,000</u>	<u>238,678</u>	<u>(56,322)</u>
Total Revenue from Local Sources	16,389,408	16,629,561	16,494,922	(134,639)

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>Revenue from the Commonwealth</b>				
<i>Noncategorical Aid</i>				
Railroad rolling stock tax	7,000	7,000	6,240	(760)
Motor vehicle rental tax	32,000	32,000	32,284	284
Communication taxes	565,000	565,000	524,288	(40,712)
State recordation tax	16,000	16,000	16,507	507
Personal property tax relief funds	1,048,897	1,048,897	1,048,897	-
Total Noncategorical Aid	1,668,897	1,668,897	1,628,216	(40,681)
<i>Categorical Aid</i>				
Shared Expenses				
Commissioner of revenue	79,876	79,876	78,859	(1,017)
Treasurer	72,896	72,896	71,515	(1,381)
Registrar/electoral board	34,723	34,723	35,297	574
Total Shared Expenses	187,495	187,495	185,671	(1,824)
Other Categorical Aid				
HB 599 Law Enforcement Grant	417,544	417,544	417,544	-
Fire and rescue grant	7,150	7,150	35,170	28,020
Street and highway maintenance funds	1,634,551	1,690,241	1,690,241	-
Litter control grants	-	6,192	6,192	-
Wireless 911 grant	50,000	50,000	53,644	3,644
Disaster Matthew state aid	-	-	24,868	24,868
Other state grant - armory operations	13,000	13,000	12,149	(851)
VDOT Paving Award	-	246,781	246,781	-
Arts grant	5,000	10,000	5,000	(5,000)
Total Other Categorical Aid	2,127,245	2,440,908	2,491,589	50,681
Total Categorical Aid	2,314,740	2,628,403	2,677,260	48,857
Total Revenue from the Commonwealth	3,983,637	4,297,300	4,305,476	8,176
<b>Revenue from the Federal Government</b>				
<i>Categorical Aid</i>				
Emergency services grant	16,595	16,595	16,595	-
Police grants	-	12,120	5,400	(6,720)
Total Categorical Aid	16,595	28,715	21,995	(6,720)
Total Revenue from the Federal Government	16,595	28,715	21,995	(6,720)
Total Intergovernmental Revenue	4,000,232	4,326,015	4,327,471	1,456
Total General Fund	<u>\$ 20,389,640</u>	<u>\$ 20,955,576</u>	<u>\$ 20,822,393</u>	<u>\$ (133,183)</u>

City of Franklin, Virginia

Statement of Expenditures - Budget and Actual

For the Year Ended June 30, 2017

General Fund

<u>Fund, Function, Activity, and Elements</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund</b>				
<b>General Government Administration</b>				
<i>Legislative</i>				
City council	\$ 185,518	\$ 153,492	\$ 150,230	\$ 3,262
<i>General and Financial Administration</i>				
City manager	209,138	209,138	198,769	10,369
City attorney	190,580	205,580	195,070	10,510
Management services and human resources	138,854	138,854	98,242	40,612
Commissioner of revenue	264,809	265,609	260,616	4,993
Real estate assessor	61,525	60,725	59,247	1,478
Treasurer	301,342	301,342	286,282	15,060
Accounting	337,711	337,711	328,306	9,405
Merchant card fees	22,000	60,000	60,475	(475)
Purchasing	90,279	90,279	86,249	4,030
Utility billings and collections	246,308	253,308	244,047	9,261
Insurance	178,159	178,159	190,731	(12,572)
Information Technology	171,278	289,771	191,942	97,829
Total General and Financial Administration	2,211,983	2,390,476	2,199,976	190,500
<i>Board of Elections</i>				
Electoral board and officials	114,638	114,638	115,785	(1,147)
Total Board of Elections	114,638	114,638	115,785	(1,147)
Total General Government Administration	2,512,139	2,658,606	2,465,991	192,615
<b>Judicial Administration</b>				
<i>Courts</i>				
Circuit court - joint operations	9,036	9,036	9,036	-
General district court	18,091	18,091	14,477	3,614
Sheriff's office	132,877	132,877	132,877	-
Clerk of the circuit court	50,089	50,089	50,089	-
Juvenile and domestic relations court	57,882	73,416	86,834	(13,418)
Total Courts	267,975	283,509	293,313	(9,804)

<u>Fund, Function, Activity, and Elements</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<i>Commonwealth's Attorney</i>	61,855	63,855	63,855	-
Total Commonwealth's Attorney	61,855	63,855	63,855	-
Total Judicial Administration	329,830	347,364	357,168	(9,804)
<b>Public Safety</b>				
<i>Law Enforcement and Traffic Control</i>				
Police department	3,017,600	3,030,120	2,907,778	122,342
Total Law Enforcement and Traffic Control	3,017,600	3,030,120	2,907,778	122,342
<i>Emergency Services</i>				
E-911 operations	642,947	642,947	618,469	24,478
Emergency management services	2,329,950	2,365,307	2,292,718	72,589
Total Emergency Services	2,972,897	3,008,254	2,911,187	97,067
<i>Correction and Detention</i>				
Detention - Western Tidewater Regional Jail	921,980	921,980	921,980	-
Total Correction and Detention	921,980	921,980	921,980	-
<i>Inspections</i>				
Building	510,362	537,742	512,412	25,330
Total Inspections	510,362	537,742	512,412	25,330
<i>Other Protection</i>				
Animal control	105,308	105,308	89,059	16,249
Total Other Protection	105,308	105,308	89,059	16,249
Total Public Safety	7,528,147	7,603,404	7,342,416	260,988
<b>Public Works</b>				
<i>Maintenance of highways, streets, bridges, and sidewalks</i>				
Streets and highways	1,863,539	2,367,809	2,189,405	178,404
Snow removal	16,500	18,500	18,722	(222)
Garage	233,442	233,442	231,137	2,305
Total Maintenance of Highways, Streets, Bridges, and Sidewalks	2,113,481	2,619,751	2,439,264	180,487



<u>Fund, Function, Activity, and Elements</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<i>Maintenance of General Buildings and Grounds</i>				
Maintenance of general buildings and grounds	667,722	698,622	695,346	3,276
Maintenance of armory	48,586	47,836	37,189	10,647
Maintenance of city hall	204,035	197,535	194,743	2,792
Maintenance of social services	80,676	87,926	83,331	4,595
Maintenance of health department	34,533	34,533	27,255	7,278
Total Maintenance of General Buildings and Grounds	1,035,552	1,066,452	1,037,864	28,588
Total Public Works	3,149,033	3,686,203	3,477,128	209,075
<b>Health and Welfare</b>				
<i>Health</i>				
Local health department	110,000	110,000	110,000	-
Mental health	35,198	35,198	35,198	-
Senior Citizens Title III	6,659	6,659	-	6,659
Senior Citizens Nutrition	45,679	46,979	46,145	834
Total Health	197,536	198,836	191,343	7,493
Total Health and Welfare	197,536	198,836	191,343	7,493
<b>Education</b>				
Contribution to local school board	4,987,395	4,987,395	4,987,395	-
Total Education	4,987,395	4,987,395	4,987,395	-
<b>Parks, Recreation, and Cultural</b>				
<i>Parks and Recreation</i>				
Programs and operations	374,601	385,727	385,502	225
Cemeteries	40,500	40,500	42,262	(1,762)
Total Parks and Recreation	415,101	426,227	427,764	(1,537)
<i>Library</i>				
Library administration	304,725	304,725	298,986	5,739
Total Library	304,725	304,725	298,986	5,739
Total Parks, Recreation, and Cultural	719,826	730,952	726,750	4,202

<u>Fund, Function, Activity, and Elements</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>Community Development</b>				
<i>Planning and Community Development</i>				
Planning and zoning	200,933	233,553	217,892	15,661
Beautification commission	5,000	19,528	9,173	10,355
Downtown development	100,230	111,250	107,921	3,329
Payments to Southampton County	<u>700,000</u>	<u>700,000</u>	<u>651,192</u>	<u>48,808</u>
Total Planning and Community Development	<u>1,006,163</u>	<u>1,064,331</u>	<u>986,178</u>	<u>78,153</u>
Total Community Development	1,006,163	1,064,331	986,178	78,153
<b>Debt Service</b>				
Capital lease payments	<u>-</u>	<u>25,740</u>	<u>25,740</u>	<u>-</u>
Total Debt Service	<u>-</u>	<u>25,740</u>	<u>25,740</u>	<u>-</u>
Total General Fund	<u>\$ 20,430,069</u>	<u>\$ 21,302,831</u>	<u>\$ 20,560,109</u>	<u>\$ 742,722</u>

## City of Franklin, Virginia

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Capital Projects Fund</b>				
<b>Revenues</b>				
Revenue from use of money - interest income	\$ -	\$ -	\$ 1,009	\$ 1,009
Miscellaneous	-	-	24,287	24,287
Total Revenues	-	-	25,296	25,296
<b>Expenditures</b>				
<b>Current</b>				
General government administration	-	44,405	44,405	-
Public safety	-	207,480	198,911	8,569
Public works	-	205,000	136,866	68,134
Education	-	144,258	56,109	88,149
Total Expenditures	-	601,143	436,291	164,852
Net Change in Fund Balance	-	(601,143)	(410,995)	\$ 190,148
From Surplus	-	601,143	-	(601,143)
Net Change in Fund Balance after Surplus	\$ -	\$ -	(410,995)	\$ (410,995)
Fund Balance - Beginning of Year			182,859	
Fund Balance (Deficit) - End of Year			<u>\$ (228,136)</u>	
<b>Debt Service Fund</b>				
<b>Revenues</b>				
Revenue from use of money - interest income	\$ 25,000	\$ 25,000	\$ 59,072	\$ 34,072
Total Revenues	25,000	25,000	59,072	34,072
<b>Expenditures</b>				
<b>Current - Debt Service</b>				
Debt service - principal payments	717,678	717,678	547,673	170,005
Debt service - interest payments and other fees	402,636	409,084	415,779	(6,695)
Total Expenditures	1,120,314	1,126,762	963,452	163,310
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,095,314)	(1,101,762)	(904,380)	197,382
<b>Other Financing Sources (Uses)</b>				
Transfers in	1,095,314	1,101,762	1,133,457	31,695
Total Other Financing Sources (Uses)	1,095,314	1,101,762	1,133,457	31,695
Net Change in Fund Balance	\$ -	\$ -	229,077	\$ 229,077
Fund Balance - Beginning of Year			2,097,630	
Fund Balance - End of Year			<u>\$ 2,326,707</u>	

## STATISTICAL TABLES

---

This section of the City of Franklin, Virginia's Financial Statements presents detailed information as a perspective for understanding what the information contained in the financial statements, notes, and required supplementary information convey about the overall financial position of the City of Franklin, Virginia.

