



*Comprehensive Annual
Financial Report*

Fiscal Year Ended June 30, 2009

CITY OF FRANKLIN, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2009

CITY OF FRANKLIN, VIRGINIA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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CITY OF FRANKLIN, VIRGINIA
DIRECTORY OF PRINCIPAL OFFICIALS
JUNE 30, 2009

Mayor

James P. Councill, III

Vice Mayor

Raystine D. Johnson

Council Members

Mark S. Fetherolf
Mary E. Hilliard
Rosa M. Lawrence

Barry W. Cheatham
Brenton D. Burgess

Constitutional Officers

Brenda B. Rickman
Dinah Babb

Commissioner of Revenue
Treasurer

Franklin City Public Schools

Don Scarboro
Michelle R. Belle
Debra Smith

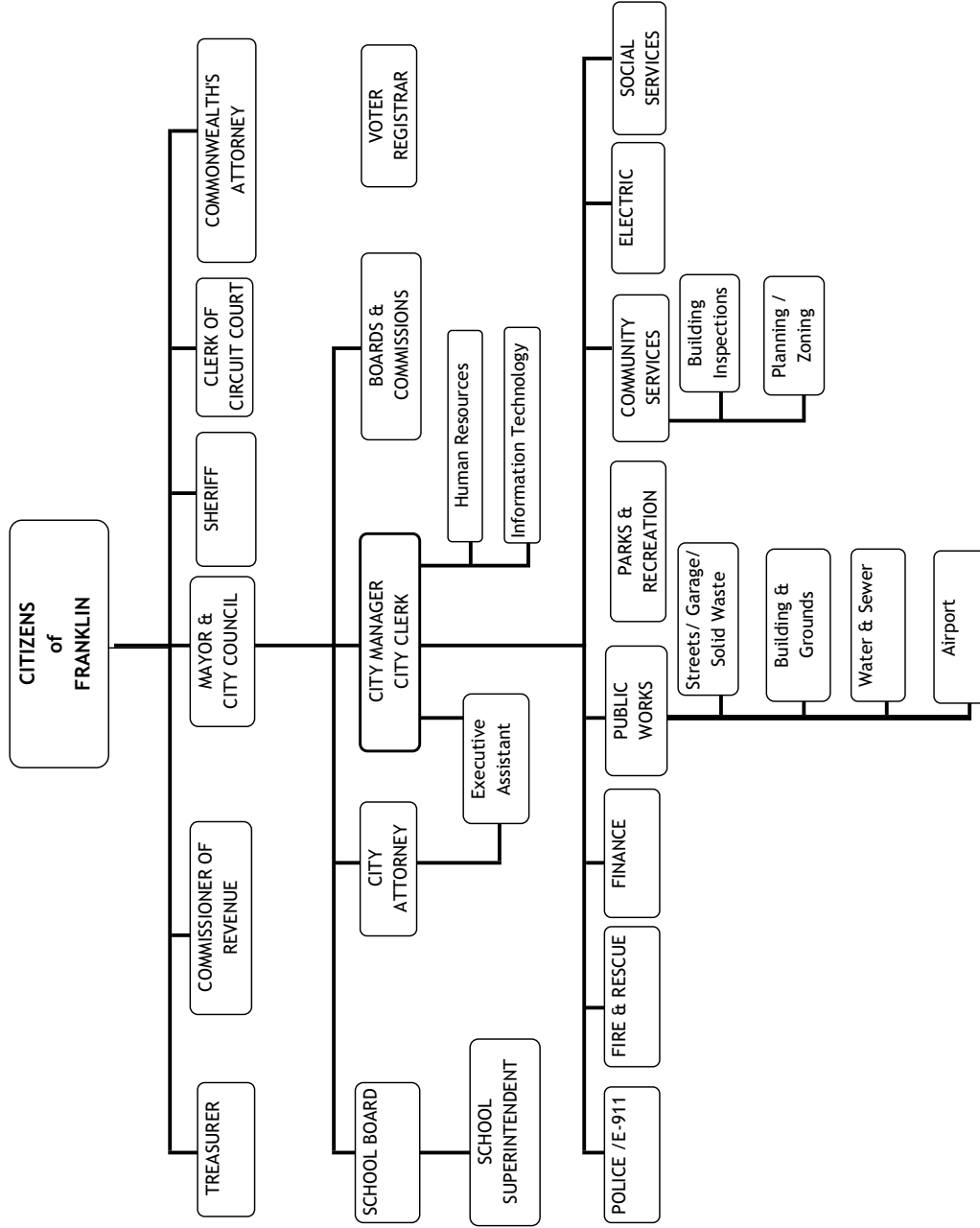
Chairman of School Board
Division Superintendent
Director of Finance

City Administration

June Fleming
Brian Stump
H. Taylor Williams, IV
Phillip Hardison
Dexter Trump
Frank A. Davis
Sandra B. Holloman
Vincent P. Holt
Russell Pace
H. Elizabeth Reavis
Donald E. Goodwin

Acting City Manager
Director of Finance
City Attorney
Chief of Police
Director of Public Utilities
Director of Parks and Recreation
Registrar
Chief of Emergency Services
Director of Public Works
Director of Social Services
Director of Community Development

CITY OF FRANKLIN, VIRGINIA ORGANIZATIONAL CHART





December 16, 2009

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, 2009. 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 the component units of the City of Franklin.

The City of Franklin’s financial statements have been audited by Robinson, Farmer, Cox Associates PLLC, 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, 2009, 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, 2009, are fairly presented in conformity with GAAP. The independent auditor’s report is presented on page 1 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 of the report starts after table 18 at the back of this report.

Management’s Discussion and Analysis (MD&A) immediately follows the independent auditor’s report and provides a narrative introduction, overview, and analysis of the basic financial statements. This letter of transmittal is designed to complement MD&A and should be read in conjunction with it.

Profile of the City of Franklin

Franklin, which had been a part of Southampton County for many years, became an incorporated town in 1876 and an independent city on December 22nd, 1961. Subsequent annexations in 1986 & 1996 increased the population and land area of the City. The population today is approximately 8,877 and the land area is 8.75 square miles.

The City is located in the southeastern part of the state in the Hampton Roads area. The region is the 27th largest metropolitan statistical area in the country.

Franklin is organized under the Council - City Manager form of government. The Franklin City Council is comprised of seven members who are elected by the voters on a non-partisan basis and serve four year staggered terms. The City is divided into six precincts, with each precinct entitled to one representative. 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 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, directs business procedures and has the power of appointment and removal of the heads of all departments (except Constitutional Officers, police chief and fire chief) as well as all other employees of the City.

Virginia state statutes put Virginia schools under the dual control of the State Education Board and a local school board. The State Education Board provides operational procedures, standards of education, and state school aid formulas for partial funding. The City must provide all capital improvement funds, pay debt on school projects, and provide any additional operating funds required but not provided by the State Education Board. 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 City of Franklin provides a full range of services, including police and fire protection; the maintenance of highways, streets, and other infrastructure; and recreational activities, library services,

Profile of the City of Franklin: (Continued)

community development activities, and cultural events. The City owns and operates a municipal electric company which provides electrical services to all of the City of Franklin and some of surrounding jurisdictions. The City also owns and operates water and sewage facilities; picks up trash, recycling, landscaping and bulky items; owns and operates a City pool; and manages various paid recreational activities. Franklin has and maintains a municipal airport located one mile east of Franklin in Isle of Wight County. In addition to general governing activities, the governing body has significant financial influence over the Schools and the Industrial Development Authority (IDA); both of which are reported separately within the City of Franklin's financial statements. Additional information on these two legally separate entities can be found in Note 1 in the Notes to the Financial Statements and in Exhibit 23 through 28.

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 March. The City Manager uses these requests as the starting point for developing a proposed budget. 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 May 31. The appropriated budget is prepared by fund and department. Department heads may make transfers of appropriations within a department. Transfers of appropriations between departments and additional appropriations require the special approval of 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. The budget-to-actual comparison for the General Fund starts on page 73 of the report.

Factors Affecting Financial Condition

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

Local Economy. The City of Franklin's current economic environment, consistent with the national economic environment, is changing. In October 2009, International Paper announced the mill, which operates just across the City limits in Isle of Wight County, will cease operations in Spring 2011. Approximately 1,100 jobs will be lost. Although this news has no direct bearing on this report, the future impact to the City is yet to be determined.

In an effort to attract new business, the City of Franklin was designated as an enterprise zone. This will entitle new businesses, excluding retail, to various state & local incentives to promote further economic development.

Established industries include Hercules Inc., located in Southampton County; Birdsong Peanut Co.; Money Mailer, LLC, a direct-mail coupon distributor, and Southampton Memorial Hospital which is the City's largest employer.

Factors Affecting Financial Condition: (Continued)

The City's largest source of revenue comes from the real estate tax rate. The City's tax rate was decreased \$.13 to \$0.77 per \$100 of assessed value was for the fiscal year starting July 1, 2008 as of result of a new assessment.

Long-Term Financial Planning. The City Council and City Management continue in their commitment to planning for future growth of the City of Franklin. A business incubator building was opened in the spring of 2005. Through an EDA grant and other sources, an old warehouse was renovated into space to house start-up businesses. In conjunction with Southampton County and local foundations, the City supports a joint economic development authority. In addition, the City has secured grant funding to create new office space on the Incubator's fourth floor and complete the remaining office space on the third floor. Franklin also developed Pretlow Industrial Park with industrial sites available off Pretlow Street adjacent to Rt. 58. The City will continue to work with developers and investors to further our long-term economic growth.

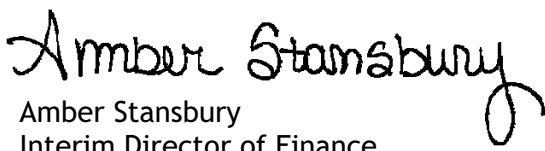
Cash Management Policies and Practices. The City uses a pooled cash concept to allow greater investment flexibility and, consequently, a better investment return. Cash from all funds, except that restricted for specific purposes or managed by fiscal agents, is pooled for investment purposes. All of the City's cash is deposited with the Director of Finance, who is responsible for investing all City funds. City cash is invested primarily in overnight repurchase agreements and certificates of deposit in Virginia Banks which are permissible under the Virginia Public Investment Act. The amount of interest earned during the year by the General Fund was \$13,262 compared to \$35,606 for previous year. At June 30, 2009, the various cash balances included cash on hand, investments, cash on deposit in banks, and restricted cash in the amount of \$3,925,807 for the Governmental Activities and \$1,850,616 for Business-type Activities, and \$14,233 for the Industrial Development Authority.

Pension Benefits. The City and Schools contribute to the Virginia Retirement System (VRS), an agent multiple-employer public retirement system that acts as a common investment and administrative agent for political subdivisions. For more information on the defined benefit retirement plan is contained in the notes to the basic financial statements.

Acknowledgements

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Finance Department, the School Board Finance Department, the Treasurer's Office, the Commissioner of the Revenue's Office and our Certified Public Accountants, Robinson, Farmer, Cox Associates, PLLC. Due credit should also be given to City Council for their interest and support in planning and conducting the operations of the City of Franklin in a responsible and progressive manner.

Respectfully Submitted,


Amber Stansbury
Interim Director of Finance

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

**To The Honorable Mayor and Members of the City Council
City of Franklin
City of Franklin, Virginia**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Franklin, Virginia, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Franklin, Virginia's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the School Textbook Fund of the Component Unit School Board, which represent 23 and 1 percent, respectively, of the assets and revenues of the Component Unit School Board. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the School Textbook Fund, is based on the report of the other auditors.

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

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Franklin, Virginia, as of June 30, 2009, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2009 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

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

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

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
December 3, 2009

Management's Discussion and Analysis

Fiscal Year July 1, 2008 - June 30, 2009

The management of the City of Franklin (the City's) provides this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2009. As readers, you are encouraged to read this discussion and analysis in conjunction with the transmittal letter and City's financial statements information included in this report.

FINANCIAL HIGHLIGHTS

- The assets of the City of Franklin exceeded its liabilities at the close of fiscal year 2009 by \$31,485,569 (net assets). Of this amount, \$6,161,263 represents unrestricted net assets which may be used to meet the City's ongoing obligations.
- The City's total net assets decreased by \$59,919 from the prior year.
- The General Fund, on a current financial resources basis, reported an overage of revenues and other financing sources over expenditures and other financing uses of \$672,535 primarily due to unspent budgeted funds (details in Exhibit 5).
- The City's total outstanding general obligation debt at June 30, 2009 was \$18,683,258. This includes \$4,303,770 in business-activity debt, and \$14,379,488 in general government activities (\$7,073,139 School related debt and \$7,306,349 other general government debt (details in Note 8 - Notes to the Financial Statements).

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. 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.

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

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

Both of the government-wide financial statements distinguish functions of the City that are mainly supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, highways and streets, sanitation, community development, public health, and cultural and recreation. The business-type activities of the City include Water and Sewer Utility, Electric Utility, and Airport Operations enterprise activities.

OVERVIEW OF THE FINANCIAL STATEMENTS: (CONTINUED)

Government-wide financial statements: (Continued)

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: 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 23 - 28 of this report.

Component Units - The City's statements include two separate legal entities in its report - the Franklin City School Board and the City of Franklin - Industrial Development Authority. While legally separate, the City is financially accountable and provides operating and capital funding for these two component units.

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. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because of the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. A reconciliation between the government-wide financial statements and the fund financial statements is included as part of the basic financial statements.

The City maintains 17 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 nonmajor 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 for enterprise funds 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 operations, electrical fund operations, 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.

OVERVIEW OF THE FINANCIAL STATEMENTS: (CONTINUED)

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 the City's programs. The accounting for fiduciary funds is similar to the proprietary funds. The fiduciary fund statement can be found on 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 statement 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 on Exhibit 11 - 28 of this report.

Government-Wide Financial Statements Analysis

Over time, net assets 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 \$ 31,485,569.

Statement of Net Assets June 30, 2009

	Governmental Activities		Business-Type Activities		Total	
	FY 2009	FY 2008	FY 2009	FY 2008	FY 2009	FY 2008
Current and other assets	\$ 8,309,822	\$ 8,081,517	\$ 2,910,867	\$ 3,130,250	\$ 11,220,689	\$ 11,211,767
Capital assets	31,642,846	32,441,735	12,327,331	13,217,957	43,970,177	45,659,692
Total assets	<u>\$ 39,952,668</u>	<u>\$ 40,523,252</u>	<u>\$ 15,238,198</u>	<u>\$ 16,348,207</u>	<u>\$ 55,190,866</u>	<u>\$ 56,871,459</u>
Current and other liabilities	\$ 1,513,567	\$ 1,836,372	\$ 971,223	\$ 811,725	\$ 2,484,790	\$ 2,648,097
Long-term liabilities	16,744,701	17,720,999	4,475,806	4,956,875	21,220,507	22,677,874
Total liabilities	<u>\$ 18,258,268</u>	<u>\$ 19,557,371</u>	<u>\$ 5,447,029</u>	<u>\$ 5,768,600</u>	<u>\$ 23,705,297</u>	<u>\$ 25,325,971</u>
Net assets:						
Invested in capital assets, net of related debt	\$ 17,319,997	\$ 16,777,541	\$ 8,004,309	\$ 8,388,252	\$ 25,324,306	\$ 25,165,793
Unrestricted net assets	4,374,403	4,188,340	1,786,860	2,191,355	6,161,263	6,379,695
Total Net assets	<u>\$ 21,694,400</u>	<u>\$ 20,965,881</u>	<u>\$ 9,791,169</u>	<u>\$ 10,579,607</u>	<u>\$ 31,485,569</u>	<u>\$ 31,545,488</u>

The largest portion of the City's net assets (\$25,324,306) represents its 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 assets totaling \$6,161,263 represent unrestricted net assets, which may be used to meet the City's ongoing obligations.

Government-Wide Financial Statements Analysis: (Continued)

The following table indicates the changes in net assets for governmental and business- type activities:

Changes in Net Assets For the Fiscal Year Ended June 30, 2009

	Governmental Activities		Business-Type Activities		Total	
	FY 2009	FY 2008	FY 2009	FY 2008	FY 2009	FY 2008
Revenues						
Program Revenues:						
Charges for Services	\$ 2,345,618	\$ 2,191,192	\$ 17,145,612	\$ 16,122,348	\$ 19,491,230	\$ 18,313,540
Operating grants & contributions	4,056,878	2,520,711	-	-	4,056,878	2,520,711
Capital grants & contributions	656,776	2,532,197	102,004	5,453	758,780	2,537,650
General Revenues:						
Real estate & personal property taxes	6,974,226	6,376,419	-	-	6,974,226	6,376,419
Other taxes	5,508,466	5,612,005	-	-	5,508,466	5,612,005
Revenue Sharing from Counties	1,310,461	1,279,456	-	-	1,310,461	1,279,456
Use of money & property	362,362	380,114	7,760	94,278	370,122	474,392
Grants & gifts - non-restricted	1,108,120	1,323,968	-	-	1,108,120	1,323,968
Miscellaneous	533,867	1,015,319	-	-	533,867	1,015,319
Total Revenues	\$ 22,856,774	\$ 23,231,381	\$ 17,255,376	\$ 16,222,079	\$ 40,112,150	\$ 39,453,460
Expenses						
General government	\$ 2,570,721	\$ 2,648,658	\$ -	\$ -	\$ 2,570,721	\$ 2,648,658
Judicial	238,213	254,382	-	-	238,213	254,382
Public safety	6,175,136	5,244,287	-	-	6,175,136	5,244,287
Public works	4,328,943	4,360,802	-	-	4,328,943	4,360,802
Health and welfare	2,607,817	2,479,570	-	-	2,607,817	2,479,570
Education	4,866,262	5,005,226	-	-	4,866,262	5,005,226
Parks, recreation, cultural	1,156,868	1,030,677	-	-	1,156,868	1,030,677
Community development	1,249,752	1,551,031	-	-	1,249,752	1,551,031
Interest & fees on long-term debt	554,434	594,528	-	-	554,434	594,528
Water & Sewer	-	-	2,994,753	3,028,136	2,994,753	3,028,136
Electric	-	-	12,844,876	11,084,995	12,844,876	11,084,995
Airport	-	-	584,294	637,885	584,294	637,885
Total Expenses	\$ 23,748,146	\$ 23,169,161	\$ 16,423,923	\$ 14,751,016	\$ 40,172,069	\$ 37,920,177
Excess of revenue over expenses	\$ (891,372)	\$ 62,220	\$ 831,453	\$ 1,471,063	\$ (59,919)	\$ 1,533,283
Transfers	1,619,891	1,766,207	(1,619,891)	(1,766,207)	-	-
Increase in net assets	\$ 728,519	\$ 1,828,427	\$ (788,438)	\$ (295,144)	\$ (59,919)	\$ 1,533,283
Net assets - beginning of year	20,965,881	19,137,454	10,579,607	10,874,751	31,545,488	30,012,205
Net assets - ending of year	\$ 21,694,400	\$ 20,965,881	\$ 9,791,169	\$ 10,579,607	\$ 31,485,569	\$ 31,545,488

