



For the Year  
Ended  
June 30, 2013

COMPREHENSIVE ANNUAL FINANCIAL REPORT



CITY MANAGER  
207 W. SECOND AVENUE  
FRANKLIN, VIRGINIA 23851

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THE CITY OF FRANKLIN, VIRGINIA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2013



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 Ms. Melissa D. Rollins, Director of Finance, 207 W. Second Avenue, Franklin, Virginia 23851. For information about the City, refer to the City's web page at [www.franklinva.com](http://www.franklinva.com).

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CITY OF FRANKLIN, VIRGINIA  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
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CITY OF FRANKLIN, VIRGINIA  
DIRECTORY OF PRINCIPAL OFFICIALS  
JUNE 30, 2013

Mayor

Raystine D. Johnson

Vice Mayor

Barry Cheatham

Council Members

Donald T. Blythe

Brenton D. Burgess

Mona Murphy

Mary E. Hilliard

Gregory McLemore

Constitutional Officers

Dinah M. Babb

Brenda B. Rickman

Treasurer

Commissioner of Revenue

Franklin City Public Schools

Edna King

Michelle R. Belle

Rachel Yates

Chairperson of School Board

Superintendent

Director of Finance

City Administration

R. Randy Martin

H. Taylor Williams, IV

Melissa Rollins

Phillip M. Hardison

Mark Bly

Frank A. Davis

Jennifer L. Maynard

Vincent P. Holt

Russell L. Pace

Christopher A. Hogge

Donald E. Goodwin

City Manager

City Attorney

Director of Finance

Chief of Police

Director of Power and Light

Director of Recreation and Parks

Registrar

Chief of Emergency Services

Director of Public Works

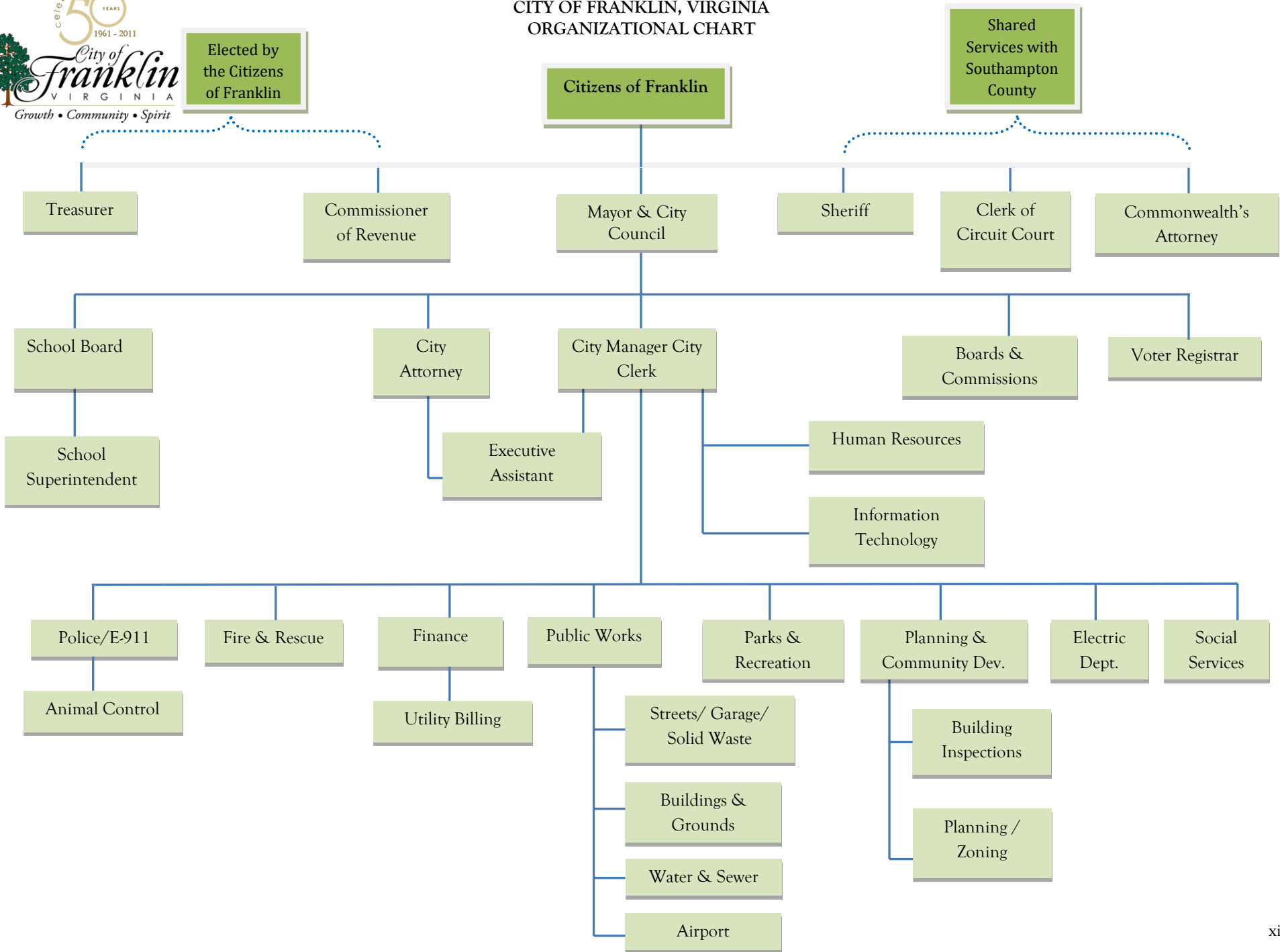
Director of Social Services

Director of Community Development

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CITY OF FRANKLIN, VIRGINIA  
ORGANIZATIONAL CHART



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November 30, 2013

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, 2013. 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.

This report consists of management’s representations concerning the finances of the City of Franklin. Consequently, management assumes full responsibility for both the accuracy of the data, the completeness and fairness of the presentation, and all disclosures. To provide a reasonable basis for making these representations, management of the City of Franklin has established a comprehensive internal control framework that is designed both to protect the government’s assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Franklin’s financial statements in conformity with Generally Accepted Accounting Principles (GAAP). 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 are free from material misstatement. 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.

The City of Franklin’s financial statements have been audited by Davis & Associates, 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, 2013 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 unqualified opinion that the City of Franklin’s financial statements for the fiscal year ended June 30, 2013, are fairly presented in conformity with GAAP. The independent auditor’s report is presented in the Financial Section of this report.

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.

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). This 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.

## **Profile of the City of Franklin**

### *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 27<sup>th</sup> 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 services, including police and fire protection and emergency medical services; the maintenance of highways, streets, and other infrastructure; and recreational activities, library services, community development activities, and cultural events. 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; provides curb-side trash 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 the 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 by state-established categories. Local school boards do not have taxing or bond issuance authority.

The Industrial Development Authority is also reported as component unit. Additional information on legally separate entities can be found in the Notes to the Financial Statements in Exhibits 22 through 24.

#### *Budgetary Systems*

The annual budget serves as the foundation for the City of Franklin’s financial planning and control. All agencies and departments of the City of Franklin are required to submit requests for appropriation to the City Manager in February. The City Manager presents a proposed budget to City Council for review in April. The Council is required to hold public hearings on the proposed budget and must adopt a final budget by no later than June 30<sup>th</sup>. The appropriated budget is prepared by fund and department. The City Manager, subject to a \$10,000 limit, may make transfers of appropriations within a department. New sources of funding and transfers exceeding the \$10,000 limit require the approval of City Council. Transfers within the School Operating Fund must be approved by City Council.

The City also maintains an encumbrance accounting system as one method of maintaining budgetary control. Encumbrances are included as budgetary expenditures and therefore do not lapse after year-end. Budget-to-actual comparisons for the General Fund are provided on exhibit 11 and schedule 2 of the report.

#### **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**

During fiscal year 2012-2013, the City began to realize some revenue recovery in the form of machinery and tools tax revenue (under the revenue sharing agreement with Isle of Wight County) as a result of revitalized operations at the Franklin Paper Mill. This was welcomed news as the City’s share of the tax was \$238,000 at June 30<sup>th</sup>, which was not anticipated at the beginning of the fiscal year. The City continues to rebound from economic consequences associated with the plant closure in 2010. (In July 2012, the Virginia Economic Development Partnership released news that by 2017, the region is expected to add most of the 1,100 jobs lost when International Paper





- Green Mountain Coffee (Isle of Wight County) - even though the City's financial statements are not directly impacted by Green Mountain Coffee, the impact to the City and its partners in Western Tidewater of the 300 jobs and \$180 million investment with a five (5) year projected increase to 800 job, is a positive boost for the greater Franklin/Southampton Community.

### **Long-Term Financial Planning**

In FY 2013 management explored additional debt restructuring and borrowing opportunities as a result of economic improvements (i.e. lower interest rates), which will (1) allow the City more time to recover revenues from a thriving local economy to better meet future debt obligations and (2) adequately address long range capital and infrastructure needs that could not be accomplished during the economic downturn. As a result, the City completed the following debt related transactions:

- In December 2012, the City restructured certain debt for the purpose of refinancing qualifying debt on a tax-exempt basis by issuing a \$4.051 million Taxable General Obligation Refunding Bond while acquiring new debt to finance certain capital projects through issuance of a \$2.958 million Tax-Exempt General Obligation Public Improvement and Refunding Bond. The capital projects to be refinanced included roof repairs and replacements for various City-owned buildings, upgrades to the City's financial computer system, purchase of vehicles and equipment for various City operations, capital improvements to the City water main, HVAC replacement at City Hall and other public improvements.
- In May 2013, the City issued \$1.695 million in General Obligation Bonds to finance capital projects for the Franklin City Public School System including: roof repairs and replacements for various school buildings, purchase of a school bus, track-resurfacing, cafeteria ovens replacement, breezeway enclosure, bleacher replacement and HVAC unit replacement.
- In June 2013, the City refinanced a \$2.23 million Rural Development loan (2002) with the Virginia Resources Authority (VRA). The City's interest rate was lowered from 4.62% to 3.93%, resulting in a net present value savings of over \$500,000 dollars over the life of the loan. The final maturity was shortened by four (4) years.

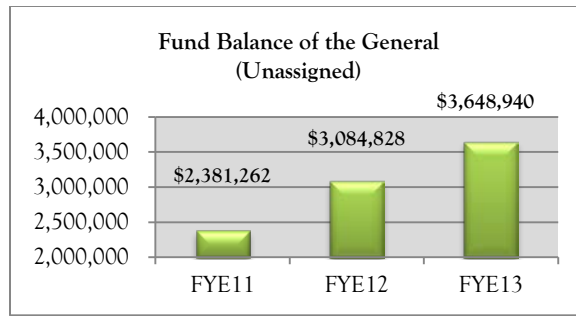
### **Other Long-Term Planning Initiatives:**

In FY 2013, the City along with Southampton County explored sharing services in a number of areas to include planning, zoning and inspections. Stringent state-mandated storm water management regulation was the primary impetus for the creation of Virginia's first city/county shared Community Development Department which required additional staff and fiscal resources. By combining all of the Community Development functions, both localities are able to provide services more cost effectively and efficiently throughout the Franklin/Southampton area. Plans are to leverage state grant funds to assist with initial funding of the storm water operations and other initiatives. A shared services agreement between the localities will begin effective July 1, 2013. The shared Community Development department will be located in Franklin City Hall and will serve residents and businesses needing services in both localities with operational funding shared by the County.

Through a series of strategic planning work sessions, 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 City's objectives.

### **Financial Policies**

One of the financial policies closely monitored is the City's unassigned fund balance policy which indicates the ability of the City to cope with unexpected financial challenges or emergencies. The larger the unassigned General Fund balance, the greater the City's ability to cope with these potential financial emergencies and fluctuations in revenue cycles and to take advantage of unexpected opportunities. The City has established 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, 2013, the City's unassigned fund balance of \$3.6 million represented 16% of the budgeted annual expenditures exceeding the minimum policy level. During FY 2013, General Fund revenues exceeded expenditures, including other financial sources, by \$1.7 million. The City was able to improve its unassigned fund balance from the previous year by fiscally sound budget management practices to include improved revenue forecasting, expenditure reductions and program savings and structured debt management practices.



### Bond Rating

The City's bond rating at June 30, 2013 was rated A1 from Moody's and A+ from Standard & Poor's.

The financial outlook for Fiscal Year 2013-2014 is stable, with minimum revenue growth and continued cost-saving efforts. We feel that current management initiatives, along with prudent long-range strategic and comprehensive planning, will enable the City 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 FY2013

We are pleased to report some significant accomplishments and initiatives undertaken during the year ended June 30, 2013:

#### Public Safety

- In December 2012, Franklin Fire & Rescue was awarded a grant in the amount of \$199,532 for the renovation and repair of the City's Burn Building Fire Service Training Facility. This state grant supports the concerted efforts by the department to address the emergent need to restore this regionally utilized training facility and place it back in service for use by the City and surrounding jurisdictions.
- In March 2013, Franklin Fire & Rescue was awarded a federal SAFER (Staffing for Adequate Fire & Emergency Response) grant in the amount of \$904,000 to hire nine (9) additional firefighters to enhance the department's capability of providing safe fire and EMS services to the City of Franklin and to the southeastern portion of Southampton County.
- In June 2013, the City entered into a Donation Agreement between the Hampton Roads Planning District Commission (HRPDC). HRPDC purchased a Shelter Support Unit (SSU) on behalf of Hampton Roads jurisdictions to support the functional and medical needs of individuals in shelters during mass casualty events or disasters using funds from Department of Homeland Security Urban Areas Securities Initiatives (UASI) and Metropolitan Medical Response System (MMRS) grants. The City will receive a trailer unit containing supplies for use in a disaster situation. Other larger communities in the region had received assistance, but this is the first opportunity for Franklin to have access to this equipment to be located in the City.

#### Community Development & Neighborhood Services

- In November 2012, Senior Services of Southeastern Virginia (SSSEVA) applied for rezoning to develop a mixed use senior housing project in the City of Franklin, Virginia. The total investment is \$12.0 million. The project includes the adaptive rehabilitation of Hayden High School, a historic African American high school located in rural Franklin, Virginia. This landmark project will be named "The Hayden Village Center" (Hayden Village). The existing structure is an approximately 50,355 square foot brick building which served as the high school for African American youth in the City of Franklin from 1953 until 1970. The project includes the construction of a new 15 residential unit structure attached to the historical building.
- In February, 2013, the Federal Emergency Management Agency (FEMA) approved the application of the Department of Planning & Community Development for an emergency generator hookup grant under the Hazard Mitigation Grant Program. The grant award in the amount of \$119,783 will provide the required hook-ups, transformers, and connections for a new 750 KW generator at the City's designated emergency shelter at Franklin High School.

## Public Works

- In August 2012, the Public Works department made operational changes that improved the efficiency of household and yard waste collections and related procedures in the City. Provisions in these services combined with enforcement of the City code resulted in significant cost savings. The City's fees for waste disposal were reduced in Fiscal Year 2013 by \$214,000 over Fiscal Year 2012, a near 40% savings in yard waste disposal costs.

## 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, 2012. This is the first 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. We believe our 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.

### Future Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awards a Distinguished Budget Presentation award to governmental units who publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device. The City plans to submit the FY 2014-2015 Budget to GFOA for award consideration.

### Acknowledgements

The preparation of this report would not have been possible without the efficient and dedicated services of the Finance Department, the School Board Finance Department, the Treasurer's Office, the Commissioner of the Revenue's Office and other departments who played a role in a favorable year-end audit. The City is pleased to have the professional services of Davis & Associates to provide assistance with analysis and preparation of the Comprehensive Annual Financial Report. City Council's 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,



-----  
R. Randy Martin  
City Manager



-----  
Melissa D. Rollins  
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, 2012**

Executive Director/CEO

**INDEPENDENT AUDITOR'S REPORT**

The Honorable Governing Body  
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 aggregate 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, 2013, and the related notes to the financial statements, which collectively comprise the City'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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Specifications for Audits of Counties, Cities, and Towns, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Franklin, Virginia, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***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, Schedule of Pension Funding Progress, and Schedule of OPEB Funding Progress as listed in the table of contents 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, 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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund 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 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 29, 2013, on our consideration of the City of Franklin, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The City of Franklin, Virginia's internal control over financial reporting and compliance.

### ***Davis & Associates, PLLC***

November 29, 2013  
Alexandria, Virginia

**Management's Discussion and Analysis**  
**Fiscal Year July 1, 2012 – June 30, 2013**

The following is a narrative overview and analysis of the financial activities of the City of Franklin, Virginia (the City) as of and for the fiscal year ended June 30, 2013. As readers, you are encouraged to read this discussion and analysis in conjunction with the transmittal letter in front of this report and the City's basic financial statements following this section.

**FINANCIAL HIGHLIGHTS**

**General Fund**

- At the close of FY 2013, unassigned fund balance for the General Fund was \$3.6 million, or 18.8% of FY 2013 total General Fund revenues (prior to transfers in). At the close of FY 2012, the unassigned fund balance of the General Fund was \$3.1 million, or 15.3% of FY 2012 General Fund revenues (prior to transfers in). This represents an increase of \$560,000 in the unassigned fund balance from the prior fiscal year. This is an improvement despite a significant loss in revenue sharing under prior years.
- General Fund revenues (less transfers in) decreased \$698,067, or 3.5% below FY 2012, primarily due to the aforementioned reduction in miscellaneous revenue from revenue sharing payments in the amount of \$965,496. The City experienced its first major negative impact on the anticipated revenue sharing payment from Isle of Wight County on the FY 2013 financial statements.
- The City's real estate tax rate of \$0.90 per \$100 of assessed valuation changed for FY 2013 from \$0.77 per \$100 of assessed valuation in FY 2012 in part, to cushion the impact of the revenue sharing loss. As a result, general property tax revenue increased by \$230,042, or 3.5%, above FY 2012. The tax rate on personal property remained unchanged. Other local taxes increased by \$46,087 from the previous fiscal year, contributing to gains in the City General Fund balance.
- The portion of the City's assigned fund balance at the close of FY 2013 was \$2.4 million, down from \$2.6 million in FY 2012. As a result, the City was able to divert more funds to the unassigned fund balance, which increased the amount of funds available for subsequent expenditure.
- The General Fund, on a current financial resources basis, reported revenues and other financing sources over expenditures and other financing uses of \$1.7 million. This is after making a \$4.6 million payment to Franklin City Schools, \$86,897 payment to the Airport Fund (Enterprise), \$706,607 to Special Revenue Funds, and \$1,210,829 to the Debt Service Fund. (Most of the \$1.7 million is the result of \$1.2 million in proceeds from debt issuance; the balance remaining at June 30<sup>th</sup> was restricted for capital expenditures). Expenditures increased slightly by \$14,436 when compared to FY 2012. Public Safety expenditures increased \$264,682, or 4.6%, over FY 2012, and the City's transfer to Education increased by \$440,338, or 10.5%, from FY 2012. These increases were largely offset by a \$685,460, or 16.2%, reduction in Public Works expenditures from the previous year (Exhibit 5).

**Governmental Activities**

- The assets of the City of Franklin exceeded its liabilities at the close of fiscal year 2013 by \$30.3 (net position). Of this amount, \$11.5 million represents an unrestricted net position, which may be used to meet the City's ongoing obligation; \$1.8 million represents a restricted net position for future debt service; \$1.1 million is restricted for capital projects; \$627,000 is restricted for community development; and \$101,000 is restricted for public safety as well as parks and recreation. The residual \$15.3 million relates to net investment in capital assets, and is not available for expenditure (Exhibit 1).

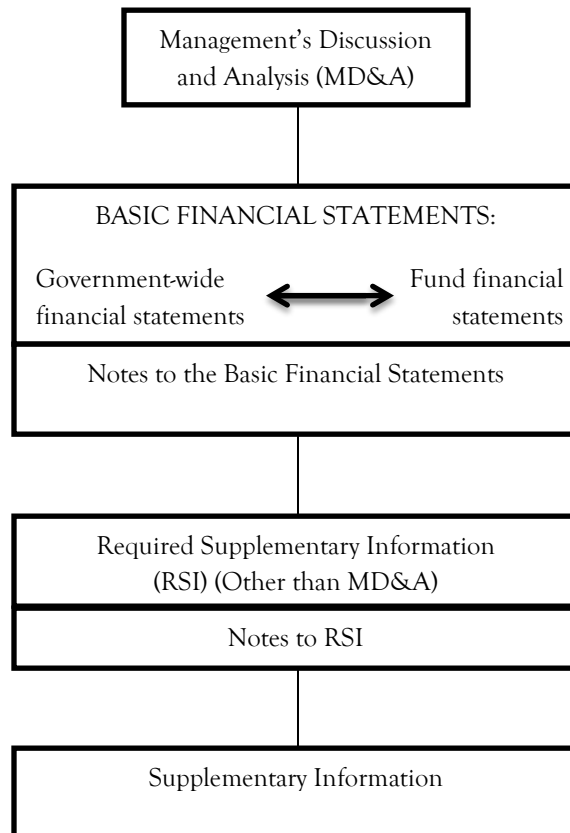
## FINANCIAL HIGHLIGHTS: (CONTINUED)

- The City's total net position decreased by \$572,000 from the prior year. Of this amount, the business-type activities net position decreased \$181,000 while governmental fund net position decreased by \$391,000 (Exhibit 2).
- The City's total outstanding general obligation debt at June 30, 2013, was \$20,413,295. This includes \$5,326,000 in business-activity debt and \$15,087,295 in general government activities (\$7,410,575 is School-related debt and \$7,676,720 is other general government debt - details in Note 7 - Notes to the Financial Statements). The City's total bonded debt (general and business-related) increased by \$6.61 million during the current fiscal year, due to the issuance of \$10.77 million of new or refunded bonds and repayments of \$4.16 million.

## 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 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.

### COMPONENTS OF THE FINANCIAL SECTION



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.



## OVERVIEW OF THE FINANCIAL STATEMENTS

### Government-Wide Financial Statements

*Government-wide financial statements* are designed to provide the readers with a broad overview of the City's finances in a manner similar to a private-sector business. The *Statement of Net Position* (Exhibit 1) 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* (Exhibit 2) 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* (Exhibit 1) and the *Statement of Activities* (Exhibit 2), the City is divided into the following:

- **Governmental activities** - The City's basic municipal services are reported here and include general government, public safety, highways and streets, sanitation, 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, and Airport operations. While the Water & 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 on Exhibits 19 - 24 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.

## OVERVIEW OF THE FINANCIAL STATEMENTS: (CONTINUED)

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, 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 governmental funds financial statements can be found on Exhibits 3 through 6 of this report.

The City adopts an annual budget for its various funds. To demonstrate compliance with this budget, budgetary comparison statements have been provided on Exhibits 11 and 12 of this report.

**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, 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 and can be found in Exhibits 7, 8 and 9 of this report.

**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. The fiduciary fund financial statement can be found in Exhibit 10 of this report.

**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. The notes to the financial statements can be found after Exhibit 10 in this report.

**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 component unit. Supplementary information can be found in Exhibits 13 - 24 of this report.

OVERVIEW OF THE FINANCIAL STATEMENTS: (CONTINUED)

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 exceeded its liabilities by \$30,325,213.

STATEMENT OF NET POSITION (Exhibit 1)  
For the Fiscal Year Ended June 30, 2013

	Governmental Activities		Business-type Activities		Total	
	FY 2013	FY 2012	FY 2013	FY 2012	FY 2013	FY 2012
Current and other assets	\$ 14,178,123	\$ 10,591,560	\$ 4,371,161	\$ 2,709,016	\$ 18,549,284	\$ 13,300,577
Capital assets	27,111,463	28,565,772	11,436,469	11,901,171	38,547,932	40,466,942
Total assets	\$ 41,289,586	\$ 39,157,332	\$ 15,807,629	\$ 14,610,186	\$ 57,097,216	\$ 53,767,519
Current and other liabilities	\$ 1,506,425	\$ 1,641,764	\$ 1,968,198	\$ 2,270,827	\$ 3,474,623	\$ 3,912,591
Long-term liabilities	17,810,658	15,151,870	5,486,721	3,805,379	23,297,379	18,957,249
Total liabilities	\$ 19,317,082	\$ 16,793,634	\$ 7,454,919	\$ 6,076,205	\$ 26,772,001	\$ 22,869,839
Net position:						
Net investment in capital assets	\$ 9,300,806	\$ 15,514,000	\$ 5,949,747	\$ 8,095,793	\$ 15,250,553	\$ 23,609,793
Restricted	2,850,913	1,062,775	700,333	-	3,551,246	1,062,775
Unrestricted net position	9,820,786	5,786,923	1,702,628	438,188	11,523,414	6,225,111
Total Net Position	\$ 21,972,505	\$ 22,363,698	\$ 8,352,708	\$ 8,533,981	\$ 30,325,213	\$ 30,897,678

The largest portion of the City's total net position of \$30,325,313 is its \$15,250,553 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 of \$15,074,660 is comprised of \$11,523,414 in unrestricted net position, which may be used to meet the City's ongoing obligations, and \$3,551,246 in restricted assets.

The City's financial position includes \$11.5 million, or 38.0% of the net position, as unrestricted net position. The \$9.8 million from governmental activities and \$1.7 million from business-type activities are available to allow the City to provide services to citizens.

OVERVIEW OF THE FINANCIAL STATEMENTS: (CONTINUED)

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

CHANGES IN NET POSITION (Exhibit 2)  
For the Fiscal Year Ended June 30, 2013

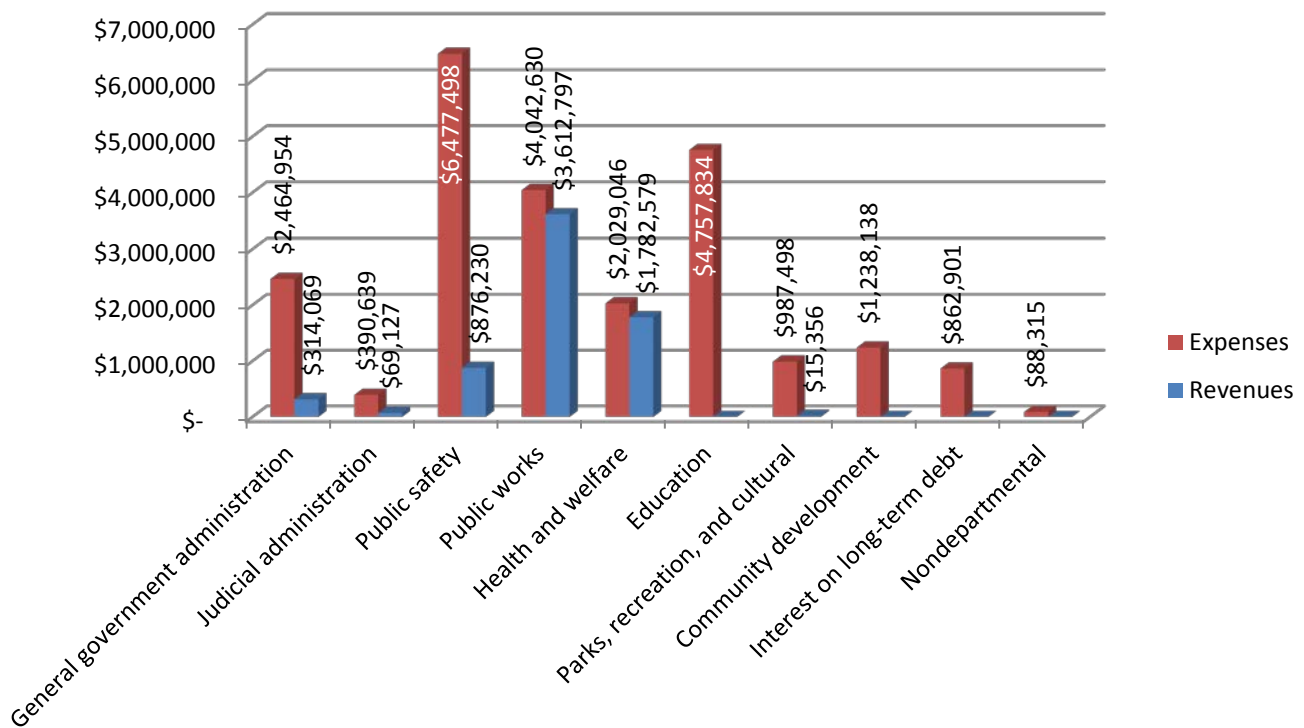
	Governmental Activities		Business-type Activities		Total	
	FY 2013	FY 2012	FY 2013	FY 2012	FY 2013	FY 2012
Revenues						
Program Revenues:						
Charges for Services	\$ 2,734,607	\$ 2,684,001	\$ 17,329,261	\$ 16,337,974	\$ 20,063,868	\$ 19,021,975
Operating grants & contributions	3,935,552	3,790,723	-	-	3,935,552	3,790,723
Capital grants & contributions	-	-	178,275	22,006	178,275	22,006
General Revenues:						
Real estate & personal property taxes	6,761,228	6,531,186	-	-	6,761,228	6,531,186
Other local taxes	5,267,629	5,221,541	-	-	5,267,629	5,221,541
Revenue sharing from counties	243,503	1,212,182	-	-	243,503	1,212,182
Use of money & property	430,218	367,899	-	-	430,218	367,899
Grants & gifts - non-restricted	1,668,047	1,666,230	-	-	1,668,047	1,666,230
Miscellaneous	346,392	359,583	-	-	346,392	359,583
Total Revenues	\$ 21,387,175	\$ 21,833,345	\$ 17,507,536	\$ 16,359,980	\$ 38,894,711	\$ 38,193,325
Expenses						
General government	\$ 2,464,954	\$ 2,797,507	\$ -	\$ -	\$ 2,464,954	\$ 2,797,507
Judicial	390,639	408,025	-	-	390,639	408,025
Public safety	6,477,498	6,331,863	-	-	6,477,498	6,331,863
Public works	4,042,630	4,702,151	-	-	4,042,630	4,702,151
Health and welfare	2,029,046	1,883,150	-	-	2,029,046	1,883,150
Education	4,757,834	4,373,992	-	-	4,757,834	4,373,992
Parks, recreation, cultural	987,498	1,026,675	-	-	987,498	1,026,675
Community development	1,238,138	1,457,880	-	-	1,238,138	1,457,880
Interest & fees on long-term debt	862,901	434,988	-	-	862,901	434,988
Nondepartmental	88,315	41,283	-	-	88,315	41,283
Water & Sewer	-	-	2,784,937	2,972,701	2,784,937	2,972,701
Electric	-	-	12,742,843	13,153,530	12,742,843	13,153,530
Airport	-	-	599,945	351,863	599,945	351,863
Total Expenses	\$ 23,339,452	\$ 23,457,513	\$ 16,127,725	\$ 16,478,094	\$ 39,467,177	\$ 39,935,607
Excess of revenue over expenses	\$ (1,952,277)	\$ (1,624,168)	\$ 1,379,811	\$ (118,114)	\$ (572,466)	\$ (1,742,282)
Transfers	1,561,084	1,829,084	(1,561,084)	(1,829,084)	-	-
Increase (decrease) in net position	\$ (391,193)	\$ 204,916	\$ (181,273)	\$ (1,947,198)	\$ (572,466)	\$ (1,742,282)
Net position - beginning of year	22,363,698	22,158,782	8,533,981	10,481,179	30,897,679	32,639,961
Net position - ending of year	\$ 21,972,505	\$ 22,363,698	\$ 8,352,708	\$ 8,533,981	\$ 30,325,213	\$ 30,897,679

## OVERVIEW OF THE FINANCIAL STATEMENTS: (CONTINUED)

### Government Activities

Real estate and personal property tax revenue, the City's largest revenue source, totaled \$6.8 million, up \$230,000 from the previous year. The City's real estate tax rate increased to \$0.90 per hundred dollars of assessed value. Personal property was taxed at \$4.50 per \$100 of assessed value and represents \$1.3 million of total general property taxes (excludes tax relief portion of \$1.0 million). Other local tax revenues, which totaled \$5,267,629, consist primarily of local option sales, consumer utility, business license, motor vehicle license, lodging, and meals taxes. The City realized an increase from the previous fiscal year in local sales and use tax, lodging and meals tax revenue, which are indicative of the improvement to the local economy. Cigarette tax revenue also increased, partly due to a rate increase from \$0.50 per pack in FY 2012 to \$0.60 per pack in FY 2013.

