

*Community
Community*



*Growth
Growth*



CITY OF FRANKLIN, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL
REPORT
For the Period Ended June 30, 2019
Prepared by the Department of Finance



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Spirit*



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THE CITY OF FRANKLIN, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2019



Growth – Community – Spirit
Department of Finance

Questions concerning any of the information provided in this report or requests for additional information should be addressed to Tracy Spence, Director of Finance, 207 West Second Avenue, Franklin, Virginia 23851. For information about the City, refer to the City's web page at www.franklinva.com.

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City of Franklin, Virginia

Table of Contents

Year Ended June 30, 2019

	Pages	
INTRODUCTORY SECTION		
Title Page	iii	
Table of Contents	v-viii	
Directory of Principal Officials	x	
Organizational Chart	xii	
Letter of Transmittal	xiv-xxi	
Certificate of Achievement for Excellence in Financial Reporting	xxii	
FINANCIAL SECTION		
Independent Auditor's Report	1-2	
Management's Discussion and Analysis	3-13	
Basic Financial Statements		
Government-Wide Financial Statements		
Exhibit 1	Statement of Net Position	14
Exhibit 2	Statement of Activities	15
Fund Financial Statements		
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		24-123

Required Supplementary Information

Exhibit 9	Schedule of Revenues, Expenditures, Changes in Fund Balances – Budget and Actual – General Fund and Virginia Public Assistance Fund	124-125
	Schedule of Changes in the Political Subdivision’s Net Pension Liability and Related Ratios	126-127
	Schedule of Employer’s Share of Net Pension Liability – VRS Teacher Retirement Plan	128
	Schedule of Employer Contributions	129
	Notes to Required Supplementary Information	130-131
	Schedule of Employer’s Share of Net OPEB Liability – Group Life Insurance Program	132
	Schedule of Employer Contributions – GLI OPEB	133
	Notes to Required Supplementary Information – GLI OPEB	134-136
	Schedule of Changes in the Political Subdivision’s Net HIC OPEB Liability and Related Ratios School Board General Employees	137
	Schedule of Employer Contributions – HIC OPEB School Board General Employees	138
	Notes to Required Supplementary Information – HIC OPEB School Board General Employees	139
	Schedule of Employer’s Share of Net OPEB Liability HIC OPEB – Teacher	140
	Schedule of Employer Contributions HIC OPEB Teacher	141
	Notes to Required Supplementary Information – HIC OPEB – Teacher	142
	Schedule of Employer’s Share of Net OPEB Liability (LODA)	143
	Schedule of Employer Contributions – LODA OPEB	144
	Notes to Required Supplementary Information – LODA OPEB	145-146
	Schedule of Employer’s Share of Net OPEB Liability Virginia Local Disability Program – VLDP City	147
	Schedule of Employer Contributions – VLDP OPEB City	148
	Schedule of Employer’s Share of Net OPEB Liability Virginia Local Disability Program – VLDP School Board General Employees	149
	Schedule of Employer Contributions – VLDP OPEB School Board General Employees	150
	Notes to Required Supplementary Information – VLDP OPEB	151
	Schedule of Employer’s Share of Net OPEB Liability Virginia Local Disability Program – VLDP Teacher	152

	Pages
Schedule of Employer Contributions – VLDP OPEB Teacher	153
Notes to Required Supplementary Information – VLDP OPEB Teacher	154
Schedule of Changes in the Political Subdivision’s Total OPEB Liability and Related Ratios – Retiree Health Insurance	155
Schedule of Employer Contributions – OPEB Retiree Health Insurance	156
Schedule of Changes in the Political Subdivision’s Total OPEB Liability and Related Ratios – Retiree Health Insurance Schools	157
Schedule of Employer Contributions – OPEB Retiree Health Insurance Schools	158
 Other Supplementary Information	
Combining and Individual Nonmajor Fund Statements	
Primary Government	
Schedule 1 Combining Balance Sheet – Nonmajor Special Revenue Funds	159
Schedule 2 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Special Revenue Funds	160
Schedule 3 Combining Statement of Fiduciary Net Position – Agency Funds	161
Schedule 4 Combining Statements of Changes in Assets and Liabilities – Agency Funds	162-163
 Discretely Presented Component Unit – School Board	
Schedule 5 Combining Balance Sheet	164
Schedule 6 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	165
Schedule 7 Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual	166
 Discretely Presented Component Unit – Industrial Development Authority	
Schedule 8 Statement of Net Position	167
Schedule 9 Statement of Revenues, Expenses, and Changes in Net Position	168
Schedule 10 Statement of Cash Flows	169
 Supporting Schedules	
Schedule 11 Schedule of Revenues and Other Financing Sources – Budget and Actual – General Fund	170-172
Schedule 12 Schedule of Expenditures and Other Financing Uses – Budget and Actual – General Fund	173-176
Schedule 13 Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Capital Projects Fund, Debt Service Fund, CSA Fund, Regional Fire Training, Foundation Grants, Western Tidewater Home Consortium Fund, Madison Street Project Fund, and Economic Development Fund	177-180

	Pages
STATISTICAL SECTION	
Table 1	Government-Wide Revenues 181
Table 2	Government-Wide Expenses by Function 182
Table 3	General Governmental Revenues by Source 183
Table 4	General Governmental Expenditures by Function 184
Table 5	Fund Balances – Governmental Funds 185
Table 6	Changes in Fund Balance – Governmental Funds 186
Table 7	Net Position by Component 187
Table 8	Change in Net Position 188-189
Table 9	Property Tax Levies and Collections 190
Table 10	Assessed Value of Taxable Property 191
Table 11	Property Tax Rates 192
Table 12	Principal Taxpayers – Real Estate 193
Table 13	Principal Taxpayers – Personal Property 194
Table 14	Taxable Sales by Category 195
Table 15	Ratio of Net General Bonded Debt to Assessed Value 196
Table 16	Legal Debt Margin Information 197
Table 17	Ratio of Annual Debt Service Expenditures to Total General Governmental Expenditures 198
Table 18	Ratios of Outstanding Debt by Type 199
Table 19	Demographic Statistics 200
Table 20	Principal Employers 201
Table 21	Full-Time Equivalent City Government Employees by Function/Program 202
Table 22	Operating Indicators by Function/Program 203
Table 23	Capital Asset Statistics by Function/Program 204
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>	205-206
Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	207-208
Report on Compliance with Commonwealth of Virginia’s Laws, Regulations, Contracts, and Grants	209-210
Schedule of Expenditures of Federal Awards	211-212
Notes to Schedule of Expenditures of Federal Awards	213
Schedule of Findings and Questioned Costs	214
	viii

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City of Franklin, Virginia

Directory of Principal Officials

June 30, 2019

Mayor

Frank M. Rabil

Vice Mayor

Barry Cheatham

Council Members

Brenton D. Burgess
Linwood Johnson
Robert Cutchins

Gregory McLemore
Wynndolyn H. Copeland

Constitutional Officers

Dinah M. Babb
Brenda B. Rickman
Jennifer L. Maynard

Treasurer
Commissioner of Revenue
Registrar

Franklin City Public Schools

Amy Phillips
Tamara Sterling
Jeffrey Ryder

Chairman of School Board
Superintendent
Assistant Superintendent of Operations

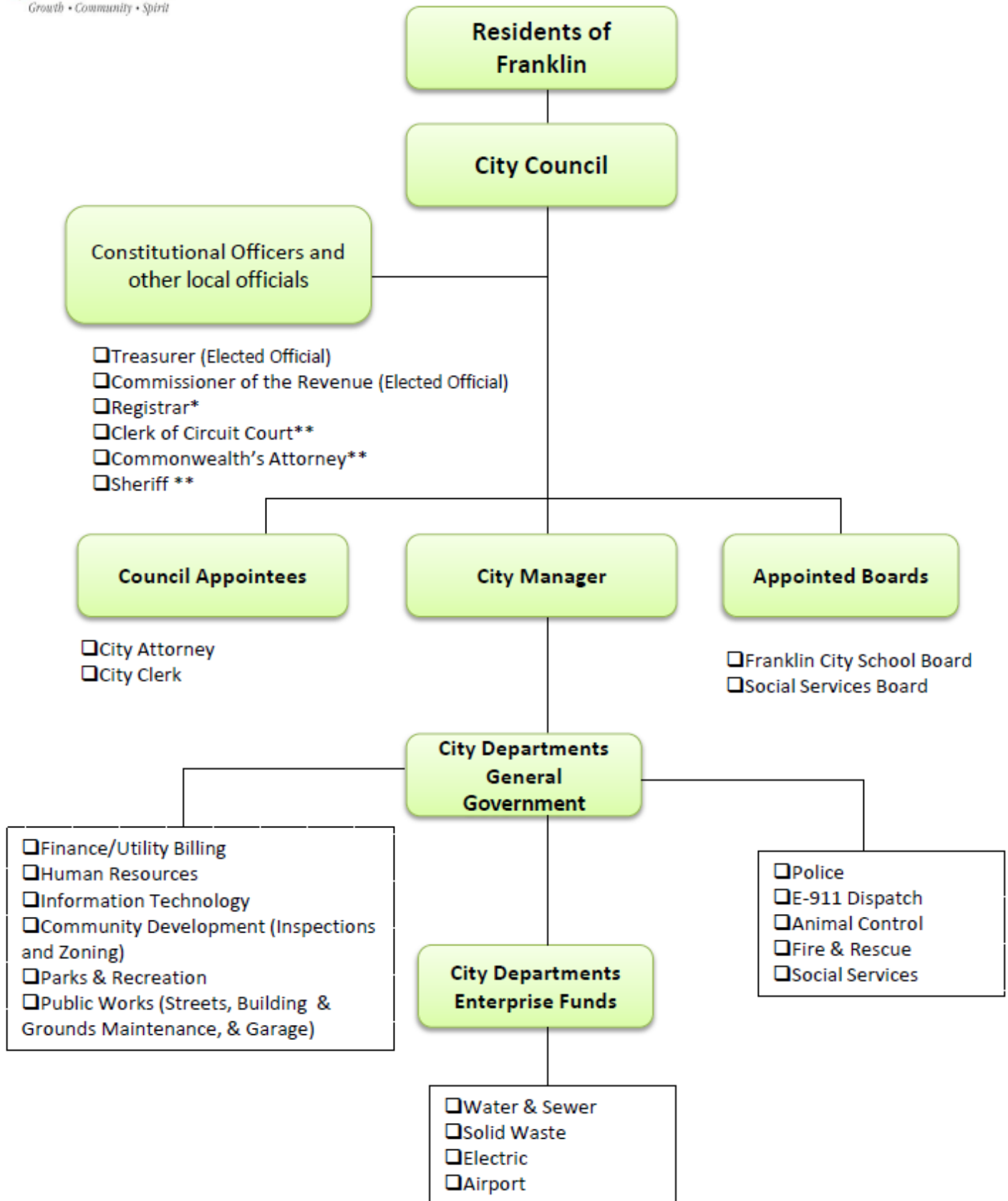
City Administration

Amanda C. Jarratt
Tracy Spence, CPA
Steve Patterson
Vernie Francis
Michelle Dandridge
Russell L. Pace
Mark Bly
Donald E. Goodwin
Sammara Green-Bailey
Michelle Stivers

City Manager
Director of Finance
Chief of Police
Chief of Emergency Services
Director of Human Resources
Director of Public Works
Director of Public Utilities
Director of Community Development
Interim Director of Parks and Recreation
Acting Director of Social Services

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CITY OF FRANKLIN ORGANIZATIONAL CHART



*Appointed by State Board of Elections

** Shared Services with Southampton County

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*Office Of The City Manager
Amanda C. Jarratt*

November 19, 2019

To the Honorable Members of City Council and
Citizens of the City of Franklin:

We are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of the City of Franklin (the “City”) for the fiscal year ended June 30, 2019. The report is required in accordance with section 3.08 (c) of the Franklin City Charter and is prepared in accordance with the standards of financial reporting prescribed by the Governmental Accounting Standards Board (GASB), and the Auditor of Public Accounts of the Commonwealth of Virginia. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. As management, we assert that, to the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and component units of the City of Franklin. GAAP requires management to provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of a Management’s Discussion and Analysis (MD&A). The letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City’s MD&A can be found immediately following the independent auditor’s report.

The Reporting Entity and Its Services

Background

Franklin, which had been a part of Southampton County for many years, became an incorporated town in 1876 and an independent city on December 22, 1961. Subsequent annexations in 1986 and 1996 increased the population and land area of the City. The population today is approximately 8,900 and the land area is 8.75 square miles. The City is located in the southeastern part of the state in the Hampton Roads area. The region is the 27th largest metropolitan statistical area in the country.

Franklin is organized under the Council – City Manager form of government. The Franklin City Council is comprised of seven members, which includes the Mayor. Six council members, each representing a ward, are elected by the voters and serve four year staggered terms. The City Mayor is elected at large for a two-year term. Persons elected to City Council take office on the first day of July following the election.

The City Council is the policy determining body of the City. Its responsibilities include: adoption of the annual City budget; creation, combination or elimination of City departments; approval of all tax levies; approval of amendments, supplements or repeals to ordinances and the City Code; and appointment of the City Manager, City Clerk, City Attorney and various local boards, commissions and committees. The City Manager acts as Chief Executive and Administrative Officer of the City. The Manager serves at the pleasure of Council, carries out its policies, and directs the business and administrative affairs of the City, which includes supervision of employees.

The City of Franklin provides a full range of general governmental services for its citizens, including police and fire protection and emergency medical services; the maintenance of highways, streets, and other infrastructure; and recreational activities, library services and cultural events. The City’s Community Development Office provides building and planning related services throughout Southampton County through a shared services agreement with the County.

Other services provided include public education, health and social services, and judicial activities. Beginning in January of 2020 the City of Franklin The City owns and operates a municipal electric company (Franklin Power & Light), which provides electrical services to City residents and certain geographical locations within surrounding jurisdictions (Southampton, Suffolk and Isle of Wight). The City also owns and operates water and sewage facilities that extend into portions of Southampton and Isle of Wight Counties; provides curb-side solid waste disposal and recycling services; owns and operates a City pool; and manages various paid recreational activities. Franklin owns and maintains a municipal airport located one mile east of Franklin in Isle of Wight County.

Component Units

In addition to general governing activities, the governing body has significant financial influence over the Schools, which is reported separately within the City of Franklin's financial statements as a component unit. Component units are legally separate entities for which the City is financially accountable. For Franklin City Public Schools, the City must provide all capital improvement funds, pay debt on school projects, and provide a significant amount of operating funds required, but not provided by the state. The City Council's authority is limited to appointing local school board members and appropriating funds. Local school boards do not have taxing or bond issuance authority.

The Industrial Development Authority is also reported as a component unit. Additional information on legally separate entities can be found in the Notes to the Financial Statements and in the Other Supplementary Information Section.

Economic Conditions & Outlook

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Franklin operates.

Local Economy

The City's development activities are executed primarily through Franklin Southampton Economic Development Council, Inc. (FSEDI), whose core mission is to grow and diversify the tax and employment base of the City. This mission is accomplished by promoting Franklin City as an ideal location for business start-up, relocation, and expansion and capital investment. The City enjoys its unique relationship with Isle of Wight and Southampton Counties and through collaboration with these neighbor counties, and partnership with FSEDI, the City is better positioned to promote economic growth and stability. Major initiatives of the City from FSEDI activities include:

- ❖ In November of 2019 Governor Northam announced the sale of the former Farm Fresh property to Hubbard Peanut Company for an additional \$1.6M investment in the facility to create a retail store, warehouse and distribution, and peanut production line.
- ❖ Hampton Farms invested \$5.7M in their existing peanut butter production facility to install a new bulk line. While in Southampton County, this is in a revenue sharing area for the City of Franklin.
- ❖ Worked with Repair Tech and the City of Franklin to complete the sale of 16 acres in the Pretlow Industrial Park. Repair Tech is scheduled to construct 50,000 square foot facility beginning in 2020.
- ❖ Successfully collaborated with Isle of Wight County to retain ownership of the former Skating Rink property and then negotiated the sale to Quality Aire to expand their business. The City of Franklin retained 100% of the proceeds from the real estate transaction and the facility is located in the revenue sharing area.
- ❖ K.C.A. Logistics graduated from the Franklin Business Center locating their trucking and logistics business on Sachs Avenue.
- ❖ Sheet Metal Products bought and renovated the former Winn Dixie building making a \$550,000 investment in the facility and employing 30 individuals.
- ❖ 10 new and expanding businesses signed leases to locate at the Franklin Business Center.
- ❖ The third round of STARTUP an entrepreneurial competition resulted in one new businesses in the downtown business district.
- ❖ The Salty Southern Route was launched highlighting local companies that sell Virginia's finest pork and peanut products. This coalition includes the City of Franklin, Isle of Wight County, Surry, Sussex, and Suffolk.

Local taxes indicative of Franklin's economy was stable at June 30, 2019 as shown in the table below:

Fiscal Year	Business Licenses	Meals Tax	Lodging Tax	Cigarette Taxes	Sales & Use Taxes	TOTALS
FY 11	\$ 941,650	\$ 1,154,659	\$ 117,911	\$ 208,592	\$ 1,592,996	\$ 4,015,807
FY 12	\$ 934,328	\$ 1,330,207	\$ 198,481	\$ 244,959	\$ 1,683,980	\$ 4,391,956
FY 13	\$ 923,492	\$ 1,259,747	\$ 152,875	\$ 356,358	\$ 1,782,760	\$ 4,475,232
FY 14	\$ 952,525	\$ 1,294,882	\$ 149,854	\$ 342,433	\$ 1,722,799	\$ 4,462,493
FY 15	\$ 921,270	\$ 1,439,601	\$ 149,166	\$ 373,904	\$ 1,767,063	\$ 4,651,004
FY 16	\$ 969,182	\$ 1,494,137	\$ 123,626	\$ 352,199	\$ 1,767,781	\$ 4,706,925
FY 17	\$ 959,132	\$ 1,498,567	\$ 141,317	\$ 316,662	\$ 1,799,419	\$ 4,715,097
FY 18	\$ 972,179	\$ 1,522,481	\$ 170,060	\$ 298,773	\$ 1,854,694	\$ 4,818,187
FY 19	\$ 950,764	\$ 1,478,018	\$ 148,234	\$ 300,133	\$ 1,896,306	\$ 4,773,455
				Growth Trend Since FYE 6-30-11		\$ 757,648
						18.87%
				Growth Trend Since FYE 6-30-17		\$ (44,732)
						-0.95%

Enterprise Zones

In an effort to attract new business to the community, the City of Franklin has established Enterprise Zones. These zones have been approved and authorized by the state and entitle new businesses to various state and local incentives to promote further economic development including job creation. The City benefits from revenue sharing funds from the Counties for commercial development outside the City where City utility services are provided.

City Council and City management continue to explore opportunities and establish priorities as the guiding principles to move the City forward while establishing collaborative partnerships between City organizations, (the Franklin Southampton Economic Development Inc., School Board, Advisory Committees, etc.) and neighboring jurisdictions to further advance the objectives of the City as well as its partners.

Bond Rating

The City maintained the AA credit rating from Standard & Poor's (S & P) bond rating agency received in April 2014. S & P referred to the City's strong reserves, strong cash position to cover debt service, and sound budgetary and financial management practices for support of the rating. The City holds an Aa1 rating from Moody's Investors Services.

Financial Information and Significant Financial Policies

Minimum Fund Balance Policy

One of the financial policies closely monitored is the City's minimum fund balance policy which indicates the ability of the City to cope with unexpected financial challenges or emergencies. This policy enables the City to (1) survive potential financial emergencies and adverse fluctuations in revenue cycles, (2) take advantage of unexpected opportunities and, (3) retain its sound financial position. The City has established by policy, the ratio of unassigned General Fund balance as a percentage of budgeted annual expenditures in the General Fund at a minimum of 15%. At June 30, 2019, the City's unassigned fund balance of \$4.82 million represented 19.76% of the budgeted annual expenditures (as revised) exceeding the minimum policy level.

The following table present the City's General Fund ratio of unassigned fund balance to total expenditures for the previous five fiscal years:

Fiscal Year	General Fund Unassigned Fund Balance	General Fund Budgeted Expenditures	Ratio
2019	\$ 4,815,905	\$24,369,338	19.76%
2018	\$ 4,189,190	\$24,322,449	17.22%
017	\$ 5,055,159	\$23,324,065	21.67%
2016	\$ 5,035,674	\$23,884,309	21.08%
2015	\$ 5,123,487	\$23,831,556	21.50%
2014	\$ 4,071,412	\$23,731,890	17.16%
2013	\$ 3,648,940	\$23,875,210	15.28%

Internal Control and Budget Accounting

The City is responsible for establishing and maintaining an internal control structure designed to ensure the assets of the government are protected from loss, theft, or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. Because the cost of internal controls should not outweigh their benefits, the City of Franklin's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. The City's control environment reflects the attitude of fiscal responsibility of the City's resources amongst all departments. City Finance abides by the Government Finance Officers Association Code of Ethics. Budget controls ensure compliance with legal provisions embodied in the annual appropriated budget approved by City Council. Additional controls are exercised administratively amongst City departments. As a recipient of federal financial assistance, the City also is responsible for maintaining an adequate internal control structure. This structure allows the City to ensure and document compliance with the U.S. Office of Management and Budget for major federal award programs. These reports are available in the Compliance (Single Audit) section of this report.

The keystone to the City's ability to maintain its fiscal responsibility is the continuing dedication of the City Council, which is evidenced by the City Council's adoption of sound financial policies. These policies relate primarily to cash and debt management and budget operations as a means of ensuring prudent and responsible monitoring, spending, and reporting of the City's resources. From time to time, the City Council evaluates these policies and makes amendments as needed to address changing economic conditions and management practices.

The legal level of budgetary control (level at which expenditures cannot exceed the appropriated amount) takes place at the department level. City Council may authorize supplemental appropriations based on the availability of financial resources. Any revisions that alter total appropriations must be approved by City Council. The City also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Although encumbered amounts lapse at year-end, the outstanding encumbrances are reviewed and generally reappropriated as part of the following year's budget provided there is availability of funding at year end. City Council approves transfers between departments at the level not authorized by the City Manager.

Financial Advisor

The City uses Financial Advisors to guide it through the long-term financial planning needed to address capital improvement planning and related debt service structuring. The efforts of Davenport & Company LLC have helped the City achieve long-term cost savings associated with debt service.

Independent Audit

The City of Franklin's financial statements have been audited by Creedle, Jones & Associates, P.C. a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Franklin for the fiscal year ended June 30, 2019 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City of Franklin's financial statements for the fiscal year ended June 30, 2019, are fairly presented in conformity with GAAP. The independent auditor's report is presented in the Financial Section of this report.

Single Audit

The independent audit of the financial statements of the City of Franklin was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies and a state compliance audit. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. The Commonwealth of Virginia also has audit requirements on compliance with specific Commonwealth of Virginia laws, regulations, contracts, and grants. The compliance section follows the Statistical Section of this report.

Financial Outlook

The financial outlook for Fiscal Year 2019-2020 remains stable, with minimum revenue growth expected and continued cost-saving efforts planned. The City has been consistently able to achieve a balanced budget in recent years without eliminating direct services to Franklin residents and with the minimum responsible impact to the real estate tax rate. This has been accomplished in the wake of fiscal challenges which to some extent were beyond the City's control. We feel that current management initiatives, along with prudent long-range strategic and comprehensive planning, will enable the City to continue to generate sufficient resources to meet future service demands, maintain a stable financial position, protect the City's good credit rating, and maintain realistic and affordable tax burdens on the citizens of the City.

Other Accomplishments for FY 2019

We are pleased to report some significant accomplishments and initiatives undertaken during the year ended June 30, 2019:

General Government Administration

- ❖ The Treasurer's office Achieved a 99.64% collection rate on delinquent Real Estate taxes and a 99.22% on delinquent Personal Property taxes. The total for delinquent taxes reported to City Council on November 2018 was \$334,163.82.
- ❖ At the 100th Annual Conference of the Commissioners of the Revenue Association, the City of Franklin was one of the first localities in the Commonwealth of Virginia to achieve office accreditation.

Public Safety

- ❖ Continued progress by the City's Employee Safety Committee with VML Risk Management Guidelines to reduce worker's compensation claims/losses.
- ❖ Worked with city leaders and council to increase Advanced Life Support (ALS) pay for certified employees in an effort to reduce the attrition rate.
- ❖ Implemented a cancer reduction plan for all volunteer and career staff.
- ❖ Received a USDA grant to assist in finding a replacement police patrol vehicle.

Community Development & Neighborhood Services

- ❖ Managed and implemented the 3rd year of a \$1.6 million multi-year CDBG grant for the Madison Street Neighborhood Revitalization project. As of the date of this report, fifteen (15) homes are complete, under construction, or under contract and ready to begin rehabilitation. In addition, two (2) homes are in review and will go out to bid prior to the end of the current fiscal year.
- ❖ Managed the completion of six (6) housing rehabilitation projects; two (2) of which were housing replacement projects. These projects were for low and moderate income owner occupied households to Housing Quality Standards from grant funds totaling approximately \$295,000 through the Western Tidewater HOME Consortium program.
- ❖ Worked with the Planning Commission and City Council to adopt and amend various zoning ordinances to implement the Comprehensive Plan and City Council's vision for removing development barriers and to sustain managed growth.
- ❖ Continued staff training in the Community Rating System (CRS) program through FEMA seeking to lead to inclusion of Franklin in the CRS program. In addition, worked with VDEM and FEMA to address issues raised during the City's Community Assistance Visit (CAV). This is the initial qualifying step for participation in the CRS.
- ❖ Participated with VDEM to implement the Crisis Track software to streamline on-site damage assessment following a declared disaster.
- ❖ Continued work with the Hampton Roads Planning District Commission as part of a coastal resiliency work group. Began work with the Hampton Roads Transportation Planning Organization on a corridor study for US 58, covering an area from Suffolk to US 58's intersection with I-85.
- ❖ The Inspections Department received a Building Code Effectiveness Grading System (BCEGS) rating from ISO of "3" for one and two family construction and a "3" for all other construction for both the City and Southampton County. This rating places the City in the top 5% of the approximately 144 localities in Virginia that participate.
- ❖ Managed approval of one new telecommunications tower in Franklin near the hospital and the construction of three new towers in the County to improve telecommunication capabilities of all who live, work and travel in the area.
- ❖ County adopted Voluntary Agriculture and Forestry District regulations in June 2017. Since that time, approved districts and current applications will protect 102,887 acres/161 square miles of agricultural and forestry land for the next ten years.

- ❖ Facilitated acquisition of sixteen (16) acres of riverfront property from IP and Franklin properties to allow development of River Walk Park as funding is available. Completed preparation of construction plan for future park.

Parks & Recreation

- ❖ A new playground with various play equipment for youth with an estimated cost of \$108,000 was built through a combined project of International Paper Foundation, Dominion Energy Services, Inc., Dominion Foundation & the City of Franklin in October 2017.

Public Works

- ❖ The city continued its annual street resurfacing activities by completing Second Ave. from N. High St. to Mechanic St., N. High St. from Fourth Ave. to South St. and West Circle.
- ❖ Continuation of Spring and Fall Amnesty Days cleanup efforts for the convenience of citizens which helps beautify the community.
- ❖ The city continued to rehabilitate its aging storm sewer system using trenchless technology to line pipes with CIPP.

Other Funds

- ❖ The Water and Sewer Division along with other Public Works staff have continued efforts to comply with a consent order issued by DEQ concerning maintenance and compliance requirements at the City's Wastewater Treatment Plant. They prepared a water conservation and management plan for DEQ as part of the water withdrawal permit. The division lined 28,058 linear feet of Sanitary Sewer by means of CIPP.
- ❖ The Airport Partial Parallel Taxiway to Runway 27 project was completed. An update to the Airports Master Plan project was granted and started with 98% of the cost coming from federal and state funds.

As stated, this is a condensed listing of several major items addressed in FY 18. As evidenced, the City continued its history of (1) seeking grant funds for public safety and community improvements, (2) utilizing resources to provide quality governmental services to Franklin Citizens, (3) expanding technology to improve operational efficiencies and control costs, (4) promoting safety and wellness throughout all City departments, (5) maintaining sound financial management and (6) improving activities and programs to enhance overall quality of life. These highlights and accomplishments are in sync with the priorities established by City Council.

Awards and Recognition

Comprehensive Annual Financial Report

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Franklin, Virginia for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2018. This is the seventh consecutive year that the City has applied for and received this prestigious award that recognizes conformance with the highest standards for preparation of state and local government financial reports.

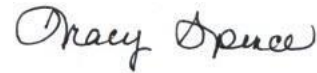
In order to be awarded the Certificate of Achievement for Excellence in Financial Reporting, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both accounting principles generally accepted in the United States and applicable legal requirements. The City is proud of this accomplishment. A Certificate of Achievement is valid for one year. The City believes its CAFR continues to meet the Certificate of Achievement Program's requirements and it will be submitted to the GFOA to determine its eligibility for another certificate.

Acknowledgements

The preparation of this report would not have been possible without the efficient and dedicated services of the Finance Department and all departments who played a role in achieving a favorable year-end audit. We also express sincere appreciation to City Council whose oversight of the financial affairs of the City has resulted in the City's strong financial position. Council is commended for their interest and support in the strategic planning for the City's future and for conducting the operations of the City of Franklin in a responsible and progressive manner.

Respectfully Submitted,

Amanda C. Jarratt
Amanda C. Jarratt
City Manager



Tracy Spence, CPA
Director of Finance



Government Finance Officers Association

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

Presented to

**City of Franklin
Virginia**

**For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended**

June 30, 2018

Christopher P. Morill

Executive Director/CEO

FINANCIAL SECTION





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, 2019, 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, 2019, 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, budgetary comparison information, and schedules related to pension and OPEB funding on pages 3-13, 124-125, and 126-158 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

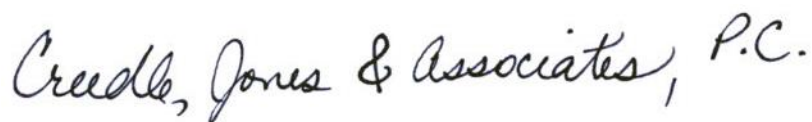
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Franklin, Virginia's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, component unit financial statements, schedule 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 19, 2019, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of City of Franklin, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Franklin, Virginia's internal control over financial reporting and compliance.



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

South Hill, Virginia
November 19, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year July 1, 2018 – June 30, 2019

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, 2019. 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) increased by \$987,559 from FY 2018 from \$21,252,571 to \$22,240,130.
- At the close of FY 2019, unassigned fund balance for the General Fund was \$4,815,905. At the close of FY 2018, the unassigned fund balance of the General Fund was \$4,189,190. This represents an increase of \$626,715 or 14.9%.
- The composition of the \$6,072,749 fund balance at the end of the year was 79.3% unassigned, 15.97% nonspendable, and 4.73% assigned.
- The General Fund, on a current financial resources basis, reported revenues and other financing sources of \$574,322 under expenditures and financing uses. This is after making a \$5,037,395 payment to Franklin City Schools, \$130,840 payment to the Airport Fund (Enterprise), \$792,887 to Special Revenue Funds, \$541,656 to Capital Projects Fund, and \$1,125,019 to the Debt Service Fund. Expenditures decreased by \$757,848 when compared to FY 2018.

Governmental Activities

- At the close of the fiscal year, the assets and deferred outflows of resources of the City's governmental activities exceeded its liabilities and deferred inflows of resources by \$13,788,851. Of this amount, \$1,086,369 is unrestricted and \$1,838,813 is restricted for debt service. The residual \$10,863,669 relates to net investment in capital assets and is not available for expenditure.
- The City's total net position increased by \$3,278,981 from the prior year. Of this amount, an increase of \$1,383,502 is related to governmental activities and an increase of \$1,895,479 is attributed to business-type activities.
- The City's total outstanding general obligation debt (including premiums) at June 30, 2019 was \$16,299,152. This includes \$2,675,802 in business-activity debt and \$13,623,350 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 \$27,251,692.

Summary of Net Position
As of June 30, 2019 and 2018

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Assets						
Current and other assets	\$ 10,863,782	\$ 10,438,798	\$ 7,686,713	\$ 6,343,557	\$ 18,550,495	\$ 16,782,355
Capital assets (net)	24,406,078	26,075,644	11,518,817	12,019,630	35,924,895	38,095,274
Total Assets	35,269,860	36,514,442	19,205,530	18,363,187	54,475,390	54,877,629
Deferred Outflows of Resources						
	2,618,317	2,002,474	489,576	418,379	3,107,893	2,420,853
Total Assets and Deferred Outflows of Resources	<u>\$ 37,888,177</u>	<u>\$ 38,516,916</u>	<u>\$ 19,695,106</u>	<u>\$ 18,781,566</u>	<u>\$ 57,583,283</u>	<u>\$ 57,298,482</u>
Liabilities						
Current and other liabilities	\$ 919,615	\$ 1,109,822	\$ 1,760,063	\$ 2,187,103	\$ 2,679,678	\$ 3,296,925
Long-term liabilities	22,248,910	24,219,175	4,288,446	4,871,516	26,537,356	29,090,691
Total Liabilities	23,168,525	25,328,997	6,048,509	7,058,619	29,217,034	32,387,616
Deferred Inflows of Resources						
	930,801	782,570	183,756	155,585	1,114,557	938,155
Net Position						
Net investment in capital assets	10,863,669	10,902,923	8,872,780	8,410,799	19,736,449	19,313,722
Restricted	1,838,813	2,561,938	-	-	1,838,813	2,561,938
Unrestricted	1,086,369	(1,059,512)	4,590,061	3,156,563	5,676,430	2,097,051
Total Net Position	<u>13,788,851</u>	<u>12,405,349</u>	<u>13,462,841</u>	<u>11,567,362</u>	<u>27,251,692</u>	<u>23,972,711</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 37,888,177</u>	<u>\$ 38,516,916</u>	<u>\$ 19,695,106</u>	<u>\$ 18,781,566</u>	<u>\$ 57,583,283</u>	<u>\$ 57,298,482</u>

The largest portion of the City's total net position of \$27,251,692 is its \$19,736,449 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 \$5,676,430 in unrestricted net position, which may be used to meet the City's ongoing obligations, and \$1,838,813 in restricted assets for debt service.