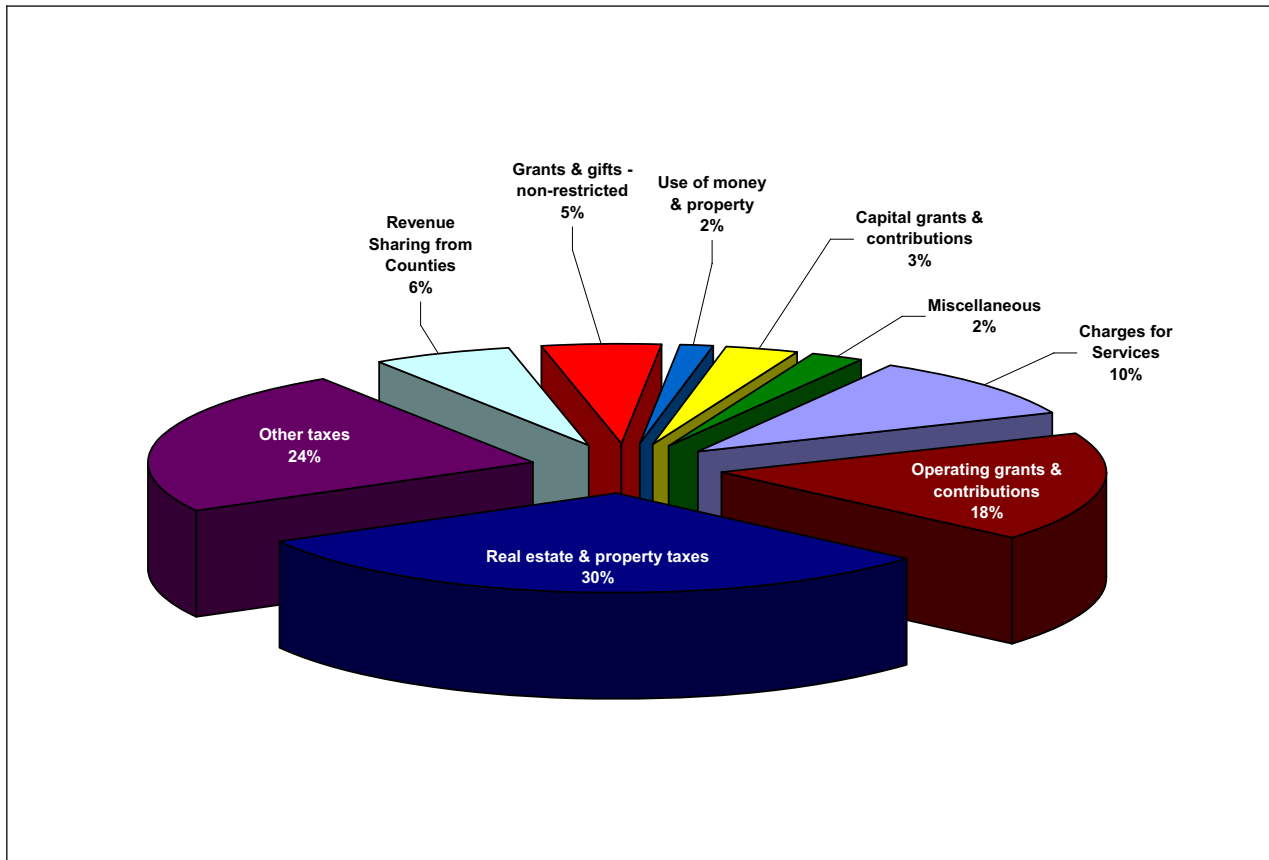
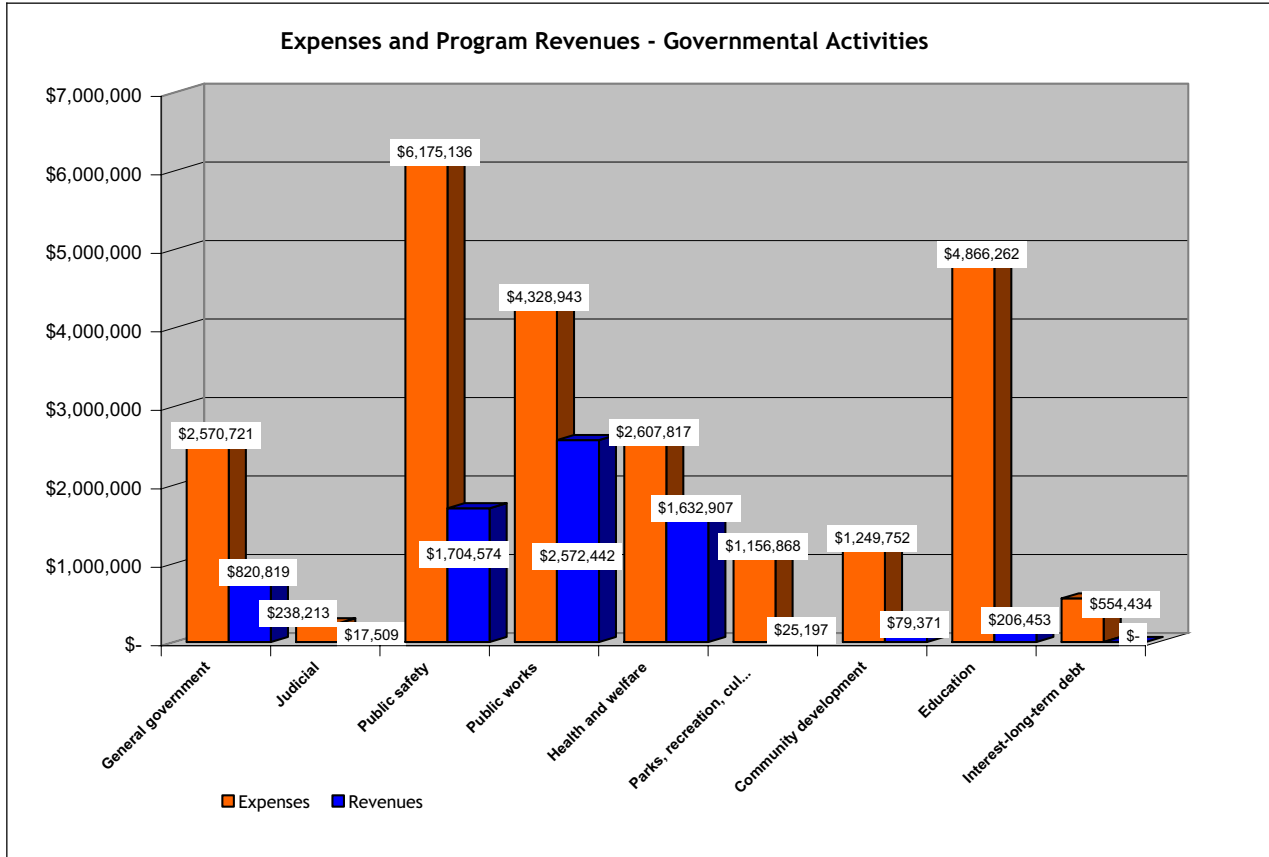
Government Activities

Real estate and personal property taxes, the City's largest revenue source, was \$6,974,226, up \$597,807 from the previous year. Of this 9.4% increase, most was due to real estate taxes. The City's real estate tax rate decreased from \$0.90 to \$0.77 per hundred due to increase in assessments from a general reassessment; the real estate is appraised every two years. Personal Property was taxed \$4.50 per \$100 of assessed value. The State Car Tax (Personal Property Tax Relief) payment is listed on the Grants & gifts - non-restricted line and totals \$1,048,897. This amount has been frozen and will remain the same each year unless changed by some future legislation by the State General Assembly.

The other local tax revenue totaling \$5,508,466 consisted of the 1% local sales tax, consumer utility taxes, franchise license tax, motor vehicle licenses, meals tax, and of other local taxes. Starting in January 1, 2007, the State now collects all communications tax and remits to localities their share based on a historical percentage of the effective taxes the localities were collecting. The communication taxes the city was collecting and will now receive from the State include cable franchise tax, telephone tax, E-911 tax and cellular tax.

Government Activities: (Continued)

Revenues from other Counties of \$1,310,461 represent revenue sharing payments received from Isle of Wight and Southampton Counties as part of annexation and service providing agreements.



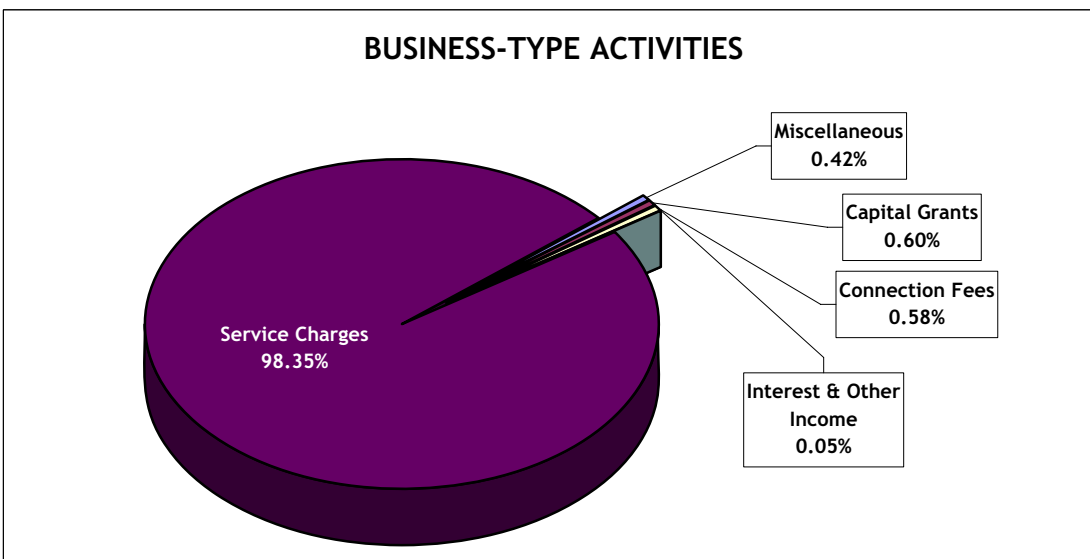
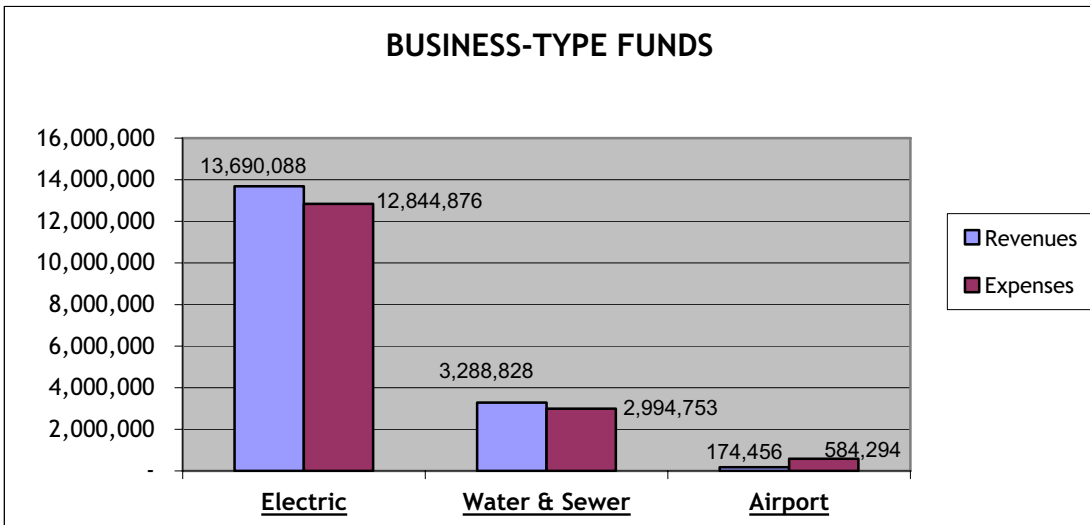
Business- Type Activities

Business-type activities increased the City’s net assets before transfers and capital grants by \$729,449 and after transfers and capital grants decreased net assets by \$788,438. Key elements of the each fund were:

Water and Sewer Fund revenue increased slightly due to an increase in connection fees and a slight increase in charges for basic service. Revenues totaled \$3,288,828 (\$3,423,446 in 2008) with operating expenses of \$2,853,071 (\$2,868,026 in 2008) and interest expense on debt of \$141,682 (\$160,110 in 2008). Consideration for future capital needs and retaining adequate cash balances for operations are reasons for the net increase in assets.

The Electric Fund net income before transfers was \$845,212 down \$631,136 from the previous year. The net change in net assets after transfers was a decrease of \$864,679 (-\$383,543 in 2008). City Council reduced the contribution transfer to the general fund by \$150,000 and \$150,000 during the fiscal years ended in June 30, 2009 and 2008.

The Airport Fund decrease of \$217,834 in net assets was due primarily to depreciation on capital assets.



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 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 combined ending fund balances of \$6,551,759.

General fund. The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance was \$4,671,350, all of which represents undesignated fund balance of the general fund. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures.

Capital projects fund. The capital projects fund accounts for all construction projects of general public improvements, excluding capital projects related to business-type activities, which are accounted for elsewhere. At the end of the current fiscal year, the fund balance was \$89,921 all of which was encumbered for contracts in process or planned improvements.

Debt service fund. The debt service fund has an undesignated balance of \$0. This fund is used to report current debt payment requirements of the City. It contains a \$644,623 of restricted assets which are being held by the bond holder to satisfy terms of the QZAB loans incurred by the school board.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The net assets of the proprietary funds at the end of the current fiscal year totaled \$9,791,169.

Enterprise funds. The City's enterprise funds account for its water and sewer operations, municipal electric operations as well as the City's airport operations. Unrestricted net assets of the major enterprise funds, totaled \$1,786,860 at the end of the current fiscal year.

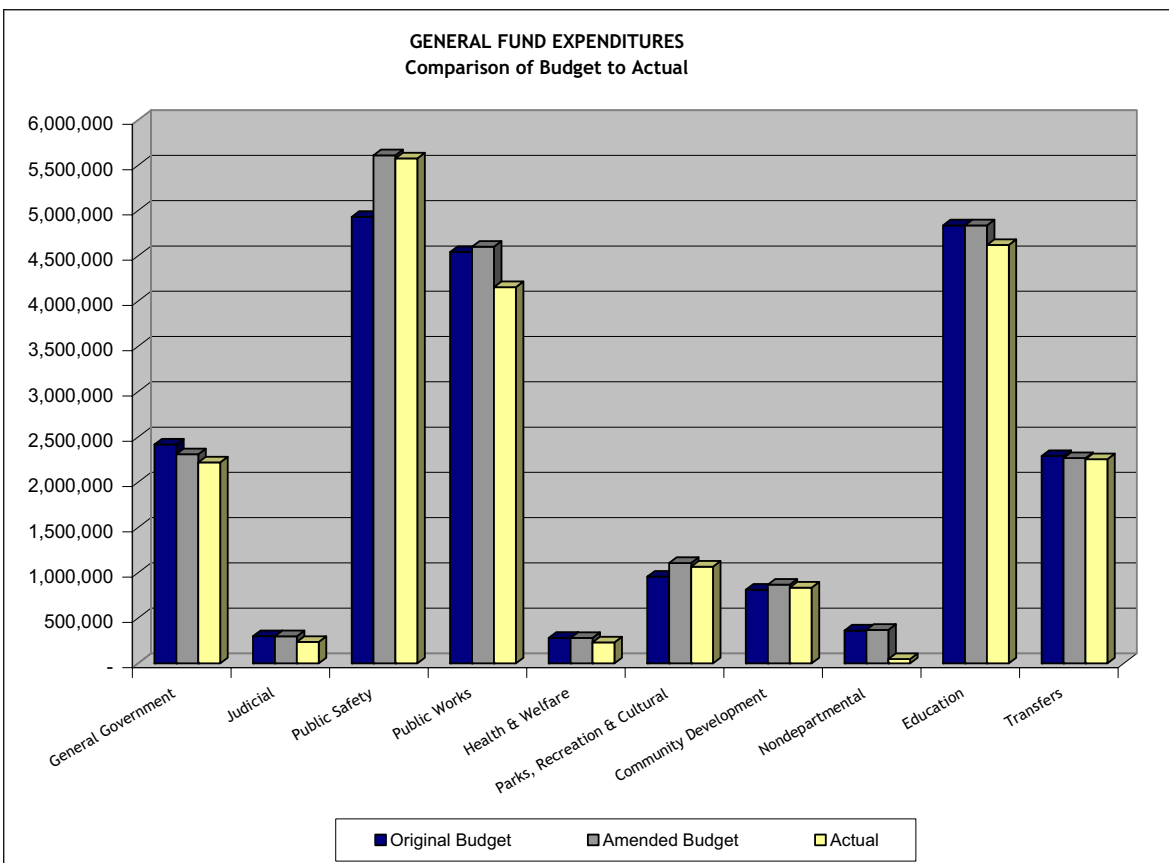
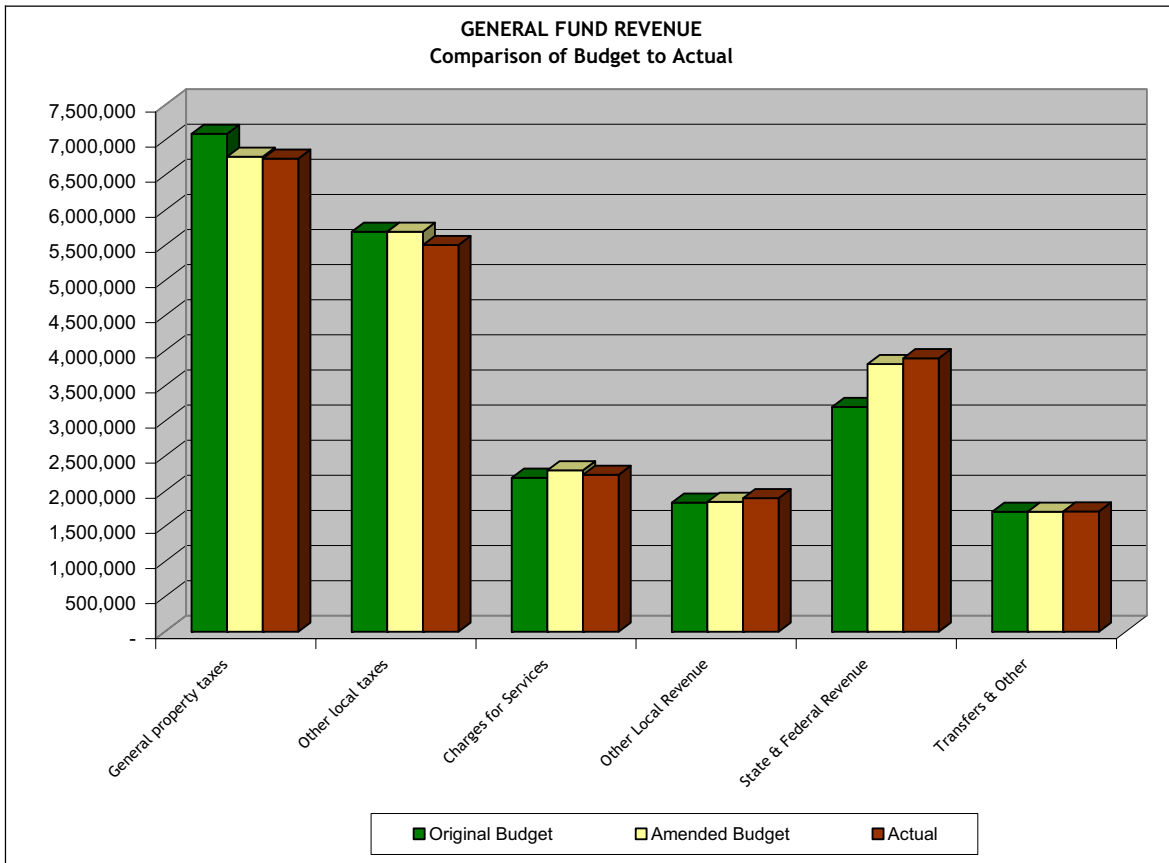
GENERAL FUND BUDGETARY HIGHLIGHTS

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 Grants Fund, Fiduciary Funds, and the Capital Projects Fund are excluded from the annual operating budget.

Differences between the general fund original budget and the final amended budget resulted in a \$819,035 increase in appropriations. Approximately \$150,000 was for additional expenditure associated with refuse collection. Also approximately \$500,000 was for additional State and Federal grants awards, mainly public safety grants.

GENERAL FUND BUDGETARY HIGHLIGHTS: (CONTINUED)

The following charts show the original approved budget, the final amended budget, and actual amounts for both revenues and expenditures in the General Fund.



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, 2009, amounted to \$43,970,177, net of accumulated depreciation. This investment in capital assets includes land and easements, buildings, improvements other than buildings, infrastructure, machinery and equipment and construction in progress. This is a \$1,689,515 or 4.0% decrease due to depreciation. School board capital assets are not included in the chart below, additional details on school board capital assets can be located in note 7 to the financial statements.