## STATISTICAL SECTION

### CONTENTS

### TABLES

#### ***Financial Trends***

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

1-8

#### ***Revenue Capacity***

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

9-14

#### ***Debt Capacity***

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

15-18

#### ***Demographic and Economic Information***

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

19-20

#### ***Operating Information***

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

21-23

#### ***Sources***

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

Table 1

## City of Franklin, Virginia

## Government-Wide Revenues

Year Ended June 30,

<u>Fiscal Year</u>	<u>Program Revenues</u>				<u>General Revenues</u>				
	<u>Charges for Services</u>	<u>Operating Grants and Contribution</u>	<u>Capital Grants and Contributions</u>	<u>General Property Taxes and Other Local Taxes</u>	<u>Revenue Sharing from Counties</u>	<u>Grants and Contributions Not Restricted to Specific Programs</u>	<u>Unrestricted Investment Earnings and Use of Property</u>	<u>Miscellaneous</u>	<u>Total</u>
<b>2017</b>	<b>\$ 21,293,588</b>	<b>\$ 4,349,358</b>	<b>\$ -</b>	<b>\$ 12,801,214</b>	<b>\$ 785,799</b>	<b>\$ 1,628,216</b>	<b>\$ 447,219</b>	<b>\$ 771,580</b>	<b>\$ 42,076,974</b>
2016	19,565,443	4,473,028	-	12,871,881	709,171	1,639,089	427,293	879,193	40,565,098
2015	21,723,121	4,188,762	1,113,036	12,623,788	704,969	1,662,463	676,115	692,495	43,384,749
2014	21,275,915	4,036,731	93,223	12,008,907	556,765	1,663,516	706,839	438,559	40,780,455
2013	20,063,868	3,935,552	178,275	12,028,857	243,503	1,668,047	430,218	346,392	38,894,712
2012	19,021,975	3,790,723	22,006	11,752,727	1,212,182	1,666,230	367,899	359,583	38,193,325
2011	19,898,355	4,638,338	109,004	11,431,190	438,746	1,663,699	341,820	249,154	38,770,306
2010	18,285,763	4,077,928	2,072,735	11,579,344	1,316,661	1,673,064	354,881	305,705	39,666,081
2009	19,491,230	4,056,878	758,780	12,482,692	1,310,461	1,108,120	362,362	533,867	40,104,390
2008	18,313,540	2,520,711	2,537,650	11,988,424	1,279,456	1,323,968	474,392	1,015,319	39,453,460

Table 2

City of Franklin, Virginia															
Government-Wide Expenses by Function															
Year Ended June 30,															
Fiscal Year	General Government	Judicial	Public Safety	Public Works	Health and Welfare	Education	Parks, Recreation, and Cultural	Community Develop- ment	Non- Depart- mental	Interest on Long-Term Debt	Water and Sewer	Solid Waste	Electric	Airport	Total
2017	\$ 2,846,060	\$ 357,168	\$ 7,653,661	\$ 2,214,262	\$ 1,845,518	\$ 5,085,157	\$ 899,851	\$ 1,821,402	\$ -	\$ 405,480	\$ 2,854,187	\$ 1,209,202	\$ 12,697,183	\$ 583,462	\$ 40,472,593
2016	2,607,038	307,583	7,037,551	2,988,081	2,026,852	6,231,066	848,064	2,013,965	49,188	758,348	2,742,836	1,235,963	13,566,039	515,723	42,928,297
2015	2,408,961	320,562	7,924,624	3,628,604	2,035,529	6,998,339	904,944	1,431,913	46,326	402,324	4,624,837	-	14,466,480	1,365,962	46,559,405
2014	1,581,531	312,767	6,806,355	3,457,133	1,890,689	5,753,084	778,365	1,714,373	63,905	458,420	2,927,576	-	13,464,599	631,437	39,840,234
2013	2,464,954	390,639	6,477,498	4,042,630	2,029,046	4,757,834	987,498	1,238,138	88,315	862,901	2,784,937	-	12,742,843	599,945	39,467,178
2012	2,797,507	408,025	6,331,863	4,702,151	1,883,150	4,373,992	1,026,675	1,457,880	41,283	434,988	2,972,701	-	13,153,530	351,863	39,935,608
2011	2,451,215	417,073	6,638,673	4,123,252	2,092,175	4,762,168	1,045,170	2,134,311	-	240,711	3,025,608	-	12,315,508	571,057	39,816,921
2010	2,301,552	227,580	5,786,765	4,497,628	2,406,592	4,633,929	1,049,424	1,370,039	-	549,261	3,069,237	-	10,319,351	572,686	36,784,044
2009	2,570,721	238,213	6,175,136	4,328,943	2,607,817	4,866,262	1,156,868	1,249,752	-	554,434	2,994,753	-	12,844,876	584,294	40,172,069
2008	2,648,658	254,382	5,244,287	4,360,802	2,479,570	5,005,226	1,030,677	1,551,031	-	594,528	3,028,136	-	11,084,995	637,885	37,920,177

**Note:** Beginning in 2016, Solid Waste expenses will be broken out separately. Previously, these numbers are included with Water and Sewer.

## City of Franklin, Virginia

## General Governmental Revenues by Source

Year Ended June 30,

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
General property taxes	\$ 7,249,980	\$ 7,343,086	\$ 7,037,730	\$ 6,810,144	\$ 6,761,228	\$ 6,531,186	\$ 6,564,430	\$ 6,530,638	\$ 6,738,891	\$ 6,583,034
Other local taxes	5,577,423	5,566,974	5,586,058	5,198,763	5,267,629	5,221,541	4,931,497	5,496,343	5,508,466	5,612,005
Permits, fees, and licenses	532,781	173,306	239,299	168,629	54,736	65,986	43,827	42,070	50,721	85,785
Fines and forfeitures	34,508	31,899	32,553	37,418	63,941	60,735	67,659	62,877	59,119	51,650
Use of money and property	450,868	532,087	545,633	423,159	390,886	368,747	344,072	355,363	363,039	380,946
Charges for services	1,511,417	1,417,125	1,484,170	1,380,953	2,740,501	2,673,776	2,813,659	2,716,955	2,395,449	2,205,796
Miscellaneous and donations	1,878,594	2,152,732	1,607,125	1,290,444	755,490	1,783,730	925,311	1,965,875	2,212,987	2,561,414
Recovered costs	238,678	297,156	248,457	284,056	51,320	132,719	69,151	140,199	109,572	208,839
Intergovernmental	<u>16,767,764</u>	<u>16,349,319</u>	<u>17,445,443</u>	<u>16,823,269</u>	<u>16,412,826</u>	<u>16,262,051</u>	<u>16,919,937</u>	<u>16,640,925</u>	<u>17,063,702</u>	<u>17,187,544</u>
Total	<u>\$ 34,242,013</u>	<u>\$ 33,863,684</u>	<u>\$ 34,226,468</u>	<u>\$ 32,416,835</u>	<u>\$ 32,498,557</u>	<u>\$ 33,100,471</u>	<u>\$ 32,679,543</u>	<u>\$ 33,951,245</u>	<u>\$ 34,501,946</u>	<u>\$ 34,877,013</u>

**Note:** Includes General, Special Revenue, Debt Service, Permanent, Capital Project, School Operating, Textbook and School Cafeteria Funds. School Funds are reported in the component unit section of the financial statements but are included here as they are a component of the general government function.



## City of Franklin, Virginia

## General Governmental Expenditures by Function

Last Ten Fiscal Years Ended June 30,

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
General government administration	\$ 2,510,396	\$ 2,854,178	\$ 2,211,912	\$ 2,173,109	\$ 2,017,868	\$ 2,064,443	\$ 2,060,446	\$ 2,083,550	\$ 2,231,540	\$ 2,342,771
Judicial administration	357,168	295,583	320,562	312,767	390,639	408,025	417,073	226,508	236,455	260,681
Public safety	7,626,452	7,197,590	7,537,609	7,051,828	6,082,876	5,916,167	6,039,390	5,379,484	5,871,389	5,132,088
Public works	3,613,994	3,610,007	2,970,313	3,874,669	3,591,932	4,277,392	4,644,403	4,253,984	4,155,038	4,279,138
Health and welfare	1,804,334	2,020,091	1,990,435	1,919,290	1,990,673	1,856,751	2,047,487	2,314,766	2,531,118	2,418,143
Education	16,662,510	17,745,962	18,687,553	17,167,862	16,064,811	15,680,694	15,627,197	16,189,511	16,245,264	16,260,078
Parks, recreation, and cultural	752,435	694,894	728,009	890,590	845,750	852,091	867,991	877,561	1,098,785	1,142,871
Community development	1,818,821	2,011,098	1,431,913	1,714,373	1,238,138	1,457,880	2,162,246	1,486,489	1,306,902	1,553,177
Nondepartmental	-	49,188	46,326	39,835	64,245	41,283	104,155	61,375	50,554	782,653
Capital projects	-	-	-	-	-	-	-	46,127	152,417	1,231,340
<i>Debt service</i>										
Principal retirement	547,673	6,245,308	480,082	355,041	4,193,126	480,037	674,229	1,173,938	1,157,421	1,041,923
Interest and fiscal charges	441,519	785,550	402,324	417,441	2,074,953	434,988	318,941	1,066,708	577,131	589,825
Totals	<u>\$ 36,135,302</u>	<u>\$ 43,509,449</u>	<u>\$ 36,807,038</u>	<u>\$ 35,916,805</u>	<u>\$ 38,555,011</u>	<u>\$ 33,469,751</u>	<u>\$ 34,963,558</u>	<u>\$ 35,160,001</u>	<u>\$ 35,614,014</u>	<u>\$ 37,034,688</u>

**Note:** Includes General, Special Revenue, Debt Service, Permanent, Capital Projects, School Operating, Textbook and School Cafeteria Funds. School Funds are reported in the component unit section of the financial statements, but are included here as they are a component of the general government function.