EXPENSES AND PROGRAM REVENUES  
GOVERNMENTAL ACTIVITIES (Graph 1)



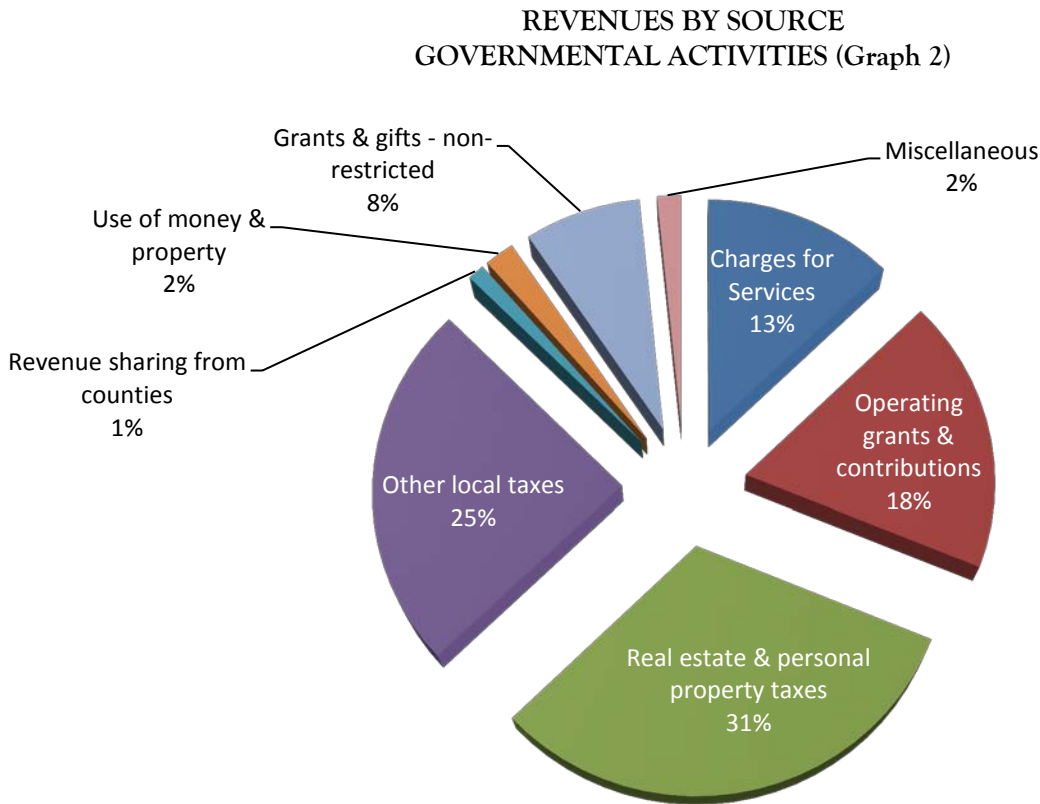
Revenues from other Counties of \$243,503 represent revenue sharing payments received from Isle of Wight and Southampton Counties as part of annexation and service providing agreements. This is significantly less than FY 2012 revenue sharing payments as anticipated; the original FY 2013 budget from this source was zero for the Isle of Wight County payment). However, the City received payment in the amount of \$227,529, which was added to the FY 2013 budget in the form of a supplemental appropriation.

Charges for services represents revenue received primarily from waste collection, disposal charges, and ambulance services. The chart above provides an overview of program expenses and related revenues as reflected in Exhibit 2, the Statement of Activities.

OVERVIEW OF THE FINANCIAL STATEMENTS: (CONTINUED)

Government Activities (CONTINUED)

The chart below denotes the major sources of revenue for the governmental funds.



**Business-type Activities**

Business-type Activities are made up of the Electric, Water & Sewer and Airport Fund activities.

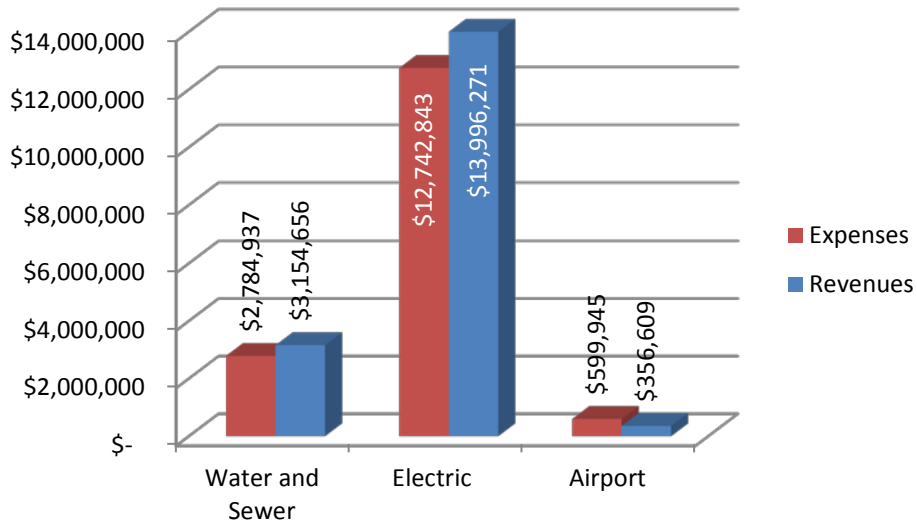
Business-type activities increased the City's net position before transfers and capital grants by \$1,201,536 and after transfers and capital grants decreased net position by \$181,273. Key elements of each fund were: Electric Fund revenue increased \$927,633, or 7.1%, from the prior year due to a rise in charges for services. Revenues totaled \$13,996,271 when compared to \$13,068,638 in FY 2012. Electric Fund operating expenses decreased by \$294,349 from the previous year, the result of a decrease in purchases of goods and services for resale from FY 2012. The Water and Sewer Fund net income before transfers totaled \$369,719, up \$299,091 from the previous year. This increase is primarily due to a rise in revenues as well as a decrease in personal services and operating expenses. Revenues for the Airport fund decreased from the prior year by \$22,145, contributing to a loss before capital grants and transfers of \$421,611, an increase from the previous year of \$270,517. Airport Fund net position decreased by \$156,440, which was closely correlated to an increase of \$248,391 in operating expenses mostly associated with grant funded capital projects.

OVERVIEW OF THE FINANCIAL STATEMENTS: (CONTINUED)

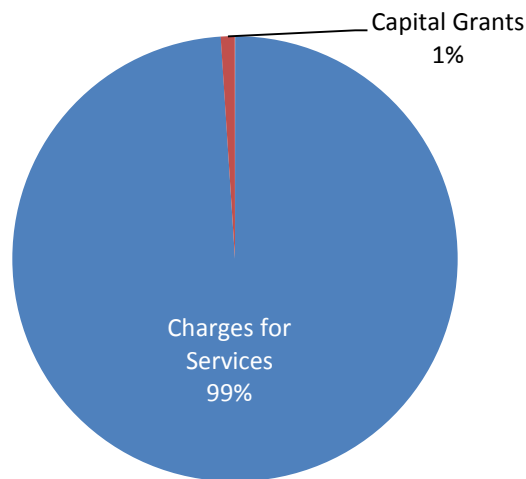
Business-type Activities (CONTINUED)

Graph 3 below provides a comparison of program expenses and revenues, while Graph 4 denotes revenues by source. Graph 3 denotes revenues and expenses from continuing operations and does not include capital grants or transfers.

**BUSINESS-TYPE FUNDS**  
Expenses and Program Revenues (Graph 3)



**BUSINESS-TYPE ACTIVITIES**  
Revenues by Source (Graph 4)



## 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, unreserved 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 \$12,671,696, compared to \$8,735,793 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 \$8,698,387, which reflects a \$1,744,694 increase over the prior year ending fund balance of \$6,953,693. Of the \$8,698,387 balance, \$3,648,940, or 41.9%, represents unassigned funds, which are available for operations of the government. The remaining \$5,049,447 is allocated among non-spendable, restricted, committed and assigned fund balances. (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, 2013, this percentage totaled 19.7%. The City's financial policy measures unassigned fund balance as a percentage of budgeted annual expenses. Franklin City Council has determined that the General Fund should maintain a minimum of 15% of unassigned fund balance in order to meet unforeseen needs and potential opportunities. The unassigned fund balance of \$3.6 million is 16.8% of the budgeted annual expenses, an improvement over the previous year.

**Capital projects fund.** The capital projects fund accounts for all general government, including schools, construction projects, excluding capital projects related to business-type activities which are accounted for elsewhere. At the end of the current fiscal year, the assigned fund balance totaled \$1,976,098, which is related to school capital expenditures.

**Debt service fund.** The debt service fund has a restricted fund balance of \$1,066,335, 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, municipal electric, and airport operations. Total net position of the enterprise funds at the end of the current fiscal year totaled \$8,352,708, a decrease of \$181,273 under the prior balance of \$8,533,981. Information supporting the analysis of the proprietary funds was discussed previously.

## 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 & Sewer Fund, Electric Fund, Airport Fund and several Special Revenue Funds. However, the Consolidated Grant Funds, Fiduciary Funds, and the Capital Projects Fund are excluded from the annual operating budget.

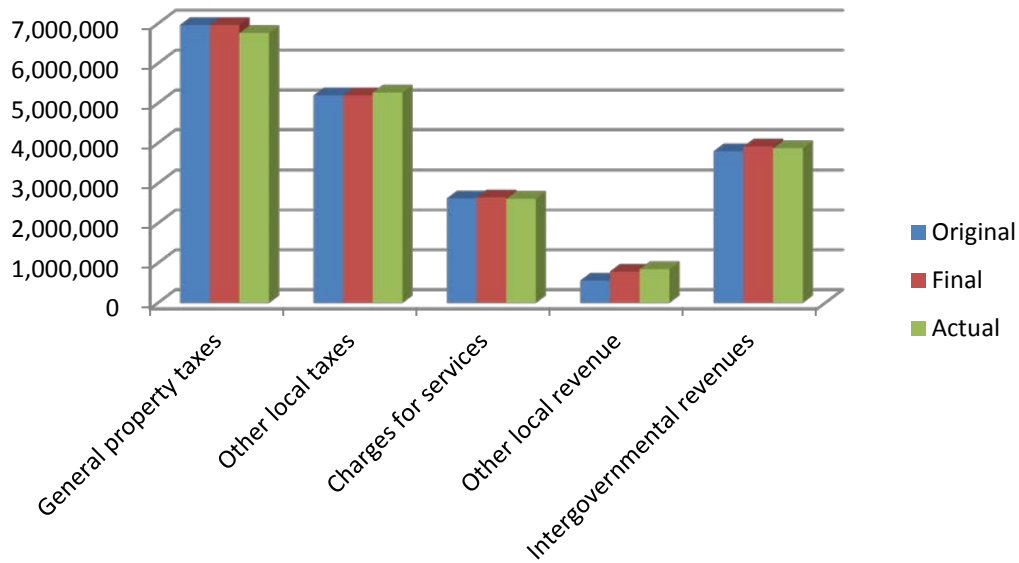
During the year, City Council revised the budget on several occasions to include the appropriation of prior year reserves, grants, donations, and other revenues. Actual expenditures varied significantly from the final budgeted amount for the General Fund. The actual contribution to the local school board was \$345,594 lower than the budgeted amount. Additionally, expenditures for General Government Administration and Public Works were \$397,277 and \$1,842,730 below budget, respectively. General Government expenditures were less than budget primarily due to position vacancy, capital project funds appropriated but not spent in information technology and unspent contingency funds. Public Works savings were the result of unspent capital project funds and cost efficiencies realized in refuse collection and disposal.



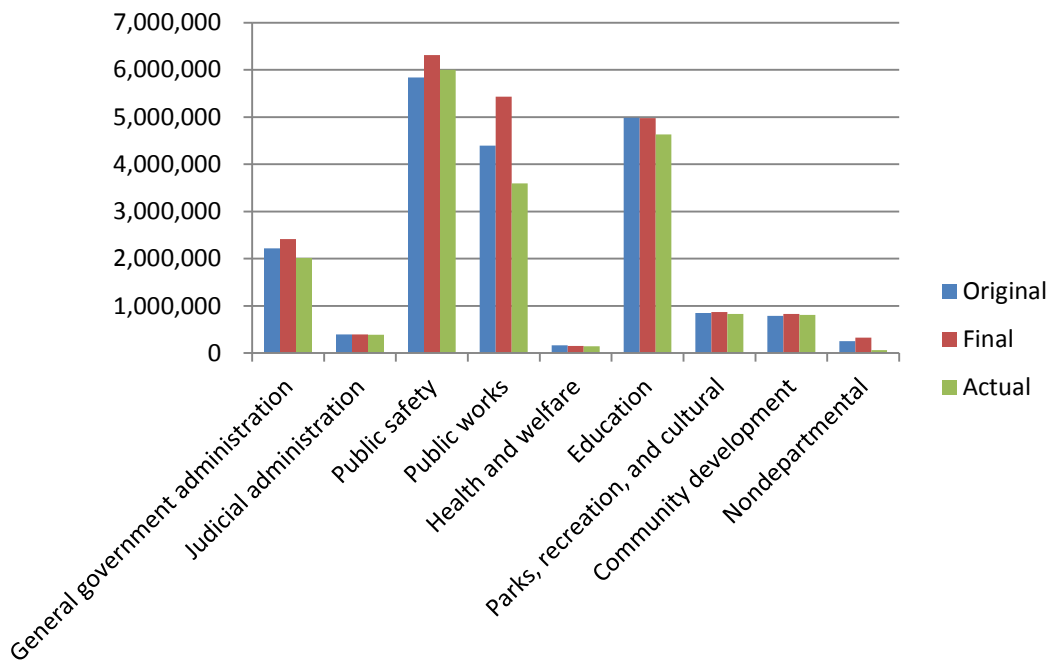
**GENERAL FUND BUDGETARY HIGHLIGHTS: (CONTINUED)**

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

**GENERAL FUND REVENUE**  
**Comparison of Budget to Actual**  
**Fiscal Year 2012-2013 (Graph 5)**



**GENERAL FUND EXPENDITURES**  
**Comparison of Budget to Actual**  
**Fiscal Year 2012-2013 (Graph 6)**



## GENERAL FUND BUDGETARY HIGHLIGHTS: (CONTINUED)

The difference between the original budget and the final amended budget for the City's General Fund expenditures was approximately \$1.8 million representing an increase in appropriations. The variance is mainly due to the following appropriations and anticipated expenditures made during FY 2013:

- \$1.2 million - increase appropriation of loan proceeds for capital projects in Information Technology (\$185,000), Public Works (\$875,000), and Public Safety (\$127,250)
- \$212,000 - general fund reserves - increase in appropriation for various general fund expenditures
- \$178,000 - increased appropriation of revenue sharing and SAFER grant proceeds to fund Fire & Rescue personnel
- \$79,000 - increased appropriation of highway maintenance funds received for use by Public Works street operations
- \$71,000 - increased appropriation of revenue sharing proceeds to fund General Fund personnel costs

## 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, 2013, totaled \$38,547,932, 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. The current year reduction in capital asset of \$1,919,012 is primarily due to depreciation expense, which totaled \$1,776,234 in the governmental activities and \$1,240,332 in the proprietary activities. School board capital assets are not included in the schedule below. Additional details on school board capital assets can be located in Note 6 to the financial statements.

The following table summarizes capital assets, net of depreciation:

	Governmental Activities		Business-type Activities		Total	
	FY 2013	FY 2012	FY 2013	FY 2012	FY 2013	FY 2012
Land	\$ 5,159,209	\$ 5,069,980	\$ 110,101	\$ 110,101	\$ 5,269,310	\$ 5,180,081
Construction in progress	-	-	497,799	2,670,854	497,799	2,670,854
Buildings	12,585,439	13,189,881	235,091	284,865	12,820,530	13,474,746
Improvements other than buildings	1,375,568	1,479,705	-	-	1,375,568	1,479,705
Machinery and equipment	1,567,971	1,907,158	817,127	595,260	2,385,098	2,502,418
Infrastructure	3,857,342	4,450,876	9,776,351	8,240,092	13,633,692	12,690,968
Allocations of Component Units	2,565,934	2,468,172	-	-	2,565,934	2,468,172
Totals	\$ 27,111,463	\$ 28,565,772	\$ 11,436,469	\$ 11,901,171	\$ 38,547,932	\$ 40,466,943

**Debt Administration.** The City's total outstanding general obligation debt at June 30, 2013 was \$20,413,295. This includes \$7,410,575 in School-related debt and \$7,676,720 of general government debt. Of this total, \$15,087,295 is considered to be tax supported debt and \$5,326,000 is related to Enterprise Fund (water & sewer, electric and airport) debt, which is directly supported by revenues generated from operations and not supported by taxes.

## CAPITAL ASSETS AND DEBT ADMINISTRATION: (CONTINUED)

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 ratio of net bonded debt to assessed value totals 2.35% (see Table 15).

	<u>FY 2013</u>	<u>FY 2012</u>
General Government Activities:		
Bonds Payable - General	\$ 7,676,720	\$ 6,712,266
School Related Bonds & Notes	<u>7,410,575</u>	<u>6,147,972</u>
Total Tax Supported Debt	\$ <u>15,087,295</u>	\$ <u>12,860,238</u>
Business-type Activities:	\$ 5,326,000	\$ 3,883,518
Total Long -Term Debt	\$ <u>20,413,295</u>	\$ <u>16,743,756</u>
Per Capita Tax Supported	\$ 1,758	\$ 1,499
Total Per Capita Debt	\$ <u>2,379</u>	\$ <u>1,951</u>

The City issued new general fund debt and refunded existing debt during the year totaling \$7.6 million in the form of general obligation bonds. New debt for business-type activities was \$3.1 million. The following debt was issued:

- ~ \$1.69 million - General Obligation School Bond - Virginia Public School Authority
- ~ \$4.05 million - Taxable General Obligation Refunding Bonds
- ~ \$2.95 million - Tax Exempt General Obligation Public Improvement Bonds
- ~ \$2.07 million - General Obligation Refunding Bond - Virginia Resources Authority

Additional information on the City's long-term debt can be found in Note 7.

## ECONOMIC FACTORS

The June 30, 2013 unemployment rate for the City of Franklin was 9.2% compared to 5.6% for Virginia and the national rate of 7.6%. The June 30, 2012 unemployment rate for the City of Franklin was 10.4%, compared to the state's unemployment rate of 5.6% and the average national rate of 7.6%.

## 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 any of the information provided in this report or requests for additional information should be addressed to the Director of Finance, 207 W. Second Avenue, Franklin, Virginia 23851.

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CITY OF FRANKLIN  
Statement of Net Position  
June 30, 2013

Exhibit 1

	Primary Government			Component Units	
	Governmental Activities	Business- type Activities	Total	School Board	Industrial Development Authority
<b>ASSETS</b>					
Cash and cash Equivalents	\$ 8,997,708	\$ 2,745,542	\$ 11,743,250	\$ 1,120,471	\$ 14,308
Receivables (net of allowance for uncollectibles):					
Property taxes receivable	569,669	-	569,669	-	-
Accounts receivable	775,627	1,780,309	2,555,936	21,899	-
Internal balances	969,874	(969,874)	-	-	-
Due from other governmental units	516,560	2,722	519,282	488,090	-
Inventories	226,048	40,751	266,799	11,155	-
Prepaid expenses	-	-	-	-	-
Restricted assets:					
Temporarily restricted:					
Cash and cash equivalents	2,122,637	700,333	2,822,970	-	-
Other assets:					
Deposits	-	-	-	-	-
Unamortized bond issue costs	-	71,378	71,378	-	-
Capital assets (net of accumulated depreciation):					
Land	5,159,209	110,101	5,269,310	-	-
Construction in progress	-	497,799	497,799	-	-
Land improvements	-	-	-	52,626	-
Buildings	15,151,373	235,091	15,386,464	4,581,495	-
Improvements other than buildings	1,375,568	-	1,375,568	-	-
Machinery and equipment	1,567,971	817,127	2,385,098	530,283	-
Infrastructure	3,857,342	9,776,351	13,633,692	3,851,876	-
Total assets	<u>\$ 41,289,586</u>	<u>\$ 15,807,629</u>	<u>\$ 57,097,216</u>	<u>\$ 10,657,895</u>	<u>\$ 14,308</u>
<b>LIABILITIES</b>					
Reconciled overdraft	\$ -	\$ 76,134	\$ 76,134	\$ -	\$ -
Accounts payable and accrued liabilities	945,199	1,189,782	2,134,981	1,298,474	-
Customers' deposits	-	655,302	655,302	-	-
Accrued interest payable	-	46,981	46,981	-	-
Deferred revenue	462,150	-	462,150	-	-
Deposits held in escrow	99,075	-	99,075	-	-
Long-term liabilities:					
Due within one year	880,034	535,458	1,415,492	150,387	-
Due in more than one year	16,930,623	4,951,263	21,881,887	369,940	-
Total liabilities	<u>\$ 19,317,082</u>	<u>\$ 7,454,919</u>	<u>\$ 26,772,001</u>	<u>\$ 1,818,801</u>	<u>\$ -</u>
<b>NET POSITION</b>					
Net investment in capital assets	\$ 9,300,806	\$ 5,949,747	\$ 15,250,553	\$ 9,016,279	\$ -
Restricted for:					
Debt service	1,066,335	700,333	1,766,668	-	-
Capital projects	1,056,302	-	1,056,302	-	-
Community development	626,877	-	626,877	-	-
Public safety and parks and recreation	101,399	-	101,399	-	-
Unrestricted (deficit)	9,820,786	1,702,628	11,523,414	(177,185)	14,308
Total net position	<u>21,972,505</u>	<u>8,352,708</u>	<u>30,325,213</u>	<u>8,839,094</u>	<u>14,308</u>
Total liabilities and net position	<u>\$ 41,289,587</u>	<u>\$ 15,807,628</u>	<u>\$ 57,097,215</u>	<u>\$ 10,657,895</u>	<u>\$ 14,308</u>

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

Statement of Activities  
For the Year Ended June 30, 2013

Page 1 of 2

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>PRIMARY GOVERNMENT</b>				
Governmental activities				
General government administration	\$ 2,464,954	\$ 148,629	\$ 165,441	\$ -
Judicial administration	390,639	69,127	-	-
Public safety	6,477,498	381,946	494,284	-
Public works	4,042,630	2,119,550	1,493,247	-
Health and welfare	2,029,046	-	1,782,579	-
Education	4,757,834	-	-	-
Parks, recreation, and cultural	987,498	15,356	-	-
Community development	1,238,138	-	-	-
Interest on long-term debt	862,901	-	-	-
Nondepartmental	88,315	-	-	-
Total governmental activities	\$ 23,339,452	\$ 2,734,607	\$ 3,935,552	\$ -
Business-type activities:				
Water and Sewer	\$ 2,784,937	\$ 3,154,656	\$ -	\$ -
Electric	12,742,843	13,996,271	-	-
Airport	599,945	178,334	-	178,275
Total business-type activities	\$ 16,127,725	\$ 17,329,261	\$ -	\$ 178,275
Total primary government	\$ 39,467,177	\$ 20,063,868	\$ 3,935,552	\$ 178,275
<b>COMPONENT UNITS:</b>				
School Board	\$ 16,474,308	\$ 124,572	\$ 10,809,227	\$ -
Industrial Development Authority	-	-	-	-
Total component units	\$ 16,474,308	\$ 124,572	\$ 10,809,227	\$ -



	Net (Expense) Revenue and Changes in Net Position				
	Primary Government			Component Units	
	Governmental Activities	Business- type Activities	Total	School Board	Industrial Development Authority
	\$ (2,150,884)	\$ -	\$ (2,150,884)	\$ -	\$ -
	(321,512)	-	(321,512)	-	-
	(5,601,268)	-	(5,601,268)	-	-
	(429,833)	-	(429,833)	-	-
	(246,467)	-	(246,467)	-	-
	(4,757,834)	-	(4,757,834)	-	-
	(972,142)	-	(972,142)	-	-
	(1,238,138)	-	(1,238,138)	-	-
	(862,901)	-	(862,901)	-	-
	(88,315)	-	(88,315)	-	-
	<u>\$ (16,669,294)</u>	<u>\$ -</u>	<u>\$ (16,669,294)</u>	<u>\$ -</u>	<u>\$ -</u>
	\$ -	\$ 369,719	\$ 369,719	\$ -	\$ -
	-	1,253,428	1,253,428	-	-
	-	(243,337)	(243,337)	-	-
	<u>\$ -</u>	<u>\$ 1,379,811</u>	<u>\$ 1,379,811</u>	<u>\$ -</u>	<u>\$ -</u>
	<u>\$ (16,669,294)</u>	<u>\$ 1,379,811</u>	<u>\$ (15,289,483)</u>	<u>\$ -</u>	<u>\$ -</u>
	\$ -	\$ -	\$ -	\$ (5,540,509)	\$ -
	-	-	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (5,540,509)</u>	<u>\$ -</u>
General revenues:					
General property taxes	\$ 6,761,228	\$ -	\$ 6,761,228	\$ -	\$ -
Local sales and use taxes	1,801,159	-	1,801,159	-	-
Restaurant food taxes	1,262,429	-	1,262,429	-	-
Business licenses	924,749	-	924,749	-	-
Consumers' utility taxes	451,582	-	451,582	-	-
Other local taxes	827,710	-	827,710	-	-
Revenue sharing from counties	243,503	-	243,503	-	-
Unrestricted revenues from use of money and property	430,218	-	430,218	4,562	11
Miscellaneous	346,392	-	346,392	173,021	-
Contribution from City of Franklin	-	-	-	4,634,559	-
Grants and contributions not restricted to specific programs	1,668,047	-	1,668,047	-	-
Transfers	1,561,084	(1,561,084)	-	-	-
Total general revenues	<u>\$ 16,278,101</u>	<u>\$ (1,561,084)</u>	<u>\$ 14,717,017</u>	<u>\$ 4,812,142</u>	<u>\$ 11</u>
Change in net position	<u>\$ (391,193)</u>	<u>\$ (181,273)</u>	<u>\$ (572,466)</u>	<u>\$ (728,367)</u>	<u>\$ 11</u>
Net position - beginning, as restated	22,363,698	8,533,981	30,897,679	9,567,461	14,297
Net position - ending	<u>\$ 21,972,505</u>	<u>\$ 8,352,708</u>	<u>\$ 30,325,213</u>	<u>\$ 8,839,094</u>	<u>\$ 14,308</u>