The following table summarizes capital assets, net of depreciation:

	Governmental Activities		Business-Type Activities		Total	
	FY 2009	FY 2008	FY 2009	FY 2008	FY 2009	FY 2008
Land	\$ 5,060,480	\$ 5,060,480	\$ -	\$ -	\$ 5,060,480	\$ 5,060,480
Construction in progress	1,801,871	1,660,769	563,518	-	2,365,389	1,660,769
Buildings	12,824,919	13,191,806	508,311	703,836	13,333,230	13,895,642
Improvements other than buildings	1,888,923	1,514,581	10,615,436	11,840,762	12,504,359	13,355,343
Machinery and equipment	3,049,635	3,341,314	640,066	673,359	3,689,701	4,014,673
Infrastructure	4,303,818	4,861,823	-	-	4,303,818	4,861,823
Allocations of Component Units	2,713,200	2,810,962	-	-	2,713,200	2,810,962
Totals	<u>\$ 31,642,846</u>	<u>\$ 32,441,735</u>	<u>\$ 12,327,331</u>	<u>\$ 13,217,957</u>	<u>\$ 43,970,177</u>	<u>\$ 45,659,692</u>

Debt Administration. The City's total outstanding general obligation debt at June 30, 2009 was \$18,683,258. This includes \$7,073,139 School related debt and \$7,306,349 of general government debt. Of this total \$14,379,488 is considered to be net direct tax supported debt. \$4,303,770 of the total is from water and sewer, electric and airport fund debt which is supported by revenue from operations in business type activities.

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.

	FY 2009	FY 2008
General Government Activities:		
Bonds Payable - General	\$ 7,073,139	\$ 7,844,251
School Related Bonds & Notes	7,306,349	7,170,333
Total Tax Supported Debt	<u>\$ 14,379,488</u>	<u>\$ 15,014,584</u>
Business-type Activities	4,303,770	4,788,132
Total Long-Term Debt	<u>\$ 18,683,258</u>	<u>\$ 19,802,716</u>
Per Capita Tax Supported	\$ 1,634	\$ 1,706
Total Debt Per Capita	\$ 2,123	\$ 2,250

Additional information on the City's long-term debt can be found in Note 8.

ECONOMIC FACTORS

The June 30, 2009 unemployment rate for the City of Franklin was 11.5% compared to 6.9% for Virginia and the national rate of 9.4%. The June 30, 2008 unemployment rate for the City of Franklin was 6.4%, compared to the state's unemployment rate of 4.2% and the average national rate of 5.7%.

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.

BASIC FINANCIAL STATEMENTS

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Government-wide Financial Statements

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Statement of Net Assets
June 30, 2009

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	Industrial Development Authority
ASSETS					
Cash and cash equivalents	\$ 3,281,184	\$ 1,850,616	\$ 5,131,800	\$ 926,672	\$ 14,233
Receivables (net of allowance for uncollectibles):					
Property taxes receivable	518,515	-	518,515	-	-
Other taxes receivable	178,934	-	178,934	-	-
Accounts receivable	335,975	1,954,650	2,290,625	206	-
Internal balances	969,874	(969,874)	-	-	-
Due from primary government	-	-	-	120,785	-
Due from component unit	339,486	-	339,486	-	-
Due from other governmental units	2,040,953	-	2,040,953	456,372	-
Inventories	-	39,016	39,016	3,621	-
Prepaid expenses	278	-	278	289,523	-
Restricted assets:					
Temporarily restricted:					
Cash and cash equivalents	644,623	-	644,623	-	-
Capital assets (net of accumulated depreciation):					
Land	5,060,480	-	5,060,480	-	-
Land improvements	-	-	-	69,347	-
Buildings	15,538,119	508,311	16,046,430	4,879,610	-
Improvements other than buildings	1,888,923	-	1,888,923	-	-
Machinery and equipment	3,049,635	640,066	3,689,701	1,104,487	-
Infrastructure	4,303,818	10,615,436	14,919,254	4,007,350	-
Construction in progress	1,801,871	563,518	2,365,389	-	-
Deposits	-	12,633	12,633	-	-
Unamortized bond issue costs	-	23,826	23,826	-	-
Total assets	\$ 39,952,668	\$ 15,238,198	\$ 55,190,866	\$ 11,857,973	\$ 14,233
LIABILITIES					
Accounts payable	\$ 886,564	\$ 297,792	\$ 1,184,356	\$ 54,682	\$ -
Accrued liabilities	255,626	65,348	320,974	1,320,864	-
Customers' deposits	6,560	531,339	537,899	-	-
Accrued interest payable	181,509	76,744	258,253	-	-
Due to primary government	-	-	-	-	339,486
Due to component unit	120,785	-	120,785	-	-
Deferred revenue	35,850	-	35,850	-	-
Deposits held in escrow	26,673	-	26,673	-	-
Long-term liabilities:					
Due within one year	2,086,444	673,912	2,760,356	263,850	-
Due in more than one year	14,658,257	3,801,894	18,460,151	-	-
Total liabilities	\$ 18,258,268	\$ 5,447,029	\$ 23,705,297	\$ 1,639,396	\$ 339,486
NET ASSETS					
Invested in capital assets, net of related debt	\$ 17,319,997	\$ 8,004,309	\$ 25,324,306	\$ 10,060,794	\$ -
Unrestricted (deficit)	4,374,403	1,786,860	6,161,263	157,783	(325,253)
Total net assets	\$ 21,694,400	\$ 9,791,169	\$ 31,485,569	\$ 10,218,577	\$ (325,253)

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

CITY OF FRANKLIN, VIRGINIA

Statement of Activities
 For the Year Ended June 30, 2009

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 2,570,721	\$ 615,929	\$ 204,890	\$ -
Judicial administration	238,213	17,509	-	-
Public safety	6,175,136	464,978	799,273	440,323
Public works	4,328,943	1,207,847	1,364,595	-
Health and welfare	2,607,817	9,503	1,623,404	-
Education	4,866,262	-	-	206,453
Parks, recreation, and cultural	1,156,868	20,197	5,000	-
Community development	1,249,752	9,655	59,716	10,000
Interest on long-term debt	554,434	-	-	-
Total governmental activities	\$ 23,748,146	\$ 2,345,618	\$ 4,056,878	\$ 656,776
Business-type activities:				
Water and Sewer	\$ 2,994,753	\$ 3,283,366	\$ -	\$ -
Electric	12,844,876	13,687,790	-	-
Airport	584,294	174,456	-	102,004
Total business-type activities	\$ 16,423,923	\$ 17,145,612	\$ -	\$ 102,004
Total primary government	\$ 40,172,069	\$ 19,491,230	\$ 4,056,878	\$ 758,780
COMPONENT UNITS:				
School Board	\$ 16,749,478	\$ 159,671	\$ 11,241,928	\$ -
Industrial Development Authority	-	-	-	-
Total component units	\$ 16,749,478	\$ 159,671	\$ 11,241,928	\$ -

General revenues:
 General property taxes
 Local sales and use taxes
 Restaurant food taxes
 Business licenses
 Consumers' utility taxes
 Other local taxes
 Revenue sharing from counties
 Unrestricted revenues from use of money and property
 Miscellaneous
 Contribution from City of Franklin
 Grants and contributions not restricted to specific programs
 Transfers
 Total general revenues
 Change in net assets
 Net assets - beginning
 Net assets - ending

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

**Net (Expense) Revenue and
Changes in Net Assets**

Primary Government			Component Units	
Governmental Activities	Business-type Activities	Total	School Board	Industrial Development Authority
\$ (1,749,902)		\$ (1,749,902)		
(220,704)		(220,704)		
(4,470,562)		(4,470,562)		
(1,756,501)		(1,756,501)		
(974,910)		(974,910)		
(4,659,809)		(4,659,809)		
(1,131,671)		(1,131,671)		
(1,170,381)		(1,170,381)		
(554,434)		(554,434)		
<u>\$ (16,688,874)</u>		<u>\$ (16,688,874)</u>		
	\$ 288,613	\$ 288,613		
	842,914	842,914		
	(307,834)	(307,834)		
	<u>\$ 823,693</u>	<u>\$ 823,693</u>		
	<u>\$ 823,693</u>	<u>\$ (15,865,181)</u>		
			\$ (5,347,879)	\$ -
			-	-
			<u>\$ (5,347,879)</u>	<u>\$ -</u>
\$ 6,974,226	\$ -	\$ 6,974,226	\$ -	\$ -
1,646,516	-	1,646,516	-	-
1,069,043	-	1,069,043	-	-
890,322	-	890,322	-	-
648,030	-	648,030	-	-
1,254,555	-	1,254,555	-	-
1,310,461	-	1,310,461	-	-
362,362	7,760	370,122	677	27
533,867	-	533,867	368,659	1,134
-	-	-	4,866,262	-
1,108,120	-	1,108,120	-	-
1,619,891	(1,619,891)	-	-	-
<u>\$ 17,417,393</u>	<u>\$ (1,612,131)</u>	<u>\$ 15,805,262</u>	<u>\$ 5,235,598</u>	<u>\$ 1,161</u>
<u>\$ 728,519</u>	<u>\$ (788,438)</u>	<u>\$ (59,919)</u>	<u>\$ (112,281)</u>	<u>\$ 1,161</u>
20,965,881	10,579,607	31,545,488	10,330,858	(326,414)
<u>\$ 21,694,400</u>	<u>\$ 9,791,169</u>	<u>\$ 31,485,569</u>	<u>\$ 10,218,577</u>	<u>\$ (325,253)</u>

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Fund Financial Statements

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Balance Sheet
 Governmental Funds
 June 30, 2009

	General	Virginia Public Assistance	Capital Projects	Debt Service	Other Governmental Funds	Total
ASSETS						
Cash and cash equivalents	\$ 2,624,838	\$ 337,660	\$ -	\$ -	\$ 876,358	\$ 3,838,856
Receivables (net of allowance for uncollectibles):						
Property taxes receivable	518,515	-	-	-	-	518,515
Other taxes receivable	178,934	-	-	-	-	178,934
Accounts receivable	193,218	-	-	-	142,757	335,975
Due from other funds	969,874	239,253	-	-	-	1,209,127
Due from component unit	339,486	-	-	-	-	339,486
Due from other governmental units	1,683,224	108,903	214,288	-	34,538	2,040,953
Prepaid items	278	-	-	-	-	278
Restricted assets:						
Temporarily restricted:						
Cash and cash equivalents	-	-	-	644,623	-	644,623
Total assets	<u>\$ 6,508,367</u>	<u>\$ 685,816</u>	<u>\$ 214,288</u>	<u>\$ 644,623</u>	<u>\$ 1,053,653</u>	<u>\$ 9,106,747</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Reconciled overdraft	\$ -	\$ -	\$ 100,868	\$ 280,924	\$ 175,880	\$ 557,672
Accounts payable	778,854	167	23,499	-	84,044	886,564
Accrued liabilities	229,710	25,916	-	-	-	255,626
Customers' deposits	6,560	-	-	-	-	6,560
Due to other funds	239,253	-	-	-	-	239,253
Due to component unit	120,785	-	-	-	-	120,785
Deferred revenue	461,855	-	-	-	-	461,855
Deposits held in escrow	-	-	-	-	26,673	26,673
Total liabilities	<u>\$ 1,837,017</u>	<u>\$ 26,083</u>	<u>\$ 124,367</u>	<u>\$ 280,924</u>	<u>\$ 286,597</u>	<u>\$ 2,554,988</u>
Fund balances:						
Reserved for:						
Debt service	\$ -	\$ -	\$ -	\$ 644,623	\$ -	\$ 644,623
Unreserved, reported in:						
General fund	4,671,350	-	-	-	-	4,671,350
Special revenue funds	-	659,733	-	-	637,269	1,297,002
Debt service funds	-	-	-	(280,924)	-	(280,924)
Capital projects funds	-	-	89,921	-	-	89,921
Permanent funds	-	-	-	-	129,787	129,787
Total fund balances	<u>\$ 4,671,350</u>	<u>\$ 659,733</u>	<u>\$ 89,921</u>	<u>\$ 363,699</u>	<u>\$ 767,056</u>	<u>\$ 6,551,759</u>
Total liabilities and fund balances	<u>\$ 6,508,367</u>	<u>\$ 685,816</u>	<u>\$ 214,288</u>	<u>\$ 644,623</u>	<u>\$ 1,053,653</u>	<u>\$ 9,106,747</u>

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

Reconciliation of the Balance Sheet of Governmental Funds
 To the Statement of Net Assets
 June 30, 2009

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds \$ 6,551,759

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

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

Capital assets, cost	\$ 53,305,544	
Less: accumulated depreciation	<u>(21,662,698)</u>	31,642,846

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

Deferred revenue	\$ <u>426,005</u>	426,005
------------------	-------------------	---------

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. These liabilities consist of:

Bonds, notes and loans payable	\$ (14,379,488)	
Interest payable	(181,509)	
Capital lease obligations	(587,983)	
Compensated absences	(718,394)	
Other postemployment benefits obligation	(129,600)	
Landfill closure cost liability	<u>(929,236)</u>	<u>(16,926,210)</u>

Net assets of governmental activities	\$ <u><u>21,694,400</u></u>	
---------------------------------------	-----------------------------	--

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

Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds
 For the Year Ended June 30, 2009

	General	Virginia Public Assistance	Capital Projects	Debt Service	Other Governmental Funds	Total
REVENUES						
General property taxes	\$ 6,738,891	\$ -	\$ -	\$ -	\$ -	\$ 6,738,891
Other local taxes	5,508,466	-	-	-	-	5,508,466
Permits, privilege fees, and regulatory licenses	50,721	-	-	-	-	50,721
Fines and forfeitures	59,119	-	-	-	-	59,119
Revenue from the use of money and property	262,983	-	-	13,919	85,460	362,362
Charges for services	2,235,778	-	-	-	-	2,235,778
Miscellaneous	1,468,241	69	-	-	376,018	1,844,328
Recovered costs	61,314	-	-	-	-	61,314
Intergovernmental revenues:						
Local government	-	-	-	-	-	-
Commonwealth	3,369,709	491,501	-	206,453	272,509	4,340,172
Federal	526,175	955,427	-	-	-	1,481,602
Total revenues	\$ 20,281,397	\$ 1,446,997	\$ -	\$ 220,372	\$ 733,987	\$ 22,682,753
EXPENDITURES						
Current:						
General government administration	\$ 2,218,800	\$ -	\$ -	\$ -	\$ 12,740	\$ 2,231,540
Judicial administration	236,455	-	-	-	-	236,455
Public safety	5,576,363	-	-	-	295,026	5,871,389
Public works	4,155,038	-	-	-	-	4,155,038
Health and welfare	230,994	1,903,349	-	-	396,775	2,531,118
Education	4,620,576	-	-	-	-	4,620,576
Parks, recreation, and cultural	1,068,234	-	-	-	30,551	1,098,785
Community development	836,725	-	-	-	470,177	1,306,902
Nondepartmental	47,518	-	-	-	3,036	50,554
Capital projects	-	-	152,417	-	-	152,417
Debt service:						
Principal retirement	68,205	11,991	-	1,077,225	-	1,157,421
Interest and other fiscal charges	9,801	1,723	-	565,607	-	577,131
Total expenditures	\$ 19,068,709	\$ 1,917,063	\$ 152,417	\$ 1,642,832	\$ 1,208,305	\$ 23,989,326
Excess (deficiency) of revenues over (under) expenditures	\$ 1,212,688	\$ (470,066)	\$ (152,417)	\$ (1,422,460)	\$ (474,318)	\$ (1,306,573)
OTHER FINANCING SOURCES (USES)						
Transfers in	\$ 1,713,956	\$ 519,535	\$ 50,000	\$ 1,325,461	\$ 269,113	\$ 3,878,065
Transfers out	(2,254,109)	-	-	-	(4,065)	(2,258,174)
Total other financing sources (uses)	\$ (540,153)	\$ 519,535	\$ 50,000	\$ 1,325,461	\$ 265,048	\$ 1,619,891
Net change in fund balances	\$ 672,535	\$ 49,469	\$ (102,417)	\$ (96,999)	\$ (209,270)	\$ 313,318
Fund balances - beginning	3,998,815	610,264	192,338	460,698	976,326	6,238,441
Fund balances - ending	\$ 4,671,350	\$ 659,733	\$ 89,921	\$ 363,699	\$ 767,056	\$ 6,551,759

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

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, 2009

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

Net change in fund balances - total governmental funds \$ 313,318

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	\$ 1,042,249	
Depreciation expense	<u>(1,841,138)</u>	(798,889)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. 215,095

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

Principal payments	\$ 1,157,421	
Increase in landfill liability	<u>(22,664)</u>	1,134,757

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	\$ (28,859)	
Other postemployment benefits	(129,600)	
Accrued interest	<u>22,697</u>	<u>(135,762)</u>

Change in net assets of governmental activities \$ 728,519

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

Statement of Net Assets
 Proprietary Funds
 June 30, 2009

	Water and Sewer Fund	Electric Fund	Airport Fund	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 940,292	\$ 952,836	\$ -	\$ 1,893,128
Accounts receivable, net of allowances for uncollectibles	541,615	1,408,728	4,307	1,954,650
Inventories	-	-	39,016	39,016
Unamortized bond issue costs - current portion	-	1,945	-	1,945
Total current assets	<u>\$ 1,481,907</u>	<u>\$ 2,363,509</u>	<u>\$ 43,323</u>	<u>\$ 3,888,739</u>
Noncurrent assets:				
Other assets:				
Deposits	\$ -	\$ -	\$ 12,633	\$ 12,633
Unamortized bond issue costs	-	21,881	-	21,881
Capital assets:				
Buildings	-	34,966	1,405,576	1,440,542
Equipment and furniture/fixtures	981,819	1,921,809	262,595	3,166,223
Infrastructure	14,094,864	12,393,151	3,378,893	29,866,908
Less: accumulated depreciation	(10,675,812)	(9,117,319)	(2,916,729)	(22,709,860)
Construction in progress	442,249	-	121,269	563,518
Total capital assets	<u>\$ 4,843,120</u>	<u>\$ 5,232,607</u>	<u>\$ 2,251,604</u>	<u>\$ 12,327,331</u>
Total noncurrent assets	<u>\$ 4,843,120</u>	<u>\$ 5,254,488</u>	<u>\$ 2,264,237</u>	<u>\$ 12,361,845</u>
Total assets	<u>\$ 6,325,027</u>	<u>\$ 7,617,997</u>	<u>\$ 2,307,560</u>	<u>\$ 16,250,584</u>
LIABILITIES				
Current liabilities:				
Reconciled overdraft	\$ -	\$ -	\$ 42,512	\$ 42,512
Accounts payable	213,511	31,202	53,079	297,792
Accrued liabilities	17,227	45,232	2,889	65,348
Customers' deposits	-	531,339	-	531,339
Accrued interest payable	52,323	24,421	-	76,744
Due to other funds	-	-	969,874	969,874
Compensated absences	39,646	74,247	6,491	120,384
Current portion of long-term liabilities	449,836	102,072	1,620	553,528
Total current liabilities	<u>\$ 772,543</u>	<u>\$ 808,513</u>	<u>\$ 1,076,465</u>	<u>\$ 2,657,521</u>
Noncurrent liabilities:				
Long-term liabilities - less current portion	\$ 2,731,895	\$ 1,069,999	\$ -	\$ 3,801,894
Total noncurrent liabilities	<u>\$ 2,731,895</u>	<u>\$ 1,069,999</u>	<u>\$ -</u>	<u>\$ 3,801,894</u>
Total liabilities	<u>\$ 3,504,438</u>	<u>\$ 1,878,512</u>	<u>\$ 1,076,465</u>	<u>\$ 6,459,415</u>
NET ASSETS				
Invested in capital assets, net of related debt	\$ 1,674,349	\$ 4,078,356	\$ 2,251,604	\$ 8,004,309
Unrestricted	1,146,240	1,661,129	(1,020,509)	1,786,860
Total net assets	<u>\$ 2,820,589</u>	<u>\$ 5,739,485</u>	<u>\$ 1,231,095</u>	<u>\$ 9,791,169</u>