## City of Franklin, Virginia

## Fund Balances - Governmental Funds

Last Ten Fiscal Years Ended June 30,

	<u>2010</u>	<u>2009</u>	<u>2008</u>				
<b>Pre-GASB 54 Implementation</b>							
<b>General Fund</b>							
Unreserved	\$ 5,211,536	\$ 4,671,350	\$ 3,998,815				
Total General Fund	<u>\$ 5,211,536</u>	<u>\$ 4,671,350</u>	<u>\$ 3,998,815</u>				
<b>All Other Governmental Funds</b>							
Reserved	\$ 834,736	\$ 644,623	\$ 460,698				
<i>Unreserved, reported in</i>							
Special revenue funds	1,094,142	1,297,002	1,460,560				
Debt service funds	(325,499)	(280,924)	-				
Capital projects funds	118,884	89,921	192,338				
Permanent funds	136,060	129,787	126,030				
Total All Other Governmental Funds	<u>\$ 1,858,323</u>	<u>\$ 1,880,409</u>	<u>\$ 2,239,626</u>				
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
<b>Post-GASB 54 Implementation</b>							
<b>General Fund</b>							
Nonspendable	\$ 969,874	\$ 969,874	\$ 969,874	\$ 969,874	\$ 969,874	\$ 969,874	\$ 978,500
Restricted	58,743	98,743	493,480	240,686	1,070,252	80,000	146,044
Committed	-	-	7,336	496,110	643,174	230,972	343,194
Assigned	-	203,799	475,028	1,113,614	2,366,148	2,588,020	1,212,612
Unassigned	5,546,439	5,490,089	5,123,487	4,071,412	3,648,940	3,084,828	2,381,262
Total General Fund	<u>\$ 6,575,056</u>	<u>\$ 6,762,505</u>	<u>\$ 7,069,205</u>	<u>\$ 6,891,696</u>	<u>\$ 8,698,388</u>	<u>\$ 6,953,694</u>	<u>\$ 5,061,612</u>
<b>All Other Governmental Funds</b>							
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ 219,584	\$ 226,048	\$ 226,048
Restricted	3,205,897	2,816,762	744,137	2,354,530	1,780,661	1,478,166	1,728,261
Committed	-	-	-	-	7,575	-	-
Assigned	-	-	3,126,402	1,185,642	1,976,098	98,268	180,277
<i>Unassigned, reported in</i>							
Special revenue funds	(431,058)	-	2,845	2,845	(10,606)	(20,380)	(49,310)
Total All Other Governmental Funds	<u>\$ 2,774,839</u>	<u>\$ 2,816,762</u>	<u>\$ 3,873,384</u>	<u>\$ 3,543,017</u>	<u>\$ 3,973,312</u>	<u>\$ 1,782,102</u>	<u>\$ 2,085,276</u>
Total All Governmental Funds	<u>\$ 9,349,895</u>	<u>\$ 9,579,267</u>	<u>\$ 10,942,589</u>	<u>\$ 10,434,713</u>	<u>\$ 12,671,700</u>	<u>\$ 8,735,796</u>	<u>\$ 7,146,888</u>

**Note:** FY2011 was the first year the City implemented GASB 54, which revised fund balance classifications.

Table 6

City of Franklin, Virginia										
Changes in Fund Balance - Governmental Funds										
Last Ten Fiscal Years Ended June 30,										
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Revenues</b>										
General property taxes	\$ 7,249,980	\$ 7,343,086	\$ 7,037,730	\$ 6,810,144	\$ 6,761,228	\$ 6,531,186	\$ 6,564,430	\$ 6,530,638	\$ 6,738,891	\$ 6,583,034
Other local taxes	5,577,423	5,566,974	5,586,058	5,198,763	5,267,629	5,221,541	4,931,497	5,496,343	5,508,466	5,612,005
Permits, privilege fees, and regulatory licenses	532,781	173,306	239,299	168,629	54,736	65,986	43,827	42,070	50,721	85,785
Fines and forfeitures	34,508	31,899	32,553	37,418	63,941	60,735	67,659	62,877	59,119	51,650
Revenue from use of money and property	445,878	524,433	433,216	423,111	386,324	367,899	341,820	354,881	362,362	380,114
Charges for services	1,356,274	1,375,315	1,433,589	1,380,953	2,615,929	2,557,279	2,700,399	2,573,185	2,235,778	2,053,757
Miscellaneous	1,531,135	1,581,331	1,397,464	995,324	589,895	1,500,459	687,900	1,622,366	1,844,328	2,294,775
Recovered costs	238,678	296,988	242,899	283,729	43,894	71,306	27,261	100,749	61,314	82,857
Intergovernmental	5,852,460	6,056,065	6,069,592	5,787,624	5,603,598	5,456,953	6,302,037	5,214,853	5,821,774	6,376,876
Total Revenues	22,819,117	22,949,397	22,472,400	21,085,695	21,387,174	21,833,344	21,666,830	21,997,962	22,682,753	23,520,853
<b>Expenditures</b>										
<b>Current</b>										
General government administration	2,510,396	2,854,178	2,211,912	2,173,109	2,017,868	2,064,443	2,060,446	2,083,550	2,231,540	2,342,771
Judicial administration	357,168	295,583	320,562	312,767	390,639	408,025	417,073	226,508	236,455	260,681
Public safety	7,626,452	7,197,590	7,537,609	7,051,828	6,082,876	5,916,167	6,039,390	5,379,484	5,871,389	5,132,088
Public works	3,613,994	3,610,007	2,970,313	3,874,669	3,591,932	4,277,392	4,644,403	4,253,984	4,155,038	4,279,138
Health and welfare	1,804,334	2,020,091	1,990,435	1,919,290	1,990,673	1,856,751	2,047,487	2,314,766	2,531,118	2,418,143
Education	5,043,504	6,563,431	6,892,767	5,820,046	4,677,791	4,276,230	4,664,406	4,490,040	4,620,576	4,651,368
Parks, recreation, and cultural	752,435	694,894	728,009	890,590	845,750	852,091	867,991	877,561	1,098,785	1,142,871
Community development	1,818,821	2,011,098	1,431,913	1,714,373	1,238,138	1,457,880	2,162,246	1,486,489	1,306,902	1,553,177
Nondepartmental	-	49,188	46,326	39,835	64,245	41,283	104,155	61,375	50,554	782,653
Capital projects	-	-	-	-	-	-	-	46,127	152,417	1,231,340
<b>Debt service</b>										
Principal retirement	547,673	6,245,308	480,082	355,041	4,193,126	480,037	674,229	1,173,938	1,157,421	1,041,923
Interest and other fiscal charges	441,519	785,550	402,324	417,441	2,074,593	434,988	318,941	1,066,708	577,131	589,825
Total Expenditures	24,516,296	32,326,918	25,012,252	24,568,989	27,167,631	22,065,287	24,000,767	23,460,530	23,989,326	25,425,978
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,697,179)	(9,377,521)	(2,539,852)	(3,483,294)	(5,780,457)	(231,943)	(2,333,937)	(1,462,568)	(1,306,573)	(1,905,125)
<b>Other Financing Sources (Uses)</b>										
Issuance of debt	-	6,117,000	1,816,000	-	8,137,578	-	-	5,235,000	-	400,000
Payment to refunding bond escrow agent	-	-	-	-	-	-	-	(4,828,997)	-	-
Premium on issuance of bonds	-	-	-	-	-	-	-	84,500	-	-
Discount on sale of bonds	-	-	-	-	-	-	-	-	-	-
Transfers in	3,520,736	3,222,004	3,207,161	3,185,390	3,581,305	3,428,856	4,634,273	4,139,028	3,878,065	4,271,190
Transfers out	(2,052,929)	(1,767,674)	(1,897,291)	(1,872,093)	(2,020,222)	(1,599,773)	(2,625,576)	(2,648,863)	(2,258,174)	(2,504,983)
Issuance of capital leases	-	461,416	-	-	-	-	318,975	-	-	745,578
Total Other Financing Sources (Uses)	1,467,807	8,032,746	3,125,870	1,313,297	9,698,661	1,829,083	2,327,672	1,980,668	1,619,891	2,911,785
Net Change in Fund Balances	\$ (229,372)	\$ (1,344,775)	\$ 586,018	\$ (2,169,997)	\$ 3,918,204	\$ 1,597,140	\$ (6,265)	\$ 518,100	\$ 313,318	\$ 1,006,660
Debt Service as a Percentage of Noncapital Expenditures	4%	22%	4%	3%	23%	4%	4%	10%	7%	6%

Table 7

City of Franklin, Virginia										
Net Position by Component										
June 30,										
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
<b>Governmental Activities</b>										
Invested in capital assets - net of related debt	<b>\$ 10,732,282</b>	\$ 7,885,690	\$ 7,820,476	\$ 12,910,601	\$ 9,300,806	\$ 15,514,000	\$ 16,568,294	\$ 17,477,560	\$ 17,319,997	\$ 16,777,541
Restricted	<b>3,264,640</b>	3,119,104	1,237,617	2,595,216	2,850,913	1,062,775	1,032,007	-	-	-
Unrestricted	<u><b>411,654</b></u>	<u>2,268,401</u>	<u>9,783,115</u>	<u>5,556,004</u>	<u>9,820,786</u>	<u>5,786,923</u>	<u>4,558,481</u>	<u>4,919,147</u>	<u>4,374,403</u>	<u>4,188,340</u>
Total Governmental Activities	<b>14,408,576</b>	13,273,195	18,841,208	21,061,821	21,972,505	22,363,698	22,158,782	22,396,707	21,694,400	20,965,881
<b>Business-Type Activities</b>										
Invested in capital assets - net of related debt	<b>7,563,748</b>	7,194,170	5,967,851	6,677,554	5,949,747	8,095,793	8,400,534	9,228,349	8,004,309	8,388,252
Restricted	<b>-</b>	-	-	-	700,333	-	-	-	-	-
Unrestricted	<u><b>580,875</b></u>	<u>(426,206)</u>	<u>1,904,949</u>	<u>2,798,246</u>	<u>1,702,628</u>	<u>438,188</u>	<u>2,080,645</u>	<u>2,748,995</u>	<u>1,786,860</u>	<u>2,191,355</u>
Total Business-Type Activities	<b>8,144,623</b>	6,767,964	7,872,800	9,475,800	8,352,708	8,533,981	10,481,179	11,977,344	9,791,169	10,579,607
<b>Primary Government</b>										
Invested in capital assets - net of related debt	<b>18,296,030</b>	15,079,860	13,788,327	19,588,155	15,250,553	23,609,793	24,968,828	26,705,909	25,324,306	25,165,793
Restricted	<b>3,264,640</b>	3,119,104	1,237,617	2,595,216	3,551,246	1,062,775	1,032,007	-	-	-
Unrestricted	<u><b>992,529</b></u>	<u>1,842,195</u>	<u>11,688,064</u>	<u>8,354,250</u>	<u>11,523,414</u>	<u>6,225,111</u>	<u>6,639,126</u>	<u>7,668,142</u>	<u>6,161,263</u>	<u>6,379,695</u>
Total Primary Government	<u><b>\$ 22,553,199</b></u>	<u>\$ 20,041,159</u>	<u>\$ 26,714,008</u>	<u>\$ 30,537,621</u>	<u>\$ 30,325,213</u>	<u>\$ 30,897,679</u>	<u>\$ 32,639,961</u>	<u>\$ 34,374,051</u>	<u>\$ 31,485,569</u>	<u>\$ 31,545,488</u>