The City's financial position includes \$5,676,430, or 20.8% of the net position, as unrestricted net position comprised of \$1,086,369 from governmental activities and \$4,590,061 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, 2019 and 2018

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Revenues						
Program Revenues						
Charges for services	\$ 2,054,510	\$ 1,718,108	\$ 20,442,318	\$ 20,704,221	\$ 22,496,828	\$ 22,422,329
Operating grants and contributions	4,670,394	4,519,994	329,721	1,511,106	5,000,115	6,031,100
General Revenues						
Real estate and personal property taxes	7,689,283	7,506,067	-	-	7,689,283	7,506,067
Other local taxes	5,640,865	5,688,011	-	-	5,640,865	5,688,011
Revenue sharing from counties	1,224,442	782,345	-	-	1,224,442	782,345
Grants and contributions not restricted to specific programs	1,582,289	1,610,034	-	-	1,582,289	1,610,034
Unrestricted revenues from use of money and property	526,566	620,141	4,325	2,673	530,891	622,814
Miscellaneous	701,869	912,927	40,693	23,216	742,562	936,143
Total Revenues	24,090,218	23,357,627	20,817,057	22,241,216	44,907,275	45,598,843
Expenses						
General government administration	2,688,077	3,003,717	-	-	2,688,077	3,003,717
Judicial administration	417,244	344,563	-	-	417,244	344,563
Public safety	7,408,633	7,723,020	-	-	7,408,633	7,723,020
Public works	3,382,461	3,122,262	-	-	3,382,461	3,122,262
Health and welfare	2,517,646	2,471,638	-	-	2,517,646	2,471,638
Education	5,135,156	5,279,390	-	-	5,135,156	5,279,390
Parks, recreation, and cultural	887,175	747,262	-	-	887,175	747,262
Community development	1,567,150	1,822,617	-	-	1,567,150	1,822,617
Interest and fees on long-term debt	297,755	307,416	-	-	297,755	307,416
Water and sewer	-	-	2,948,740	3,012,357	2,948,740	3,012,357
Electric	-	-	12,768,858	12,474,698	12,768,858	12,474,698
Solid waste	-	-	1,057,729	1,106,538	1,057,729	1,106,538
Airport	-	-	551,670	541,774	551,670	541,774
Total Expenses	24,301,297	24,821,885	17,326,997	17,135,367	41,628,294	41,957,252
Excess (Deficiency) Before Transfers	(211,079)	(1,464,258)	3,490,060	5,105,849	3,278,981	3,641,591
Transfers	1,594,581	1,536,202	(1,594,581)	(1,536,202)	-	-
Increase in Net Position	1,383,502	71,944	1,895,479	3,569,647	3,278,981	3,641,591
Beginning Net Position	12,405,349	12,333,405	11,567,362	7,997,715	23,972,711	20,331,120
Ending Net Position	\$ 13,788,851	\$ 12,405,349	\$ 13,462,841	\$ 11,567,362	\$ 27,251,692	\$ 23,972,711

Governmental Activities

Real estate and personal property tax revenue, the City's largest revenue source, totaled \$7,309,506, a decrease from the previous year at \$7,357,887. 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 \$1,672,661 of total general property taxes (excludes tax relief portion of \$1,048,897). Other local tax revenues, which totaled \$5,640,865, consist primarily of local option sales, consumer utility, business license, motor vehicle license, lodging, and meals taxes.

Revenue Sharing from Counties of \$1,224,442 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 2018 revenue sharing payments of \$782,345. 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 \$520,588. The table below provides an overview of program expenses and related revenues.

Net Cost of Governmental Activities

For the Fiscal Years Ended June 30, 2019 and 2018

	<u>2019</u>		<u>2018</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	\$ 2,688,077	\$ (1,530,467)	\$ 3,003,717	\$ (2,051,404)
Judicial administration	417,244	(407,223)	344,563	(334,653)
Public safety	7,408,633	(5,894,144)	7,723,020	(6,444,155)
Public works	3,382,461	(1,451,146)	3,122,262	(1,311,305)
Health and welfare	2,517,646	(545,705)	2,471,638	(616,563)
Education	5,135,156	(5,135,156)	5,279,390	(5,279,390)
Parks, recreation, and cultural	887,175	(878,784)	747,262	(734,946)
Community development	1,567,150	(1,436,013)	1,822,617	(1,503,951)
Interest on long-term debt	<u>297,755</u>	<u>(297,755)</u>	<u>307,416</u>	<u>(307,416)</u>
Total	<u>\$ 24,301,297</u>	<u>\$ (17,576,393)</u>	<u>\$ 24,821,885</u>	<u>\$ (18,583,783)</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 \$1,895,479. Total operating revenues for business-type activities decreased from FY 2018 by \$1,424,159. Total business-type operating expenses increased by \$191,630.

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 \$9,158,723, compared to \$8,931,958 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 \$6,072,749, which reflects a \$574,322 increase over the prior year ending fund balance of \$5,498,427. Of this balance, \$4,815,905, or 79.30%, represents unassigned funds, which are available for operations of the government. The remaining \$1,256,844 is allocated among nonspendable and assigned 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, 2019, this percentage totaled 20.59%, an increase 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 restricted fund balance totaled \$186,008.
- **Debt Service Fund.** The debt service fund has a restricted fund balance of \$1,838,813, 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 \$13,462,841, an increase of \$1,895,479 over the prior balance of \$11,567,362.

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 from the final budgeted amount for the General Fund. The actual contribution to the local school board was \$5,037,395 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, 2019 and 2018

	<u>2019</u>			<u>2018</u>		
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
Revenues						
Taxes	\$ 7,706,023	\$ 7,706,023	\$ 7,309,506	\$ 7,457,635	\$ 7,457,635	\$ 7,357,887
Other	9,540,624	9,455,384	10,188,842	9,479,858	9,513,168	9,439,907
Intergovernmental	3,854,696	4,921,783	4,741,782	4,071,122	4,277,603	4,454,777
Total	21,101,343	22,083,190	22,240,130	21,008,615	21,248,406	21,252,571
Expenditures	20,628,510	21,837,164	20,800,827	21,200,550	21,889,189	21,558,675
Excess (Deficiency) of Revenues Over (Under) Expenditures	472,833	246,026	1,439,303	(191,935)	(640,783)	(306,104)
Other Financing Sources (Uses)						
Transfers in	1,734,538	1,725,421	1,725,421	1,691,698	1,689,927	1,689,927
Transfers (out)	(2,327,478)	(2,532,174)	(2,590,402)	(2,008,506)	(2,433,260)	(2,460,452)
Total	(592,940)	(806,753)	(864,981)	(316,808)	(743,333)	(770,525)
Net Change in Fund Balance Before Transfer from Surplus	(120,107)	(560,727)	574,322	(508,743)	(1,384,116)	(1,076,629)
Transfer from Surplus Funds	120,107	559,610	-	508,743	1,382,979	-
Change in Fund Balance	\$ -	\$ (1,117)	\$ 574,322	\$ -	\$ (1,137)	\$ (1,076,629)

The difference between the original budget and the final amended budget for the City's General Fund expenditures was approximately \$1,413,350 representing an increase in appropriations. Major variances are due to the following appropriation and anticipated expenditure made during FY 2019:

- \$237,196 appropriation to Capital Projects fund for pay-as-you go projects.
- \$314,718 appropriation for grant funded programs.
- \$592,177 appropriation for Children's Center program.

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, 2019, totaled \$35,924,895 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 \$1,669,566 in the governmental activities and decreased \$500,813 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, 2018</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2019</u>
Land	\$ 5,281,162	\$ -	\$ 5,281,162
Buildings	18,384,147	40,386	18,424,533
Improvements other than buildings	3,308,660	-	3,308,660
Machinery and equipment	10,608,139	28,349	10,636,488
School joint tenancy assets	4,888,086	-	4,888,086
Infrastructure	19,244,748	42,207	19,286,955
Total Capital Assets	61,714,942	110,942	61,825,884
Less: Accumulated depreciation and amortization	(35,639,298)	(1,780,508)	(37,419,806)
Total Capital Assets, Net	<u>\$ 26,075,644</u>	<u>\$ (1,669,566)</u>	<u>\$ 24,406,078</u>

Business-Type Activities

	<u>Balance July 1, 2018</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2019</u>
Land	\$ 179,258	\$ -	\$ 179,258
Construction in progress	1,537,654	(1,422,211)	115,443
Infrastructure	36,023,975	1,928,779	37,952,754
Buildings and improvements	1,448,618	-	1,448,618
Machinery and equipment	6,472,655	276,584	6,749,239
Total Capital Assets	45,662,160	783,152	46,445,312
Less: Accumulated depreciation and amortization	(33,642,530)	(1,283,965)	(34,926,495)
Total Capital Assets, Net	<u>\$ 12,019,630</u>	<u>\$ (500,813)</u>	<u>\$ 11,518,817</u>

Component Unit

School Board

	<u>Balance July 1, 2018</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2019</u>
Land and land improvements	\$ 151,010	\$ 82,355	\$ 233,365
Buildings and improvements	13,463,083	59,550	13,522,633
Infrastructure	4,719,662	122,312	4,841,974
Joint tenancy assets	(4,888,086)	-	(4,888,086)
Furniture, equipment, and vehicles	4,593,283	442,956	5,036,239
Total Capital Assets	18,038,952	707,173	18,746,125
Less: Accumulated depreciation and amortization	(8,633,043)	(646,192)	(9,279,235)
Total Capital Assets, Net	<u>\$ 9,405,909</u>	<u>\$ 60,981</u>	<u>\$ 9,466,890</u>

Debt Administration. The City's total outstanding general obligation debt at June 30, 2019 was \$15,879,584, which is considered to be tax supported debt. Other general fund long-term liabilities are also provided. Additional details on the long-term debt activity can be located in Note 8, Long-Term Obligations.

	Balance July 1, 2018	Net Additions and Deletions	Balance June 30, 2019
Governmental Activities			
General obligation bonds	\$ 14,758,676	\$ (1,535,092)	\$ 13,223,584
Capital leases	256,344	(115,335)	141,009
Compensated absences	<u>731,191</u>	<u>(34,975)</u>	<u>696,216</u>
	15,746,211	(1,685,402)	14,060,809
Add: Premiums	<u>426,966</u>	<u>(27,200)</u>	<u>399,766</u>
Total Governmental Activities	<u>\$ 16,173,177</u>	<u>\$ (1,712,602)</u>	<u>\$ 14,460,575</u>
Business-Type Activities			
General obligation bonds	\$ 3,178,000	\$ (522,000)	\$ 2,656,000
Capital leases	44,650	(22,055)	22,595
Compensated absences	<u>111,819</u>	<u>(3,873)</u>	<u>107,946</u>
	3,334,469	(547,928)	2,786,541
Add: Premiums	<u>23,762</u>	<u>(3,960)</u>	<u>19,802</u>
Total Business-Type Activities	<u>\$ 3,358,231</u>	<u>\$ (551,888)</u>	<u>\$ 2,806,343</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 2.92%.

	FY 2019	FY 2018
General Government Activities		
Bonds payable - general	\$ 6,772,000	\$ 6,925,000
School related bonds and notes	<u>6,451,584</u>	<u>7,833,676</u>
Total Tax Supported Debt	13,223,584	14,758,676
Business-Type Activities	<u>2,656,000</u>	<u>3,178,000</u>
Total Long-Term Debt	<u>\$ 15,879,584</u>	<u>\$ 17,936,676</u>
Total Per Capita Tax Supported Debt	<u>\$ 1,982</u>	<u>\$ 2,194</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The June 30, 2019 unemployment rate for the City of Franklin, Virginia was 4.1% compared to 2.9% for Virginia and the national rate of 3.8%. The June 30, 2018 unemployment rate for the City of Franklin, Virginia was 5.5%, compared to the state's unemployment rate of 3.8% and the average national rate of 4.4%.
- In FY 19-20, the City's adopted budget anticipates the general fund budget to be \$24,997,678, an increase of \$629,457 or 2.58% over prior year's final 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
As of June 30, 2019

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total Primary Government	School Board	Industrial Development Authority
Assets					
Cash and cash equivalents	\$ 7,590,070	\$ 6,727,895	\$ 14,317,965	\$ 2,124,260	\$ 14,318
<i>Receivables (net of allowance for uncollectibles)</i>					
Property taxes receivable	1,048,401	-	1,048,401	-	-
Accounts receivable	673,891	1,912,529	2,586,420	29,507	-
Notes receivable	52,588	-	52,588	-	-
Internal balances	969,874	(969,874)	-	-	-
Due from primary government	-	-	-	-	-
Due from other governmental units	528,958	-	528,958	436,107	-
Inventories	-	16,163	16,163	15,040	-
Net pension asset	-	-	-	121,552	-
Restricted Assets					
<i>Temporarily restricted</i>					
Cash and cash equivalents	-	-	-	-	-
Capital Assets					
Land and construction in progress	5,281,162	294,701	5,575,863	-	-
Other capital assets, net	19,124,916	11,224,116	30,349,032	9,466,890	-
Capital assets, net	24,406,078	11,518,817	35,924,895	9,466,890	-
Total Assets	35,269,860	19,205,530	54,475,390	12,193,356	14,318
Deferred Outflows of Resources					
Pension deferrals	780,990	160,357	941,347	1,257,065	-
OPEB deferrals	1,615,377	276,859	1,892,236	1,051,547	-
Deferred outflows - loss on refunding	221,950	52,360	274,310	-	-
Total Deferred Outflows of Resources	2,618,317	489,576	3,107,893	2,308,612	-
Total Assets and Deferred Outflows of Resources	\$ 37,888,177	\$ 19,695,106	\$ 57,583,283	\$ 14,501,968	\$ 14,318
Liabilities					
Accounts payable and accrued liabilities	\$ 666,691	\$ 1,165,502	\$ 1,832,193	\$ 1,268,819	\$ -
Customers' deposits	-	553,021	553,021	-	-
Accrued interest payable	153,161	41,540	194,701	-	-
Due to component unit school board	-	-	-	-	-
Deposits held in escrow	99,763	-	99,763	-	-
<i>Due within one year</i>					
Current portion of long-term liabilities	1,018,627	621,697	1,640,324	137,063	-
<i>Due in more than one year</i>					
Compensated absences	696,216	45,804	742,020	57,433	-
Capital lease obligations	24,810	-	24,810	1,449,546	-
Bonds, loans, and premiums	12,720,922	2,138,842	14,859,764	-	-
OPEB liabilities	3,736,367	620,753	4,357,120	2,237,723	-
Net pension liability	4,051,968	861,350	4,913,318	10,178,000	-
Total Liabilities	23,168,525	6,048,509	29,217,034	15,328,584	-
Deferred Inflows of Resources					
Pension deferrals	539,920	133,031	672,951	2,867,979	-
OPEB deferrals	390,881	50,725	441,606	458,657	-
Total Deferred Inflows of Resources	930,801	183,756	1,114,557	3,326,636	-
Net Position					
Net investment in capital assets	10,863,669	8,872,780	19,736,449	8,017,344	-
Restricted for					
Debt service	1,838,813	-	1,838,813	-	-
Unrestricted (deficit)	1,086,369	4,590,061	5,676,430	(12,170,596)	14,318
Total Net Position (Deficit)	13,788,851	13,462,841	27,251,692	(4,153,252)	14,318
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 37,888,177	\$ 19,695,106	\$ 57,583,283	\$ 14,501,968	\$ 14,318

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, 2019

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Units	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total	School Board	Industrial Development Authority
Primary Government									
Governmental Activities									
General government administration	\$ 2,688,077	\$ 967,858	\$ 189,752	\$ -	\$ (1,530,467)		\$ (1,530,467)		
Judicial administration	417,244	10,021	-	-	(407,223)		(407,223)		
Public safety	7,408,633	795,134	719,355	-	(5,894,144)		(5,894,144)		
Public works	3,382,461	277,606	1,653,709	-	(1,451,146)		(1,451,146)		
Health and welfare	2,517,646	-	1,971,941	-	(545,705)		(545,705)		
Education	5,135,156	-	-	-	(5,135,156)		(5,135,156)		
Parks, recreation, and cultural	887,175	3,891	4,500	-	(878,784)		(878,784)		
Community development	1,567,150	-	131,137	-	(1,436,013)		(1,436,013)		
Interest on long-term debt	297,755	-	-	-	(297,755)		(297,755)		
Total Governmental Activities	24,301,297	2,054,510	4,670,394	-	(17,576,393)		(17,576,393)		
Business-Type Activities									
Water and sewer	2,948,740	3,304,585	-	-		\$ 355,845	355,845		
Solid waste	1,057,729	1,283,745	-	-		226,016	226,016		
Electric	12,768,858	15,754,257	-	-		2,985,399	2,985,399		
Airport	551,670	99,731	329,721	-		(122,218)	(122,218)		
Total Business-Type Activities	17,326,997	20,442,318	329,721	-		3,445,042	3,445,042		
Total Primary Government	\$ 41,628,294	\$ 22,496,828	\$ 5,000,115	\$ -			(14,131,351)		
Component Units									
School Board	\$ 14,624,251	\$ 34,274	\$ 10,871,371	\$ -				\$ (3,718,606)	\$ -
Industrial Development Authority	-	-	-	-				-	-
Total - Component Units	\$ 14,624,251	\$ 34,274	\$ 10,871,371	\$ -				(3,718,606)	-
General Revenues									
General property taxes					7,689,283	-	7,689,283	-	-
Local sales and use taxes					1,896,307	-	1,896,307	-	-
Consumers' utility taxes					539,420	-	539,420	-	-
Business license taxes					959,312	-	959,312	-	-
Motor vehicle license taxes					184,638	-	184,638	-	-
Cigarette taxes					300,133	-	300,133	-	-
Lodging taxes					148,234	-	148,234	-	-
Restaurant food taxes					1,478,018	-	1,478,018	-	-
Other local taxes					134,803	-	134,803	-	-
Unrestricted revenues from use of property					525,370	-	525,370	9,729	-
Investment earnings					1,196	4,325	5,521	-	1
Revenue sharing from counties					1,224,442	-	1,224,442	-	-
Miscellaneous					701,869	40,693	742,562	259,968	-
Contribution from City of Franklin, Virginia					-	-	-	5,135,156	-
Grants and contributions not restricted to specific programs					1,582,289	-	1,582,289	-	-
Transfers in (out)					1,594,581	(1,594,581)	-	-	-
Total General Revenues and Transfers					18,959,895	(1,549,563)	17,410,332	5,404,853	1
Change in Net Position					1,383,502	1,895,479	3,278,981	1,686,247	1
Net Position (Deficit) - Beginning of Year (Restatement - School)					12,405,349	11,567,362	23,972,711	(5,839,499)	14,317
Net Position (Deficit) - End of Year					\$ 13,788,851	\$ 13,462,841	\$ 27,251,692	\$ (4,153,252)	\$ 14,318

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

City of Franklin, Virginia
 Balance Sheet
 Governmental Funds
 As of June 30, 2019

	<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>
Assets						
Cash and cash equivalents	\$ 4,728,379	\$ 499,985	\$ 207,147	\$ 1,838,813	\$ 427,385	\$ 7,701,709
<i>Receivables - net of allowance for uncollectibles</i>						
Property taxes receivable	1,048,401	-	-	-	-	1,048,401
Accounts receivable	522,733	-	-	-	151,158	673,891
Notes receivable	-	-	-	-	52,588	52,588
Other current assets - prepaid expenses	-	-	-	-	-	-
Due from other funds	969,874	-	-	-	-	969,874
Due from other governmental units	425,014	85,183	-	-	18,761	528,958
<i>Restricted assets</i>						
Cash and cash equivalents	-	-	-	-	-	-
Total Assets	<u>\$ 7,694,401</u>	<u>\$ 585,168</u>	<u>\$ 207,147</u>	<u>\$ 1,838,813</u>	<u>\$ 649,892</u>	<u>\$ 10,975,421</u>
Liabilities						
Pooled cash deficit	\$ -	\$ -	\$ -	\$ -	\$ 111,639	\$ 111,639
Accounts payable and accrued liabilities	615,047	18,979	21,139	-	11,526	666,691
Due to other funds	-	-	-	-	-	-
Deposits held in escrow	68,000	-	-	-	31,763	99,763
Total Liabilities	683,047	18,979	21,139	-	154,928	878,093
Deferred Inflows of Resources	938,605	-	-	-	-	938,605
Fund Balances						
<i>Nonspendable</i>						
Long-term receivables - airport	969,874	-	-	-	-	969,874
<i>Restricted</i>						
Public safety	-	-	-	-	85,606	85,606
Health and welfare	-	566,189	-	-	35,632	601,821
Parks, recreation, and cultural	-	-	-	-	184,550	184,550
Community development	-	-	-	-	222,740	222,740
Debt service	-	-	-	1,838,813	-	1,838,813
Capital projects	-	-	186,008	-	-	186,008
<i>Assigned</i>	286,970	-	-	-	-	286,970
<i>Unassigned</i>	4,815,905	-	-	-	(33,564)	4,782,341
Total Fund Balances	<u>6,072,749</u>	<u>566,189</u>	<u>186,008</u>	<u>1,838,813</u>	<u>494,964</u>	<u>9,158,723</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 7,694,401</u>	<u>\$ 585,168</u>	<u>\$ 207,147</u>	<u>\$ 1,838,813</u>	<u>\$ 649,892</u>	<u>\$ 10,975,421</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, 2019

Total Fund Balances for Governmental Funds \$ 9,158,723

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	\$ 5,281,162
Buildings and improvements, net of accumulated depreciation	11,153,278
Infrastructure, net of accumulated depreciation	4,196,199
School joint tenancy assets	1,735,580
Furniture, equipment, and vehicles, net of accumulated depreciation	<u>2,039,859</u>

Total Capital Assets 24,406,078

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

Unavailable revenue - taxes and licenses	938,605
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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	780,990
Deferred outflows of resources related to OPEB liabilities	1,615,377
Deferred inflows of resources related to OPEB liabilities	(390,881)
Deferred inflows of resources related to pensions	<u>(539,920)</u>

Total Deferred Outflows and Inflows of Resources 1,465,566

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	(13,764,359)
Deferred outflows - refunding on debt	221,950
Accrued interest payable on debt	(153,161)
OPEB obligations	(3,736,367)
Net VRS pension liability	(4,051,968)
Compensated absences	<u>(696,216)</u>

Total (22,180,121)

Total Net Position of Governmental Activities \$ 13,788,851

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, 2019

	General Fund	Virginia Public Assistance	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues						
General property taxes	\$ 7,309,506	\$ -	\$ -	\$ -	\$ -	\$ 7,309,506
Other local taxes	5,640,865	-	-	-	-	5,640,865
Permits, privilege fees, and regulatory licenses	221,676	-	-	-	-	221,676
Fines and forfeitures	32,044	-	-	-	-	32,044
Revenue from the use of money and property	332,873	-	-	62,832	130,861	526,566
Charges for services	1,800,790	-	-	-	-	1,800,790
Miscellaneous	1,720,775	3,573	50,000	-	151,963	1,926,311
Recovered costs	439,819	-	-	-	-	439,819
<i>Intergovernmental</i>						
Revenue from the Commonwealth of Virginia	4,529,504	402,396	-	-	107,519	5,039,419
Revenue from the Federal Government	212,278	869,849	-	-	131,137	1,213,264
Total Revenues	22,240,130	1,275,818	50,000	62,832	521,480	24,150,260
Expenditures						
Current						
General government administration	2,567,819	-	-	-	-	2,567,819
Judicial administration	417,244	-	-	-	-	417,244
Public safety	7,672,045	-	-	-	37,186	7,709,231
Public works	2,501,530	-	406,340	-	-	2,907,870
Health and welfare	771,502	1,654,859	-	-	177,161	2,603,522
Education	5,037,395	-	-	-	-	5,037,395
Parks, recreation, and cultural	746,681	-	-	-	5,249	751,930
Community development	1,060,871	-	-	-	525,478	1,586,349
<i>Debt service</i>						
Principal retirement	25,740	-	-	1,535,092	-	1,560,832
Interest and other fiscal charges	-	-	-	375,884	-	375,884
Total Expenditures	20,800,827	1,654,859	406,340	1,910,976	745,074	25,518,076
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,439,303	(379,041)	(356,340)	(1,848,144)	(223,594)	(1,367,816)
Other Financing Sources (Uses)						
Transfers in	1,725,421	524,766	541,656	1,125,019	268,121	4,184,983
Transfers (out)	(2,590,402)	-	-	-	-	(2,590,402)
Total Other Financing Sources (Uses)	(864,981)	524,766	541,656	1,125,019	268,121	1,594,581
Net Change in Fund Balances	574,322	145,725	185,316	(723,125)	44,527	226,765
Fund Balances - Beginning of Year	5,498,427	420,464	692	2,561,938	450,437	8,931,958
Fund Balances - End of Year	\$ 6,072,749	\$ 566,189	\$ 186,008	\$ 1,838,813	\$ 494,964	\$ 9,158,723

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, 2019

Net Change in Fund Balances - Total Governmental Funds \$ 226,765

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	\$ 110,941	
Capital asset disposals	-	
Depreciation expense	<u>(1,780,507)</u>	(1,669,566)

Revenues in the Statement of Activities that do not provide current financial resources are deferred in the fund statements. 379,777

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	1,535,092	
Deferred outflows - refunding of debt	(47,315)	
Lease payments	115,335	
Premium on bond issue and accrued interest payable	<u>35,849</u>	
Net Adjustment		1,638,961

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	34,975	
Net pension liability	449,002	
Deferred inflows - OPEB	(152,526)	
Deferred inflows - VRS pension	4,295	
Deferred outflows - OPEB	598,182	
Deferred outflows - VRS pension	66,668	
Net OPEB liabilities	<u>(193,031)</u>	
Net Adjustment		<u>807,565</u>

Change in Net Position of Governmental Activities \$ 1,383,502

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

City of Franklin, Virginia
Statement of Net Position
Proprietary Funds
As of June 30, 2019

	<u>Water and Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Electric Fund</u>	<u>Airport Fund</u>	<u>Total</u>
Assets					
Current Assets					
Cash and cash equivalents	\$ 1,875,767	\$ 371,836	\$ 4,430,051	\$ 50,241	\$ 6,727,895
Receivables, net	346,230	146,675	1,414,394	5,230	1,912,529
Inventories	-	-	-	16,163	16,163
Total Current Assets	<u>2,221,997</u>	<u>518,511</u>	<u>5,844,445</u>	<u>71,634</u>	<u>8,656,587</u>
Noncurrent Assets					
Capital assets, net	<u>3,475,708</u>	<u>579,294</u>	<u>2,793,717</u>	<u>4,670,098</u>	<u>11,518,817</u>
Total Noncurrent Assets	<u>3,475,708</u>	<u>579,294</u>	<u>2,793,717</u>	<u>4,670,098</u>	<u>11,518,817</u>
Other Assets					
	-	-	-	-	-
Total Assets	<u>5,697,705</u>	<u>1,097,805</u>	<u>8,638,162</u>	<u>4,741,732</u>	<u>20,175,404</u>
Deferred Outflows of Resources					
Deferred outflows of resources - pension	59,026	27,401	64,583	9,347	160,357
Deferred outflows of resources - OPEB	97,715	48,857	114,000	16,287	276,859
Deferred outflows - loss on refunding	24,113	-	28,247	-	52,360
Total Deferred Outflows of Resources	<u>180,854</u>	<u>76,258</u>	<u>206,830</u>	<u>25,634</u>	<u>489,576</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 5,878,559</u>	<u>\$ 1,174,063</u>	<u>\$ 8,844,992</u>	<u>\$ 4,767,366</u>	<u>\$ 20,664,980</u>
Liabilities					
Current Liabilities					
Pooled cash deficit	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable and accrued liabilities	284,352	32,408	763,332	85,410	1,165,502
Customers' deposits	-	-	553,021	-	553,021
Accrued interest payable	25,644	2,973	12,923	-	41,540
Due to other funds	-	-	-	969,874	969,874
Current portion of long-term liabilities	<u>311,000</u>	<u>-</u>	<u>244,595</u>	<u>-</u>	<u>555,595</u>
Total Current Liabilities	<u>620,996</u>	<u>35,381</u>	<u>1,573,871</u>	<u>1,055,284</u>	<u>3,285,532</u>
Noncurrent Liabilities, Net of Current Portion					
Pension liability	308,793	129,601	374,296	48,660	861,350
OPEB liabilities	228,698	65,342	294,042	32,671	620,753
Compensated absences	41,121	14,208	52,617	-	107,946
Capital lease obligations	-	-	-	-	-
Long-term notes and bonds and premiums	<u>1,320,086</u>	<u>248,000</u>	<u>574,716</u>	<u>-</u>	<u>2,142,802</u>
Total Noncurrent Liabilities	<u>1,898,698</u>	<u>457,151</u>	<u>1,295,671</u>	<u>81,331</u>	<u>3,732,851</u>
Total Liabilities	<u>2,519,694</u>	<u>492,532</u>	<u>2,869,542</u>	<u>1,136,615</u>	<u>7,018,383</u>
Deferred Inflows of Resources					
OPEB liabilities	18,472	6,332	23,165	2,756	50,725
VRS pension	<u>48,023</u>	<u>13,744</u>	<u>64,747</u>	<u>6,517</u>	<u>133,031</u>
Total Deferred Inflows of Resources	<u>66,495</u>	<u>20,076</u>	<u>87,912</u>	<u>9,273</u>	<u>183,756</u>
Net Position					
Net investment in capital assets	1,868,736	331,293	2,002,654	4,670,097	8,872,780
Unrestricted	<u>1,423,634</u>	<u>330,162</u>	<u>3,884,884</u>	<u>(1,048,619)</u>	<u>4,590,061</u>
Total Net Position	<u>3,292,370</u>	<u>661,455</u>	<u>5,887,538</u>	<u>3,621,478</u>	<u>13,462,841</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 5,878,559</u>	<u>\$ 1,174,063</u>	<u>\$ 8,844,992</u>	<u>\$ 4,767,366</u>	<u>\$ 20,664,980</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, 2019

	<u>Water and Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Electric Fund</u>	<u>Airport Fund</u>	<u>Total</u>
Operating Revenues					
Charges for services	\$ 3,304,585	\$ 1,283,745	\$ 15,754,257	\$ 99,731	\$ 20,442,318
Miscellaneous	22,855	-	17,811	27	40,693
Operating grants - state	-	-	-	17,142	17,142
Operating grants - federal	-	-	-	312,579	312,579
	<u>3,327,440</u>	<u>1,283,745</u>	<u>15,772,068</u>	<u>429,479</u>	<u>20,812,732</u>
Operating Expenses					
Salaries and wages	516,169	188,923	768,720	78,962	1,552,774
Fringe benefits	209,312	51,869	255,286	27,961	544,428
Contractual services	322,759	-	38,281	-	361,040
Repairs and maintenance	353,783	72,862	118,889	14,855	560,389
Utilities	232,930	-	33,116	23,164	289,210
Insurance	70,795	7,652	19,486	10,385	108,318
Materials and supplies	235,715	41,087	10,485,233	32,112	10,794,147
Other charges	60,570	335,518	33,922	970	430,980
Payment to general fund for services and taxes	395,049	259,392	615,532	25,515	1,295,488
Depreciation and amortization	488,828	93,978	363,413	337,746	1,283,965
	<u>2,885,910</u>	<u>1,051,281</u>	<u>12,731,878</u>	<u>551,670</u>	<u>17,220,739</u>
Operating Income (Loss)	441,530	232,464	3,040,190	(122,191)	3,591,993
Nonoperating Revenues (Expenses)					
Interest income	4,325	-	-	-	4,325
Interest expense	(62,830)	(6,448)	(36,980)	-	(106,258)
	<u>(58,505)</u>	<u>(6,448)</u>	<u>(36,980)</u>	<u>-</u>	<u>(101,933)</u>
Income (Loss) Before Transfers	383,025	226,016	3,003,210	(122,191)	3,490,060
Transfers in	-	-	-	130,840	130,840
Transfers (out)	(173,683)	(112,345)	(1,439,393)	-	(1,725,421)
	<u>(173,683)</u>	<u>(112,345)</u>	<u>(1,439,393)</u>	<u>130,840</u>	<u>(1,594,581)</u>
Change in Net Position	209,342	113,671	1,563,817	8,649	1,895,479
Total Net Position - Beginning of Year	<u>3,083,028</u>	<u>547,784</u>	<u>4,323,721</u>	<u>3,612,829</u>	<u>11,567,362</u>
Total Net Position - End of Year	<u>\$ 3,292,370</u>	<u>\$ 661,455</u>	<u>\$ 5,887,538</u>	<u>\$ 3,621,478</u>	<u>\$ 13,462,841</u>

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, 2019

	Water and Sewer Fund	Solid Waste Fund	Electric Fund	Airport Fund	Total
Cash Flows from Operating Activities					
Receipts from customers and users	\$ 3,421,585	\$ 1,305,848	\$ 15,931,709	\$ 97,361	\$ 20,756,503
Operating grants	-	-	-	746,292	746,292
Payments to suppliers for goods and services	(1,624,623)	(719,737)	(11,332,244)	(463,930)	(14,140,534)
Payments to and on behalf of employees	<u>(737,590)</u>	<u>(297,119)</u>	<u>(1,029,035)</u>	<u>(121,640)</u>	<u>(2,185,384)</u>
Net Cash Provided by Operating Activities	1,059,372	288,992	3,570,430	258,083	5,176,877
Cash Flows from Noncapital Financing Activities					
Transfers from other funds	-	-	-	130,840	130,840
Transfers (to) other funds	<u>(173,683)</u>	<u>(112,345)</u>	<u>(1,439,393)</u>	<u>-</u>	<u>(1,725,421)</u>
Net Cash Provided by (Used in) Noncapital Financing Activities	(173,683)	(112,345)	(1,439,393)	130,840	(1,594,581)
Cash Flows from Capital and Related Financing Activities					
Purchase of capital assets	(366,407)	(9,892)	(67,971)	(338,882)	(783,152)
Payment on long-term debt	(302,000)	-	(242,055)	-	(544,055)
Interest paid on capital debt	<u>(64,878)</u>	<u>(6,448)</u>	<u>(35,719)</u>	<u>-</u>	<u>(107,045)</u>
Net Cash Used in Capital and Related Financing Activities	(733,285)	(16,340)	(345,745)	(338,882)	(1,434,252)
Cash Flows from Investing Activities					
Interest income	<u>4,325</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,325</u>
Net Cash Provided by Investing Activities	4,325	-	-	-	4,325
Net Increase in Cash and Cash Equivalents	156,729	160,307	1,785,292	50,041	2,152,369
Cash and Cash Equivalents - Beginning of Year	<u>1,719,038</u>	<u>211,529</u>	<u>2,644,759</u>	<u>200</u>	<u>4,575,526</u>
Cash and Cash Equivalents - End of Year	<u>\$ 1,875,767</u>	<u>\$ 371,836</u>	<u>\$ 4,430,051</u>	<u>\$ 50,241</u>	<u>\$ 6,727,895</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities					
Operating income (loss)	\$ 441,530	\$ 232,464	\$ 3,040,190	\$ (122,191)	\$ 3,591,993
<i>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities</i>					
Depreciation expense	488,828	93,978	363,413	337,746	1,283,965
(Increase) decrease in accounts receivable	94,145	22,103	288,736	(2,397)	402,587
(Increase) decrease in due from other governments	-	-	-	416,571	416,571
(Increase) decrease in inventories	-	-	-	(4,052)	(4,052)
(Increase) decrease in deferred outflows - VRS	(4,816)	(1,919)	(7,604)	(804)	(15,143)
(Increase) decrease in deferred outflows - OPEB	(23,481)	(11,740)	(27,392)	(3,913)	(66,526)
Increase (decrease) in accounts payable and accrued liabilities	45,108	(3,467)	12,183	(344,470)	(290,646)
Increase (decrease) in pooled cash deficit	-	-	-	(5,893)	(5,893)
Increase (decrease) in compensated absences	5,344	(192)	(169)	(8,856)	(3,873)
Increase (decrease) in net pension liability	(32,431)	(12,929)	(51,216)	(5,414)	(101,990)
Increase (decrease) in deferred inflows - VRS	(310)	(10,179)	(490)	(52)	(11,031)
Increase (decrease) in OPEB liability	34,600	(31,707)	67,594	321	70,808
Increase (decrease) in deferred inflows - OPEB	10,855	12,580	14,280	1,487	39,202
Increase (decrease) in customer deposits	<u>-</u>	<u>-</u>	<u>(129,095)</u>	<u>-</u>	<u>(129,095)</u>
Net Cash Provided by Operating Activities	<u>\$ 1,059,372</u>	<u>\$ 288,992</u>	<u>\$ 3,570,430</u>	<u>\$ 258,083</u>	<u>\$ 5,176,877</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

As of June 30, 2019

	<u>All Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 92,914
Accounts receivable	<u>18,329</u>
 Total Assets	 <u>\$ 111,243</u>
Liabilities	
Accounts payable and accrued liabilities	\$ 3,417
Amounts held for others	<u>107,826</u>
 Total Liabilities	 <u>\$ 111,243</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, 2019

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

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. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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 \$5,037,395 to the School Board from the General Fund, exclusive of debt service. The School Board does not issue separate financial statements.