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

Statement of Revenues, Expenses, and Changes in Net Assets
 Proprietary Funds
 For the Year Ended June 30, 2009

	Water and Sewer Fund	Electric Fund	Airport Fund	Total
OPERATING REVENUES				
Charges for services	\$ 3,210,736	\$ 13,317,341	\$ 173,567	\$ 16,701,644
Miscellaneous	630	70,333	889	71,852
Total operating revenues	<u>\$ 3,211,366</u>	<u>\$ 13,387,674</u>	<u>\$ 174,456</u>	<u>\$ 16,773,496</u>
OPERATING EXPENSES				
Salaries and benefits	\$ 786,301	\$ 1,074,752	\$ 105,753	\$ 1,966,806
Purchased services/goods - for resale	-	10,445,501	95,469	10,540,970
Contractual services	90,035	76,615	1,009	167,659
Utilities	203,762	11,907	15,913	231,582
Repairs and maintenance	86,631	23,405	13,438	123,474
Supplies and small equipment	313,668	200,546	17,030	531,244
Insurance	85,677	24,387	18,440	128,504
Taxes and licenses	11,612	520	-	12,132
Travel and training	1,168	352	104	1,624
Other charges	23,968	26,472	2,714	53,154
Payment to general fund for services and taxes	341,334	355,596	2,020	698,950
Depreciation and amortization	908,915	547,111	312,404	1,768,430
Total operating expenses	<u>\$ 2,853,071</u>	<u>\$ 12,787,164</u>	<u>\$ 584,294</u>	<u>\$ 16,224,529</u>
Operating income (loss)	<u>\$ 358,295</u>	<u>\$ 600,510</u>	<u>\$ (409,838)</u>	<u>\$ 548,967</u>
NONOPERATING REVENUES (EXPENSES)				
Connection fees	\$ 72,000	\$ 25,740	\$ -	\$ 97,740
Interest income	5,462	2,298	-	7,760
Cut-off fees and penalties	-	274,376	-	274,376
Interest expense	(141,682)	(57,712)	-	(199,394)
Total nonoperating revenues (expenses)	<u>\$ (64,220)</u>	<u>\$ 244,702</u>	<u>\$ -</u>	<u>\$ 180,482</u>
Income before capital grants and transfers	<u>\$ 294,075</u>	<u>\$ 845,212</u>	<u>\$ (409,838)</u>	<u>\$ 729,449</u>
Capital grants:				
Commonwealth	\$ -	\$ -	\$ 7,954	\$ 7,954
Federal	-	-	94,050	94,050
Transfers in	-	-	90,000	90,000
Transfers out	-	(1,709,891)	-	(1,709,891)
Change in net assets	<u>\$ 294,075</u>	<u>\$ (864,679)</u>	<u>\$ (217,834)</u>	<u>\$ (788,438)</u>
Total net assets - beginning	<u>2,526,514</u>	<u>6,604,164</u>	<u>1,448,929</u>	<u>10,579,607</u>
Total net assets - ending	<u>\$ 2,820,589</u>	<u>\$ 5,739,485</u>	<u>\$ 1,231,095</u>	<u>\$ 9,791,169</u>

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

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2009

	Water and Sewer Fund	Electric Fund	Airport Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 3,143,078	\$ 13,392,655	\$ 180,516	\$ 16,716,249
Payments to suppliers for goods and services	(1,039,599)	(11,024,293)	(107,960)	(12,171,852)
Payments to and on behalf of employees	(799,399)	(1,110,091)	(108,320)	(2,017,810)
Net cash provided (used) by operating activities	<u>\$ 1,304,080</u>	<u>\$ 1,258,271</u>	<u>\$ (35,764)</u>	<u>\$ 2,526,587</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers to other funds	\$ -	\$ (1,709,891)	\$ -	\$ (1,709,891)
Transfers from other funds	-	-	90,000	90,000
Net cash provided (used) by noncapital financing activities	<u>\$ -</u>	<u>\$ (1,709,891)</u>	<u>\$ 90,000</u>	<u>\$ (1,619,891)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital grants	\$ -	\$ -	\$ 102,004	\$ 102,004
Acquisition and construction of capital assets	(492,587)	(256,947)	(128,268)	(877,802)
Principal paid on capital debt	(419,362)	(87,321)	-	(506,683)
Interest paid on capital debt	(149,250)	(56,871)	-	(206,121)
Connection and cut-off fees	72,000	300,116	-	372,116
Net cash provided (used) by capital and related financing activities	<u>\$ (989,199)</u>	<u>\$ (101,023)</u>	<u>\$ (26,264)</u>	<u>\$ (1,116,486)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and dividends received	\$ 5,462	\$ 2,298	\$ -	\$ 7,760
Net cash provided (used) by investing activities	<u>\$ 5,462</u>	<u>\$ 2,298</u>	<u>\$ -</u>	<u>\$ 7,760</u>
Net increase (decrease) in cash and cash equivalents	\$ 320,343	\$ (550,345)	\$ 27,972	\$ (202,030)
Cash and cash equivalents - beginning	619,949	1,503,181	(70,484)	2,052,646
Cash and cash equivalents - ending	<u>\$ 940,292</u>	<u>\$ 952,836</u>	<u>\$ (42,512)</u>	<u>\$ 1,850,616</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 358,295	\$ 600,510	\$ (409,838)	\$ 548,967
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	\$ 908,915	\$ 547,111	\$ 312,404	\$ 1,768,430
(Increase) decrease in accounts receivable	(68,288)	4,981	6,060	(57,247)
(Increase) decrease in inventories	-	-	2,171	2,171
Increase (decrease) in accounts payable	79,100	(23,605)	49,252	104,747
Increase (decrease) in accrued liabilities	14,852	40,721	2,217	57,790
Increase (decrease) in compensated absences	(1,754)	(5,382)	350	(6,786)
Increase (decrease) in other postemployment benefits	12,960	17,820	1,620	32,400
Increase (decrease) in customer deposits	-	76,115	-	76,115
Total adjustments	<u>\$ 945,785</u>	<u>\$ 657,761</u>	<u>\$ 374,074</u>	<u>\$ 1,977,620</u>
Net cash provided (used) by operating activities	<u>\$ 1,304,080</u>	<u>\$ 1,258,271</u>	<u>\$ (35,764)</u>	<u>\$ 2,526,587</u>

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

Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2009

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 179,689
Total assets	\$ <u>179,689</u>
LIABILITIES	
Amounts held for others	\$ 179,689
Total liabilities	\$ <u>179,689</u>

The 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, 2009

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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 requires 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 Assets

The Statement of Net Assets 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 Assets and report depreciation expense - the cost of "using up" capital assets - in the Statement of Activities. The net assets 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).

NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2009 (CONTINUED)

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

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 principles 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 funds (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 Assets, 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.

NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2009 (CONTINUED)

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

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

Government-Wide and Fund Accounting Financial Statements: (Continued)

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

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

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

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

The government-wide Statements of Net Assets 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 operation of these activities are included on their Statement of Net Assets. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expense) in net total assets.

The Statement of Net Assets 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.

NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2009 (CONTINUED)

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

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

Government-Wide and Fund Accounting Financial Statements: (Continued)

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

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

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

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

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

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

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

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

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 revenue derived from specific sources (other than major capital projects) that are restricted by legal and regulatory provisions to finance specific activities.

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.

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.

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

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

Special Revenue Funds: (Continued)

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.

Debt Service Fund

The Debt Service Fund is used to account 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 fund.

Capital Projects Fund

The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary fund types). The Capital Projects Fund is considered a major fund.

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

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

Permanent Funds

Permanent Funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs. Previously presented as expendable Trust Funds, the City's Permanent Funds are used to account for perpetual care and endowed care of certain City-owned cemeteries. Permanent Fund balances are included in governmental activities for both the government-wide and fund financial statements. The Charles Smith Cemetery Trust, Cemetery Perpetual Care Trust, Employee Emergency Trust, and Southview Cemetery Trust funds are accounted for as Permanent Funds.

Proprietary Funds

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. 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, operation, 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.

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

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

Fiduciary Funds

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

Trust and Agency Funds

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

Agency Funds

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

Special Welfare 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.

Franklin-Southampton Economic Development Commission-accounts for monies received from the City and Southampton County to promote business development.

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.

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.

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.

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

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

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. The City makes significant capital contributions toward the property the IDA develops and markets.

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 hearing 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, except for the Capital Projects Fund which carries unexpended balances into the following year on a project by project basis.
- All budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America as applicable to governmental entities.

NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2009 (CONTINUED)

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

D. Budgets and Budgetary Accounting: (Continued)

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.

E. Allowance for Uncollectible Accounts

The City calculates its allowances for uncollectible property taxes, refuse collection and utility service charges using historical collection data. At June 30, 2009, the allowance attributed to property taxes amounted to \$240,236, refuse collection in the amount of \$30,336 and utility service charges in the amount of \$931,167.

F. Cash and Investments

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

G. Inventories

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

H. Capital Assets

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

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

The City's capitalization policy threshold is \$5,000, or \$1,000 or more for office equipment. All capital assets are valued at historical cost or estimated historical cost if actual cost was not available. Donated 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.

NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2009 (CONTINUED)

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

H. Capital Assets: (Continued)

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

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

I. Compensated Absences

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

J. 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.

K. 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.

L. 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.

CITY OF FRANKLIN, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2009 (CONTINUED)

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

M. Credit Risk

The assessed value of real estate and personal property for the City's ten largest taxpayers comprise 13.24% and 12.56% 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 Assets/Fund Equity

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

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

NOTE 2—DEPOSITS AND INVESTMENTS:

Deposits

All cash of the primary government and its discretely presented component units is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act (a multiple financial institution collateral pool), Section 2.2-4400 et. seq. of the Code of Virginia or covered by federal depository insurance.

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. At June 30, 2009 all of the City's investments are held in a bank's trust department in the City's name.

CITY OF FRANKLIN, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2009 (CONTINUED)

NOTE 2—DEPOSITS AND INVESTMENTS: (CONTINUED)

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 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, 2009 were as follows:

	<u>Interfund receivable</u>	<u>Interfund payable</u>
Major funds:		
General	\$ 969,874	\$ 239,253
Virginia public assistance	239,253	-
Proprietary funds:		
Airport	-	969,874
Total	<u>\$ 1,209,127</u>	<u>\$ 1,209,127</u>

CITY OF FRANKLIN, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2009 (CONTINUED)

NOTE 3—INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS: (CONTINUED)

Interfund transfers for the year ended June 30, 2009 were as follows:

Fund	Transfer In	Transfer Out
Major funds:		
General	\$ 1,713,956	\$ 2,254,109
Virginia public assistance	519,535	-
Capital projects	50,000	-
Debt service	1,325,461	-
Nonmajor governmental funds:		
Comprehensive services act	51,940	-
Foundation grants	6,700	4,065
Economic development	210,473	-
Proprietary funds:		
Airport	90,000	-
Electric	-	1,709,891
Total	<u>\$ 3,968,065</u>	<u>\$ 3,968,065</u>

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

NOTE 4—RECEIVABLES:

Receivables in the fund statements at June 30, 2009, are as follows:

Primary Government

	General	Nonmajor Governmental Funds	Business- type Activities	Total
Real estate taxes	\$ 434,474	\$ -	\$ -	\$ 434,474
Personal property taxes	324,277	-	-	324,277
Other taxes	178,934	-	-	178,934
Accounts receivable	223,554	142,757	2,885,817	3,252,128
	<u>\$ 1,161,239</u>	<u>\$ 142,757</u>	<u>\$ 2,885,817</u>	<u>\$ 4,189,813</u>
Less-allowance for uncollectible accounts:				
Property taxes	(240,236)	-	-	(240,236)
Refuse collection	(30,336)	-	-	(30,336)
Utility service charges	-	-	(931,167)	(931,167)
Receivables - net	<u>\$ 890,667</u>	<u>\$ 142,757</u>	<u>\$ 1,954,650</u>	<u>\$ 2,988,074</u>

CITY OF FRANKLIN, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2009 (CONTINUED)

NOTE 5—DUE FROM OTHER GOVERNMENTS:

Due from other governments consists of the following at June 30, 2009:

<i>Primary Government</i>	Virginia			Nonmajor	Total
	General	Public Assistance	Capital Projects	Governmental Funds	
Commonwealth of Virginia:					
Sales tax	\$ 278,874	\$ -	\$ -	\$ -	\$ 278,874
Rolling stock tax	5,713	-	-	-	5,713
Recordation tax	2,627	-	-	-	2,627
Auto rental tax	5,585	-	-	-	5,585
Communication tax	84,059	-	-	-	84,059
Compensation Board	13,692	-	-	-	13,692
Comprehensive Services Act	-	-	-	34,538	34,538
Department of Social Services	-	32,410	-	-	32,410
Total due from the Commonwealth of Virginia	\$ 390,550	\$ 32,410	\$ -	\$ 34,538	\$ 457,498
Federal Government:					
Department of Social Services	\$ -	\$ 76,493	\$ -	\$ -	\$ 76,493
Department of the Interior	-	-	214,288	-	214,288
Total due from federal government	\$ -	\$ 76,493	\$ 214,288	\$ -	\$ 290,781
Local Governments:					
Isle of Wight County-revenue sharing	\$ 1,274,706	\$ -	\$ -	\$ -	\$ 1,274,706
Southampton County-various taxes	17,968	-	-	-	17,968
Total due from local governments	\$ 1,292,674	\$ -	\$ -	\$ -	\$ 1,292,674
Total due from other governments	\$ 1,683,224	\$ 108,903	\$ 214,288	\$ 34,538	\$ 2,040,953

CITY OF FRANKLIN, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2009 (CONTINUED)

NOTE 5—DUE FROM OTHER GOVERNMENTS: (CONTINUED)

Component Units

	<u>School Board</u>
Commonwealth of Virginia:	
State sales tax	\$ 191,044
Total due from the Commonwealth of Virginia	<u>\$ 191,044</u>
Federal Government:	
Title I	104,177
Title II, Part A	1,190
Special education cluster	72,765
School nutrition cluster	18,345
Drug free schools	4,445
English as a second language	51,018
Other	13,388
Total due from federal government	<u>\$ 265,328</u>
Total due from other governments	<u>\$ 456,372</u>

NOTE 6—DUE FROM/TO PRIMARY GOVERNMENT AND COMPONENT UNITS:

Details of the receivables and payables between the primary government and component units at June 30, 2009, are as follows:

<u>Component Unit Receivable Fund</u>	<u>Primary Government Payable</u>	<u>Amount</u>
School General Fund	City General Fund	\$ <u>120,785</u>
<u>Primary Government Receivable Fund</u>	<u>Component Unit Payable</u>	
City General Fund	Industrial Development Authority	\$ <u>339,486</u>

CITY OF FRANKLIN, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2009 (CONTINUED)

NOTE 7—CAPITAL ASSETS:

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

Governmental Activities

	Balance July 1, 2008	Increases	Decreases	Balance July 30, 2009
Capital assets not being depreciated				
Land	\$ 5,060,480	\$ -	\$ -	\$ 5,060,480
Construction in progress	1,660,769	642,706	501,604	1,801,871
Total capital assets not being depreciated	\$ 6,721,249	\$ 642,706	\$ 501,604	\$ 6,862,351
Other capital assets				
Buildings	\$ 16,279,508	\$ -	\$ -	\$ 16,279,508
Improvements other than buildings	2,619,240	501,604	-	3,120,844
Machinery and equipment	7,955,908	399,543	-	8,355,451
Infrastructure	13,799,304	-	-	13,799,304
Total other capital assets	\$ 40,653,960	\$ 901,147	\$ -	\$ 41,555,107
Less-accumulated depreciation				
Buildings	\$ (3,087,702)	\$ (366,887)	\$ -	\$ (3,454,589)
Improvements other than buildings	(1,104,659)	(127,262)	-	(1,231,921)
Machinery and equipment	(4,614,594)	(691,222)	-	(5,305,816)
Infrastructure	(8,937,481)	(558,005)	-	(9,495,486)
Total accumulated depreciation	\$ (17,744,436)	\$ (1,743,376)	\$ -	\$ (19,487,812)
Other capital assets - net	\$ 22,909,524	\$ (842,229)	\$ -	\$ 22,067,295
Subtotal capital assets, net	\$ 29,630,773	\$ (199,523)	\$ 501,604	\$ 28,929,646
Allocation of School Board				
Buildings	\$ 4,888,086	\$ -	\$ -	\$ 4,888,086
Less-accumulated depreciation				
Buildings	(2,077,124)	(97,762)	-	(2,174,886)
Total allocated to City	\$ 2,810,962	\$ (97,762)	\$ -	\$ 2,713,200
Total capital assets, governmental activities, net	\$ 32,441,735	\$ (297,285)	\$ 501,604	\$ 31,642,846

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 obligation 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, 2009, is that school financed assets in the amount of \$2,713,200 net are reported in the Primary Government for financial reporting purposes.

CITY OF FRANKLIN, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2009 (CONTINUED)

NOTE 7—CAPITAL ASSETS: (CONTINUED)

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

General Governmental Administration	\$ 353,553
Public Safety	537,704
Public Works	638,506
Health and Welfare	57,344
Parks, Recreation, and Cultural	156,269
Education	97,762
Total	<u>\$ 1,841,138</u>

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

	<u>Balance</u> <u>July 1, 2008</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2009</u>
Capital assets not being depreciated				
Construction in progress	\$ -	\$ 563,518	\$ -	\$ 563,518
Total capital assets not being depreciated	<u>\$ -</u>	<u>\$ 563,518</u>	<u>\$ -</u>	<u>\$ 563,518</u>
Other capital assets				
Buildings	\$ 1,440,542	\$ -	\$ -	\$ 1,440,542
Infrastructure	29,719,464	147,444	-	29,866,908
Machinery and equipment	2,999,381	166,842	-	3,166,223
Total other capital assets	<u>\$ 34,159,387</u>	<u>\$ 314,286</u>	<u>\$ -</u>	<u>\$ 34,473,673</u>
Less - accumulated depreciation				
Buildings	\$ (736,706)	\$ (195,525)	\$ -	\$ (932,231)
Infrastructure	(17,878,702)	(1,372,770)	-	(19,251,472)
Machinery and equipment	(2,326,022)	(200,135)	-	(2,526,157)
Total accumulated depreciation	<u>\$ (20,941,430)</u>	<u>\$ (1,768,430)</u>	<u>\$ -</u>	<u>\$ (22,709,860)</u>
Subtotal capital assets, net	<u>\$ 13,217,957</u>	<u>\$ (1,454,144)</u>	<u>\$ -</u>	<u>\$ 11,763,813</u>
Total capital assets, business-type activities, net	<u>\$ 13,217,957</u>	<u>\$ (890,626)</u>	<u>\$ -</u>	<u>\$ 12,327,331</u>

CITY OF FRANKLIN, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2009 (CONTINUED)

NOTE 7—CAPITAL ASSETS: (CONTINUED)

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

	<u>Balance</u> <u>July 1, 2008</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2009</u>
Other capital assets				
Land improvement	\$ 144,911	\$ -	\$ -	\$ 144,911
Buildings	12,668,140	-	-	12,668,140
Infrastructure	4,292,955	-	-	4,292,955
Machinery and equipment	2,966,044	77,017	47,000	2,996,061
Total other capital assets	<u>\$ 20,072,050</u>	<u>\$ 77,017</u>	<u>\$ 47,000</u>	<u>\$ 20,102,067</u>
Less - accumulated depreciation				
Land improvements	\$ (71,963)	\$ (3,601)	\$ -	\$ (75,564)
Buildings	(4,837,626)	(237,704)	-	(5,075,330)
Infrastructure	(223,315)	(62,290)	-	(285,605)
Machinery and equipment	(1,703,743)	(234,831)	47,000	(1,891,574)
Total accumulated depreciation	<u>\$ (6,836,647)</u>	<u>\$ (538,426)</u>	<u>\$ 47,000</u>	<u>\$ (7,328,073)</u>
Other capital assets - net	<u>\$ 13,235,403</u>	<u>\$ (461,409)</u>	<u>\$ -</u>	<u>\$ 12,773,994</u>
Allocation to City				
Buildings	\$ (4,888,086)	\$ -	\$ -	\$ (4,888,086)
Less - accumulated depreciation				
Buildings	<u>2,077,124</u>	<u>97,762</u>	<u>-</u>	<u>2,174,886</u>
Total allocated to City	<u>\$ (2,810,962)</u>	<u>\$ 97,762</u>	<u>\$ -</u>	<u>\$ (2,713,200)</u>
Total capital assets, net	<u><u>\$ 10,424,441</u></u>	<u><u>\$ (363,647)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 10,060,794</u></u>

CITY OF FRANKLIN, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2009 (CONTINUED)

NOTE 8—LONG-TERM OBLIGATIONS:

Following is a summary of the changes in long-term liabilities for governmental activities of the primary government and its Component Unit-School Board, respectively, for the year ended June 30, 2009.