## City of Franklin, Virginia

Change in Net Position

Ended June 30,

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
<b>Expenses</b>										
<b>Governmental Activities</b>										
General government administration	\$ 2,846,060	\$ 2,656,226	\$ 2,455,287	\$ 1,645,436	\$ 2,553,269	\$ 2,838,790	\$ 2,451,215	\$ 2,301,552	\$ 2,570,721	\$ 2,648,658
Judicial	357,168	307,583	320,562	312,767	390,639	408,025	417,073	227,580	238,213	254,382
Public safety	7,653,661	7,037,551	7,924,624	6,806,355	6,477,498	6,331,863	6,638,673	5,799,871	6,175,136	5,244,287
Public works	2,214,262	2,988,081	3,628,604	3,457,133	4,042,630	4,702,151	4,123,252	4,497,628	4,328,943	4,360,802
Health and welfare	1,845,518	2,026,852	2,035,529	1,890,689	2,029,046	1,883,150	2,092,175	2,406,592	2,607,817	2,479,570
Education	5,085,157	6,231,066	6,998,339	5,753,084	4,757,834	4,373,992	4,762,168	4,633,929	4,866,262	5,005,226
Parks, recreation, and cultural	899,851	848,064	904,944	778,365	987,498	1,026,675	1,045,170	1,049,424	1,156,868	1,030,677
Community development	1,821,402	2,013,965	1,431,913	1,714,373	1,238,138	1,457,880	2,134,311	1,273,639	1,249,752	1,551,031
Interest on long-term debt	405,480	758,348	402,324	458,420	862,901	434,988	240,711	549,261	554,434	594,528
Total Governmental Activities	23,128,559	24,867,736	26,102,126	22,816,622	23,339,453	23,457,514	23,904,748	22,739,476	23,748,146	23,169,161
<b>Business-Type Activities</b>										
Water and sewer	2,854,187	2,742,836	3,275,718	2,927,576	2,784,937	2,972,701	3,025,608	3,069,237	2,994,753	3,028,136
Solid waste	1,209,202	1,235,963	1,349,119	1,319,111	-	-	-	-	-	-
Electric	12,697,183	13,566,039	14,466,480	13,464,599	12,742,843	13,153,530	12,315,508	11,107,273	12,844,876	11,084,995
Airport	583,462	515,723	1,365,962	631,437	599,945	351,863	571,057	572,686	584,294	637,885
Total Business-Type Activities	17,344,034	18,060,561	20,457,279	18,342,723	16,127,725	16,478,094	15,912,173	14,749,196	16,423,923	14,751,016
Total Expenses	40,472,593	42,928,297	46,559,405	41,159,345	39,467,178	39,935,608	39,816,921	37,488,672	40,172,069	37,920,177
<b>Program Revenues</b>										
<b>Governmental Activities</b>										
<i>Charges for Services</i>										
General government administration	984,336	732,066	242,355	384,455	148,629	630,502	613,208	662,101	615,929	607,034
Judicial	7,324	11,875	37,251	41,794	69,127	68,562	88,075	14,432	17,509	9,601
Public safety	375,713	416,434	457,629	422,447	381,946	441,386	529,385	510,261	464,978	384,793
Public works	549,664	407,055	960,179	710,310	2,119,550	1,517,698	1,535,386	1,469,356	1,207,847	1,101,485
Health and welfare	-	5,524	(1,594)	17,141	-	-	16,112	-	9,503	34,060
Parks, recreation, and cultural	6,526	7,566	9,621	10,853	15,356	13,783	17,327	14,418	20,197	22,216
Community development	-	-	-	-	-	12,070	12,392	7,564	9,655	32,003
Operating grants and contributions	4,224,244	4,416,976	4,188,762	4,036,731	3,935,552	3,790,723	4,638,338	4,077,928	4,056,878	2,520,711
Capital grants and contributions	-	-	-	-	-	-	-	49,197	656,776	2,532,197
Total Governmental Activities	6,147,807	5,997,496	5,894,203	5,623,731	6,670,160	6,474,724	7,450,223	6,805,257	7,059,272	7,244,100
<b>Business-Type Activities</b>										
<i>Charges for Services</i>										
Water and sewer	3,573,740	2,904,767	3,045,691	3,049,282	3,154,656	3,043,329	3,035,547	3,276,636	3,283,366	3,396,655
Solid waste	1,373,427	1,305,582	1,365,620	1,343,522	-	-	-	-	-	-
Electric	14,332,022	13,664,164	15,474,300	15,117,660	13,996,271	13,093,877	13,871,929	12,142,738	13,687,790	12,493,995
Airport	90,836	110,410	132,069	178,450	178,334	200,768	178,994	188,257	174,456	231,698
<i>Operating Grants and Contributions</i>										
Water and sewer	728	-	-	-	-	-	-	-	-	-
Electric	7,383	-	-	-	-	-	-	-	-	-
Airport	117,003	56,052	1,113,036	93,223	178,275	22,006	109,004	2,040,691	102,004	5,453
Total Business-Type Activities	19,495,139	18,040,975	21,130,716	19,782,137	17,507,536	16,359,980	17,195,474	17,648,322	17,247,616	16,127,801
Total Program Revenues	25,642,946	24,038,471	27,024,919	25,405,868	24,177,696	22,834,704	24,645,697	24,453,579	24,306,888	23,371,901

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
<b>Governmental Activities Net Expense</b>	<b>(16,980,752)</b>	(18,870,240)	(20,207,923)	(17,192,891)	(16,669,293)	(16,982,790)	(16,454,525)	(15,934,219)	(16,688,874)	(15,925,061)
<b>Business-Type Activities Net Expense</b>	<b><u>2,151,105</u></b>	<u>(19,586)</u>	<u>673,437</u>	<u>1,439,414</u>	<u>1,379,811</u>	<u>(118,114)</u>	<u>1,283,301</u>	<u>2,899,126</u>	<u>823,693</u>	<u>1,376,785</u>
Total Primary Government Net Expense	<b>(14,829,647)</b>	(18,889,826)	(19,534,486)	(15,753,477)	(15,289,482)	(17,100,904)	(15,171,224)	(13,035,093)	(15,865,181)	(14,548,276)
<b>General Revenues and Other Changes in Net Position</b>										
<b>Governmental Activities</b>										
Taxes										
Property taxes	<b>7,223,791</b>	7,304,907	7,037,730	6,810,144	6,761,228	6,531,186	6,499,693	6,668,337	6,974,226	6,376,419
Other taxes	<b>5,577,423</b>	5,566,974	5,586,058	5,198,763	5,267,629	5,221,541	4,931,497	4,911,007	5,508,466	5,612,005
Revenue sharing from counties	<b>785,799</b>	709,171	704,969	556,765	243,503	1,212,182	438,746	1,316,661	1,310,461	1,279,456
Revenue from use of money and property	<b>445,878</b>	417,798	676,115	706,839	430,218	367,899	341,820	354,881	362,362	380,114
Noncategorical aid from state	<b>1,628,216</b>	1,639,089	1,662,463	1,663,516	1,668,047	1,666,230	1,663,699	1,673,064	1,108,120	1,323,968
Miscellaneous	<b>745,336</b>	872,161	692,495	438,559	346,392	359,583	249,154	305,705	533,867	1,015,319
Transfers	<b><u>1,467,807</u></b>	<u>1,454,330</u>	<u>1,309,870</u>	<u>1,314,660</u>	<u>1,561,084</u>	<u>1,829,084</u>	<u>2,008,697</u>	<u>1,490,165</u>	<u>1,619,891</u>	<u>1,766,207</u>
Total Governmental Activities	<b>17,874,250</b>	17,964,430	17,669,700	16,689,246	16,278,101	17,187,705	16,133,306	16,719,820	17,417,393	17,753,488
<b>Business-Type Activities</b>										
Revenue from use of money and property	<b>1,341</b>	9,495	-	-	-	-	-	6,445	7,760	94,278
Miscellaneous	<b>26,244</b>	7,032	-	-	-	-	-	-	-	-
Transfers	<b><u>(1,467,807)</u></b>	<u>(1,454,330)</u>	<u>(1,309,870)</u>	<u>(1,314,660)</u>	<u>(1,561,084)</u>	<u>(1,829,084)</u>	<u>(2,008,697)</u>	<u>(1,490,165)</u>	<u>(1,619,891)</u>	<u>(1,766,207)</u>
Total Business-Type Activities	<b><u>(1,440,222)</u></b>	<u>(1,437,803)</u>	<u>(1,309,870)</u>	<u>(1,314,660)</u>	<u>(1,561,084)</u>	<u>(1,829,084)</u>	<u>(2,008,697)</u>	<u>(1,483,720)</u>	<u>(1,612,131)</u>	<u>(1,671,929)</u>
Total General Revenues and Other Changes in Net Position	<b>16,434,028</b>	16,526,627	16,359,830	15,374,586	14,717,017	15,358,621	14,124,609	15,236,100	15,805,262	16,081,559
<b>Change in Net Position</b>										
Governmental activities	<b>893,498</b>	(905,810)	(2,538,223)	(503,645)	(391,192)	204,915	(321,219)	785,601	728,519	1,828,427
Business-type activities	<b><u>710,883</u></b>	<u>(1,457,389)</u>	<u>(636,433)</u>	<u>124,754</u>	<u>(181,273)</u>	<u>(1,947,198)</u>	<u>(725,396)</u>	<u>1,415,406</u>	<u>(788,438)</u>	<u>(295,144)</u>
Total Primary Government	<b><u>\$ 1,604,381</u></b>	<u>\$ (2,363,199)</u>	<u>\$ (3,174,656)</u>	<u>\$ (378,891)</u>	<u>\$ (572,465)</u>	<u>\$ (1,742,283)</u>	<u>\$ (1,046,615)</u>	<u>\$ 2,201,007</u>	<u>\$ (59,919)</u>	<u>\$ 1,533,283</u>