- *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 \$20,000. 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, 2019, the allowance attributed to the General Fund amounted to \$136,720 and Enterprise Fund in the amount of \$1,143,785.

F. Cash and Cash Equivalents

Cash and cash equivalents 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 using the straight-line method over the capital assets' estimated useful lives 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. Group Life Insurance

The Virginia Retirement System (VRS) Group Life Insurance Program is a multiple employer, cost-sharing plan. It provides coverage to state employees, teachers, and employees of participating political subdivisions. The Group Life Insurance Program was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The Group Life Insurance Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. For purposes of measuring the net Group Life Insurance Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Group Life Insurance Program OPEB, and Group Life Insurance Program OPEB expense, information about the fiduciary net position of the VRS Group Life Insurance program OPEB and the additions to/deductions from the VRS Group Life Insurance Program OPEB's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

L. Health Insurance Credit

The Political Subdivision Health Insurance Credit Program is a multiple-employer, agent defined benefit plan that provides a credit toward the cost of health insurance coverage for retired political subdivision employees of participating employers. The Political Subdivision Health Insurance Credit Program was established pursuant to §51.1-1400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. For purposes of measuring the net Political Subdivision Health Insurance Credit Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Political Subdivision Health Insurance Credit Program OPEB, and the Political Subdivision Health Insurance Credit Program OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Political Subdivision Health Insurance Credit Program; and the additions to/deductions from the VRS Political Subdivision Health Insurance Credit Program's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

M. Teacher Employee Health Insurance Credit Program

The Virginia Retirement System (VRS) Teacher Employee Health Insurance Credit Program is a multiple-employer, cost-sharing plan. The Teacher Employee Health Insurance Credit Program was established pursuant to §51.1-1400 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The Teacher Employee Health Insurance Credit Program is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired teachers. For purposes of measuring the net Teacher Employee Health Insurance Credit Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Teacher Employee Health Insurance Credit Program OPEB, and the Teacher Employee Health Insurance Credit Program OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Teacher Employee Health Insurance Credit Program; and the additions to/deductions from the VRS Teacher Employee Health Insurance Credit Program's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

N. Line of Duty Act Program

The Virginia Retirement System (VRS) Line of Duty Act Program (LODA) is a multiple-employer, cost-sharing plan. The Line of Duty Act Program was established pursuant to §9.1-400 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The Line of Duty Act Program provides death and health insurance benefits to eligible state employees and local government employees, including volunteers, who die or become disabled as a result of the performance of their duties as a public safety officer. In addition, health insurance benefits are provided to eligible survivors and family members. For purposes of measuring the net Line of Duty Act Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Line of Duty Act Program OPEB, and Line of Duty Act Program OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Line of Duty Act Program OPEB Plan and the additions to/deductions from the VRS Line of Duty Act Program OPEB Plan's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

O. Political Subdivision Employee Virginia Local Disability Program

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

P. Teacher Employee Virginia Local Disability Program

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

Q. Deferred Outflows/Inflows of Resources

The Statement of Net Position includes a separate section for Deferred Outflows of Resources. This represents the usage of net position applicable to future periods and will be recognized as expenditures in the future period to which it applies. This category also includes amounts related to pensions for certain actuarially determined differences between projected and actual investment earnings.

The Statement of Net Position also includes a separate section for Deferred Inflows of Resources. This represents the acquisition of net position applicable to future periods and will be recognized as revenue in the future period to which it applies. Currently, this category includes revenue received in advance, and amounts related to pensions for certain actuarially determined differences between projected and actual experience.

Deferred Inflows of Resources in the Governmental Funds Balance Sheet include unavailable revenue. Unavailable revenue consists primarily of special assessment, loans, and notes receivable. The City considers revenues available if they are collected within 60 days of the end of the fiscal year.

R. 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.

S. 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.

T. 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.

U. Credit Risk

The assessed value of real estate and personal property for the City's ten largest taxpayers comprise 12.90% and 11.21% 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.

V. 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.

W. Interfund Activity

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's Enterprise Funds' functions. Elimination of these charges would distort costs and program revenues reported for the various functions concerned.

X. 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.

It is the City Council's policy that there shall be retained in the General Fund an unassigned fund balance of 15% to 25% of the following year's projected expenditures.

Y 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 December 5. The City bills and collects its own property taxes.

Z. New GASB Pronouncements

The Governmental Accounting Standards Board (GASB) has issued several new accounting pronouncements that will impact future fiscal years' financial statement presentations. Management has not yet determined what impacts, if any, that the implementation of the following GASB statements will have on the City.

- GASB Statement No. 84, *Fiduciary Activities*. GASB Statement No. 84 will be effective for the City beginning with year ending June 30, 2020.
- GASB Statement No. 87, *Leases*. GASB Statement No. 87 will be effective for the City beginning with year ending June 30, 2021.
- GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. GASB Statement No. 89 will be effective for the City beginning with year ending June 30, 2021.
- GASB Statement No. 90, *Majority Equity Interests-an Amendment of GASB Statements No. 14 and No. 61*. GASB Statement No. 90 will be effective for the City beginning with year ending June 30, 2020.
- GASB Statement No. 91, *Conduit Debt Obligations*. GASB statement No. 91 will be effective for the City beginning with year ending June 30, 2020.

2 Deposits

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.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by nationally recognized statistical rating organizations. The City did not have any investments at June 30, 2019.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. All deposits of the City are maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et. seq. of the *Code of Virginia* or covered by the Federal Deposit Insurance Corporation (FDIC).

Concentration of Credit Risk

The City does not have a formal investment policy regarding concentration of credit risk of its investments.

3 Interfund Receivables and Payables

Interfund balances at June 30, 2019 were as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Governmental Funds		
General	\$ 969,874	\$ -
Social Services	-	-
Proprietary Funds		
Airport	-	969,874
	<u> </u>	<u> </u>
Total	<u>\$ 969,874</u>	<u>\$ 969,874</u>
Component Unit - School Board		
Operating Fund to Cafeteria Fund	\$ 1,725	\$ 1,725
Operating Fund to Textbook Fund	82,094	82,094
	<u> </u>	<u> </u>
Total	<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, 2019 were as follows:

	<u>Purpose - Funding for:</u>	<u>Transfers In</u>	<u>Transfers Out</u>
City of Franklin, Virginia			
General Fund			
Transfers between General Fund and Electric Fund	Services provided by general fund	\$ 1,439,393	\$ -
Transfers between General Fund and Solid Waste Fund	Services provided by general fund	112,345	-
Transfers between General Fund and Water and Sewer Fund	Services provided by general fund	173,683	-
Transfers between General Fund and Airport Fund	Airport support	-	130,840
From General Fund to Capital Projects Fund	Support of Pay-As-You-Go Projects	-	541,656
From General Fund to Nonmajor Governmental Funds	Support of special revenue programs	-	268,121
From General Fund to Virginia Public Assistance Fund	Support of VPA fund	-	524,766
From General Fund to Debt Service Fund	Support of debt service fund	-	1,125,019
Nonmajor Governmental Funds			
From General Fund to nonmajor governmental funds	Support of special revenue programs	268,121	-
Capital Projects			
From General Fund to Capital Projects Fund	Support of Pay-As-You-Go Projects	541,656	-
Virginia Public Assistance Fund			
From General Fund to Virginia Public Assistance Fund	Support of VPA fund	524,766	-
Debt Service Fund			
From General Fund to Debt Service Fund	Payment of City debt	<u>1,125,019</u>	<u>-</u>
Subtotal - Governmental Funds		4,184,983	2,590,402
Proprietary Funds			
Transfers between General Fund and Electric Fund	Services provided by general fund	-	1,439,393
Transfers between General Fund and Solid Waste Fund	Services provided by general fund	-	112,345
Transfers between General Fund and Water and Sewer Fund	Services provided by general fund	-	173,683
Transfers between General Fund and Airport Fund	Airport support	<u>130,840</u>	<u>-</u>
Subtotal - Proprietary Funds		<u>130,840</u>	<u>1,725,421</u>
		<u>\$ 4,315,823</u>	<u>\$ 4,315,823</u>

4 Transfer to Component Units/Transfer from Primary Government

Details of the primary government due to component units as of June 30, 2019 are as follows:

		<u>Transfers In</u>	<u>Transfers Out</u>
City of Franklin, Virginia to Component Units			
Primary Government - City of Franklin, Virginia			
To Component Unit - School Board	Support of local school system	\$ -	\$ 5,037,395
Component Unit - School Board			
From Primary Government - City of Franklin, Virginia	Support of local school system	<u>5,037,395</u>	<u>-</u>
Within Component Unit - School Board			
To Textbook Fund from School Board Operating Fund to support operations	Support of local school system	<u>\$ 36,616</u>	<u>\$ 36,616</u>

5 Receivables

Receivables in the fund statements at June 30, 2019 are as follows:

Primary Government

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Business- type Activities</u>	<u>Total</u>
Receivables				
Property taxes	\$ 1,185,121	\$ -	\$ -	\$ 1,185,121
Accounts receivable	<u>522,733</u>	<u>151,158</u>	<u>3,056,314</u>	<u>3,730,205</u>
Total Receivables	1,707,854	151,158	3,056,314	4,915,326
Less: Allowance for Uncollectible Accounts				
Property taxes	136,720	-	-	136,720
Utility and other service charges	<u>-</u>	<u>-</u>	<u>1,143,785</u>	<u>1,143,785</u>
Total Allowance for Uncollectible Accounts	<u>136,720</u>	<u>-</u>	<u>1,143,785</u>	<u>1,280,505</u>
Receivables, Net				
Property taxes	1,048,401	-	-	1,048,401
Accounts receivable	<u>522,733</u>	<u>151,158</u>	<u>1,912,529</u>	<u>2,586,420</u>
Receivables, Net	<u>\$ 1,571,134</u>	<u>\$ 151,158</u>	<u>\$ 1,912,529</u>	<u>\$ 3,634,821</u>

6 Due from Other Governments

Due from other governments consists of the following at June 30, 2019:

Primary Government

	<u>General</u>	<u>Virginia Public Assistance</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>	<u>Component Unit - School Board</u>
Commonwealth of Virginia					
State and local sales taxes	\$ 319,816	\$ -	\$ -	\$ 319,816	\$ 156,097
Communications tax	75,204	-	-	75,204	-
Auto rental tax	3,265	-	-	3,265	-
Compensation Board	16,733	-	-	16,733	-
Recordation tax	2,444	-	-	2,444	-
Comprehensive services	-	-	18,761	18,761	-
911 funds	6,952	-	-	6,952	-
Other state funds	600	-	-	600	-
Public assistance	<u>-</u>	<u>85,183</u>	<u>-</u>	<u>85,183</u>	<u>-</u>
	425,014	85,183	18,761	528,958	156,097
Federal Government					
Title VIB Flow-Through and Preschool	-	-	-	-	51,008
Title VI Rural and Low Income	-	-	-	-	880
21st Century funds	-	-	-	-	39,662
Title II	-	-	-	-	23,191
Title III	-	-	-	-	982
Title I	-	-	-	-	63,117
Other federal funds	-	-	-	-	16,319
Other federal funds	-	-	-	-	36,884
School food program	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>47,967</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>280,010</u>
	<u>\$ 425,014</u>	<u>\$ 85,183</u>	<u>\$ 18,761</u>	<u>\$ 528,958</u>	<u>\$ 436,107</u>

7 Capital Assets

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

Governmental Activities

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019
Capital Assets Not Being Depreciated				
Land	\$ 5,281,162	\$ -	\$ -	\$ 5,281,162
Total Capital Assets Not Being Depreciated	5,281,162	-	-	5,281,162
Capital Assets Being Depreciated				
Buildings	18,384,147	40,386	-	18,424,533
Improvements other than buildings	3,308,660	-	-	3,308,660
Machinery, equipment, other	10,608,139	28,349	-	10,636,488
School joint tenancy assets	4,888,086	-	-	4,888,086
Infrastructure	19,244,748	42,207	-	19,286,955
Total Capital Assets Being Depreciated	56,433,780	110,942	-	56,544,722
Less: Accumulated depreciation				
Buildings	7,488,828	475,124	-	7,963,952
Improvements other than buildings	2,509,343	106,620	-	2,615,963
Machinery, equipment, other	8,056,938	539,691	-	8,596,629
School joint tenancy assets	3,054,744	97,762	-	3,152,506
Infrastructure	14,529,445	561,311	-	15,090,756
Total Accumulated Depreciation	35,639,298	1,780,508	-	37,419,806
Subtotal Capital Assets, Net	20,794,482	(1,669,566)	-	19,124,916
Total Capital Assets, Governmental Activities, Net	\$ 26,075,644	\$ (1,669,566)	\$ -	\$ 24,406,078

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, 2019 is that school financed assets in the amount of \$1,735,580 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	\$ 399,114
Public safety	449,131
Public works	623,163
Health and welfare	46,054
Parks, recreation, and cultural	153,968
Community development	11,316
Education	<u>97,762</u>
Total	<u>\$ 1,780,508</u>

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

Business-Type Activities

	<u>Balance July 1, 2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2019</u>
Water and Sewer Fund				
Other Capital Assets				
Infrastructure	\$ 16,480,697	\$ 178,963	\$ -	\$ 16,659,660
Machinery and equipment	<u>2,175,493</u>	<u>187,444</u>	<u>-</u>	<u>2,362,937</u>
Total Other Capital Assets	18,656,190	366,407	-	19,022,597
Less: Accumulated depreciation				
Infrastructure	13,848,625	315,238	-	14,163,863
Machinery and equipment	<u>1,209,436</u>	<u>173,590</u>	<u>-</u>	<u>1,383,026</u>
Total Accumulated Depreciation	<u>15,058,061</u>	<u>488,828</u>	<u>-</u>	<u>15,546,889</u>
Subtotal Capital Assets, Net	<u>3,598,129</u>	<u>(122,421)</u>	<u>-</u>	<u>3,475,708</u>
Total Water and Sewer Fund	<u>\$ 3,598,129</u>	<u>\$ (122,421)</u>	<u>\$ -</u>	<u>\$ 3,475,708</u>
Solid Waste Fund				
Other Capital Assets				
Infrastructure	\$ 223,500	\$ -	\$ -	\$ 223,500
Machinery and equipment	<u>1,556,819</u>	<u>9,892</u>	<u>-</u>	<u>1,566,711</u>
Total Other Capital Assets	1,780,319	9,892	-	1,790,211
Less: Accumulated depreciation				
Infrastructure	223,500	-	-	223,500
Machinery and equipment	<u>893,439</u>	<u>93,978</u>	<u>-</u>	<u>987,417</u>
Total Accumulated Depreciation	<u>1,116,939</u>	<u>93,978</u>	<u>-</u>	<u>1,210,917</u>
Subtotal Capital Assets, Net	<u>663,380</u>	<u>(84,086)</u>	<u>-</u>	<u>579,294</u>
Total Solid Waste Fund	<u>\$ 663,380</u>	<u>\$ (84,086)</u>	<u>\$ -</u>	<u>\$ 579,294</u>

	Balance July 1, <u>2018</u>	<u>Increases</u>	<u>Decreases</u>	Balance June 30, <u>2019</u>
Electric Fund				
Other Capital Assets				
Infrastructure	\$ 12,745,175	\$ -	\$ -	\$ 12,745,175
Buildings and improvements	34,966	-	-	34,966
Machinery and equipment	<u>2,405,671</u>	<u>67,971</u>	<u>-</u>	<u>2,473,642</u>
Total Other Capital Assets	15,185,812	67,971	-	15,253,783
Less: Accumulated depreciation				
Infrastructure	10,126,695	279,470	-	10,406,165
Buildings and improvements	34,966	-	-	34,966
Machinery and equipment	<u>1,934,992</u>	<u>83,943</u>	<u>-</u>	<u>2,018,935</u>
Total Accumulated Depreciation	<u>12,096,653</u>	<u>363,413</u>	<u>-</u>	<u>12,460,066</u>
Subtotal Capital Assets, Net	<u>3,089,159</u>	<u>(295,442)</u>	<u>-</u>	<u>2,793,717</u>
Total Electric Fund	<u>\$ 3,089,159</u>	<u>\$ (295,442)</u>	<u>\$ -</u>	<u>\$ 2,793,717</u>
Airport Fund				
Capital Assets Not Being Depreciated				
Land	\$ 179,258	\$ -	\$ -	\$ 179,258
Construction in progress	<u>1,537,654</u>	<u>-</u>	<u>1,422,211</u>	<u>115,443</u>
Total Capital Assets Not Being Depreciated	1,716,912	-	1,422,211	294,701
Other Capital Assets				
Infrastructure	6,574,603	1,749,816	-	8,324,419
Buildings and improvements	1,413,652	-	-	1,413,652
Machinery and equipment	<u>334,672</u>	<u>11,277</u>	<u>-</u>	<u>345,949</u>
Total Other Capital Assets	8,322,927	1,761,093	-	10,084,020
Less: Accumulated depreciation				
Infrastructure	3,737,523	291,528	-	4,029,051
Buildings and improvements	1,312,863	39,704	-	1,352,567
Machinery and equipment	<u>320,491</u>	<u>6,514</u>	<u>-</u>	<u>327,005</u>
Total Accumulated Depreciation	<u>5,370,877</u>	<u>337,746</u>	<u>-</u>	<u>5,708,623</u>
Subtotal Capital Assets, Net	<u>2,952,050</u>	<u>1,423,347</u>	<u>-</u>	<u>4,375,397</u>
Total Airport Fund	<u>\$ 4,668,962</u>	<u>\$ 1,423,347</u>	<u>\$ 1,422,211</u>	<u>\$ 4,670,098</u>

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019
Total Business-Type Activities				
Capital Assets Not Being Depreciated				
Land	\$ 179,258	\$ -	\$ -	\$ 179,258
Construction in progress	1,537,654	-	1,422,211	115,443
Total Capital Assets Not Being Depreciated	1,716,912	-	1,422,211	294,701
Other Capital Assets				
Infrastructure	36,023,975	1,928,779	-	37,952,754
Buildings and improvements	1,448,618	-	-	1,448,618
Machinery and equipment	6,472,655	276,584	-	6,749,239
Total Other Capital Assets	43,945,248	2,205,363	-	46,150,611
Less: Accumulated depreciation	<u>33,642,530</u>	<u>1,283,965</u>	-	<u>34,926,495</u>
Total Capital Assets, Net	<u>10,302,718</u>	<u>921,398</u>	-	<u>11,224,116</u>
Business-Type Activities	<u>\$ 12,019,630</u>	<u>\$ 921,398</u>	<u>\$ 1,422,211</u>	<u>\$ 11,518,817</u>

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

Component Unit - School Board

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019
Other Capital Assets				
Land improvement	\$ 151,010	\$ 82,355	\$ -	\$ 233,365
Buildings	13,463,083	59,550	-	13,522,633
Infrastructure	4,719,662	122,312	-	4,841,974
School joint tenancy assets	(4,888,086)	-	-	(4,888,086)
Machinery and equipment	4,593,283	442,956	-	5,036,239
Total Other Capital Assets	18,038,952	707,173	-	18,746,125
Less: Accumulated depreciation				
Land improvement	113,525	8,487	-	122,012
Buildings	7,298,593	235,138	-	7,533,731
Infrastructure	918,219	97,605	-	1,015,824
School joint tenancy assets	(3,054,744)	(97,762)	-	(3,152,506)
Machinery and equipment	3,357,450	402,724	-	3,760,174
Total Accumulated Depreciation	<u>8,633,043</u>	<u>646,192</u>	-	<u>9,279,235</u>
Other Capital Assets, Net	<u>9,405,909</u>	<u>60,981</u>	-	<u>9,466,890</u>
Total Capital Assets, Net	<u>\$ 9,405,909</u>	<u>\$ 60,981</u>	<u>\$ -</u>	<u>\$ 9,466,890</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, 2019:

	<u>Balance</u> <u>July 1, 2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2019</u>	<u>Due Within</u> <u>One Year</u>
Primary Government					
Governmental Activities					
General obligations bonds	\$ 14,758,676	\$ -	\$ 1,535,092	\$ 13,223,584	\$ 652,155
Capital lease obligations	256,344	-	115,335	141,009	116,199
Premium on bond issuance	426,966	-	27,200	399,766	27,200
Compensated absences	<u>731,191</u>	<u>539,669</u>	<u>574,644</u>	<u>696,216</u>	<u>223,073</u>
Total Governmental Activities	16,173,177	539,669	2,252,271	14,460,575	1,018,627
Business-Type Activities					
General obligation bonds	3,178,000	-	522,000	2,656,000	533,000
Capital lease obligations	44,650	-	22,055	22,595	22,595
Premium on bond issuance	<u>23,762</u>	<u>-</u>	<u>3,960</u>	<u>19,802</u>	<u>3,960</u>
Total Bonds and Loan	3,246,412	-	548,015	2,698,397	559,555
Compensated absences	<u>111,819</u>	<u>116,501</u>	<u>120,374</u>	<u>107,946</u>	<u>62,142</u>
Total Business-Type Activities	<u>3,358,231</u>	<u>116,501</u>	<u>668,389</u>	<u>2,806,343</u>	<u>621,697</u>
Total Primary Government	<u>\$ 19,531,408</u>	<u>\$ 656,170</u>	<u>\$ 2,920,660</u>	<u>\$ 17,266,918</u>	<u>\$ 1,640,324</u>
Component Unit - School Board					
Capital lease obligations	\$ 1,552,969	\$ -	\$ 103,423	\$ 1,449,546	\$ 111,537
Compensated absences	<u>217,565</u>	<u>157,882</u>	<u>180,951</u>	<u>194,496</u>	<u>25,526</u>
Total School Board	<u>\$ 1,770,534</u>	<u>\$ 157,882</u>	<u>\$ 284,374</u>	<u>\$ 1,644,042</u>	<u>\$ 137,063</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, 2019 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, 2019</u>
Primary Government					
Governmental Obligations					
<i>General Obligation Bonds</i>					
Public Improvement Series 1999A Virginia General Obligation Qualified Zone Academy Bond, Series 2005	05/28/99	07/15/19	3.97	\$2,041,330	\$ 103,155
Public Improvement and Refunding Series 2010 General Obligation Refunding Bond, Series 2013	12/29/05	12/20/20	-	2,214,429	2,214,429
General Obligation School Bonds, Series 2013A Virginia General Obligation Qualified Zone Academy Bond, Series 2014	04/27/10	01/15/26	2.00-4.50	5,235,000	680,000
Tax-Exempt GO Bond Refunding Series 2015A Tax-Exempt GO Bond Refunding Series 2015B	04/04/13	10/01/38	3.65	2,075,000	1,770,000
	04/12/13	07/15/33	3.05-5.05	1,695,000	1,405,000
	12/30/14	12/01/24	0.0	1,816,000	1,416,000
	10/09/15	10/09/30	2.60	2,568,000	2,387,000
	10/09/15	10/09/31	3.90	3,549,000	3,248,000
Total General Obligation Bonds					13,223,584
<i>Capital Lease Obligations</i>					
Fire truck	06/13/11	08/20/20	3.74	217,020	48,725
Telephone system	07/01/15	07/01/20	0.0	461,417	92,284
Total Capital Lease Obligations					141,009
Premium on bond issuance					399,766
Compensated absences					696,216
Total General Long-Term Obligations					14,460,575

<u>Description</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Authorized and Issued</u>	<u>Outstanding June 30, 2019</u>
Proprietary Funds					
<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	250,000
Taxable General Obligation Refunding Bond, Series 2012A	12/20/12	01/15/24	3.05	1,387,000	1,128,000
Tax Exempt General Obligation Public Improvement and Refunding Bond, Series 2012B	12/20/12	01/15/23	3.05	907,000	240,000
Premium on bond issuance					13,086
Compensated absences					41,121
Total Water and Sewer Fund					1,672,207
<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	430,000
Tax-Exempt General Obligation Public Improvement and Refunding Bond, Series 2012B	12/20/12	01/15/23	3.05	844,000	360,000
Premium on bond issuance					6,716
Capital lease obligation (Bucket Truck)	10/22/12	10/22/19	2.00	147,297	22,595
Compensated absences					52,617
Total Electric Fund					871,928
<i>Airport Fund</i>					
Compensated absences					-
Total Airport Fund					-
<i>Solid Waste Funds</i>					
GO Bond Refinancing Series 2015A	10/09/15	10/09/32	2.60	248,000	248,000
Compensated absences					14,208
Total Solid Waste Funds					262,208
Total Proprietary Funds					2,806,343
Total Primary Government					\$ 17,266,918

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
2020	\$ 652,155	\$ 355,203	\$116,199	\$ 1,825	\$ 768,354	\$ 357,028
2021	2,804,429	339,366	24,810	929	2,829,239	340,295
2022	800,400	325,627	-	-	800,400	325,627
2023	814,000	303,319	-	-	814,000	303,319
2024	835,200	280,793	-	-	835,200	280,793
2025-2029	3,876,400	1,025,497	-	-	3,876,400	1,025,497
2030-2034	2,841,000	344,987	-	-	2,841,000	344,987
2035-2039	600,000	68,877	-	-	600,000	68,877
	<u>\$ 13,223,584</u>	<u>\$ 3,043,669</u>	<u>\$141,009</u>	<u>\$ 2,754</u>	<u>\$ 13,364,593</u>	<u>\$ 3,046,423</u>

Long-Term Liabilities – Business-Type Activities

Long-term obligations of the business-type activities at June 30, 2019 are comprised of the following:

Fiscal Year Ending June 30,	Water and Sewer Fund		General Obligation Bonds				Total		Capital Leases	
	Principal	Interest	Electric Fund		Solid Waste Fund		Principal	Interest	Electric Fund	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 311,000	\$ 55,614	\$ 222,000	\$ 28,026	\$ -	\$ 6,448	\$ 533,000	\$ 90,088	\$ 22,595	\$ 551
2021	321,000	45,213	234,000	19,854	-	6,448	555,000	71,515	-	-
2022	333,000	34,055	241,000	11,184	600	6,448	574,600	51,687	-	-
2023	343,000	22,490	93,000	2,241	46,200	6,432	482,200	31,163	-	-
2024	310,000	10,962	-	-	201,200	6,198	511,200	17,160	-	-
2025-2029	-	-	-	-	-	27,212	-	27,212	-	-
	<u>\$ 1,618,000</u>	<u>\$ 168,334</u>	<u>\$ 790,000</u>	<u>\$ 61,305</u>	<u>\$ 248,000</u>	<u>\$ 59,186</u>	<u>\$ 2,656,000</u>	<u>\$ 288,825</u>	<u>\$ 22,595</u>	<u>\$ 551</u>

Fiscal Year Ending June 30,	Component Unit - School Board Capital Lease	
	Principal	Interest
2020	\$ 111,537	\$ 46,483
2021	120,063	42,698
2022	129,017	38,627
2023	138,419	34,254
2024	148,288	29,566
2025-2029	<u>802,222</u>	<u>65,741</u>
	<u>\$ 1,449,546</u>	<u>\$ 257,369</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, 2019, the City's Legal Debt Margin is as follows:

Total Assessed Value of Taxed Assessed Value	
Assessed value of real estate	\$ <u>558,830,605</u>
Debt Limit - 10% of Total Assessed Value	\$ 55,883,061
Amount of Debt Applicable to Debt Limit	
<i>General Obligation Debt</i>	
Primary Government	\$ 13,223,584
Business-Type	<u>2,656,000</u>
Total General Obligation Debt	<u>15,879,584</u>
Legal Debt Margin	\$ <u>40,003,477</u>

Note: The City was in compliance with all significant financial covenants contained in the various indentures at June 30, 2019.

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

Debt Issuance

Reason for Debt Issuance

Governmental Activities

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
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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, 2019 is determined as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Component Unit - School Board</u>
Net Investment in Capital Assets			
Cost of Capital Assets	\$ 61,825,884	\$ 46,445,312	\$ 18,746,125
Less: Accumulated depreciation	<u>(37,419,806)</u>	<u>(34,926,495)</u>	<u>(9,279,235)</u>
Book value	24,406,078	11,518,817	9,466,890
Less: Capital related debt	(13,223,584)	(2,656,000)	-
Less: Capital leases	(141,009)	(22,595)	(1,449,546)
Less: Nondebt capital related payables	-	-	-
Add: Loss on refunding	221,950	52,360	-
Less: Bond premiums	<u>(399,766)</u>	<u>(19,802)</u>	<u>-</u>
Net Investment in Capital Assets	<u>\$ 10,863,669</u>	<u>\$ 8,872,780</u>	<u>\$ 8,017,344</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 \$696,216 and \$107,946, respectively, as of June 30, 2019. 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, 2019, accumulated unpaid vacation amounted to \$194,496. Sick leave is not recorded, as the pay out of sick leave is only upon retirement of employees which is determinable.

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	\$5,037,395
Depreciation expense on school joint tenancy buildings	<u>97,761</u>
Appropriation to School Fund by Government-Wide Statements	<u>\$5,135,156</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>\$ 938,605</u>
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Total Deferred Inflows of Resources - Governmental Funds	<u>\$ 938,605</u>
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13 Pension Plan

Plan Description

All full-time, salaried permanent employees of the Political Subdivision are automatically covered by VRS Retirement Plan upon employment. In addition, all full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the 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 are paying 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:

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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.

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, and they have not taken a refund.

Hybrid Opt-In Election

VRS non-hazardous duty covered 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.

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.

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.

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.

- 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

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. 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

Same as Plan 1.

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

VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty 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

VRS: Same as Plan 1 for service earned, purchased, or granted prior to January 1, 2013. For non-hazardous duty 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:

VRS: 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

VRS: Age 65.

Political subdivisions hazardous duty employees:
Age 60.

Earliest Unreduced Retirement Eligibility

VRS: 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

VRS: 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

VRS: Normal Social Security retirement age.

Political subdivisions hazardous duty employees:
Same as Plan 1.

Earliest Unreduced Retirement Eligibility

VRS: 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

VRS: 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:

VRS: 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:

VRS: 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:

VRS: 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 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.

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. 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.

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.

Defined Contribution Component:

Not applicable

Employees Covered by Benefit Terms

As of the June 30, 2017 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	124	15
Inactive members:		
Vested inactive members	28	1
Non-vested inactive members	38	4
LTD	0	0
Inactive members active elsewhere in VRS	<u>77</u>	<u>9</u>
Total inactive members	143	14
Active members	<u>169</u>	<u>19</u>
Total covered employees	<u>436</u>	<u>48</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.

If the employer used the certified rate: The political subdivision's contractually required contribution rate for the year ended June 30, 2019 was 12.08% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The rate for the school board – general employees was 5.03%.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the political subdivision were \$941,347 and \$837,601 for the years ended June 30, 2019 and June 30, 2018, respectively.

For the school board – general employees, employer contributions were \$22,387 and \$29,278 for the years ended June 30, 2019 and June 30, 2018, respectively.

Each school division's contractually required contribution rate for the year ended June 30, 2019 was 15.68% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. 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. Contribution to the pension plan from the school division were \$1,057,678 and \$1,150,064 for the years ended June 30, 2019 and June 30, 2018, respectively.

Net Pension Liability

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For political subdivisions, the net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2017 rolled forward to the measurement date of June 30, 2018.

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, 2018, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

Teacher Employee Retirement Plan

	Teacher Employee Retirement Plan
Total Pension Liability	\$46,679,555
Plan Fiduciary Net Position	<u>34,919,563</u>
Employer’s Net Pension Liability (Asset)	<u>\$ 11,759,992</u>
 Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	 74.81%

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 the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2017 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, 2018.

	<u>General Employees</u>	<u>Teachers</u>
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 expenses, including inflation*	7.0 percent, net of pension plan investment expenses, 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:

Largest 10 – Non-Hazardous Duty: 20% of deaths are assumed to be service related.

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020: males set forward 3 years; females 1.0% increase compounded from ages 70-90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

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

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Non-Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70-75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 20%

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 15%

School Divisions – Teachers

Mortality rates:

Pre-Retirement:

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020: males 1.0% increase compounded from ages 70-90; and females set back 3 years with 1.5% increase compounded from ages 65-75 and 2% increase compounded from ages 75-90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; 115% of rates for males and females.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70-75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees with hazardous duty benefits in the Political Subdivision Retirement Plan was based on an actuarial valuation as of June 30, 2017, 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, 2018.

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 expenses, 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:

Largest 10 – Hazardous Duty: 70% of deaths are assumed to be service related.

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant rates at ages 81 and older projected with a scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year, 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

All Others (Non 10 Largest) – Hazardous Duty; 45% of deaths are assumed to be service related.

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year, 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Increased rates
Salary Scale	No change
Line of Duty Disability	Increase rate from 60% to 70%

All Others (Non 10 Largest) – Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decrease rate from 60% to 45%

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>
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	<u>15.00%</u>	9.53%	<u>1.43%</u>
Total	<u>100.00%</u>		<u>4.80%</u>
	Inflation		<u>2.50%</u>
	*Expected arithmetic nominal return		<u>7.30%</u>

*The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, 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. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2018, the alternate rate was the employer contribution rate used in FY 2012 or 90% of the actuarially determined employer contribution rate from the June 30, 2015, actuarial valuations, whichever was greater. Through the fiscal year ending June 30, 2018, the rate contributed by the 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 which was 100% of the actuarially determined contribution rate. From July 1, 2018 on, participating employers and school divisions are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

Primary Government - City

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2017	\$ 38,378,600	\$ 32,914,289	\$ 5,464,311
Changes for the Year			
Service cost	875,835	-	875,835
Interest	2,616,486	-	2,616,486
Assumption changes	-	-	-
Differences between expected and actual experience	(465,422)	-	(465,422)
Contributions - employer	-	816,635	(816,635)
Contributions - employee	-	372,856	(372,856)
Net investment income	-	2,411,633	(2,411,633)
Benefit payments, including refunds of employee contributions	(2,000,456)	(2,000,456)	-
Administrative expenses	-	(21,091)	21,091
Other changes	-	(2,141)	2,141
Net Changes	<u>1,026,443</u>	<u>1,577,436</u>	<u>(550,993)</u>
Balances at June 30, 2018	<u>\$ 39,405,043</u>	<u>\$ 34,491,725</u>	<u>\$ 4,913,318</u>

**Component Unit School Board -
General Employees**

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2017	\$ 1,827,798	\$ 1,887,497	\$ (59,699)
Changes for the Year			
Service cost	45,828	-	45,828
Interest	124,787	-	124,787
Assumption changes	-	-	-
Differences between expected and actual experience	(48,609)	-	(48,609)
Contributions - employer	-	27,277	(27,277)
Contributions - employee	-	19,115	(19,115)
Net investment income	-	138,802	(138,802)
Benefit payments, including refunds of employee contributions	(90,246)	(90,246)	-
Administrative expenses	-	(1,212)	1,212
Other changes	-	(123)	123
Net Changes	<u>31,760</u>	<u>93,613</u>	<u>(61,853)</u>
Balances at June 30, 2018	<u>\$ 1,859,558</u>	<u>\$ 1,981,110</u>	<u>\$ (121,552)</u>

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

The following presents the political subdivision's and school division's 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 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:

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
Primary Government - City Political subdivision's Net Pension Liability	<u>\$ 9,595,161</u>	<u>\$ 4,913,318</u>	<u>\$ 990,490</u>
Component Unit School Board - General Employees	<u>\$ 82,511</u>	<u>\$ (121,552)</u>	<u>\$ (294,548)</u>
School Division's Proportionate Share of the VRS Teacher Employee Retirement Plan Net Pension Liability	<u>\$ 15,547,000</u>	<u>\$ 10,178,000</u>	<u>\$ 5,734,000</u>

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

For the year ended June 30, 2019, the City's political subdivision recognized pension expense of \$282,307.