	<u>Balance</u> <u>July 1, 2008</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2009</u>	<u>Due within</u> <u>one year</u>
Governmental Obligations:					
Primary Government:					
General obligation bonds	\$ 14,714,584	\$ -	\$ 815,096	\$ 13,899,488	\$ 849,350
Literary loans payable	300,000	-	100,000	200,000	100,000
Notes payable	400,000	-	120,000	280,000	120,000
Capital lease obligations	710,308	-	122,325	587,983	169,100
Landfill postclosure/ corrective action	906,572	22,664	-	929,236	-
Compensated absences	689,535	28,859	-	718,394	718,394
Other postemployment benefits	-	228,800	99,200	129,600	129,600
Total - Primary Government	<u>\$ 17,720,999</u>	<u>\$ 280,323</u>	<u>\$ 1,256,621</u>	<u>\$ 16,744,701</u>	<u>\$ 2,086,444</u>
Component Unit-School Board:					
Compensated absences	\$ 320,711	-	\$ 98,261	\$ 222,450	\$ 222,450
Other postemployment benefits	-	71,700	30,300	41,400	41,400
Total School Board	<u>\$ 320,711</u>	<u>\$ 71,700</u>	<u>\$ 128,561</u>	<u>\$ 263,850</u>	<u>\$ 263,850</u>
Total Governmental Obligations	<u>\$ 18,041,710</u>	<u>\$ 352,023</u>	<u>\$ 1,385,182</u>	<u>\$ 17,008,551</u>	<u>\$ 2,350,294</u>

CITY OF FRANKLIN, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2009 (CONTINUED)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

General obligation debt of the governmental activities at June 30, 2009, is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Authorized and Issued	Outstanding June 30, 2009
General obligation bonds -					
Public Improvement and Refunding Series 1998A	03/05/98	01/15/12	3.60-4.60 %	\$ 1,679,916	\$ 648,295
Public Improvement Series 2001B	10/01/01	01/15/24	3.00-5.00	3,105,000	2,490,000
Public Improvement Series 2001C	10/01/01	01/15/22	6.00	685,000	540,000
Public Improvement Series 2002	10/02/02	09/01/42	4.625	2,500,000	2,353,547
Public Improvement Series 1999A	05/28/99	07/15/19	3.970	2,041,330	950,206
Public Improvement Series 2003B	12/04/03	01/15/24	3.640	1,223,240	888,859
Public Improvement Series 2003C	12/04/03	01/15/27	5.550	565,000	515,227
Public Improvement Series 2004	12/01/04	12/01/14	3.640	310,000	198,545
Public Improvement Series 2006	01/13/06	01/15/26	3.820	1,541,000	1,377,100
Public Improvement Series 2008	02/15/08	01/15/18	3.56	400,000	368,000
Virginia General Obligation Qualified Zone Academy Bond, Series 2005	12/29/05	12/20/20	-	2,214,429	2,214,429
City of Franklin, Virginia School Bond Series 1992	11/01/92	07/15/12	4.90-6.35	285,325	72,933
Virginia Public School Authority Series 1995A	12/21/95	01/15/16	5.10-6.10	567,942	234,305
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	48,042
Total bonds payable					<u>\$ 13,899,488</u>
Loans payable:					
Literary Fund loan-Middle School	03/15/91	03/15/11	2.000	2,000,000	\$ 200,000
Total loans payable					<u>\$ 200,000</u>
Total general obligation debt					<u><u>\$ 14,099,488</u></u>

*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.

CITY OF FRANKLIN, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2009 (CONTINUED)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Note Payable

During 2006 the City purchased land and issued a note payable for \$640,000, payable in annual installments of \$120,000, with a balloon payment of \$160,000 in 2011. Principal payments are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>
2010	\$ 120,000
2011	160,000
	<u>\$ 280,000</u>

Debt service on the preceding general obligation bonds payable for future fiscal years is as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 849,350	\$ 497,022
2011	872,597	460,206
2012	916,130	421,523
2013	720,762	380,301
2014	707,892	348,466
2015-2019	3,630,214	1,314,109
2020-2024	4,227,838	704,844
2025-2029	600,528	374,771
2030-2034	421,721	271,279
2035-2039	531,206	161,794
2040-2044	421,250	33,287
	<u>\$ 13,899,488</u>	<u>\$ 4,967,602</u>

CITY OF FRANKLIN, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2009 (CONTINUED)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Debt service on the preceding literary loans payable for future fiscal years is as follows:

Fiscal Year Ending June 30,	Principal	Interest
2010	\$ 100,000	\$ 4,000
2011	100,000	2,000
Total	\$ <u>200,000</u>	\$ <u>6,000</u>

Following is a schedule of capital lease obligations:

	Issue Date	Final Maturity	Interest Rate %	Authorized and Issued	Outstanding June 30, 2009
Garbage Trucks	04/12/05	04/12/10	3.77	139,779	\$ 25,163
Voice over IP	12/20/06	12/20/11	4.82	315,624	167,289
Garbage Truck	10/05/07	09/30/12	4.15	187,524	124,844
E-911 Equipment	04/14/08	06/30/13	3.71	270,687	270,687
					\$ <u>587,983</u>

Future minimum lease payments under capital leases with the present value (outstanding principal) of the net minimum lease payments as of June 30, 2009, are as follows:

Fiscal Year Ending June 30,	
2010	\$ 191,022
2011	165,422
2012	129,841
2013	94,259
2014	59,744
Total minimum lease payments	640,288
Less-amount representing interest	(52,305)
Present value of net minimum lease payments	\$ <u>587,983</u>

CITY OF FRANKLIN, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2009 (CONTINUED)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

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, 2009, the City's aggregate general obligation indebtedness is approximately \$48.7 million less than the Commonwealth's limit as summarized in the following table:

Total assessed value of taxed assessed value			
Assessed value of real estate		\$	<u>679,503,742</u>
Debt limit - 10% of total assessed value		\$	67,950,374
Amount of debt applicable to debt limit			
General obligation debt:			
Primary government	\$	13,899,488	
Business-type		3,689,865	
Capital leases		607,236	
Virginia Resources Authority revolving loan		613,905	
State Literary Fund loans - Component Unit - School Board		200,000	
Debt assumed - Southampton County - Primary government		48,042	
Note payable		280,000	19,338,536
			<u>19,338,536</u>
Legal debt margin		\$	<u>48,611,838</u>

Note: The City was in compliance with all significant financial covenants contained in the various indentures at June 30, 2009.

Long-Term Liabilities - Business-Type Activities

Following is a summary of the changes in noncurrent liabilities of the business-type activities:

	Balance July 1, 2008	Additions	Reductions	Balance June 30, 2009	Due within one year
Bonds payable	\$ 4,122,300	\$ -	\$ 432,435	\$ 3,689,865	\$ 448,380
Capital lease obligation	41,573	-	22,321	19,252	19,252
Revolving loan	665,832	-	51,927	613,905	53,496
Total bonds and loans	\$ 4,829,705	\$ -	\$ 506,683	\$ 4,323,022	\$ 521,128
Compensated absences	127,170	-	6,786	120,384	120,384
Other postemployment benefits	-	57,200	24,800	32,400	32,400
Total long-term liabilities	\$ 4,956,875	\$ 57,200	\$ 538,269	\$ 4,475,806	\$ 673,912

CITY OF FRANKLIN, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2009 (CONTINUED)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Long-term obligations, other than the capital lease, of the business-type activities at June 30, 2009, are comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Authorized and Issued	Outstanding June 30, 2009
General Obligation Bonds -					
Public Improvement and Refunding					
Series 1998A	03/05/98	01/15/12	3.60-4.60 %	2,265,084	\$ 746,702
Public Improvement Series 1998B	03/05/98	01/15/08	3.60-4.87	2,876,618	1,305,000
Public Improvement Series 2001B	10/01/01	01/15/22	3.00-5.00	1,540,000	1,135,000
Public Improvement Series 2003B	12/03/03	01/15/24	3.64	616,760	503,163
Total bonds payable					\$ 3,689,865
Virginia Resources Authority -					
revolving loan	04/30/99	07/01/19	3.00	1,050,000	613,905
Total bonds payable and line of credit					\$ 4,303,770

Debt service on the business-type funds' bonds payable and line of credit are as follows:

Fiscal Year Ending June 30,	Principal	Interest
2010	\$ 501,876	\$ 185,461
2011	526,772	164,702
2012	543,718	142,461
2013	297,225	119,032
2014	310,039	106,543
2015-2019	1,595,709	316,149
2020-2024	528,431	55,685
	\$ 4,303,770	\$ 1,090,033

CITY OF FRANKLIN, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2009 (CONTINUED)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

In April 2005, the City of Franklin, Virginia entered into a capital lease to purchase a truck, as follows:

<u>Description</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate %</u>	<u>Authorized and issued</u>	<u>Outstanding June 30, 2009</u>
Electric Truck	04/12/05	04/12/10	9.00 %	\$ 106,958	\$ 19,252
<u>Fiscal Year Ending June 30,</u>					
2010					
				\$	<u>19,586</u>
Total minimum lease payments					19,586
Less - amount representing interest					<u>(334)</u>
Present value of net minimum lease payments				\$	<u><u>19,252</u></u>

Defeased Debt

On March 5, 1998, the City issued General Obligation Public Improvement Refunding Bonds, Series 1998A, of \$3,945,000 with an interest rate of 3.6% to 4.6% to advance refund a portion of the 1992 General Obligation Bonds with an interest rate of 5.2% to 6.4%. The 1992 bonds maturing on January 15, 2012, were callable on January 15, 2002, and were recorded in part in the governmental funds and in part in the proprietary funds. The General Obligation Public Improvement Refunding Bonds Series 1998A were issued at a discount of \$79,691, and, after paying issuance costs of \$27,939, the net proceeds were \$3,837,370. The net proceeds of the general obligation bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the 1992 General Obligation Bonds are due. The advance refunding met the requirements of an in-substance debt defeasance and was recorded in the governmental activities (\$1,679,916) and in the business-type activities (\$2,265,084), corresponding to the debt defeased.

As a result of the advance refunding, the City reduced its debt service requirements for the 1992 bonds by \$265,474, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$203,548.

CITY OF FRANKLIN, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2009 (CONTINUED)

NOTE 9—COMPENSATED ABSENCES:

City employees earn annual leave at the rate of 17 to 29 days per year depending on length of service. A maximum of 34 to 58 days of annual leave, depending on length of service, may be carried over to succeeding years and may be paid if not used prior to termination. The governmental and business-type activities have outstanding accrued vacation totaling \$637,018 and \$112,033, respectively, as of June 30, 2009.

City employees no longer earn sick leave. A new 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. At June 30, 2009, accumulated unpaid sick leave for the governmental and business-type activities amounted to \$81,376 and \$8,351, respectively.

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, 2009 accumulated unpaid vacation and sick leave amounted to \$146,365 and \$76,085, respectively.

NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2009 (CONTINUED)

NOTE 10—DEFINED PENSION BENEFIT OBLIGATION:

A. Plan Description

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

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

The system issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from their website at <http://www.varetire.org/Pdf/Publications/2008annurept.pdf> or obtained by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

B. Funding Policy

Primary Government

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their annual salary to the VRS. The City has elected to assume the 5.00% member contribution. 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 2009 was 9.73% of annual covered payroll.

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

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 2009 was 8.01% of annual covered payroll.

NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2009 (CONTINUED)

NOTE 10—DEFINED PENSION BENEFIT OBLIGATION: (CONTINUED)

C. Annual Pension Cost

Primary Government

For fiscal year 2009, the City's annual pension cost of \$671,065 was equal to the City's required and actual contributions (does not include employee share in the amount of \$324,901 which was assumed by the City).

Three-Year Trend Information - Primary Government

Fiscal Year Ending	Annual Pension Cost (APC)¹	Percentage of APC Contributed	Net Pension Obligation
6/30/07	\$ 641,217	100%	\$ -
6/30/08	655,648	100%	-
6/30/09	671,065	100%	-

¹Employer portion only

The required contribution was determined as part of the June 30, 2007 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2007 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the 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, 2007 was 20 years.

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

For fiscal year 2009, the School Board's annual pension cost of \$38,286 was equal to the School Board's required and actual contributions (does not include employee share in the amount of \$23,899 which was assumed by the School Board).

Three-Year Trend Information for School Board - Component Unit

Fiscal Year Ending	Annual Pension Cost (APC)¹	Percentage of APC Contributed	Net Pension Obligation
6/30/07	\$ 31,118	100%	\$ -
6/30/08	38,673	100%	-
6/30/09	38,286	100%	-

¹Employer portion only

NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2009 (CONTINUED)

NOTE 10—DEFINED PENSION BENEFIT OBLIGATION: (CONTINUED)

C. Annual Pension Cost: (Continued)

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

D. Funded Status and Funding Progress

Primary Government

As of June 30, 2008, the most recent actuarial valuation date, the plan was 89.63% funded. The actuarial accrued liability for benefits was \$26,312,773, and the actuarial value of assets was \$23,583,001, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,729,772. The covered payroll (annual payroll of active employees covered by the plan) was \$6,892,559, and ratio of the UAAL to the covered payroll was 39.60%.

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, 2008, the most recent actuarial valuation date, the plan was 87.26% funded. The actuarial accrued liability for benefits was \$1,495,642, and the actuarial value of assets was \$1,305,135, resulting in an unfunded actuarial accrued liability (UAAL) of \$190,507. The covered payroll (annual payroll of active employees covered by the plan) was \$490,860, and ratio of the UAAL to the covered payroll was 38.81%.

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 10—DEFINED PENSION BENEFIT OBLIGATION: (CONTINUED)

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/2008/AnnuRept.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 8.81% 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, 2009, 2008, and 2007 were \$1,061,534, \$1,178,240, and \$1,135,597, respectively, equal to the required contributions for each year.

NOTE 11—JOINT VENTURES AND RELATED ORGANIZATIONS:

Blackwater Regional Library

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

Franklin-Southampton Economic Development Commission

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

Western Tidewater Regional Jail Authority

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

Western Tidewater Community Services Board

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

NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2009 (CONTINUED)

NOTE 12—CONTINGENT LIABILITIES:

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 \$3,689,865 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 90 days 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 13—OTHER POST-EMPLOYMENT BENEFITS PROGRAM:

Background

Beginning 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 non-pension 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.

NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2009 (CONTINUED)

NOTE 13—OTHER POST-EMPLOYMENT BENEFITS PROGRAM: (CONTINUED)

City:

A. Plan Description:

In addition to the pension benefits described in Note 10, 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 Required Contribution (ARC):

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 \$286,000 for fiscal year 2009. The City has paid an estimated \$124,000 towards this obligation during the fiscal year. The City is required to contribute the annual required contribution of the employer (ARC) an amount actuarially determined in accordance within the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Annual OPEB Cost

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

CITY OF FRANKLIN, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2009 (CONTINUED)

NOTE 13—OTHER POST-EMPLOYMENT BENEFITS PROGRAM: (CONTINUED)

City: (Continued)

C. Annual Required Contribution (ARC): (Continued)

Annual OPEB Cost: (Continued)

Annual required contribution	\$ 286,000
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
	<hr/>
Annual OPEB cost (expense)	\$ 286,000
Estimated contributions made	(124,000)
	<hr/>
Increase in net OPEB obligation	162,000
Net OPEB obligation, beginning of year	-
	<hr/>
Net OPEB obligation, end of year	\$ <u>162,000</u>

For 2009, the City's expected cash payment of \$124,000 was \$162,000 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 2009 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, 2009	\$ 286,000	43%	\$ 162,000

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2009 is as follows:

Actuarial accrued liability (AAL)	\$ 3,378,000
Actuarial value of plan assets	\$ -
Unfunded actuarial accrued liability	\$ 3,378,000
Funded ratio (actuarial value of plan assets / AAL)	0%
Covered payroll (active plan members)	\$ 5,972,000
UAAL as a percentage of covered payroll	56.56%

NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2009 (CONTINUED)

NOTE 13—OTHER POST-EMPLOYMENT BENEFITS PROGRAM: (CONTINUED)

City: (Continued)

C. Annual Required Contribution (ARC): (Continued)

Funded Status and Funding Progress: (Continued)

The projection of future benefit payments for an ongoing plan involves 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.

Actuarial Methods and Assumptions

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

Cost Method

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

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

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

Assumptions

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

NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2009 (CONTINUED)

NOTE 13—OTHER POST-EMPLOYMENT BENEFITS PROGRAM: (CONTINUED)

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 Required Contribution (ARC):

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 \$71,700 for fiscal year 2009. The School Board has paid an estimated \$30,300 towards this obligation during the fiscal year. The School Board is required to contribute the annual required contribution of the employer (ARC) an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

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

Annual required contribution	\$ 71,700
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
	<hr/>
Annual OPEB cost (expense)	\$ 71,700
Estimated contributions made	(30,300)
	<hr/>
Increase in net OPEB obligation	\$ 41,400
Net OPEB obligation, beginning of year	-
	<hr/>
Net OPEB obligation, end of year	<u>\$ 41,400</u>

CITY OF FRANKLIN, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2009 (CONTINUED)

NOTE 13—OTHER POST-EMPLOYMENT BENEFITS PROGRAM: (CONTINUED)

School Board: (Continued)

C. Annual Required Contribution (ARC): (Continued)

Annual OPEB Cost

For 2009, the School Board’s expected cash payment of \$30,300 was \$41,400 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 2009 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, 2009	\$ 71,700	42%	\$ 41,400

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2009 is as follows:

Actuarial accrued liability (AAL)	\$ 634,500
Actuarial value of plan assets	-
Unfunded actuarial accrued liability	634,500
Funded ratio (actuarial value of plan assets / AAL)	0%
Covered payroll (active plan members)	N/A
UAAL as a percentage of covered payroll	N/A

The projection of future benefit payments for an ongoing plan involves 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.

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.

CITY OF FRANKLIN, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2009 (CONTINUED)

NOTE 13—OTHER POST-EMPLOYMENT BENEFITS PROGRAM: (CONTINUED)

School Board: (Continued)

C. Annual Required Contribution (ARC): (Continued)

Cost Method

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

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

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

Assumptions

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

NOTE 14—LANDFILL POSTCLOSURE CARE COSTS:

State and federal laws and regulations require that the City perform certain maintenance and monitoring functions subsequent to closure of the City's landfill site. The City ceased accepting solid waste at the landfill in 1984 and completed initial closure measures in 1987. In letters dated January 13, 1995, and February 1, 1995, the Virginia Department of Environmental Quality informed the City the thirty-year 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 \$929,236 represents \$694,401 of postclosure care liability and \$234,835 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 from accumulated funds held in the general fund.

CITY OF FRANKLIN, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2009 (CONTINUED)

NOTE 15—SURETY BONDS:

Surety bonds of the City of Franklin are as follows:

Brenda B. Rickman Commissioner of Revenue	Commonwealth of Virginia Faithful Performance of Duty Bond Plan	\$	3,000
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NOTE 16—ANNEXATIONS:

Southampton County

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

The City adopted a Revenue-Sharing Agreement with the County in January 1997. County residents approved this agreement in November 1997. The agreement was reviewed and recommended for Court approval by the Commission on Local Government of the Commonwealth of Virginia in January 1999. The Revenue Sharing Agreement covers approximately 17.1 square miles in Southampton County immediately contiguous to the City of Franklin. The agreement provides that the County will pay to the City on October 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, 2009, the City received \$35,755 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.