Table 9

## City of Franklin, Virginia

## Property Tax Levies and Collections

Last Ten Fiscal Years Ended June 30,

<u>Year</u>	<u>Total Tax Levy<sup>(1)</sup></u>	<u>Current Tax Collections<sup>(1)</sup></u>	<u>Percent of Levy Collected</u>	<u>Delinquent Tax Collections<sup>(1)(2)</sup></u>	<u>Total Tax Collections</u>	<u>Percent of Total Tax Collections to Tax Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>Percent of Delinquent Taxes to Tax Levy</u>
<b>2017</b>	<b>\$ 8,115,389</b>	<b>\$ 7,848,696</b>	<b>96.71%</b>	<b>\$ 303,837</b>	<b>\$ 8,152,533</b>	<b>100.46%</b>	<b>\$ 542,460</b>	<b>6.68%</b>
2016	8,124,907	7,990,238	98.34%	220,314	8,210,552	101.05%	632,793	7.79%
2015	7,856,015	7,537,704	95.95%	330,551	7,918,255	100.79%	700,940	8.92%
2014	7,764,626	7,384,115	95.10%	321,534	7,705,649	99.24%	612,060	7.88%
2013	7,277,357	7,197,984	98.91%	183,306	7,381,290	101.43%	671,990	9.23%
2012	7,333,436	7,135,568	97.30%	304,318	7,439,886	101.45%	756,365	10.31%
2011	7,355,039	7,326,977	99.62%	125,647	7,452,624	101.33%	863,109	11.73%
2010	7,774,091	7,482,861	96.25%	182,767	7,665,628	98.60%	758,751	9.76%
2009	7,510,356	7,240,857	96.41%	232,401	7,473,258	99.51%	756,356	10.07%
2008	7,023,237	6,827,150	97.21%	179,681	7,006,831	99.77%	649,891	9.25%

**Source:** City of Franklin Commissioner of Revenue<sup>(1)</sup>Exclusive of penalties and interest.<sup>(2)</sup>Does not include land redemptions.**Note:** Includes Real Estate, Personal Property, Mobile Homes, Machinery and Tools, and Public Service Corporation property.

Table 10

## City of Franklin, Virginia

Assessed Value of Taxable Property

Last Ten Fiscal Years Ended June 30,

<u>Year</u>	<u>Real Estate</u>	<u>Personal Property</u>	<u>Mobile Home</u>	<u>Machinery and Tools</u>	<u>Public Service Corporations</u>		<u>Total</u>	<u>Total Direct Tax Rate</u>
					<u>Real Estate</u>	<u>Personal Property</u>		
<b>2017</b>	<b>\$ 551,169,536</b>	<b>\$ 6,488,674</b>	<b>\$ -</b>	<b>\$ 994,840</b>	<b>\$ 6,885,844</b>	<b>\$ 9,872</b>	<b>\$ 565,548,766</b>	<b>1.43</b>
2016	550,548,631	61,007,684	-	970,081	6,771,272	14,362	619,312,030	1.31
2015	546,840,453	60,195,857	-	928,666 <sup>(1)</sup>	6,551,183	43,818	614,559,977	1.36
2014	571,544,231	59,269,598	-	3,136,696	6,588,695	77,003	640,616,223	1.34
2013	550,495,439	55,575,941	-	2,993,303	6,927,392	13,914	616,005,989	1.22
2012	606,470,410	55,398,273	-	3,032,569	7,371,365	16,575	672,289,192	1.19
2011	629,410,310	57,061,332	-	3,018,957	7,761,879	42,224	697,294,702	1.19
2010	671,857,100	59,307,993	900	2,909,231	7,646,642	27,151	741,749,017	1.18
2009	561,634,400	57,716,863	-	573,729	8,480,797	39,340	628,445,129	1.34
2008	567,081,965	62,652,410	-	703,167	6,596,676	21,591	637,055,809	1.32

**Source:** City of Franklin Treasurer

<sup>(1)</sup>Assessed value was reported incorrectly in the 2015 CAFR. The City's loss of a major taxpayer resulted in a significant drop in machinery and tools assessment.



## City of Franklin, Virginia

## Property Tax Rates

Tax Rates per Hundred Dollars of Assessed Value

Last Ten Fiscal Years Ended June 30,

<u>Year</u>	<u>Real Estate</u>		<u>Personal Property</u>	<u>Mobile Home</u>	<u>Machinery and Tools</u>	<u>Public Service Corporation</u>	
						<u>Real Estate<sup>(1)</sup></u>	<u>Personal Property</u>
<b>2017</b>	<b>0.99 / 1.23</b>	<sup>(6)</sup>	<b>4.50</b>	<b>0.99</b>	<b>2.00</b>	<b>0.99</b>	<b>4.50</b>
2016	0.99 / 1.23	<sup>(6)</sup>	4.50	0.99	2.00	0.99	4.50
2015	0.96 / 1.20	<sup>(5)</sup>	4.50	0.96	2.00	0.96	4.50
2014	0.90 / 1.14	<sup>(4)</sup>	4.50	0.90	2.00	0.90	4.50
2013	0.90 / 1.14	<sup>(2)</sup>	4.50	0.90	2.00	0.90	4.50
2012	0.77 / 1.01	<sup>(3)</sup>	4.50	0.77	2.00	0.77	4.50
2011	0.77 / 1.01	<sup>(3)</sup>	4.50	0.77	2.00	0.77	4.50
2010	0.77 / 1.01	<sup>(3)</sup>	4.50	0.77	2.00	0.77	4.50
2009	0.77 / 1.01	<sup>(3)</sup>	4.50	0.77	2.00	0.77	4.50
2008	0.90 / 1.14	<sup>(2)</sup>	4.50	0.90	2.00	0.90	4.50

<sup>(1)</sup>Public Service Corporation property was taxed at basic real estate rates regardless of location.

<sup>(2)</sup>Downtown district real estate tax rate was \$1.14 and remaining areas were taxed at \$0.90 for real estate.

<sup>(3)</sup>Downtown district real estate tax rate was \$1.01 and remaining areas were taxed at \$0.77 for real estate.

<sup>(4)</sup>Downtown district real estate tax rate was \$1.14 and remaining areas were taxed at \$0.90 for real estate.

<sup>(5)</sup>Downtown district real estate tax rate was \$1.20 and remaining areas were taxed at \$0.96 for real estate.

<sup>(6)</sup>Downtown district real estate tax rate was \$1.23 and remaining areas were taxed at \$0.99 for real estate.

**Source:** City of Franklin Commissioner of Revenue

## City of Franklin, Virginia

Principal Taxpayers - Real Estate

Current Year and Nine Years Ago

Fiscal Year 2017

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2016 Assessed Valuation</u>	<u>Percent of Total Assessed Valuation of Real Estate</u>
Franklin Hospital Corporation	Hospital	\$ 23,941,300	4.29%
The Village at Woods Edge	Retirement Home	12,150,500	2.18%
James L. Rifkin Estate	Shopping Center	10,813,800	1.94%
Lowe's Home Centers, Inc.	Retail - Hardware	8,117,700	1.46%
Southampton Shopping Center LP	Shopping Center	5,580,800	1.00%
F.P. Associates, Inc.	Apartments	5,000,000	0.90%
Dorchester Associates, LLC	Apartments	4,900,000	0.88%
Meadowridge Associates, LP	Apartments	4,800,000	0.86%
FPA, LLC	Apartments	4,700,000	0.84%
Inspire Commercial LLC	Apartments	4,639,500	0.83%
		<u>\$ 84,643,600</u>	<u>15.18%</u>

Fiscal Year 2008

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2007 Assessed Valuation</u>	<u>Percent of Total Assessed Valuation of Real Estate</u>
Community Health Systems, Inc.	Hospital	\$ 26,644,800	4.74%
James L. Rifkin Estate	Shopping Center	11,899,100	2.12%
The Village at Woods Edge	Retirement Home	9,941,500	1.77%
Southampton Shopping Center, LP	Shopping Center	8,079,500	1.44%
Meadowridge Associates, LP	Shopping Center	4,984,000	0.89%
F.P. Associates, Inc.	Apartments	4,226,100	0.75%
Dorchester Associates, LLC	Apartments	4,068,000	0.72%
FPA, LLC	Apartments	3,866,100	0.69%
Adjacent Properties	Apartments	3,663,400	0.65%
Nirvi Corporation	Hotel	3,581,800	0.64%
		<u>\$ 80,954,300</u>	<u>14.41%</u>

Source: City of Franklin Treasurer

## City of Franklin, Virginia

## Principal Taxpayers - Personal Property

Current Year and Nine Years Ago

<u>Fiscal Year 2017</u>			
<u>Taxpayer</u>	<u>Type of Business</u>	<u>2016 Assessed Valuation</u>	<u>Percent of Total Assessed Personal Property</u>
Franklin Hospital Corporation	Hospital	\$ 2,866,329	4.07%
Charter Communications, Inc.	Service - Telecommunications	855,526	1.21%
Lowes Home Centers, Inc.	Retail - Hardware	802,332	1.14%
FF Acquisition, LLC	Retail - Grocery	692,707	0.98%
Walmart Stores, Inc.	Retail - Variety	683,891	0.97%
Love's Travel Stop	Travel Stop	443,054	0.63%
Butler Paper Recycling, Inc.	Paper Recycling	442,322	0.63%
The Village at Woods Edge	Retirement Home	441,670	0.63%
Food Lion, Inc.	Retail - Grocery	383,849	0.55%
Birdsong Corporation	Peanut - Wholesale Industry	293,593	0.42%
		<u>\$ 7,905,273</u>	<u>11.23%</u>
<u>Fiscal Year 2008</u>			
<u>Taxpayer</u>	<u>Type of Business</u>	<u>2007 Assessed Valuation</u>	<u>Percent of Total Assessed Personal Property</u>
Franklin Hospital Corporation	Hospital	\$ 1,758,106	2.98%
Wal-Mart Stores, Inc.	Retail - Variety	832,612	1.41%
Butler Paper Recycling, Inc.	Paper Recycling	381,834	0.65%
Albert G. Dail, Inc.	Retail - Hardware	246,958	0.42%
General Electric Credit	Lease Furniture & Fixtures	241,493	0.41%
Food Lion, Inc.	Retail - Grocery	221,729	0.38%
The Village at Woods Edge	Retirement Home	181,910	0.31%
Franklin Turfgrass, Inc.	Service/Retail - Nursery	177,043	0.30%
S W Rawls Inc.	Retail - Variety	169,128	0.29%
Belk Stores of Virginia	Retail - Clothing	154,551	0.26%
		<u>\$ 4,365,364</u>	<u>7.41%</u>