## CITY OF FRANKLIN, VIRGINIA

Exhibit 3

Balance Sheet

Governmental Funds

June 30, 2013

	General	Virginia Public Assistance	Capital Projects	Debt Service	Other Governmental Funds	Total
<b>ASSETS</b>						
Cash and cash equivalents	\$ 6,361,656	\$ -	\$ 1,976,098	\$ -	\$ 713,235	\$ 9,050,988
Receivables (net of allowance for uncollectibles):						
Property taxes receivable	569,669	-	-	-	-	569,669
Accounts receivable	575,124	82,037	-	-	118,466	775,627
Due from other funds	969,874	-	-	-	-	969,874
Due from other governmental units	516,560	-	-	-	-	516,560
Prepays	-	-	-	-	-	-
Inventory	-	-	-	-	226,048	226,048
Restricted assets:						
Cash and cash equivalents	1,056,302	-	-	1,066,335	-	2,122,637
Total assets	<u>\$ 10,049,185</u>	<u>\$ 82,037</u>	<u>\$ 1,976,098</u>	<u>\$ 1,066,335</u>	<u>\$ 1,057,748</u>	<u>\$ 14,231,403</u>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES:</b>						
Reconciled overdraft	\$ -	\$ 25,926	\$ -	\$ -	\$ 27,354	\$ 53,280
Accounts payable and accrued liabilities	821,587	48,536	-	-	75,076	945,199
Deferred revenue	462,150	-	-	-	-	462,150
Deposits held in escrow	67,060	-	-	-	32,015	99,075
Total liabilities	<u>\$ 1,350,797</u>	<u>\$ 74,462</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 134,445</u>	<u>\$ 1,559,705</u>
<b>FUND BALANCES:</b>						
Nonspendable:						
Inventory and prepaids	\$ -	\$ -	\$ -	\$ -	\$ 219,584	\$ 219,584
Long-term receivables - Airport	969,874	-	-	-	-	969,874
Restricted:						
Public safety - Chowan River Gauge Funds	13,950	-	-	-	33,107	47,057
Parks, recreation, and cultural	-	-	-	-	54,342	54,342
Community development	-	-	-	-	626,877	626,877
Debt service	-	-	-	1,066,335	-	1,066,335
Capital projects	1,056,302	-	-	-	-	1,056,302
Committed:						
General government	-	7,575	-	-	-	7,575
Public safety	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Education	643,174	-	-	-	-	643,174
Community development	-	-	-	-	-	-
Assigned:						
Capital projects	749,353	-	1,976,098	-	-	2,725,451
Debt service	1,616,795	-	-	-	-	1,616,795
Unassigned:						
General fund	3,648,940	-	-	-	-	3,648,940
Special revenue fund	-	-	-	-	(10,606)	(10,606)
Total fund balances	<u>\$ 8,698,388</u>	<u>\$ 7,575</u>	<u>\$ 1,976,098</u>	<u>\$ 1,066,335</u>	<u>\$ 923,304</u>	<u>\$ 12,671,700</u>
Total liabilities and fund balances	<u>\$ 10,049,185</u>	<u>\$ 82,037</u>	<u>\$ 1,976,098</u>	<u>\$ 1,066,335</u>	<u>\$ 1,057,750</u>	<u>\$ 14,231,404</u>

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

CITY OF FRANKLIN, VIRGINIA  
Reconciliation of the Balance Sheet of Governmental Funds  
To the Statement of Net Position  
June 30, 2013

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Exhibit 4

Total Fund Balances from Exhibit 3 - Balance Sheet Governmental Funds	\$	12,671,700
Capital Assets are Not Included		27,111,463
Other Long-Term Assets		462,150
Long-Term Liabilities		<u>(18,272,808)</u>
Net Position of Governmental Activities	\$	<u><u>21,972,505</u></u>

## CITY OF FRANKLIN, VIRGINIA

Exhibit 5

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

## Governmental Funds

For the Year Ended June 30, 2013

	General	Virginia Public Assistance	Capital Projects	Debt Service	Other Governmental Funds	Total
<b>REVENUES</b>						
General property taxes	\$ 6,761,228	\$ -	\$ -	\$ -	\$ -	6,761,228
Other local taxes	5,267,629	-	-	-	-	5,267,629
Permits, privilege fees, and regulatory licenses	54,736	-	-	-	-	54,736
Fines and forfeitures	63,941	-	-	-	-	63,941
Revenue from the use of money and property	244,073	-	470	32,769	109,013	386,324
Charges for services	2,615,929	-	-	-	-	2,615,929
Miscellaneous	439,574	-	-	-	150,321	589,895
Recovered costs	43,894	-	-	-	-	43,894
Intergovernmental revenues:						
Commonwealth	3,784,781	408,490	-	-	255,447	4,448,718
Federal	85,391	738,130	-	-	331,360	1,154,881
Total revenues	\$ 19,361,176	\$ 1,146,620	\$ 470	\$ 32,769	\$ 846,141	\$ 21,387,175
<b>EXPENDITURES</b>						
Current:						
General government administration	\$ 2,017,868	\$ -	\$ -	\$ -	\$ -	2,017,868
Judicial administration	390,639	-	-	-	-	390,639
Public safety	5,997,164	-	-	-	85,712	6,082,876
Public works	3,591,932	-	-	-	-	3,591,932
Health and welfare	144,173	1,546,237	-	-	300,263	1,990,673
Education	4,634,559	-	43,231	-	-	4,677,791
Parks, recreation, and cultural	830,300	-	-	-	15,449	845,750
Community development	812,137	-	-	-	426,001	1,238,138
Nondepartmental	64,245	-	-	-	-	64,245
Debt service:						
Principal retirement	-	-	-	4,193,126	-	4,193,126
Interest and other fiscal charges	17,694	-	-	2,056,899	-	2,074,593
Total expenditures	\$ 18,500,710	\$ 1,546,237	\$ 43,231	\$ 6,250,026	\$ 827,425	\$ 27,167,630
Excess (deficiency) of revenues over (under) expenditures	\$ 860,465	\$ (399,617)	\$ (42,761)	\$ (6,217,257)	\$ 18,716	\$ (5,780,454)
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	\$ 1,663,869	\$ 399,617	\$ -	\$ 1,210,829	\$ 306,990	\$ 3,581,305
Transfers (out)	(2,004,334)	-	-	-	(15,888)	(2,020,222)
Issuance of additional debt	1,207,000	-	1,920,591	5,009,988	-	8,137,578
Total other financing sources (uses)	\$ 866,535	\$ 399,617	\$ 1,920,591	\$ 6,220,817	\$ 291,102	\$ 9,698,662
Net change in fund balances	\$ 1,727,000	\$ -	\$ 1,877,830	\$ 3,560	\$ 309,818	\$ 3,918,207
Fund balances - beginning, as restated	6,971,387	7,575	98,268	1,062,775	613,484	8,753,489
Fund balances - ending	\$ 8,698,387	\$ 7,575	\$ 1,976,098	\$ 1,066,335	\$ 923,304	\$ 12,671,696

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

CITY OF FRANKLIN, VIRGINIA

Exhibit 6

Reconciliation of Statement of Revenues, Expenditures,  
And Changes in Fund Balances of Governmental Funds  
To the Statement of Activities  
For the Year Ended June 30, 2013

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

Net change in fund balances - total governmental funds	\$	3,918,207
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The following is a computation of these differences.

Capital asset additions	\$	321,925	
Depreciation expense		<u>(1,776,234)</u>	(1,454,309)

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

Issuance of long-term debt, net of premiums and deferred amount on refunding	\$	(8,137,578)	
Principal payments		4,193,126	
Premium on bond issue and interest charges		1,211,693	
Deferred amount on refunding		<u>(24,070)</u>	<u>(2,756,829)</u>

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.

Compensated absences	\$	4,058	
Other postemployment benefits		<u>(102,320)</u>	<u>(98,262)</u>
Change in net position of governmental activities			<u><u>(391,193)</u></u>

## Statement of Net Position

Proprietary Funds

June 30, 2013

	Water and Sewer Fund	Electric Fund	Airport Fund	Total
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 2,099,541	\$ 646,000	\$ -	\$ 2,745,542
Accounts receivable, net of allowances for uncollectibles	281,997	1,477,935	20,377	1,780,309
Due from other governmental units	-	-	2,722	2,722
Inventories	-	-	40,751	40,751
Unamortized bond issue costs - current portion	3,931	2,017	-	5,948
Restricted assets:				
Cash and cash equivalents	-	700,333	-	700,333
Total current assets	<u>\$ 2,385,470</u>	<u>\$ 2,826,285</u>	<u>\$ 63,850</u>	<u>\$ 5,275,604</u>
Noncurrent assets:				
Other assets:				
Deposits	\$ -	\$ -	\$ -	\$ -
Unamortized bond issue costs	43,239	22,191	-	65,430
Capital assets:				
Land	-	-	110,101	110,101
Construction in progress	497,799	-	-	497,799
Buildings and improvements	-	34,966	1,415,026	1,449,992
Equipment and furniture/fixtures	1,240,824	2,079,009	353,995	3,673,828
Infrastructure	15,200,907	12,917,798	5,608,554	33,727,259
	(13,325,017)	(10,774,842)	(3,922,652)	(28,022,511)
Less: accumulated depreciation	7)	(10,774,842)	(3,922,652)	(28,022,511)
Total capital assets	<u>\$ 3,614,513</u>	<u>\$ 4,256,931</u>	<u>\$ 3,565,024</u>	<u>\$ 11,436,468</u>
Total noncurrent assets	<u>\$ 3,657,752</u>	<u>\$ 4,279,122</u>	<u>\$ 3,565,024</u>	<u>\$ 11,501,898</u>
Total assets	<u>\$ 6,043,222</u>	<u>\$ 7,105,407</u>	<u>\$ 3,628,874</u>	<u>\$ 16,777,504</u>
<b>LIABILITIES</b>				
Current liabilities:				
Reconciled overdraft	\$ -	\$ -	\$ 76,134	\$ 76,134
Accounts payable and accrued liabilities	177,283	1,003,031	9,469	1,189,782
Customers' deposits	-	667,935	(12,633)	655,302
Accrued interest payable	46,981	-	-	46,981
Due to other funds	-	-	969,874	969,874
Current portion of long-term liabilities	303,560	224,280	7,617	535,458
Total current liabilities	<u>\$ 527,823</u>	<u>\$ 1,895,246</u>	<u>\$ 1,050,461</u>	<u>\$ 3,473,530</u>
Noncurrent liabilities:				
Long-term liabilities - less current position	<u>\$ 3,073,930</u>	<u>\$ 1,870,315</u>	<u>\$ 7,019</u>	<u>\$ 4,951,263</u>
Total noncurrent liabilities	<u>\$ 3,073,930</u>	<u>\$ 1,870,315</u>	<u>\$ 7,019</u>	<u>\$ 4,951,263</u>
Total liabilities	<u>\$ 3,601,753</u>	<u>\$ 3,765,560</u>	<u>\$ 1,057,479</u>	<u>\$ 8,424,793</u>
<b>NET POSITION</b>				
Net investment in capital assets	\$ 237,023	\$ 2,162,336	\$ 3,550,388	\$ 5,949,747
Restricted	-	700,333	-	700,333
Unrestricted	<u>2,204,445</u>	<u>477,177</u>	<u>(978,994)</u>	<u>1,702,628</u>
Total net position	<u>\$ 2,441,468</u>	<u>\$ 3,339,846</u>	<u>\$ 2,571,394</u>	<u>\$ 8,352,708</u>
Total liabilities and net position	<u>\$ 6,043,221</u>	<u>\$ 7,105,407</u>	<u>\$ 3,628,874</u>	<u>\$ 16,777,504</u>

CITY OF FRANKLIN, VIRGINIA  
Statement of Revenues, Expenses, and Changes in Net Position  
Proprietary Funds  
For the Year Ended June 30, 2013

Exhibit 8

	Water and Sewer Fund	Electric Fund	Airport Fund	Total
<b>OPERATING REVENUES</b>				
Charges for services	\$ 3,154,656	\$ 13,996,271	\$ 178,334	\$ 17,329,261
Miscellaneous	-	-	-	-
Total operating revenues	<u>\$ 3,154,656</u>	<u>\$ 13,996,271</u>	<u>\$ 178,334</u>	<u>\$ 17,329,261</u>
<b>OPERATING EXPENSES</b>				
Personal services	\$ 506,797	\$ 733,987	\$ 71,371	\$ 1,312,155
Benefits	112,538	168,425	16,503	297,467
Purchased services/goods - for resale	-	10,440,066	68,083	10,508,150
Contractual services	79,417	16,161	-	95,577
Other charges	1,008,873	525,454	164,326	1,698,653
Payment to general fund for services and taxes	372,821	385,227	2,222	760,270
Depreciation and amortization	549,568	413,324	277,440	1,240,332
Total operating expenses	<u>\$ 2,630,014</u>	<u>\$ 12,682,645</u>	<u>\$ 599,945</u>	<u>\$ 15,912,604</u>
Operating income (loss)	<u>\$ 524,642</u>	<u>\$ 1,313,626</u>	<u>\$ (421,611)</u>	<u>\$ 1,416,657</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Connection fees	\$ -	\$ -	\$ -	\$ -
Interest expense	154,923	60,198	-	215,121
Total nonoperating revenues (expenses)	<u>\$ 154,923</u>	<u>\$ 60,198</u>	<u>\$ -</u>	<u>\$ 215,121</u>
Income before capital grants and transfers	<u>\$ 369,719</u>	<u>\$ 1,253,428</u>	<u>\$ (421,611)</u>	<u>\$ 1,201,536</u>
Capital grants:				
Commonwealth	\$ -	\$ -	\$ 16,594	\$ 16,594
Federal	-	-	161,681	161,681
Transfers in	-	-	86,897	86,897
Transfers (out)	<u>(157,915)</u>	<u>(1,490,066)</u>	<u>-</u>	<u>(1,647,981)</u>
Change in net position	<u>\$ 211,804</u>	<u>\$ (236,638)</u>	<u>\$ (156,440)</u>	<u>\$ (181,273)</u>
Total net position - beginning, as restated	<u>2,229,664</u>	<u>3,576,484</u>	<u>2,727,833</u>	<u>8,533,981</u>
Total net position - ending	<u>\$ 2,441,468</u>	<u>\$ 3,339,846</u>	<u>\$ 2,571,393</u>	<u>\$ 8,352,708</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  
For the Year Ended June 30, 2013

Exhibit 9

	Water and Sewer Fund	Electric Fund	Airport Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers and users	\$ 3,106,225	\$ 14,122,520	\$ 176,784	\$ 17,405,529
Payments to suppliers for goods and services	(1,730,712)	(11,401,738)	(259,078)	(13,391,528)
Payments to and on behalf of employees	(619,335)	(902,412)	(87,874)	(1,609,622)
Net cash provided (used) by operating activities	<u>\$ 756,177</u>	<u>\$ 1,818,370</u>	<u>\$ (170,169)</u>	<u>\$ 2,404,379</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers (to) other funds	\$ (157,915)	\$ (1,490,066)	\$ -	\$ (1,647,981)
Transfers from other funds	-	-	86,897	86,897
Net cash provided (used) by noncapital financing activities	<u>\$ (157,915)</u>	<u>\$ (1,490,066)</u>	<u>\$ 86,897</u>	<u>\$ (1,561,084)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Capital grants	\$ -	\$ -	\$ 178,275	\$ 178,275
Acquisition and construction of capital assets	(435,731)	(64,411)	(109,683)	(609,825)
Debt Issuance Proceeds	685,437	756,990	-	1,442,427
Reconciled overdraft	-	-	76,134	76,134
Interest paid on capital debt	(154,923)	(60,198)	-	(215,121)
Net cash provided (used) by capital and related financing activities	<u>\$ 94,783</u>	<u>\$ 632,381</u>	<u>\$ 144,725</u>	<u>\$ 871,889</u>
Net increase (decrease) in cash and cash equivalents	\$ 693,046	\$ 960,684	\$ 61,454	\$ 1,715,184
Cash and cash equivalents - beginning	<u>1,406,496</u>	<u>385,649</u>	<u>(61,454)</u>	<u>1,730,691</u>
Cash and cash equivalents - ending	<u>\$ 2,099,542</u>	<u>\$ 1,346,333</u>	<u>\$ -</u>	<u>\$ 3,445,875</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>				
Operating income (loss)	\$ 524,642	\$ 1,313,626	\$ (421,611)	\$ 1,416,657
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	\$ 549,568	\$ 413,324	\$ 277,440	\$ 1,240,332
(Increase) decrease in accounts receivable	(48,431)	56,781	(1,550)	6,800
Increase (decrease) in other post-employment benefits	-	-	-	-
(Increase) decrease in inventories	-	-	(25,127)	(25,127)
Increase (decrease) in accounts payable and accrued liabilities	(269,602)	(34,829)	680	(303,751)
Increase (decrease) in compensated absences	-	-	-	-
Increase (decrease) in customer deposits	-	69,468	-	69,468
Total adjustments	<u>\$ 231,535</u>	<u>\$ 504,743</u>	<u>\$ 251,443</u>	<u>\$ 987,721</u>
Net cash provided (used) by operating activities	<u>\$ 756,177</u>	<u>\$ 1,818,370</u>	<u>\$ (170,169)</u>	<u>\$ 2,404,379</u>

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

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ <u>159,910</u>
Total assets	\$ <u><u>159,910</u></u>
<b>LIABILITIES</b>	
Amounts held for others	\$ <u>159,910</u>
Total liabilities	\$ <u><u>159,910</u></u>
<b>NET POSITION</b>	
Total net position	\$ <u>-</u>
Total liabilities and net position	\$ <u><u>159,910</u></u>

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

## CITY OF FRANKLIN, VIRGINIA

### NOTES TO THE FINANCIAL STATEMENTS AS OF JUNE 30, 2013

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#### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

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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 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 are broken down into three categories – 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

##### Statement of Activities

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

**A. Government-wide and Fund Financial Statements (CONTINUED)**

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.

**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 principals prescribed by GASB represent generally accepted accounting principles applicable to governmental units.

The City applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict 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.

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (CONTINUED)**

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., expense) in net total 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.

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (CONTINUED)**

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.

Regional Fire Training Grounds Fund – accounts for revenues and expenditures related to maintenance of the Regional Fire Training grounds. Most revenues are derived from interest earned on bank deposits.

Police Federal Forfeiture Fund – accounts for revenues and expenditures related to police forfeitures. Revenues are derived from entitlement funds received from the federal government.

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.

Foundation Grants Fund – accounts for revenues and expenditures related to local grants. Revenues are derived from local grants.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (CONTINUED)

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.

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 Fund – accounts for a federal grant and the related expenditures. The grant is to be used for community development.

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.

Willie Camp Younts Fund – accounts for revenues and expenditures related to the maintenance of the Willie Camp Younts cemetery.

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.

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.

Disaster Recovery Fund – accounts for revenues and expenditures related to the reconstruction of the City area caused by the devastation of Hurricane Isabel. Revenues are derived from aid received from the Commonwealth of Virginia and the federal government.

Fire and Rescue Volunteers Fund – accounts for revenues and expenditures related to the activities of the fire and rescue volunteers.

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.

Camp Homestead Fund – accounts for revenues and expenditures related to the maintenance and upkeep of the Camp family home on Homestead Lane.

Charles Smith Cemetery Trust Fund – accounts for revenues and expenditures of the Charles Smith Cemetery.

Cemetery Perpetual Care Trust Fund – accounts for revenues and expenditures of the Cemetery.

Southview Cemetery Trust Fund – accounts for revenues and expenditures of the Southview Cemetery.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (CONTINUED)

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 GASB as well as Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict 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.

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.



C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (CONTINUED)

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 Fund and 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.

Early Childhood Commission – 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.

Discretely Presented Component Units

City of Franklin Public Schools

The City of Franklin Public Schools (School Board) is responsible for elementary and secondary education within the City. The Schools are fiscally dependent upon the City because the City Council approves the annual budget of the Schools, levies the necessary taxes to finance the Schools' operations, and approves the borrowing of money. The School Board is reported in a separate column to emphasize that it is legally separate from the City. During the current year, the City contributed \$4,194,221 to the School Board.

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 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. Expenditures over the original budget of any department 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, several Special Revenue Funds, the Debt Service 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.

#### **D. Allowance for Uncollectible Amounts**

The City calculates its allowances for uncollectible property taxes, refuse collection, and utility service charges using historical collection data. At June 30, 2013, the allowance attributed to the General Fund amounted to \$320,500, water and sewer in the amount of \$98,061 and utility service charges in the amount of \$513,657.

#### **E. Cash and Investments**

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

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**F. 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.

**G. Capital Assets**

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

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

The City’s capitalization policy threshold is \$5,000, or \$1,000 or more for office equipment. All capital assets are valued at historical cost or estimated historical cost if actual cost was not available. Donated assets are valued at their estimated fair market value on the date donated. 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>Years</u>
Buildings	40
Improvements other than buildings	20 - 50
Machinery and equipment	3 - 50
Infrastructure	10 - 30

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.

**H. 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.

**I. Deferred Revenue**

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

**J. 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.

**K. 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.

**L. 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.

**M. Credit Risk**

The assessed value of real estate and personal property for the City's ten largest taxpayers comprise 15.27% and 14.12% 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.

**N. Net Position**

Net position in the government-wide financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net position represent 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.

**O. 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 are not in spendable form (such as inventory and prepaids) or are required to be maintained intact (corpus of a permanent fund);
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amount cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance – amounts that are available for any purpose; positive amounts are only reported in the general fund.

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

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

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### O. Fund Equity (CONTINUED)

The City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance/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.

### P. 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 5th and December 5th. Personal property taxes are due and collectible annually on November 5th. The City bills and collects its own property taxes.

## NOTE 2 – DEPOSITS AND INVESTMENTS:

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### 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.

**NOTE 3 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS:**

Interfund balances at June 30, 2013, were as follows:

	<u>Interfund receivable</u>	<u>Interfund payable</u>
Major funds:		
General	\$ 969,874	\$ -
Proprietary funds:		
Airport	-	969,874
	<u>969,874</u>	<u>969,874</u>
Total	\$ <u>969,874</u>	\$ <u>969,874</u>

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

Interfund transfers for the year ended June 30, 2013, were as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Major funds:		
General	\$ 1,663,869	\$ 2,004,334
Virginia public assistance	399,617	
Capital projects		
Debt service	1,210,829	
Nonmajor governmental funds:		
Disaster recovery		15,888
Comprehensive services act	143,952	
Block grant fund		
Economic development	163,038	
Proprietary funds:		
Water and sewer		157,915
Airport	86,897	
Electric		1,490,066
	<u>3,668,202</u>	<u>3,668,202</u>
Total	\$ <u>3,668,202</u>	\$ <u>3,668,202</u>

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

**NOTE 4 – RECEIVABLES:**

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Receivables in the fund statements at June 30, 2013, are as follows:

***Primary Government***

	<u>General</u>	<u>Virginia Public Assistance</u>	<u>Nonmajor Governmental Funds</u>	<u>Business- type Activities</u>	<u>Total</u>
Property taxes	\$ 702,059	\$ -	\$ -	\$ -	\$ 702,059
Accounts receivable	<u>763,234</u>	<u>82,037</u>	<u>118,466</u>	<u>2,392,027</u>	<u>3,355,764</u>
Total receivables	\$ <u>1,465,293</u>	\$ <u>82,037</u>	\$ <u>118,466</u>	\$ <u>2,392,027</u>	\$ <u>4,057,823</u>
Less-allowance for uncollectible accounts:					
Property taxes	\$ 132,390	\$ -	\$ -	\$ -	\$ 132,390
Utility and other service charges	<u>188,110</u>	<u>-</u>	<u>-</u>	<u>611,718</u>	<u>799,828</u>
Receivables - net	\$ <u><u>1,144,793</u></u>	\$ <u><u>82,037</u></u>	\$ <u><u>118,466</u></u>	\$ <u><u>1,780,309</u></u>	\$ <u><u>3,125,605</u></u>

**NOTE 5 – DUE FROM OTHER GOVERNMENTS:**

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Due from other governments consists of the following at June 30, 2013:

***Primary Government***

	<u>General</u>	<u>Component Unit - School Board</u>
<b>Commonwealth of Virginia:</b>		
Total due from the Commonwealth of Virginia	\$ <u>447,506</u>	\$ <u>234,529</u>
<b>Federal Government:</b>		
Total due from federal government	\$ <u>69,054</u>	\$ <u>253,561</u>
Total due from other governments	\$ <u><u>516,560</u></u>	\$ <u><u>488,090</u></u>

**NOTE 6 – CAPITAL ASSETS:**

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

**Governmental Activities**

	Balance June 30, 2012	Increases	Decreases	Balance June 30, 2013
<b>Capital assets not being depreciated</b>				
Land	\$ 5,069,980	\$ 89,229	\$ -	\$ 5,159,209
<b>Total capital assets not being depreciated</b>	<u>\$ 5,069,980</u>	<u>\$ 89,229</u>	<u>\$ -</u>	<u>\$ 5,159,209</u>
<b>Capital assets being depreciated</b>				
Buildings	\$ 17,943,611	\$ 48,221	\$ -	\$ 17,991,832
Improvements other than buildings	3,167,002	45,000	-	3,212,002
Machinery and equipment	8,549,211	249,369	140,361	8,658,219
School joint tenancy assets	4,888,086	-	-	4,888,086
Infrastructure	15,700,453	30,467	-	15,730,920
<b>Total capital assets being depreciated</b>	<u>\$ 50,248,363</u>	<u>\$ 373,057</u>	<u>\$ 140,361</u>	<u>\$ 50,481,059</u>
<b>Less-accumulated depreciation</b>				
Buildings	\$ 4,705,472	\$ 457,139	\$ -	\$ 5,162,611
Improvements other than buildings	1,687,297	149,137	-	1,836,434
Machinery and equipment	6,642,053	588,556	140,361	7,090,248
School joint tenancy assets	2,468,172	97,762	-	2,565,934
Infrastructure	11,249,577	624,001	-	11,873,578
<b>Total accumulated depreciation</b>	<u>\$ 26,752,571</u>	<u>\$ 1,916,595</u>	<u>\$ 140,361</u>	<u>\$ 28,528,805</u>
<b>Subtotal capital assets, net</b>	<u>\$ 23,495,792</u>	<u>\$ (1,543,538)</u>	<u>\$ -</u>	<u>\$ 21,952,254</u>
<b>Total capital assets, governmental activities, net</b>	<u><u>\$ 28,565,772</u></u>	<u><u>\$ (1,454,309)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 27,111,463</u></u>

- 1) 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, 2012, is that school financed assets in the amount of \$2,419,914 net are reported in the Primary Government for financial reporting purposes.