CITY OF FRANKLIN, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2009 (CONTINUED)

NOTE 16—ANNEXATIONS: (CONTINUED)

County of Isle of Wight: (Continued)

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	17.23 % 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, 2009, the City received \$1,274,706 from the County of Isle of Wight under this agreement for tax revenues collected for the year ended June 30, 2008. The City will receive approximately \$1,200,000 related to County of Isle of Wight tax revenues for the year ended June 30, 2009, which is included in intergovernmental receivables.

NOTE 17—DEFICIT FUND BALANCE:

The following funds had a deficit fund balance at June 30, 2009:

<u>Fund</u>	<u>Amount</u>
Comprehensive Services Act	\$ (147,993)
Cobbtown Grant	(8,704)

NOTE 18—DEFERRED REVENUE:

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 \$461,855 is comprised of the following:

Deferred Property Tax Revenue: Deferred revenue representing uncollected tax billings not available for funding of current expenditures totaled \$426,005.

Prepaid Refuse and Waste Disposal Fee: Refuse and waste disposal fee billed subsequent to June 30, 2009, but paid in advance totaled \$35,850.

REQUIRED SUPPLEMENTARY INFORMATION

Note to Required Supplementary Information:

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

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General Fund

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

For the Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 7,092,028	\$ 6,765,614	\$ 6,738,891	\$ (26,723)
Other local taxes	5,697,009	5,697,009	5,508,466	(188,543)
Permits, privilege fees, and regulatory licenses	96,940	96,940	50,721	(46,219)
Fines and forfeitures	63,900	63,900	59,119	(4,781)
Revenue from the use of money and property	272,106	272,106	262,983	(9,123)
Charges for services	2,193,468	2,299,296	2,235,778	(63,518)
Miscellaneous	1,376,442	1,384,386	1,468,241	83,855
Recovered costs	30,000	33,651	61,314	27,663
Intergovernmental revenues:				
Commonwealth	3,113,019	3,267,226	3,369,709	102,483
Federal	89,080	544,611	526,175	(18,436)
Total revenues	\$ 20,023,992	\$ 20,424,739	\$ 20,281,397	\$ (143,342)
EXPENDITURES				
Current:				
General government administration	\$ 2,417,098	\$ 2,309,067	\$ 2,218,800	\$ 90,267
Judicial administration	299,727	299,317	236,455	62,862
Public safety	4,931,667	5,610,684	5,576,363	34,321
Public works	4,542,745	4,601,270	4,155,038	446,232
Health and welfare	281,309	280,534	230,994	49,540
Education	4,837,395	4,837,395	4,620,576	216,819
Parks, recreation, and cultural	957,154	1,108,619	1,068,234	40,385
Community development	813,748	869,968	836,725	33,243
Nondepartmental	363,000	369,324	47,518	321,806
Debt service:				
Principal retirement	-	-	68,205	(68,205)
Interest and other fiscal charges	-	-	9,801	(9,801)
Total expenditures	\$ 19,443,843	\$ 20,286,178	\$ 19,068,709	\$ 1,217,469
Excess (deficiency) of revenues over (under) expenditures	\$ 580,149	\$ 138,561	\$ 1,212,688	\$ 1,074,127
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 1,709,891	\$ 1,713,956	\$ 1,713,956	\$ -
Transfers out	(2,290,040)	(2,266,740)	(2,254,109)	12,631
Total other financing sources and uses	\$ (580,149)	\$ (552,784)	\$ (540,153)	\$ 12,631
Net change in fund balances	\$ -	\$ (414,223)	\$ 672,535	\$ 1,086,758
Fund balances - beginning	-	414,223	3,998,815	3,584,592
Fund balances - ending	\$ -	\$ -	\$ 4,671,350	\$ 4,671,350

Virginia Public Assistance Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 For the Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Miscellaneous	\$ -	\$ -	\$ 69	\$ 69
Intergovernmental revenues:				
Commonwealth	518,272	518,272	491,501	(26,771)
Federal	1,007,466	1,007,466	955,427	(52,039)
Total revenues	\$ 1,525,738	\$ 1,525,738	\$ 1,446,997	\$ (78,741)
EXPENDITURES				
Current:				
Health and welfare	\$ 2,061,559	\$ 2,031,559	\$ 1,903,349	\$ 128,210
Debt service:				
Principal retirement	-	-	11,991	(11,991)
Interest and other fiscal charges	-	-	1,723	(1,723)
Total expenditures	\$ 2,061,559	\$ 2,031,559	\$ 1,917,063	\$ 114,496
Excess (deficiency) of revenues over (under) expenditures	\$ (535,821)	\$ (505,821)	\$ (470,066)	\$ 35,755
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 535,821	\$ 505,821	\$ 519,535	\$ 13,714
Total other financing sources and uses	\$ 535,821	\$ 505,821	\$ 519,535	\$ 13,714
Net change in fund balances	\$ -	\$ -	\$ 49,469	\$ 49,469
Fund balances - beginning	-	-	610,264	610,264
Fund balances - ending	\$ -	\$ -	\$ 659,733	\$ 659,733

Required Supplementary Information
 Schedule of Pension Funding Progress for the Virginia Retirement System
 Last Three Fiscal Years

City:

Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Excess Funded)	Funded Ratio (d) (a) / (b)	Annual Annual Covered Payroll (e)	UAAL as % of Payroll
			Actuarial Accrued (UAAL) (c) (b) - (a)			(f) (c) / (e)
6/30/2008	\$ 23,583,001	\$ 26,312,773	\$ 2,729,772	89.63%	\$ 6,892,559	39.60%
6/30/2007	21,391,050	24,292,968	2,901,918	88.05%	6,661,177	43.56%
6/30/2006	18,714,758	21,253,617	2,538,859	88.05%	6,430,170	39.48%

School Board Non-Professionals:

Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Excess Funded)	Funded Ratio (d) (a) / (b)	Annual Annual Covered Payroll (e)	UAAL as % of Payroll
			Actuarial Accrued (UAAL) (c) (b) - (a)			(f) (c) / (e)
6/30/2008	\$ 1,305,135	\$ 1,495,642	\$ 190,507	87.26%	\$ 490,860	38.81%
6/30/2007	1,171,409	1,368,622	197,213	85.59%	474,001	41.61%
6/30/2006	1,035,295	1,189,386	154,091	87.04%	431,788	35.69%

Required Supplementary Information
 Schedule of Funding Progress for Other Post-Employment Benefits
 Last Fiscal Year

City:

Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Excess Funded)		Annual Covered Payroll (e)	UAAL as % of Payroll (f)
			Actuarial Accrued (UAAL) (c)	Funded Ratio (d)		
			(b) - (a)	(a) / (b)		(c) / (e)
7/1/2008	\$ -	\$ 3,378,000	\$ 3,378,000	0.00%	\$ 5,972,000	56.56%

School Board:

Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Excess Funded)		Annual Covered Payroll (e)	UAAL as % of Payroll (f)
			Actuarial Accrued (UAAL) (c)	Funded Ratio (d)		
			(b) - (a)	(a) / (b)		(c) / (e)
7/1/2008	\$ -	\$ 634,500	\$ 634,500	0.00%	N/A	N/A

OTHER SUPPLEMENTARY INFORMATION

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Primary Government

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2009

	Special Revenue Funds	Permanent Funds	Total Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 750,119	\$ 126,239	\$ 876,358
Receivables (net of allowance for uncollectibles):			
Accounts receivable	139,209	3,548	142,757
Due from other governmental units	34,538	-	34,538
Total assets	<u>\$ 923,866</u>	<u>\$ 129,787</u>	<u>\$ 1,053,653</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Reconciled overdraft	\$ 175,880	\$ -	\$ 175,880
Accounts payable	84,044	-	84,044
Deposits held in escrow	26,673	-	26,673
Total liabilities	<u>\$ 286,597</u>	<u>\$ -</u>	<u>\$ 286,597</u>
Fund balances:			
Unreserved:			
Designated for subsequent expenditure	\$ -	\$ 129,787	\$ 129,787
Undesignated	637,269	-	637,269
Total fund balances	<u>\$ 637,269</u>	<u>\$ 129,787</u>	<u>\$ 767,056</u>
Total liabilities and fund balances	<u>\$ 923,866</u>	<u>\$ 129,787</u>	<u>\$ 1,053,653</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2009

	Special Revenue Funds	Permanent Funds	Total Nonmajor Governmental Funds
REVENUES			
Revenue from the use of money and property	\$ 84,911	\$ 549	\$ 85,460
Miscellaneous	369,774	6,244	376,018
Intergovernmental revenues:			
Commonwealth	272,509	-	272,509
Total revenues	<u>\$ 727,194</u>	<u>\$ 6,793</u>	<u>\$ 733,987</u>
EXPENDITURES			
Current:			
General government administration	\$ 12,740	\$ -	\$ 12,740
Public safety	295,026	-	295,026
Health and welfare	396,775	-	396,775
Parks, recreation, and cultural	30,551	-	30,551
Community development	470,177	-	470,177
Nondepartmental	-	3,036	3,036
Total expenditures	<u>\$ 1,205,269</u>	<u>\$ 3,036</u>	<u>\$ 1,208,305</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (478,075)</u>	<u>\$ 3,757</u>	<u>\$ (474,318)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ 269,113	\$ -	\$ 269,113
Transfers out	(4,065)	-	(4,065)
Total other financing sources and uses	<u>\$ 265,048</u>	<u>\$ -</u>	<u>\$ 265,048</u>
Net change in fund balances	\$ (213,027)	\$ 3,757	\$ (209,270)
Fund balances - beginning	850,296	126,030	976,326
Fund balances - ending	<u>\$ 637,269</u>	<u>\$ 129,787</u>	<u>\$ 767,056</u>

CITY OF FRANKLIN, VIRGINIA

Combining Balance Sheet
 Nonmajor Special Revenue Funds
 June 30, 2009

	Disaster Recovery Fund	Comprehensive Services Act Fund	Regional Fire Training Grounds Fund	Foundation Grants Fund	Community Development Block Grant Fund	Community Development Downtown Grant Fund
ASSETS						
Cash and cash equivalents	\$ 129,235	\$ -	\$ 4,549	\$ 83,378	\$ 138,757	\$ -
Receivables (net of allowance for uncollectibles):						
Accounts receivable	-	-	-	-	-	139,209
Due from other governmental units	-	34,538	-	-	-	-
Total assets	<u>\$ 129,235</u>	<u>\$ 34,538</u>	<u>\$ 4,549</u>	<u>\$ 83,378</u>	<u>\$ 138,757</u>	<u>\$ 139,209</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Reconciled overdraft	\$ -	\$ 125,947	\$ -	\$ -	\$ -	\$ 41,229
Accounts payable	-	56,584	106	5,643	-	-
Deposits held in escrow	-	-	-	-	-	20,240
Total liabilities	<u>\$ -</u>	<u>\$ 182,531</u>	<u>\$ 106</u>	<u>\$ 5,643</u>	<u>\$ -</u>	<u>\$ 61,469</u>
Fund balances:						
Unreserved:						
Undesignated	\$ 129,235	\$ (147,993)	\$ 4,443	\$ 77,735	\$ 138,757	\$ 77,740
Total fund balances	<u>\$ 129,235</u>	<u>\$ (147,993)</u>	<u>\$ 4,443</u>	<u>\$ 77,735</u>	<u>\$ 138,757</u>	<u>\$ 77,740</u>
Total liabilities and fund balances	<u>\$ 129,235</u>	<u>\$ 34,538</u>	<u>\$ 4,549</u>	<u>\$ 83,378</u>	<u>\$ 138,757</u>	<u>\$ 139,209</u>

Western Tidewater Home Consortium Fund	Cobbtown Grant Fund	Police Federal Forfeiture Fund	Police State Forfeiture Fund	Police Evidence Holding Fund	Camp Homestead Fund	Economic Development Fund	Willie Camp Younts Fund	Fire and Rescue Volunteers Fund	Total
\$ 20,249	\$ -	\$ 5,026	\$ 9,878	\$ 1,477	\$ 155,268	\$ 145,066	\$ 52,039	\$ 5,197	\$ 750,119
-	-	-	-	-	-	-	-	-	139,209
-	-	-	-	-	-	-	-	-	34,538
<u>\$ 20,249</u>	<u>\$ -</u>	<u>\$ 5,026</u>	<u>\$ 9,878</u>	<u>\$ 1,477</u>	<u>\$ 155,268</u>	<u>\$ 145,066</u>	<u>\$ 52,039</u>	<u>\$ 5,197</u>	<u>\$ 923,866</u>
\$ -	\$ 8,704	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 175,880
-	-	-	-	-	16,100	5,611	-	-	84,044
-	-	-	-	-	-	6,433	-	-	26,673
<u>\$ -</u>	<u>\$ 8,704</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,100</u>	<u>\$ 12,044</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 286,597</u>
\$ 20,249	\$ (8,704)	\$ 5,026	\$ 9,878	\$ 1,477	\$ 139,168	\$ 133,022	\$ 52,039	\$ 5,197	\$ 637,269
<u>\$ 20,249</u>	<u>\$ (8,704)</u>	<u>\$ 5,026</u>	<u>\$ 9,878</u>	<u>\$ 1,477</u>	<u>\$ 139,168</u>	<u>\$ 133,022</u>	<u>\$ 52,039</u>	<u>\$ 5,197</u>	<u>\$ 637,269</u>
<u>\$ 20,249</u>	<u>\$ -</u>	<u>\$ 5,026</u>	<u>\$ 9,878</u>	<u>\$ 1,477</u>	<u>\$ 155,268</u>	<u>\$ 145,066</u>	<u>\$ 52,039</u>	<u>\$ 5,197</u>	<u>\$ 923,866</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, 2009

	Disaster Recovery Fund	Comprehensive Services Act Fund	Regional Fire Training Grounds Fund	Foundation Grants Fund	Community Development Block Grant Fund	Community Development Downtown Grant Fund	Western Tidewater Home Consortium Fund
REVENUES							
Revenue from the use of money and property	\$ -	\$ -	\$ 25	\$ 1,513	\$ 3,178	\$ -	\$ -
Miscellaneous	-	16,932	3,000	303,950	-	28,082	-
Intergovernmental revenues:							
Commonwealth	59,716	176,476	36,317	-	-	-	-
Total revenues	\$ 59,716	\$ 193,408	\$ 39,342	\$ 305,463	\$ 3,178	\$ 28,082	\$ -
EXPENDITURES							
Current:							
General government administration	\$ -	\$ -	\$ -	\$ 12,740	\$ -	\$ -	\$ -
Public safety	-	-	38,829	240,467	-	-	-
Health and welfare	-	396,775	-	-	-	-	-
Parks, recreation, and cultural	-	-	-	6,754	-	-	-
Community development	-	-	-	196,790	142	-	-
Total expenditures	\$ -	\$ 396,775	\$ 38,829	\$ 456,751	\$ 142	\$ -	\$ -
Excess (deficiency) of revenues over (under) expenditures	\$ 59,716	\$ (203,367)	\$ 513	\$ (151,288)	\$ 3,036	\$ 28,082	\$ -
OTHER FINANCING SOURCES (USES)							
Transfers in	\$ -	\$ 51,940	\$ -	\$ 6,700	\$ -	\$ -	\$ -
Transfers out	-	-	-	(4,065)	-	-	-
Total other financing sources and uses	\$ -	\$ 51,940	\$ -	\$ 2,635	\$ -	\$ -	\$ -
Net change in fund balances	\$ 59,716	\$ (151,427)	\$ 513	\$ (148,653)	\$ 3,036	\$ 28,082	\$ -
Fund balances - beginning	69,519	3,434	3,930	226,388	135,721	49,658	20,249
Fund balances - ending	\$ 129,235	\$ (147,993)	\$ 4,443	\$ 77,735	\$ 138,757	\$ 77,740	\$ 20,249

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	Total
\$ -	\$ 2	\$ 5	\$ -	\$ 2,614	\$ 75,300	\$ 2,272	\$ 2	\$ 84,911
-	-	6,000	-	-	2,984	-	8,826	369,774
-	-	-	-	-	-	-	-	272,509
<u>\$ -</u>	<u>\$ 2</u>	<u>\$ 6,005</u>	<u>\$ -</u>	<u>\$ 2,614</u>	<u>\$ 78,284</u>	<u>\$ 2,272</u>	<u>\$ 8,828</u>	<u>\$ 727,194</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,740
-	-	6,768	-	-	-	-	8,962	295,026
-	-	-	-	-	-	-	-	396,775
-	-	-	-	22,885	-	912	-	30,551
-	-	-	-	-	273,245	-	-	470,177
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,768</u>	<u>\$ -</u>	<u>\$ 22,885</u>	<u>\$ 273,245</u>	<u>\$ 912</u>	<u>\$ 8,962</u>	<u>\$ 1,205,269</u>
\$ -	\$ 2	\$ (763)	\$ -	\$ (20,271)	\$ (194,961)	\$ 1,360	\$ (134)	\$ (478,075)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 210,473	\$ -	\$ -	\$ 269,113
-	-	-	-	-	-	-	-	(4,065)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 210,473</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 265,048</u>
\$ -	\$ 2	\$ (763)	\$ -	\$ (20,271)	\$ 15,512	\$ 1,360	\$ (134)	\$ (213,027)
(8,704)	5,024	10,641	1,477	159,439	117,510	50,679	5,331	850,296
<u>\$ (8,704)</u>	<u>\$ 5,026</u>	<u>\$ 9,878</u>	<u>\$ 1,477</u>	<u>\$ 139,168</u>	<u>\$ 133,022</u>	<u>\$ 52,039</u>	<u>\$ 5,197</u>	<u>\$ 637,269</u>

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Combining Balance Sheet
 Nonmajor Permanent Funds
 June 30, 2009

	Southview Cemetery Trust Fund	Employee Emergency Trust Fund	Cemetery Perpetual Care Trust Fund	Charles Smith Cemetery Trust Fund	Total
ASSETS					
Cash and cash equivalents	\$ 3,781	\$ 7,586	\$ 102,885	\$ 11,987	\$ 126,239
Receivables (net of allowance for uncollectibles):					
Accounts receivable	-	3,548	-	-	3,548
Total assets	<u>\$ 3,781</u>	<u>\$ 11,134</u>	<u>\$ 102,885</u>	<u>\$ 11,987</u>	<u>\$ 129,787</u>
FUND BALANCES					
Fund balances:					
Unreserved:					
Designated for subsequent expenditure	\$ 3,781	\$ 11,134	\$ 102,885	\$ 11,987	\$ 129,787
Total fund balances	<u>\$ 3,781</u>	<u>\$ 11,134</u>	<u>\$ 102,885</u>	<u>\$ 11,987</u>	<u>\$ 129,787</u>
Total liabilities and fund balances	<u>\$ 3,781</u>	<u>\$ 11,134</u>	<u>\$ 102,885</u>	<u>\$ 11,987</u>	<u>\$ 129,787</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Permanent Funds
 For the Year Ended June 30, 2009

	Southview Cemetery Trust Fund	Employee Emergency Trust Fund	Cemetery Perpetual Care Trust Fund	Charles Smith Cemetery Trust Fund	Total
REVENUES					
Revenue from the use of money and property	\$ -	\$ 251	\$ 298	\$ -	\$ 549
Miscellaneous	-	6,244	-	-	6,244
Total revenues	<u>\$ -</u>	<u>\$ 6,495</u>	<u>\$ 298</u>	<u>\$ -</u>	<u>\$ 6,793</u>
EXPENDITURES					
Current:					
Nondepartmental	\$ 75	\$ 2,961	\$ -	\$ -	\$ 3,036
Total expenditures	<u>\$ 75</u>	<u>\$ 2,961</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,036</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (75)</u>	<u>\$ 3,534</u>	<u>\$ 298</u>	<u>\$ -</u>	<u>\$ 3,757</u>
Net change in fund balances	\$ (75)	\$ 3,534	\$ 298	\$ -	\$ 3,757
Fund balances - beginning	3,856	7,600	102,587	11,987	126,030
Fund balances - ending	<u><u>\$ 3,781</u></u>	<u><u>\$ 11,134</u></u>	<u><u>\$ 102,885</u></u>	<u><u>\$ 11,987</u></u>	<u><u>\$ 129,787</u></u>