Source: City of Franklin Treasurer

Table 14

City of Franklin, Virginia										
Taxable Sales by Category										
Last Ten Calendar Years Ended June 30,										
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
<b>Merchant Wholesaler, Durable</b>										
Merchant Wholesaler, Durable Goods	\$ 2,371,632	\$ 1,806,127	\$ 1,669,822	\$ 3,188,873	\$ 2,201,607	N/A	\$ 540,973	\$ 319,700	\$ 160,501	\$ 206,624
Merchant Wholesaler, Non-Durable Goods	2,111,572	2,080,192	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Motor vehicle and parts dealers	5,112,592	4,889,783	4,709,352	4,721,876	4,692,831	3,873,423	5,049,510	4,177,804	3,978,697	4,485,996
Furniture and home furnishings	-	-	1,049,067	2,279,473	3,157,818	3,057,434	3,367,524	3,415,004	3,766,476	3,460,241
Crop production	-	-	-	-	-	N/A	67,636	N/A	N/A	N/A
Building materials, farm and garden supplies	-	-	-	15,626,661	20,589,426	-	-	-	-	-
Food and beverage stores	9,678,555	9,947,261	15,181,770	18,978,071	19,052,994	18,485,435	17,562,519	18,543,874	20,153,777	14,117,933
Health and personal care	1,770,890	1,214,184	1,094,381	995,056	N/A	N/A	1,620,007	1,708,589	1,181,688	914,493
Gasoline stations	7,355,646	6,696,970	5,883,759	6,912,466	6,984,919	6,386,331	5,728,484	5,064,456	5,484,253	4,347,208
Clothing and clothing accessories stores	1,452,903	1,521,078	1,640,436	1,800,686	1,907,205	1,913,678	1,918,978	1,992,877	1,910,099	1,954,980
Sporting goods, hobby, book and music stores	957,114	1,126,773	572,043	213,433	855,199	268,093	-	34,340	-	-
General merchandise stores	59,931,329	61,689,841	59,265,803	59,383,364	66,102,148	59,970,095	57,836,189	60,044,952	60,639,197	60,217,521
Miscellaneous store retailers	2,156,400	3,247,600	2,506,553	1,668,453	1,457,346	1,896,322	2,094,847	1,745,625	1,735,875	2,469,992
Nonstore retailers	362,880	574,780	1,056,137	1,050,957	1,109,388	957,052	1,392,909	1,169,469	1,518,049	2,895,028
Rental and lease services	135,257	138,706	-	43,429	95,371	538,438	676,770	929,073	796,030	1,291,440
Professional, scientific, and technical services	-	1,284,188	496,354	N/A	1,532,544	1,621,123	1,765,592	1,605,670	634,005	177,766
Accommodation	-	N/A	N/A	N/A	2,512,857	N/A	816,451	N/A	N/A	N/A
Food services and drinking places	18,923,698	18,645,187	16,428,458	15,989,545	17,408,704	15,530,633	16,947,347	17,052,909	15,814,206	13,903,248
Repair and maintenance	4,043,033	3,962,936	4,217,944	3,594,792	2,906,481	2,843,412	2,906,222	2,772,329	2,528,870	2,650,097
Personal and laundry services	1,137,408	1,080,827	1,208,198	1,302,214	1,300,644	1,323,188	1,115,148	905,405	1,309,468	1,252,258
Chemical manufacturing	-	-	-	200,572	686,394	-	-	-	-	-
<b>All Other Businesses</b>	<b>16,439</b>	9,680	2,384,511	2,589,207	-	2,530,722	1,155,848	213,205	318,129	1,352,993
<b>Miscellaneous and Unidentifiable</b>	<b>46,566,770</b>	42,866,680	38,796,791	17,006,970	7,764,925	27,833,602	25,414,636	27,559,023	28,788,615	24,690,382
Total	<u>\$ 164,084,118</u>	<u>\$ 162,782,793</u>	<u>\$ 158,161,379</u>	<u>\$ 157,546,098</u>	<u>\$ 162,318,801</u>	<u>\$ 149,028,981</u>	<u>\$ 147,977,590</u>	<u>\$ 149,254,304</u>	<u>\$ 150,717,935</u>	<u>\$ 140,388,200</u>

Source - Weldon Cooper Center for Public Service

## City of Franklin, Virginia

Ratio of Net General Bonded Debt to Assessed Value

Last Ten Fiscal Years Ended June 30,

General Bonded Debt Outstanding

<u>Year</u>	<u>Governmental Activities General Obligation Bonds (Net) <sup>(1)</sup></u>	<u>Business-Type Activities General Obligation Bonds (Net) <sup>(1)</sup></u>	<u>Total General Obligation Bonds (Net) <sup>(1)</sup></u>	<u>School Literary Fund Loans</u>	<u>Capital Leases and Other Debt</u>	<u>Revolving Loans</u>	<u>Total</u>	<u>% of Actual Taxable Value of Property <sup>(2)</sup></u>	<u>Per Capita <sup>(3)</sup></u>
2017	\$ 15,780,113	\$ 3,713,722	\$ 19,493,835	\$ -	\$ 437,027	\$ -	\$ 19,930,862	3.62%	2,400
2016	16,354,987	4,211,684	20,566,671	-	571,745	-	21,138,416	3.84%	2,490
2015	15,888,999	4,651,400	20,540,399	-	-	-	20,540,399	3.76%	2,394
2014	14,733,683	4,876,000	19,609,683	-	-	-	19,609,683	3.43%	2,285
2013	15,087,295	5,326,000	20,413,295	-	-	-	20,413,295	3.71%	2,379
2012	12,860,239	3,435,000	16,295,239	-	-	448,518	16,743,757	2.76%	1,950
2011	13,170,270	3,435,000	16,605,270	-	-	505,296	17,110,566	2.72%	1,994
2010	13,456,141	3,435,000	16,891,141	100,000	160,000	560,409	17,711,550	2.64%	2,009
2009	13,899,488	3,689,865	17,589,353	200,000	280,000	613,905	18,683,258	3.33%	2,105
2008	14,714,584	4,122,300	18,836,884	300,000	400,000	665,832	20,202,716	3.56%	2,268

**Note**<sup>(1)</sup> General Obligation Bonds are reported net of premiums and discounts for both Governmental and Business-Type Activities.<sup>(2)</sup> See Table 10 for assessed and estimated actual value of taxable property for assessed value data.<sup>(3)</sup> See Table 19 for population.<sup>(4)</sup> In addition to the City's general obligation pledge, the bonds are secured on a junior lien basis by the pledge of utility revenues.

## City of Franklin, Virginia

## Legal Debt Margin Information

Last Ten Fiscal Years Ended June 30,

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Debt limit	\$ 57,409	\$ 67,950	\$ 67,239	\$ 60,647	\$ 55,050	\$ 57,154	\$ 54,684	\$ 54,684	\$ 55,055	<b>\$ 55,117</b>
Total net debt applicable to limit	<u>20,955</u>	<u>19,339</u>	<u>18,130</u>	<u>17,111</u>	<u>16,744</u>	<u>20,413</u>	<u>19,610</u>	<u>20,540</u>	<u>20,054</u>	<b><u>19,011</u></b>
Legal Debt Margin	<u>\$ 36,454</u>	<u>\$ 48,611</u>	<u>\$ 49,109</u>	<u>\$ 43,536</u>	<u>\$ 38,306</u>	<u>\$ 36,741</u>	<u>\$ 35,074</u>	<u>\$ 34,144</u>	<u>\$ 35,001</u>	<b><u>\$ 36,106</u></b>
Total Net Debt Applicable to the Limit as a Percentage of the Debt Limit	36.50%	28.46%	26.96%	28.21%	30.42%	35.72%	35.86%	37.56%	36.43%	<b>34.49%</b>

**Note:** The amounts reported above are presented in thousands.

Assessed value	<b><u>\$ 551,169,536</u></b>
Total Assessed Value	<b><u>\$ 551,169,536</u></b>
Debt limit (10% of total assessed value)	<b>\$ 55,116,954</b>
<b>Amount of Debt Applicable to Debt Limit</b>	
<b>General Obligation Debt</b>	
Primary Government	<b>15,325,496</b>
Business-Type	<b><u>3,686,000</u></b>
Net Debt Applicable to Limit	<b><u>19,011,496</u></b>
Legal Debt Margin	<b><u>\$ 36,105,458</u></b>

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

**Table 17****City of Franklin, Virginia**

Ratio of Annual Debt Service Expenditures to  
Total General Governmental Expenditures

Last Ten Fiscal Years Ended June 30,

<u>Fiscal Year</u>	<u>Expenditures - All Governmental Fund Types</u>	<u>Total Debt Service<sup>(1)(2)</sup></u>	<u>Percentage of Debt Service to Expenditures</u>
<b>2017</b>	<b>\$ 24,516,296</b>	<b>\$ 989,192</b>	<b>4.03%</b>
2016	32,326,918	7,030,858	21.75%
2015	36,807,039	882,406	2.40%
2014	35,916,805	772,482	2.15%
2013	38,554,650	6,267,719	16.26%
2012	33,469,749	915,024	2.73%
2011	34,963,558	993,170	2.84%
2010	35,160,001	2,240,646	6.37%
2009	35,614,014	1,734,552	4.87%
2008	37,034,688	1,631,748	4.41%

<sup>(1)</sup>Includes debt service for all governmental fund types.

<sup>(2)</sup>Includes amounts for refunding of debt.

## City of Franklin, Virginia

## Ratios of Outstanding Debt by Type

Last Ten Fiscal Years Ended June 30,

<u>Fiscal Year</u>	<u>Governmental Activities General Obligation Bonds (Net)</u>	<u>Governmental Activities General Obligation Bonds (Net)</u>	<u>Total General Obligation Bonds (Net)</u>	<u>School Literary Fund Loans</u>	<u>Capital Leases and Other Debt</u>	<u>Revolving Loans</u>	<u>Total Primary Total</u>	<u>Total Outstanding Debt as Percentage of Personal Income<sup>(1)</sup></u>	<u>Total Outstanding Debt Per Capita<sup>(1)</sup></u>
2017	\$ 15,780,113	\$ 3,713,722	\$ 19,493,835	\$ -	\$ 437,027	\$ -	\$ 19,930,862	2.11%	\$ 2,400
2016	16,354,987	4,211,684	20,566,671	-	571,745	-	21,138,416	2.27%	2,490
2015	15,888,999	4,651,400	20,540,399	-	-	-	20,540,399	2.21%	2,394
2014	14,733,683	4,876,000	19,609,683	-	-	-	19,609,683	2.18%	2,285
2013	15,087,295	5,326,000	20,413,295	-	-	-	20,413,295	2.29%	2,379
2012	12,860,239	3,435,000	16,295,239	-	-	448,518	16,743,757	1.85%	1,950
2011	13,170,270	3,435,000	16,605,270	-	-	505,296	17,110,566	2.02%	1,994
2010	13,456,141	3,435,000	16,891,141	100,000	160,000	560,409	17,711,550	2.21%	2,009
2009	13,899,488	3,689,865	17,589,353	200,000	280,000	613,905	18,683,258	2.25%	2,105
2008	14,714,584	4,122,300	18,836,884	300,000	400,000	665,832	20,202,716	2.39%	2,268

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

<sup>(1)</sup>See the table of Demographic Statistics - Table 19.