For the year ended June 30, 2019, the school board – general employees recognized pension expense of \$(61,256).

At June 30, 2019, the school division reported a liability of \$10,178,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2018 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, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the school division's proportion was .08655% as compared to .09610% at June 30, 2017.

For the year ended June 30, 2019, the school division recognized pension expense of \$208,000. 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, 2019, the political subdivision and school division – teachers reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Primary Government - City's Political Subdivision		
Differences between expected and actual experience	\$ -	\$ 371,227
Change in assumptions	-	37,002
Net difference between projected and actual earnings on pension plan investments	-	264,722
Employer contributions subsequent to the measurement date	<u>941,347</u>	<u>-</u>
Total	<u>\$ 941,347</u>	<u>\$ 672,951</u>
Component Unit School Board - General Employees		
Differences between expected and actual experience	\$ -	\$ 36,422
Change in assumptions	-	2,293
Net difference between projected and actual earnings on pension plan investments	-	16,264
Employer contributions subsequent to the measurement date	<u>22,387</u>	<u>-</u>
Total	<u>\$ 22,387</u>	<u>\$ 54,979</u>

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Component Unit School Board - Teachers		
Differences between expected and actual experience	\$ -	\$ 870,000
Change in assumptions	121,000	-
Net difference between projected and actual earnings on pension plan investments	-	216,000
Changes in proportion and differences between Employer contributions and proportionate share of contributions	56,000	1,727,000
Employer contributions subsequent to the measurement date	<u>1,057,678</u>	<u>-</u>
Total	<u>\$ 1,234,678</u>	<u>\$ 2,813,000</u>

\$941,347 for the City's political subdivision, \$22,387 for School Board General Employees and \$1,057,678 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, 2020. 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**

2020	\$ (129,333)
2021	(178,213)
2022	(338,040)
2023	(27,365)
2024	-
Thereafter	-

**Component Unit School
Board - General Employees**

2020	\$ (22,712)
2021	(11,142)
2022	(19,474)
2023	(1,651)
2024	-
Thereafter	-

**Year Ended
June 30,**

**Component Unit School
Board - Teachers**

2020	\$ (599,000)
2021	(666,000)
2022	(791,000)
2023	(420,000)
2024	(160,000)
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 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

14 Other Post-Employment Benefits - Group Life Insurance

Plan Description

All full-time, salaried permanent employees of the state agencies, teachers and employees of participating political subdivisions are automatically covered by the VRS Group Life Insurance Program upon employment. This plan is administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

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

The specific information for Group Life Insurance Program OPEB, including eligibility, coverage and benefits is set out in the table below:

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS

Eligible Employees

The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement:

- City of Richmond
- City of Portsmouth
- City of Roanoke
- City of Norfolk
- Roanoke City Schools Board

Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.

Benefit Amounts

The benefits payable under the Group Life Insurance Program have several components.

- **Natural Death Benefit** – The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled.
- **Accidental Death Benefit** – The accidental death benefit is double the natural death benefit.
- **Other Benefit Provisions** – In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include:
 - Accidental dismemberment benefit
 - Safety belt benefit
 - Repatriation benefit
 - Felonious assault benefit
 - Accelerated death benefit option

Reduction in Benefit Amounts

The benefit amounts provided to members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.

Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)

For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute. This amount is increased annually based on the VRS Plan 2 cost-of-living statute. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and was increased to \$8,279 effective July 1, 2018.

Contributions

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% X 60%) and the employer component was 0.52% (1.31% X 40%). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2019 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contribution to the Group Life Insurance Program from the entity were \$40,642 and \$39,713 for the years ended June 30, 2019 and June 30, 2018, respectively.

For the school board – general employees, contributions were \$2,314 and \$2,142 for the years ended June 30, 2019 and June 30, 2018, respectively.

For the school board – teachers, contributions were \$35,329 and \$36,851 for the years ended June 30, 2019 and June 30, 2018, respectively.

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB

At June 30, 2019, the entities reported a liability of \$610,000 for the City's political subdivision, \$33,000 for the school board – general employees, and \$567,000 for the school board - teacher for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2018 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the participating employer's proportion was .04016% for the City's political subdivision, .00217% for the school board – general employees, and .03732% for the school board – teacher proportionate share as compared to .04081% for the City's political subdivision, .00233% for the school board – general employees, and .04145% for the school board – teacher proportionate share at June 30, 2017.

For the year ended June 30, 2019, the participating employer recognized GLI OPEB expense of \$(1,000) for the City's political subdivision, \$(2,000) for the school board – general employees, and \$(10,000) for the school board – teacher proportionate share. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2019, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

Primary Government - City's Political Subdivision

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 30,000	\$ 11,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	20,000
Change in assumptions	-	25,000
Changes in proportion	-	20,000
Employer contributions subsequent to the measurement date	<u>40,642</u>	<u>-</u>
Total	<u>\$ 70,642</u>	<u>\$ 76,000</u>

Component Unit School Board - General Employees

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 2,000	\$ 1,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	1,000
Change in assumptions	-	1,000
Changes in proportion	-	-
Employer contributions subsequent to the measurement date	<u>2,314</u>	<u>-</u>
Total	<u>\$ 4,314</u>	<u>\$ 3,000</u>

Component Unit School Board - Teachers

Differences between expected and actual experience	\$ 28,000	\$ 10,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	18,000
Change in assumptions	-	24,000
Changes in proportion	-	74,000
Employer contributions subsequent to the measurement date	<u>35,329</u>	<u>-</u>
Total	<u>\$ 63,329</u>	<u>\$ 126,000</u>

\$40,642 for the City's political subdivision, \$2,314 for the School Board general employees, and \$35,329 for the Teacher pool reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the Fiscal Year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

**Year Ended
June 30,**

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

2020	\$ (14,000)
2021	(14,000)
2022	(14,000)
2023	(7,000)
2024	1,000
Thereafter	2,000

**Component Unit
School Board -
General
Employees**

2020	\$ (1,000)
2021	-
2022	-
2023	-
2024	-
Thereafter	-

**Component Unit
School Board -
Teachers**

2020	\$ (22,000)
2021	(22,000)
2022	(22,000)
2023	(17,000)
2024	(13,000)
Thereafter	(2,000)

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2017, 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, 2018.

Inflation	2.5 percent
Salary increases, including inflation -	
General state employees	3.5 percent - 5.35 percent
Teachers	3.5 percent - 5.95 percent
SPORS employees	3.5 percent - 4.75 percent
VaLORS employees	3.5 percent - 4.75 percent
JRS employees	4.5 percent
Locality - General employees	3.5 percent - 5.35 percent
Locality - Hazardous Duty employees	3.5 percent - 4.75 percent
Investment rate of return	7.0 percent, net of investment expenses, 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 the OPEB liabilities.

Mortality rates – General State Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% increase compounded from ages 70 to 85.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males 115% of rates; females 130% of rates.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70-75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 25%

Mortality rates – Teachers

Pre-Retirement:

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Health Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with Scale BB to 2020; 115% of rates for males and females.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70-75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

Mortality rates – SPORS Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%

Mortality rates – VaLORS Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%

Mortality rates – JRS Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% compounding increase from ages 70 to 85.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with Scale BB to 2020; males 115% of rates; females 130% of rates.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change

Mortality rates – Largest Ten Locality Employers - General Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

Mortality rates – Non-Largest Ten Locality Employers - General Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

Mortality rates – Largest Ten Locality Employers – Hazardous Duty Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

Mortality rates – Non-Largest Ten Locality Employers – Hazardous Duty Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

Net GLI OPEB Liability

The net OPEB liability (NOL) for the Group Life Insurance Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2018, NOL amounts for the Group Life Insurance Program is as follows (amounts expressed in thousands):

	Group Life Insurance OPEB Program	
Total GLI OPEB Liability	\$	3,113,508
Plan Fiduciary Net Position		<u>1,594,773</u>
Employers' Net GLI OPEB Liability (Asset)	\$	<u><u>1,518,735</u></u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		51.22%

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

Long-Term Expected Rate of Return

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

<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>
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	<u>15.00%</u>	9.53%	<u>1.43%</u>
Total	<u>100.00%</u>		<u>4.80%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>7.30%</u>

* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total GLI OPEB 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 guidance 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 entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB’s fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

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

The following presents the employer’s proportionate share of the net GLI OPEB liability using the discount rate of 7.00%, as well as what the employer’s proportionate share of the net GLI OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
Primary Government - City Employer's Proportionate Share of the Group Life Insurance Program Net OPEB Liability	<u>\$ 798,000</u>	<u>\$ 610,000</u>	<u>\$ 458,000</u>
Component Unit School Board - General Employees	<u>\$ 43,000</u>	<u>\$ 33,000</u>	<u>\$ 24,000</u>
Component Unit School Board - Teacher	<u>\$ 740,000</u>	<u>\$ 567,000</u>	<u>\$ 426,000</u>

Group Life Insurance Program Fiduciary Net Position

Detailed information about the Group Life Insurance Program’s Fiduciary Net Position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

15 Other Post-Employment Benefits - Health Insurance Credit Program

Plan Description

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

The specific information about the Political Subdivision Health Insurance Credit Program OPEB, including eligibility, coverage and benefits is set out in the table below:

POLITICAL SUBDIVISION HEALTH INSURANCE CREDIT PROGRAM (HIC) PLAN PROVISIONS
<p>Eligible Employees</p> <p>The Political Subdivision Retiree Health Insurance Credit Program was established July 1, 1993 for retired political subdivision employees of employers who elect the benefit and who retire with at least 15 years of service credit.</p> <p>Eligible employees are enrolled automatically upon employment. They include:</p> <ul style="list-style-type: none">• Full-time permanent salaried employees of the participating political subdivision who are covered under the VRS pension plan.
<p>Benefit Amounts</p> <p>The political subdivision's Retiree Health Insurance Credit Program provides the following benefits for eligible employees:</p> <ul style="list-style-type: none">• <u>At Retirement</u> – For employees who retire, the monthly benefit is \$1.50 per year of service per month with a maximum benefit of \$45.00 per month.• <u>Disability Retirement</u> – For employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is \$45.00 per month.
<p>Health Insurance Credit Program Notes:</p> <ul style="list-style-type: none">• The monthly Health Insurance Credit benefit cannot exceed the individual premium amount.• No health insurance credit for premiums paid and qualified under LODA, however, the employee may receive the credit for the premiums paid for other qualified health plans.• Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the health insurance credit as a retiree.

Employees Covered by Benefit Terms

As of the June 30, 2017 actuarial valuation, the following employees were covered by the benefit terms of the HIC OPEB plan:

	<u>School Board Number</u>
Inactive members or their beneficiaries currently receiving benefits	6
Inactive members:	
Vested	-
Non-vested	-
Active elsewhere in VRS	<u>-</u>
Total inactive members	-
Active members	<u>19</u>
Total covered employees	<u><u>25</u></u>

Contributions

The contribution requirement for active employees is governed by §51.1-1402(E) of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. The political subdivision’s contractually required employer contribution rate for the year ended June 30, 2019 was .17% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the political subdivision to the Political Subdivision Health Insurance Credit Program were \$756 and \$865 for the years ended June 30, 2019 and June 30, 2018, respectively.

Net HIC OPEB Liability

The political subdivision’s net Health Insurance Credit OPEB liability was measured as of June 30, 2018. The total Health Insurance Credit OPEB liability was determined by an actuarial valuation performed as of June 30, 2017, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

Actuarial Assumptions

The total HIC OPEB liability was based on an actuarial valuation as of June 30, 2017, 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, 2018.

Inflation	2.5 percent
Salary increases, including inflation	
Locality - General Employees	3.5 percent - 5.35 percent
Locality - Hazardous Duty Employees	3.5 percent - 4.75 percent
Investment rate of return	7.0 percent, net of investment expenses, 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 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 the OPEB liabilities.

Mortality rates – Largest Ten Locality Employers - General Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

Mortality rates – Non-Largest Ten Locality Employers - General Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

Mortality rates – Largest Ten Locality Employers – Hazardous Duty Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

Mortality rates – Non-Largest Ten Locality Employers – Hazardous Duty Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

Long-Term Expected Rate of Return

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

<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>
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	<u>15.00%</u>	9.53%	<u>1.43%</u>
Total	<u>100.00%</u>		<u>4.80%</u>
	Inflation		<u>2.50%</u>
	*Expected arithmetic nominal return		<u>7.30%</u>

* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

Discount Rate

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

Changes in Net HIC OPEB Liability:

	Total HIC OPEB Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net HIC OPEB Liability (a) - (b)
Component Unit School Board - General Employees			
Balances at June 30, 2017	\$ 34,457	\$ 33,851	\$ 606
Changes for the Year			
Service cost	562	-	562
Interest	2,299	-	2,299
Benefit changes	-	-	-
Assumption changes	-	-	-
Differences between expected and actual experience	1,198	-	1,198
Contributions - employer	-	868	(868)
Net investment income	-	2,370	(2,370)
Benefit payments	(3,241)	(3,241)	-
Administrative expenses	-	(53)	53
Other changes	-	(183)	183
Net Changes	<u>818</u>	<u>(239)</u>	<u>1,057</u>
Balances at June 30, 2018	<u>\$ 35,275</u>	<u>\$ 33,612</u>	<u>\$ 1,663</u>

Sensitivity of the Political Subdivision Health Insurance Credit Net OPEB Liability to Changes in the Discount Rate

The following presents the Political Subdivision Health Insurance Credit Program net HIC OPEB liability using the discount rate of 7.00%, as well as what the Political subdivision's net HIC OPEB 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:

1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
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Component Unit School Board - General Employees Net HIC OPEB Liability	\$ 4,767	\$ 1,663	\$ (1,033)
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Health Insurance Credit Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Health Insurance Credit Program OPEB

For the year ended June 30, 2019, the political subdivision recognized Health Insurance Credit Program OPEB expense \$584. At June 30, 2019, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to the Political Subdivision Health Insurance Credit Program from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Component Unit School Board - General Employees		
Differences between expected and actual experience	\$ 945	\$ -
Change in assumptions	-	549
Net difference between projected and actual earnings on HIC OPEB plan investments	-	911
Employer contributions subsequent to the measurement date	756	-
Total	\$ 1,701	\$ 1,460

\$756 reported as deferred outflows of resources related to the HIC OPEB resulting from the political subdivision's contributions subsequent to the measurement date will be recognized as a reduction of the Net HIC OPEB Liability in the Fiscal Year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIC OPEB will be recognized in the HIC OPEB expense in future reporting periods as follows:

Year Ended <u>June 30,</u>	Component Unit School Board - General Employees
2020	\$ (234)
2021	(234)
2022	(214)
2023	167
2024	-
Thereafter	-

Health Insurance Credit Program Plan Data

Information about the VRS Political Subdivision Health Insurance Credit Program is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

16 Other Post-Employment Benefits - Teacher Employee Health Insurance Credit Program

Plan Description

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

The specific information for the Teacher Health Insurance Credit Program OPEB, including eligibility, coverage, and benefits is set out in the table below:

TEACHER EMPLOYEE HEALTH INSURANCE CREDIT PROGRAM (HIC) PLAN PROVISIONS
<p>Eligible Employees</p> <p>The Teacher Employee Retiree Health Insurance Credit Program was established July 1, 1993 for retired Teacher Employees covered under VRS who retire with at least 15 years of service credit.</p> <p>Eligible employees are enrolled automatically upon employment. They include:</p> <ul style="list-style-type: none">• Full-time permanent (professional) salaried employees of public school divisions covered under VRS.
<p>Benefit Amounts</p> <p>The Teacher Employee Retiree Health Insurance Credit Program provides the following benefits for eligible employees:</p> <ul style="list-style-type: none">• At Retirement – For Teacher and other professional school employees who retire with at least 15 years of service credit, the monthly benefit is \$4.00 per year of service per month with no cap on the benefit amount.• Disability Retirement – For Teacher and other professional school employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is either:<ul style="list-style-type: none">○ \$4.00 per month, multiplied by twice the amount of service credit, or○ \$4.00 per month, multiplied by the amount of service earned had the employee been active until age 60, whichever is lower.
<p>Health Insurance Credit Program Notes:</p> <ul style="list-style-type: none">• The monthly Health Insurance Credit benefit cannot exceed the individual premium amount.• Employees who retire after being on long-term disability under VLDP must have at least 15 year of service credit to qualify for the health insurance credit as a retiree.

Contributions

The contribution requirement for active employees is governed by §51.1-1401(E) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2019 was 1.20% of covered employee compensation for employees in the VRS Teacher Employee Health Insurance Credit Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the school division to the VRS Teacher Employee Health Insurance Credit Program were \$80,962 and \$86,702 for the years ended June 30, 2019 and June 30, 2018, respectively.

Teacher Employee Health Insurance Credit Program OPEB Liabilities, Teacher Employee Health Insurance Credit Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Teacher Employee Health Insurance Credit Program OPEB

At June 30, 2019, the school division reported a liability of \$1,108,000 for its proportionate share of the VRS Teacher Employee Health Insurance Credit Program Net OPEB Liability. The Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was measured as of June 30, 2018 and the total VRS Teacher Employee Health Insurance Credit Program OPEB liability used to calculate the Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was based on the school division's actuarially determined employer contributions to the VRS Teacher Employee Health Insurance Credit Program OPEB plan for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the school division's proportion of the VRS Teacher Employee Health Insurance Credit Program was .08722% as compared to .09670% at June 30, 2017.

For the year ended June 30, 2019, the school division recognized VRS Teacher Employee Health Insurance Credit Program OPEB expense of \$68,000. Since there was a change in proportionate share between measurement dates a portion of the VRS Teacher Employee Health Insurance Credit Program Net OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2019, the school division reported deferred outflows of resources and deferred inflows of resources related to the VRS Teacher Employee Health Insurance Credit Program OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 5,000
Net difference between projected and actual earnings on Teacher HIC OPEB plan investments	-	1,000
Change in assumptions	-	10,000
Changes in proportionate share	-	139,000
Employer contributions subsequent to the measurement date	<u>80,962</u>	<u>-</u>
Total	<u>\$ 80,962</u>	<u>\$ 155,000</u>

\$80,962 reported as deferred outflows of resources related to the Teacher Employee HIC OPEB resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Teacher Employee HIC OPEB Liability in the Fiscal Year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee HIC OPEB will be recognized in the Teacher Employee HIC OPEB expense in future reporting periods as follows:

Year Ended	
<u>June 30,</u>	
2020	\$ (25,000)
2021	(25,000)
2022	(25,000)
2023	(24,000)
2024	(25,000)
Thereafter	(31,000)

Actuarial Assumptions

The total Teacher Employee HIC OPEB liability for the VRS Teacher Employee Health Insurance Credit Program was based on an actuarial valuation as of June 30, 2017, 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, 2018.

Inflation	2.5 percent
Salary increases, including inflation - Teacher Employees	3.5 percent - 5.95 percent
Investment rate of return	7.0 percent, net of plan investment expenses, 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 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 OPEB liabilities.

Mortality rates – Teachers

Pre-Retirement:

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with Scale BB to 2020; 115% of rates for males and females.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

Net Teacher Employee HIC OPEB Liability

The net OPEB liability (NOL) for the Teacher Employee Health Insurance Credit Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2018, NOL amounts for the VRS Teacher Employee Health Insurance Credit Program is as follows (amounts expressed in thousands):

	Teacher Employee HIC OPEB Plan
Total Teacher Employee HIC OPEB Liability	\$ 1,381,313
Plan Fiduciary Net Position	<u>111,639</u>
Teacher Employee Net HIC OPEB Liability (Asset)	<u>\$ 1,269,674</u>
Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability	8.08%

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

Long-Term Expected Rate of Return

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

<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>
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	<u>15.00%</u>	9.53%	<u>1.43%</u>
Total	<u>100.00%</u>		<u>4.80%</u>
	Inflation		<u>2.50%</u>
	*Expected arithmetic nominal return		<u>7.30%</u>

* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

Discount Rate

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

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

The following presents the school division's proportionate share of the VRS Teacher Employee Health Insurance Credit Program net HIC OPEB liability using the discount rate of 7.00%, as well as what the school division's proportionate share of the net HIC OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	<u>1.00% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1.00% Increase (8.00%)</u>
School Division's Proportionate Share of the VRS Teacher Employee HIC OPEB Plan Net HIC OPEB Liability	<u>\$ 1,237,000</u>	<u>\$ 1,108,000</u>	<u>\$ 998,000</u>

Teacher Employee HIC OPEB Fiduciary Net Position

Detailed information about the VRS Teacher Employee Health Insurance Credit Program's Fiduciary Net Position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

17 Other Post-Employment Benefits - Line of Duty Act Program

Plan Description

All paid employees and volunteers in hazardous duty positions in Virginia localities and hazardous duty employees who are covered under the Virginia Retirement System (VRS), the State Police Officers' Retirement System (SPORS), or the Virginia Law Officers' Retirement System (VaLORS) are automatically covered by the Line of Duty Act Program (LODA). As required by statute, the Virginia Retirement System (the System) is responsible for managing the assets of the program. Participating employers made contributions to the program beginning in FY 2012. The employer contributions are determined by the System's actuary using anticipated program costs and the number of covered individuals associated with all participating employers.

The specific information for Disability Insurance Program OPEB, including eligibility, coverage and benefits is set out in the table below:

LINE OF DUTY ACT PROGRAM (LODA) PLAN PROVISIONS
<p>Eligible Employees</p> <p>The eligible employees of the Line of Duty Act Program (LODA) are paid employees and volunteers in hazardous duty positions in Virginia localities and hazardous duty employees who are covered under the Virginia Retirement System (VRS), the State Police Officers' Retirement System (SPORS), or the Virginia Law Officers' Retirement System (VaLORS).</p>
<p>Benefit Amounts</p> <p>The Line of Duty Act Program (LODA) provides death and health insurance benefits for eligible individuals:</p> <p>Death – The Line of Duty Act program death benefit is a one-time payment made to the beneficiary or beneficiaries of a covered individual. Amounts vary as follows: \$100,000 when a death occurs as the direct or proximate result of performing duty as of January 1, 2006, or after \$25,000 when the cause of death is attributed to one of the applicable presumptions and occurred earlier than five years after the retirement date. an additional \$20,000 benefit is payable when certain members of the National Guard and U.S. military reserves are killed in action in any armed conflict on or after October 7, 2001.</p> <p>Health Insurance – The Line of Duty Act program provides health insurance benefits. Prior to July 1, 2017, these benefits were managed through the various employer plans and maintained the benefits that existed prior to the employee's death or disability. These premiums were reimbursed to the employer by the LODA program. Beginning July 1, 2017, the health insurance benefits are managed through the Virginia Department of Human Resource Management (DHRM). The health benefits are modeled after the State Employee Health Benefits Program plans and provide consistent, premium-free continued health plan coverage for LODA-eligible disabled individuals, survivors and family members. Individuals receiving the health insurance benefits must continue to meet eligibility requirements as defined by the Line of Duty Act.</p>

Contributions

The contribution requirements for the Line of Duty Act Program (LODA) are governed by §9.1400.1 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each employer's contractually required employer contribution rate for the Line of Duty Act Program (LODA) for the year ended June 30, 2019 was \$705.77 per covered full-time-equivalent employee. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017 and represents the pay-as-you-go funding rate and not the full actuarial cost of the benefits under the program. The actuarially determined pay-as-you-go rate was expected to finance the costs and related expenses of benefits payable during the year. Contributions to the Line of Duty Act Program (LODA) from the entity were \$45,169 and \$36,879 for the years ended June 30, 2019 and June 30, 2018, respectively.

Line of Duty Act Program (LODA) OPEB Liabilities, LODA OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the LODA OPEB

At June 30, 2019, the entity reported a liability of \$1,085,000 for its proportionate share of the Net LODA OPEB Liability. The Net LODA OPEB Liability was measured as of June 30, 2018 and the total LODA OPEB liability used to calculate the Net LODA OPEB Liability was determined by an actuarial valuation as of that date. The entity's proportion of the Net LODA OPEB Liability was based on the entity's actuarially determined pay-as-you-go employer contributions to the LODA OPEB plan for the year ended June 30, 2018 relative to the total of the actuarially determined pay-as-you-go employer contributions for all participating employers. At June 30, 2018, the entity's proportion was .34623% as compared to .32616% at June 30, 2017.

For the year ended June 30, 2019, the entity recognized LODA OPEB expense of \$89,000. Since there was a change in proportionate share between measurement dates, a portion of the LODA OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2019, the agency reported deferred outflows of resources and deferred inflows of resources related to the LODA OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 156,000	\$ -
Net difference between projected and actual earnings on LODA OPEB plan investments	-	3,000
Change in assumptions		125,000
Changes in proportion	52,000	37,000
Employer contributions subsequent to the measurement date	<u>45,169</u>	<u>-</u>
Total	<u>\$ 253,169</u>	<u>\$ 165,000</u>

\$45,169 reported as deferred outflows of resources related to the LODA OPEB resulting from the entity's contributions subsequent to the measurement date will be recognized as a reduction of the Net LODA OPEB Liability in the Fiscal Year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the LODA OPEB will be recognized in LODA OPEB expense in future reporting periods as follows:

Year Ended	
<u>June 30,</u>	
2020	\$ 5,000
2021	5,000
2022	5,000
2023	5,000
2024	6,000
Thereafter	17,000

Actuarial Assumptions

The total LODA OPEB liability was based on an actuarial valuation as of June 30, 2017, 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, 2018.

Inflation	2.5 percent
Salary increases, including inflation -	
General state employees	3.5 percent - 5.35 percent
SPORS employees	3.5 percent - 4.75 percent
VaLORS employees	3.5 percent - 4.75 percent
Locality employees	3.5 percent - 4.75 percent
Medical cost trend rates assumption -	
Under age 65	7.75 percent - 5.00 percent
Ages 65 and older	5.75 percent - 5.00 percent
Year of ultimate trend rate	Fiscal year ended 2024
Investment rate of return	3.89 percent, net of OPEB plan Investment expenses, 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 3.89%. However, since the difference was minimal, a more conservative 3.89% investment return assumption has been used. Since LODA is funded on a current-disbursement basis, the assumed annual rate of return of 3.89% was used since it approximates the risk-free rate of return.

Mortality rates – General State Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% increase compounded from ages 70 to 85.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males 115% of rates; females 130% of rates.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70-75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 25%

Mortality rates – SPORS Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%

Mortality rates – VaLORS Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%

Mortality rates – Largest Ten Locality Employers With Public Safety Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

Mortality rates – Non-Largest Ten Locality Employers With Public Safety Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

Net LODA OPEB Liability

The net OPEB liability (NOL) for the Line of Duty Act Program (LODA) represents the program’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the Measurement Date of June 30, 2018, NOL amounts for the Line of Duty Act Program (LODA) is as follows (amounts expressed in thousands):

	Line of Duty Act Program
Total LODA OPEB Liability	\$ 315,395
Plan Fiduciary Net Position	<u>1,889</u>
Employer's Net OPEB Liability (Asset)	<u>\$ 313,506</u>
Plan Fiduciary Net Position as a Percentage of the Total LODA OPEB Liability	0.60%

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

Long-Term Expected Rate of Return

The long-term expected rate of return on LODA OPEB Program’s investments was set at 3.89% for this valuation. Since LODA is funded on a current-disbursement basis, it is not able to use the VRS Pooled Investments 7.00% assumption. Instead, the assumed annual rate of return of 3.89% was used since it approximates the risk-free rate of return. This Single Equivalent Interest Rate (SEIR) is the applicable municipal bond index rate based on the Bond Buyer General Obligation 20-year Municipal Bond Index as of the measurement date of June 30, 2018.

Discount Rate

The discount rate used to measure the total LODA OPEB liability was 3.89%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made per the VRS Statutes and that they will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2018, the rate contributed by participating employers to the LODA OPEB Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly.

Sensitivity of the Covered Employer’s Proportionate Share of the Net LODA OPEB Liability to Changes in the Discount Rate

The following presents the covered employer’s proportionate share of the net LODA OPEB liability using the discount rate of 3.89%, as well as what the covered employer’s proportionate share of the net LODA OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.89%) or one percentage point higher (4.89%) than the current rate:

	1.00% Decrease (2.89%)	Current Discount Rate (3.89%)	1.00% Increase (4.89%)
Covered Employer's Proportionate Share of the Total LODA Net OPEB Liability	\$ 1,243,000	\$ 1,085,000	\$ 958,000

Sensitivity of the Covered Employer’s Proportionate Share of the Net LODA OPEB Liability to Changes in the Health Care Trend Rate

Because the Line of Duty Act Program (LODA) contains a provisions for the payment of health insurance premiums, the liabilities are also impacted by the health care trend rates. The following presents the covered employer’s proportionate share of the net LODA OPEB liability using health care trend rate of 7.75% decreasing to 5.00%, as well as what the covered employer’s proportionate share of the net LODA OPEB liability would be if it were calculated using a health care trend rate that is one percentage point lower (6.75% decreasing to 4.00%) or one percentage point higher (8.75% decreasing to 6.00%) than the current rate:

	1.00% Decrease (6.75% decreasing to 4.00%)	Health Care Trend Rates (7.75% decreasing to 5.00%)	1.00% Increase (8.75% decreasing to 6.00%)
Covered Employer's Proportionate Share of the Total LODA Net OPEB Liability	\$ 924,000	\$ 1,085,000	\$ 1,285,000

LODA OPEB Plan Fiduciary Net Position

Detailed information about the Line of Duty Act Program (LODA) Fiduciary Net Position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

18 Other Post-Employment Benefits - Political Subdivision Employee Virginia Local Disability Program

Plan Description

All full-time, salaried general employees; including local law enforcement officers, firefighters, or emergency medical technicians of political subdivisions who do not provide enhanced hazardous duty benefits; who are in the VRS Hybrid Retirement Plan benefit structure and whose employer has not elected to opt out of the VRS-sponsored program are automatically covered by the VRS Political Subdivision Employee Virginia Local Disability Program. This plan is administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for eligible public employer groups in the Commonwealth of Virginia. Political subdivisions are required by Title 51.1 of the Code of Virginia, as amended to provide short-term and long-term disability benefits for their Hybrid employees either through a local plan or through the Virginia Local Disability Program (VLDP).

The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

POLITICAL SUBDIVISION EMPLOYEE VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) PLAN PROVISIONS

Eligible Employees

The Political Subdivision Employee Virginia Local Disability Program was implemented January 1, 2014 to provide short-term and long-term disability benefits for non-work-related and work-related disabilities for employees with Hybrid retirement benefits

Eligible employees are enrolled automatically upon employment, unless their employer has elected to provide comparable coverage. They include:

- Full-time general employees; including local law enforcement officers, firefighters, or emergency medical technicians who do not have enhanced hazardous duty benefits; of public political subdivisions covered under VRS.

Benefit Amounts

The Political Subdivision Employee Virginia Disability Local Program (VLDP) provides the following benefits for eligible employees:

Short-Term Disability –

- The program provides a short-term disability benefit beginning after a seven-calendar-day waiting period from the first day of disability. Employees become eligible for non-work-related short-term disability coverage after one year of continuous participation in VLDP with their current employer.
- During the first five years of continuous participation in VLDP with their current employer, employees are eligible for 60% of their pre-disability income if they go out on non-work-related or work-related disability.
- Once the eligibility period is satisfied, employees are eligible for higher income replacement levels

Long-Term Disability –

- The VLDP program provides a long-term disability benefit beginning after 125 workdays of short-term disability. Members are eligible if they are unable to work at all or are working fewer than 20 hours per week.
- Members approved for long-term disability will receive 60% of their pre-disability income. If approved for work-related long-term disability, the VLDP benefit will be offset by the workers' compensation benefit. Members will not receive a VLDP benefit if their workers' compensation benefit is greater than the VLDP benefit.

Virginia Local Disability Program Notes:

- Members approved for short-term or long-term disability at age 60 or older will be eligible for a benefit, provided they remain medically eligible.
- VLDP Long-Term Care Plan is a self-funded program that assists with the cost of covered long-term care services.

Contributions

The contribution requirement for active Hybrid employees is governed by §51.1-1178(C) of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to political subdivisions by the Virginia General Assembly. Each political subdivision's contractually required employer contribution rate for the year ended June 30, 2019 was 0.72% of covered employee compensation for employees in the VRS Political Subdivision Employee Virginia Local Disability Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the political subdivision to the VRS Political Subdivision Employee Virginia Local Disability Program were \$10,489 and \$9,492 for the years ended June 30, 2019 and June 30, 2018, respectively.

For the school board – general employees, contributions to the VRS Political Subdivision Employee Virginia Local Disability Program were \$1,209 and \$920 for the years ended June 30, 2019 and June 30, 2018, respectively.

Political Subdivision Employee Virginia Local Disability Program OPEB Liabilities, Political Subdivision Employee Virginia Local Disability Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Political Subdivision Employee Virginia Local Disability Program OPEB

At June 30, 2019, the political subdivision reported a liability of \$5,000 and \$0- school board – general employees for its proportionate share of the VRS Political Subdivision Employee Virginia Local Disability Program Net OPEB Liability. The Net VRS Political Subdivision Employee Virginia Local Disability Program OPEB Liability was measured as of June 30, 2018 and the total VRS Political Subdivision Employee Virginia Local Disability Program OPEB liability used to calculate the Net VRS Political Subdivision Employee Virginia Local Disability Program OPEB Liability was determined by an actuarial valuation as of that date. The political subdivision’s proportion of the Net VRS Political Subdivision Employee Virginia Local Disability Program OPEB Liability was based on the political subdivision’s actuarially determined employer contributions to the VRS Political Subdivision Employee Virginia Local Disability Program OPEB plan for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the political subdivision’s proportion of the VRS Political Subdivision Employee Virginia Local Disability Program was .65156% and .06317% school board – general employees as compared to .57235% and .09421% school board – general employees at June 30, 2017.

For the year ended June 30, 2019, the political subdivision recognized VRS Political Subdivision Employee Virginia Local Disability Program OPEB expense of \$11,000 and \$1,000 school board – general employees. Since there was a change in proportionate share between measurement dates a portion of the VRS Political Subdivision Employee Virginia Local Disability Program Net OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2019, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to the VRS Political Subdivision Employee Virginia Local Disability Program OPEB from the following sources:

Primary Government - City's Political Subdivision

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual earnings on VLDP OPEB plan investments	-	-
Change in assumptions	-	1,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	-
Employer contributions subsequent to the measurement date	<u>10,489</u>	<u>-</u>
Total	<u>\$ 10,489</u>	<u>\$ 1,000</u>

**Component Unit - School Board
General Employees**

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual earnings on VLDP OPEB plan investments	-	-
Change in assumptions	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	-
Employer contributions subsequent to the measurement date	<u>1,209</u>	<u>-</u>
Total	<u>\$ 1,209</u>	<u>\$ -</u>

\$10,489 for the City's political subdivision and \$1,209 for the component unit – school board general employees reported as deferred outflows of resources related to the Political Subdivision Employee VLDP OPEB resulting from the political subdivision's contributions subsequent to the measurement date will be recognized as a reduction of the Net Political Subdivision Employee VLDP OPEB Liability in the Fiscal Year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Political Subdivision Employee VLDP OPEB will be recognized in the Political Subdivision Employee VLDP OPEB expense in future reporting periods as follows:

**Year Ended
June 30,**

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

2020	\$(1,000)
2021	-
2022	-
2023	-
2024	-
Thereafter	-

**Component Unit -
School Board
General
Employees**

2020	\$ -
2021	-
2022	-
2023	-
2024	-
Thereafter	-

Actuarial Assumptions

The total Political Subdivision Employee VLDP OPEB liability for the VRS Political Subdivision Employee Virginia Local Disability Program was based on an actuarial valuation as of June 30, 2017, 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, 2018.