Combining Statement of Fiduciary Net Assets
 Agency Funds
 June 30, 2009

	<u>Agency Funds</u>				
	<u>Special Welfare Fund</u>	<u>Special Welfare - SSI Fund</u>	<u>Flexible Spending Fund</u>	<u>Early Childhood Comission Fund</u>	<u>Total</u>
ASSETS					
Cash and cash equivalents	\$ 5,677	\$ 14,277	\$ 6,226	\$ 153,509	\$ 179,689
Total assets	<u>\$ 5,677</u>	<u>\$ 14,277</u>	<u>\$ 6,226</u>	<u>\$ 153,509</u>	<u>\$ 179,689</u>
LIABILITIES					
Amounts held for others	\$ 5,677	\$ 14,277	\$ 6,226	\$ 153,509	\$ 179,689
Total liabilities	<u>\$ 5,677</u>	<u>\$ 14,277</u>	<u>\$ 6,226</u>	<u>\$ 153,509</u>	<u>\$ 179,689</u>

Combining Statement of Changes in Assets and Liabilities
 Agency Funds
 For the Year Ended June 30, 2009

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Special Welfare Fund:				
ASSETS				
Cash and cash equivalents	\$ 8,329	\$ 7,306	\$ 9,958	\$ 5,677
Total assets	<u>\$ 8,329</u>	<u>\$ 7,306</u>	<u>\$ 9,958</u>	<u>\$ 5,677</u>
LIABILITIES				
Amounts held for others	\$ 8,329	\$ 7,306	\$ 9,958	\$ 5,677
Total liabilities	<u>\$ 8,329</u>	<u>\$ 7,306</u>	<u>\$ 9,958</u>	<u>\$ 5,677</u>
Special Welfare - SSI Fund:				
ASSETS				
Cash and cash equivalents	\$ 39,580	\$ 10,661	\$ 35,964	\$ 14,277
Total assets	<u>\$ 39,580</u>	<u>\$ 10,661</u>	<u>\$ 35,964</u>	<u>\$ 14,277</u>
LIABILITIES				
Amounts held for others	\$ 39,580	\$ 10,661	\$ 35,964	\$ 14,277
Total liabilities	<u>\$ 39,580</u>	<u>\$ 10,661</u>	<u>\$ 35,964</u>	<u>\$ 14,277</u>
Flexible Spending Fund:				
ASSETS				
Cash and cash equivalents	\$ 5,500	\$ 9,540	\$ 8,814	\$ 6,226
Total assets	<u>\$ 5,500</u>	<u>\$ 9,540</u>	<u>\$ 8,814</u>	<u>\$ 6,226</u>
LIABILITIES				
Amounts held for others	\$ 5,500	\$ 9,540	\$ 8,814	\$ 6,226
Total liabilities	<u>\$ 5,500</u>	<u>\$ 9,540</u>	<u>\$ 8,814</u>	<u>\$ 6,226</u>
Early Childhood Commission Fund:				
ASSETS				
Cash and cash equivalents	\$ 126,829	\$ 254,667	\$ 227,987	\$ 153,509
Total assets	<u>\$ 126,829</u>	<u>\$ 254,667</u>	<u>\$ 227,987</u>	<u>\$ 153,509</u>
LIABILITIES				
Amounts held for others	\$ 126,829	\$ 254,667	\$ 227,987	\$ 153,509
Total liabilities	<u>\$ 126,829</u>	<u>\$ 254,667</u>	<u>\$ 227,987</u>	<u>\$ 153,509</u>
Totals - All Agency Funds:				
ASSETS				
Cash and cash equivalents	\$ 180,238	\$ 282,174	\$ 282,723	\$ 179,689
Total assets	<u>\$ 180,238</u>	<u>\$ 282,174</u>	<u>\$ 282,723</u>	<u>\$ 179,689</u>
LIABILITIES				
Amounts held for others	\$ 180,238	\$ 282,174	\$ 282,723	\$ 179,689
Total liabilities	<u>\$ 180,238</u>	<u>\$ 282,174</u>	<u>\$ 282,723</u>	<u>\$ 179,689</u>

Discretely Presented Component Unit

- School Board -

Combining Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2009

	School Operating Fund	Cafeteria Fund	Textbook Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 485,818	\$ 32,683	\$ 408,171	\$ 926,672
Receivables (net of allowance for uncollectibles):				
Accounts receivable	-	-	206	206
Due from primary government	120,785	-	-	120,785
Due from other governmental units	438,027	18,345	-	456,372
Inventories	-	3,621	-	3,621
Prepaid items	289,523	-	-	289,523
Total assets	<u>\$ 1,334,153</u>	<u>\$ 54,649</u>	<u>\$ 408,377</u>	<u>\$ 1,797,179</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 54,682	\$ -	\$ -	\$ 54,682
Accrued liabilities	1,279,471	41,393	-	1,320,864
Total liabilities	<u>\$ 1,334,153</u>	<u>\$ 41,393</u>	<u>\$ -</u>	<u>\$ 1,375,546</u>
Fund balances:				
Unreserved:				
Designated for subsequent expenditure	\$ -	\$ 13,256	\$ 408,377	\$ 421,633
Total fund balances	-	13,256	408,377	421,633
Total liabilities and fund balances	<u>\$ 1,334,153</u>	<u>\$ 54,649</u>	<u>\$ 408,377</u>	<u>\$ 1,797,179</u>

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

Total fund balances per above \$ 421,633

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

Capital assets	\$ 15,213,981	
Less: accumulated depreciation	<u>(5,153,187)</u>	10,060,794

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	\$ (41,400)	
Compensated absences	<u>(222,450)</u>	(263,850)

Net assets of governmental activities \$ 10,218,577

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds - Discretely Presented Component Unit - School Board
 For the Year Ended June 30, 2009

	School Operating Fund	Cafeteria Fund	Textbook Fund	Total Governmental Funds
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 677	\$ 677
Charges for services	22,445	137,226	-	159,671
Miscellaneous	368,659	-	-	368,659
Recovered costs	46,780	-	1,478	48,258
Intergovernmental revenues:				
Local government	4,620,576	-	-	4,620,576
Commonwealth	9,277,913	7,011	-	9,284,924
Federal	1,434,510	522,494	-	1,957,004
Total revenues	<u>\$ 15,770,883</u>	<u>\$ 666,731</u>	<u>\$ 2,155</u>	<u>\$ 16,439,769</u>
EXPENDITURES				
Current:				
Education:				
Instruction	\$ 11,902,899	\$ -	\$ 64,927	11,967,826
Administration, attendance and health	846,638	-	-	846,638
Transportation	699,706	-	-	699,706
Operations and maintenance	1,404,809	-	-	1,404,809
Technology	676,048	-	-	676,048
Food services	-	650,237	-	650,237
Total expenditures	<u>\$ 15,530,100</u>	<u>\$ 650,237</u>	<u>\$ 64,927</u>	<u>\$ 16,245,264</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 240,783</u>	<u>\$ 16,494</u>	<u>\$ (62,772)</u>	<u>\$ 194,505</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 234,598	\$ 234,598
Transfers out	(234,598)	-	-	(234,598)
Total other financing sources and uses	<u>\$ (234,598)</u>	<u>\$ -</u>	<u>\$ 234,598</u>	<u>\$ -</u>
Net change in fund balances	\$ 6,185	\$ 16,494	\$ 171,826	\$ 194,505
Fund balances - beginning	(6,185)	(3,238)	236,551	227,128
Fund balances - ending	<u>\$ -</u>	<u>\$ 13,256</u>	<u>\$ 408,377</u>	<u>\$ 421,633</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 \$ 194,505

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	\$ 77,017	
Depreciation expense	(440,664)	(363,647)

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. 56,861

Change in net assets of governmental activities \$ (112,281)

CITY OF FRANKLIN, VIRGINIA

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Discretely Presented Component Unit - School Board
 For the Year Ended June 30, 2009

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ -	\$ -
Charges for services	10,800	10,800	22,445	11,645
Miscellaneous	134,718	382,333	368,659	(13,674)
Recovered costs	10,000	13,500	46,780	33,280
Intergovernmental revenues:				
Local government	4,837,395	4,837,395	4,620,576	(216,819)
Commonwealth	9,335,233	9,267,001	9,277,913	10,912
Federal	5,000	671,299	1,434,510	763,211
Total revenues	<u>\$ 14,333,146</u>	<u>\$ 15,182,328</u>	<u>\$ 15,770,883</u>	<u>\$ 588,555</u>
EXPENDITURES				
Current:				
Education:				
Instruction	\$ 10,671,937	\$ 11,785,157	\$ 11,902,899	\$ (117,742)
Administration, attendance and health	1,076,108	1,034,233	846,638	187,595
Transportation	579,293	579,293	699,706	(120,413)
Operations and maintenance	1,401,563	1,405,119	1,404,809	310
Technology	633,245	633,245	676,048	(42,803)
Food services	-	-	-	-
Total expenditures	<u>\$ 14,362,146</u>	<u>\$ 15,437,047</u>	<u>\$ 15,530,100</u>	<u>\$ (93,053)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (29,000)</u>	<u>\$ (254,719)</u>	<u>\$ 240,783</u>	<u>\$ 495,502</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ -	\$ -
Transfers out	-	-	(234,598)	(234,598)
Total other financing sources and uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (234,598)</u>	<u>\$ (234,598)</u>
Net change in fund balances	\$ (29,000)	\$ (254,719)	\$ 6,185	\$ 260,904
Fund balances - beginning	29,000	254,719	(6,185)	(260,904)
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Cafeteria Fund				Textbook Fund			
Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
Original	Final			Original	Final		
\$ -	\$ 20	\$ -	\$ (20)	\$ -	\$ -	\$ 677	\$ 677
-	139,931	137,226	(2,705)	-	-	-	-
-	60,971	-	(60,971)	-	-	-	-
-	-	-	-	-	-	1,478	1,478
-	-	-	-	-	-	-	-
-	7,012	7,011	(1)	-	-	-	-
-	424,739	522,494	97,755	-	-	-	-
<u>\$ -</u>	<u>\$ 632,673</u>	<u>\$ 666,731</u>	<u>\$ 34,058</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,155</u>	<u>\$ 2,155</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 64,927	\$ (64,927)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	632,673	650,237	(17,564)	-	-	-	-
<u>\$ -</u>	<u>\$ 632,673</u>	<u>\$ 650,237</u>	<u>\$ (17,564)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 64,927</u>	<u>\$ (64,927)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,494</u>	<u>\$ 16,494</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (62,772)</u>	<u>\$ (62,772)</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 234,598	\$ 234,598
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 234,598</u>	<u>\$ 234,598</u>
\$ -	\$ -	\$ 16,494	\$ 16,494	\$ -	\$ -	\$ 171,826	\$ 171,826
-	-	(3,238)	(3,238)	-	-	236,551	236,551
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,256</u>	<u>\$ 13,256</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 408,377</u>	<u>\$ 408,377</u>

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Discretely Presented Component Unit
- Industrial Development Authority -

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Statement of Net Assets
 Discretely Presented Component Unit - Industrial Development Authority
 June 30, 2009

	<u>Industrial Development Authority</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ <u>14,233</u>
Total assets	\$ <u>14,233</u>
LIABILITIES	
Current liabilities:	
Due to primary government	\$ <u>339,486</u>
Total liabilities	\$ <u>339,486</u>
NET ASSETS	
Unrestricted	\$ <u>(325,253)</u>
Total net assets	\$ <u><u>(325,253)</u></u>

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

Statement of Revenues, Expenses, and Changes in Net Assets
 Discretely Presented Component Unit - Industrial Development Authority
 For the Year Ended June 30, 2009

	Industrial Development Authority
OPERATING REVENUES	
Miscellaneous	\$ 1,134
Total operating revenues	<u>\$ 1,134</u>
Operating income (loss)	<u>\$ 1,134</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	\$ 27
Total nonoperating revenues (expenses)	<u>\$ 27</u>
Income before contributions and transfers	<u>\$ 1,161</u>
Change in net assets	\$ 1,161
Total net assets - beginning	(326,414)
Total net assets - ending	<u><u>\$ (325,253)</u></u>

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

Statement of Cash Flows
 Discretely Presented Component Unit - Industrial Development Authority
 For the Year Ended June 30, 2009

	Industrial Development Authority
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 1,134
Net cash provided (used) by operating activities	<u>\$ 1,134</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends received	\$ 27
Net cash provided (used) by investing activities	<u>\$ 27</u>
Net increase (decrease) in cash and cash equivalents	\$ 1,161
Cash and cash equivalents - beginning	<u>13,072</u>
Cash and cash equivalents - ending	<u><u>\$ 14,233</u></u>
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	\$ 1,134
Net cash provided (used) by operating activities	<u><u>\$ 1,134</u></u>

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Supporting Schedules

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Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2009

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	\$ 5,526,129	\$ 5,199,715	\$ 4,891,807	\$ (307,908)
Real and personal public service corporation taxes	77,770	77,770	59,832	(17,938)
Personal property taxes	1,366,655	1,366,655	1,606,906	240,251
Machinery and tools taxes	11,474	11,474	58,185	46,711
Penalties and interest	110,000	110,000	122,161	12,161
Total general property taxes	<u>\$ 7,092,028</u>	<u>\$ 6,765,614</u>	<u>\$ 6,738,891</u>	<u>\$ (26,723)</u>
Other local taxes:				
Local sales and use taxes	\$ 1,654,309	\$ 1,654,309	\$ 1,646,516	\$ (7,793)
Consumers' utility taxes	673,660	673,660	648,030	(25,630)
Right-of-way use fee	34,000	34,000	30,686	(3,314)
Electric consumption taxes	33,000	33,000	34,545	1,545
Communication taxes	622,040	622,040	579,169	(42,871)
Business license taxes	875,000	875,000	890,322	15,322
Motor vehicle license taxes	156,000	156,000	140,324	(15,676)
Bank stock taxes	52,000	52,000	53,463	1,463
Taxes on recordation and wills	72,000	72,000	57,519	(14,481)
Cigarette taxes	250,000	250,000	238,317	(11,683)
Lodging taxes	210,000	210,000	120,532	(89,468)
Restaurant food taxes	1,065,000	1,065,000	1,069,043	4,043
Total other local taxes	<u>\$ 5,697,009</u>	<u>\$ 5,697,009</u>	<u>\$ 5,508,466</u>	<u>\$ (188,543)</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 2,300	\$ 2,300	\$ 1,788	\$ (512)
Building and related permits	66,600	66,600	28,862	(37,738)
Zoning, subdivision fees and rezoning permits	7,300	7,300	7,635	335
Transfer fees	20,000	20,000	10,455	(9,545)
Permits and other licenses	740	740	1,981	1,241
Total permits, privilege fees, and regulatory licenses	<u>\$ 96,940</u>	<u>\$ 96,940</u>	<u>\$ 50,721</u>	<u>\$ (46,219)</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 63,900	\$ 63,900	\$ 59,119	\$ (4,781)
Total fines and forfeitures	<u>\$ 63,900</u>	<u>\$ 63,900</u>	<u>\$ 59,119</u>	<u>\$ (4,781)</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 20,000	\$ 20,000	\$ 13,262	\$ (6,738)
Revenue from use of property	252,106	252,106	249,721	(2,385)
Total revenue from use of money and property	<u>\$ 272,106</u>	<u>\$ 272,106</u>	<u>\$ 262,983</u>	<u>\$ (9,123)</u>
Charges for services:				
Law library fees	\$ 4,200	\$ 4,200	\$ 5,295	\$ 1,095
Other court fees	4,050	4,050	63	(3,987)
Police services	-	3,388	3,388	-

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2009

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)				
Fire and emergency services	\$ 348,000	\$ 379,000	\$ 371,376	\$ (7,624)
Animal boarding and adoption fees	100	100	160	60
Janitorial services	17,498	17,498	15,785	(1,713)
Armory operations and maintenance	14,959	14,959	13,050	(1,909)
Waste collection and disposal	1,144,565	1,215,830	1,173,112	(42,718)
Demolition and debris removal	3,000	3,000	5,900	2,900
Administration - water and sewer	321,048	321,048	314,874	(6,174)
Administration - airport	2,020	2,020	2,020	-
Administration - electric	296,314	296,314	296,314	-
Recreation fees and admissions	24,000	24,175	20,197	(3,978)
Other charges for services	13,714	13,714	14,244	530
Total charges for services	<u>\$ 2,193,468</u>	<u>\$ 2,299,296</u>	<u>\$ 2,235,778</u>	<u>\$ (63,518)</u>
Miscellaneous revenue:				
Annexation payments - County of Isle of Wight	\$ 1,120,000	\$ 1,120,000	\$ 1,274,706	\$ 154,706
Revenue sharing - Southampton County	68,000	68,000	35,755	(32,245)
Payment in lieu of taxes - from enterprise activities	96,742	96,742	95,319	(1,423)
Sale of supplies and publications	1,200	1,200	1,068	(132)
Sale of surplus	7,500	12,500	5,249	(7,251)
Sale of cemetery lots	79,000	79,000	30,150	(48,850)
Auction proceeds	-	1,237	4,081	2,844
Miscellaneous other	4,000	5,707	21,913	16,206
Total miscellaneous revenue	<u>\$ 1,376,442</u>	<u>\$ 1,384,386</u>	<u>\$ 1,468,241</u>	<u>\$ 83,855</u>
Recovered costs:				
Insurance recovery - workers' compensation	\$ 10,000	\$ 10,000	\$ 52,432	\$ 42,432
Insurance recovery - liability	10,000	13,651	3,651	(10,000)
Personal property seizure	-	-	5,231	5,231
Other recovered costs	10,000	10,000	-	(10,000)
Total recovered costs	<u>\$ 30,000</u>	<u>\$ 33,651</u>	<u>\$ 61,314</u>	<u>\$ 27,663</u>
Total revenue from local sources	<u>\$ 16,821,893</u>	<u>\$ 16,612,902</u>	<u>\$ 16,385,513</u>	<u>\$ (227,389)</u>
Revenue from the Commonwealth:				
Noncategorical aid:				
Railroad rolling stock tax	\$ 5,748	\$ 5,748	\$ 5,731	\$ (17)
Motor vehicle rental tax	35,000	35,000	32,525	(2,475)
State recordation tax	18,177	18,177	20,967	2,790
Personal property tax relief funds	1,048,897	1,048,897	1,048,897	-
Total noncategorical aid	<u>\$ 1,107,822</u>	<u>\$ 1,107,822</u>	<u>\$ 1,108,120</u>	<u>\$ 298</u>