## City of Franklin, Virginia

## Demographic Statistics

Last Ten Fiscal Years Ended June 30,

<b>Fiscal Year</b>	<b><u>Population</u><sup>(1)</sup></b>	<b><u>Total Personal Income</u><sup>(2)</sup></b>	<b><u>Per Capita Income</u><sup>(3)</sup></b>	<b><u>School Enrollment</u><sup>(4)</sup></b>	<b><u>Unemployment Rate</u><sup>(5)</sup></b>
<b>2017</b>	<b>8,306</b>	<b>946,389</b>	<b>35,898</b>	<b>1,056</b>	<b>5.6%</b>
2016	8,490	930,617	34,987	1,132	5.9%
2015	8,580	930,617	34,987	1,201	7.6%
2014	8,582	901,543	33,778	1,265	9.2%
2013	8,582	890,156	33,084	1,265	9.2%
2012	8,588	906,502	33,549	1,271	10.4%
2011	8,582	847,243	31,241	1,187	10.3%
2010	8,814	801,974	29,459	1,160	12.9%
2009	8,877	830,029	30,633	1,331	11.5%
2008	8,906	845,070	31,019	1,319	6.4%

**Source**<sup>(1)</sup>United States Census Estimates<sup>(2)</sup>US Commerce - Bureau of Economic Analysis (Franklin and Southampton combined) - used 2015 figures as 2016 not available.<sup>(3)</sup>US Commerce - Bureau of Economic Analysis (Franklin and Southampton combined) - used 2015 figures as 2016 not available.<sup>(4)</sup>Virginia Department of Education Fall Membership Data<sup>(5)</sup>Virginia Employment Commission

### City of Franklin, Virginia

#### Principal Employers

Current Year and Nine Years Ago

#### Fiscal Year 2017

<u>Employer</u>	<u>Employees<sup>(1)</sup></u>	<u>Rank</u>
Southampton Memorial Hospital	250-499	1
Franklin City Public Schools	250-499	2
Walmart Supercenter	250-499	3
City of Franklin	100-249	4
On Time Staffing	100-249	5
Paul D. Camp Community College	100-249	6
Virginia Department of Transportation	100-249	7
The Village at Woods Edge	100-249	8
Lowes' Home Centers, Inc.	50-99	9
Care Advantage	50-99	10

#### Fiscal Year 2008

<u>Employer</u>	<u>Employees<sup>(1)</sup></u>	<u>Rank</u>
Southampton Memorial Hospital	250-499	1
Walmart Supercenter	250-499	2
Franklin City Public Schools	250-499	3
City of Franklin	100-249	4
Paul D. Camp Community College	100-249	5
James L. Camp Jr. YMCA	50-99	6
The Children's Center	50-99	7
Bronco Federal Credit Union	50-99	8
Food Lion	50-99	9
The Village at Woods Edge	50-99	10

**Source:** Franklin Southampton Economic Development, Inc. (2nd Quarter of Each Year)  
Virginia Gov. - Labor Market Information

<sup>(1)</sup>Exact number of employees per employer not available. Consequently, employees per employer as a percentage of the City's total employment not available.

Table 21

## City of Franklin, Virginia

## Full-Time Equivalent City Government Employees by Function/Program

Last Ten Fiscal Years Ended June 30,

<u>Function/Program</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
<b>General Fund</b>										
General government administration	25.0	23.5	22.5	25.0	26.0	26.0	23.0	24.0	24.0	26.0
Police and communications	42.5	33.0	37.5	39.0	41.0	40.0	42.0	39.0	40.0	38.0
Animal control	1.5	1.5	1.5	2.0	2.0	2.0	2.0	2.0	1.0	1.0
Fire and rescue - EMS	27.0	27.0	28.0	27.0	27.0	21.0	15.0	15.0	15.0	15.0
Community services	9.0	9.0	9.0	9.0	5.0	5.0	5.0	5.0	7.0	7.0
Public works - streets	16.0	17.0	16.0	17.0	16.0	14.0	15.0	14.0	14.0	18.0
Garage	4.0	4.0	4.0	3.0	3.0	3.0	4.0	4.0	4.0	4.0
Refuse collection	0.0	0.0	0.0	0.0	7.0	9.0	9.0	9.0	8.0	7.0
Public works - buildings and grounds	10.0	10.0	10.0	8.5	9.0	15.0	10.0	10.0	10.0	12.0
Cemetery and mosquito control	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Park and recreation	3.5	3.5	3.5	3.5	6.0	5.0	5.0	5.0	4.0	4.0
Senior program	1.0	1.0	1.0	1.0	2.0	2.0	2.0	3.0	3.0	2.0
Library	0.5	0.5	0.5	0.5	1.0	1.0	1.0	1.0	1.0	1.0
Economic development	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Downtown development	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Total General Fund	141.0	131.0	134.5	136.5	146.0	144.0	134.0	132.0	132.0	136.0
Social services fund	23.0	20.0	23.0	21.0	20.0	20.0	19.0	19.0	20.0	18.0
Electric	16.0	9.0	12.0	11.0	16.0	13.0	14.0	14.0	16.0	15.0
Water and sewer	13.0	15.0	13.0	12.0	13.0	13.0	16.0	14.0	14.0	16.0
Solid waster fund	8.0	8.0	8.0	7.0	0.0	0.0	0.0	0.0	0.0	0.0
Incubator	0.5	0.0	0.0	0.5	0.0	0.0	0.0	0.0	0.0	1.0
Airport	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Smart beginnings (Early Childhood)	0.0	1.5	1.5	3.0	4.0	4.0	2.0	2.0	2.0	1.0
	62.5	55.5	59.5	56.5	55.0	52.0	53.0	51.0	54.0	53.0
Total	203.5	186.5	194.0	193.0	201.0	196.0	187.0	183.0	186.0	189.0

Source: Individual City departments

Table 22

**City of Franklin, Virginia**  
Operating Indicators by Function/Program  
Last Ten Fiscal Years Ended June 30,

<u>Function/Program</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
<b>Police</b>										
Physical arrests	718	661	693	724	734	693	671	638	686	721
Parking violations	23	23	36	40	79	106	78	39	37	39
Traffic violations	599	790	580	987	1,751	1,943	1,845	1,792	1,406	1,172
<b>Fire</b>										
Emergency responses	2,263	2,498	2,895	2,716	2,718	1,971	2,111	2,390	2,324	2,422
Fires extinguished	60	69	62	70	78	83	31	68	202	96
Inspections	27	30	24	30	26	22	24	22	17	1,726
<b>Building Inspections</b>										
Inspections performed (Franklin)	1,884	2,004	3,167	1,451	1,484	3,495	1,647	N/A	N/A	N/A
Permits issued	1,215	919	1,351	848	406	518	413	N/A	N/A	N/A
<b>Refuse Collection</b>										
Refuse collected (tons per day)	10.34	10.10	9.77	9.47	9.75	15	15	13	14	13
Recyclables collected (tons per day)	1.09	1.19	1.26	1	1	1	1	1	1	1
<b>Other Public Works</b>										
Street resurfacing (tons)	4,046	6,289	1,690	5,137	-	2,315	10,542	2,728	3,576	1,503
Potholes repaired	175	159	184	149	163	138	152	178	207	234
<b>Park and Recreation</b>										
Athletic field permits issued	275	275	250	200	240	307	355	285	275	250
Community center admissions	59,501	59,501	56,364	57,025	50,885	54,825	44,486	30,214	29,634	33,026
<b>Library</b>										
Volumes in collection	32,527	31,824	30,518	29,832	31,094	32,000	32,600	37,000	47,000	53,000
Total volumes borrowed	92,446	85,509	90,099	96,674	96,749	109,000	121,000	121,000	116,000	106,000
<b>Water</b>										
New connections	4	2	3	3	-	3	1	5	11	24
Water mains breaks	45	48	45	50	42	51	42	50	54	75
Average daily consumption (thousands of gallons)	850	832	1,100	1.1	953	943	1,067	1,082	1,037	1,100
Peak daily consumption (thousands of gallons)	913	906	1,300	1,300	1,300	1,300	1,700	1,700	1,453	1,800
<b>Wastewater</b>										
Average daily sewage treatment	1,123	1,420	1,320	1,330	1,603	1,656	1,100	1,780	1,090	1,090
Sewer connections - new	4	2	3	2	-	2	1	5	9	21
<b>Transit</b>										
Total route miles	None	None	None	None	None	None	None	None	None	None
Passengers	None	None	None	None	None	None	None	None	None	None

**Source:** Individual City Departments

## City of Franklin, Virginia

## Capital Asset Statistics by Function/Program

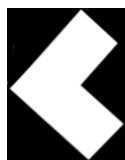
Last Ten Fiscal Years Ended June 30,

<u>Function/Program</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
<b>Police</b>										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	16	16	16	16	16	16	16	16	16	28
<b>Fire Stations</b>	2	2	2	2	2	2	2	2	2	2
<b>Refuse Collection</b>										
Collection trucks	8	6	5	5	5	5	5	5	5	5
<b>Other Public Works</b>										
Street (miles)	43.04	35.50	35.50	35.50	35.50	35.50	35.50	35.50	35.50	35.50
Highways (miles)	7.68	15.09	15.09	15.09	15.09	15.09	15.09	15.09	15.09	15.09
Streetlights	951	950	945	945	945	945	945	945	937	945
Traffic signals	14	14	14	14	14	14	14	14	14	14
<b>Park and Recreation</b>										
Acreage	28.61	28.61	28.61	28.61	28.61	28.61	28.61	28.61	28.61	28.61
Playgrounds	4	4	4	4	4	4	4	4	4	4
Baseball/softball diamonds	6	6	6	6	6	6	6	6	6	6
Soccer/football fields	2	2	2	2	2	2	2	2	2	2
Community centers	1	1	1	1	1	1	1	1	1	1
<b>Water</b>										
Water mains (miles)	68	67	67	67	67	67	67	67	67	67
Fire hydrants	343	336	336	336	336	336	336	336	336	336
Storage capacity (thousands of gallons)	1300	1300	1300	1300	1300	1300	1300	1300	1300	1300
<b>Wastewater</b>										
Sanitary sewers (miles)	43	43	43	43	43	43	43	43	43	43
Storm sewers (miles)	210	210	210	210	210	210	210	210	210	210
Treatment capacity (thousands of gallons)	2000	2000	2000	2000	2000	2000	2000	2000	2000	2000

Source: Individual City Departments

# COMPLIANCE SECTION





**Creedle  
Jones  
& Alga**

*A Professional Corporation*

Robin B. Jones, CPA, CFP  
David V. Alga, CPA, CVA, CFF  
Denise C. Williams, CPA, CSEP  
Scott A. Thompson, CPA, CGMA  
Kimberly W. Jackson, CPA

James A. Allen, Jr., CPA  
Nadine L. Chase, CPA

Sherwood H. Creedle, Emeritus

Members of  
American Institute of Certified Public Accountants  
Virginia Society of Certified Public Accountants

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

To the Honorable Members of City Council  
City of Franklin, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Franklin, Virginia, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Franklin, Virginia's basic financial statements and have issued our report thereon dated November 30, 2017.