Inflation	2.5 percent
Salary increases, including inflation - Political subdivision employees	3.5 percent - 5.35 percent
Investment rate of return	7.0 percent, net of plan investment expenses, 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 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 OPEB liabilities.

Mortality rates – Largest Ten Locality Employers - General and Non-Hazardous Duty Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each year age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

Mortality rates – Non-Largest Ten Locality Employers - General and Non-Hazardous Duty Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75.
Withdrawal Rates	Adjusted termination rates to better fit experience at each year age and service
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14 to 15%

Net Political Subdivision Employee VLDP OPEB Liability

The net OPEB liability (NOL) for the Political Subdivision Employee Virginia Local Disability Program represents the program’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2018, NOL amounts for the VRS Political Subdivision Employee Virginia Local Disability Program is as follows (amounts expressed in thousands):

	Political Subdivision Employee VLDP OPEB Plan	
Total Political Subdivision VLDP OPEB Liability	\$	1,588
Plan Fiduciary Net Position		<u>816</u>
Political Subdivision net VLDP OPEB Liability (Asset)	\$	<u><u>772</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Political Subdivision VLDP OPEB Liability		51.22%

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

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	<u>15.00%</u>	9.53%	<u>1.43%</u>
Total	<u>100.00%</u>		<u>4.80%</u>
	Inflation		<u>2.50%</u>
	*Expected arithmetic nominal return		<u>7.30%</u>

* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total Political Subdivision Employee VLDP OPEB was 7.00%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2018, the rate contributed by the political subdivision for the VRS Political Subdivision Employee Virginia Local Disability Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2018 on, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Political Subdivision Employee VLDP OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total Political Subdivision Employee VLDP OPEB liability.

Sensitivity of the Political Subdivision's Proportionate Share of the Political Subdivision Employee VLDP Net OPEB Liability to Changes in the Discount Rate

The following presents the political subdivision's proportionate share of the VRS Political Subdivision Employee Virginia Local Disability Program net VLDP OPEB liability using the discount rate of 7.00%, as well as what the political subdivision's proportionate share of the net VLDP OPEB 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:

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
Political Subdivision's Proportionate Share of the VRS Political Subdivision VLDP OPEB Plan			
Net VLDP OPEB Liability	<u>\$ 6,000</u>	<u>\$ 5,000</u>	<u>\$ 5,000</u>
Political Subdivision's Proportionate Share of the VRS School Board General Employees VLDP OPEB Plan			
Net VLDP OPEB Liability	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Political Subdivision Employee VLDP OPEB Fiduciary Net Position

Detailed information about the VRS Political Subdivision Employee Virginia Local Disability Program's Fiduciary Net Position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

19 Other Post-Employment Benefits - Teacher Employee Virginia Local Disability Program

Plan Description

All full-time, salaried permanent (professional) employees of public school divisions who are in the VRS Hybrid Retirement Plan benefit structure and whose employer has not elected to opt out of the VRS-sponsored program are automatically covered by the VRS Teacher Employee Virginia Local Disability Program. This plan is administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for eligible public employer groups in the Commonwealth of Virginia. School divisions are required by Title 51.1 of the Code of Virginia, as amended to provide short-term and long-term disability benefits for their Hybrid employees either through a local plan or through the Virginia Local Disability Program (VLDP).

The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

TEACHER EMPLOYEE VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) PLAN PROVISIONS

Eligible Employees

The Teacher Employee Virginia Local Disability Program was implemented January 1, 2014 to provide short-term and long-term disability benefits for non-work-related and work-related disabilities for employees with Hybrid retirement benefits

Eligible employees are enrolled automatically upon employment, unless their employer has elected to provide comparable coverage. They include:

- Teachers and other full-time permanent (professional) salaried employees of public school divisions covered under VRS.

Benefit Amounts

The Teacher Employee Virginia Disability Local Program (VLDP) provides the following benefits for eligible employees:

Short-Term Disability –

- The program provides a short-term disability benefit beginning after a seven-calendar-day waiting period from the first day of disability. Employees become eligible for non-work-related short-term disability coverage after one year of continuous participation in VLDP with their current employer.
- During the first five years of continuous participation in VLDP with their current employer, employees are eligible for 60% of their pre-disability income if they go out on non-work-related or work-related disability.
- Once the eligibility period is satisfied, employees are eligible for higher income replacement levels

Long-Term Disability –

- The VLDP program provides a long-term disability benefit beginning after 125 workdays of short-term disability. Members are eligible if they are unable to work at all or are working fewer than 20 hours per week.
- Members approved for long-term disability will receive 60% of their pre-disability income. If approved for work-related long-term disability, the VLDP benefit will be offset by the workers' compensation benefit. Members will not receive a VLDP benefit if their workers' compensation benefit is greater than the VLDP benefit.

Virginia Local Disability Program Notes:

- Members approved for short-term or long-term disability at age 60 or older will be eligible for a benefit, provided they remain medically eligible.
- VLDP Long-Term Care Plan is a self-funded program that assists with the cost of covered long-term care services.

Contributions

The contribution requirement for active Hybrid employees is governed by §51.1-1178(C) of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2019 was 0.41% of covered employee compensation for employees in the VRS Teacher Employee Virginia Local Disability Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the school division to the VRS Teacher Employee Virginia Local Disability Program were \$10,768 and \$7,264 for the years ended June 30, 2019 and June 30, 2018, respectively.

Teacher Employee Virginia Local Disability Program OPEB Liabilities, Teacher Employee Virginia Local Disability Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Teacher Employee Virginia Local Disability Program OPEB

At June 30, 2019, the school division reported a liability of \$5,000 for its proportionate share of the VRS Teacher Employee Virginia Local Disability Program Net OPEB Liability. The Net VRS Teacher Employee Virginia Local Disability Program OPEB Liability was measured as of June 30, 2018 and the total VRS Teacher Employee Virginia Local Disability Program OPEB liability used to calculate the Net VRS Teacher Employee Virginia Local Disability Program OPEB Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net VRS Teacher Employee Virginia Local Disability Program OPEB Liability was based on the school division's actuarially determined employer contributions to the VRS Teacher Employee Virginia Local Disability Program OPEB plan for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the school division's proportion of the VRS Teacher Employee Virginia Local Disability Program was .63101% as compared to .71370% at June 30, 2017.

For the year ended June 30, 2019 the school division recognized VRS Teacher Employee Virginia Local Disability Program OPEB expense of \$9,000. Since there was a change in proportionate share between measurement dates a portion of the VRS Teacher Employee Virginia Local Disability Program Net OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2019, the school division reported deferred outflows of resources and deferred inflows of resources related to the VRS Teacher Employee Virginia Local Disability Program OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual earnings on Teacher VLDP OPEB plan investments	-	-
Change in assumptions	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	-
Employer contributions subsequent to the measurement date	<u>10,768</u>	<u>-</u>
Total	<u>\$ 10,768</u>	<u>\$ -</u>

\$10,768 reported as deferred outflows of resources related to the Teacher Employee VLDP OPEB resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Teacher Employee VLDP OPEB Liability in the Fiscal Year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee VLDP OPEB will be recognized in the Teacher Employee VLDP OPEB expense in future reporting periods as follows:

**Year Ended
June 30,**

2020	\$	-
2021		-
2022		-
2023		-
2024		-
Thereafter		-

Actuarial Assumptions

The total Teacher Employee VLDP OPEB liability for the VRS Teacher Employee Virginia Local Disability Program was based on an actuarial valuation as of June 30, 2017, 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, 2018.

Inflation	2.5 percent
Salary increases, including inflation - Teacher employees	3.5 percent - 5.95 percent
Investment rate of return	7.00 percent, net of plan investment expenses, 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 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 OPEB liabilities.

Mortality rates – Teachers

Pre-Retirement:

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Health Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with Scale BB to 2020; 115% of rates for males and females.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

Net Teacher Employee VLDP OPEB Liability

The net OPEB liability (NOL) for the Teacher Employee Virginia Local Disability Program represents the program’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2018, NOL amounts for the VRS Teacher Employee Virginia Local Disability Program is as follows (amounts expressed in thousands):

	Teacher Employee VLDP OPEB Plan
Total Teacher Employee VLDP OPEB Liability	\$ 1,401
Plan Fiduciary Net Position	<u>647</u>
Teacher Employee Net VLDP OPEB Liability (Asset)	<u><u>\$ 754</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee VLDP OPEB Liability	46.05%

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

Long-Term Expected Rate of Return

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

<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>
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	<u>15.00%</u>	9.53%	<u>1.43%</u>
Total	<u>100.00%</u>		<u>4.80%</u>
	Inflation		<u>2.50%</u>
	*Expected arithmetic nominal return		<u>7.30%</u>

* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

Discount Rate

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

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

The following presents the school division's proportionate share of the VRS Teacher Employee Virginia Local Disability Program net VLDP OPEB liability using the discount rate of 7.00%, as well as what the school division's proportionate share of the net VLDP OPEB 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:

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
School Division's Proportionate Share of the VRS Teacher Employee VLDP OPEB Plan Net VLDP OPEB Liability	\$ 6,000	\$ 5,000	\$ 4,000

Teacher Employee VLDP OPEB Fiduciary Net Position

Detailed information about the VRS Teacher Employee Virginia Local Disability Program's Fiduciary Net Position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

20 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.

21 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 \$2,656,000 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.

Patrick Brainard Edwards v City of Franklin

Filed on September 27, 2019, the Plaintiff brings this suit against current and former City employees and other defendants alleging a civil rights action in which Plaintiff is seeking damages to redress the deprivation, under color of State law, of rights secured to him under the First, Fourth, Fifth, and Fourteenth Amendments of the United States Constitution. Plaintiff seeks compensatory and punitive damages in a yet to be determined amount, and attorney's fees. The City is unable to predict the outcome of this matter.

22 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

Under the terms of a City resolution, the City administers a single-employer defined benefit Healthcare Benefits Plan. The City Council has the authority to establish and amend the benefit terms and financing requirements. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75. 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. A separate report was not issued for the plan.

C. Executive Summary

Relationship Between Valuation Date, Measurement Date, and Reporting Date

The Valuation Date is July 1, 2017, which is the date the actuarial valuation is performed. The Measurement Date is June 30, 2019, which is the date the City's total OPEB liability is determined. The Reporting Date is June 30, 2019, which is also the City's fiscal year end date.

Significant Changes

There have been no significant changes between the valuation date and fiscal year end.

D. Total OPEB Liability

Total OPEB Liability	June 30, 2019
Total OPEB Liability	\$ 2,657,120
Covered Payroll	7,897,505
Total OPEB liability as a % of covered payroll	33.65%

The Total OPEB Liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions below, and was then projected forward to the measurement date. Any significant changes during this period have been reflected as prescribed by GASB 75.

E. Discount Rate

Discount Rate

Discount rate	3.50%
20 Year Tax-Exempt Municipal Bond Yield	3.50%

The discount rates are based on the Bond Buyer 20-Year Bond GO Index as of their respective measurement date.

F. Other Key Actuarial Assumptions

The demographic assumptions used are predominantly consistent with those used in the June 30, 2017 actuarial valuation of the Virginia Retirement System (VRS). Please see the July 1, 2017 OPEB valuation report for a complete summary of all the underlying assumptions used in the valuation.

Other Key Actuarial Assumptions

	<u>June 30, 2019</u>
Valuation Date	July 1, 2018
Measurement Date	June 30, 2019
Inflation	2.50%
Healthcare Trend Rates	Getzen Trend Model - 6.20% in 2018, 7.00% in 2019, then graded to 4.10% over 60 years
Actuarial Cost Method	Entry Age Normal

Total Salary Increase Rates, a productivity component of 1% and a variable merit component that is dependent on years of service

June 30, 2019

<u>Years of Service</u>	<u>Increase for Next Year</u>
1	4.75%
2	4.75%
3	4.75%
4	4.75%
5	4.65%
6	4.40%
7	4.40%
8	4.40%
9	4.40%
10 - 19	4.00%
20 or More	3.50%

G. Changes in Total OPEB Liability

	Increase (Decrease) Total OPEB Liability
Balance as of June 30, 2018	\$ 2,620,973
Changes for the Year	
Service cost	70,757
Interest on total OPEB liability	91,160
Effect of plan changes	-
Effect of economic/demographic gains or losses	(201,972)
Effects of assumptions changes or inputs	347,156
Benefit payments	<u>(270,954)</u>
Net Changes	<u>36,147</u>
Balance as of June 30, 2019	<u>\$ 2,657,120</u>

H. Sensitivity Analysis

The following presents the City's total OPEB liability, calculated using the discount rate of 3.50%. It also presents what the City's total OPEB liability would be if it were calculated using a discount rate one percentage point lower (2.50%) or one percentage point higher (4.50%) than the current rate.

	1% Decrease 2.50%	Discount Rate 3.50%	1% Increase 4.50%
Political subdivision's Total OPEB liability	\$2,801,063	\$ 2,657,120	\$2,521,293

The following presents the City's total OPEB liability, calculated using the current healthcare trend rates. It also presents what the City's total OPEB liability would be if it were calculated using healthcare trend rates that are one percentage point lower or one percentage point higher than the current rate.

	1% Decrease in Trend Rate	Current Trend Rate	1% Increase in Trend Rate
Political subdivision's Total OPEB liability	\$2,450,488	\$ 2,657,120	\$2,890,322

I. Deferred Outflows/Inflows of Resources

As of June 30, 2019, the deferred outflows and inflows of resources are as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 165,906
Change in assumptions	285,165	33,700
Changes in proportion	-	-
Employer contributions subsequent to the measurement date	<u>1,272,771</u>	<u>-</u>
Total	<u>\$ 1,557,936</u>	<u>\$ 199,606</u>

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to other postemployment benefits will be recognized in OPEB expense as follows:

**Year Ended
June 30,**

2020	\$ 14,692
2021	14,692
2022	14,694
2023	25,926
2024	15,554
Thereafter	-

School Board

A. Plan Description

The School Board administers a single-employer defined benefit Healthcare Benefits Plan. The City Council has the authority to establish and amend the benefit terms and financing requirements. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75. 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. A separate report was not issued for the plan.

C. *Executive Summary*

Relationship Between Valuation Date, Measurement Date, and Reporting Date

The Valuation Date is July 1, 2017, which is the date the actuarial valuation is performed. The Measurement Date is June 30, 2019, which is the date as of which the total OPEB liability is determined. The Reporting Date is June 30, 2019. This is the plan's and/or employer's fiscal year ending date.

Significant Changes

There have been no significant changes between the valuation date and fiscal year end.

Participant Data as of July 1, 2017

	<u>Number</u>
Actives	175
Retirees and spouses	20
Beneficiaries	<u>-</u>
Total	<u>195</u>

D. *Total OPEB Liability*

<u>Total OPEB Liability</u>	<u>June 30, 2019</u>
Total OPEB Liability	\$ 523,060
Covered Payroll	6,656,676
Total OPEB liability as a % of covered payroll	7.86%

The Total OPEB Liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions below, and was then projected forward to the measurement date. Any significant changes during this period have been reflected as prescribed by GASB 74 and 75.

E. *Discount Rate*

Discount Rate

Discount rate	3.50%
20 Year Tax-Exempt Municipal Bond Yield	3.50%

The discount rates are based on the Bond Buyer General Obligation 20-Bond Municipal Index.

F. *Other Key Actuarial Assumptions*

The plan has not had a formal actuarial experience study performed.

Other Key Actuarial Assumptions

	<u>June 30, 2019</u>
Valuation Date	July 1, 2018
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry Age Normal
Inflation	2.50%
Medical Trend Rate	6.40% to 4.10% over 80 years

F. Changes in Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance as of June 30, 2018	\$ 701,071
Changes for the Year	
Service cost	31,736
Interest on total OPEB liability	20,012
Effect of plan changes	-
Effect of economic/demographic gains or losses	(202,093)
Effects of assumptions changes or inputs	(226)
Benefit payments	<u>(27,440)</u>
Net Changes	<u>(178,011)</u>
Balance as of June 30, 2019	<u><u>\$ 523,060</u></u>

G. Sensitivity Analysis

The following presents the total OPEB liability of the Schools, calculated using the discount rate of 3.50%, as well as what the Schools' total OPEB liability would be if it were calculated using a discount rate one percentage point lower (2.50%) or one percentage point higher (4.50%) than the current rate.

	1% Decrease <u>2.50%</u>	Discount Rate <u>3.50%</u>	1% Increase <u>4.50%</u>
Schools'			
Total OPEB liability	\$ 555,204	\$ 523,060	\$ 492,222

The following presents the total OPEB liability of the Schools, calculated using the current healthcare cost trend rates as well as what the Schools' total OPEB liability would be if it were calculated using trend rates that are one percentage point lower or one percentage point higher than the current rate.

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
Schools'			
Total OPEB liability	\$ 468,733	\$ 523,060	\$ 586,544

H. Deferred Outflows/Inflows of Resources

As of June 30, 2019, the deferred outflows and inflows of resources are as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 163,229
Change in assumptions	-	9,968
Changes in proportion	-	-
Employer contributions subsequent to the measurement date	<u>889,264</u>	<u>-</u>
Total	<u>\$ 889,264</u>	<u>\$ 173,197</u>

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to other postemployment benefits will be recognized in OPEB expense as follows:

<u>Year Ended June 30,</u>	
2020	\$ (43,354)
2021	(43,354)
2022	(39,798)
2023	(38,907)
2024	(7,784)
Thereafter	-

23 Tax Abatement Disclosures

The City negotiates property tax abatement agreements on an individual basis. The City has no tax abatement agreements with any entities as of June 30, 2019.

24 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, 2019, the City received \$59,893 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	¹ 17.23%

¹As 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, 2019, the City received \$1,164,549 from the County of Isle of Wight under this agreement for tax revenues collected for the year ended June 30, 2018.

25 Fund Balances

Portions of the General Fund balance are as follows:

- Fund balance in the amount of \$969,874 is nonspendable due to Airport Fund.
- Fund balance in the amount of \$286,970 is assigned for fiscal year 2020 budgets.
- Fund balance in the amount of \$4,815,905 is unassigned and available for subsequent expenditures.

Portions of the Capital Projects Fund are as follows:

- Fund balance in the amount of \$692 is assigned for expenditures for school-related capital outlays.
- Fund balance in the amount of \$185,316 is assigned for expenditures for general fund capital outlays.

26 Expenditures in Excess of Appropriations

The Western Tidewater Home Consortium Fund had expenditures in excess of appropriations at June 30, 2019.

27 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.

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

28 Litigation

At June 30, 2019, 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.

29 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 10 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.

30 Restatement of Net Position

The net position of the Component Unit – School Board has been restated due to a capital lease not being included in the government-wide financial statements in prior years.

School Board Component Unit

Net Position - Beginning of Year	
As Previously Reported June 30, 2018	\$ (4,286,530)
Balance of capital lease with SunTrust	
Leasing for Energy Performance Equipment	
at June 30, 2018 (see Note 8)	<u>(1,552,969)</u>
Net Position - Beginning of Year	
Restated July 1, 2018	<u>\$ (5,839,499)</u>

31 Subsequent Events

On October 17, 2019, the City sold \$8,000,000 of general obligation bonds and issued a \$2,100,000 general obligation line of credit note. The proceeds of the general obligation bonds are to be used for General Fund projects and \$3,000,000 of the Utility Fund projects. The proceeds of the general obligation line of credit note are to be used for the remaining Utility Fund projects.

On October 28, 2019, Bon Secours Mercy Health, a non-profit agency, signed an asset purchase agreement with affiliates of Community Health Systems, Inc. to transition ownership of Southampton Memorial Hospital to Bon Secours Mercy Health. The anticipated annual lost tax revenue to the City is approximately \$500,000.

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, 2019

General Fund

	<u>Budgeted Amounts</u>			<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>With</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
Revenues				
General property taxes	\$ 7,706,023	\$ 7,706,023	\$ 7,309,506	\$ (396,517)
Other local taxes	5,477,800	5,497,800	5,640,865	143,065
Permits, privilege fees, and regulatory licenses	226,450	191,950	221,676	29,726
Fines and forfeitures	35,000	35,000	32,044	(2,956)
Revenue from use of money and property	257,358	257,010	332,873	75,863
Charges for services	1,861,379	1,787,332	1,800,790	13,458
Miscellaneous	1,230,237	1,249,907	1,720,775	470,868
Recovered costs	452,400	436,385	439,819	3,434
Intergovernmental				
Commonwealth	3,854,696	4,742,685	4,529,504	(213,181)
Federal	-	179,098	212,278	33,180
Total Revenues	<u>21,101,343</u>	<u>22,083,190</u>	<u>22,240,130</u>	<u>156,940</u>
Expenditures				
Current				
General government administration	2,760,617	2,766,158	2,567,819	198,339
Judicial administration	425,962	422,588	417,244	5,344
Public safety	7,698,052	8,217,617	7,672,045	545,572
Public works	2,642,524	2,656,717	2,501,530	155,187
Health and welfare	192,479	784,656	771,502	13,154
Education	5,037,395	5,037,395	5,037,395	-
Parks, recreation, and cultural	763,697	795,702	746,681	49,021
Community development	1,107,784	1,130,591	1,060,871	69,720
Debt service	-	25,740	25,740	-
Total Expenditures	<u>20,628,510</u>	<u>21,837,164</u>	<u>20,800,827</u>	<u>1,036,337</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	472,833	246,026	1,439,303	1,193,277
Other Financing Sources (Uses)				
Transfers to debt service	(404,707)	(404,707)	(401,207)	3,500
Transfers in	1,734,538	1,725,421	1,725,421	-
Transfers (out)	<u>(1,922,771)</u>	<u>(2,127,467)</u>	<u>(2,189,195)</u>	<u>(61,728)</u>
Total Other Financing Sources (Uses)	<u>(592,940)</u>	<u>(806,753)</u>	<u>(864,981)</u>	<u>(58,228)</u>
Net Change in Fund Balances Before Transfer from Surplus	(120,107)	(560,727)	574,322	1,135,049
From Surplus	<u>120,107</u>	<u>559,610</u>	<u>-</u>	<u>(559,610)</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ (1,117)</u>	<u>574,322</u>	<u>\$ 575,439</u>
Fund Balance - Beginning of Year			<u>5,498,427</u>	
Fund Balance - End of Year			<u>\$ 6,072,749</u>	

Virginia Public Assistance Fund

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Miscellaneous	\$ -	\$ -	\$ 3,573	\$ 3,573
Intergovernmental				
Commonwealth	528,479	593,608	402,396	(191,212)
Federal	<u>829,089</u>	<u>863,554</u>	<u>869,849</u>	<u>6,295</u>
Total Revenues	1,357,568	1,457,162	1,275,818	(181,344)
Expenditures				
Current				
Health and welfare	<u>1,875,334</u>	<u>1,981,928</u>	<u>1,654,859</u>	<u>327,069</u>
Total Expenditures	<u>1,875,334</u>	<u>1,981,928</u>	<u>1,654,859</u>	<u>327,069</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(517,766)	(524,766)	(379,041)	145,725
Other Financing Sources (Uses)				
Transfers in (out)	<u>517,766</u>	<u>524,766</u>	<u>524,766</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>517,766</u>	<u>524,766</u>	<u>524,766</u>	<u>-</u>
Net Change in Fund Balances Before Transfer from Surplus	-	-	145,725	145,725
From Surplus	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	145,725	<u>\$ 145,725</u>
Fund Balance - Beginning of Year			<u>420,464</u>	
Fund Balance - End of Year			<u>\$ 566,189</u>	

City of Franklin, Virginia

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

For the Plan Years Ended June 30, 2014-2018

	<u>Primary Government</u>				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability					
Service cost	\$ 875,835	\$ 925,511	\$ 971,564	\$ 970,766	\$ 960,215
Interest	2,616,486	2,527,091	2,442,204	2,330,900	2,227,952
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	(465,422)	(69,781)	(225,106)	129,805	-
Changes in assumptions	-	(105,527)	-	-	-
Benefit Payments, including refunds of employee contributions	(2,000,456)	(1,999,992)	(1,951,971)	(1,730,880)	(1,704,071)
Net change in total pension liability	1,026,443	1,277,302	1,236,691	1,700,591	1,484,096
Total pension liability - beginning	38,378,600	37,101,298	35,864,607	34,164,016	32,679,920
Total pension liability - ending (a)	\$ 39,405,043	\$ 38,378,600	\$ 37,101,298	\$ 35,864,607	\$ 34,164,016
Plan fiduciary net position					
Contributions - employer	\$ 816,635	\$ 811,984	\$ 816,294	\$ 814,427	\$ 813,748
Contributions - employee	372,856	373,063	369,825	372,766	374,515
Net investment income	2,411,633	3,632,479	512,886	1,343,739	4,072,505
Benefit Payments, including refunds of employee contributions	(2,000,456)	(1,999,992)	(1,951,971)	(1,730,880)	(1,704,071)
Administrative expense	(21,091)	(21,347)	(19,122)	(18,654)	(22,183)
Other	(2,141)	(3,217)	(221)	(286)	214
Net change in plan fiduciary net position	1,577,436	2,792,970	(272,309)	781,112	3,534,728
Plan fiduciary net position - beginning	32,914,289	30,121,319	30,393,628	29,612,516	26,077,788
Plan fiduciary net position - ending (b)	\$ 34,491,725	\$ 32,914,289	\$ 30,121,319	\$ 30,393,628	\$ 29,612,516
Political subdivision's net pension liability - ending (a) - (b)	\$ 4,913,318	\$ 5,464,311	\$ 6,979,979	\$ 5,470,979	\$ 4,551,500
Plan fiduciary net position as a percentage of the total pension liability	87.53%	85.76%	81.19%	84.75%	86.68%
Covered payroll	\$ 7,630,497	7,507,194	\$7,368,240	\$7,586,380	\$7,460,063
Political subdivision's net pension liability as a percentage of covered payroll	64.39%	72.79%	94.73%	72.12%	61.01%

City of Franklin, Virginia

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

For the Plan Years Ended June 30, 2014-2018

	School Board General Employees				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability					
Service cost	\$ 45,828	\$ 47,678	\$ 47,491	\$ 48,778	\$ 47,021
Interest	124,787	122,651	122,398	118,981	114,045
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	(48,609)	(38,551)	(77,469)	(29,062)	-
Changes in assumptions	-	(12,055)	-	-	-
Benefit Payments, including refunds of employee contributions	<u>(90,246)</u>	<u>(88,152)</u>	<u>(89,460)</u>	<u>(90,309)</u>	<u>(90,796)</u>
Net change in total pension liability	31,760	31,571	2,960	48,388	70,270
Total pension liability - beginning	<u>1,827,798</u>	<u>1,796,227</u>	<u>1,793,267</u>	<u>1,744,879</u>	<u>1,674,609</u>
Total pension liability - ending (a)	<u>\$ 1,859,558</u>	<u>\$ 1,827,798</u>	<u>\$ 1,796,227</u>	<u>\$ 1,793,267</u>	<u>\$ 1,744,879</u>
Plan fiduciary net position					
Contributions - employer	\$ 27,277	\$ 28,347	\$ 43,846	\$ 41,701	\$ 46,023
Contributions - employee	19,115	19,721	19,491	18,929	19,200
Net investment income	138,802	208,126	29,837	75,954	230,671
Benefit Payments, including refunds of employee contributions	(90,246)	(88,152)	(89,460)	(90,309)	(90,796)
Administrative expense	(1,212)	(1,217)	(1,071)	(1,055)	(1,253)
Other	<u>(123)</u>	<u>(184)</u>	<u>(13)</u>	<u>(15)</u>	<u>12</u>
Net change in plan fiduciary net position	93,613	166,641	2,630	45,205	203,857
Plan fiduciary net position - beginning	<u>1,887,497</u>	<u>1,720,856</u>	<u>1,718,226</u>	<u>1,673,021</u>	<u>1,469,164</u>
Plan fiduciary net position - ending (b)	<u>\$ 1,981,110</u>	<u>\$ 1,887,497</u>	<u>\$ 1,720,856</u>	<u>\$ 1,718,226</u>	<u>\$ 1,673,021</u>
Political subdivision's net pension liability - ending (a) - (b)	<u>\$ (121,552)</u>	<u>\$ (59,699)</u>	<u>\$ 75,371</u>	<u>\$ 75,041</u>	<u>\$ 71,858</u>
Plan fiduciary net position as a percentage of the total Pension liability	106.54%	103.27%	95.80%	95.82%	95.88%
Covered payroll	\$ 411,802	\$428,732	\$419,188	\$391,523	\$384,283
Political subdivision's net pension liability as a percentage of covered payroll	-29.52%	-13.92%	17.98%	19.17%	18.70%

City of Franklin, Virginia

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

For the Measurement Dates of June 30, 2018, 2017, 2016, 2015, and 2014

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Employer's Proportion of the Net Pension Liability (Asset)	0.08655%	0.09610%	0.10034%	0.10104%	0.10813%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 10,178,000	\$ 11,818,000	\$ 14,062,000	\$ 12,717,000	\$ 13,067,000
Employer's Covered Payroll	\$ 7,048,968	\$ 7,636,068	\$ 7,645,748	\$ 6,781,114	\$ 7,889,430
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its covered payroll	144.390%	154.766%	183.919%	187.536%	165.627%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.81%	72.92%	68.28%	70.68%	70.88%

Schedule is intended to show information for 10 years. Since 2018 is the fifth year for this presentation, there are only five years of data is available. However, additional years will be included as they become available.

For Reference Only

The Plan Fiduciary Net Position as a Percentage of the Total Pension Liability for the VRS Teacher Retirement Plan for each year is presented on page 114 of the VRS 2018 Comprehensive Annual Financial Report (CAFR).

City of Franklin, Virginia

Schedule of Employer Contributions - VRS Pension

For the Years Ended June 30, 2010 through 2019

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Employee Payroll (4)	Contributions as a % of Covered Employee Payroll (5)
Primary Government					
2019	\$ 941,347	\$ 941,347	\$ -	\$ 7,792,591	12.08%
2018	837,601	837,601	-	7,630,497	10.98%
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
Component Unit School Board - General Employees					
2019	\$ 22,387	\$ 22,387	\$ -	\$ 445,056	5.03%
2018	29,278	29,278	-	411,802	7.11%
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
Component Unit School Board - Teachers					
2019	\$ 1,057,678	\$ 1,057,678	\$ -	\$ 6,746,816	15.68%
2018	1,150,064	1,150,064	-	7,048,968	16.32%
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

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, 2019

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

Changes of assumptions – The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Largest 10 – Non-Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70-75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 20%

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 15%

Largest 10 – Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Increased rates
Salary Scale	No change
Line of Duty Disability	Increase rate from 60% to 70%

All Others (Non 10 Largest) – Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decrease rate from 60% to 45%

School Division

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

City of Franklin, Virginia

Schedule of Employer's Share of Net OPEB Liability
Group Life Insurance Program
For the Measurement Dates of June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Primary Government - City		
Employer's Proportion of the Net GLI OPEB Liability (Asset)	0.04016%	0.04081%
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset)	\$ 610,000	\$ 614,000
Employer's Covered Payroll	\$ 7,637,206	\$ 7,527,197
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of its Covered Payroll	7.99%	8.16%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	51.22%	48.86%
Component Unit School Board - General Employees		
Employer's Proportion of the Net GLI OPEB Liability (Asset)	0.00217%	0.00233%
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset)	\$ 33,000	\$ 36,000
Employer's Covered Payroll	\$ 411,802	\$ 430,203
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of its Covered Payroll	8.01%	8.37%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	51.22%	48.86%
Component Unit - Teachers		
Employer's Proportion of the Net GLI OPEB Liability (Asset)	0.03732%	0.04145%
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset)	\$ 567,000	\$ 624,000
Employer's Covered Payroll	\$ 7,095,851	\$ 7,646,683
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of its Covered Payroll	7.99%	8.16%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	51.22%	48.86%

Schedule is intended to show information for 10 years. Since 2018 is the second year of presentation, only two years of data is available. However, additional years will be included as they become available.

For Reference Only

The Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability for the VRS Group Life Insurance Program (GLI) for each year is presented on page 121 of the VRS 2018 Comprehensive Annual Financial Report (CAFR).

City of Franklin, Virginia

Schedule of Employer Contributions for GLI OPEB

For the Years Ended June 30, 2010 through 2019

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Employee Payroll (4)	Contributions as a % of Covered Employee Payroll (5)
Primary Government					
2019	\$ 40,642	\$ 40,642	\$ -	\$ 7,815,638	0.52%
2018	39,713	39,713	-	7,637,206	0.52%
2017	39,141	39,141	-	7,527,197	0.52%
2016	39,792	39,792	-	7,507,921	0.53%
2015	39,507	39,507	-	7,454,105	0.53%
2014	39,317	39,317	-	7,418,210	0.53%
2013	36,558	36,558	-	6,897,674	0.53%
2012	29,840	29,840	-	6,781,911	0.44%
2011	29,468	29,468	-	6,697,347	0.44%
2010	23,824	23,824	-	6,617,853	0.36%
Component Unit School Board - General Employees					
2019	\$ 2,314	\$ 2,314	\$ -	\$ 445,056	0.52%
2018	2,142	2,142	-	411,802	0.52%
2017	2,237	2,237	-	430,203	0.52%
2016	2,222	2,222	-	419,188	0.53%
2015	2,077	2,077	-	391,874	0.53%
2014	2,036	2,036	-	384,283	0.53%
2013	2,007	2,007	-	378,677	0.53%
2012	1,623	1,623	-	368,949	0.44%
2011	1,870	1,870	-	425,048	0.44%
2010	1,603	1,603	-	445,375	0.36%
2009	1,721	1,721	-	477,979	0.36%
Component Unit School Board - Teachers					
2019	\$ 35,329	\$ 35,329	\$ -	\$ 6,794,021	0.52%
2018	36,851	36,851	-	7,095,851	0.52%
2017	39,763	39,763	-	7,646,683	0.52%
2016	40,663	40,663	-	7,672,284	0.53%
2015	39,863	39,863	-	7,521,373	0.53%
2014	42,098	42,098	-	7,943,035	0.53%
2013	39,632	39,632	-	7,477,751	0.53%
2012	32,558	32,558	-	7,399,629	0.44%
2011	26,966	26,966	-	7,490,491	0.36%
2010	31,966	31,966	-	7,265,046	0.44%
2009	27,747	27,747	-	7,707,414	0.36%

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 – GLI OPEB

For the Year Ended June 30, 2019

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

Changes of assumptions – The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

General State Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70-75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 25%

Teachers

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70-75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

SPORS Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%

VaLORS Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%

JRS Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change

Largest Ten Locality Employers – General Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

Non-Largest Ten Locality Employers – General Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

Largest Ten Locality Employers – Hazardous Duty Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

Non-Largest Ten Locality Employers – Hazardous Duty Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

City of Franklin, Virginia

Schedule of Changes in the Political Subdivision's Net HIC OPEB Liability
and Related Ratios - School Board General Employees

For the Measurement Dates of June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
School Board - General Employees		
Total HIC OPEB liability		
Service cost	\$ 562	\$ 608
Interest	2,299	2,331
Changes of benefit terms	-	-
Differences between expected and actual experience	1,198	-
Changes in assumptions	-	(929)
Benefit payments	<u>(3,241)</u>	<u>(1,720)</u>
Net change in total HIC OPEB liability	818	290
Total HIC OPEB liability - beginning	<u>34,457</u>	<u>34,167</u>
Total HIC OPEB liability - ending (a)	<u>\$ 35,275</u>	<u>\$ 34,457</u>
Plan fiduciary net position		
Contributions - employer	\$ 868	\$ 900
Net investment income	2,370	3,542
Benefit payments	(3,241)	(1,720)
Administrative expense	(53)	(56)
Other	<u>(183)</u>	<u>183</u>
Net change in plan fiduciary net position	(239)	2,849
Plan fiduciary net position - beginning	<u>33,851</u>	<u>31,002</u>
Plan fiduciary net position - ending (b)	<u>\$ 33,612</u>	<u>\$ 33,851</u>
Political subdivision's net HIC OPEB liability - ending (a) - (b)	<u>\$ 1,663</u>	<u>\$ 606</u>
Plan fiduciary net position as a percentage of the total HIC OPEB liability	95.29%	98.24%
Covered payroll	\$ 411,802	\$ 430,203
Political subdivision's net HIC OPEB liability as a percentage of covered payroll	0.40%	0.14%

City of Franklin, Virginia

Schedule of Employer Contributions - HIC OPEB School Board General Employees

For the Years Ended June 30, 2010 through 2019

Date	Contributions in Relation to			Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
	Contractually Required Contribution (1)	Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)		
2019	\$ 756	\$ 756	-	\$ 445,056	0.17%
2018	865	865	-	411,802	0.21%
2017	903	903	-	430,203	0.21%
2016	964	964	-	419,188	0.23%
2015	901	901	-	391,874	0.23%
2014	1,076	1,076	-	384,283	0.28%
2013	1,057	1,057	-	377,456	0.28%
2012	1,299	1,299	-	371,177	0.35%
2011	1,488	1,488	-	425,048	0.35%
2010	3,652	3,652	-	445,375	0.82%

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 – HIC OPEB School Board General Employees

For the Year Ended June 30, 2019

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

Changes of assumptions – The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Largest Ten Locality Employers - General Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

Largest Ten Locality Employers – Hazardous Duty Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

Non-Largest Ten Locality Employers – Hazardous Duty Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

City of Franklin, Virginia

Schedule of Employer's Share of Net OPEB Liability Health Insurance Credit Program (HIC) Teacher

For the Measurement Dates of June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Employer's Proportion of the Net HIC OPEB Liability (Asset)	0.08722%	0.09670%
Employer's Proportionate Share of the Net HIC OPEB Liability (Asset)	\$ 1,108,000	\$ 1,227,000
Employer's Covered Payroll	\$ 7,054,104	\$ 7,631,713
Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) as a Percentage of its Covered Payroll	15.71%	16.08%
Plan Fiduciary Net Position as a Percentage of the Total HIC OPEB Liability	8.08%	7.04%

Schedule is intended to show information for 10 years. Since 2018 is the second year of presentation, only two years of data is available. However, additional years will be included as they become available.