NOTE 6 – CAPITAL ASSETS: (CONTINUED)

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

General Governmental Administration	\$	426,040
Public Safety		491,733
Public Works		681,067
Health and Welfare		46,868
Parks, Recreation, and Cultural		173,125
Education		97,762
Total	\$	<u>1,916,595</u>

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

	<u>Balance</u> <u>June 30, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2013</u>
<b>Water and Sewer Fund:</b>				
<b>Capital assets not being depreciated</b>				
Construction in progress	\$ 497,799	\$ -	\$ -	\$ 497,799
<b>Total capital assets not being depreciated</b>	<u>\$ 497,799</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 497,799</u>
<b>Other capital assets</b>				
Infrastructure	\$ 14,960,548	\$ 240,360	\$ -	\$ 15,200,908
Machinery and equipment	1,045,452	195,372	-	1,240,824
<b>Total other capital assets</b>	<u>\$ 16,006,000</u>	<u>\$ 435,732</u>	<u>\$ -</u>	<u>\$ 16,441,732</u>
<b>Less - accumulated depreciation</b>				
Infrastructure	\$ 11,940,207	\$ 501,256	\$ -	\$ 12,441,464
Machinery and equipment	835,239	48,314	-	883,553
<b>Total accumulated depreciation</b>	<u>\$ 12,775,447</u>	<u>\$ 549,570</u>	<u>\$ -</u>	<u>\$ 13,325,017</u>
<b>Subtotal capital assets, net</b>	<u>\$ 3,230,553</u>	<u>\$ (113,839)</u>	<u>\$ -</u>	<u>\$ 3,116,715</u>
<b>Total Water and Sewer Fund</b>	<u>\$ 3,728,352</u>	<u>\$ (113,839)</u>	<u>\$ -</u>	<u>\$ 3,614,514</u>

NOTE 6 – CAPITAL ASSETS: (CONTINUED)

	Balance June 30, 2012	Increases	Decreases	Balance June 30, 2013
<b>Electric Fund:</b>				
<b>Capital assets not being depreciated</b>				
Construction in progress	\$ 60,356	\$ -	\$ 60,356	\$ -
<b>Total capital assets not being depreciated</b>	<b>\$ 60,356</b>	<b>\$ -</b>	<b>\$ 60,356</b>	<b>\$ -</b>
<b>Other capital assets</b>				
Infrastructure	\$ 12,789,400	\$ 128,398	\$ -	\$ 12,917,798
Buildings and improvements	34,966	-	-	34,966
Machinery and equipment	1,914,114	164,895	-	2,079,009
<b>Total other capital assets</b>	<b>\$ 14,738,480</b>	<b>\$ 293,293</b>	<b>\$ -</b>	<b>\$ 15,031,773</b>
<b>Less - accumulated depreciation</b>				
Infrastructure	\$ 8,671,866	\$ 353,896	\$ -	\$ 9,025,762
Buildings and improvements	34,966	-	-	34,966
Machinery and equipment	1,654,686	59,428	-	1,714,114
<b>Total accumulated depreciation</b>	<b>\$ 10,361,518</b>	<b>\$ 413,324</b>	<b>\$ -</b>	<b>\$ 10,774,842</b>
<b>Subtotal capital assets, net</b>	<b>\$ 4,376,962</b>	<b>\$ (120,031)</b>	<b>\$ -</b>	<b>\$ 4,256,931</b>
<b>Total Electric Fund</b>	<b>\$ 4,437,318</b>	<b>\$ (120,031)</b>	<b>\$ 60,356</b>	<b>\$ 4,256,931</b>
<b>Airport Fund:</b>				
<b>Capital assets not being depreciated</b>				
Land	\$ 110,101	\$ -	\$ -	\$ 110,101
Construction in progress	2,112,699	-	2,112,699	-
<b>Total capital assets not being depreciated</b>	<b>\$ 2,222,800</b>	<b>\$ -</b>	<b>\$ 2,112,699</b>	<b>\$ 110,101</b>
<b>Other capital assets</b>				
Infrastructure	\$ 3,378,893	\$ 2,229,661	\$ -	\$ 5,608,554
Buildings and improvements	1,415,026	-	-	1,415,026
Machinery and equipment	363,995	-	10,000	353,995
<b>Total other capital assets</b>	<b>\$ 5,157,914</b>	<b>\$ 2,229,661</b>	<b>\$ 10,000</b>	<b>\$ 7,377,575</b>
<b>Less - accumulated depreciation</b>				
Infrastructure	\$ 2,276,676	\$ 207,008	\$ -	\$ 2,483,684
Buildings and improvements	1,130,161	49,774	-	1,179,935
Machinery and equipment	238,376	30,657	10,000	259,033
<b>Total accumulated depreciation</b>	<b>\$ 3,645,213</b>	<b>\$ 287,439</b>	<b>\$ 10,000</b>	<b>\$ 3,922,652</b>
<b>Subtotal capital assets, net</b>	<b>\$ 1,512,701</b>	<b>\$ 1,942,222</b>	<b>\$ -</b>	<b>\$ 3,454,923</b>
<b>Total Airport Fund</b>	<b>\$ 3,735,501</b>	<b>\$ 1,942,222</b>	<b>\$ 2,112,699</b>	<b>\$ 3,565,024</b>
<b>Total capital assets, business-type activities, net</b>	<b>\$ 11,901,171</b>	<b>\$ 1,708,352</b>	<b>\$ 2,173,055</b>	<b>\$ 11,436,468</b>

NOTE 6 – CAPITAL ASSETS: (CONTINUED)

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

	<u>Balance</u> <u>June 30, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2013</u>
<b>Capital assets not being depreciated</b>				
Construction in progress	\$ 83,900	\$ -	\$ 83,900	\$ -
<b>Total capital assets not being depreciated</b>	<u>\$ 83,900</u>	<u>\$ -</u>	<u>\$ 83,900</u>	<u>\$ -</u>
<b>Other capital assets</b>				
Land improvement	\$ 144,911	\$ -	\$ -	\$ 144,911
Buildings	12,998,188	-	-	12,998,188
Infrastructure	4,292,955	111,770	-	4,404,725
School joint tenancy assets	(4,888,086)	-	-	(4,888,086)
Machinery and equipment	3,311,990	52,308	-	3,364,298
<b>Total other capital assets</b>	<u>\$ 15,859,958</u>	<u>\$ 164,078</u>	<u>\$ -</u>	<u>\$ 16,024,036</u>
<b>Less- accumulated depreciation</b>				
Land improvement	\$ 88,221	\$ 4,064	\$ -	\$ 92,285
Buildings	5,839,197	255,344	-	6,094,541
Infrastructure	485,910	66,939	-	552,849
School joint tenancy assets	(2,468,172)	(97,762)	-	(2,565,934)
Machinery and equipment	2,618,844	215,171	-	2,834,015
<b>Total accumulated depreciation</b>	<u>\$ 6,564,000</u>	<u>\$ 443,757</u>	<u>\$ -</u>	<u>\$ 7,007,757</u>
<b>Other capital assets - net</b>	<u>\$ 9,295,958</u>	<u>\$ (279,679)</u>	<u>\$ -</u>	<u>\$ 9,016,279</u>
<b>Total capital assets, net</b>	<u><u>\$ 9,379,858</u></u>	<u><u>\$ (279,679)</u></u>	<u><u>\$ 83,900</u></u>	<u><u>\$ 9,016,279</u></u>

**NOTE 7 - 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, 2013:

	<u>Balance</u> <u>June 30, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2013</u>	<u>Due</u> <u>within one</u> <u>year</u>
<b>Primary Government:</b>					
<b>Governmental Activities</b>					
General obligation bonds	\$ 12,860,239	\$ 7,641,000	\$ 5,413,944	\$ 15,087,295	\$ 353,612
Capital lease obligations	407,945	-	149,705	258,240	59,552
Premium on bond issuance	72,428	496,579	6,036	562,971	27,201
Deferred amount on refunding	(288,840)	-	(24,070)	(264,770)	(24,070)
Landfill postclosure/corrective action	908,660	-	50,572	858,088	-
Compensated absences	751,372	459,681	463,740	747,313	463,740
Other postemployment benefits	459,200	102,320	-	561,520	-
<b>Total - Governmental activities</b>	<u>\$ 15,171,004</u>	<u>\$ 8,699,580</u>	<u>\$ 6,059,927</u>	<u>\$ 17,810,658</u>	<u>\$ 880,034</u>
<b>Business-type Activities</b>					
Bonds payable	\$ 3,435,000	\$ 3,138,000	\$ 1,247,000	\$ 5,326,000	\$ 450,000
Premium on bond issuance	47,525	-	3,960	43,564	3,960
Deferred amount on refunding	(125,664)	-	(10,472)	(115,192)	(10,472)
Revolving loan	448,518	-	448,518	-	-
<b>Total bonds and loans</b>	<u>\$ 3,805,379</u>	<u>\$ 3,138,000</u>	<u>\$ 1,689,006</u>	<u>\$ 5,254,372</u>	<u>\$ 443,488</u>
Compensated absences	89,502	104,529	102,061	91,970	91,970
Other postemployment benefits	114,800	25,580	-	140,380	-
<b>Total - Business-type Activities</b>	<u>\$ 4,009,681</u>	<u>\$ 3,268,109</u>	<u>\$ 1,791,068</u>	<u>\$ 5,486,722</u>	<u>\$ 535,458</u>
<b>Total - Primary Government</b>	<u>\$ 19,180,685</u>	<u>\$ 11,967,689</u>	<u>\$ 7,850,994</u>	<u>\$ 23,297,380</u>	<u>\$ 1,415,492</u>
<b>Component Unit - School Board:</b>					
Compensated absences	\$ 296,577	\$ 209,936	\$ 150,387	\$ 356,127	\$ 150,387
Other postemployment benefits	134,600	29,600	-	164,200	-
<b>Total School Board</b>	<u>\$ 431,177</u>	<u>\$ 239,536</u>	<u>\$ 150,387</u>	<u>\$ 520,327</u>	<u>\$ 150,387</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.

**NOTE 7 – LONG-TERM OBLIGATIONS: (CONTINUED)**

General obligation debt of the governmental activities at June 30, 2013, is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Authorized and Issued	Outstanding June 30, 2013
<b>Primary Government:</b>					
<b>Governmental Obligations:</b>					
General obligation bonds:					
Public Improvement and Refunding					
Series 2010	04/27/10	01/15/26	2.00-4.50	\$ 5,235,000	\$ 3,305,000
Public Improvement Series 1999A	05/28/99	07/15/19	3.97	2,041,330	644,898
Public Improvement Series 2004	12/01/04	12/01/14	3.64	310,000	70,966
Public Improvement Series 2008	02/15/08	01/15/18	3.56	400,000	219,000
Virginia General Obligation Qualified Zone Academy Bond, Series 2005	12/29/05	12/20/20	-	2,214,429	2,214,429
Virginia Public School Authority Series 1995A	12/21/95	01/15/16	5.10-6.10	567,942	106,248
Virginia General Obligation Qualified Zone Academy Bond, Series 2003	12/31/03	12/31/17	-	1,000,000	1,000,000
Southampton county debt assumed*	01/01/96	06/30/14	N/A	N/A	2,754
Taxable General Obligation Refunding Bond, Series 2012A	12/20/12	06/30/27	3.05	2,664,000	2,547,000
Tax-Exempt General Obligation Public Improvement and Refunding Bond, Series 2012B	12/20/12	06/30/28	3.05	1,207,000	1,207,000
General Obligation Refunding Bond, Series 2013	04/04/13	10/01/38	3.65	2,075,000	2,075,000
General Obligation School Bonds, Series 2013A	04/12/13	07/15/33	3.05-5.05	1,695,000	1,695,000
<b>Total general obligation bonds</b>					<b>\$ 15,087,295</b>
<b>Capital lease obligations:</b>					
Garbage Truck	06/20/11	06/20/16	3.22	101,955	63,101
Fire Truck	06/13/11	08/20/20	3.74	217,020	175,139
Refueller Truck	09/15/11	10/01/14	-	60,000	20,000
<b>Total capital lease obligations</b>					<b>\$ 258,240</b>
Premium on bond issuance					\$ 562,971
Deferred amount on refunding					(264,770)
Landfill post-closure/corrective action					858,088
Compensated absences					747,314
Other postemployment benefits					561,520
<b>Total general long-term obligations</b>					<b>\$ 17,810,657</b>
The assets acquired through capital leases are as follows:					
Asset:					
Machinery and equipment				\$ 534,810	
Less: accumulated depreciation					67,481
Total					<b>\$ 467,329</b>

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

NOTE 7 - LONG-TERM OBLIGATIONS: (CONTINUED)

Description	Issue Date	Final Maturity	Interest Rate	Authorized and Issued	Outstanding June 30, 2013
<b>Water and Sewer Fund:</b>					
General obligation bonds - Public Improvement and Refunding Series 2010	04/27/10	01/15/26	2.00-4.50	\$ 3,435,000	\$ 1,035,000
Taxable General Obligation Refunding Bond, Series 2012A	12/20/12	01/15/24	3.05	1,387,000	1,375,000
Tax-Exempt General Obligation Public Improvement and Refunding Bond, Series 2012B	12/20/12	01/15/23	3.05	907,000	907,000
Premium on bond issuance	-	-	-	-	28,790
Deferred amount on refunding	-	-	-	-	(53,049)
Compensated absences	-	-	-	-	28,597
Other postemployment benefits	-	-	-	-	56,152
Total Water and Sewer Fund	-	-	-	-	\$ <u>3,377,490</u>
<b>Electric Fund:</b>					
General obligation bonds - Public Improvement and Refunding Series 2010	04/27/10	01/15/26	2.00-4.50	\$ 3,435,000	\$ 1,165,000
Tax-Exempt General Obligation Public Improvement and Refunding Bond, Series 2012B	12/20/12	01/15/23	3.05	844,000	844,000
Premium on bond issuance	-	-	-	-	14,775
Deferred amount on refunding	-	-	-	-	(62,143)
Compensated absences	-	-	-	-	55,755
Other postemployment benefits	-	-	-	-	77,209
Total Electric Fund	-	-	-	-	\$ <u>2,094,595</u>
<b>Airport Fund:</b>					
Compensated absences	-	-	-	-	\$ 7,617
Other postemployment benefits	-	-	-	-	7,019
Total Airport Fund	-	-	-	-	\$ <u>14,636</u>
Total Proprietary Funds	-	-	-	-	\$ <u>5,486,722</u>
Total Primary Government	-	-	-	-	\$ <u><u>23,297,380</u></u>

NOTE 7 - LONG-TERM OBLIGATIONS: (CONTINUED)

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

Fiscal Year Ending June 30,	General Obligation Bonds		Capital Leases	
	Principal	Interest	Principal	Interest
2014	\$ 353,612	\$ 420,928	\$ 59,552	\$ 8,591
2015	419,284	436,005	40,926	7,216
2016	493,780	420,756	42,348	5,794
2017	575,673	402,505	21,418	4,322
2018	593,270	381,672	22,220	3,520
2019	1,548,092	359,258	23,052	2,688
2020	680,155	337,319	23,915	1,825
2021	2,849,429	309,180	24,810	929
2022	853,000	283,161	-	-
2023	890,000	249,378	-	-
2024	925,000	217,108	-	-
2025	909,000	183,648	-	-
2026	946,000	150,365	-	-
2027	928,000	115,695	-	-
2028	283,000	82,109	-	-
2029	190,000	71,473	-	-
2030	195,000	63,861	-	-
2031	200,000	56,245	-	-
2032	210,000	47,995	-	-
2033	220,000	39,331	-	-
2034	225,000	30,538	-	-
2035	110,000	23,843	-	-
2036	115,000	19,068	-	-
2037	120,000	14,069	-	-
2038	125,000	8,828	-	-
2039	130,000	3,069	-	-
	<u>\$ 15,087,295</u>	<u>\$ 4,727,407</u>	<u>\$ 258,241</u>	<u>\$ 34,885</u>

**NOTE 7 - LONG-TERM OBLIGATIONS: (CONTINUED)**

Long-Term Liabilities - Business-Type Activities:

Long-term obligations of the business-type activities at June 30, 2013, are comprised of the following:

Fiscal Year Ending June 30,	General Obligation Bonds					
	Water and Sewer Fund		Electric Fund		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 265,000	\$ 101,125	\$ 185,000	\$ 59,873	\$ 450,000	\$ 160,998
2015	273,000	93,935	193,000	54,747	466,000	148,682
2016	278,000	87,609	200,000	50,452	478,000	138,061
2017	287,000	80,048	207,000	45,100	494,000	125,148
2018	294,000	72,235	214,000	39,554	508,000	111,789
2019	302,000	64,053	220,000	33,652	522,000	97,705
2020	311,000	55,086	222,000	27,234	533,000	82,320
2021	321,000	44,869	234,000	19,254	555,000	64,123
2022	333,000	33,825	241,000	10,780	574,000	44,605
2023	343,000	22,375	93,000	2,037	436,000	24,412
2024	310,000	10,963	-	-	310,000	10,963
Total	\$ <u>3,317,000</u>	\$ <u>666,123</u>	\$ <u>2,009,000</u>	\$ <u>342,683</u>	\$ <u>5,326,000</u>	\$ <u>1,008,806</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, 2013, the City's aggregate general obligation indebtedness is approximately \$36.7 million less than the Commonwealth's limit as summarized in the following table:

<b>Total assessed value of taxed assessed value</b>	
Assessed value of real estate	\$ <u>571,544,231</u>
<b>Debt limit - 10% of total assessed value</b>	\$ 57,154,423
<b>Amount of debt applicable to debt limit</b>	
General obligation debt:	
Primary Government	\$ 15,087,295
Business-type	5,326,000
	<u>20,413,295</u>
<b>Legal debt margin</b>	\$ <u>36,741,128</u>

**Note:** The City was in compliance with all significant financial covenants contained in the various indentures at June 30, 2013.



**NOTE 7 - LONG-TERM OBLIGATIONS: (CONTINUED)**

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

Debt Issuance	Reason for Debt Issuance
<b>Governmental Activities:</b>	
Public Improvement and Refunding Series 2010	Schools Realignment and Gym, Social Services Building., King Center, City Buildings
Public Improvement Series 1999A	School Roofs
Public Improvement Series 2004	Bleachers - Armory Field/Athletic Field FHS
Public Improvement Series 2008	Cemetery Expansion - Poplar Springs
Virginia General Obligation Qualified Zone Academy Bond, Series 2005	Capital School Improvements
Virginia Public School Authority Series 1995A	Franklin High School Air Conditioning and Band Room
Virginia General Obligation Qualified Zone Academy Bond, Series 2003	Capital School Improvement Projects
Southampton county debt assumed*	Phase II Annexation
Taxable General Obligation Refunding Bond, Series 2012A	Refinancing of existing indebtedness; Capital Projects, including building repairs, computer systems upgrades, vehicle and equipment purchases, HVAC repair, and water main improvement
Tax-Exempt General Obligation Public Improvement and Refunding Bond, Series 2012B	Refinancing of existing indebtedness; Capital Projects, including building repairs, computer systems upgrades, vehicle and equipment purchases, and HVAC repair
General Obligation Refunding Bond, Series 2013	Refunding of 2002 RD Loan
General Obligation School Bonds, Series 2013A	Capital Projects, including building repairs, bleacher replacements, school bus purchases, HVAC repairs, oven replacements, and track re-surfacing
<b>Business-Type Activities:</b>	
<i>Water and Sewer Fund:</i>	
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
<i>Electric Fund:</i>	
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

**NOTE 8 – COMPENSATED ABSENCES:**

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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 \$747,313 and \$91,970, respectively, as of June 30, 2013. 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, 2013, accumulated unpaid vacation and sick leave amounted to \$356,127.

## NOTE 9 – DEFINED PENSION BENEFIT OBLIGATION:

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### A. Plan Description

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

All full-time, salaried permanent (professional) employees of public school divisions and employees of participating employers are automatically covered by VRS upon employment. Benefits vest after five years of service credit. Members earn one month of service credit for each month they are employed and their employer is paying into the VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as credit in their plan.

VRS administers two defined benefit plans for local government employees – Plan 1 and Plan 2:

- Members hired before July 1, 2010 and who have service credits before July 1, 2010 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit early at age 55 with at least five years of service credit or age 50 with at least 10 years of service credit.
- Members hired or rehired on or after July 1, 2010 and who have no service credits before July 1, 2010 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.
- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.70%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.70% or 1.85% as elected by the employer. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1 of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5.00%; under Plan 2, the COLA cannot exceed 6.00%. During years of no inflation or deflation, the COLA is 0.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

**NOTE 9 – DEFINED PENSION BENEFIT OBLIGATION: (CONTINUED)**

**A. Plan Description (CONTINUED)**

The system issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS Web site at <http://www.varetire.org/Pdf/Publications/2012-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

**B. Funding Policy**

Primary Government

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. In addition, the City is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The City’s contribution rate for the fiscal year ended 2013 was 10.98% of annual covered payroll.

**C. Annual Pension Cost**

Primary Government

For fiscal year 2013, the City’s annual pension cost of \$801,556 was equal to the City’s required and actual contributions.

**Three – Year Trend Information - Primary Government**

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)<sup>1</sup></u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2011	735,224	100%	-
6/30/2012	748,861	100%	-
6/30/2013	801,556	100%	-

<sup>1</sup>Employer portion only

The FY 2013 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2009 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the City’s assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The City’s unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2011 for the Unfunded Actuarial Accrued Liability (UAAL) was 20 years.

**NOTE 9 – DEFINED PENSION BENEFIT OBLIGATION: (CONTINUED)**

**C. Annual Pension Cost (CONTINUED)**

Discretely Presented Component Unit – School Board (Non-professional)

For fiscal year 2013, the School Board’s annual pension cost of \$37,978 was equal to the School Board’s required and actual contributions.

<b>Three – Year Trend Information for School Board - Component Unit</b>			
<b>Fiscal Year Ending</b>	<b>Annual Pension Cost (APC)<sup>1</sup></b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
6/30/2011	37,999	100%	-
6/30/2012	36,858	100%	-
6/30/2013	37,978	100%	-

<sup>1</sup>Employer portion only

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their annual salary to the VRS. The School Board has elected to assume the 5.00% member contribution. In addition, the School Board is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The School Board’s contribution rate for the fiscal year ended 2013 was 3.93% of annual covered payroll.

**D. Funded Status and Funding Progress**

Primary Government

As of June 30, 2012, the most recent actuarial valuation date, the plan was 72.80% funded. The actuarial accrued liability for benefits was \$33,169,771 and the actuarial value of assets was \$24,147,190, resulting in an unfunded actuarial accrued liability (UAAL) of \$9,022,581. The covered payroll (annual payroll of active employees covered by the plan) was \$6,795,474, and ratio of the UAAL to the covered payroll was 132.27%.

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

Discretely Presented Component Unit – School Board (Non-professional)

As of June 30, 2012, the most recent actuarial valuation date, the plan was 78.99% funded. The actuarial accrued liability for benefits was \$1,736,897, and the actuarial value of assets was \$1,371,923, resulting in an unfunded actuarial accrued liability (UAAL) of \$364,974. The covered payroll (annual payroll of active employees covered by the plan) was \$346,651, and ratio of the UAAL to the covered payroll was 105.29%.

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

## NOTE 9 – DEFINED PENSION BENEFIT OBLIGATION: (CONTINUED)

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### **E. Professional Employees – Discretely Presented Component Unit – School Board:**

#### Plan Description

The Franklin City School Board contributes to the Virginia Retirement System (VRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System. VRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia. The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. That report may be obtained by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, Virginia 23218-2500 or a copy may be downloaded from the VRS website at <http://www.varetire.org/Publications/PDF/2012-Annual-Report.pdf>.

#### Funding Policy

Plan members are required to contribute 5.00% of their annual covered salary and Franklin City School Board is required to contribute at an actuarially determined rate. The current rate is 8.94% of annual covered payroll. The contribution requirements of plan members and Franklin City School Board are established and may be amended by the VRS Board of Trustees. The School Board's contributions to VRS for the years ending June 30, 2013, 2012, and 2011 were \$498,285, \$540,792, and \$284,468, respectively, equal to the required contributions for each year.

## NOTE 10 – JOINT VENTURES AND RELATED ORGANIZATIONS:

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### **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.

## NOTE 11 – CONTINGENT LIABILITIES:

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Federal programs in which the City participates were audited in accordance with the provisions of the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Pursuant to these provisions, 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 \$5,326,000 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.

## NOTE 12 – OTHER POST-EMPLOYMENT BENEFITS PROGRAM:

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### 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

In addition to the pension benefits described in Note 9, the City provides post-retirement medical and dental coverage benefits for employees who are eligible for retirement benefits and are covered by the active plan at time of retirement. Individuals who retire from City service with full VRS benefits (i.e. 50 years of age and 30 years of continuous service) and 10 years (retirees employed after June 30, 2004) or 5 years (retirees employed prior to July 1, 2004) of service with the City, are eligible for medical insurance and dental coverage benefits under the City's plan for active employees until age 65 when they become eligible for Medicare, at which time benefits cease. The retiree's spouse can receive benefits under the plan with the premium to be paid by the retiree.

#### B. Funding Policy

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

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

The annual cost of other post-employment benefits (OPEB) under GASB 45 is called the annual required contribution or ARC. The estimated pay as you go cost for OPEB benefits is \$297,800 for fiscal year 2013. The City has paid an estimated \$169,900 towards this obligation during the fiscal year. The City is required to contribute the annual required contribution of the employer (ARC) an amount actuarially determined in accordance within the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.



NOTE 12—OTHER POST-EMPLOYMENT BENEFITS PROGRAM: (CONTINUED)

City: (Continued)

C. Annual OPEB and Net OPEB Obligation: (Continued)

Annual OPEB Cost

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

Annual required contribution	\$	295,400
Interest on net OPEB obligation		23,000
Adjustment to annual required contribution		<u>(20,600)</u>
Annual OPEB cost (expense)	\$	297,800
Estimated contributions made		<u>(169,900)</u>
Increase in net OPEB obligation		127,900
Net OPEB obligation, beginning of year	\$	<u>574,000</u>
Net OPEB obligation, end of year	\$	<u><u>701,900</u></u>

For 2013, the City's expected cash payment of \$169,900 was \$127,900 less than the OPEB cost. The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2013, 2012 and 2011 are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2011	284,000	46%	449,000
June 30, 2012	292,000	57%	574,000
June 30, 2013	297,800	57%	701,900

City: (Continued)D. Funded Status and Funding Progress

The funded status of the plan as of June 30, 2013 (based on the valuation dated July 1, 2012), is as follows:

Actuarial accrued liability (AAL)	\$	3,437,000
Actuarial value of plan assets	\$	-
Unfunded actuarial accrued liability (UAAL)	\$	3,437,000
Funded ratio (actuarial value of plan assets / AAL)		-
Covered payroll (active plan members)	\$	7,026,600
UAAL as a percentage of covered payroll		48.91%

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

E. Actuarial Methods and Assumptions

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

Cost Method

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

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

City: (Continued)

E. Actuarial Methods and Assumptions: (Continued)

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

The UAAL is being amortized as a level percentage of projected payroll over 28 years.

Interest Assumptions

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

School Board:

A. Plan Description

In addition to the pension benefits described in Note 10, the School Board provides post-retirement medical and dental coverage benefits for employees who are eligible for retirement benefits and are covered by the active plan at time of retirement. Individuals who retire from School Board service with full VRS benefits (i.e. 50 years of age and 30 years of continuous service) and 5 years of service with the School Board, are eligible for medical insurance and dental coverage benefits under the School Board’s plan for active employees until age 65 when they become eligible for Medicare, at which time benefits cease. The retiree’s spouse can receive benefits under the plan with the premium to be paid by the retiree.

B. Funding Policy:

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

C. Annual OPEB Cost and Net OPEB Obligation:

The annual cost of other post-employment benefits (OPEB) under GASB 45 is called the annual required contribution or ARC. The estimated pay-as-you-go cost for OPEB benefits is \$68,700 for fiscal year 2013. The School Board has paid an estimated \$39,100 towards this obligation during the fiscal year. The School Board is required to contribute the annual required contribution of the employer (ARC) an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

NOTE 12—OTHER POST-EMPLOYMENT BENEFITS PROGRAM: (CONTINUED)

School Board: (Continued)

C. Annual OPEB Cost and Net OPEB Obligation: (Continued)

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

Annual required contribution	\$	68,900
Interest on net OPEB obligation		5,400
Adjustment to annual required contribution		<u>(5,600)</u>
Annual OPEB cost (expense)	\$	68,700
Estimated contributions made		<u>(39,100)</u>
Increase in net OPEB obligation	\$	29,600
Net OPEB obligation, beginning of year		<u>134,600</u>
Net OPEB obligation, end of year	\$	<u><u>164,200</u></u>

Annual OPEB Cost

For 2013, the School Board's expected cash payment of \$39,100 was \$29,600 less than the OPEB cost. The School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2013, 2012 and 2011 are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2011	78,300	51%	109,500
June 30, 2012	66,900	62%	134,600
June 30, 2013	68,900	57%	164,200

School Board: (Continued)D. Funded Status and Funding Progress

The funded status of the plan as of June 30, 2013 is as follows:

Actuarial accrued liability (AAL)	\$	607,800
Actuarial value of plan assets	\$	-
Unfunded actuarial accrued liability (UAAL)	\$	607,800
Funded ratio (actuarial value of plan assets / AAL)		-
Covered payroll (active plan members)	\$	5,543,600
UAAL as a percentage of covered payroll		10.96%

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

E. Actuarial Methods and Assumptions

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

Cost Method

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

**School Board: (Continued)**

E. Actuarial Methods and Assumptions: (Continued)

Cost Method: (Continued)

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

The UAAL is being amortized as a level percentage of projected payroll over 28 years.