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

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

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

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

## Compliance and Other Matters

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

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Creedle, Jones & Alga, P.C.  
Certified Public Accountants

South Hill, Virginia  
November 30, 2017





**Creedle  
Jones  
& Alga**

*A Professional Corporation*

*Robin B. Jones, CPA, CFP  
David V. Alga, CPA, CVA, CFF  
Denise C. Williams, CPA, CSEP  
Scott A. Thompson, CPA, CGMA  
Kimberly W. Jackson, CPA*

*James A. Allen, Jr., CPA  
Nadine L. Chase, CPA*

*Sherwood H. Creedle, Emeritus*

*Members of  
American Institute of Certified Public Accountants  
Virginia Society of Certified Public Accountants*

## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Honorable Members of City Council  
City of Franklin, Virginia

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

We have audited the City of Franklin, Virginia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Franklin, Virginia's major federal programs for the year ended June 30, 2017. City 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.

### **Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the City of Franklin, Virginia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and the *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards, the Uniform Guidance, and specifications 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 City of Franklin, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Franklin, Virginia's compliance.

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

In our opinion, the City of Franklin, Virginia, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

## Report on Internal Control over Compliance

Management of the City of Franklin, Virginia is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Franklin, Virginia's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Franklin, Virginia's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Creedle, Jones & Alga, P.C.*

Creedle, Jones & Alga, P.C.  
Certified Public Accountants

South Hill, Virginia  
November 30, 2017



**Creedle  
Jones  
& Alga**

*A Professional Corporation*

*Robin B. Jones, CPA, CFP  
David V. Alga, CPA, CVA, CFF  
Denise C. Williams, CPA, CSEP  
Scott A. Thompson, CPA, CGMA  
Kimberly W. Jackson, CPA*

*James A. Allen, Jr., CPA  
Nadine L. Chase, CPA*

*Sherwood H. Creedle, Emeritus*

*Members of  
American Institute of Certified Public Accountants  
Virginia Society of Certified Public Accountants*

## **REPORT ON COMPLIANCE WITH COMMONWEALTH OF VIRGINIA'S LAWS, REGULATIONS, CONTRACTS, AND GRANTS**

To the Honorable Members of City Council  
City of Franklin, Virginia

We have audited the financial statements of the City of Franklin, Virginia, as of and for the year ended June 30, 2017, and have issued our report thereon dated November 30, 2017.

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 *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with Commonwealth of Virginia's laws, regulations, contracts, and grants applicable to the City of Franklin, Virginia, is the responsibility of the City of Franklin, Virginia's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the City of Franklin, Virginia's compliance with certain provisions of the Commonwealth of Virginia's laws, regulations, contracts, and grants. However, the objective of our audit of the basic financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The following is a summary of the Commonwealth of Virginia's laws, regulations, contracts, and grants for which we performed tests of compliance:

### *Code of Virginia*

- Budget and Appropriation Laws
- Cash and Investments
- Conflicts of Interest
- Retirement Systems
- Debt Provisions
- Procurement
- Unclaimed Property
- Personal Property Tax Relief Act

*State Agency Requirements*

- Social Services
- Education
- Comprehensive Services Act Funds
- Economic Development Opportunity Fund

The results of our tests disclosed no instances of noncompliance with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the City of Franklin, Virginia had not complied, in all material respects, with those provisions.

This report is intended solely for the information of the City Council, City of Franklin, Virginia's management, Auditor of Public Accounts of the Commonwealth of Virginia, and applicable state agencies, and is not intended to be, and should not be, used by anyone other than these specified parties.

*Creedle, Jones & Alga, P.C.*

Creedle, Jones & Alga, P.C.  
Certified Public Accountants

South Hill, Virginia  
November 30, 2017

**City of Franklin, Virginia**  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2017

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Total Federal Expenditures</u>
<b>U. S. Department of Health and Human Services</b>			
<b>Pass-Through Payments</b>			
<i>Department of Social Services</i>			
Promoting safe and stable families	93.556	765	\$ 13,289
Temporary assistance for needy families (TANF)	93.558	765	162,098
Refugee and entrant assistance - state administered programs	93.566	765	499
Low-income home energy assistance	93.568	765	17,580
<i>CCDF Cluster</i>			
Child care mandatory and matching funds of the child care and development fund	93.596	765	24,450
Stephanie Tubbs Jones child welfare services program	93.645	765	264
Foster care - Title IV-E	93.658	765	98,394
Adoption assistance	93.659	765	14,223
Social services block grant	93.667	765	95,035
Chafee foster care independence program	93.674	765	1,101
Children's Health Insurance Program (CHIP)	93.767	765	6,963
<i>Medicaid Cluster</i>			
Medical assistance program	93.778	765	216,716
Subtotal - U. S. Department of Health and Human Services			650,612
<b>U. S. Department of Agriculture</b>			
<b>Pass-Through Payments</b>			
<i>Department of Education</i>			
<i>Child Nutrition Cluster</i>			
National School Lunch Program (NSLP) - Food distribution - donated commodities	10.555	197	53,362
Summer Food Service Program for Children (SFSPC) - Food distribution - donated commodities	10.559	197	164
National school lunch program (NSLP)	10.555	197	463,381
School breakfast program (SBP)	10.553	197	321,886
Subtotal - Child Nutrition Cluster			838,793
Fresh Fruit and Vegetable Program	10.582	197	38,195
<i>Department of Social Services</i>			
<i>SNAP Cluster</i>			
State administrative matching grants for the supplemental nutrition assistance program	10.561	765	168,937
Subtotal - U. S. Department of Agriculture			1,045,925
<b>U. S. Department of Transportation</b>			
<b>Direct Payments</b>			
Airport improvement program	20.106	N/A	83,481
Subtotal - U. S. Department of Transportation			83,481

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass- through Entity Identifying Number</u>	<u>Total Federal Expenditures</u>
<b>U. S. Department of Justice</b>			
<b>Pass-Through Payments</b>			
<i>Department of Criminal Justice Services</i>			
Edward Byrne Memorial	16.738	140	<u>5,400</u>
Subtotal - U. S. Department of Justice			5,400
<b>U. S. Department of Homeland Security</b>			
<b>Pass-Through Payments</b>			
<i>Department of Emergency Management</i>			
Emergency management performance grant	97.042	127	<u>16,595</u>
Subtotal - U. S. Department of Homeland Security			16,595
<b>U. S. Department of Housing and Urban Development</b>			
<b>Pass-Through Payments</b>			
<i>Department of Housing and Community Development</i>			
Community Development Block Grants	14.228	165	<u>267,340</u>
Subtotal - U. S. Department of Housing and Community Development			267,340
<b>U. S. Department of Education</b>			
<b>Pass-Through Payments</b>			
<i>Department of Education</i>			
Title I Grants to local educational agencies	84.010	197	860,863
School improvement grants	84.377	197	335,982
<i>Special Education Cluster (IDEA)</i>			
Special education - grants to states (IDEA, Part B)	84.027	197	252,569
Special education - preschool grants (IDEA Preschool)	84.173	197	<u>1,125</u>
Subtotal - Special Education Cluster (IDEA)			253,694
Title VI - Rural education - English language acquisition grants	84.358	197	32,234
Consortium Incentive Grant	84.144	197	569
Supporting Effective Instruction State Grant	84.367	197	<u>56,164</u>
Subtotal - U. S. Department of Education			<u>1,539,506</u>
Total Expenditures of Federal Awards			<u>\$ 3,608,859</u>

**NOTE:** There were no awards passed through to subrecipients.

See accompanying notes to schedule of expenditures of federal awards.

## City of Franklin, Virginia

### Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2017

#### 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the Federal award activity of City of Franklin, Virginia under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of City of Franklin, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of City of Franklin, Virginia.

#### 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

#### 3. Indirect Cost Rate

City of Franklin, Virginia has elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

#### 4. Relationship to Financial Statements

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

#### Intergovernmental Federal Revenues per the Basic Financial Statements

##### Primary Government

General Fund	\$ 21,995
<i>Special Revenue Funds</i>	
Virginia public assistance fund	819,549
Community development block grant funds	267,340
<i>Enterprise Funds</i>	
Airport fund	<u>83,481</u>
Total Primary Government	1,192,365

##### Component Units - City of Franklin Public Schools

School operating fund	1,539,506
School cafeteria fund	<u>876,988</u>
Total Component Unit Public Schools	<u>2,416,494</u>

Total Federal Expenditures per Basic Financial Statements	<u>\$ 3,608,859</u>
---	---------------------

Total Federal Expenditures per the Schedule of Expenditures of Federal Awards	<u>\$ 3,608,859</u>
---	---------------------

## City of Franklin, Virginia

### Schedule of Findings and Questioned Costs

Year Ended June 30, 2017

#### Section I - SUMMARY OF AUDITOR'S RESULTS

##### Financial Statements

Type of auditor's report issued: Unmodified

##### *Internal control over financial reporting:*

Material weakness(es) identified? No

Significant deficiencies identified? None Reported

Noncompliance material to financial statements noted? No

##### Federal Awards

##### *Internal control over major programs:*

Material weakness(es) identified? No

Significant deficiencies identified? None Reported

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

Any audit findings disclosed that are required to be reported in accordance 2 CFR section 200.516(a)? No

##### *Major programs:*

##### CFDA Number(s)

##### Name of Federal Program or Cluster

10.555/10.559/10.553  
84.010

Child Nutrition Cluster  
Title I: Grants to local educational agencies

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? No

#### Section II – Financial Statement Audit

None

#### Section III – Findings and Questioned Costs – Major Federal Award Programs Audit

There are no federal award findings to report.