For Reference Only

The Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability for the Health Insurance Credit (HIC) for each year is presented on page 123 of the VRS 2018 Comprehensive Annual Financial Report (CAFR).

City of Franklin, Virginia

Schedule of Employer Contributions for HIC OPEB Teacher

For the Years Ended June 30, 2010 through 2019

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Employee Payroll (4)	Contributions as a % of Covered Employee Payroll (5)
2019	\$ 80,962	\$ 80,962	\$ -	\$ 6,746,816	1.20%
2018	86,702	86,702	-	7,054,104	1.23%
2017	93,871	93,871	-	7,631,713	1.23%
2016	90,273	90,273	-	7,650,222	1.18%
2015	88,641	88,641	-	7,511,954	1.18%
2014	92,531	92,531	-	7,908,612	1.17%
2013	85,833	85,833	-	7,336,161	1.17%
2012	78,293	78,293	-	7,249,378	1.08%
2011	78,305	78,305	-	7,250,483	1.08%
2010	83,804	83,804	-	7,482,516	1.12%

Note: This schedule should present 10 years of data; however, the information prior to fiscal year 2018 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 – HIC OPEB Teacher

For the Year Ended June 30, 2019

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

Changes of assumptions – The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

City of Franklin, Virginia

Schedule of Employer's Share of Net OPEB Liability Line of Duty Act Program (LODA)

For the Measurement Dates of June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Employer's Proportion of the Net LODA OPEB Liability (Asset)	0.34623%	0.32616%
Employer's Proportionate Share of the Net LODA OPEB Liability (Asset)	\$ 1,085,000	\$ 857,000
Covered - Employee Payroll	\$ 2,594,611	\$ 2,701,124
Employer's Proportionate Share of the Net LODA OPEB Liability (Asset) as a Percentage of its Covered Employee Payroll	41.82%	31.73%
Plan Fiduciary Net Position as a Percentage of the Total LODA OPEB Liability	0.60%	1.30%

Schedule is intended to show information for 10 years. Since 2018 is the second year of presentation, only two years of data are available. However, additional years will be included as they become available.

*The contributions for the Line of Duty Act Program are based on the number of participants in the Program using a per capita-based contribution versus a payroll-based contribution. Therefore, covered-employee payroll is the relevant measurement, which is the total payroll of the employees in the OPEB plan.

For Reference Only

The Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability for the Line of Duty Act Program (LODA) for each year is presented on page 122 of the VRS 2018 Comprehensive Annual Financial Report (CAFR).

City of Franklin, Virginia

Schedule of Employer Contributions for LODA OPEB

For the Years Ended June 30, 2010 through 2019

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Employee Payroll (4)**	Contributions as a % of Covered Employee Payroll (5)
2019	\$ 45,169	\$ 45,169	\$ -	\$ 2,758,828	1.64%
2018	36,879	36,879	-	2,594,611	1.42%
2017	35,177	35,177	-	2,701,124	1.30%
2016	N/A	N/A	N/A	N/A	N/A
2015	N/A	N/A	N/A	N/A	N/A
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**

*The contributions for the Line of Duty Act Program are based on the number of participants in the Program using a per capita-based contribution versus a payroll-based contribution. Therefore, covered-employee payroll is the relevant measurement, which is the total payroll of the employees in the OPEB plan.

**FY 2011 was the first year for the Line of Duty Act Program (LODA), however, there were no contributions.

Note: This schedule should present 10 years of data; however, the information prior to fiscal year 2018 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 – LODA OPEB

For the Year Ended June 30, 2019

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

Changes of assumptions – The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

General State Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70-75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 25%

SPORS Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%

VaLORS Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%

Employees in the Largest Ten Locality Employers With Public Safety Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

Employees in the Non-Largest Ten Locality Employers With Public Safety Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

City of Franklin, Virginia

Schedule of Employer's Share of Net OPEB Liability Virginia Local Disability Program - VLDP - City

For the Measurement Dates of June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Employer's Proportion of the Net VLDP OPEB Liability (Asset)	0.65156%	0.57235%
Employer's Proportionate Share of the Net VLDP OPEB Liability (Asset)	\$ 5,000	\$ 3,000
Employer's Covered Payroll	\$ 1,582,032	\$ 1,050,992
Employer's Proportionate Share of the Net VLDP OPEB Liability (Asset) as a Percentage of its Covered Payroll	0.32%	0.29%
Plan Fiduciary Net Position as a Percentage of the Total VLDP OPEB Liability	51.22%	38.40%

Schedule is intended to show information for 10 years. Since 2018 is the second year of presentation only two years of data are available. However, additional years will be included as they become available.

For Reference Only

The Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability for the Virginia Local Disability (VLDP) for each year is presented on page 122 of the VRS 2018 Comprehensive Annual Financial Report (CAFR).

City of Franklin, Virginia

Schedule of Employer Contributions for VLDP OPEB - City

For the Years Ended June 30, 2010 through 2019

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Employee Payroll (4)	Contributions as a % of Covered Employee Payroll (5)
2019	\$ 10,489	\$ 10,489	\$ -	\$ 1,691,845	0.62%
2018	9,492	9,492	-	1,582,032	0.60%
2017	6,306	6,306	-	1,050,992	0.60%
2016	3,942	3,942	-	657,010	0.60%
2015	2,528	2,528	-	421,275	0.60%
2014	462	462	-	76,996	0.60%
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

Note: This schedule should present 10 years of data; however, the information prior to fiscal year 2014 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

Schedule of Employer's Share of Net OPEB Liability Virginia Local Disability Program - VLDP - School Board General Employees

For the Measurement Dates of June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Employer's Proportion of the Net VLDP OPEB Liability (Asset)	0.63170%	0.09421%
Employer's Proportionate Share of the Net VLDP OPEB Liability (Asset)	\$ -	\$ 1,000
Employer's Covered Payroll	\$ 153,384	\$ 173,005
Employer's Proportionate Share of the Net VLDP OPEB Liability (Asset) as a Percentage of its Covered Payroll	0.00%	0.58%
Plan Fiduciary Net Position as a Percentage of the Total VLDP OPEB Liability	51.22%	38.40%

Schedule is intended to show information for 10 years. Since 2018 is the second year of presentation, only two years of data are available. However, additional years will be included as they become available.

For Reference Only

The Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability for the Virginia Local Disability (VLDP) for each year is presented on page 122 of the VRS 2018 Comprehensive Annual Financial Report (CAFR).

City of Franklin, Virginia

Schedule of Employer Contributions for VLDP OPEB - School Board General Employees

For the Years Ended June 30, 2010 through 2019

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Employee Payroll (4)	Contributions as a % of Covered Employee Payroll (5)
2019	\$ 1,209	\$ 1,209	\$ -	\$ 195,068	0.62%
2018	920	920	-	153,384	0.60%
2017	1,038	1,038	-	173,005	0.60%
2016	881	881	-	146,862	0.60%
2015	399	399	-	66,432	0.60%
2014	8	8	-	1,414	0.57%
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

Note: This schedule should present 10 years of data; however, the information prior to fiscal year 2014 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 – VLDP OPEB

For the Year Ended June 30, 2019

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

Changes of assumptions – The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Largest Ten Locality Employers - General and Non-Hazardous Duty Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each year age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

Non-Largest Ten Locality Employers - General and Non-Hazardous Duty Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75.
Withdrawal Rates	Adjusted termination rates to better fit experience at each year age and service
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14 to 15%

City of Franklin, Virginia

Schedule of Employer's Share of Net OPEB Liability Virginia Local Disability Program - VLDP Teacher

For the Measurement Dates of June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Employer's Proportion of the Net VLDP OPEB Liability (Asset)	0.63101%	0.71370%
Employer's Proportionate Share of the Net VLDP OPEB Liability (Asset)	\$ 5,000	\$ 4,000
Employer's Covered Payroll	\$ 2,352,849	\$ 2,014,073
Employer's Proportionate Share of the Net VLDP OPEB Liability (Asset) as a Percentage of its Covered Payroll	0.21%	0.20%
Plan Fiduciary Net Position as a Percentage of the Total VLDP OPEB Liability	31.96%	31.96%

Schedule is intended to show information for 10 years. Since 2018 is the second year of presentation, only two years of data are available. However, additional years will be included as they become available.

For Reference Only

The Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability for the Virginia Local Disability (VLDP) for each year is presented on page 121 of the VRS 2018 Comprehensive Annual Financial Report (CAFR).

City of Franklin, Virginia

Schedule of Employer Contributions for VLDP OPEB Teacher

For the Years Ended June 30, 2010 through 2019

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Employee Payroll (4)	Contributions as a % of Covered Employee Payroll (5)
2019	\$ 10,768	\$ 10,768	\$ -	\$ 2,626,346	0.41%
2018	7,264	7,264	-	2,352,849	0.31%
2017	6,244	6,244	-	2,014,073	0.31%
2016	4,616	4,616	-	1,591,555	0.29%
2015	2,336	2,336	-	805,456	0.29%
2014	85	85	-	29,193	0.29%
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

Note: This schedule should present 10 years of data; however, the information prior to fiscal year 2014 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 – VLDP OPEB Teacher

For the Year Ended June 30, 2019

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

Changes of assumptions – The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

City of Franklin

Schedule of Changes in the Political Subdivision's Total OPEB Liability
and Related Ratios - Retiree Health Insurance

	<u>2019</u>	<u>2018</u>
Total OPEB Liability		
Service cost	\$ 70,757	\$ 100,083
Interest on total OPEB liability	91,160	94,478
Effect of plan changes	-	-
Effect of economic/demographic gains (losses)	(201,972)	-
Effect of assumption changes or inputs	347,156	(56,168)
Benefit payments	<u>(270,954)</u>	<u>(231,388)</u>
Net change in total OPEB liability	36,147	(92,995)
Total OPEB liability - beginning	<u>2,620,973</u>	<u>2,713,968</u>
Total OPEB liability - ending	<u>\$ 2,657,120</u>	<u>\$ 2,620,973</u>
Covered payroll	\$ 7,897,505	\$ 7,630,497
Total OPEB liability as a % of covered payroll	33.65%	34.35%

This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the current GASB standards, they should not be reported.

City of Franklin, Virginia

Schedule of Employer Contributions for OPEB Retiree Health Insurance

For the Years Ended June 30, 2010 through 2019

Date	Contributions in Relation to			Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
	Contractually Required Contribution (1)	Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)		
2019	\$ 1,272,771	\$ 1,272,771	\$ -	\$7,897,505	16.12%
2018	1,143,136	1,143,136	-	7,630,497	14.98%
2017	N/A	N/A	N/A	N/A	N/A
2016	N/A	N/A	N/A	N/A	N/A
2015	N/A	N/A	N/A	N/A	N/A
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

This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the current GASB standards, they should not be reported.

City of Franklin

Schedule of Changes in the Political Subdivision's Total OPEB Liability
and Related Ratios - Retiree Health Insurance Schools

Schools	<u>2019</u>	<u>2018</u>
Total OPEB Liability		
Service cost	\$ 31,736	\$ 38,938
Interest on total OPEB liability	20,012	25,284
Effect of plan changes	-	-
Effect of economic/demographic gains (losses)	(202,093)	-
Effect of assumption changes or inputs	(226)	(18,679)
Benefit payments	<u>(27,440)</u>	<u>(55,357)</u>
Net change in total OPEB liability	(178,011)	(9,814)
Total OPEB liability - beginning	<u>701,071</u>	<u>710,885</u>
Total OPEB liability - ending	<u>\$ 523,060</u>	<u>\$ 701,071</u>
Covered payroll	\$ 6,656,676	\$ 6,647,800
Total OPEB liability as a % of covered payroll	7.86%	10.55%

This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the current GASB standards, they should not be reported.

City of Franklin, Virginia

Schedule of Employer Contributions - OPEB Retiree Health Insurance Schools

For the Years Ended June 30, 2010 through 2019

Date	Contributions in Relation to			Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
	Contractually Required Contribution (1)	Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)		
2019	\$ 889,264	\$ 889,264	-	\$ 6,656,676	13.36%
2018	851,728	851,728	-	6,647,800	12.81%
2017	N/A	N/A	N/A	N/A	N/A
2016	N/A	N/A	N/A	N/A	N/A
2015	N/A	N/A	N/A	N/A	N/A
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

This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the current GASB standards, they should not be reported.

OTHER SUPPLEMENTARY INFORMATION



City of Franklin, Virginia

Combining Balance Sheet

Nonmajor Special Revenue Funds

As of June 30, 2019

	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
Assets																			
Cash and cash equivalents	\$ 16,849	\$ 15,617	\$ 38,861	\$ 95,682	\$ 23,914	\$ -	\$ -	\$ 13,846	\$ -	\$ 16,640	\$ 13,048	\$ 1,477	\$ -	\$ 6,901	\$ 47,906	\$ 3,452	\$ 120,395	\$ 12,797	\$ 427,385
Accounts receivable (net)	22	-	-	-	-	26,037	82,699	-	42,400	-	-	-	-	-	-	-	-	-	151,158
Loan receivable	-	-	-	52,588	-	-	-	-	-	-	-	-	-	-	-	-	-	-	52,588
Inventory	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Due from other governmental units	18,761	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	18,761
Total Assets	\$ 35,632	\$ 15,617	\$ 38,861	\$ 148,270	\$ 23,914	\$ 26,037	\$ 82,699	\$ 13,846	\$ 42,400	\$ 16,640	\$ 13,048	\$ 1,477	\$ -	\$ 6,901	\$ 47,906	\$ 3,452	\$ 120,395	\$ 12,797	\$ 649,892
Liabilities and Fund Balances																			
Liabilities																			
Reconciled overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 41,685	\$ 59,446	\$ -	\$ 8,703	\$ -	\$ -	\$ -	\$ 1,805	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 111,639
Accounts payable and accrued expenses	-	37	-	-	-	-	-	-	-	-	-	-	46	11,443	-	-	-	-	11,526
Deposits held in escrow	-	-	-	-	20,240	-	-	-	-	-	-	-	-	11,523	-	-	-	-	31,763
Total Liabilities	-	37	-	-	20,240	41,685	59,446	-	8,703	-	-	-	1,851	22,966	-	-	-	-	154,928
Fund Balances																			
<i>Nonspendable</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Restricted</i>																			
Public safety	-	15,580	38,861	-	-	-	-	-	-	16,640	13,048	1,477	-	-	-	-	-	-	85,606
Parks, recreation, and cultural	-	-	-	-	-	-	-	-	-	-	-	-	-	-	47,906	3,452	120,395	12,797	184,550
Community development	-	-	-	148,270	3,674	-	23,253	13,846	33,697	-	-	-	-	-	-	-	-	-	222,740
Health and welfare	35,632	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	35,632
<i>Unassigned</i>	-	-	-	-	-	(15,648)	-	-	-	-	-	-	(1,851)	(16,065)	-	-	-	-	(33,564)
Total Fund Balances (Deficit)	35,632	15,580	38,861	148,270	3,674	(15,648)	23,253	13,846	33,697	16,640	13,048	1,477	(1,851)	(16,065)	47,906	3,452	120,395	12,797	494,964
Total Liabilities and Fund Balances	\$ 35,632	\$ 15,617	\$ 38,861	\$ 148,270	\$ 23,914	\$ 26,037	\$ 82,699	\$ 13,846	\$ 42,400	\$ 16,640	\$ 13,048	\$ 1,477	\$ -	\$ 6,901	\$ 47,906	\$ 3,452	\$ 120,395	\$ 12,797	\$ 649,892

City of Franklin, Virginia

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

Nonmajor Special Revenue Funds

Year Ended June 30, 2019

	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	\$ -	\$ 6,000	\$ -	\$ 2,675	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 119,945	\$ 66	\$ -	\$ 2,148	\$ 27	\$ 130,861
Miscellaneous	1,818	92	49,750	-	-	1,680	85,156	-	-	3,600	6,732	-	-	3,135	-	-	-	-	151,963
Intergovernmental																			
Commonwealth of Virginia	107,519	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	107,519
Federal	-	-	-	-	-	131,137	-	-	-	-	-	-	-	-	-	-	-	-	131,137
Total Revenues	109,337	6,092	49,750	2,675	-	132,817	85,156	-	-	3,600	6,732	-	-	123,080	66	-	2,148	27	521,480
Expenditures																			
Current																			
Public safety	-	1,356	35,575	-	-	-	-	-	-	-	255	-	-	-	-	-	-	-	37,186
Health and welfare	177,161	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	177,161
Parks, recreation, and cultural	-	-	-	-	-	-	-	-	-	-	-	-	3,804	-	1,415	15	15	-	5,249
Community development	-	-	-	67	-	125,606	83,909	6,250	-	-	-	-	-	309,646	-	-	-	-	525,478
Total Expenditures	177,161	1,356	35,575	67	-	125,606	83,909	6,250	-	-	255	-	3,804	309,646	1,415	15	15	-	745,074
Excess (Deficiency) of Expenditures Over (Under) Revenues	(67,824)	4,736	14,175	2,608	-	7,211	1,247	(6,250)	-	3,600	6,477	-	(3,804)	(186,566)	(1,349)	(15)	2,133	27	(223,594)
Other Financing Sources (Uses)																			
Transfers in (out)	76,571	-	-	-	-	-	-	-	-	-	-	-	-	191,550	-	-	-	-	268,121
Total Other Financing Sources (Uses)	76,571	-	-	-	-	-	-	-	-	-	-	-	-	191,550	-	-	-	-	268,121
Net Change in Fund Balances	8,747	4,736	14,175	2,608	-	7,211	1,247	(6,250)	-	3,600	6,477	-	(3,804)	4,984	(1,349)	(15)	2,133	27	44,527
Fund Balances (Deficit) - Beginning of Year	26,885	10,844	24,686	145,662	3,674	(22,859)	22,006	20,096	33,697	13,040	6,571	1,477	1,953	(21,049)	49,255	3,467	118,262	12,770	450,437
Fund Balances (Deficit) - End of Year	\$ 35,632	\$ 15,580	\$ 38,861	\$ 148,270	\$ 3,674	\$ (15,648)	\$ 23,253	\$ 13,846	\$ 33,697	\$ 16,640	\$ 13,048	\$ 1,477	\$ (1,851)	\$ (16,065)	\$ 47,906	\$ 3,452	\$ 120,395	\$ 12,797	\$ 494,964

City of Franklin, Virginia

Combining Statement of Fiduciary Net Position

Agency Funds

As of June 30, 2019

	<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>
Assets								
Cash and cash equivalents	\$ 11,515	\$ 8,389	\$ 9,255	\$ 12,381	\$ 2,540	\$ 48,752	\$ 82	\$ 92,914
Accounts receivable	-	-	-	-	18,329	-	-	18,329
Total Assets	<u>\$ 11,515</u>	<u>\$ 8,389</u>	<u>\$ 9,255</u>	<u>\$ 12,381</u>	<u>\$ 20,869</u>	<u>\$ 48,752</u>	<u>\$ 82</u>	<u>\$ 111,243</u>
Liabilities								
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -	\$ 3,417	\$ -	\$ -	\$ 3,417
Amounts held for others	11,515	8,389	9,255	12,381	17,452	48,752	82	107,826
Total Liabilities	<u>\$ 11,515</u>	<u>\$ 8,389</u>	<u>\$ 9,255</u>	<u>\$ 12,381</u>	<u>\$ 20,869</u>	<u>\$ 48,752</u>	<u>\$ 82</u>	<u>\$ 111,243</u>

City of Franklin, Virginia

Combining Statements of Changes in Assets and Liabilities

Agency Funds

For the Year Ended June 30, 2019

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
Special Welfare - SSI Fund				
Assets				
Cash and cash equivalents	\$ 11,200	\$ 581	\$ 266	\$ 11,515
Total Assets	<u>\$ 11,200</u>	<u>\$ 581</u>	<u>\$ 266</u>	<u>\$ 11,515</u>
Liabilities				
Amounts held for others	\$ 11,200	\$ 581	\$ 266	\$ 11,515
Total Liabilities	<u>\$ 11,200</u>	<u>\$ 581</u>	<u>\$ 266</u>	<u>\$ 11,515</u>
Special Welfare Fund				
Assets				
Cash and cash equivalents	\$ 5,735	\$ 11,902	\$ 9,248	\$ 8,389
Total Assets	<u>\$ 5,735</u>	<u>\$ 11,902</u>	<u>\$ 9,248</u>	<u>\$ 8,389</u>
Liabilities				
Amounts held for others	\$ 5,735	\$ 11,902	\$ 9,248	\$ 8,389
Total Liabilities	<u>\$ 5,735</u>	<u>\$ 11,902</u>	<u>\$ 9,248</u>	<u>\$ 8,389</u>
Flexible Spending Fund				
Assets				
Cash and cash equivalents	\$ 6,564	\$ 57,924	\$ 55,233	\$ 9,255
Total Assets	<u>\$ 6,564</u>	<u>\$ 57,924</u>	<u>\$ 55,233</u>	<u>\$ 9,255</u>
Liabilities				
Amounts held for others	\$ 6,564	\$ 57,924	\$ 55,233	\$ 9,255
Total Liabilities	<u>\$ 6,564</u>	<u>\$ 57,924</u>	<u>\$ 55,233</u>	<u>\$ 9,255</u>
Employee Emergency Trust Fund				
Assets				
Cash and cash equivalents	\$ 12,404	\$ -	\$ 23	\$ 12,381
Total Assets	<u>\$ 12,404</u>	<u>\$ -</u>	<u>\$ 23</u>	<u>\$ 12,381</u>
Liabilities				
Amounts held for others	\$ 12,404	\$ -	\$ 23	\$ 12,381
Total Liabilities	<u>\$ 12,404</u>	<u>\$ -</u>	<u>\$ 23</u>	<u>\$ 12,381</u>

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
Smart Beginnings Fund				
Assets				
Cash and cash equivalents	\$ 9,627	\$ 128,165	\$ 135,252	\$ 2,540
Accounts receivable	-	18,329	-	18,329
Total Assets	<u>\$ 9,627</u>	<u>\$ 146,494</u>	<u>\$ 135,252</u>	<u>\$ 20,869</u>
Liabilities				
Accounts payable and accrued liabilities	\$ 4,165	\$ 41,624	\$ 42,372	\$ 3,417
Amounts held for others	5,462	104,870	92,880	17,452
Total Liabilities	<u>\$ 9,627</u>	<u>\$ 146,494</u>	<u>\$ 135,252</u>	<u>\$ 20,869</u>
Fire and Rescue Volunteers Fund				
Assets				
Cash and cash equivalents	\$ 48,109	\$ 9,206	\$ 8,563	\$ 48,752
Total Assets	<u>\$ 48,109</u>	<u>\$ 9,206</u>	<u>\$ 8,563</u>	<u>\$ 48,752</u>
Liabilities				
Amounts held for others	\$ 48,109	\$ 9,206	\$ 8,563	\$ 48,752
Total Liabilities	<u>\$ 48,109</u>	<u>\$ 9,206</u>	<u>\$ 8,563</u>	<u>\$ 48,752</u>
Children's Center Fund				
Assets				
Cash and cash equivalents	\$ 82	\$ 592,177	\$ 592,177	\$ 82
Total Assets	<u>\$ 82</u>	<u>\$ 592,177</u>	<u>\$ 592,177</u>	<u>\$ 82</u>
Liabilities				
Amounts held for others	\$ 82	\$ 592,177	\$ 592,177	\$ 82
Total Liabilities	<u>\$ 82</u>	<u>\$ 592,177</u>	<u>\$ 592,177</u>	<u>\$ 82</u>
Totals - All Agency Funds				
Assets				
Cash and cash equivalents	\$ 93,721	\$ 799,955	\$ 800,762	\$ 92,914
Accounts receivable	-	18,329	-	18,329
Total Assets	<u>\$ 93,721</u>	<u>\$ 818,284</u>	<u>\$ 800,762</u>	<u>\$ 111,243</u>
Liabilities				
Accounts payable and accrued liabilities	4,165	41,624	42,372	3,417
Amounts held for others	89,556	776,660	758,390	107,826
Total Liabilities	<u>\$ 93,721</u>	<u>\$ 818,284</u>	<u>\$ 800,762</u>	<u>\$ 111,243</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
As of June 30, 2019

	School Operating Fund	Cafeteria Fund	Textbook Fund	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 1,521,495	\$ 475,745	\$ 127,020	\$ 2,124,260
<i>Receivables (net of allowance for uncollectibles)</i>				
Accounts receivable	23,006	6,334	167	29,507
Due from other funds	-	1,725	82,094	83,819
Due from other governmental units	388,140	47,967	-	436,107
Inventories	-	15,040	-	15,040
Total Assets	<u>\$ 1,932,641</u>	<u>\$ 546,811</u>	<u>\$ 209,281</u>	<u>\$ 2,688,733</u>
Liabilities and Fund Balances				
Liabilities				
Due to other funds	\$ 83,819	\$ -	\$ -	\$ 83,819
Accounts payable and accrued liabilities	<u>1,195,390</u>	<u>73,429</u>	<u>-</u>	<u>1,268,819</u>
Total Liabilities	1,279,209	73,429	-	1,352,638
Fund Balances				
<i>Nonspendable</i>				
Inventory	-	15,040	-	15,040
<i>Restricted</i>				
Special revenue	<u>653,432</u>	<u>458,342</u>	<u>209,281</u>	<u>1,321,055</u>
Total Fund Balances	<u>653,432</u>	<u>473,382</u>	<u>209,281</u>	<u>1,336,095</u>
Total Liabilities and Fund Balances	<u>\$ 1,932,641</u>	<u>\$ 546,811</u>	<u>\$ 209,281</u>	<u>\$ 2,688,733</u>
Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:				
Total fund balances per above				\$ 1,336,095
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.				
Capital assets			\$ 18,746,125	
Less: Accumulated depreciation			<u>(9,279,235)</u>	9,466,890
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 OPEBs			1,051,547	
Deferred inflows related to OPEBs			(458,657)	
Deferred outflows related to pensions			1,300,878	
Deferred inflows related to pensions			<u>(2,911,792)</u>	(1,018,024)
Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.				
OPEB liabilities			(2,237,723)	
Net pension asset			121,552	
Net pension liability			(10,178,000)	
Compensated absences			(194,496)	
Capital lease obligations			<u>(1,449,546)</u>	<u>(13,938,213)</u>
Net Position of Governmental Activities				<u>\$ (4,153,252)</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, 2019

	School Operating Fund	Cafeteria Fund	Textbook Fund	Total Governmental Funds
Revenues				
Revenue from use of money and property	\$ 9,696	\$ -	\$ 33	\$ 9,729
Charges for services	-	34,274	-	34,274
Miscellaneous	245,891	14,076	-	259,967
Intergovernmental Revenues				
Local government	5,037,395	-	-	5,037,395
Commonwealth	8,259,415	37,755	-	8,297,170
Federal	<u>1,590,217</u>	<u>983,984</u>	-	<u>2,574,201</u>
Total Revenues	15,142,614	1,070,089	33	16,212,736
Expenditures				
Current				
<i>Education</i>				
Instruction	10,141,837	-	114,584	10,256,421
Administration, attendance and health	1,115,745	-	-	1,115,745
Transportation	733,549	-	-	733,549
Operations and maintenance	1,655,809	-	-	1,655,809
Technology	849,256	-	-	849,256
Food services	-	965,370	-	965,370
Debt service - capital lease	<u>163,528</u>	-	-	<u>163,528</u>
Total Expenditures	<u>14,659,724</u>	<u>965,370</u>	<u>114,584</u>	<u>15,739,678</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	482,890	104,719	(114,551)	473,058
Other Financing Sources (Uses)				
Transfers in (out)	<u>(36,616)</u>	-	36,616	-
Total Other Financing Sources (Uses)	<u>(36,616)</u>	-	36,616	-
Net Change in Fund Balances	446,274	104,719	(77,935)	473,058
Fund Balances - Beginning	<u>207,158</u>	<u>368,663</u>	<u>287,216</u>	<u>863,037</u>
Fund Balances - Ending	<u>\$ 653,432</u>	<u>\$ 473,382</u>	<u>\$ 209,281</u>	<u>\$ 1,336,095</u>
Amounts reported for governmental activities in the Statement of Activities (Exhibit 2) are different because:				
Net changes in fund balances - total governmental funds - per above				\$ 473,058
<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			\$ 707,173	
Depreciation expense			<u>(646,192)</u>	60,981
<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			23,069	
Change in OPEB liabilities			355,954	
Change in deferred outflows				
VRS pension			(259,277)	
OPEB liabilities			65,075	
Change in deferred inflows				
VRS pension			(542,320)	
OPEB liabilities			(295,569)	
Change in VRS net pension asset			61,853	
Change in VRS net pension liability			<u>1,640,000</u>	1,048,785
<i>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.</i>				
Lease payments				<u>103,423</u>
				<u>\$ 1,686,247</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, 2019

	<u>School Operating Fund</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Revenue from use of money and property	\$ 8,841	\$ 8,841	\$ 9,696	\$ 855
Charges for services	68,138	68,138	-	(68,138)
Miscellaneous	87,791	247,745	245,891	(1,854)
Intergovernmental				
Local government	5,037,395	5,244,553	5,037,395	(207,158)
Commonwealth	8,597,462	8,681,830	8,259,415	(422,415)
Federal	<u>2,571,930</u>	<u>2,872,825</u>	<u>1,590,217</u>	<u>(1,282,608)</u>
Total Revenues	16,371,557	17,123,932	15,142,614	(1,981,318)
Expenditures				
Current				
<i>Education</i>				
Instruction	12,259,527	12,112,491	10,141,837	1,970,654
Administration, attendance and health	1,197,184	1,139,120	1,115,745	23,375
Transportation	518,055	811,314	733,549	77,765
Operations and maintenance	1,627,417	1,754,473	1,655,809	98,664
Technology	735,758	1,117,218	849,256	267,962
Debt service	-	155,700	163,528	(7,828)
Total Expenditures	<u>16,337,941</u>	<u>17,090,316</u>	<u>14,659,724</u>	<u>2,430,592</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	33,616	33,616	482,890	449,274
Other Financing Sources (Uses)				
Transfers (out)	<u>(33,616)</u>	<u>(33,616)</u>	<u>(36,616)</u>	<u>(3,000)</u>
Total Other Financing Sources (Uses)	<u>(33,616)</u>	<u>(33,616)</u>	<u>(36,616)</u>	<u>(3,000)</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	446,274	<u>\$ 446,274</u>
Fund Balances - Beginning			<u>207,158</u>	
Fund Balances - Ending			<u>\$ 653,432</u>	

DISCRETELY PRESENTED COMPONENT UNIT – INDUSTRIAL DEVELOPMENT AUTHORITY

City of Franklin, Virginia

Statement of Net Position

Discretely Presented Component Unit - Industrial Development Authority

As of June 30, 2019

	Industrial Development Authority
Assets	
Current Assets	
Cash and cash equivalents	\$ 14,318
Total Assets	<u>\$ 14,318</u>
Net Position	
Unrestricted - community development	\$ 14,318
Total Net Position	<u>\$ 14,318</u>

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, 2019

	Industrial Development Authority
Nonoperating Revenues	
Interest income	\$ <u>1</u>
Total Nonoperating Revenues	<u>1</u>
Change in Net Position	1
Total Net Position - Beginning	<u>14,317</u>
Total Net Position - Ending	<u><u>\$ 14,318</u></u>

City of Franklin, Virginia

Statement of Cash Flows

Discretely Presented Component Unit - Industrial Development Authority

For the Year Ended June 30, 2019

	Industrial Development Authority
Cash Flows from Capital and Related Financing Activities	\$ -
Net Cash Provided by (Used in) Capital and Related Financing Activities	-
Cash Flows from Investing Activities	
Interest and dividends received	<u>1</u>
Net Cash Provided by Investing Activities	<u>1</u>
Net Increase in Cash and Cash Equivalents	1
Cash and Cash Equivalents - Beginning	<u>14,317</u>
Cash and Cash Equivalents - Ending	<u><u>\$ 14,318</u></u>