Interest Assumptions

Discount rate (unfunded)	4.00%
Annual Amortization increase rate	2.50%
Amortization period	30 years
Healthcare trend rate	10%

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

A. **Plan Description**

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

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

Benefit provisions and eligibility requirements are established by Title 51.1, Chapter 14 of the Code of Virginia. The VRS actuarially determines the amount necessary to fund all credits provided, reflects the cost of such credits in the applicable employer contribution rate pursuant to §51.1-145, and prescribes such terms and conditions as are necessary to carry out the provisions of the health insurance credit program. VRS issues separate financial statements as previously discussed in Note 9.

**NOTE 12—OTHER POST-EMPLOYMENT BENEFITS PROGRAM: (CONTINUED)**

**B. Funding Policy**

As a participating local political subdivision, the School Board is required to contribute the entire amount necessary to fund participation in the program using the actuarial basis specified by the Code of Virginia and the VRS Board of Trustees. The School Board's contribution rate for the fiscal year ended 2013 was .82% of annual covered payroll.

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

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

For 2013, the School Board's contribution of \$1,193 was equal to the ARC and OPEB cost. The School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost (ARC)</u>	<u>Percentage of ARC Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2013	\$ 1,193	100%	\$ -

**D. Funded Status and Funding Progress**

The funded status of the plan as of June 30, 2012, the most recent actuarial valuation date, is as follows:

Actuarial accrued liability (AAL)	\$ 30,900
Actuarial value of plan assets	25,633
Unfunded actuarial accrued liability (UAAL)	5,267
Funded ratio (actuarial value of plan assets / AAL)	82.95%
Covered payroll (active plan members)	424,976
UAAL as a percentage of covered payroll	1.24%

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

**D. Funded Status and Funding Progress: (Continued)**

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

**E. Actuarial Methods and Assumptions**

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

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

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

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

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

The School Board is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. The current rate is .60% of annual covered payroll. The School Board's contributions to VRS for the years ended June 30, 2013, 2012, and 2011 were \$37,978, \$36,858, and \$37,999, respectively and equaled the required contributions for each year.



**NOTE 13—LANDFILL POST-CLOSURE CARE COSTS:**

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State and federal laws and regulations require that the City perform certain maintenance and monitoring functions subsequent to closure of the City’s landfill site. The City ceased accepting solid waste at the landfill in 1984 and completed initial closure measures in 1987. In letters dated January 13, 1995, and February 1, 1995, the Virginia Department of Environmental Quality informed the City the thirty-year postclosure period would begin in 1995 and the landfill closure had been completed in accordance with the Virginia Solid Waste Management Regulations, respectively. The original estimated total cost of the postclosure care of approximately \$132,608 was based on the expected costs of all equipment, facilities, and services required to monitor and maintain the landfill’s postclosure care. However, the actual cost of postclosure care is higher due to inflation, changes in technology, and changes in applicable laws and regulations. The total reported as landfill postclosure care/corrective action cost liability in the amount of \$858,088 represents \$671,655 of postclosure care liability and \$186,433 of corrective action monitoring costs. The postclosure care costs and corrective action activities will continue through June 30, 2025 and June 30, 2014, respectively.

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

**NOTE 14—SURETY BONDS:**

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Surety bonds of the City of Franklin are as follows:

Division of Risk Management Surety:  
Commonwealth Funds

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

**NOTE 15—ANNEXATIONS:**

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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.

NOTE 15—ANNEXATIONS: (CONTINUED)

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Southampton County: (Continued)

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 15th 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, 2013, the City received \$15,974 in tax revenue from the County under this agreement.

County of Isle of Wight

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

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

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

The local revenues are payable to the City by the County of Isle of Wight on August 1, following the end of the fiscal year. During the year ended June 30, 2013, the City received \$227,529 from the County of Isle of Wight under this agreement for tax revenues collected for the year ended June 30, 2012.

**NOTE 16—DEFICIT FUND BALANCE:**

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The following funds had a deficit fund balance at June 30, 2013:

<u>Fund</u>	<u>Amount</u>
Regional Fire Training	\$ 2,174
Community Development Downtown Grant	8,431

**NOTE 17—DEFERRED REVENUE:**

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Deferred revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting such amounts are measurable, but not available. Deferred revenue totaling \$462,150 is comprised of the following:

Deferred Property Tax Revenue: Deferred revenue representing uncollected tax billings not available for funding of current expenditures totaled \$448,857.

**NOTE 18—ASSIGNED AND UNASSIGNED BALANCES**

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Portions of the General Fund balance are assigned/unassigned as follows:

Fund balance in the amount of \$732,937 is assigned for capital projects.

Fund balance in the amount of \$16,416 is assigned for general government operating expenditures.

Fund balance in the amount of \$1,616,795 is assigned for debt service.

Fund balance in the amount of \$3,648,940 is unassigned and available for subsequent expenditures.

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

Fund balance in the amount of \$1,976,098 is assigned for expenditures for school-related capital outlays.

**NOTE 19—EXPENDITURES IN EXCESS OF APPROPRIATIONS:**

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There were no expenditures in excess of appropriations at June 30, 2013.

**NOTE 20—EVALUATION OF SUBSEQUENT EVENTS:**

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The City has evaluated subsequent events through November 29, 2013, the date which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

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

## General Fund

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

For the Year Ended June 30, 2013

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
<b>Revenues</b>				
General property taxes	\$ 6,966,683	\$ 6,966,683	\$ 6,761,228	(205,455)
Other local taxes	5,197,300	5,197,300	5,267,629	70,329
Permits, privilege fees, and regulatory licenses	57,225	57,225	54,736	(2,489)
Fines and forfeitures	68,000	68,000	63,941	(4,059)
Revenue from the use of money and property	251,026	251,026	244,073	(6,953)
Charges for services	2,625,187	2,649,187	2,615,929	(33,258)
Miscellaneous	152,000	379,879	439,574	59,695
Recovered costs	33,500	33,500	43,894	10,394
Intergovernmental revenues:				
Commonwealth	3,780,631	3,815,620	3,784,781	(30,839)
Federal	16,595	98,152	85,391	(12,761)
Total revenues	\$ <u>19,148,147</u>	\$ <u>19,516,572</u>	\$ <u>19,361,176</u>	<u>(155,396)</u>
<b>Expenditures</b>				
Current:				
General government administration	\$ 2,220,336	\$ 2,415,145	\$ 2,017,868	397,277
Judicial administration	396,071	396,071	390,639	5,432
Public safety	5,835,777	6,309,010	5,997,164	311,846
Public works	4,393,099	5,434,662	3,591,932	1,842,730
Health and welfare	166,173	153,795	144,173	9,622
Education	4,981,153	4,980,153	4,634,559	346,594
Parks, recreation, and cultural	850,950	869,731	830,300	39,431
Community development	787,628	832,967	812,137	20,830
Nondepartmental	252,473	329,501	64,245	265,256
Total expenditures	\$ <u>19,883,660</u>	\$ <u>21,721,035</u>	\$ <u>18,483,017</u>	<u>3,238,018</u>
Excess (deficiency) of revenues over (under) expenditures	\$ <u>(735,513)</u>	\$ <u>(2,204,463)</u>	\$ <u>878,159</u>	<u>3,082,622</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from debt issuances	-	1,207,000	1,207,000	-
Transfers in	2,861,357	3,131,638	1,663,869	(1,467,769)
Transfers out	(2,126,844)	(2,154,175)	(2,004,334)	149,841
Total other financing sources and uses	\$ <u>734,513</u>	\$ <u>2,184,463</u>	\$ <u>866,535</u>	<u>(1,317,928)</u>
Net change in fund balances	\$ (1,000)	\$ (20,000)	\$ 1,744,694	1,764,694
Fund balances - beginning, as restated	1,000	20,000	6,953,693	6,933,693
Fund balances - ending	\$ <u>-</u>	\$ <u>-</u>	\$ <u>8,698,387</u>	<u>8,698,387</u>

Virginia Public Assistance Fund

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

For the Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Miscellaneous	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues:				
Commonwealth	435,673	435,673	408,490	(27,183)
Federal	704,189	704,189	738,130	33,941
Total revenues	<u>\$ 1,139,862</u>	<u>\$ 1,139,862</u>	<u>\$ 1,146,620</u>	<u>\$ 6,758</u>
<b>EXPENDITURES</b>				
Current:				
Health and welfare	<u>\$ 1,593,919</u>	<u>\$ 1,604,851</u>	<u>\$ 1,546,237</u>	<u>\$ 58,614</u>
Total expenditures	<u>\$ 1,593,919</u>	<u>\$ 1,604,851</u>	<u>\$ 1,546,237</u>	<u>\$ 58,614</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (454,057)</u>	<u>\$ (464,989)</u>	<u>\$ (399,617)</u>	<u>\$ 65,372</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in (out)	<u>\$ 454,057</u>	<u>\$ 464,989</u>	<u>\$ 399,617</u>	<u>\$ (65,372)</u>
Total other financing sources and uses	<u>\$ 454,057</u>	<u>\$ 464,989</u>	<u>\$ 399,617</u>	<u>\$ (65,372)</u>
Net change in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	7,575	7,575
Fund balances - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 7,575</u></u>	<u><u>\$ 7,575</u></u>

CITY OF FRANKLIN, VIRGINIA  
 Required Supplementary Information  
 Schedule of Pension Funding Progress for the Virginia Retirement System  
 Last Three Fiscal Years

Exhibit 13

City:

Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Excess Funded) Actuarial Accrued (UAAL) (c)	Funded Ratio (d)	Annual Covered Payroll (e)	UAAL as % of Payroll (f)
			(b) - (a)	(a)/(b)		(c)/(e)
6/30/2012	\$ 24,147,190	\$ 33,169,771	\$ 9,022,581	72.80%	\$ 6,795,474	132.77%
6/30/2011	24,197,474	32,168,046	7,970,572	75.22%	6,636,170	120.11%
6/30/2010	23,695,173	31,019,400	7,324,227	76.39%	6,675,318	109.72%

School Board Non-Professionals:

Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Excess Funded) Actuarial Accrued (UAAL) (c)	Funded Ratio (d)	Annual Covered Payroll (e)	UAAL as % of Payroll (f)
			(b) - (a)	(a)/(b)		(c)/(e)
6/30/2012	\$ 1,371,923	\$ 1,736,897	\$ 364,974	78.99%	\$ 346,651	105.29%
6/30/2011	1,379,587	1,760,712	381,125	78.35%	424,976	89.68%
6/30/2010	1,349,535	1,708,021	358,486	79.01%	442,585	81.00%

CITY OF FRANKLIN, VIRGINIA  
 Required Supplementary Information  
 Schedule of Funding Progress for Other Post-Employment Benefits  
 Last Two Fiscal Years

Exhibit 14

City:

Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Excess Funded) Actuarial Accrued (UAAL) (c)	Funded ratio (d)	Annual Covered Payroll (e)	UAAL as % of Payroll (f)
			(b) - (a)	(a)/(b)		(c)/(e)
7/1/2010	\$ -	\$ 3,378,000	\$ 3,378,000	0.00%	\$ 5,972,000	56.56%
7/1/2011	-	3,685,000	3,685,000	0.00%	5,473,000	67.33%

School Board:

Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Excess Funded) Actuarial Accrued (UAAL) (c)	Funded ratio (d)	Annual Covered Payroll (e)	UAAL as % of Payroll (f)
			(b) - (a)	(a)/(b)		(c)/(e)
7/1/2010	\$ -	\$ 710,600	\$ 710,600	0.00%	\$ 5,870,000	12.11%
7/1/2011	-	607,800	607,800	0.00%	5,543,600	10.96%

School Board - VRS Health Insurance Credit:

Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Excess Funded) Actuarial Accrued (UAAL) (c)	Funded ratio (d)	Annual Covered Payroll (e)	UAAL as % of Payroll (f)
			(b) - (a)	(a)/(b)		(c)/(e)
6/30/2010	\$ 21,403	\$ 28,414	\$ 7,011	75.33%	\$ 442,585	1.58%
6/30/2011	25,633	30,900	5,267	82.95%	424,976	1.24%









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	Disaster Recovery	Compre- hensive Services Act Fund	Regional Fire Training Ground Act	Foundation Grants Fund	Community Development			Western Tidewater Home Consortium Fund	Neighbor- hood Stabilization Program Fund
					Block Grant Fund	Block Grant Incubator	Down- town Grant Fund		
<b>Assets</b>									
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 41,444	\$ 147,814	\$ -	\$ 11,809	\$ 17,097	\$ 2,578
Receivables (net of allowance for uncollectibles):									
Accounts Receivable	48,264	70,202	-	-	-	-	-	-	-
Inventory	-	-	-	-	-	-	-	-	183,648
Due from other governmental units	-	-	-	-	-	-	-	-	-
Total assets	<u>\$ 48,264</u>	<u>\$ 70,202</u>	<u>\$ -</u>	<u>\$ 41,444</u>	<u>\$ 147,814</u>	<u>\$ -</u>	<u>\$ 11,809</u>	<u>\$ 17,097</u>	<u>\$ 186,226</u>
<b>Liabilities and Fund Balances</b>									
<b>Liabilities:</b>									
Reconciled overdraft	\$ -	\$ 16,493	\$ 2,158	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable and accrued expenses	-	53,709	17	9,621	-	-	-	-	339
Deposits held in escrow	-	-	-	-	-	-	20,240	-	-
Total liabilities	<u>\$ -</u>	<u>\$ 70,202</u>	<u>\$ 2,175</u>	<u>\$ 9,621</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,240</u>	<u>\$ -</u>	<u>\$ 339</u>
<b>Fund balances:</b>									
<b>Nonspendable:</b>									
Inventory	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 185,887
<b>Restricted:</b>									
Public safety	-	-	-	-	-	-	-	-	-
Parks, recreation, and cultural	-	-	-	-	-	-	-	-	-
Community development	48,264	-	-	31,824	147,814	-	-	17,097	-
<b>Unassigned:</b>									
Special Revenue (deficit)	-	-	(2,175)	-	-	-	(8,431)	-	-
Total fund balances	<u>\$ 48,264</u>	<u>\$ -</u>	<u>\$ (2,175)</u>	<u>\$ 31,824</u>	<u>\$ 147,814</u>	<u>\$ -</u>	<u>\$ (8,431)</u>	<u>\$ 17,097</u>	<u>\$ 185,887</u>
Total liabilities and fund balances	<u><u>\$ 48,264</u></u>	<u><u>\$ 70,202</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 41,444</u></u>	<u><u>\$ 147,814</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 11,809</u></u>	<u><u>\$ 17,097</u></u>	<u><u>\$ 186,226</u></u>

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	Fire and Rescue Volunteers Fund	Southveiw Cemetery Trust Fund	Cemetery Perpetual Care Trust Fund	Charles Smith Cemetery Trust Fund	Total
\$ -	\$ 18,818	\$ 3,138	\$ 1,477	\$ 79,290	\$ 201,467	\$ 54,342	\$ 9,673	\$ 3,554	\$ 108,017	\$ 12,716	\$ 713,235
-	-	-	-	-	-	-	-	-	-	-	118,466
42,400	-	-	-	-	-	-	-	-	-	-	226,048
<u>\$ 42,400</u>	<u>\$ 18,818</u>	<u>\$ 3,138</u>	<u>\$ 1,477</u>	<u>\$ 79,290</u>	<u>\$ 201,467</u>	<u>\$ 54,342</u>	<u>\$ 9,673</u>	<u>\$ 3,554</u>	<u>\$ 108,017</u>	<u>\$ 12,716</u>	<u>\$ 1,057,748</u>
\$ 8,703	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 27,354
-	-	-	-	322	11,068	-	-	-	-	-	75,076
-	-	-	-	-	11,775	-	-	-	-	-	32,015
<u>\$ 8,703</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 322</u>	<u>\$ 22,843</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 134,445</u>
\$ 33,697	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 219,584
-	18,818	3,138	1,477	-	-	-	9,673	-	-	-	33,107
-	-	-	-	-	-	54,342	-	-	-	-	54,342
-	-	-	-	78,969	178,623	-	-	3,554	108,018	12,716	626,877
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	(10,606)
<u>\$ 33,697</u>	<u>\$ 18,818</u>	<u>\$ 3,138</u>	<u>\$ 1,477</u>	<u>\$ 78,969</u>	<u>\$ 178,623</u>	<u>\$ 54,342</u>	<u>\$ 9,673</u>	<u>\$ 3,554</u>	<u>\$ 108,018</u>	<u>\$ 12,716</u>	<u>\$ 923,304</u>
<u>\$ 42,400</u>	<u>\$ 18,818</u>	<u>\$ 3,138</u>	<u>\$ 1,477</u>	<u>\$ 79,290</u>	<u>\$ 201,467</u>	<u>\$ 54,342</u>	<u>\$ 9,673</u>	<u>\$ 3,554</u>	<u>\$ 108,018</u>	<u>\$ 12,716</u>	<u>\$ 1,057,750</u>

CITY OF FRANKLIN, VIRGINIA

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Nonmajor Special Revenue Funds  
 For the Year Ended June 30, 2013

Exhibit 16

Page 1 of 2

	Disaster Recovery Fund	Compre- hensive Services Act Fund	Regional Fire Training Grounds Fund	Foundation Grants Fund	Community Development			Western Tidewater Home Consortium Fund	Neighbor- hood Stabilization Program Fund
					Block Grant Fund	Block Grant Incubator	Down- town Grant Fund		
<b>Revenues</b>									
Revenue from the use of money and property	\$ -	\$ -	\$ -	\$ -	\$ 1,313	\$ -	\$ -	\$ -	\$ -
Miscellaneous	48,264	10,388	-	66,250	-	-	-	-	-
Intergovernmental revenues:									
Commonwealth	82,238	145,922	-	-	-	-	-	27,287	-
Federal	198,819	-	-	-	-	-	10,820	-	121,721
Total Revenues	<u>\$ 329,322</u>	<u>\$ 156,310</u>	<u>\$ -</u>	<u>\$ 66,250</u>	<u>\$ 1,313</u>	<u>\$ -</u>	<u>\$ 10,820</u>	<u>\$ 27,287</u>	<u>\$ 121,721</u>
<b>Expenditures</b>									
Current:									
Public safety	\$ 4,015	\$ -	\$ 2,136	\$ 49,484	\$ -	\$ -	\$ -	\$ -	\$ -
Health and welfare	-	300,263	-	-	-	-	-	-	-
Parks, recreation, and cultural	-	-	-	2,345	-	-	-	-	-
Community development	-	-	-	278	414	-	-	28,174	129,555
Total expenditures	<u>\$ 4,015</u>	<u>\$ 300,263</u>	<u>\$ 2,136</u>	<u>\$ 52,106</u>	<u>\$ 414</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,174</u>	<u>\$ 129,555</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 325,307</u>	<u>\$ (143,952)</u>	<u>\$ (2,136)</u>	<u>\$ 14,144</u>	<u>\$ 899</u>	<u>\$ -</u>	<u>\$ 10,820</u>	<u>\$ (887)</u>	<u>\$ (7,835)</u>
<b>OTHER FINANCING SOURCES (USES)</b>									
Transfers in	\$ -	\$ 143,952	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers (out)	(15,888)	-	-	-	-	-	-	-	-
Total other financing sources and uses	<u>\$ -</u>	<u>\$ 143,952</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balances	309,419	-	(2,136)	14,144	899	-	10,820	(887)	(7,835)
Fund balances - beginning	(261,155)	-	(38)	17,680	146,915	-	(19,251)	17,984	193,720
Fund balances - ending	<u>\$ 48,264</u>	<u>\$ -</u>	<u>\$ (2,174)</u>	<u>\$ 31,824</u>	<u>\$ 147,814</u>	<u>\$ -</u>	<u>\$ (8,431)</u>	<u>\$ 17,097</u>	<u>\$ 185,885</u>

Cobb-town Grant Fund	Police Federal Forfeiture Fund	Police State Forfeiture Fund	Police Evidence Holding Fund	Camp Home-stead Fund	Economic Develop-ment Fund	Willie Camp Younts Fund	Fire and Rescue Volunteers Fund	South-view Cemetery Trust Fund	Cemetery Perpetual Care Trust Fund	Charles Smith Cemetery Trust Fund	Total
\$ -	\$ 6	\$ 1	\$ -	\$ 1,500	\$ 105,797	\$ 300	\$ -	\$ -	\$ 73	\$ 23	\$ 109,013
-	1,895	2,609	-	-	7,558	-	10,657	-	2,700	-	150,321
-	-	-	-	-	-	-	-	-	-	-	255,447
-	-	-	-	-	-	-	-	-	-	-	331,360
<u>\$ -</u>	<u>\$ 1,901</u>	<u>\$ 2,610</u>	<u>\$ -</u>	<u>\$ 1,500</u>	<u>\$ 113,355</u>	<u>\$ 300</u>	<u>\$ 10,657</u>	<u>\$ -</u>	<u>\$ 2,773</u>	<u>\$ 23</u>	<u>\$ 846,141</u>
\$ -	\$ 16,923	\$ 3,104	\$ -	\$ -	\$ -	\$ -	\$ 10,051	\$ -	\$ -	\$ -	\$ 85,712
-	-	-	-	-	-	-	-	-	-	-	300,263
-	-	-	-	13,105	-	-	-	-	-	-	15,449
-	-	-	-	-	266,595	943	-	43	-	-	426,002
<u>\$ -</u>	<u>\$ 16,923</u>	<u>\$ 3,104</u>	<u>\$ -</u>	<u>\$ 13,105</u>	<u>\$ 266,595</u>	<u>\$ 943</u>	<u>\$ 10,051</u>	<u>\$ 43</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 827,425</u>
<u>\$ -</u>	<u>\$ (15,022)</u>	<u>\$ (494)</u>	<u>\$ -</u>	<u>\$ (11,605)</u>	<u>\$ (153,240)</u>	<u>\$ (643)</u>	<u>\$ 606</u>	<u>\$ (43)</u>	<u>\$ 2,773</u>	<u>\$ 23</u>	<u>\$ 18,715</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 163,038	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 306,990
-	-	-	-	-	-	-	-	-	-	-	(15,888)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 163,038</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 291,102</u>
-	(15,022)	(494)	-	(11,605)	9,798	(643)	606	(43)	2,773	23	309,818
33,696	33,840	3,632	1,477	90,574	168,826	54,981	9,067	3,597	105,245	12,693	613,484
<u>\$ 33,696</u>	<u>\$ 18,818</u>	<u>\$ 3,138</u>	<u>\$ 1,477</u>	<u>\$ 78,969</u>	<u>\$ 178,624</u>	<u>\$ 54,338</u>	<u>\$ 9,673</u>	<u>\$ 3,554</u>	<u>\$ 108,018</u>	<u>\$ 12,716</u>	<u>\$ 923,304</u>



	Agency Funds					Total
	Special Welfare Fund	Special Welfare - SSI Fund	Flexible Spending Fund	Employee Emergency Trust Fund	Early Childhood Commission Fund	
<b>ASSETS</b>						
Cash and cash equivalents	\$ 28,069	\$ 10,931	\$ 6,509	\$ 11,836	\$ 102,566	\$ 159,910
Total assets	<u>\$ 28,069</u>	<u>\$ 10,931</u>	<u>\$ 6,509</u>	<u>\$ 11,836</u>	<u>\$ 102,566</u>	<u>\$ 159,910</u>
<b>LIABILITIES</b>						
Amounts held for others	\$ 28,069	\$ 10,931	\$ 6,509	\$ 11,836	\$ 102,566	\$ 159,910
Total liabilities	<u>\$ 28,069</u>	<u>\$ 10,931</u>	<u>\$ 6,509</u>	<u>\$ 11,836</u>	<u>\$ 102,566</u>	<u>\$ 159,910</u>
<b>NET POSITION</b>						
Total net position	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total liabilities and net position	<u>\$ 28,069</u>	<u>\$ 10,931</u>	<u>\$ 6,509</u>	<u>\$ 11,836</u>	<u>\$ 102,566</u>	<u>\$ 159,910</u>

CITY OF FRANKLIN, VIRGINIA  
 Combining Statements of Changes in Assets and Liabilities  
 Agency Funds  
 For The Year Ended June 30, 2013

Exhibit 18

	<u>Balance</u> <u>Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>End of Year</u>
<b>Special Welfare Fund:</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 25,535	\$ 18,657	\$ 16,124	\$ 28,069
Total assets	<u>\$ 25,535</u>	<u>\$ 18,657</u>	<u>\$ 16,124</u>	<u>\$ 28,069</u>
<b>LIABILITIES</b>				
Amounts held for others	\$ 25,535	\$ 18,657	\$ 16,124	\$ 28,069
Total liabilities	<u>\$ 25,535</u>	<u>\$ 18,657</u>	<u>\$ 16,124</u>	<u>\$ 28,069</u>
<b>Special Welfare - SSI Fund:</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 23,802	\$ 564	\$ 13,435	\$ 10,931
Total assets	<u>\$ 23,802</u>	<u>\$ 564</u>	<u>\$ 13,435</u>	<u>\$ 10,931</u>
<b>LIABILITIES</b>				
Amounts held for others	\$ 23,802	\$ 564	\$ 13,435	\$ 10,931
Total liabilities	<u>\$ 23,802</u>	<u>\$ 564</u>	<u>\$ 13,435</u>	<u>\$ 10,931</u>
<b>Flexible Spending Fund:</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 6,283	\$ 26,178	\$ 25,952	\$ 6,509
Total assets	<u>\$ 6,283</u>	<u>\$ 26,178</u>	<u>\$ 25,952</u>	<u>\$ 6,509</u>
<b>LIABILITIES</b>				
Amounts held for others	\$ 6,283	\$ 26,178	\$ 25,952	\$ 6,509
Total liabilities	<u>\$ 6,283</u>	<u>\$ 26,178</u>	<u>\$ 25,952</u>	<u>\$ 6,509</u>
<b>Employee Emergency Trust Fund:</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 9,402	\$ 2,446	\$ 12	\$ 11,836
Total assets	<u>\$ 9,402</u>	<u>\$ 2,446</u>	<u>\$ 12</u>	<u>\$ 11,836</u>
<b>LIABILITIES</b>				
Amounts held for others	\$ 9,402	\$ 2,446	\$ 12	\$ 11,836
Total liabilities	<u>\$ 9,402</u>	<u>\$ 2,446</u>	<u>\$ 12</u>	<u>\$ 11,836</u>
<b>Early Childhood Commission Fund:</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 140,453	\$ 245,834	\$ 283,720	\$ 102,566
Total assets	<u>\$ 140,453</u>	<u>\$ 245,834</u>	<u>\$ 283,720</u>	<u>\$ 102,566</u>
<b>LIABILITIES</b>				
Amounts held for others	\$ 140,453	\$ 245,834	\$ 283,720	\$ 102,566
Total liabilities	<u>\$ 140,453</u>	<u>\$ 245,834</u>	<u>\$ 283,720</u>	<u>\$ 102,566</u>
<b>Totals - All Agency Funds:</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 205,474	\$ 293,679	\$ 339,243	\$ 159,910
Total assets	<u>\$ 205,474</u>	<u>\$ 293,679</u>	<u>\$ 339,243</u>	<u>\$ 159,910</u>
<b>LIABILITIES</b>				
Amounts held for others	\$ 205,474	\$ 293,679	\$ 339,243	\$ 159,910
Total liabilities	<u>\$ 205,474</u>	<u>\$ 293,679</u>	<u>\$ 339,243</u>	<u>\$ 159,910</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.