City of Franklin, Virginia

Schedule of Revenues and Other Financing Sources - Budget and Actual

For the Year Ended June 30, 2019

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>
General Fund				
Revenue from Local Sources				
<i>General Property Taxes</i>				
Real property taxes	\$ 5,925,573	\$ 5,925,573	\$ 5,394,876	\$ (530,697)
Real and personal public service corporation taxes	74,750	74,750	79,375	4,625
Personal property taxes	1,555,700	1,555,700	1,672,661	116,961
Machinery and tools taxes	20,000	20,000	19,483	(517)
Penalties	95,000	95,000	92,049	(2,951)
Interest	35,000	35,000	51,062	16,062
Total General Property Taxes	7,706,023	7,706,023	7,309,506	(396,517)
<i>Other Local Taxes</i>				
Local sales and use taxes	1,850,000	1,870,000	1,896,307	26,307
Consumers' utility taxes	475,000	475,000	539,420	64,420
Probate taxes	3,100	3,100	1,466	(1,634)
Electric consumption taxes	25,000	25,000	31,403	6,403
Business license taxes	918,500	918,500	959,312	40,812
Motor vehicle license taxes	192,000	192,000	184,638	(7,362)
Bank stock taxes	56,200	56,200	51,751	(4,449)
Taxes on recordation and wills	38,000	38,000	50,183	12,183
Cigarette taxes	280,000	280,000	300,133	20,133
Lodging taxes	160,000	160,000	148,234	(11,766)
Restaurant food taxes	1,480,000	1,480,000	1,478,018	(1,982)
Total Other Local Taxes	5,477,800	5,497,800	5,640,865	143,065
<i>Permits, Privilege Fees, and Regulatory Licenses</i>				
Animal licenses	2,500	2,500	4,336	1,836
Building and related permits	198,700	164,200	187,454	23,254
Permits and other licenses	25,250	25,250	29,886	4,636
Total Permits, Privilege Fees, and Regulatory Licenses	226,450	191,950	221,676	29,726
<i>Fines and Forfeitures</i>				
Court fines and forfeitures	35,000	35,000	32,044	(2,956)
Total Fines and Forfeitures	35,000	35,000	32,044	(2,956)

<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	1,000	1,000	1,130	130
Revenue from use of property	256,358	256,010	331,743	75,733
Total Revenue from Use of Money and Property	257,358	257,010	332,873	75,863
<i>Charges for Services</i>				
Law library and court fees	5,500	5,500	5,921	421
J & D Services - Southampton County	4,100	4,100	4,100	-
Police services	-	-	1,067	1,067
Fire and emergency services	129,500	129,500	141,058	11,558
Ambulance services	485,000	401,836	399,289	(2,547)
Janitorial services	17,000	17,000	18,214	1,214
Waste collection and disposal	259,292	259,292	259,392	100
Administration - water and sewer	368,589	368,589	368,589	-
Administration - airport	25,515	25,515	25,515	-
Administration - electric	547,133	556,250	556,250	-
Recreation fees and admissions	10,500	10,500	3,891	(6,609)
Other charges for services	9,250	9,250	17,504	8,254
Total Charges for Services	1,861,379	1,787,332	1,800,790	13,458
<i>Miscellaneous Revenue</i>				
Miscellaneous	43,000	62,670	49,820	(12,850)
Cemetery revenues	32,000	32,000	30,440	(1,560)
Late penalties and fees for utilities	275,000	275,000	307,721	32,721
Payment in lieu of taxes - water and sewer	26,460	26,460	26,460	-
Payment in lieu of taxes - electric	59,282	59,282	59,282	-
Payment in lieu of taxes - FRHA	6,000	6,000	22,610	16,610
Isle of Wight - revenue sharing	720,000	720,000	1,164,549	444,549
Southampton County - revenue sharing	68,495	68,495	59,893	(8,602)
Total Miscellaneous Revenue	1,230,237	1,249,907	1,720,775	470,868
<i>Recovered Costs</i>				
Southampton County inspections	350,000	350,000	337,782	(12,218)
Other recovered costs	102,400	86,385	102,037	15,652
Total Recovered Costs	452,400	436,385	439,819	3,434
Total Revenue from Local Sources	17,246,647	17,161,407	17,498,348	336,941

Variance
with Final
Budget -
Positive
(Negative)

Fund, Major and Minor Revenue Source

Revenue from the Commonwealth

Noncategorical Aid

Railroad rolling stock tax	7,000	7,000	6,404	(596)
Motor vehicle rental tax	32,000	32,000	40,662	8,662
Communication taxes	515,000	515,000	471,179	(43,821)
State recordation tax	16,000	16,000	15,147	(853)
Personal property tax relief funds	1,048,897	1,048,897	1,048,897	-

Total Noncategorical Aid 1,618,897 1,618,897 1,582,289 (36,608)

Categorical Aid

Shared Expenses

Commissioner of revenue	80,715	80,715	80,819	104
Treasurer	73,096	73,096	73,178	82
Registrar/electoral board	35,000	35,000	35,755	755

Total Shared Expenses 188,811 188,811 189,752 941

Other Categorical Aid

Law Enforcement grants	417,544	417,544	432,992	15,448
Fire and rescue grant	-	29,705	29,705	-
Four for Life EMS grant	-	-	14,704	14,704
Street and highway maintenance funds	1,574,444	1,621,456	1,621,455	(1)
Litter control grants	-	6,207	6,207	-
Wireless 911 grant	50,000	50,000	41,121	(8,879)
Virginia land conservation grant	-	26,047	26,047	-
State infant and toddler grant	-	413,079	413,089	10
Other state grants	-	37,859	38,440	581
PSAP grant police	-	328,080	129,203	(198,877)
Arts grant	5,000	5,000	4,500	(500)

Total Other Categorical Aid 2,046,988 2,934,977 2,757,463 (177,514)

Total Categorical Aid 2,235,799 3,123,788 2,947,215 (176,573)

Total Revenue from the Commonwealth 3,854,696 4,742,685 4,529,504 (213,181)

Revenue from the Federal Government

Categorical Aid

Emergency services grant	-	-	33,190	33,190
Federal Part C infant and toddler grant	-	179,098	179,088	(10)

Total Categorical Aid - 179,098 212,278 33,180

Total Revenue from the Federal Government - 179,098 212,278 33,180

Total Intergovernmental Revenue 3,854,696 4,921,783 4,741,782 (180,001)

Other Financing Sources

Transfers in from other funds	1,734,538	1,725,421	1,725,421	-
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Total General Fund \$22,835,881 \$23,808,611 \$23,965,551 \$ 156,940

City of Franklin, Virginia

Schedule of Expenditures and Other Financing Uses - Budget and Actual

For the Year Ended June 30, 2019

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>
General Fund				
General Government Administration				
<i>Legislative</i>				
City council	\$ 145,149	\$ 150,149	\$ 148,330	\$ 1,819
<i>General and Financial Administration</i>				
City manager	202,992	254,837	235,642	19,195
City attorney	158,609	158,609	151,789	6,820
Management services and human resources	175,611	122,567	88,332	34,235
Commissioner of revenue	287,663	284,163	276,706	7,457
Real estate assessor	75,324	74,074	58,379	15,695
Treasurer	341,049	335,310	315,765	19,545
Accounting	392,410	424,655	411,413	13,242
Merchant card fees	56,000	66,000	72,850	(6,850)
Purchasing	98,465	63,747	60,935	2,812
Utility billings and collections	300,486	260,674	260,793	(119)
Insurance	202,798	180,298	188,439	(8,141)
Information Technology	195,627	262,641	173,960	88,681
Total General and Financial Administration	2,487,034	2,487,575	2,295,003	192,572
<i>Board of Elections</i>				
Electoral board and officials	128,434	128,434	124,486	3,948
Total Board of Elections	128,434	128,434	124,486	3,948
Total General Government Administration	2,760,617	2,766,158	2,567,819	198,339
Judicial Administration				
<i>Courts</i>				
Circuit court - joint operations	7,020	7,020	7,020	-
General district court	20,775	20,775	16,155	4,620
Sheriff's office	200,650	200,650	200,646	4
Clerk of the circuit court	60,300	60,300	60,296	4
Juvenile and domestic relations court	72,117	68,743	68,034	709
Total Courts	360,862	357,488	352,151	5,337

<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>	65,100	65,100	65,093	7
Total Commonwealth's Attorney	65,100	65,100	65,093	7
Total Judicial Administration	425,962	422,588	417,244	5,344
Public Safety				
<i>Law Enforcement and Traffic Control</i>				
Police department	3,088,418	3,086,059	2,997,544	88,515
Total Law Enforcement and Traffic Control	3,088,418	3,086,059	2,997,544	88,515
<i>Emergency Services</i>				
E-911 operations	732,236	1,170,675	826,132	344,543
Emergency management services	2,342,190	2,408,357	2,337,824	70,533
Total Emergency Services	3,074,426	3,579,032	3,163,956	415,076
<i>Correction and Detention</i>				
Detention - Western Tidewater Regional Jail	948,013	948,013	948,013	-
Total Correction and Detention	948,013	948,013	948,013	-
<i>Inspections</i>				
Building	482,902	500,020	490,013	10,007
Total Inspections	482,902	500,020	490,013	10,007
<i>Other Protection</i>				
Animal control	104,293	104,493	72,519	31,974
Total Other Protection	104,293	104,493	72,519	31,974
Total Public Safety	7,698,052	8,217,617	7,672,045	545,572
Public Works				
<i>Maintenance of highways, streets, bridges, and sidewalks</i>				
Streets and highways	1,318,762	1,295,962	1,146,881	149,081
Snow removal	13,000	13,000	5,632	7,368
Garage	250,342	247,142	242,716	4,426
Total Maintenance of Highways, Streets, Bridges, and Sidewalks	1,582,104	1,556,104	1,395,229	160,875

<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	704,858	695,165	707,841	(12,676)
Maintenance of city hall	203,871	208,771	217,102	(8,331)
Maintenance of social services	116,221	161,207	157,264	3,943
Maintenance of health department	<u>35,470</u>	<u>35,470</u>	<u>24,094</u>	<u>11,376</u>
Total Maintenance of General Buildings and Grounds	<u>1,060,420</u>	<u>1,100,613</u>	<u>1,106,301</u>	<u>(5,688)</u>
Total Public Works	2,642,524	2,656,717	2,501,530	155,187
Health and Welfare				
<i>Health</i>				
Local health department	110,000	110,000	110,000	-
Children's Center	-	592,177	592,177	-
Mental health	35,958	35,958	35,958	-
Senior Citizens Title III	6,659	6,659	-	6,659
Senior Citizens Nutrition	<u>39,862</u>	<u>39,862</u>	<u>33,367</u>	<u>6,495</u>
Total Health	<u>192,479</u>	<u>784,656</u>	<u>771,502</u>	<u>13,154</u>
Total Health and Welfare	192,479	784,656	771,502	13,154
Education				
Contribution to local school board	<u>5,037,395</u>	<u>5,037,395</u>	<u>5,037,395</u>	<u>-</u>
Total Education	5,037,395	5,037,395	5,037,395	-
Parks, Recreation, and Cultural				
<i>Parks and Recreation</i>				
Programs and operations	376,736	408,741	366,236	42,505
Cemeteries	<u>53,020</u>	<u>53,020</u>	<u>46,956</u>	<u>6,064</u>
Total Parks and Recreation	429,756	461,761	413,192	48,569
<i>Library</i>				
Library administration	<u>333,941</u>	<u>333,941</u>	<u>333,489</u>	<u>452</u>
Total Library	<u>333,941</u>	<u>333,941</u>	<u>333,489</u>	<u>452</u>
Total Parks, Recreation, and Cultural	763,697	795,702	746,681	49,021

<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>
Community Development				
<i>Planning and Community Development</i>				
Planning and zoning	292,784	299,798	274,021	25,777
Beautification commission	5,000	20,793	6,989	13,804
Downtown development	110,000	110,000	105,931	4,069
Payments to Southampton County	<u>700,000</u>	<u>700,000</u>	<u>673,930</u>	<u>26,070</u>
Total Planning and Community Development	<u>1,107,784</u>	<u>1,130,591</u>	<u>1,060,871</u>	<u>69,720</u>
Total Community Development	1,107,784	1,130,591	1,060,871	69,720
Debt Service				
Capital lease payments	<u>-</u>	<u>25,740</u>	<u>25,740</u>	<u>-</u>
Total Debt Service	-	25,740	25,740	-
Other Financing Uses				
Transfers out to other funds	<u>2,326,878</u>	<u>2,532,174</u>	<u>2,590,402</u>	<u>(58,228)</u>
Total General Fund	<u>\$22,955,388</u>	<u>\$24,369,338</u>	<u>\$23,391,229</u>	<u>\$ 978,109</u>

City of Franklin, Virginia

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Capital Projects Fund				
Revenues				
Revenue from use of money - interest income	\$ -	\$ 50,000	\$ 50,000	\$ -
Total Revenues	-	50,000	50,000	-
Expenditures				
Current				
Public works	-	2,721,228	406,340	2,314,888
Total Expenditures	-	2,721,228	406,340	2,314,888
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(2,671,228)	(356,340)	2,314,888
Other Financing Sources (Uses)				
Transfers in	-	541,656	541,656	-
Proceeds from loans	-	1,649,572	-	(1,649,572)
Total Other Financing Sources (Uses)	-	2,191,228	541,656	(1,649,572)
Net Change in Fund Balances Before Transfer from Surplus	-	(480,000)	185,316	665,316
From Surplus	-	480,000	-	(480,000)
Net Change in Fund Balances	\$ -	\$ -	185,316	\$ 185,316
Fund Balance - Beginning of Year			692	
Fund Balance - End of Year			\$ 371,324	
Debt Service Fund				
Revenues				
Revenue from use of money - interest income	\$ -	\$ 68,000	\$ 62,832	\$ (5,168)
Total Revenues	-	68,000	62,832	(5,168)
Expenditures				
Current - Debt Service				
Debt service - principal payments	755,007	1,755,007	1,535,092	219,915
Debt service - interest payments and other fees	379,784	379,784	375,884	3,900
Total Expenditures	1,134,791	2,134,791	1,910,976	223,815
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,134,791)	(2,066,791)	(1,848,144)	218,647
Other Financing Sources (Uses)				
Transfers in	1,134,791	1,066,791	1,125,019	58,228
Total Other Financing Sources (Uses)	1,134,791	1,066,791	1,125,019	58,228
Net Change in Fund Balance	\$ -	\$ (1,000,000)	(723,125)	\$ 276,875
Fund Balance - Beginning of Year			2,561,938	
Fund Balance - End of Year			\$ 1,838,813	

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
CSA Fund				
Revenues				
Miscellaneous	\$ -	\$ -	\$ 1,818	\$ 1,818
Intergovernmental revenue - Commonwealth of Virginia	<u>121,699</u>	<u>121,699</u>	<u>107,519</u>	<u>(14,180)</u>
Total Revenues	121,699	121,699	109,337	(12,362)
Expenditures				
Health and welfare	<u>198,270</u>	<u>198,270</u>	<u>177,161</u>	<u>21,109</u>
Total Expenditures	<u>198,270</u>	<u>198,270</u>	<u>177,161</u>	<u>21,109</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(76,571)	(76,571)	(67,824)	8,747
Other Financing Sources (Uses)				
Transfers in	<u>76,571</u>	<u>76,571</u>	<u>76,571</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>76,571</u>	<u>76,571</u>	<u>76,571</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	8,747	<u>\$ 8,747</u>
Fund Balance - Beginning of Year			26,885	
Fund Balance - End of Year			<u>\$ 35,632</u>	
Regional Fire Training				
Revenues				
Revenue from use of money - interest income	\$ -	\$ 6,000	\$ 6,000	\$ -
Miscellaneous	<u>-</u>	<u>-</u>	<u>92</u>	<u>92</u>
Total Revenues	-	6,000	6,092	92
Expenditures				
Public safety	<u>-</u>	<u>6,104</u>	<u>1,356</u>	<u>4,748</u>
Total Expenditures	<u>-</u>	<u>6,104</u>	<u>1,356</u>	<u>4,748</u>
Net Change in Fund Balances Before Transfer from Surplus	-	(104)	4,736	4,840
From Surplus	<u>-</u>	<u>104</u>	<u>-</u>	<u>(104)</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	4,736	<u>\$ 4,736</u>
Fund Balance - Beginning of Year			10,844	
Fund Balance - End of Year			<u>\$ 15,580</u>	

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Foundation Grants				
Revenues				
Miscellaneous	\$ -	\$ 49,750	\$ 49,750	\$ -
Total Revenues	-	49,750	49,750	-
Expenditures				
Public safety	-	75,570	35,575	39,995
Total Expenditures	-	75,570	35,575	39,995
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(25,820)	14,175	39,995
Other Financing Sources (Uses)				
Transfers in	-	25,820	-	(25,820)
Total Other Financing Sources (Uses)	-	25,820	-	(25,820)
Net Change in Fund Balance	\$ -	\$ -	14,175	\$ 14,175
Fund Balance - Beginning of Year			24,686	
Fund Balance - End of Year			\$ 38,861	

Western Tidewater Home Consortium Fund

Revenues				
Miscellaneous	\$ -	\$ 71,184	\$ 85,156	\$ 13,972
Total Revenues	-	71,184	85,156	13,972
Expenditures				
Community development	-	71,184	83,909	(12,725)
Total Expenditures	-	71,184	83,909	(12,725)
Net Change in Fund Balances	\$ -	\$ -	1,247	\$ 1,247
Fund Balance - Beginning of Year			22,006	
Fund Balance - End of Year			\$ 23,253	

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Madison Street Project Fund				
Revenues				
Miscellaneous	\$ -	\$ -	\$ 1,680	\$ 1,680
Intergovernmental revenue - Commonwealth of Virginia	-	<u>452,943</u>	<u>131,137</u>	<u>(321,806)</u>
Total Revenues	-	452,943	132,817	(320,126)
Expenditures				
Community development	-	<u>452,943</u>	<u>125,606</u>	<u>327,337</u>
Total Expenditures	-	<u>452,943</u>	<u>125,606</u>	<u>327,337</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	7,211	<u>\$ (647,463)</u>
Fund Balance (Deficit) - Beginning of Year			<u>(22,859)</u>	
Fund Balance (Deficit) - End of Year			<u>\$ (15,648)</u>	

Economic Development Fund				
Revenues				
Revenue from use of money and property	\$ 120,000	\$ 120,000	\$ 119,945	\$ (55)
Miscellaneous	<u>5,000</u>	<u>7,500</u>	<u>3,135</u>	<u>(4,365)</u>
Total Revenues	125,000	127,500	123,080	(4,420)
Expenditures				
Community development	<u>316,550</u>	<u>319,525</u>	<u>309,646</u>	<u>9,879</u>
Total Expenditures	<u>316,550</u>	<u>319,525</u>	<u>309,646</u>	<u>9,879</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(191,550)	(192,025)	(186,566)	5,459
Other Financing Sources (Uses)				
Transfers in	<u>191,550</u>	<u>185,525</u>	<u>191,550</u>	<u>6,025</u>
Total Other Financing Sources (Uses)	<u>191,550</u>	<u>185,525</u>	<u>191,550</u>	<u>6,025</u>
Net Change in Fund Balances Before Transfer from Surplus	-	(6,500)	4,984	11,484
From Surplus	-	<u>6,500</u>	-	<u>(6,500)</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	4,984	<u>\$ 4,984</u>
Fund Balance (Deficit) - Beginning of Year			<u>(21,049)</u>	
Fund Balance (Deficit) - End of Year			<u>\$ (16,065)</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.

City of Franklin, Virginia

Government-Wide Revenues

Year Ended June 30,

Fiscal Year	<u>Program Revenues</u>				<u>General Revenues</u>					Total
	<u>Charges for Services</u>	<u>Operating Grants and Contributions</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>		
2019	\$ 22,496,828	\$ 5,000,115	\$ -	\$ 13,330,148	\$ 1,224,442	\$ 1,582,289	\$ 530,891	\$ 742,562	\$ 44,907,275	
2018	22,422,329	6,031,100	-	13,194,078	782,345	1,610,034	622,814	936,143	45,598,843	
2017	21,293,588	4,349,358	-	12,801,214	785,799	1,628,216	447,219	771,580	42,076,974	
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	

City of Franklin, Virginia

Government-Wide Expenses by Function

Year Ended June 30,

<u>Fiscal Year</u>	<u>General Government</u>	<u>Judicial</u>	<u>Public Safety</u>	<u>Public Works</u>	<u>Health and Welfare</u>	<u>Education</u>	<u>Parks, Recreation, and Cultural</u>	<u>Community Development</u>	<u>Non-Departmental</u>	<u>Interest on Long-Term Debt</u>	<u>Water and Sewer</u>	<u>Solid Waste</u>	<u>Electric</u>	<u>Airport</u>	<u>Total</u>
2019	\$ 2,688,077	\$ 417,244	\$ 7,408,633	\$ 3,382,461	\$ 2,517,646	\$ 5,135,156	\$ 887,175	\$ 1,567,150	\$ -	\$ 297,755	\$ 2,948,740	\$ 1,057,729	\$ 12,768,858	\$ 551,670	\$ 41,628,294
2018	3,003,717	344,563	7,723,020	3,122,262	2,471,638	5,279,390	747,262	1,822,617	-	307,416	3,012,357	1,106,538	12,474,698	541,774	41,957,252
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

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>2019</u>	<u>2018</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>
General property taxes	\$ 7,309,506	\$ 7,357,887	\$ 7,249,980	\$ 7,343,086	\$ 7,037,730	\$ 6,810,144	\$ 6,761,228	\$ 6,531,186	\$ 6,564,430	\$ 6,530,638
Other local taxes	5,640,865	5,688,011	5,577,423	5,566,974	5,586,058	5,198,763	5,267,629	5,221,541	4,931,497	5,496,343
Permits, fees, and licenses	221,676	200,195	532,781	173,306	239,299	168,629	54,736	65,986	43,827	42,070
Fines and forfeitures	32,044	29,209	34,508	31,899	32,553	37,418	63,941	60,735	67,659	62,877
Use of money and property	536,295	632,232	450,868	532,087	545,633	423,159	390,886	368,747	344,072	355,363
Charges for services	1,835,064	1,530,851	1,511,417	1,417,125	1,484,170	1,380,953	2,740,501	2,673,776	2,813,659	2,716,955
Miscellaneous and donations	2,186,278	2,109,223	1,878,594	2,152,732	1,607,125	1,290,444	755,490	1,783,730	925,311	1,965,875
Recovered costs	439,819	271,535	238,678	297,156	248,457	284,056	51,320	132,719	69,151	140,199
Intergovernmental	17,124,054	16,944,994	16,767,764	16,349,319	17,445,443	16,823,269	16,412,826	16,262,051	16,919,937	16,640,925
Total	<u>\$ 35,325,601</u>	<u>\$ 34,764,137</u>	<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>

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>2019</u>	<u>2018</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>
General government administration	\$ 2,567,819	\$ 2,629,856	\$ 2,510,396	\$ 2,854,178	\$ 2,211,912	\$ 2,173,109	\$ 2,017,868	\$ 2,064,443	\$ 2,060,446	\$ 2,083,550
Judicial administration	417,244	344,563	357,168	295,583	320,562	312,767	390,639	408,025	417,073	226,508
Public safety	7,709,231	7,927,401	7,626,452	7,197,590	7,537,609	7,051,828	6,082,876	5,916,167	6,039,390	5,379,484
Public works	2,907,870	3,178,555	3,613,994	3,610,007	2,970,313	3,874,669	3,591,932	4,277,392	4,644,403	4,253,984
Health and welfare	2,603,522	2,458,149	1,804,334	2,020,091	1,990,435	1,919,290	1,990,673	1,856,751	2,047,487	2,314,766
Education	15,736,678	15,671,852	16,662,510	17,745,962	18,687,553	17,167,862	16,064,811	15,680,694	15,627,197	16,189,511
Parks, recreation, and cultural	751,930	738,249	752,435	694,894	728,009	890,590	845,750	852,091	867,991	877,561
Community development	1,586,349	1,990,535	1,818,821	2,011,098	1,431,913	1,714,373	1,238,138	1,457,880	2,162,246	1,486,489
Nondepartmental	-	-	-	49,188	46,326	39,835	64,245	41,283	104,155	61,375
Capital projects	-	-	-	-	-	-	-	-	-	46,127
<i>Debt service</i>										
Principal retirement	1,560,832	592,984	547,673	6,245,308	480,082	355,041	4,193,126	480,037	674,229	1,173,938
Interest and fiscal charges	375,884	393,841	441,519	785,550	402,324	417,441	2,074,953	434,988	318,941	1,066,708
Totals	<u>\$36,217,359</u>	<u>\$35,925,985</u>	<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>

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,

2010**Pre-GASB 54 Implementation****General Fund**

Unreserved	\$ 5,211,536
Total General Fund	<u>\$ 5,211,536</u>

All Other Governmental Funds

Reserved	\$ 834,736
<i>Unreserved, reported in</i>	
Special revenue funds	1,094,142
Debt service funds	(325,499)
Capital projects funds	118,884
Permanent funds	136,060
Total All Other Governmental Funds	<u>\$ 1,858,323</u>

2019**2018****2017****2016****2015****2014****2013****2012****2011****Post-GASB 54 Implementation****General Fund**

Nonspendable	\$ 969,874	\$ 969,874	\$ 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	286,970	339,363	491,280	658,214	475,028	1,113,614	2,366,148	2,588,020	1,212,612
Unassigned	4,815,905	4,189,190	5,055,159	5,035,674	5,123,487	4,071,412	3,648,940	3,084,828	2,381,262
Total General Fund	<u>\$ 6,072,749</u>	<u>\$ 5,498,427</u>	<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>

All Other Governmental Funds

Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 219,584	\$ 226,048	\$ 226,048
Restricted	3,119,538	3,452,753	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	(33,564)	(19,222)	(431,058)	-	2,845	2,845	(10,606)	(20,380)	(49,310)
Total All Other Governmental Funds	<u>\$ 3,085,974</u>	<u>\$ 3,433,531</u>	<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>\$ 9,158,723</u>	<u>\$ 8,931,958</u>	<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.

City of Franklin, Virginia

Changes in Fund Balance - Governmental Funds

Last Ten Fiscal Years Ended June 30,

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Revenues										
General property taxes	\$ 7,309,506	\$ 7,357,887	\$ 7,249,980	\$ 7,343,086	\$ 7,037,730	\$ 6,810,144	\$ 6,761,228	\$ 6,531,186	\$ 6,564,430	\$ 6,530,638
Other local taxes	5,640,865	5,688,011	5,577,423	5,566,974	5,586,058	5,198,763	5,267,629	5,221,541	4,931,497	5,496,343
Permits, privilege fees, and regulatory licenses	221,676	200,195	532,781	173,306	239,299	168,629	54,736	65,986	43,827	42,070
Fines and forfeitures	32,044	29,209	34,508	31,899	32,553	37,418	63,941	60,735	67,659	62,877
Revenue from use of money and property	526,566	620,781	445,878	524,433	433,216	423,111	386,324	367,899	341,820	354,881
Charges for services	1,800,790	1,488,704	1,356,274	1,375,315	1,433,589	1,380,953	2,615,929	2,557,279	2,700,399	2,573,185
Miscellaneous	1,926,311	1,695,272	1,531,135	1,581,331	1,397,464	995,324	589,895	1,500,459	687,900	1,622,366
Recovered costs	439,819	271,535	238,678	296,988	242,899	283,729	43,894	71,306	27,261	100,749
Intergovernmental	6,252,683	6,130,028	5,852,460	6,056,065	6,069,592	5,787,624	5,603,598	5,456,953	6,302,037	5,214,853
Total Revenues	24,150,260	23,481,622	22,819,117	22,949,397	22,472,400	21,085,695	21,387,174	21,833,344	21,666,830	21,997,962
Expenditures										
Current										
General government administration	2,567,819	2,629,856	2,510,396	2,854,178	2,211,912	2,173,109	2,017,868	2,064,443	2,060,446	2,083,550
Judicial administration	417,244	344,563	357,168	295,583	320,562	312,767	390,639	408,025	417,073	226,508
Public safety	7,709,231	7,927,401	7,626,452	7,197,590	7,537,609	7,051,828	6,082,876	5,916,167	6,039,390	5,379,484
Public works	2,907,870	3,178,555	3,613,994	3,610,007	2,970,313	3,874,669	3,591,932	4,277,392	4,644,403	4,253,984
Health and welfare	2,603,522	2,458,149	1,804,334	2,020,091	1,990,435	1,919,290	1,990,673	1,856,751	2,047,487	2,314,766
Education	5,037,395	5,181,628	5,043,504	6,563,431	6,892,767	5,820,046	4,677,791	4,276,230	4,664,406	4,490,040
Parks, recreation, and cultural	751,930	738,249	752,435	694,894	728,009	890,590	845,750	852,091	867,991	877,561
Community development	1,586,349	1,990,535	1,818,821	2,011,098	1,431,913	1,714,373	1,238,138	1,457,880	2,162,246	1,486,489
Nondepartmental	-	-	-	49,188	46,326	39,835	64,245	41,283	104,155	61,375
Capital projects	-	-	-	-	-	-	-	-	-	46,127
Debt service										
Principal retirement	1,560,832	567,244	547,673	6,245,308	480,082	355,041	4,193,126	480,037	674,229	1,173,938
Interest and other fiscal charges	375,884	419,581	441,519	785,550	402,324	417,441	2,074,593	434,988	318,941	1,066,708
Total Expenditures	25,518,076	25,435,761	24,516,296	32,326,918	25,012,252	24,568,989	27,167,631	22,065,287	24,000,767	23,460,530
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,367,816)	(1,954,139)	(1,697,179)	(9,377,521)	(2,539,852)	(3,483,294)	(5,780,457)	(231,943)	(2,333,937)	(1,462,568)
Other Financing Sources (Uses)										
Issuance of debt	-	-	-	6,117,000	1,816,000	-	8,137,578	-	-	5,235,000
Payment to refunding bond escrow agent	-	-	-	-	-	-	-	-	-	(4,828,997)
Premium on issuance of bonds	-	-	-	-	-	-	-	-	-	84,500
Discount on sale of bonds	-	-	-	-	-	-	-	-	-	-
Transfers in	4,184,983	3,996,654	3,520,736	3,222,004	3,207,161	3,185,390	3,581,305	3,428,856	4,634,273	4,139,028
Transfers out	(2,590,402)	(2,460,452)	(2,052,929)	(1,767,674)	(1,897,291)	(1,872,093)	(2,020,222)	(1,599,773)	(2,625,576)	(2,648,863)
Issuance of capital leases	-	-	-	461,416	-	-	-	-	318,975	-
Total Other Financing Sources (Uses)	1,594,581	1,536,202	1,467,807	8,032,746	3,125,870	1,313,297	9,698,661	1,829,083	2,327,672	1,980,668
Net Change in Fund Balances	\$ 226,765	\$ (417,937)	\$ (229,372)	\$ (1,344,775)	\$ 586,018	\$ (2,169,997)	\$ 3,918,204	\$ 1,597,140	\$ (6,265)	\$ 518,100
Debt Service as a Percentage of Noncapital Expenditures	8%	4%	4%	22%	4%	3%	23%	4%	4%	10%

City of Franklin, Virginia

Net Position by Component

June 30,

	<u>2019</u>	<u>2018</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>
Governmental Activities										
Net investment in capital assets	\$ 10,863,669	\$ 10,902,923	\$ 10,732,282	\$ 7,885,690	\$ 7,820,476	\$ 12,910,601	\$ 9,300,806	\$ 15,514,000	\$ 16,568,294	\$ 17,477,560
Restricted	1,838,813	2,561,938	3,264,640	3,119,104	1,237,617	2,595,216	2,850,913	1,062,775	1,032,007	-
Unrestricted	<u>1,086,369</u>	<u>(1,059,512)</u>	<u>411,654</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>
Total Governmental Activities	13,788,851	12,405,349	14,408,576	13,273,195	18,841,208	21,061,821	21,972,505	22,363,698	22,158,782	22,396,707
Business-Type Activities										
Net investment in capital assets	8,872,780	8,410,799	7,563,748	7,194,170	5,967,851	6,677,554	5,949,747	8,095,793	8,400,534	9,228,349
Restricted	-	-	-	-	-	-	700,333	-	-	-
Unrestricted	<u>4,590,061</u>	<u>3,156,563</u>	<u>580,875</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>
Total Business-Type Activities	13,462,841	11,567,362	8,144,623	6,767,964	7,872,800	9,475,800	8,352,708	8,533,981	10,481,179	11,977,344
Primary Government										
Net investment in capital assets	19,736,449	19,313,722	18,296,030	15,079,860	13,788,327	19,588,155	15,250,553	23,609,793	24,968,828	26,705,909
Restricted	1,838,813	2,561,938	3,264,640	3,119,104	1,237,617	2,595,216	3,551,246	1,062,775	1,032,007	-
Unrestricted	<u>5,676,430</u>	<u>2,097,051</u>	<u>992,529</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>
Total Primary Government	\$ 27,251,692	\$ 23,972,711	\$ 22,553,199	\$ 20,041,159	\$ 26,714,008	\$ 30,537,621	\$ 30,325,213	\$ 30,897,679	\$ 32,639,961	\$ 34,374,051

City of Franklin, Virginia

Change in Net Position

Ended June 30,

	<u>2019</u>	<u>2018</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>
Expenses										
Governmental Activities										
General government administration	\$ 2,688,077	\$ 3,003,717	\$ 2,846,060	\$ 2,656,226	\$ 2,455,287	\$ 1,645,436	\$ 2,553,269	\$ 2,838,790	\$ 2,451,215	\$ 2,301,552
Judicial	417,244	344,563	357,168	307,583	320,562	312,767	390,639	408,025	417,073	227,580
Public safety	7,408,633	7,723,020	7,653,661	7,037,551	7,924,624	6,806,355	6,477,498	6,331,863	6,638,673	5,799,871
Public works	3,382,461	3,122,262	2,214,262	2,988,081	3,628,604	3,457,133	4,042,630	4,702,151	4,123,252	4,497,628
Health and welfare	2,517,646	2,471,638	1,845,518	2,026,852	2,035,529	1,890,689	2,029,046	1,883,150	2,092,175	2,406,592
Education	5,135,156	5,279,390	5,085,157	6,231,066	6,998,339	5,753,084	4,757,834	4,373,992	4,762,168	4,633,929
Parks, recreation, and cultural	887,175	747,262	899,851	848,064	904,944	778,365	987,498	1,026,675	1,045,170	1,049,424
Community development	1,567,150	1,822,617	1,821,402	2,013,965	1,431,913	1,714,373	1,238,138	1,457,880	2,134,311	1,273,639
Interest on long-term debt	297,755	307,416	405,480	758,348	402,324	458,420	862,901	434,988	240,711	549,261
Total Governmental Activities	24,301,297	24,821,885	23,128,559	24,867,736	26,102,126	22,816,622	23,339,453	23,457,514	23,904,748	22,739,476
Business-Type Activities										
Water and sewer	2,948,740	3,012,357	2,854,187	2,742,836	3,275,718	2,927,576	2,784,937	2,972,701	3,025,608	3,069,237
Solid waste	1,057,729	1,106,538	1,209,202	1,235,963	1,349,119	1,319,111	-	-	-	-
Electric	12,768,858	12,474,698	12,697,183	13,566,039	14,466,480	13,464,599	12,742,843	13,153,530	12,315,508	11,107,273
Airport	551,670	541,774	583,462	515,723	1,365,962	631,437	599,945	351,863	571,057	572,686
Total Business-Type Activities	17,326,997	17,135,367	17,344,034	18,060,561	20,457,279	18,342,723	16,127,725	16,478,094	15,912,173	14,749,196
Total Expenses	41,628,294	41,957,252	40,472,593	42,928,297	46,559,405	41,159,345	39,467,178	39,935,608	39,816,921	37,488,672
Program Revenues										
Governmental Activities										
<i>Charges for Services</i>										
General government administration	967,858	763,125	984,336	732,066	242,355	384,455	148,629	630,502	613,208	662,101
Judicial	10,021	9,910	7,324	11,875	37,251	41,794	69,127	68,562	88,075	14,432
Public safety	795,134	706,782	375,713	416,434	457,629	422,447	381,946	441,386	529,385	510,261
Public works	277,606	230,475	549,664	407,055	960,179	710,310	2,119,550	1,517,698	1,535,386	1,469,356
Health and welfare	-	-	-	5,524	(1,594)	17,141	-	-	16,112	-
Parks, recreation, and cultural	3,891	7,816	6,526	7,566	9,621	10,853	15,356	13,783	17,327	14,418
Community development	-	-	-	-	-	-	-	12,070	12,392	7,564
Operating grants and contributions	4,670,394	4,519,994	4,224,244	4,416,976	4,188,762	4,036,731	3,935,552	3,790,723	4,638,338	4,077,928
Capital grants and contributions	-	-	-	-	-	-	-	-	-	49,197
Total Governmental Activities	6,724,904	6,238,102	6,147,807	5,997,496	5,894,203	5,623,731	6,670,160	6,474,724	7,450,223	6,805,257
Business-Type Activities										
<i>Charges for Services</i>										
Water and sewer	3,304,585	3,250,423	3,573,740	2,904,767	3,045,691	3,049,282	3,154,656	3,043,329	3,035,547	3,276,636
Solid waste	1,283,745	1,293,890	1,373,427	1,305,582	1,365,620	1,343,522	-	-	-	-
Electric	15,754,257	16,024,281	14,332,022	13,664,164	15,474,300	15,117,660	13,996,271	13,093,877	13,871,929	12,142,738
Airport	99,731	135,627	90,836	110,410	132,069	178,450	178,334	200,768	178,994	188,257
<i>Operating Grants and Contributions</i>										
Water and sewer	-	91,653	728	-	-	-	-	-	-	-
Electric	-	-	7,383	-	-	-	-	-	-	-
Airport	329,721	1,419,453	117,003	56,052	1,113,036	93,223	178,275	22,006	109,004	2,040,691
Total Business-Type Activities	20,772,039	22,215,327	19,495,139	18,040,975	21,130,716	19,782,137	17,507,536	16,359,980	17,195,474	17,648,322
Total Program Revenues	27,496,943	28,453,429	25,642,946	24,038,471	27,024,919	25,405,868	24,177,696	22,834,704	24,645,697	24,453,579

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Governmental Activities Net Expense	(17,576,393)	(18,583,783)	(16,980,752)	(18,870,240)	(20,207,923)	(17,192,891)	(16,669,293)	(16,982,790)	(16,454,525)	(15,934,219)
Business-Type Activities Net Expense	3,445,042	5,079,960	2,151,105	(19,586)	673,437	1,439,414	1,379,811	(118,114)	1,283,301	2,899,126
Total Primary Government Net Expense	(14,131,351)	(13,503,823)	(14,829,647)	(18,889,826)	(19,534,486)	(15,753,477)	(15,289,482)	(17,100,904)	(15,171,224)	(13,035,093)
General Revenues and Other Changes in Net Position										
Governmental Activities										
<i>Taxes</i>										
Property taxes	7,689,283	7,506,067	7,223,791	7,304,907	7,037,730	6,810,144	6,761,228	6,531,186	6,499,693	6,668,337
Local sales and use taxes	1,896,307	1,854,694	1,799,419	1,767,781	1,800,368	-	-	-	-	-
Consumers' utility taxes	539,420	544,306	565,160	574,958	576,452	-	-	-	-	-
Business license taxes	959,312	973,005	959,132	969,181	921,270	-	-	-	-	-
Motor vehicle license taxes	184,638	187,023	185,505	188,080	195,333	-	-	-	-	-
Cigarette taxes	300,133	298,773	316,662	352,199	373,904	-	-	-	-	-
Lodging taxes	148,234	170,060	141,318	123,626	149,166	-	-	-	-	-
Restaurant food taxes	1,478,018	1,522,481	1,498,567	1,494,137	1,439,601	-	-	-	-	-
Other local taxes	134,803	137,669	111,660	97,012	129,964	5,198,763	5,267,629	5,221,541	4,931,497	4,911,007
Revenue sharing from counties	1,224,442	782,345	785,799	709,171	704,969	556,765	243,503	1,212,182	438,746	1,316,661
Revenue from use of money and property	526,566	620,141	445,878	417,798	676,115	706,839	430,218	367,899	341,820	354,881
Noncategorical aid from state	1,582,289	1,610,034	1,628,216	1,639,089	1,662,463	1,663,516	1,668,047	1,666,230	1,663,699	1,673,064
Miscellaneous	701,869	912,927	745,336	872,161	692,495	438,559	346,392	359,583	249,154	305,705
Transfers	1,594,581	1,536,202	1,467,807	1,454,330	1,309,870	1,314,660	1,561,084	1,829,084	2,008,697	1,490,165
Total Governmental Activities	18,959,895	18,655,727	17,874,250	17,964,430	17,669,700	16,689,246	16,278,101	17,187,705	16,133,306	16,719,820
Business-Type Activities										
Revenue from use of money and property	4,325	2,673	1,341	9,495	-	-	-	-	-	6,445
Miscellaneous	40,693	23,216	26,244	7,032	-	-	-	-	-	-
Transfers	(1,594,581)	(1,536,202)	(1,467,807)	(1,454,330)	(1,309,870)	(1,314,660)	(1,561,084)	(1,829,084)	(2,008,697)	(1,490,165)
Total Business-Type Activities	(1,549,563)	(1,510,313)	(1,440,222)	(1,437,803)	(1,309,870)	(1,314,660)	(1,561,084)	(1,829,084)	(2,008,697)	(1,483,720)
Total General Revenues and Other Changes in Net Position	17,410,332	17,145,414	16,434,028	16,526,627	16,359,830	15,374,586	14,717,017	15,358,621	14,124,609	15,236,100
Change in Net Position										
Governmental activities	1,383,502	71,944	893,498	(905,810)	(2,538,223)	(503,645)	(391,192)	204,915	(321,219)	785,601
Business-type activities	1,895,479	3,569,647	710,883	(1,457,389)	(636,433)	124,754	(181,273)	(1,947,198)	(725,396)	1,415,406
Total Primary Government	\$ 3,278,981	\$ 3,641,591	\$ 1,604,381	\$ (2,363,199)	\$ (3,174,656)	\$ (378,891)	\$ (572,465)	\$ (1,742,283)	\$ (1,046,615)	\$ 2,201,007

NOTE: The detailed breakdown of taxes for the years 2014 and prior are not available.

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⁽¹⁾</u>	<u>Current Tax Collections⁽¹⁾</u>	<u>Percent of Levy Collected</u>	<u>Delinquent Tax Collections⁽¹⁾⁽²⁾</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>
2019	\$ 8,307,702	\$ 7,964,338	95.87%	\$ 250,953	8,215,291	98.89%	\$ 1,048,401	12.62%
2018	8,053,723	7,949,357	98.70%	123,722	8,073,079	100.24%	690,640	8.58%
2017	8,115,389	7,848,696	96.71%	294,296	8,142,992	100.34%	542,460	6.68%
2016	8,124,907	7,990,238	98.34%	269,457	8,259,695	101.66%	632,793	7.79%
2015	7,856,015	7,537,704	95.95%	351,095	7,868,255	100.16%	700,940	8.92%
2014	7,764,626	7,384,115	95.10%	428,198	7,705,649	99.24%	612,060	7.88%
2013	7,277,357	7,197,984	98.91%	297,634	7,381,290	101.43%	671,990	9.23%
2012	7,333,436	7,135,568	97.30%	272,591	7,439,886	101.45%	756,365	10.31%
2011	7,355,039	7,326,977	99.62%	255,345	7,452,624	101.33%	863,109	11.73%
2010	7,774,091	7,482,861	96.25%	287,339	7,665,628	98.60%	758,751	9.76%

Source: City of Franklin Commissioner of Revenue

⁽¹⁾Exclusive of penalties and interest.

⁽²⁾Does not include land redemptions.

Note: Includes Real Estate, Personal Property, Mobile Homes, Machinery and Tools, and Public Service Corporation property.

City of Franklin, Virginia

Assessed Value of Taxable Property

Last Ten Fiscal Years Ended June 30,

Year					Public Service Corporations		Total	Total Direct Tax Rate
	Real Estate	Personal Property	Mobile Home	Machinery and Tools	Real Estate	Personal Property		
2019	\$ 558,830,605	\$ 67,602,891	\$ -	\$ 973,154	\$ 8,003,166	\$ 3,190	635,413,006	1.30
2018	550,853,846	62,891,034	-	1,000,717	7,535,131	3,262	622,283,990	1.29
2017	551,169,536	64,088,674	-	994,840	6,885,844	9,872	623,148,766	1.43
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 ⁽¹⁾	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

Source: City of Franklin Treasurer

⁽¹⁾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,

Year	Real Estate		Personal Property	Mobile Home	Machinery and Tools	Public Service Corporation	
						Real Estate ⁽¹⁾	Personal Property
2019	0.99 / 1.23	(6)	4.50	0.99	2.00	0.99	4.50
2018	0.99 / 1.23	(6)	4.50	0.99	2.00	0.99	4.50
2017	0.99 / 1.23	(6)	4.50	0.99	2.00	0.99	4.50
2016	0.99 / 1.23	(6)	4.50	0.99	2.00	0.99	4.50
2015	0.96 / 1.20	(5)	4.50	0.96	2.00	0.96	4.50
2014	0.90 / 1.14	(4)	4.50	0.90	2.00	0.90	4.50
2013	0.90 / 1.14	(2)	4.50	0.90	2.00	0.90	4.50
2012	0.77 / 1.01	(3)	4.50	0.77	2.00	0.77	4.50
2011	0.77 / 1.01	(3)	4.50	0.77	2.00	0.77	4.50
2010	0.77 / 1.01	(3)	4.50	0.77	2.00	0.77	4.50

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

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

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

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

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

⁽⁶⁾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 2019

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2018 Assessed Valuation</u>	<u>Percent of Total Assessed Valuation of Real Estate</u>
Franklin Hospital Corporation	Hospital	\$ 23,730,900	3.50%
The Village at Woods Edge	Retirement Home	12,343,000	1.82%
James L. Rifkin Estate	Shopping Center	10,118,200	1.49%
Lowes Home Centers, Inc.	Retail - Hardware	8,069,000	1.19%
37 Wm Dorchester, LLC	Apartments	7,200,000	1.06%
Meadowridge Apartments LLC	Apartments	6,000,000	0.88%
Southampton Shopping Center, LP	Shopping Center	5,429,200	0.80%
F.P. Associates, Inc.	Apartments	5,100,000	0.75%
F P A LLC	Apartments	4,800,000	0.71%
Inspire Commercial LLC	Apartments	4,681,800	0.69%
		<u>\$ 87,472,100</u>	<u>12.90%</u>
Total Assessed Real Estate		<u>\$ 678,098,471</u>	

Fiscal Year 2010

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2009 Assessed Valuation</u>	<u>Percent of Total Assessed Valuation of Real Estate</u>
Community Health Systems, Inc.	Hospital	\$ 25,961,800	4.07%
James L. Rifkin Estate	Shopping Center	13,496,900	2.12%
The Village at Woods Edge	Retirement Home	10,873,000	1.71%
Lowes Home Centers, Inc.	Retail - Hardware	8,439,100	1.32%
Southampton Shopping Center, LP	Shopping Center	7,049,800	1.11%
Mag II Franklin LLC	Shopping Center	6,343,400	1.00%
ACJCS LLC	Direct Mail - Advertising	6,055,700	0.95%
Hampton Roads Development LLC	Real Estate Development	5,508,350	0.86%
Meadowridge Associates L P	Apartments	5,101,400	0.80%
Dorchester Apartments L.P.	Apartments	4,507,800	0.71%
		<u>\$ 93,337,250</u>	<u>14.65%</u>
Total Assessed Real Estate		<u>\$ 637,172,189</u>	

Source: City of Franklin Treasurer

City of Franklin, Virginia

Principal Taxpayers - Personal Property

Current Year and Nine Years Ago

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Fiscal Year 2019</u>	
		<u>2018 Assessed Valuation</u>	<u>Percent of Total Assessed Personal Property</u>
Franklin Hospital Corporation	Hospital	\$ 2,956,287	4.28%
Charter Communications, Inc.	Service - Telecommunications	877,143	1.27%
Wal-Mart Stores, Inc.	Retail - Variety	704,091	1.02%
FF Acquisition, LLC	Retail - Grocery	694,333	1.01%
Lowe's Home Centers LLC	Retail - Hardware	826,843	1.20%
Love's Travel Stop	Shopping Center	462,795	0.67%
The Village at Woods Edge	Retirement Home	472,301	0.68%
Food Lion, Inc.	Retail - Grocery	389,469	0.56%
D L Peterson Trust	Leasing Company	159,554	0.23%
Franklin Clinic Corporation	Medical Practice	201,349	0.29%
		<u>\$ 7,744,165</u>	<u>11.21%</u>
Total Assessed Personal Property		<u>\$ 69,074,190</u>	

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Fiscal Year 2010</u>	
		<u>2009 Assessed Valuation</u>	<u>Percent of Total Assessed Personal Property</u>
Money Mailer, LLC	Direct mail	\$ 2,338,113	3.89%
Franklin Hospital Corporation	Hospital	2,076,454	3.45%
Charter Communications	Service - Telecommunications	744,971	1.24%
Wal-Mart Stores, Inc.	Retail - Variety	684,392	1.14%
Lowes Home Centers #2698	Retail - Hardware	653,922	1.09%
Richfood Procurement LLC	Retail - Grocery	637,366	1.06%
Butler Paper Recycling, Inc.	Paper Recycling	391,075	0.65%
Cee-Breeze Personal Care Services	Tour Bus Service	292,800	0.49%
Birdsong Corporation	Peanut Wholesaler Industry	248,552	0.41%
General Electric Credit Corporation	Lease - furniture and fixtures	241,494	0.40%
		<u>\$ 8,309,139</u>	<u>13.82%</u>
Total Assessed Personal Property		<u>\$ 60,122,513</u>	

Source: City of Franklin Treasurer

City of Franklin, Virginia

Taxable Sales by Category

Last Ten Calendar Years Ended June 30,

	<u>2019</u>	<u>2018</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>
Merchant Wholesaler, Durable										
Merchant Wholesaler, Durable Goods	\$ 2,678,873	\$ 2,904,459	\$ 2,371,632	\$ 1,806,127	\$ 1,669,822	\$ 3,188,873	\$ 2,201,607	N/A	\$ 540,973	\$ 319,700
Merchant Wholesaler, Non-Durable Goods	1,869,475	2,064,428	2,111,572	2,080,192	N/A	N/A	N/A	N/A	N/A	N/A
Motor vehicle and parts dealers	5,408,868	5,239,325	5,112,592	4,889,783	4,709,352	4,721,876	4,692,831	3,873,423	5,049,510	4,177,804
Furniture and home furnishings	1,546,225	341,428	-	-	1,049,067	2,279,473	3,157,818	3,057,434	3,367,524	3,415,004
Crop production	-	-	-	-	-	-	-	N/A	67,636	N/A
Building materials, farm and garden supplies	-	-	-	-	-	15,626,661	20,589,426	-	-	-
Food and beverage stores	13,157,798	19,233,198	9,678,555	9,947,261	15,181,770	18,978,071	19,052,994	18,485,435	17,562,519	18,543,874
Health and personal care	2,756,299	1,392,119	1,770,890	1,214,184	1,094,381	995,056	N/A	N/A	1,620,007	1,708,589
Gasoline stations	8,366,142	8,084,526	7,355,646	6,696,970	5,883,759	6,912,466	6,984,919	6,386,331	5,728,484	5,064,456
Clothing and clothing accessories stores	1,466,197	1,524,724	1,452,903	1,521,078	1,640,436	1,800,686	1,907,205	1,913,678	1,918,978	1,992,877
Sporting goods, hobby, book and music stores	259,303	923,119	957,114	1,126,773	572,043	213,433	855,199	268,093	-	34,340
General merchandise stores	59,310,729	60,197,822	59,931,329	61,689,841	59,265,803	59,383,364	66,102,148	59,970,095	57,836,189	60,044,952
Miscellaneous store retailers	1,587,891	1,847,959	2,156,400	3,247,600	2,506,553	1,668,453	1,457,346	1,896,322	2,094,847	1,745,625
Nonstore retailers	3,285,966	290,142	362,880	574,780	1,056,137	1,050,957	1,109,388	957,052	1,392,909	1,169,469
Rental and lease services	143,103	160,149	135,257	138,706	-	43,429	95,371	538,438	676,770	929,073
Professional, scientific, and technical services	428,204	-	-	1,284,188	496,354	N/A	1,532,544	1,621,123	1,765,592	1,605,670
Accommodation	-	-	-	N/A	N/A	N/A	2,512,857	N/A	816,451	N/A
Food services and drinking places	20,159,158	19,702,931	18,923,698	18,645,187	16,428,458	15,989,545	17,408,704	15,530,633	16,947,347	17,052,909
Repair and maintenance	2,708,919	3,161,387	4,043,033	3,962,936	4,217,944	3,594,792	2,906,481	2,843,412	2,906,222	2,772,329
Personal and laundry services	1,171,204	1,105,658	1,137,408	1,080,827	1,208,198	1,302,214	1,300,644	1,323,188	1,115,148	905,405
Chemical manufacturing	-	-	-	-	-	200,572	686,394	-	-	-
All Other Businesses	17,396	194,094	16,439	9,680	2,384,511	2,589,207	-	2,530,722	1,155,848	213,205
Miscellaneous and Unidentifiable	35,258,015	39,185,900	46,566,770	42,866,680	38,796,791	17,006,970	7,764,925	27,833,602	25,414,636	27,559,023
Total	\$ 161,579,765	\$ 167,553,368	\$ 164,084,118	\$ 162,782,793	\$ 158,161,379	\$ 157,546,098	\$ 162,318,801	\$ 149,028,981	\$ 147,977,590	\$ 149,254,304

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) ⁽¹⁾</u>	<u>Business-Type Activities General Obligation Bonds (Net) ⁽¹⁾</u>	<u>Total General Obligation Bonds (Net) ⁽¹⁾</u>	<u>School Literary Fund Loans</u>	<u>Revolving Loans</u>	<u>Total</u>	<u>% of Actual Taxable Value of Property ⁽²⁾</u>	<u>Per Capita ⁽³⁾</u>
2019	\$ 13,623,350	\$ 2,675,802	\$ 16,299,152	\$ -	\$ -	\$ 16,299,152	2.92%	2,034
2018	15,185,642	3,201,762	18,387,404	-	-	18,387,404	3.34%	2,249
2017	15,780,113	3,713,722	19,493,835	-	-	19,493,835	3.54%	2,347
2016	16,354,987	4,211,684	20,566,671	-	-	20,566,671	3.74%	2,422
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	560,409	17,551,550	2.61%	1,991

Note

- ⁽¹⁾ General Obligation Bonds are reported net of premiums and discounts for both Governmental and Business-Type Activities.
- ⁽²⁾ See Table 10 for assessed and estimated actual value of taxable property for assessed value data.
- ⁽³⁾ See Table 19 for population.
- ⁽⁴⁾ 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>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Debt limit	\$ 67,239	\$ 60,647	\$ 55,050	\$ 57,154	\$ 54,684	\$ 54,684	\$ 55,055	\$ 55,117	\$ 55,085	\$ 55,883
Total net debt applicable to limit	<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>	<u>19,011</u>	<u>17,936</u>	<u>15,880</u>
Legal Debt Margin	<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>	<u>\$ 36,106</u>	<u>\$ 37,149</u>	<u>\$ 40,003</u>
Total Net Debt Applicable to the Limit as a Percentage of the Debt Limit	26.96%	28.21%	30.42%	35.72%	35.86%	37.56%	36.43%	34.49%	32.56%	28.42%

Note: The amounts reported above are presented in thousands.

Assessed value	<u>\$ 558,830,605</u>
Total Assessed Value	<u>\$ 558,830,605</u>
Debt limit (10% of total assessed value)	\$ 55,883,061
Amount of Debt Applicable to Debt Limit	
General Obligation Debt	
Primary Government	13,223,584
Business-Type	<u>2,656,000</u>
Net Debt Applicable to Limit	<u>15,879,584</u>
Legal Debt Margin	<u>\$ 40,003,477</u>

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

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⁽¹⁾⁽²⁾</u>	<u>Percentage of Debt Service to Expenditures</u>
2019	\$ 25,518,076	\$ 1,936,716	7.59%
2018	25,435,761	1,936,716	7.61%
2017	24,516,296	989,192	4.03%
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%

⁽¹⁾Includes debt service for all governmental fund types.

⁽²⁾Includes amounts for refunding of debt.

City of Franklin, Virginia

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years Ended June 30,

Fiscal Year	Governmental	Business-Type	Total	Governmental	Business-Type	School	Revolving	Total Primary	Total	Total	Total
	Activities	Activities		Activities	Activities						
	General	General	General	Capital	Capital	Fund	Loans	Government	Percentage	Debt as	Debt Per
	Obligation	Obligation	Obligation	Leases	Leases	Loans		Total	of Personal	Income ⁽¹⁾	Capita ⁽¹⁾
	Bonds (Net)	Bonds (Net)	Bonds (Net)								
2019	\$ 13,623,350	\$ 2,675,802	\$ 16,299,152	\$ 141,009	\$ 22,595	\$ -	\$ -	\$ 16,462,756	1.55%	\$ 2,055	
2018	15,185,642	3,201,762	18,387,404	256,344	44,650	-	-	18,688,398	1.97%	2,286	
2017	15,780,113	3,713,722	19,493,835	370,847	66,180	-	-	19,930,862	2.11%	2,400	
2016	16,354,987	4,211,684	20,566,671	484,548	87,197	-	-	21,138,416	2.27%	2,490	
2015	15,888,999	4,651,400	20,540,399	156,388	107,714	-	-	20,804,501	2.24%	2,425	
2014	14,733,683	4,876,000	19,609,683	326,434	-	-	-	19,936,117	2.21%	2,323	
2013	15,087,295	5,326,000	20,413,295	258,240	-	-	-	20,671,535	2.32%	2,409	
2012	12,860,239	3,435,000	16,295,239	407,945	-	-	448,518	17,151,702	1.89%	1,997	
2011	13,170,270	3,435,000	16,605,270	533,520	-	-	505,296	17,644,086	2.08%	2,056	
2010	13,456,141	3,435,000	16,891,141	418,883	-	100,000	560,409	17,970,433	2.24%	2,039	

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

⁽¹⁾See the table of Demographic Statistics - Table 19.

City of Franklin, Virginia

Demographic Statistics

Last Ten Fiscal Years Ended June 30,

<u>Fiscal Year</u>	<u>Population</u> ⁽¹⁾	<u>Total Personal Income</u> ⁽²⁾	<u>Per Capita Income</u> ⁽³⁾	<u>School Enrollment</u> ⁽⁴⁾	<u>Unemployment Rate</u> ⁽⁵⁾
2019	8,013	1,060,820	40,917	1,075	5.3%
2018	8,176	946,389	35,898	1,053	5.6%
2017	8,306	946,389	35,898	1,056	5.6%
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%

Source⁽¹⁾United States Census Estimates⁽²⁾US Commerce - Bureau of Economic Analysis (Franklin and Southampton combined)⁽³⁾US Commerce - Bureau of Economic Analysis (Franklin and Southampton combined)⁽⁴⁾Virginia Department of Education Fall Membership Data⁽⁵⁾Virginia Employment Commission

City of Franklin, Virginia

Principal Employers

Current Year and Nine Years Ago

Fiscal Year 2019

<u>Employer</u>	<u>Employees⁽¹⁾</u>	<u>Rank</u>
Southampton Memorial Hospital	250-499	1
Wal Mart Stores, Inc.	250-499	2
Franklin City Public Schools	100-249	3
On Time Staffing	100-249	4
City of Franklin	100-249	5
Paul D. Camp Community College	100-249	6
Lowe's Home Centers, Inc.	100-249	7
Village at Woods Edge	100-249	8
VDOT	100-249	9
Care Advantage	50-99	10

Fiscal Year 2010

<u>Employer</u>	<u>Employees⁽¹⁾</u>	<u>Rank</u>
Southampton Memorial Hospital	250-499	1
Wal Mart Stores, Inc.	250-499	2
Franklin City Public Schools	250-499	3
City of Franklin	100-249	4
Paul D. Camp Community College	100-249	5
Lowe's Home Centers, Inc.	50-99	6
Farm Fresh	50-99	7
Bronco Federal Credit Union	50-99	8
Care Advantage	50-99	9
YMCA	50-99	10

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

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

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>2019</u>	<u>2018</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>
General Fund										
General government administration	27.0	25.5	25.0	23.5	22.5	25.0	26.0	26.0	23.0	24.0
Police and communications	42.5	42.5	42.5	33.0	37.5	39.0	41.0	40.0	42.0	39.0
Animal control	1.5	1.5	1.5	1.5	1.5	2.0	2.0	2.0	2.0	2.0
Fire and rescue - EMS	27.0	28.0	27.0	27.0	28.0	27.0	27.0	21.0	15.0	15.0
Community services	9.0	9.0	9.0	9.0	9.0	9.0	5.0	5.0	5.0	5.0
Public works - streets	16.0	16.0	16.0	17.0	16.0	17.0	16.0	14.0	15.0	14.0
Garage	3.0	4.0	4.0	4.0	4.0	3.0	3.0	3.0	4.0	4.0
Refuse collection	0.0	0.0	0.0	0.0	0.0	0.0	7.0	9.0	9.0	9.0
Public works - buildings and grounds	9.5	10.0	10.0	10.0	10.0	8.5	9.0	15.0	10.0	10.0
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	4.0	3.5	3.5	3.5	3.5	3.5	6.0	5.0	5.0	5.0
Senior program	1.0	1.0	1.0	1.0	1.0	1.0	2.0	2.0	2.0	3.0
Library	0.0	0.5	0.5	0.5	0.5	0.5	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	141.5	142.5	141.0	131.0	134.5	136.5	146.0	144.0	134.0	132.0
Social services fund	23.0	23.0	23.0	20.0	23.0	21.0	20.0	20.0	19.0	19.0
Electric	16.0	16.0	16.0	9.0	12.0	11.0	16.0	13.0	14.0	14.0
Water and sewer	13.0	13.0	13.0	15.0	13.0	12.0	13.0	13.0	16.0	14.0
Solid waste fund	8.0	8.0	8.0	8.0	8.0	7.0	0.0	0.0	0.0	0.0
Incubator	0.5	0.5	0.5	0.0	0.0	0.5	0.0	0.0	0.0	0.0
Airport	1.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Smart beginnings (Early Childhood)	0.0	0.0	0.0	1.5	1.5	3.0	4.0	4.0	2.0	2.0
	61.5	62.5	62.5	55.5	59.5	56.5	55.0	52.0	53.0	51.0
Total	203.0	205.0	203.5	186.5	194.0	193.0	201.0	196.0	187.0	183.0

Source: Individual City departments

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

<u>Function/Program</u>	<u>2019</u>	<u>2018</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>
Police										
Physical arrests	586	574	718	661	693	724	734	693	671	638
Parking violations	13	33	23	23	36	40	79	106	78	39
Traffic violations	560	501	599	790	580	987	1,751	1,943	1,845	1,792
Fire										
Emergency responses	2,250	2,123	2,263	2,498	2,895	2,716	2,718	1,971	2,111	2,390
Fires extinguished	70	65	60	69	62	70	78	83	31	68
Inspections	7	24	27	30	24	30	26	22	24	22
Building Inspections										
Inspections performed (Franklin)	2,702	1,121	1,884	2,004	3,167	1,451	1,484	3,495	1,647	N/A
Permits issued	1,152	2,306	1,215	919	1,351	848	406	518	413	N/A
Refuse Collection										
Refuse collected (tons per day)	10.19	9.61	10.34	10.10	9.77	9.47	9.75	15	15	13
Recyclables collected (tons per day)	1.23	1.06	1.09	1.19	1.26	1	1	1	1	1
Other Public Works										
Street resurfacing (tons)	1,657	1,838	4,046	6,289	1,690	5,137	-	2,315	10,542	2,728
Potholes repaired	108	142	175	159	184	149	163	138	152	178
Park and Recreation										
Athletic field permits issued	300	290	275	275	250	200	240	307	355	285
Community center admissions	60,502	59,550	59,501	59,501	56,364	57,025	50,885	54,825	44,486	30,214
Library										
Volumes in collection	28,202	33,377	32,527	31,824	30,518	29,832	31,094	32,000	32,600	37,000
Total volumes borrowed	64,321	78,941	92,446	85,509	90,099	96,674	96,749	109,000	121,000	121,000
Water										
New connections	4	4	4	2	3	3	-	3	1	5
Water main breaks	79	92	45	48	45	50	42	51	42	50
Average daily consumption (thousands of gallons)	784	647	850	832	1100	1.1	953	943	1067	1082
Peak daily consumption (thousands of gallons)	1278	1812	913	906	1300	1300	1300	1300	1700	1700
Wastewater										
Average daily sewage treatment	1180	925	1123	1420	1320	1330	1603	1656	1100	1780
Sewer connections - new	4	4	4	2	3	2	-	2	1	5
Transit										
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>2019</u>	<u>2018</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>
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	17	14	16	16	16	16	16	16	16	16
Fire Stations	2	2	2	2	2	2	2	2	2	2
Refuse Collection										
Collection trucks	8	8	8	6	5	5	5	5	5	5
Other Public Works										
Street (miles)	43.04	43.04	43.04	35.50	35.50	35.50	35.50	35.50	35.50	35.50
Highways (miles)	7.68	7.68	7.68	15.09	15.09	15.09	15.09	15.09	15.09	15.09
Streetlights	955	955	951	950	945	945	945	945	945	945
Traffic signals	14	14	14	14	14	14	14	14	14	14
Park and Recreation										
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	5	5	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
Water										
Water mains (miles)	68	68	68	67	67	67	67	67	67	67
Fire hydrants	343	343	343	336	336	336	336	336	336	336
Storage capacity (thousands of gallons)	1300	1300	1300	1300	1300	1300	1300	1300	1300	1300
Wastewater										
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





**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, 2019, 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 19, 2019.

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.

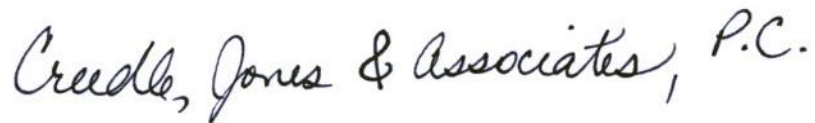
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

A handwritten signature in black ink that reads "Creedle, Jones & Associates, P.C." in a cursive script.

Creedle, Jones & Associates
Certified Public Accountants

South Hill, Virginia
November 19, 2019



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, 2019. 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, 2019.

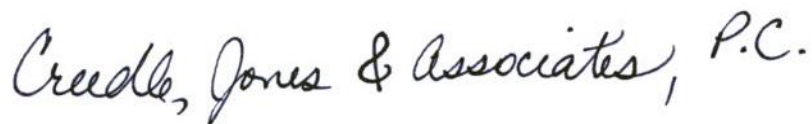
Report on Internal Control over Compliance

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.



Creddie, Jones & Associates
Certified Public Accountants

South Hill, Virginia
November 19, 2019



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, 2019, and have issued our report thereon dated November 19, 2019.

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 & Associates, P.C.

Creedle, Jones & Associates
Certified Public Accountants

South Hill, Virginia
November 19, 2019

City of Franklin, Virginia
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass- through Entity Identifying Number</u>	<u>Passed Through to Subrecipients</u>	<u>Total Federal Expenditures</u>
U. S. Department of Health and Human Services				
Pass-Through Payments				
<i>Department of Social Services</i>				
Promoting safe and stable families	93.556	765	\$ -	\$ 7,203
<i>TANF Cluster</i>				
Temporary assistance for needy families (TANF)	93.558	765	-	151,624
Refugee and entrant assistance - state administered programs	93.566	765	-	72
Low-income home energy assistance	93.568	765	-	23,619
<i>CCDF Cluster</i>				
Child care mandatory and matching funds of the child care and development fund	93.596	765	-	26,501
Stephanie Tubbs Jones child welfare services program	93.645	765	-	155
Foster care - Title IV-E	93.658	765	-	99,472
Adoption assistance	93.659	765	-	19,476
Social services block grant	93.667	765	-	97,045
Chafee foster care independence program	93.674	765	-	1,384
Children's Health Insurance Program (CHIP)	93.767	765	-	5,168
<i>Medicaid Cluster</i>				
Medical assistance program	93.778	765	-	232,083
Subtotal - U. S. Department of Health and Human Services			-	663,802
U. S. Department of Agriculture				
Pass-Through Payments				
<i>Department of Education</i>				
<i>Child Nutrition Cluster</i>				
National School Lunch Program (NSLP) - Food distribution - donated commodities	10.555	197	-	47,922
Summer Food Service Program for Children (SFSPC) - Food distribution - donated commodities	10.559	197	-	3,822
National school lunch program (NSLP)	10.555	197	-	574,572
School breakfast program (SBP)	10.553	197	-	357,668
Subtotal - Child Nutrition Cluster			-	983,984
<i>Department of Social Services</i>				
<i>SNAP Cluster</i>				
State administrative matching grants for the supplemental nutrition assistance program	10.561	765	-	206,047
Subtotal - U. S. Department of Agriculture			-	1,190,031
U. S. Department of Transportation				
Direct Payments				
Airport improvement program	20.106	N/A	-	312,579
Subtotal - U. S. Department of Transportation			-	312,579

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Passed Through to Subrecipients</u>	<u>Total Federal Expenditures</u>
U. S. Department of Homeland Security				
Pass-Through Payments				
<i>Department of Emergency Management</i>				
Emergency management performance grant	97.042	127	-	33,190
Subtotal - U. S. Department of Homeland Security			-	33,190
U. S. Department of Housing and Urban Development				
Pass-Through Payments				
<i>Department of Housing and Community Development</i>				
Community Development Block Grants	14.228	165	-	131,137
Subtotal - U. S. Department of Housing and Community Development			-	131,137
U. S. Department of Education				
Pass-Through Payments				
<i>Department of Education</i>				
Title I Grants to local educational agencies	84.010	197	-	785,630
School improvement grants	84.377	197	-	17,381
<i>Special Education Cluster (IDEA)</i>				
Special education - grants to states (IDEA, Part B)	84.027	197	-	317,671
Special education - preschool grants (IDEA Preschool)	84.173	197	-	27,465
Subtotal - Special Education Cluster (IDEA)				345,136
Title VI - Rural education - English language acquisition grants	84.358	197	-	19,491
Fulbright-Hays Seminars Abroad Program/Overseas Programs	84.018	197	-	18,506
21st century community learning centers	84.287	197	-	255,566
Migrant education coordination program	84.144	197	-	3,013
Career and technical education - basic grants to states	84.048	197	-	27,812
Improving teacher quality state grants	84.367	197	-	117,682
Totals for School Board Component Unit			-	1,590,217
<i>Department of Behavioral Health and Developmental Services</i>				
Special education - Grants for infants and families with disabilities	84.181	720	179,088	179,088
Subtotal - U. S. Department of Education			179,088	1,769,305
Total Expenditures of Federal Awards			\$ 179,088	\$ 4,100,044

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, 2019

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, 2019. 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.

City of Franklin, Virginia

Schedule of Findings and Questioned Costs

Year Ended June 30, 2019

Section I – Summary of Auditor’s Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? No

Significant deficiency (ies) identified? None Reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified? No

Significant deficiency (ies) identified? None Reported

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

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

Major federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I Grants to Local Educational Agencies
20.106	Airport Improvement Program

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

Auditee qualified as low-risk auditee? Yes

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

There are no federal award findings to report.