	School Operating Fund	Cafeteria Fund	Textbook Fund	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 772,825	\$ 77,124	\$ 270,522	\$ 1,120,471
Receivables (net of allowance for uncollectibles):				
Accounts receivable	16,014	3,132	2,754	21,899
Due from other governmental units	460,253	27,838	-	488,090
Inventories	-	11,155	-	11,155
Prepaid items	-	-	-	-
Total assets	<u>\$ 1,249,091</u>	<u>\$ 119,249</u>	<u>\$ 273,276</u>	<u>\$ 1,641,616</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 78,026	\$ 12,003	\$ -	\$ 90,030
Accrued liabilities	1,171,065	37,380	-	1,208,445
Total liabilities	<u>\$ 1,249,091</u>	<u>\$ 49,383</u>	<u>\$ -</u>	<u>\$ 1,298,474</u>
Fund balances:				
Nonspendable:				
Inventory	\$ -	\$ -	\$ -	\$ -
Restricted:				
Special Revenue	-	69,866	273,276	343,142
Total fund balances	<u>\$ -</u>	<u>\$ 69,866</u>	<u>\$ 273,276</u>	<u>\$ 343,142</u>
Total liabilities and fund balances	<u>\$ 1,249,091</u>	<u>\$ 119,249</u>	<u>\$ 273,276</u>	<u>\$ 1,641,616</u>

Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:

Total fund balances per above	\$ 343,142
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:	
Capital assets	\$ 16,024,036
Less: accumulated depreciation	<u>(7,007,757)</u>
	9,016,279
Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds:	
Other postemployment benefits obligation	\$ (164,200)
Compensated absences	<u>(356,127)</u>
	(520,327)
Net position of governmental activities	<u>\$ 8,839,095</u>

CITY OF FRANKLIN, VIRGINIA

Exhibit 20

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Governmental Funds – Discretely Presented Component Unit – School Board  
 For the Year Ended June 30, 2013

	School Operating Fund	Cafeteria Fund	Textbook Fund	Total Governmental Funds
<b>REVENUES</b>				
Revenue from the use of money and property	\$ 4,482	\$ 12	\$ 67	\$ 4,562
Charges for services	38,557	86,015	-	124,572
Miscellaneous	163,148	2,446	-	165,594
Recovered costs	7,426	-	-	7,426
Intergovernmental revenues:				
Local government	4,634,559	-	-	4,634,559
Commonwealth	8,432,927	12,694	-	8,445,621
Federal	1,828,528	535,078	-	2,363,606
Total revenues	<u>\$ 15,109,628</u>	<u>\$ 636,246</u>	<u>\$ 67</u>	<u>\$ 15,745,941</u>
<b>EXPENDITURES</b>				
Current:				
Education:				
Instruction	\$ 11,499,708	\$ -	\$ 345,893	\$ 11,845,601
Administration, attendance and health	915,510	-	-	915,510
Transportation	540,528	-	-	540,528
Operations and maintenance	1,350,057	-	-	1,350,057
Technology	697,264	-	-	697,264
Food services	-	672,619	-	672,619
Total expenditures	<u>\$ 15,003,068</u>	<u>\$ 672,619</u>	<u>\$ 345,893</u>	<u>\$ 16,021,580</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 106,560</u>	<u>\$ (36,373)</u>	<u>\$ (345,826)</u>	<u>\$ (275,638)</u>
<b>OTHER FINANCING SOURCES (USED)</b>				
Debt Issuance	\$ -	\$ -	\$ -	\$ -
Transfers in	-	-	104,280	104,280
Transfers out	(104,280)	-	-	(104,280)
Total other financing sources and uses	<u>\$ (104,280)</u>	<u>\$ -</u>	<u>\$ 104,280</u>	<u>\$ -</u>
Net change in fund balances	<u>\$ 2,280</u>	<u>\$ (36,373)</u>	<u>\$ (241,546)</u>	<u>\$ (275,638)</u>
Fund balances - beginning	(2,280)	106,240	514,822	618,782
Fund balances - ending	<u>\$ -</u>	<u>\$ 69,867</u>	<u>\$ 273,276</u>	<u>\$ 343,143</u>

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

Net change in fund balances - total governmental funds - per above \$ (275,638)

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.

Capital asset additions	\$	80,178	
Depreciation expense		<u>(443,757)</u>	(363,579)

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 (accrued leave & OPEB) (89,150)

Change in net position of governmental activities \$ (728,367)

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual  
Discretely Presented Component Unit – School Board  
For the Year Ended June 30, 2013

	School Operating Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Revenue from the use of money and property	\$ 2,000	\$ 2,000	\$ 4,482	\$ 2,482
Charges for services	8,400	8,400	38,557	30,157
Miscellaneous	146,500	175,938	163,148	(12,790)
Recovered costs	53,718	56,718	7,426	(49,292)
Intergovernmental revenues:				
Local government	4,980,153	5,517,676	4,634,559	(883,117)
Commonwealth	8,222,561	8,258,664	8,432,927	174,263
Federal	1,892,246	2,073,461	1,828,528	(244,933)
Total revenues	\$ 15,305,578	\$ 16,092,857	\$ 15,109,628	\$ (983,229)
<b>EXPENDITURES</b>				
Current:				
Education:				
Instruction	\$ 11,870,026	\$ 12,653,520	\$ 11,603,988	\$ 1,049,532
Administration, attendance and health	903,745	903,745	915,510	(11,765)
Transportation	548,676	551,676	540,528	11,148
Operations and maintenance	1,277,111	1,277,111	1,350,057	(72,946)
Technology	706,110	706,795	697,264	9,531
Food services	-	-	-	-
Total expenditures	\$ 15,305,668	\$ 16,092,847	\$ 15,107,348	\$ 985,499
Excess (deficiency) of revenues over (under) expenditures	\$ (90)	\$ 10	\$ 2,280	\$ 2,270
<b>OTHER FINANCING SOURCES (USES)</b>				
Debt Issuance	\$ -	\$ -	\$ -	\$ -
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources and uses	\$ -	\$ -	\$ -	\$ -
Net change in fund balances	\$ (90)	\$ 10	\$ 2,280	\$ 2,270
Fund balances - beginning	90	(10)	(2,280)	(2,270)
Fund balances - ending	\$ -	\$ -	\$ -	\$ -



## Statement of Net Position

Discretely Presented Component Unit - Industrial Development Authority

June 30, 2013

---

	<u>Industrial Development Authority</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ <u>14,308</u>
Total assets	\$ <u><u>14,308</u></u>
 <b>NET POSITION</b>	
Unrestricted	\$ <u>14,308</u>
Total net position	\$ <u><u>14,308</u></u>



Statement of Revenues, Expenses, and Changes in Net Position  
Discretely Presented Component Unit - Industrial Development Authority  
For the Year Ended June 30, 2013

---

	<u>Industrial Development Authority</u>
<b>NONOPERATING REVENUES</b>	
Contribution from Primary Government	\$ -
Interest income	<u>11</u>
Total nonoperating income	\$ <u>11</u>
Change in net position	\$ 11
Total net position - beginning	<u>14,297</u>
Total net position - ending	<u><u>\$ 14,308</u></u>

## Statement of Cash Flows

Discretely Presented Component Unit - Industrial Development Authority

For the Ended June 30, 2013

	<u>Industrial Development Authority</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Contribution from Primary Government	\$ -
Repayment of amount due Primary Government	<u>-</u>
Net cash provided by capital and related financing activities	<u>\$ -</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest and dividends received	\$ <u>11</u>
Net cash provided by investing activities	<u>\$ 11</u>
Net increase (decrease) in cash and cash equivalents	\$ 11
Cash and cash equivalents - beginning	<u>14,297</u>
Cash and cash equivalents - ending	<u><u>\$ 14,308</u></u>



Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 5,316,289	\$ 5,316,289	\$ 5,140,850	\$ (175,439)
Real and personal public service corporation taxes	61,000	61,000	62,973	1,973
Personal property taxes	1,409,394	1,409,394	1,337,645	(71,749)
Machinery and tools taxes	60,000	60,000	59,876	(124)
Penalties	80,000	80,000	97,846	17,846
Interest	40,000	40,000	62,039	22,039
Total general property taxes	<u>\$ 6,966,683</u>	<u>\$ 6,966,683</u>	<u>\$ 6,761,228</u>	<u>\$ (205,455)</u>
Other local taxes:				
Local sales and use taxes	\$ 1,670,000	\$ 1,670,000	\$ 1,801,159	\$ 131,159
Consumers' utility taxes	610,000	610,000	451,582	(158,418)
Right-of-way use fee	30,000	30,000	24,563	(5,437)
Electric consumption taxes	35,000	35,000	32,493	(2,507)
Business license taxes	940,400	940,400	924,749	(15,651)
Motor vehicle license taxes	167,000	167,000	174,012	7,012
Bank stock taxes	62,000	62,000	51,503	(10,497)
Taxes on recordation and wills	30,000	30,000	35,906	5,906
Cigarette taxes	262,900	262,900	356,358	93,458
Lodging taxes	140,000	140,000	152,875	12,875
Restaurant food taxes	1,250,000	1,250,000	1,262,429	12,429
Total other local taxes	<u>\$ 5,197,300</u>	<u>\$ 5,197,300</u>	<u>\$ 5,267,629</u>	<u>\$ 70,329</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 3,600	\$ 3,600	\$ 3,711	\$ 111
Building and related permits	30,200	30,200	18,984	(11,216)
Transfer fees	9,000	9,000	11,722	2,722
Permits and other licenses	14,425	14,425	20,320	5,895
Total permits, privilege fees, and regulatory licenses	<u>\$ 57,225</u>	<u>\$ 57,225</u>	<u>\$ 54,736</u>	<u>\$ (2,489)</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 68,000	\$ 68,000	\$ 63,941	\$ (4,059)
Total fines and forfeitures	<u>\$ 68,000</u>	<u>\$ 68,000</u>	<u>\$ 63,941</u>	<u>\$ (4,059)</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 2,000	\$ 2,000	\$ 3,545	\$ 1,545
Revenue from use of property	249,026	249,026	240,527	(8,499)
Total revenue from use of money and property	<u>\$ 251,026</u>	<u>\$ 251,026</u>	<u>\$ 244,073</u>	<u>\$ (6,953)</u>
Charges for services:				
Law library and court fees	\$ 4,200	\$ 4,200	\$ 5,186	\$ 986
J & D Services - Southampton County	4,100	4,100	4,100	-
Fire and emergency services	108,354	108,354	47,661	(60,693)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Charges for services: (Continued)				
South Hampton County fire truck	-	-	59,325	59,325
Ambulance services	290,000	314,000	330,185	16,185
Animal boarding and adoption fees	500	500	170	(330)
Janitorial services	16,018	16,018	16,913	895
Social services - telephone system	-	-	-	-
Waste collection and disposal	1,471,237	1,471,237	1,406,067	(65,170)
Weed Cutting Charges	21,000	21,000	19,167	(1,833)
Demolition and debris removal	2,200	2,200	2,875	675
Administration - water and sewer	346,361	346,361	346,361	-
Administration - airport	2,222	2,222	2,222	-
Administration - electric	325,945	325,945	325,945	-
Recreation fees and admissions	16,850	16,850	15,356	(1,494)
Other charges for services	16,200	16,200	34,397	18,197
Total charges for services	\$ 2,625,187	\$ 2,649,187	\$ 2,615,929	\$ (33,258)
Miscellaneous revenue:				
Miscellaneous	\$ 24,100	\$ 14,450	\$ 75,304	\$ 60,854
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	7,000	7,000	7,735	735
Isle of Wight - revenue sharing	-	227,529	227,529	-
Southampton County - revenue sharing	19,158	19,158	15,974	(3,184)
Sale of cemetery lots	16,000	26,000	27,290	1,290
Total miscellaneous revenue	\$ 152,000	\$ 379,879	\$ 439,574	\$ 59,695
Recovered costs:				
Insurance recovery - liability	\$ 13,500	\$ 13,500	\$ 235	\$ (13,265)
Other recovered costs	20,000	20,000	43,659	23,659
Total recovered costs	\$ 33,500	\$ 33,500	\$ 43,894	\$ 10,394
Total revenue from local sources	\$ 15,350,921	\$ 15,602,800	\$ 15,491,004	\$ (111,796)
Revenue from the Commonwealth:				
Noncategorical aid:				
Railroad rolling stock tax	\$ 6,500	\$ 6,500	\$ 6,418	\$ (82)
Motor vehicle rental tax	28,000	28,000	34,752	6,752
Communication taxes	582,000	582,000	568,449	(13,551)
State recordation tax	14,000	14,000	9,531	(4,469)
Personal property tax relief funds	1,048,897	1,048,897	1,048,897	-
Total noncategorical aid	\$ 1,679,397	\$ 1,679,397	\$ 1,668,047	\$ (11,350)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Categorical aid:				
Shared expenses:				
Commissioner of revenue	\$ 73,772	\$ 73,772	\$ 73,048	\$ (724)
Treasurer	60,640	60,640	60,399	(241)
Registrar/electoral board	33,000	33,000	31,994	(1,006)
Total shared expenses	<u>\$ 167,412</u>	<u>\$ 167,412</u>	<u>\$ 165,441</u>	<u>\$ (1,971)</u>
Other categorical aid:				
HB 599 Law enforcement grant	\$ 404,520	\$ 404,520	\$ 385,718	\$ (18,802)
Street and highway maintenance funds	1,458,258	1,486,031	1,486,031	-
Litter control grants	-	7,216	7,216	-
Wireless 911 grant	56,000	56,000	46,081	(9,919)
Other categorical aid	3,044	3,044	14,247	11,203
DHDC Planning Grant	12,000	12,000	12,000	-
Total other categorical aid	<u>\$ 1,933,822</u>	<u>\$ 1,968,811</u>	<u>\$ 1,951,293</u>	<u>\$ (17,518)</u>
Total categorical aid	<u>\$ 2,101,234</u>	<u>\$ 2,136,223</u>	<u>\$ 2,116,734</u>	<u>\$ (19,489)</u>
Total revenue from the Commonwealth	<u>\$ 3,780,631</u>	<u>\$ 3,815,620</u>	<u>\$ 3,784,781</u>	<u>\$ (30,839)</u>
Revenue from the federal government:				
Categorical aid:				
Emergency services grant	\$ 16,595	\$ 16,595	\$ 16,595	\$ -
Fire department - safer grant	-	75,186	62,485	(12,701)
Other federal categorical aid	-	6,371	6,311	(60)
Total categorical aid	<u>\$ 16,595</u>	<u>\$ 98,152</u>	<u>\$ 85,391</u>	<u>\$ (12,761)</u>
Total revenue from the federal government	<u>\$ 16,595</u>	<u>\$ 98,152</u>	<u>\$ 85,391</u>	<u>\$ (12,761)</u>
Total General Fund	<u><u>\$ 19,148,147</u></u>	<u><u>\$ 19,516,572</u></u>	<u><u>\$ 19,361,176</u></u>	<u><u>\$ (155,396)</u></u>

CITY OF FRANKLIN, VIRGINIA  
Statement of Expenditures - Budget and Actual  
General Fund  
For the Year Ended June 30, 2013

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
General government administration:				
Legislative:				
City council	\$ 251,806	\$ 232,056	\$ 137,149	\$ 94,907
General and financial administration:				
City manager	\$ 230,441	\$ 225,012	\$ 168,615	\$ 56,397
City attorney	138,212	138,840	136,353	2,487
Management services and human resources	129,026	135,739	133,798	1,941
Commissioner of revenue	237,080	239,362	233,108	6,254
Real estate assessor	50,969	68,005	46,006	21,999
Treasurer	255,889	258,313	250,792	7,521
Accounting	302,424	299,319	294,970	4,349
Purchasing	79,769	80,340	80,338	2
Utility billings and collections	223,472	230,884	230,853	31
Insurance	105,964	105,964	103,739	2,225
Information Technology	114,250	299,250	104,635	194,615
Total general and financial administration	\$ 1,867,496	2,081,028	\$ 1,783,206	\$ 297,822
Board of elections:				
Electoral board and officials	\$ 101,034	\$ 102,061	\$ 97,513	\$ 4,548
Total board of elections	\$ 101,034	\$ 102,061	\$ 97,513	\$ 4,548
Total general government administration	\$ 2,220,336	\$ 2,415,145	\$ 2,017,868	\$ 397,277
Judicial administration:				
Courts:				
Circuit court - joint operations	\$ 12,954	\$ 12,954	\$ 12,954	\$ -
General district court	18,575	21,575	18,520	3,055
Magistrates	150	150	-	150
Clerk of the circuit court	53,206	53,206	53,206	-
Juvenile and domestic relations court	145,944	142,944	140,716	2,228
Sheriff - courts	108,673	108,673	108,673	-
Total courts	\$ 339,502	\$ 339,502	\$ 334,069	\$ 5,433
Commonwealth's attorney:				
Commonwealth's attorney	\$ 56,569	\$ 56,569	\$ 56,570	\$ (1)
Total commonwealth's attorney	\$ 56,569	\$ 56,569	\$ 56,570	\$ (1)
Total judicial administration	\$ 396,071	\$ 396,071	\$ 390,639	\$ 5,432
Public safety:				
Law enforcement and traffic control:				
Police department	\$ 2,754,087	\$ 2,926,257	\$ 2,665,644	\$ 260,613
Total law enforcement and traffic control	\$ 2,754,087	\$ 2,926,257	\$ 2,665,644	\$ 260,613

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Public safety: (Continued)				
Emergency services:				
E-911 operations	\$ 615,954	\$ 621,715	\$ 584,357	\$ 37,358
Emergency management services	1,345,605	1,647,999	1,647,980	19
Total emergency services	<u>\$ 1,961,559</u>	<u>\$ 2,269,714</u>	<u>\$ 2,232,338</u>	<u>\$ 37,376</u>
Correction and detention:				
Detention - Western Tidewater Regional Jail	\$ 570,990	\$ 570,990	\$ 570,990	\$ -
Total correction and detention	<u>\$ 570,990</u>	<u>\$ 570,990</u>	<u>\$ 570,990</u>	<u>\$ -</u>
Inspections:				
Building	\$ 368,392	\$ 371,387	\$ 360,222	\$ 11,165
Total inspections	<u>\$ 368,392</u>	<u>\$ 371,387</u>	<u>\$ 360,222</u>	<u>\$ 11,165</u>
Other protection:				
Animal control	\$ 109,804	\$ 110,717	\$ 109,540	\$ 1,177
Civil defense	69,445	58,445	58,430	15
Safety and health	1,500	1,500	1,500	1,500
Total other protection	<u>\$ 180,749</u>	<u>\$ 170,662</u>	<u>\$ 167,970</u>	<u>\$ 2,692</u>
Total public safety	<u>\$ 5,835,777</u>	<u>\$ 6,309,010</u>	<u>\$ 5,997,164</u>	<u>\$ 311,846</u>
Public works:				
Maintenance of highways, streets, bridges, and sidewalks:				
Streets and highways	\$ 1,821,405	\$ 2,273,815	\$ 1,469,858	\$ 803,957
Snow removal	20,000	20,000	15,157	4,843
Garage	190,400	195,169	186,352	8,817
Total maintenance of highways, streets, bridges, and sidewalks	<u>\$ 2,031,805</u>	<u>\$ 2,488,984</u>	<u>\$ 1,671,367</u>	<u>\$ 817,617</u>
Sanitation and waste removal:				
Refuse collection	\$ 1,397,709	\$ 1,586,916	\$ 957,583	\$ 629,333
Total sanitation and waste removal	<u>\$ 1,397,709</u>	<u>\$ 1,586,916</u>	<u>\$ 957,583</u>	<u>\$ 629,333</u>
Maintenance of general buildings and grounds:				
Maintenance of general buildings and grounds	\$ 613,963	\$ 995,953	\$ 612,285	\$ 383,668
Maintenance of armory	52,825	53,538	51,484	2,054
Maintenance of city hall	190,842	200,541	200,540	1
Maintenance of social services	73,174	73,402	63,345	10,057
Maintenance of health department	32,781	35,328	35,328	-
Total maintenance of general buildings and grounds	<u>\$ 963,585</u>	<u>\$ 1,358,762</u>	<u>\$ 962,981</u>	<u>\$ 395,781</u>
Total public works	<u>\$ 4,393,099</u>	<u>\$ 5,434,662</u>	<u>\$ 3,591,932</u>	<u>\$ 1,842,730</u>



Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Health and welfare:				
Health:				
Local health department	\$ 110,000	\$ 110,000	\$ 110,000	\$ -
Mosquito control	22,000	9,622	-	9,622
Mental health	34,173	34,173	34,173	-
Total health	<u>\$ 166,173</u>	<u>\$ 153,795</u>	<u>\$ 144,173</u>	<u>\$ 9,622</u>
Total health and welfare	<u>\$ 166,173</u>	<u>\$ 153,795</u>	<u>\$ 144,173</u>	<u>\$ 9,622</u>
Education:				
Contribution to local school board	\$ 4,981,153	\$ 4,980,153	\$ 4,634,559	\$ 345,594
Total education	<u>\$ 4,981,153</u>	<u>\$ 4,980,153</u>	<u>\$ 4,634,559</u>	<u>\$ 345,594</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Programs and operations	\$ 388,519	\$ 391,942	\$ 361,696	\$ 30,246
Senior citizen programs	95,073	95,929	94,835	1,094
Senior citizen nutrition	39,585	40,156	40,195	(39)
Cemeteries	57,050	57,050	48,921	8,129
Total parks and recreation	<u>\$ 580,227</u>	<u>\$ 585,077</u>	<u>\$ 545,647</u>	<u>\$ 39,430</u>
Library:				
Library administration	\$ 270,723	\$ 284,654	\$ 284,654	\$ -
Total library	<u>\$ 270,723</u>	<u>\$ 284,654</u>	<u>\$ 284,654</u>	<u>\$ -</u>
Total parks, recreation, and cultural	<u>\$ 850,950</u>	<u>\$ 869,731</u>	<u>\$ 830,300</u>	<u>\$ 39,431</u>
Community development:				
Planning and community development:				
Planning and zoning	\$ 26,992	\$ 60,900	\$ 45,734	\$ 15,167
Beautification commission	5,120	21,551	11,519	10,032
Downtown development	105,516	105,516	109,990	(4,474)
Contribution to component unit IDA	-	-	-	-
Payments to Southampton County	650,000	645,000	644,894	106
Total planning and community development	<u>\$ 787,628</u>	<u>\$ 832,967</u>	<u>\$ 812,137</u>	<u>\$ 20,830</u>
Total community development	<u>\$ 787,628</u>	<u>\$ 832,967</u>	<u>\$ 812,137</u>	<u>\$ 20,830</u>
Nondepartmental:				
Nondepartmental capital	\$ 242,151	\$ 262,151	\$ -	\$ 262,151
Other nondepartmental	10,322	67,350	64,245	3,105
Total nondepartmental	<u>\$ 252,473</u>	<u>\$ 329,501</u>	<u>\$ 64,245</u>	<u>\$ 265,256</u>
Total General Fund	<u><u>\$ 19,883,660</u></u>	<u><u>\$ 21,721,035</u></u>	<u><u>\$ 18,483,017</u></u>	<u><u>\$ 3,238,018</u></u>

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.

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#### 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,

Table 1

Fiscal Year	Program Revenues			General Revenues						Total
	Charges for Services	Operating Grants and Contribution	Capital Grants and Contributions	Taxes	Revenue Sharing from Counties	Grants and Contributions Not Restricted to Specific Programs	Unrestricted Investment Earnings	Miscellaneous		
2013	\$ 20,063,868	\$ 3,935,552	\$ 178,275	\$ 12,028,857	\$ 243,503	\$ 1,668,047*	\$ 430,218	\$ 346,392	\$ 38,894,711	
2012	19,021,975	3,790,723	22,006	11,752,727	1,212,182	1,666,230*	367,899	359,583	38,193,325	
2011	19,898,355	4,638,338	109,004	11,431,190	438,746	1,663,699*	341,820	249,154	38,770,306	
2010	18,285,763	4,077,928	2,072,735	11,579,344	1,316,661	1,673,064*	354,881	305,705	39,666,081	
2009	19,491,230	4,056,878	758,780	12,482,692	1,310,461	1,108,120*	362,362	533,867	40,104,390	
2008	18,313,540	2,520,711	2,537,650	11,988,424	1,279,456	1,323,968*	474,392	1,015,319	39,453,460	
2007	17,601,728	4,096,205	1,607,455	11,735,772	1,175,879	1,132,497*	132,207	1,556,708	39,038,451	
2006	18,767,600	3,698,397	93,952	10,627,041	1,136,199	1,132,497*	38,191	1,431,952	36,925,829	
2005	16,228,102	3,645,508	2,168,480	10,982,904	1,103,685	-	9,025	374,154	34,511,858	
2004	15,647,334	7,482,463	1,266,990	10,477,483	1,094,768	-	64,895	287,280	36,321,213	

\* PPTRA amounts in Grants and Contributions not restricted appeared in Taxes column before 2006

CITY OF FRANKLIN, VIRGINIA  
 Government-Wide Expenses by Function  
 Year Ended June 30,

Table 2

Fiscal Year	General Government	Judicial	Public Safety	Public Works	Health and Welfare	Education	Parks, Recreation and Cultural	Community Development	Non-Departmental	Interest on Long-Term Debt	Water and Sewer	Electric	Airport	Total Expenditures
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	\$ 39,467,177
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	39,935,607
2011	2,451,215	417,073	6,638,673	4,123,252	2,092,175	4,762,168	1,045,170	2,134,311	-	240,711	3,025,608	12,315,508	571,057	39,816,921
2010	2,301,552	227,580	5,786,765	4,497,628	2,406,592	4,633,929	1,049,424	1,370,039	-	549,261	3,069,237	10,319,351	572,686	36,784,044
2009	2,570,721	238,213	6,175,136	4,328,943	2,607,817	4,866,262	1,156,868	1,249,752	-	554,434	2,994,753	12,844,876	584,294	40,172,069
2008	2,648,658	254,382	5,244,287	4,360,802	2,479,570	5,005,226	1,030,677	1,551,031	-	594,528	3,028,136	11,084,995	637,885	37,920,177
2007	2,418,619	276,708	5,199,732	4,049,898	2,328,871	5,877,702	1,035,540	1,658,873	-	879,419	2,931,072	10,833,758	628,378	38,118,570
2006	3,579,360	220,786	4,581,392	3,273,363	2,476,948	4,358,068	908,320	1,154,255	580,617	717,482	2,895,536	10,704,954	571,601	36,022,682
2005	2,154,840	227,962	4,385,901	4,452,836	2,138,779	4,155,196	993,109	213,146	577,465	734,457	2,794,462	8,887,833	614,946	32,330,932
2004	2,136,656	107,674	4,172,103	3,711,353	2,148,536	7,271,975	869,713	4,464,002	546,196	751,139	2,714,447	8,645,465	620,913	38,160,172

**CITY OF FRANKLIN, VIRGINIA**  
 General Government Revenues by Source  
 Year Ended June 30,

**Table 3**

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
General property taxes	\$ 6,761,228	\$ 6,531,186	\$ 6,564,430	\$ 6,530,638	\$ 6,738,891	\$ 6,583,034	\$ 5,996,085	\$ 6,359,770	\$ 5,782,264	\$ 5,523,583
Other local taxes	5,267,629	5,221,541	4,931,497	5,496,343	5,508,466	5,612,005	5,598,044	5,245,322	5,037,186	4,801,060
Permits, fees and licenses	54,736	65,986	43,827	42,070	50,721	85,785	84,958	111,310	69,920	72,184
Fines and forfeitures	63,941	60,735	67,659	62,877	59,119	51,650	67,106	42,865	51,248	62,331
Use of money and property	390,886	368,747	344,072	355,363	363,039	380,946	463,110	612,208	456,174	385,383
Charges for services	2,740,501	2,673,776	2,813,659	2,716,955	2,395,449	2,205,796	2,109,470	1,688,388	1,773,283	1,572,875
Miscellaneous and donations	755,490	1,783,730	925,311	1,965,875	2,212,987	2,561,414	2,375,228	1,856,200	1,481,570	1,368,093
Recovered costs	51,320	132,719	69,151	140,199	109,572	208,839	832,764	162,534	130,621	154,223
Intergovernmental	16,412,826	16,262,051	16,919,937	16,640,925	17,063,702	17,187,544	17,823,513	18,955,586	20,107,570	21,443,712
<b>Total</b>	<b>\$ <u>32,498,557</u></b>	<b>\$ <u>33,100,470</u></b>	<b>\$ <u>32,679,543</u></b>	<b>\$ <u>33,951,245</u></b>	<b>\$ <u>34,501,946</u></b>	<b>\$ <u>34,877,013</u></b>	<b>\$ <u>35,350,278</u></b>	<b>\$ <u>35,034,183</u></b>	<b>\$ <u>34,889,836</u></b>	<b>\$ <u>35,383,444</u></b>

**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 Government Expenditures by Function  
 Last Ten Fiscal Years Ended June 30,

Table 4

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
General government										
administration	\$ 2,017,868	\$ 2,064,443	\$ 2,060,446	\$ 2,083,550	\$ 2,231,540	\$ 2,342,771	\$ 2,170,465	\$ 2,033,571	\$ 1,916,668	\$ 1,898,128
Judicial administration	390,639	408,025	417,073	226,508	236,455	260,681	277,318	220,786	227,962	166,707
Public safety	6,082,876	5,916,167	6,039,390	5,379,484	5,871,389	5,132,088	5,179,909	4,352,306	4,363,831	3,986,257
Public works	3,591,932	4,277,392	4,644,403	4,253,984	4,155,038	4,279,138	4,729,833	4,131,807	4,031,172	4,048,957
Health and welfare	1,990,673	1,856,751	2,047,487	2,314,766	2,531,118	2,418,143	2,395,651	2,411,904	2,068,157	2,097,930
Education	16,064,811	15,680,694	15,627,197	16,189,511	16,245,264	16,260,078	15,648,683	14,264,376	15,767,293	12,777,477
Parks, recreation and cultural	845,750	852,091	867,991	877,561	1,098,785	1,142,871	978,109	989,414	910,516	839,088
Community development	1,238,138	1,457,880	2,162,246	1,486,489	1,306,902	1,553,177	1,668,299	866,223	953,592	4,464,002
Nondepartmental	64,245	41,283	104,155	61,375	50,554	782,653	20,869	718,739	578,963	551,561
Capital Projects	-	-	-	46,127	152,417	1,231,340	2,413,468	1,332,763	1,569,281	1,453,738
Debt service:										
Principal retirement	4,193,126	480,037	674,229	1,173,938	1,157,421	1,041,923	2,557,013	2,575,710	1,008,779	715,570
Interest and fiscal charges	2,074,593	434,988	318,941	1,066,708	577,131	589,825	679,916	761,876	737,999	715,178
Totals	<u>38,554,650</u>	<u>33,469,749</u>	<u>34,963,558</u>	<u>35,160,001</u>	<u>35,614,014</u>	<u>37,034,688</u>	<u>38,719,533</u>	<u>34,659,475</u>	<u>34,134,213</u>	<u>33,714,593</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  
Fund Balance – Governmental Funds  
Last Ten Fiscal Years Ended June 30,

Table 5

**Pre-GASB 54 Implementation:**

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
<b>General Fund</b>							
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	5,211,536	4,671,350	3,998,815	3,094,618	2,635,891	2,414,750	2,018,421
Total general fund	<u>\$ 5,211,536</u>	<u>\$ 4,671,350</u>	<u>\$ 3,998,815</u>	<u>\$ 3,094,618</u>	<u>\$ 2,635,891</u>	<u>\$ 2,414,750</u>	<u>\$ 2,018,421</u>
<b>All Other Governmental Funds</b>							
Reserved	\$ 834,736	\$ 644,623	\$ 460,698	\$ 279,236	\$ 1,870,206	\$ 312,438	\$ 1,097,958
Unreserved, reported in:							
Special revenue funds	1,094,142	1,297,002	1,460,560	1,179,047	-	-	-
Debt service funds	(325,499)	(280,924)	-	-	-	-	-
Capital projects funds	118,884	89,921	192,338	545,812	-	-	-
Permanent funds	136,060	129,787	126,030	133,068	133,046	130,768	132,014
Unreserved and undesignated	-	-	-	-	912,516	916,594	367,479
Total all other governmental funds	<u>\$ 1,858,323</u>	<u>\$ 1,880,409</u>	<u>\$ 2,239,626</u>	<u>\$ 2,137,163</u>	<u>\$ 2,915,768</u>	<u>\$ 1,359,800</u>	<u>\$ 1,597,451</u>

**Post-GASB 54 Implementation:**

	<u>2013</u>	<u>2012</u>	<u>2011</u>
<b>General Fund</b>			
Nonspendable	\$ 969,874	\$ 969,874	\$ 978,500
Restricted	1,070,252	80,000	146,044
Committed	643,174	230,972	343,194
Assigned	2,366,148	2,588,020	1,212,612
Unassigned	3,648,940	3,084,828	2,381,262
Total general fund	<u>\$ 8,698,388</u>	<u>\$ 6,953,694</u>	<u>\$ 5,061,612</u>
<b>All Other Governmental Funds</b>			
Nonspendable	\$ 219,584	\$ 226,048	\$ 226,048
Restricted	1,780,661	1,478,166	1,728,261
Committed	7,575	-	-
Assigned	1,976,098	98,268	180,277
Unassigned, reported in:			
Special revenue funds	(10,606)	(20,380)	(49,310)
Total all other governmental funds	<u>\$ 3,973,312</u>	<u>\$ 1,782,102</u>	<u>\$ 2,085,276</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,**

**Table 6**

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
<b>Revenues</b>										
General property taxes	\$ 6,761,228	\$ 6,531,186	\$ 6,564,430	\$ 6,530,638	\$ 6,738,891	\$ 6,583,034	\$ 5,996,085	\$ 6,359,770	\$ 5,782,264	\$ 5,523,583
Other local taxes	5,267,629	5,221,541	4,931,497	5,496,343	5,508,466	5,612,005	5,598,044	5,245,322	5,037,186	4,801,060
Permits, privilege fees, and regulatory licenses	54,736	65,986	43,827	42,070	50,721	85,785	84,958	111,310	69,920	72,184
Fines and forfeitures	63,941	60,735	67,659	62,877	59,119	51,650	67,106	42,865	51,248	62,331
Revenue from use of money and property	386,324	367,899	341,820	354,881	362,362	380,114	460,631	612,131	426,048	368,797
Charges for services	2,615,929	2,557,279	2,700,399	2,573,185	2,235,778	2,053,757	1,945,295	1,688,388	1,618,827	1,410,296
Miscellaneous	589,895	1,500,459	687,900	1,622,366	1,844,328	2,294,775	2,250,451	1,759,510	1,405,454	1,301,573
Recovered costs	43,894	71,306	27,261	100,749	61,314	82,857	773,902	86,545	29,354	60,814
Intergovernmental	5,603,598	5,456,953	6,302,037	5,214,853	5,821,774	6,376,876	6,436,014	4,221,465	5,739,714	8,977,448
Total revenues	\$ <u>21,387,175</u>	\$ <u>21,833,344</u>	\$ <u>21,666,830</u>	\$ <u>21,997,962</u>	\$ <u>22,682,753</u>	\$ <u>23,520,853</u>	\$ <u>23,612,486</u>	\$ <u>20,127,306</u>	\$ <u>20,160,015</u>	\$ <u>22,578,086</u>
<b>Expenditures</b>										
<b>Current:</b>										
General government administration	\$ 2,017,868	\$ 2,064,443	\$ 2,060,446	\$ 2,083,550	\$ 2,231,540	\$ 2,342,771	\$ 2,170,465	\$ 2,033,571	\$ 1,916,668	\$ 1,898,128
Judicial administration	390,639	408,025	417,073	226,508	236,455	260,681	277,318	220,786	227,962	166,707
Public safety	6,082,876	5,916,167	6,039,390	5,379,484	5,871,389	5,132,088	5,179,909	4,352,306	4,363,831	3,986,257
Public works	3,591,932	4,277,392	4,644,403	4,253,984	4,155,038	4,279,138	4,729,833	4,131,807	4,031,172	4,048,957
Health and welfare	1,990,673	1,856,751	2,047,487	2,314,766	2,531,118	2,418,143	2,395,651	2,411,904	2,068,157	2,097,930
Education	4,677,791	4,276,230	4,664,406	4,490,040	4,620,576	4,651,368	4,472,469	4,260,306	4,057,434	3,918,801
Parks, recreation and cultural	845,750	852,091	867,991	877,561	1,098,785	1,142,871	978,109	989,414	910,516	839,088
Community development	1,238,138	1,457,880	2,162,246	1,486,489	1,306,902	1,553,177	1,668,299	866,223	953,592	4,464,002
Nondepartmental	64,245	41,283	104,155	61,375	50,554	782,653	20,869	718,739	578,963	551,561
Capital projects	-	-	-	46,127	152,417	1,231,340	2,413,468	1,332,763	1,569,281	1,453,738
<b>Debt service:</b>										
Principal retirement	4,193,126	480,037	674,229	1,173,938	1,157,421	1,041,923	2,557,013	2,575,710	1,008,779	715,570
Interest and other fiscal charges	2,074,593	434,988	318,941	1,066,708	577,131	589,825	679,916	717,482	734,455	679,110
Bond issuance cost	-	-	-	-	-	-	-	44,394	3,544	36,068
Total expenditures	\$ <u>27,167,630</u>	\$ <u>22,065,287</u>	\$ <u>24,000,767</u>	\$ <u>23,460,530</u>	\$ <u>23,989,326</u>	\$ <u>25,425,978</u>	\$ <u>27,543,319</u>	\$ <u>24,655,405</u>	\$ <u>22,424,354</u>	\$ <u>24,855,917</u>
Excess (deficiency) of revenues over expenditures	\$ <u>(5,780,454)</u>	\$ <u>(231,943)</u>	\$ <u>(2,333,937)</u>	\$ <u>(1,462,568)</u>	\$ <u>(1,306,573)</u>	\$ <u>(1,905,125)</u>	\$ <u>(3,930,833)</u>	\$ <u>(4,528,099)</u>	\$ <u>(2,264,339)</u>	\$ <u>(2,277,831)</u>
<b>Other Financing Sources (Uses)</b>										
Proceeds from long-term debt	\$ 8,137,578	\$ -	\$ -	\$ 5,235,000	\$ -	\$ 400,000	\$ -	\$ 3,755,429	\$ 310,000	\$ 4,288,240
Payment to refunding bond escrow agent	-	-	-	(4,828,997)	-	-	-	-	-	-
Premium on issuance of bonds	-	-	-	84,500	-	-	-	-	-	-
Discount on sale of bonds	-	-	-	-	-	-	-	-	-	-
Transfers in	3,581,305	3,428,856	4,634,273	4,139,028	3,878,065	4,271,190	6,082,270	4,333,951	4,295,452	3,743,030
Transfers out	(2,020,222)	(1,599,773)	(2,625,576)	(2,648,863)	(2,258,174)	(2,504,983)	(4,155,363)	(2,233,079)	(2,182,435)	(5,273,794)
Issuance of capital leases	-	-	318,975	-	-	745,578	1,577,117	-	-	-
Total other financing sources (uses)	\$ <u>9,698,662</u>	\$ <u>1,829,083</u>	\$ <u>2,327,672</u>	\$ <u>1,980,668</u>	\$ <u>1,619,891</u>	\$ <u>2,911,785</u>	\$ <u>3,504,024</u>	\$ <u>5,856,301</u>	\$ <u>2,423,017</u>	\$ <u>2,757,476</u>
Net change in fund balances	\$ <u>3,918,207</u>	\$ <u>1,597,140</u>	\$ <u>(6,265)</u>	\$ <u>518,100</u>	\$ <u>313,318</u>	\$ <u>1,006,660</u>	\$ <u>(426,809)</u>	\$ <u>1,328,202</u>	\$ <u>158,678</u>	\$ <u>479,645</u>
Debt service as a percentage of noncapital expenditures	23.35%	4.27%	4.39%	9.87%	7.56%	7.25%	12.87%	14.57%	9.05%	6.54%

CITY OF FRANKLIN, VIRGINIA  
Net Position by Component  
June 30,

Table 7

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Governmental activities							
Net investment in capital assets	\$ 9,300,806	\$ 15,514,000	\$ 16,568,294	\$ 17,477,560	\$ 17,319,997	\$ 16,777,541	\$ 15,949,140
Restricted	2,850,913	1,062,775	1,032,007				
Unrestricted	<u>9,820,786</u>	<u>5,786,923</u>	<u>4,558,481</u>	<u>4,919,147</u>	<u>4,374,403</u>	<u>4,188,340</u>	<u>3,188,314</u>
<b>Total governmental activities</b>	<u>\$ 21,972,505</u>	<u>\$ 22,363,698</u>	<u>\$ 22,158,782</u>	<u>\$ 22,396,707</u>	<u>\$ 21,694,400</u>	<u>\$ 20,965,881</u>	<u>\$ 19,137,454</u>
Business-type activities							
Net investment in capital assets	\$ 5,949,747	\$ 8,095,793	\$ 8,400,534	\$ 9,228,349	\$ 8,004,309	\$ 8,388,252	\$ 8,363,160
Restricted	700,333	-	-	-	-	-	-
Unrestricted	<u>1,702,628</u>	<u>438,188</u>	<u>2,080,645</u>	<u>2,748,995</u>	<u>1,786,860</u>	<u>2,191,355</u>	<u>2,511,591</u>
<b>Total business-type activities</b>	<u>\$ 8,352,708</u>	<u>\$ 8,533,981</u>	<u>\$ 10,481,179</u>	<u>\$ 11,977,344</u>	<u>\$ 9,791,169</u>	<u>\$ 10,579,607</u>	<u>\$ 10,874,751</u>
Primary government							
Net investment in capital assets	\$ 15,250,553	\$ 23,609,792	\$ 24,968,828	\$ 26,705,909	\$ 25,324,306	\$ 25,165,793	\$ 24,312,300
Restricted	3,551,246	1,062,775	1,032,007				
Unrestricted	<u>11,523,414</u>	<u>6,225,111</u>	<u>6,639,126</u>	<u>7,668,142</u>	<u>6,161,263</u>	<u>6,379,695</u>	<u>5,699,905</u>
<b>Total primary government</b>	<u>\$ 30,325,213</u>	<u>\$ 30,897,678</u>	<u>\$ 32,639,961</u>	<u>\$ 34,374,051</u>	<u>\$ 31,485,569</u>	<u>\$ 31,545,488</u>	<u>\$ 30,012,205</u>

CITY OF FRANKLIN, VIRGINIA  
Change in Net Position  
Ended June 30,

Table 8  
Page 1 of 2

	2013	2012	2011	2010	2009	2008	2007
<b>Expenses</b>							
Governmental activities:							
General government	\$ 2,464,954	\$ 2,797,507	\$ 2,451,215	\$ 2,301,552	\$ 2,570,721	\$ 2,648,658	\$ 2,418,619
Judicial	390,639	408,025	417,073	227,580	238,213	254,382	276,708
Public safety	6,477,498	6,331,863	6,638,673	5,799,871	6,175,136	5,244,287	5,199,732
Public works	4,042,630	4,702,151	4,123,252	4,497,628	4,328,943	4,360,802	4,049,898
Health and welfare	2,029,046	1,883,150	2,092,175	2,406,592	2,607,817	2,479,570	2,328,871
Education	4,757,834	4,373,992	4,762,168	4,633,929	4,866,262	5,005,226	5,877,702
Parks, recreation, and cultural	987,498	1,026,675	1,045,170	1,049,424	1,156,868	1,030,677	1,035,540
Community development	1,238,138	1,457,880	2,134,311	1,273,639	1,249,752	1,551,031	1,658,873
Interest on long-term debt	862,901	434,988	240,711	549,261	554,434	594,528	879,419
Nondepartmental	88,315	41,283	-	-	-	-	-
<b>Total governmental activities</b>	<u>\$ 23,339,452</u>	<u>\$ 23,457,513</u>	<u>\$ 23,904,748</u>	<u>\$ 22,739,476</u>	<u>\$ 23,748,146</u>	<u>\$ 23,169,161</u>	<u>\$ 23,725,362</u>
Business-type activities:							
Water and sewer	\$ 2,784,937	\$ 2,972,701	\$ 3,025,608	\$ 3,069,237	\$ 2,994,753	\$ 3,028,136	\$ 2,931,072
Electric	12,742,843	13,153,530	12,315,508	11,107,273	12,844,876	11,084,995	10,833,758
Airport	599,945	351,863	571,057	572,686	584,294	637,885	628,378
<b>Total business-type activities</b>	<u>\$ 16,127,725</u>	<u>\$ 16,478,094</u>	<u>\$ 15,912,173</u>	<u>\$ 14,749,196</u>	<u>\$ 16,423,923</u>	<u>\$ 14,751,016</u>	<u>\$ 14,393,208</u>
<b>Total expenses</b>	<u>\$ 39,467,177</u>	<u>\$ 39,935,607</u>	<u>\$ 39,816,921</u>	<u>\$ 37,488,672</u>	<u>\$ 40,172,069</u>	<u>\$ 37,920,177</u>	<u>\$ 38,118,570</u>
<b>Program revenue</b>							
Governmental activities:							
Charges for services:							
General government	\$ 148,629	\$ 630,502	\$ 613,208	\$ 662,101	\$ 615,929	\$ 607,034	\$ 613,334
Judicial	69,127	68,562	88,075	14,432	17,509	9,601	8,831
Public safety	381,946	441,386	529,385	510,261	464,978	384,793	493,587
Public works	2,119,550	1,517,698	1,535,386	1,469,356	1,207,847	1,101,485	877,464
Health and welfare	-	-	16,112	-	9,503	34,060	-
Parks, recreation, and cultural	15,356	13,783	17,327	14,418	20,197	22,216	19,185
Community development	-	12,070	12,392	7,564	9,655	32,003	-
Operating grants and contributions	3,935,552	3,790,723	4,638,338	4,077,928	4,056,878	2,520,711	4,096,205
Capital grants and contributions	-	-	-	49,197	656,776	2,532,197	1,207,312
<b>Total governmental activities</b>	<u>\$ 6,670,158</u>	<u>\$ 6,474,724</u>	<u>\$ 7,450,223</u>	<u>\$ 6,805,257</u>	<u>\$ 7,059,272</u>	<u>\$ 7,244,100</u>	<u>\$ 7,315,918</u>

CITY OF FRANKLIN, VIRGINIA  
Change in Net Position  
Ended June 30,

Table 8  
Page 2 of 2

<b>Program revenue</b>							
Business-type activities:							
Charges for services:							
Water and sewer	\$ 3,154,656	\$ 3,043,329	\$ 3,035,547	\$ 3,276,636	\$ 3,283,366	\$ 3,396,655	\$ 3,330,432
Electric	13,996,271	13,093,877	13,871,929	12,142,738	13,687,790	12,493,995	12,007,869
Airport	178,334	200,768	178,994	188,257	174,456	231,698	251,026
Capital grants and contributions:							
Airport	178,275	22,006	109,004	2,040,691	102,004	5,453	400,143
<b>Total business-type activities</b>	<u>\$ 17,507,536</u>	<u>\$ 16,359,980</u>	<u>\$ 17,195,474</u>	<u>\$ 17,648,322</u>	<u>\$ 17,247,616</u>	<u>\$ 16,127,801</u>	<u>\$ 15,989,470</u>
<b>Total program revenue</b>	<u>\$ 24,177,694</u>	<u>\$ 22,834,704</u>	<u>\$ 24,645,697</u>	<u>\$ 24,453,579</u>	<u>\$ 24,306,888</u>	<u>\$ 23,371,901</u>	<u>\$ 23,305,388</u>
<b>Governmental activities net expense</b>	\$ (16,669,294)	\$ (16,982,789)	\$ (16,454,525)	\$ (15,934,219)	\$ (16,688,874)	\$ (15,925,061)	\$ (16,409,444)
<b>Business-type activities net expense</b>	<u>1,379,811</u>	<u>(118,114)</u>	<u>1,283,301</u>	<u>2,899,126</u>	<u>823,693</u>	<u>1,376,785</u>	<u>1,596,262</u>
<b>Total primary government net expense</b>	<u>\$ (15,289,483)</u>	<u>\$ (17,100,903)</u>	<u>\$ (15,171,224)</u>	<u>\$ (13,035,093)</u>	<u>\$ (15,865,181)</u>	<u>\$ (14,548,276)</u>	<u>\$ (14,813,182)</u>
<b>General revenues and other changes in net position</b>							
Governmental activities:							
Taxes:							
Property taxes	\$ 6,761,228	\$ 6,531,186	\$ 6,499,693	\$ 6,668,337	\$ 6,974,226	\$ 6,376,419	\$ 6,052,770
Other taxes	5,267,629	5,221,541	4,931,497	4,911,007	5,508,466	5,612,005	5,683,002
Revenue sharing from counties	243,503	1,212,182	438,746	1,316,661	1,310,461	1,279,456	1,175,879
Revenue from use of money and property	430,218	367,899	341,820	354,881	362,362	380,114	460,631
Grants & Gifts non-restricted	1,668,047	1,666,230	1,663,699	1,673,064	1,108,120	1,323,968	1,132,497
Miscellaneous	346,392	359,583	249,154	305,705	533,867	1,015,319	1,154,938
Transfers	1,561,084	1,829,084	2,008,697	1,490,165	1,619,891	1,766,207	1,926,907
<b>Total governmental activities</b>	<u>\$ 16,278,101</u>	<u>\$ 17,187,705</u>	<u>\$ 16,133,306</u>	<u>\$ 16,719,820</u>	<u>\$ 17,417,393</u>	<u>\$ 17,753,488</u>	<u>\$ 17,586,624</u>
Business-type activities:							
Revenue from use of money and property	-	-	-	6,445	7,760	94,278	73,346
Transfers	\$ (1,561,084)	\$ (1,829,084)	\$ (2,008,697)	\$ (1,490,165)	\$ (1,619,891)	\$ (1,766,207)	\$ (1,926,907)
<b>Total business-type activities</b>	<u>(1,561,084)</u>	<u>(1,829,084)</u>	<u>(2,008,697)</u>	<u>(1,483,720)</u>	<u>(1,612,131)</u>	<u>(1,671,929)</u>	<u>(1,853,561)</u>
<b>Total general revenues and other changes in net position</b>	<u>\$ 14,717,017</u>	<u>\$ 15,358,621</u>	<u>\$ 14,124,609</u>	<u>\$ 15,236,100</u>	<u>\$ 15,805,262</u>	<u>\$ 16,081,559</u>	<u>\$ 15,733,063</u>
<b>Change in Net Position</b>							
Governmental activities	\$ (391,193)	\$ 204,916	\$ (321,219)	\$ 785,601	\$ 728,519	\$ 1,828,427	\$ 1,177,180
Business-type activities	<u>(181,273)</u>	<u>(1,947,198)</u>	<u>(725,396)</u>	<u>1,415,406</u>	<u>(788,438)</u>	<u>(295,144)</u>	<u>(257,299)</u>
<b>Total primary government</b>	<u>\$ (572,467)</u>	<u>\$ (1,742,282)</u>	<u>\$ (1,046,615)</u>	<u>\$ 2,201,007</u>	<u>\$ (59,919)</u>	<u>\$ 1,533,283</u>	<u>\$ 919,881</u>

CITY OF FRANKLIN, VIRGINIA  
 Property Tax Levies and Collections  
 Last Ten Fiscal Years Ended June 30,

Table 9

Year	Total Tax Levy <sup>(1)</sup>	Current Tax Collections <sup>(1)</sup>	Percent of Levy Collected	Delinquent Tax Collections <sup>(1)(2)</sup>	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes	Percent of Delinquent Taxes to Tax Levy
2013	\$ 7,764,626	\$ 7,547,602	97.20%	\$ 321,534	\$ 7,869,136	101.35%	\$ 612,060	7.88%
2012	7,277,357	7,197,984	98.91%	183,306	7,381,290	101.43%	671,990	9.23%
2011	7,333,436	7,135,568	97.30%	304,318	7,439,886	101.45%	756,365	10.31%
2010	7,355,039	7,326,977	99.62%	125,647	7,452,624	101.33%	863,109	11.73%
2009	7,774,091	7,482,861	96.25%	182,767	7,665,628	98.60%	758,751	9.76%
2008	7,510,356	7,240,857	96.41%	232,401	7,473,258	99.51%	756,356	10.07%
2007	7,023,237	6,827,150	97.21%	179,681	7,006,831	99.77%	649,891	9.25%
2006	6,229,526	5,913,050	94.92%	279,881	6,192,931	99.41%	619,208	9.94%
2005	5,640,259	5,323,582	94.39%	290,026	5,613,608	99.53%	485,700	8.61%
2004	5,463,530	5,220,437	95.55%	286,425	5,506,862	100.79%	459,049	8.40%

Source: City of Franklin Commissioner of Revenue

<sup>(1)</sup> Exclusive of penalties and interest.

<sup>(2)</sup> Does not include land redemptions.

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

CITY OF FRANKLIN, VIRGINIA  
 Assessed Value of Taxable Property  
 Last Ten Fiscal Years Ended June 30,

Table 10

Year	Real Estate	Personal Property	Mobile Home	Machinery and Tools	Public Service Corporations		Total	Total Direct Tax Rate
					Real Estate	Personal Property		
2013	\$ 571,544,231	\$ 58,915,121	\$ -	\$ 3,136,696	\$ 6,588,695	\$ 77,003	\$ 640,261,746	1.34
2012	550,495,439	55,575,941	-	2,993,303	6,927,392	13,914	616,005,989	1.22
2011	606,470,410	55,398,273	-	3,032,569	7,371,365	16,575	672,289,192	1.19
2010	629,410,310	57,061,332	-	3,018,957	7,761,879	42,224	697,294,702	1.19
2009	671,857,100	59,307,993	900	2,909,231	7,646,642	27,151	741,749,017	1.18
2008	561,634,400	57,716,863	-	573,729	8,480,797	39,340	628,445,129	1.34
2007	567,081,965	62,652,410	-	703,167	6,596,676	21,591	637,055,809	1.32
2006	418,087,841	59,659,923	-	738,901	8,611,442	39,123	487,137,230	1.49
2005	413,484,184	55,210,009	-	757,167	8,617,223	39,123	478,107,706	1.42
2004	371,050,871	52,890,760	-	1,134,874	9,097,960	57,587	434,232,052	1.44

Source: City of Franklin Treasurer

CITY OF FRANKLIN, VIRGINIA

Property Tax Rates

Tax Rates per Hundred Dollars of Assessed Value

Last Ten Fiscal Years Ended June 30,

Table 11

Year	Real Estate	Personal Property	Mobile Home	Machinery and Tools	Public Service Corporation	
					Real Estate <sup>(1)</sup>	Personal Property
2013	\$ 0.90 / \$ 1.14	\$ 4.50	\$ 0.90	\$ 2.00	\$ 0.90	\$ 4.50
2012	\$ 0.77 / \$ 1.01 <sup>(5)</sup>	4.50	0.77	2.00	0.77	4.50
2011	\$ 0.77 / \$ 1.01 <sup>(5)</sup>	4.50	0.77	2.00	0.77	4.50
2010	\$ 0.77 / \$ 1.01 <sup>(5)</sup>	4.50	0.77	2.00	0.77	4.50
2009	\$ 0.77 / \$ 1.01 <sup>(5)</sup>	4.50	0.77	2.00	0.77	4.50
2008	\$ 0.90 / \$ 1.14 <sup>(3)</sup>	4.50	0.90	2.00	0.90	4.50
2007	\$ 0.85 / \$ 1.09 <sup>(2)</sup>	4.50	0.85	2.00	0.85	4.50
2006	\$ 0.95 / \$ 1.19 <sup>(4)</sup>	4.50	0.95	2.00	0.95	4.50
2005	\$ 0.90 / \$ 1.14 <sup>(3)</sup>	4.50	0.90	2.00	0.90	4.50
2004	\$ 0.90 / \$ 1.14 <sup>(3)</sup>	4.50	0.90	2.00	0.90	4.50

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

<sup>(2)</sup> Downtown district real estate tax rate was \$1.09 and remaining areas were taxed at \$0.85 for real estate.

<sup>(3)</sup> Downtown district real estate tax rate was \$1.14 and remaining areas were taxed at \$ 0.90 for real estate.

<sup>(4)</sup> Downtown district real estate tax rate was \$1.19 and remaining areas were taxed at \$ 0.95 for real estate.

<sup>(5)</sup> Downtown district real estate tax rate was \$1.01 and remaining areas were taxed at \$ 0.77 for real estate.

Source: City of Franklin Commissioner of Revenue

Fiscal Year 2013			
Taxpayer	Type of Business	2012 Assessed Valuation	Percent of Total Assessed Valuation of Real Estate
Franklin Hospital Corporation	Hospital	\$ 25,820,800	4.46%
James L. Rifkin Estate	Shopping Center	11,434,100	1.97%
The Village at Woods Edge	Retirement Home	9,809,900	1.69%
Lowes Home Centers, Inc	Retail - Hardware	8,163,700	1.41%
ACJCS LLC - Money Mailer	Direct Mail Advertising	5,385,000	0.93%
Southampton Shopping Center L.P.	Shopping Center	5,072,100	0.88%
Meadowridge Associates L.P.	Apartments	4,554,600	0.79%
F. P. Associates Inc	Apartments	3,915,700	0.68%
Bronco Federal Credit Union	Bank	3,666,500	0.63%
Dorchester Apartments L.P.	Apartments	4,043,600	0.70%
		<u>\$ 81,866,000</u>	<u>14.13%</u>
Fiscal Year 2004			
Taxpayer	Type of Business	2004 Assessed Valuation	Percent of Total Assessed Valuation of Real Estate
Franklin Hospital Corporation	Hospital	\$ 8,441,800	2.25%
James L. Rifkin Estate	Shopping Center	8,164,700	2.18%
F.P. Associates	Apartments	7,016,500	1.87%
Southampton Center, Joint Venture	Shopping Center	6,326,400	1.69%
The Village at Woods Edge	Retirement Home	5,903,600	1.58%
Meadowridge Association	Apartments	4,274,700	1.14%
Dorchester Associates	Apartments	3,618,200	0.97%
Adjacent Properties	Apartments	3,316,100	0.88%
Christopoulus Family LC	Shopping Center	3,248,400	0.87%
Nirvi Corporation	Shopping Center	2,848,800	0.76%
		<u>\$ 53,159,200</u>	<u>14.19%</u>

Source: City of Franklin Treasurer



Fiscal Year 2013			
Taxpayer	Type of Business	2012 Assessed Valuation	Percent of Total Assessed Personal Property
Franklin Hospital Corporation	Hospital	\$ 2,450,865	3.64%
Money Mailer LLC	Direct Mail Advertising	2,307,874	3.42%
Charter Communications	Service - Telecommunications	759,460	1.13%
Lowes Home Centers #2698	Retail - Hardware	674,421	1.00%
Richfood Procurement LLC	Retail - Grocery	627,542	0.93%
Butler Paper Recycling, Inc	Paper Recycling	452,061	0.67%
Wal-Mart Stores, Inc	Retail - Variety	422,576	0.63%
Food Lion	Retail - Grocery	309,302	0.46%
Village at Woods Edge	Retirement Home	272,279	0.40%
CHS PSC Leasing	Leasing Company	195,543	0.29%
		<u>\$ 8,471,923</u>	<u>12.57%</u>
Fiscal Year 2004			
Taxpayer	Type of Business	2004 Assessed Valuation	Percent of Total Assessed Personal Property
Franklin Hospital Corporation	Hospital	\$ 729,812	1.37%
Wal-Mart Stores, Inc.	Retail - Variety	697,082	1.30%
Charter Communications, Inc.	Cable	467,855	0.88%
Winn Dixie Raleigh, Inc.	Retail - Grocery	411,854	0.77%
SMT Health Services, Inc.	Health Care	310,984	0.58%
Butler Paper Recycling, Inc.	Retail	299,738	0.56%
Birdsong Corporation	Retail - Variety	288,898	0.54%
S.W. Rawls, Inc.	Retail - Variety	259,537	0.49%
Food Lion, Inc. LLC	Retail - Grocery	244,975	0.46%
CIT Financial USA, Inc.	Retail - Variety	184,690	0.35%
		<u>\$ 3,895,425</u>	<u>7.29%</u>

Source: City of Franklin Treasurer

CITY OF FRANKLIN, VIRGINIA

Taxable Sales by Category

Last Ten Calendar Years Ended June 30,

Table 14

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Merchant Wholesaler, Durable Goods	\$ 2,201,607	\$ N/A	\$ 540,973	\$ 319,700	\$ 160,501	\$ 206,624	\$ 370,011	\$ N/A	\$ N/A	\$ N/A
Motor Vehicle & Parts Dealers	4,692,831	3,873,423	5,049,510	4,177,804	3,978,697	4,485,996	4,740,931	N/A	N/A	N/A
Furniture & Home Furnishings	3,157,818	3,057,434	3,367,524	3,415,004	3,766,476	3,460,241	3,768,080	N/A	N/A	N/A
Crop Production	-	N/A	67,636	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Building Materials, Farm & Garden Supplies	20,589,426	-	-	-	-	-	3,683,597	N/A	N/A	N/A
Food and Beverage Stores	19,052,994	18,485,435	17,562,519	18,543,874	20,153,777	14,117,933	11,325,087	N/A	N/A	N/A
Health and Personal Care	N/A	N/A	1,620,007	1,708,589	1,181,688	914,493	-	N/A	N/A	N/A
Gasoline Stations	6,984,919	6,386,331	5,728,484	5,064,456	5,484,253	4,347,208	2,841,936	N/A	N/A	N/A
Clothing & Clothing Accessories Stores	1,907,205	1,913,678	1,918,978	1,992,877	1,910,099	1,954,980	2,057,085	N/A	N/A	N/A
Sporting Goods, Hobby, Book & Music Stores	855,199	268,093	-	34,340	-	-	229,560	N/A	N/A	N/A
General Merchandise Stores	66,102,148	59,970,095	57,836,189	60,044,952	60,639,197	60,217,521	53,083,978	N/A	N/A	N/A
Miscellaneous Store Retailers	1,457,346	1,896,322	2,094,847	1,745,625	1,735,875	2,469,992	2,912,936	N/A	N/A	N/A
Nonstore Retailers	1,109,388	957,052	1,392,909	1,169,469	1,518,049	2,895,028	3,550,649	N/A	N/A	N/A
Rental & Lease Services	95,371	538,438	676,770	929,073	796,030	1,291,440	960,998	N/A	N/A	N/A
Professional, Scientific and Technical Services	1,532,544	1,621,123	1,765,592	1,605,670	634,005	177,766	-	N/A	N/A	N/A
Accommodation	2,512,857	N/A	816,451	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Food Services & Drinking Places	17,408,704	15,530,633	16,947,347	17,052,909	15,814,206	13,903,248	12,888,112	N/A	N/A	N/A
Repair & Maintenance	2,906,481	2,843,412	2,906,222	2,772,329	2,528,870	2,650,097	2,388,335	N/A	N/A	N/A
Personal & Laundry Services	1,300,644	1,323,188	1,115,148	905,405	1,309,468	1,252,258	922,640	N/A	N/A	N/A
Chemical Manufacturing	686,394	579,665	-	-	-	-	-	N/A	N/A	N/A
All Other Businesses	-	1,951,057	1,155,848	213,205	318,129	1,352,993	5,437,841	N/A	N/A	N/A
Miscellaneous & Unidentifiable	7,764,925	27,833,602	25,414,636	27,559,023	28,788,615	24,690,382	22,719,304	N/A	N/A	N/A
<b>Total</b>	<b>\$ 162,318,801</b>	<b>\$ 149,028,981</b>	<b>\$ 147,977,590</b>	<b>\$ 149,254,304</b>	<b>\$ 150,717,935</b>	<b>\$ 140,388,200</b>	<b>\$ 133,881,080</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

Source - City of Franklin Department of Taxation

CITY OF FRANKLIN, VIRGINIA

Ratio of Net General Bonded Debt to Assessed Value  
Last Ten Fiscal Years Ended June 30,

Table 15

Year	Assessed Value (in Thousands) <sup>(4)</sup>	Bonded Debt Outstanding <sup>(3)</sup>						Less:			Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita <sup>(5)</sup>
		Governmental Activities			Business-type Activities			Debt Service Escrow	Debt Payable from Enterprise Revenues <sup>(2)</sup>	Net Bonded Debt		
		General Obligation Bonds	Literary Fund Loans	Other Notes	General Obligation Bonds	Revolving Loans	Gross Bonded Debt <sup>(1)</sup>					
2013	\$ 578,133	\$ 15,087,295	\$ -	\$ -	\$ 5,326,000	\$ -	\$ 20,413,295	\$ 1,488,751	\$ 5,326,000	\$ 13,598,544	2.35%	\$ 1,585
2012	557,423	12,860,239	-	-	3,435,000	448,518	16,743,757	1,230,196	3,883,518	11,630,043	2.09%	1,355
2011	613,842	13,170,270	-	-	3,435,000	505,296	17,110,566	1,032,007	3,940,296	12,138,263	1.98%	1,414
2010	637,172	13,456,141	100,000	160,000	3,435,000	560,409	17,711,550	834,736	3,995,409	12,881,405	2.02%	1,461
2009	679,504	13,899,488	200,000	280,000	3,689,865	613,905	18,683,258	644,623	4,303,770	13,734,865	2.02%	1,547
2008	570,115	14,714,584	300,000	400,000	4,122,300	665,832	20,202,716	460,698	4,788,132	14,953,886	2.62%	1,679
2007	573,679	15,112,072	400,000	520,000	4,603,341	716,235	21,351,648	279,236	5,319,576	15,752,836	2.75%	1,790
2006	426,699	N/A	N/A	N/A	N/A	N/A	24,486,173	-	5,920,883	18,565,290	4.35%	2,160
2005	422,101	N/A	N/A	N/A	N/A	N/A	23,479,028	-	6,597,451	16,881,577	3.53%	1,964
2004	380,149	N/A	N/A	N/A	N/A	N/A	24,583,588	-	7,099,588	17,484,000	4.03%	2,069

Note: <sup>(1)</sup> Includes all long-term general obligation debt (excludes loss on net tax revenue obligation and capital lease).

<sup>(2)</sup> Enterprise Debt includes Proprietary Fund Types and Component Unit - IDA.

<sup>(3)</sup> Itemization of outstanding debt not applicable for fiscal years 2004 - 2006 due to changes in reporting.

<sup>(4)</sup> See Table 10 for actual assessed values.

<sup>(5)</sup> See Table 19 for population.

CITY OF FRANKLIN, VIRGINIA  
 Legal Debt Margin Information  
 Last Ten Fiscal Years Ended June 30,

Table 16

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Debt limit	\$ 37,475	\$ 42,210	\$ 41,809	\$ 56,708	\$ 57,409	\$ 67,950	\$ 67,239	60,647	\$ 55,050	\$ 57,154
Total net debt applicable to limit	<u>24,446</u>	<u>23,479</u>	<u>24,707</u>	<u>21,540</u>	<u>20,955</u>	<u>19,339</u>	<u>18,130</u>	<u>17,111</u>	<u>16,744</u>	<u>20,413</u>
Legal debt margin	\$ <u>13,029</u>	\$ <u>18,731</u>	\$ <u>17,102</u>	\$ <u>35,168</u>	\$ <u>36,454</u>	\$ <u>48,611</u>	\$ <u>49,109</u>	\$ <u>43,536</u>	\$ <u>38,306</u>	\$ <u>36,741</u>
Total net debt applicable to the limit as a percentage of the debt limit	65.23%	55.62%	59.09%	37.98%	36.50%	28.46%	26.96%	28.21%	30.42%	35.72%

Note: The amounts reported above are presented in thousands.

Assessed value	\$ 571,544,231
Total assessed value	\$ <u>571,544,231</u>
Debt limit (10% of total assessed value)	\$ 57,154,423
<b>Amount of debt applicable to debt limit</b>	
General obligation debt:	
Primary Government	15,087,295
Business-Type	<u>5,326,000</u>
Net debt applicable to limit	<u>20,413,295</u>
Legal debt margin	\$ <u><u>36,741,128</u></u>

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

<u>Fiscal Year</u>	<u>Expenditures - All Governmental Fund Types</u>	<u>Total Debt Service <sup>(1)</sup></u>	<u>Percentage of Debt Service to Expenditures</u>
2013	\$ 38,554,650	\$ 6,267,719	16.26%
2012	33,469,749	915,024	2.73%
2011	34,963,558	993,170	2.84%
2010	35,160,001	2,240,646	6.37%
2009	35,614,014	1,734,552	4.87%
2008	37,034,688	1,631,748	4.41%
2007	38,719,533	3,236,929	8.36%
2006	34,659,475	3,337,586	9.63%
2005	34,134,213	1,746,778	5.12%
2004	33,714,593	1,430,748	4.24%

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

CITY OF FRANKLIN, VIRGINIA  
Ratios of Outstanding Debt by Type  
Last Ten Fiscal Years Ended June 30,

Table 18

Fiscal Year	Governmental Activities				Business-Type Activities				Total Outstanding Debt as Percentage of Personal Income <sup>(1)</sup>	Total Outstanding Debt Per Capita <sup>(1)</sup>
	General Obligation Bonds	Literary Fund Loans	Other Notes	Capital Leases	General Obligations Bonds	Capital Leases	Revolving Loans	Total Primary Government		
2013	\$ 15,087,295	\$ -	\$ -	\$ 258,240	\$ 5,326,000	\$ -	\$ -	\$ 20,671,535	2.45%	\$ 2,409
2012	12,860,239	-	-	407,945	3,435,000	-	448,518	17,151,702	2.03%	1,999
2011	13,170,270	-	-	533,520	3,435,000	-	505,296	17,644,086	2.09%	2,056
2010	13,456,141	100,000	160,000	418,883	3,435,000	-	560,409	18,130,433	2.20%	2,057
2009	13,899,488	200,000	280,000	587,983	3,689,865	19,252	613,905	19,290,493	2.30%	2,173
2008	14,714,584	300,000	400,000	710,308	4,122,300	41,573	665,832	20,954,597	2.41%	2,353
2007	15,112,072	400,000	520,000	125,608	4,603,341	63,069	716,235	21,540,325	2.63%	2,448
2006	17,179,900	645,000	640,000	236,395	5,156,427	83,771	765,159	24,706,652	3.21%	2,875
2005	15,630,714	890,000	-	360,863	5,681,097	103,707	812,647	23,479,028	3.24%	2,732
2004	15,982,023	1,135,000	-	229,584	6,240,845	-	858,743	24,446,195	3.49%	2,893

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

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

<u>Fiscal Year</u>	<u>Population <sup>(1)</sup></u>	<u>Total Personal Income <sup>(2)</sup> (In Thousands)</u>	<u>Per Capita Income <sup>(2)</sup></u>	<u>School Enrollment <sup>(3)</sup></u>	<u>Unemployment Rate <sup>(4)</sup></u>
2013	8,582 <sup>(5)</sup>	845,339 <sup>(5)</sup>	\$ 31,313 <sup>(5)</sup>	1,265	9.2%
2012	8,582 <sup>(5)</sup>	845,339 <sup>(5)</sup>	31,313 <sup>(5)</sup>	1,271	10.4%
2011	8,582	845,339	31,313	1,283	10.9%
2010	8,814	823,835	30,287	1,303	12.8%
2009	8,877	839,040	30,965	1,299	11.0%
2008	8,906	869,281	31,907	1,362	5.9%
2007	8,800	820,350	30,180	1,394	4.4%
2006	8,594	770,261	29,048	1,324	5.0%
2005	8,594	724,939	27,788	1,383	5.3%
2004	8,450	700,971	27,262	1,380	6.0%

Source:

<sup>(1)</sup> United States Census Estimates

<sup>(2)</sup> US Commerce - Bureau of Economic Analysis (Franklin & Southampton combined).

<sup>(3)</sup> Virginia Department of Education (Fall Membership Data @ September 30th, 2013); School Enrollment at September 30th of each year

<sup>(4)</sup> Bureau of Labor Statistics (not seasonally adjusted at June 30th)

<sup>(5)</sup> Most recent data available

Fiscal Year 2013		
Employer	Employees <sup>(1)</sup>	Rank
Southampton Memorial Hospital	250 to 499	1
Wal Mart	250 to 499	2
Franklin City Public Schools	250 to 499	3
Paul D. Camp Community College	100 to 249	4
City of Franklin	100 to 249	5
Lowes' Home Centers, Inc.	100 to 249	6
Care Advantage	100 to 249	7
VDOT	100 to 249	8
Farm Fresh	50 to 99 Employees	9
Children's Center	50 to 99 Employees	10
<b>Totals</b>	<b>N/A</b>	

Fiscal Year 2004		
Employer	Employees <sup>(1)</sup>	Rank
Southampton Memorial Hospital	250 to 499	1
Wal Mart	250 to 499	2
City of Franklin Public Schools	250 to 499	3
City of Franklin	100 to 249	4
Paul D. Camp Community College	100 to 249	5
Care Advantage	100 to 249	6
Lowe's Home Centers, Inc	100 to 249	7
VDOT	100 to 249	8
Farm Fresh	50 to 99	9
Highground Services, Inc.	50 to 99	10
<b>Totals</b>	<b>N/A</b>	

Source: Franklin Southampton Economic Development Inc. (2nd Quarter of Each Year)

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



CITY OF FRANKLIN, VIRGINIA

Full-Time Equivalent City Government Employees by Function/Program  
Last Ten Fiscal Years Ended June 30,

Table 21

Function/Program	Full-Time Equivalent Employees as of June 30,									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
GENERAL FUND										
General Government	26	26	23	24	24	26	26	26	25	25
Police & Communications	41	40	42	39	40	38	42	42	42	42
Animal Control	1.5	1.5	1.5	1.5	1	1	1	1	1	1
Fire & Rescue - EMS	27	21	15	15	15	15	15	12	12	12
Community Services	5	5	5	5	7	7	6	6	5	5
Public Works-Streets	16	14	15	14	14	18	23	23	23	24
Garage	3	3	4	4	4	4	4	4	4	4
Refuse collection	7	9	9	9	8	7	9	9	9	9
Public Works-Bldgs & Grounds	9	10	10	10	10	12	9	9	9	8
Cemetery & Mosquito Control	-	-	-	-	-	-	-	-	-	1
Park and Recreation	5.5	5	5	5	4	4	8	8	8	8
Senior Program	2	2	2	3	3	2	2	2	2	2
Library	1	1	1	1	1	1	1	1	1	1
Economic Development	-	-	-	-	-	-	-	-	-	1
Downtown Development	1	1	1	1	1	1	1	1	1	1
Total General Fund	<u>145</u>	<u>137</u>	<u>132</u>	<u>129</u>	<u>130</u>	<u>134</u>	<u>146</u>	<u>143</u>	<u>141</u>	<u>142</u>
SOCIAL SERVICES FUND										
ELECTRIC	16	13	14	14	16	15	20	20	20	20
WATER & SEWER	13	13	16	14	14	16	16	16	17	18
INCUBATOR	-	-	-	-	-	1	1	1	-	-
AIRPORT	2	2	2	2	2	2	2	2	2	2
SMART BEGINNINGS	4	4	2	2	2	1	-	-	-	-
	<u>55</u>	<u>52</u>	<u>53</u>	<u>51</u>	<u>54</u>	<u>52</u>	<u>58</u>	<u>58</u>	<u>58</u>	<u>60</u>
Total	<u>200</u>	<u>189</u>	<u>185</u>	<u>180</u>	<u>184</u>	<u>186</u>	<u>204</u>	<u>201</u>	<u>199</u>	<u>202</u>

Source: Individual City departments

CITY OF FRANKLIN, VIRGINIA  
 Operating Indicators by Function/Program  
 Last Ten Fiscal Years Ended June 30,

Table 22

Function/Program	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Police										
Physical arrests	734	693	671	638	686	721	1,223	955	954	882
Parking violations	79	106	78	39	37	39	45	108	80	110
Traffic violations	1751	1,943	1,845	1,792	1,406	1,172	1,370	1,955	1,069	1,022
Fire										
Emergency responses	2718	1,971	2,111	2,390	2,324	2,422	2,304	2,170	2,072	1,886
Fires extinguished	78	83	31	68	202	96	98	108	95	89
Inspections	26	22	24	22	17	1,726	18	11	10	12
Building Inspections(a)										
Inspections Performed (Franklin)	1484	3,495	1,647	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Permits Issued	406	518	413	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Refuse collection										
Refuse collected (tons per day)	9.75	15	15	13	14	13	13	13	-	-
Recyclables collected (tons per day)	1	1	1	1	1	1	1	1	N/A	N/A
Other public works										
Street resurfacing (tons)	-	2,315	10,542	2,728	3,576	1,503	215	2,750	-	-
Potholes repaired	163	138	152	178	207	234	250	200	-	-
Park and recreation										
Athletic field permits issued	240	307	355	285	275	250	56	N/A	-	-
Community center admissions	50885	54,825	44,486	30,214	29,634	33,026	25,956	25,956	26,605	N/A
Library										
Volumes in collection	31094	32,000	32,600	37,000	47,000	53,000	50,000	50,000	N/A	-
Total volumes borrowed	96749	109,000	121,000	121,000	116,000	106,000	97,000	107,672	102,455	-
Water										
New connections	0	3	1	5	11	24	25	40	42	36
Water mains breaks	42	51	42	50	54	75	68	20	-	-
Average daily consumption (thousands of gallons)	953	943	1,067	1,082	1,037	1,100	1,072	1,169	-	-
Peak daily consumption (thousands of gallons)	1300	1,300	1,700	1,700	1,453	1,800	1,610	1,700	-	-
Wastewater										
Average daily sewage treatment	1603	1,656	1,100	1,780	1,090	1,090	903	980	-	-
Sewer connections - New	-	2	1	5	9	21	25	40	42	36
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  
 (a) data collection began in FY 2011

CITY OF FRANKLIN, VIRGINIA  
 Capital Asset Statistics by Function/Program  
 Last Ten Fiscal Years Ended June 30,

Table 23

<u>Function/Program</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	16	16	16	16	16	28	27	27	27	27
Fire stations	2	2	2	2	2	2	2	2	2	2
Refuse collection										
Collection trucks	5	5	5	5	5	5	4	4	3	3
Other public works										
Street (miles)	36	36	36	36	36	36	36	36	-	-
Highways (miles)	15	15	15	15	15	15	15	15	-	-
Streetlights	945	945	945	945	937	945	953	953	-	-
Traffic signals	14	14	14	14	14	14	14	14	13	13
Park and recreation										
Acreage	29	29	29	29	29	29	29	29	29	29
Playgrounds	4	4	4	4	4	4	4	4	4	4
Baseball/softball diamonds	6	6	6	6	6	6	6	6	6	6
Soccer/football fields	2	2	2	2	2	2	2	2	2	2
Community centers	1	1	1	1	1	1	1	1	1	1
Water										
Water mains (miles)	67	67	67	67	67	67	67	66	-	-
Fire hydrants	336	336	336	336	336	336	333	333	-	-
Storage capacity (thousands of gallons)	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	-	-
Wastewater										
Sanitary sewers (miles)	43	43	43	43	43	43	43	43	-	-
Storm sewers (miles)	210	210	210	210	210	210	210	210	-	-
Treatment capacity (thousands of gallons)	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	-	-

Source: Individual City departments

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**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 Governing Body  
City of Franklin, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the Specifications for Audits of Counties, Cities, and Towns, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the aggregate 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, 2013, 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 29, 2013.

**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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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

*Davis* Associates, PLLC

Alexandria, Virginia

November 29, 2013



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM, INTERNAL CONTROL OVER COMPLIANCE, AND THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Honorable Governing Body  
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 Circular A-133 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, 2013. The 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 the requirements of laws, regulations, contracts, and grants 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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; 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 OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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's, 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, 2013

**Compliance**

We have audited the compliance of the City of Franklin, Virginia with the types of requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2013. The 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Franklin, Virginia's management. Our responsibility is to express an opinion on the City of Franklin, Virginia's compliance based on our audit.

## **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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of The 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

## **Schedule of Expenditures of Federal Awards**

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate 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, 2013, and the related notes to the financial statements, which collectively comprise The City of Franklin, Virginia's basic financial statements. We issued our report thereon dated November 29, 2013, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

*Davis & Associates, PLLC*

Alexandria, Virginia

November 29, 2013

CITY OF FRANKLIN, VIRGINIA  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended June 30, 2013

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title (Pass - Through Grantor's Number)	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Health and Human Services:			
Pass Through Payments:			
Department of Social Services:			
Promoting safe and stable families	93.556	0950109/0950110	\$ 14,297
Temporary assistance to needy families (TANF)	93.558	0400109/0400110	131,172
Refugee and entrant assistance - state administered programs	93.566	0500109/0500110	727
Low income home energy assistance	93.568	0600409/0600410	12,406
CCDF Cluster:			
Child care and development block grant	93.575	0770109/0770110	-
ARRA - Child care and development block grant	93.713	0740109/0780109	-
Child care mandatory and matching funds of the child care and development fund	93.596	0760109/0760110	21,300
Stephanie Tubbs Jones child welfare services program	93.645	0900109/0900110	545
Foster Care Cluster:			
Foster care - Title IV-E	93.658	1100109/1100110	90,268
ARRA - Foster care - Title IV-E	93.658	1100109/1100110	-
Adoption assistance	93.659	1120109/1120110	4,106
Social services block grant	93.667	1000109/1000110	85,754
Chafee foster care independence program	93.674	9150108/9150109/9150110	1,723
Children's Health Insurance Program (CHIP)	93.767	0540109/0540110	5,382
Medical assistance program	93.778	1200109/1200110	<u>130,790</u>
Total Department of Health and Human Services:			\$ <u>498,469</u>
Department of Defense:			
Direct Payments:			
Junior ROTC program	12.000	N/A	\$ <u>58,532</u>
Department of Agriculture:			
Pass Through Payments:			
Department of Agriculture:			
Cooperative Forestry Assistance	10.664	50105-653	\$ -
Community Facility Loans and Grants	10.766	N/A	-
Rural Business Enterprise Grants	10.769	N/A	-
Child Nutrition Cluster:			
Food distribution - schools: school lunch program	10.555	10.555/2010/2009	-
Department of Education:			
Child Nutrition Cluster:			
National school lunch program	10.555	10.555/2010/2009	535,077
National school breakfast program	10.553	10.553/2010/2009	-
Summer food service program	10.559	10.559/2010/2009	-
Department of Social Services:			
SNAP Cluster:			
State administrative grants for the supplemental nutrition assistance program	10.561	00101109/0040109/0040110	239,661
ARRA - State administrative grants for the supplemental nutrition assistance program	10.561	00101109/0040109/0040110	<u>-</u>
Total Department of Agriculture			\$ <u>774,739</u>
Department of Labor:			
Direct payments:			
ARRA - WIA youth activities	17.259	N/A	\$ <u>-</u>

**CITY OF FRANKLIN, VIRGINIA**  
Schedule of Expenditures of Federal Awards (Continued)  
For the Year Ended June 30, 2013

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title (Pass - Through Grantor's Number)	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Housing and Community Development: Pass Through Payments: Department of Housing and Community Development: Community development block grant	14.228	N/A	\$ <u>10,820</u>
Department of Transportation: Direct Payments: Airport improvement program Highway planning and construction	20.106 20.205	N/A N/A	\$ 161,681 -
Pass Through Payments: Department of Motor Vehicles: Alcohol open container requirements	20.607	154AL10504084031	<u>-</u>
Total Department of Transportation			\$ <u>161,681</u>
Department of Homeland Security: Direct Payments: Staffing for adequate fire and emergency response	97.083	N/A	\$ 68,796
Pass Through Payments: Department of Emergency Management: Emergency management performance grant State Homeland Security Program Law enforcement terrorism prevention grant	97.042 97.073 97.074	N/A N/A N/A	\$ 215,414 - - <u>-</u>
Total Department of Homeland Security			\$ <u>284,210</u>
Appalachian Regional Commission: Pass Through Payments: Department of Housing and Community Development Appalachian regional development	23.001	N/A	\$ <u>121,721</u>
Department of Education: Pass Through Payments: Department of Education: ARRA - State fiscal stabilization fund (SFSF) - education state grants Adult basic education Title I, Part A Cluster: Title I: Grants to local educational agencies ARRA - Title I: Grants to local educational agencies School improvement grants Special Education Cluster: Special education - grants to states ARRA - Title VI-B: Special education - grants to states Special education preschool grants Career and technical education: basic grants to states Safe and drug free schools and communities state grant Rural education 21st Century Community Learning Centers Reading first state grants Education technology Cluster: Education technology state grants ARRA - Education technology state grants Improving teacher quality state grants	84.394 84.002 84.010 84.389 84.377 84.027 84.391 84.173 84.048 84.186 84.358 84.287 84.357 84.318 84.386 84.367	S394A090047 V002A080046 S010A080046 S389A090046 S377A080047 H027A080107 H391A090107 H173A080112 V048A090046 Q186A080048 S358B090046 N/A S357A070048 S318X080046 S386A090046 S367A080044	\$ - 20,214 728,476 - 184,610 324,057 - 9,213 36,422 - 23,441 343,887 - - - - - 99,677
Total Department of Education			\$ <u>1,769,996</u>
Total Expenditures of Federal Awards			\$ <u><u>3,680,167</u></u>

See accompanying notes to the schedule of expenditures of federal awards.

**CITY OF FRANKLIN, VIRGINIA**

Notes to Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2013

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Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards ("Schedule") includes the federal grant activity of the City of Franklin, Virginia under programs of the federal government for the year ended June 30, 2013. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Because the Schedule presents only a selected portion of the operations of the City of Franklin, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Franklin, Virginia.

Note 2 – Summary of Significant Accounting Policies

- (1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles provided in OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (2) Pass-through entity identifying numbers are presented where available.

Note 3 – Relationship to Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:	
Primary government:	
General fund	\$ 85,391
Special revenue funds:	
Virginia public assistance fund	738,130
Disaster Recovery Fund	198,819
Neighborhood stabilization program fund	121,721
Downtown Grant Fund	10,820
Enterprise funds:	
Airport fund	<u>161,681</u>
Total primary government	\$ <u>1,316,561</u>
Component Unit - City of Franklin Public Schools	
School operating fund	1,828,528
School cafeteria fund	<u>535,078</u>
Total component unit public schools	\$ <u>2,363,606</u>
Total federal expenditures per basic financial statements	\$ <u>3,680,167</u>
Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$ <u><u>3,680,167</u></u>

CITY OF FRANKLIN, VIRGINIA  
 Schedule of Findings and Questioned Costs  
 For the Year Ended June 30, 2013

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**Section I – Summary of Auditor’s Results**

**Financial Statements**

Type of auditor’s report issued: Unqualified

Internal control over financial reporting:

Material weakness (es) identified?            yes   x   no

Significant deficiency (ies) identified?            yes   x   no

Noncompliance Material to financial statements noted?            yes   x   no

**Federal Awards**

Internal control over major programs:

Material weakness (es) identified?            yes   x   no

Significant deficiency (ies) identified?            yes   x   no

Type of auditor’s report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?            yes   x   no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.555	National School Lunch Program
14.228	Community Development Block Grant
84.027 / 84.173 / 84.391	Special Education Cluster (IDEA)
84.287,84.010	21 <sup>st</sup> Century Learning, Title 1 Part A. Cluster

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee?   x   yes            no

**Section II – Financial Statement Findings**

There are no financial statement findings to report.

**Section III – Federal Award Findings and Questioned Costs**

There are no federal award findings to report.

**Section IV – Financial Statement Findings – Prior Year**

There are no financial statement findings from the prior year.