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2009

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid:				
Shared expenses:				
Commissioner of revenue	\$ 88,302	\$ 88,302	\$ 89,519	\$ 1,217
Treasurer	68,079	68,079	70,867	2,788
Registrar/electoral board	44,068	44,068	44,504	436
Total shared expenses	<u>\$ 200,449</u>	<u>\$ 200,449</u>	<u>\$ 204,890</u>	<u>\$ 4,441</u>
Other categorical aid:				
HB 599 Law enforcement grant	\$ 459,676	\$ 459,676	\$ 442,797	\$ (16,879)
Fire and rescue grant	12,000	12,000	29,836	17,836
Street and highway maintenance funds	1,270,868	1,270,868	1,358,258	87,390
Litter control grant	5,307	5,307	6,337	1,030
Wireless 911 grant	35,615	35,615	43,669	8,054
Fire grants	-	130,945	130,945	-
Arts grant	5,000	5,000	5,000	-
Emergency services grant	16,282	16,282	16,595	313
Police grant	-	18,600	18,600	-
Other categorical aid	-	4,662	4,662	-
Total other categorical aid	<u>\$ 1,804,748</u>	<u>\$ 1,958,955</u>	<u>\$ 2,056,699</u>	<u>\$ 97,744</u>
Total categorical aid	<u>\$ 2,005,197</u>	<u>\$ 2,159,404</u>	<u>\$ 2,261,589</u>	<u>\$ 102,185</u>
Total revenue from the Commonwealth	<u>\$ 3,113,019</u>	<u>\$ 3,267,226</u>	<u>\$ 3,369,709</u>	<u>\$ 102,483</u>
Revenue from the federal government:				
Categorical aid:				
Law enforcement terrorism prevention program	\$ -	\$ 387,411	\$ 387,411	\$ -
Ed. Byrne memorial justice assistance grant	-	13,094	13,094	-
Bulletproof vest partnership program	-	1,703	1,703	-
Staffing for adequate fire and emergency response	89,080	89,080	99,311	10,231
Public safety partnership and community policing grants	-	14,656	14,656	-
Appalachian regional development	-	25,000	5,000	(20,000)
Forest land management	-	5,000	5,000	-
Other federal categorical aid	-	8,667	-	(8,667)
Total categorical aid	<u>\$ 89,080</u>	<u>\$ 544,611</u>	<u>\$ 526,175</u>	<u>\$ (18,436)</u>
Total revenue from the federal government	<u>\$ 89,080</u>	<u>\$ 544,611</u>	<u>\$ 526,175</u>	<u>\$ (18,436)</u>
Other financing sources:				
Transfer from electric fund	\$ 1,709,891	\$ 1,709,891	\$ 1,709,891	\$ -
Transfer from other funds	-	4,065	4,065	-
Prior year budget and surplus carryover	-	414,223	-	(414,223)
Total other financing sources	<u>\$ 1,709,891</u>	<u>\$ 2,128,179</u>	<u>\$ 1,713,956</u>	<u>\$ (414,223)</u>
Total General Fund	<u>\$ 21,733,883</u>	<u>\$ 22,552,918</u>	<u>\$ 21,995,353</u>	<u>\$ (557,565)</u>

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2009

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Special Revenue Fund:				
Virginia Public Assistance Fund:				
Revenue from local sources:				
Miscellaneous revenue:				
Other miscellaneous	\$ -	\$ -	\$ 69	\$ 69
Total miscellaneous revenue	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 69</u>	<u>\$ 69</u>
Total revenue from local sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 69</u>	<u>\$ 69</u>
Revenue from the Commonwealth:				
Categorical aid:				
Welfare administration and public assistance	\$ 518,272	\$ 518,272	\$ 491,501	\$ (26,771)
Total categorical aid	<u>\$ 518,272</u>	<u>\$ 518,272</u>	<u>\$ 491,501</u>	<u>\$ (26,771)</u>
Total revenue from the Commonwealth	<u>\$ 518,272</u>	<u>\$ 518,272</u>	<u>\$ 491,501</u>	<u>\$ (26,771)</u>
Revenue from the federal government:				
Categorical aid:				
Welfare administration and public assistance	\$ 1,007,466	\$ 1,007,466	\$ 955,427	\$ (52,039)
Total categorical aid	<u>\$ 1,007,466</u>	<u>\$ 1,007,466</u>	<u>\$ 955,427</u>	<u>\$ (52,039)</u>
Total revenue from the federal government	<u>\$ 1,007,466</u>	<u>\$ 1,007,466</u>	<u>\$ 955,427</u>	<u>\$ (52,039)</u>
Other financing sources:				
Transfer from general fund	\$ 535,821	\$ 505,821	\$ 519,535	\$ 13,714
Total other financing sources	<u>\$ 535,821</u>	<u>\$ 505,821</u>	<u>\$ 519,535</u>	<u>\$ 13,714</u>
Total Virginia Public Assistance Fund	<u>\$ 2,061,559</u>	<u>\$ 2,031,559</u>	<u>\$ 1,966,532</u>	<u>\$ (65,027)</u>

Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2009

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
General government administration:				
Legislative:				
City council	\$ 313,772	\$ 301,864	\$ 285,939	\$ 15,925
General and financial administration:				
City manager	\$ 244,914	\$ 171,011	\$ 156,918	\$ 14,093
City attorney	131,830	131,830	137,542	(5,712)
Management services and human resources	180,002	176,400	156,221	20,179
Commissioner of revenue	252,701	237,101	234,021	3,080
Reassessment	60,274	59,174	57,267	1,907
Treasurer	79,098	79,533	80,664	(1,131)
Accounting	272,457	256,579	260,801	(4,222)
Collections	207,409	207,409	208,032	(623)
Purchasing	73,651	73,651	62,977	10,674
Utility billings and collections	228,857	228,857	210,347	18,510
Insurance	101,088	101,088	91,501	9,587
Information technology	150,393	159,256	156,307	2,949
Total general and financial administration	\$ 1,982,674	\$ 1,881,889	\$ 1,812,598	\$ 69,291
Board of elections:				
Electoral board and officials	\$ 120,652	\$ 125,314	\$ 120,263	\$ 5,051
Total board of elections	\$ 120,652	\$ 125,314	\$ 120,263	\$ 5,051
Total general government administration	\$ 2,417,098	\$ 2,309,067	\$ 2,218,800	\$ 90,267
Judicial administration:				
Courts:				
Circuit court - joint operations	\$ 10,106	\$ 10,106	\$ 10,106	\$ -
General district court	24,800	24,640	17,812	6,828
Special magistrates	150	150	-	150
Clerk of the circuit court	30,449	30,449	30,449	-
Juvenile and domestic relations court	106,621	106,371	50,487	55,884
Sheriff - courts	83,738	83,738	83,738	-
Total courts	\$ 255,864	\$ 255,454	\$ 192,592	\$ 62,862
Commonwealth's attorney:				
Commonwealth's attorney	\$ 43,863	\$ 43,863	\$ 43,863	\$ -
Total commonwealth's attorney	\$ 43,863	\$ 43,863	\$ 43,863	\$ -
Total judicial administration	\$ 299,727	\$ 299,317	\$ 236,455	\$ 62,862
Public safety:				
Law enforcement and traffic control:				
Police department	\$ 2,516,669	\$ 3,008,172	\$ 2,917,783	\$ 90,389
Police mini station	300	300	294	6
Total law enforcement and traffic control	\$ 2,516,969	\$ 3,008,472	\$ 2,918,077	\$ 90,395

Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2009

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	\$ 573,407	\$ 573,833	\$ 558,523	\$ 15,310
Emergency management services	1,206,600	1,382,523	1,477,087	(94,564)
Total emergency services	<u>\$ 1,780,007</u>	<u>\$ 1,956,356</u>	<u>\$ 2,035,610</u>	<u>\$ (79,254)</u>
Correction and detention:				
Detention - Western Tidewater Regional Jail	\$ 64,081	\$ 65,294	\$ 34,004	\$ 31,290
Total correction and detention	<u>\$ 64,081</u>	<u>\$ 65,294</u>	<u>\$ 34,004</u>	<u>\$ 31,290</u>
Inspections:				
Building	\$ 405,783	\$ 408,335	\$ 416,228	\$ (7,893)
Total inspections	<u>\$ 405,783</u>	<u>\$ 408,335</u>	<u>\$ 416,228</u>	<u>\$ (7,893)</u>
Other protection:				
Animal control	\$ 95,530	\$ 102,930	\$ 105,450	\$ (2,520)
Civil defense	65,797	65,797	65,832	(35)
Safety and health	3,500	3,500	1,162	2,338
Total other protection	<u>\$ 164,827</u>	<u>\$ 172,227</u>	<u>\$ 172,444</u>	<u>\$ (217)</u>
Total public safety	<u>\$ 4,931,667</u>	<u>\$ 5,610,684</u>	<u>\$ 5,576,363</u>	<u>\$ 34,321</u>
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Streets and highways	\$ 2,150,453	\$ 2,103,574	\$ 1,778,192	\$ 325,382
Snow removal	23,000	23,000	6,016	16,984
Garage	230,107	230,107	149,633	80,474
Total maintenance of highways, streets, bridges and sidewalks	<u>\$ 2,403,560</u>	<u>\$ 2,356,681</u>	<u>\$ 1,933,841</u>	<u>\$ 422,840</u>
Sanitation and waste removal:				
Refuse collection	\$ 1,156,018	\$ 1,301,801	\$ 1,306,828	\$ (5,027)
Total sanitation and waste removal	<u>\$ 1,156,018</u>	<u>\$ 1,301,801</u>	<u>\$ 1,306,828</u>	<u>\$ (5,027)</u>
Maintenance of general buildings and grounds:				
Maintenance of general buildings and grounds	\$ 660,736	\$ 620,357	\$ 602,853	\$ 17,504
Maintenance of armory	59,836	59,836	52,464	7,372
Maintenance of city hall	168,547	168,547	174,390	(5,843)
Maintenance of social services	70,550	70,550	60,898	9,652
Maintenance of health department	23,498	23,498	23,764	(266)
Total maintenance of general buildings and grounds	<u>\$ 983,167</u>	<u>\$ 942,788</u>	<u>\$ 914,369</u>	<u>\$ 28,419</u>
Total public works	<u>\$ 4,542,745</u>	<u>\$ 4,601,270</u>	<u>\$ 4,155,038</u>	<u>\$ 446,232</u>
Health and welfare:				
Health:				
Local health department	\$ 153,759	\$ 152,984	\$ 152,984	\$ -
Mosquito control	60,000	60,000	10,460	49,540
Mental health	67,550	67,550	67,550	-
Total health	<u>\$ 281,309</u>	<u>\$ 280,534</u>	<u>\$ 230,994</u>	<u>\$ 49,540</u>
Total health and welfare	<u>\$ 281,309</u>	<u>\$ 280,534</u>	<u>\$ 230,994</u>	<u>\$ 49,540</u>

Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2009

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Education:				
Contribution to local school board	\$ 4,837,395	\$ 4,837,395	\$ 4,620,576	\$ 216,819
Total education	<u>\$ 4,837,395</u>	<u>\$ 4,837,395</u>	<u>\$ 4,620,576</u>	<u>\$ 216,819</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Programs and operations	\$ 462,064	\$ 447,343	\$ 459,600	\$ (12,257)
Senior citizen programs	131,113	131,113	139,672	(8,559)
Tax relief for the elderly	13,000	13,000	-	13,000
Cemeteries	60,500	223,686	168,653	55,033
Total parks and recreation	<u>\$ 666,677</u>	<u>\$ 815,142</u>	<u>\$ 767,925</u>	<u>\$ 47,217</u>
Library:				
Library administration	\$ 290,477	\$ 293,477	\$ 300,309	\$ (6,832)
Total library	<u>\$ 290,477</u>	<u>\$ 293,477</u>	<u>\$ 300,309</u>	<u>\$ (6,832)</u>
Total parks, recreation, and cultural	<u>\$ 957,154</u>	<u>\$ 1,108,619</u>	<u>\$ 1,068,234</u>	<u>\$ 40,385</u>
Community development:				
Planning and community development:				
Planning	\$ 99,308	\$ 123,724	\$ 102,217	\$ 21,507
Beautification commission	7,357	39,161	20,676	18,485
Downtown development	97,083	97,083	109,112	(12,029)
Payments to Southampton County	610,000	610,000	604,720	5,280
Total planning and community development	<u>\$ 813,748</u>	<u>\$ 869,968</u>	<u>\$ 836,725</u>	<u>\$ 33,243</u>
Total community development	<u>\$ 813,748</u>	<u>\$ 869,968</u>	<u>\$ 836,725</u>	<u>\$ 33,243</u>
Nondepartmental:				
Bank service charges	\$ 10,000	\$ 10,000	\$ 25,997	\$ (15,997)
Nondepartmental capital	353,000	359,324	-	359,324
Other nondepartmental	-	-	21,521	(21,521)
Total nondepartmental	<u>\$ 363,000</u>	<u>\$ 369,324</u>	<u>\$ 47,518</u>	<u>\$ 321,806</u>
Debt service:				
Principal retirement	\$ -	\$ -	\$ 68,205	\$ (68,205)
Interest and other fiscal charges	-	-	9,801	(9,801)
Total debt service	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 78,006</u>	<u>\$ (78,006)</u>

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2009

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Other financing uses:				
Transfers:				
Transfer to social services fund	\$ 535,821	\$ 505,821	\$ 519,535	\$ (13,714)
Transfer to comprehensive services act fund	51,940	51,940	51,940	-
Transfer to school capital fund	50,000	50,000	50,000	-
Transfer to school debt fund	393,708	393,708	393,708	-
Transfer to airport fund	90,000	90,000	90,000	-
Transfer to economic development fund	60,473	60,473	60,473	-
Transfer to economic development incubator fund	150,000	150,000	150,000	-
Transfer to debt service fund	958,098	958,098	931,753	26,345
Transfer to foundation grant fund	-	6,700	6,700	-
Total other financing uses	<u>\$ 2,290,040</u>	<u>\$ 2,266,740</u>	<u>\$ 2,254,109</u>	<u>\$ 12,631</u>
 Total General Fund	 <u>\$ 21,733,883</u>	 <u>\$ 22,552,918</u>	 <u>\$ 21,322,818</u>	 <u>\$ 1,230,100</u>
Special Revenue Fund:				
Virginia Public Assistance Fund:				
Health and welfare:				
Welfare and social services:				
Welfare administration	\$ 1,417,929	\$ 1,417,929	\$ 1,350,541	\$ 67,388
Public assistance	643,630	613,630	552,808	60,822
Total welfare and social services	<u>\$ 2,061,559</u>	<u>\$ 2,031,559</u>	<u>\$ 1,903,349</u>	<u>\$ 128,210</u>
 Total health and welfare	 <u>\$ 2,061,559</u>	 <u>\$ 2,031,559</u>	 <u>\$ 1,903,349</u>	 <u>\$ 128,210</u>
Debt service:				
Principal retirement	\$ -	\$ -	\$ 11,991	\$ (11,991)
Interest and other fiscal charges	-	-	1,723	(1,723)
Total debt service	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,714</u>	<u>\$ (13,714)</u>
 Total Virginia Public Assistance Fund	 <u>\$ 2,061,559</u>	 <u>\$ 2,031,559</u>	 <u>\$ 1,917,063</u>	 <u>\$ 114,496</u>

Statistical Tables

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City of Franklin, Virginia

Table 1

Government-Wide Revenues
Year Ended June 30,

Fiscal Year	Program Revenues				General Revenues					Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue Sharing from Counties	Taxes	Not Restricted to Specific Programs	Unrestricted Investment Earnings	Miscellaneous		
2009	\$ 19,491,230	\$ 4,056,878	\$ 758,780	\$ 1,310,461	\$ 12,482,692	\$ 1,108,120	\$ 362,362	\$ 533,867	\$ 40,104,390	
2008	18,313,540	2,520,711	2,537,650	1,279,456	11,988,424	1,323,968	474,392	1,015,319	39,453,460	
2007	17,601,728	4,096,205	1,607,455	1,175,879	11,735,772	1,132,497	132,207	1,556,708	39,038,451	
2006	18,767,600	3,698,397	93,952	1,136,199	10,627,041	1,132,497	38,191	1,431,952	36,925,829	
2005	16,228,102	3,645,508	2,168,480	1,103,685	10,982,904	-	9,025	374,154	34,511,858	
2004	15,647,334	7,482,463	1,266,990	1,094,768	10,477,483	-	64,895	287,280	36,321,213	
2003	13,778,672	3,751,675	2,245,681	1,273,965	9,940,796	-	61,152	203,068	31,255,009	

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

Table 2

City of Franklin, Virginia

Government-Wide Expenses by Function

Year Ended June 30,

Fiscal Year	General Government	Judicial	Public Safety	Public Works	Health and Welfare	Parks, Recreation and Cultural			Community Development	Non-Departmental	Interest on Long-term Debt	Water and Sewer	Electric	Airport	Total Expenditures
						Education	Cultural	Departmental							
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	
2003	1,975,927	267,988	3,940,130	3,996,765	1,807,915	4,264,145	871,299	3,477,458	536,786	613,353	2,603,237	7,926,959	570,952	32,852,914	

**General Governmental Revenues by Source
Year Ended June 30,**

	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
General property taxes	\$ 6,738,891	6,583,034	5,996,085	6,359,770	5,782,264	5,523,583	5,509,757	5,306,578	5,191,290	4,865,250
Other local taxes	5,508,466	5,612,005	5,598,044	5,245,322	5,037,186	4,801,060	4,366,505	4,250,437	3,804,429	3,775,567
Permits, fees and licenses	50,721	85,785	84,958	111,310	69,920	72,184	43,889	39,303	50,365	53,836
Fines and forfeitures	59,119	51,650	67,106	42,865	51,248	62,331	49,407	57,330	79,354	59,381
Use of money and property	363,039	380,946	463,110	612,208	456,174	385,383	249,722	376,718	362,681	199,522
Charges for services	2,395,449	2,205,796	2,109,470	1,688,388	1,773,283	1,572,875	1,469,736	1,393,338	1,205,154	1,098,471
Miscellaneous and donations	2,212,987	2,561,414	2,375,228	1,856,200	1,481,570	1,368,093	1,582,999	1,981,749	1,725,897	1,761,408
Recovered costs	109,572	208,839	832,764	162,534	130,621	154,223	92,106	156,802	174,407	579,373
Intergovernmental	17,063,702	17,187,544	17,823,513	18,955,586	20,107,570	21,443,712	19,708,670	13,732,213	16,474,100	13,850,616
Total	\$ 34,501,946	34,877,013	35,350,278	35,034,183	34,889,836	35,383,444	33,072,791	27,294,468	29,067,677	26,243,424

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 since they are part of the general government function.

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

	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
General government administration	\$ 2,231,540	2,342,771	2,170,465	2,033,571	\$ 1,916,668	\$ 1,898,128	\$ 1,921,302	\$ 1,859,894	\$ 1,905,069	\$ 1,871,245
Judicial administration	236,455	260,681	277,318	220,786	227,962	166,707	267,988	132,119	125,702	65,900
Public safety	5,871,389	5,132,088	5,179,909	4,352,306	4,363,831	3,986,257	4,242,378	3,454,288	3,364,673	3,374,754
Public works	4,155,038	4,279,138	4,729,833	4,131,807	4,031,172	4,048,957	4,159,512	4,060,813	3,404,675	3,340,481
Health and welfare	2,531,118	2,418,143	2,395,651	2,411,904	2,068,157	2,097,930	1,794,405	1,815,008	1,543,135	1,542,786
Education	16,245,264	16,260,078	15,648,683	14,264,376	15,767,293	12,777,477	13,906,854	13,067,817	12,322,151	14,287,541
Parks, recreation and cultural	1,098,785	1,142,871	978,109	989,414	910,516	839,088	831,648	724,478	766,057	803,071
Community development	1,306,902	1,553,177	1,668,299	866,223	953,592	4,464,002	2,272,636	1,613,500	2,626,464	6,695,831
Nondepartmental	50,554	782,653	20,869	718,739	578,963	551,561	535,925	522,669	531,476	451,868
Capital Projects	152,417	1,231,340	2,413,468	1,332,763	1,569,281	1,453,738	4,055,653	5,265,185	786,255	88,018
Debt service:										
Principal retirement	1,157,421	1,041,923	2,557,013	2,575,710	1,008,779	715,570	3,446,839	739,387	721,464	633,245
Interest and fiscal charges	577,131	589,825	679,916	761,876	737,999	715,178	613,353	374,388	320,867	328,114
Totals	\$ 35,614,014	37,034,688	38,719,533	\$ 34,659,475	\$ 34,134,213	\$ 33,714,593	\$ 38,048,493	\$ 33,629,546	\$ 28,417,988	\$ 33,482,854

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 since they are part of the general government function.

City of Franklin, Virginia

Table 5

Property Tax Levies and Collections
Last Ten Fiscal Years Ended June 30,

Year	Total		Current Tax Collections (1)	Percent of Levy Collected	Delinquent Tax		Total Tax Collections	Percent of Total Tax Collections to		Outstanding Delinquent Taxes	Percent of Delinquent Taxes to Tax Levy
	Tax Levy (1)	Current Tax Collections (1)			Delinquent Tax Collections (1)(2)	Delinquent Tax Collections		Delinquent Tax Collections	Delinquent Taxes		
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%			
2003	5,221,065	5,067,596	97.06%	329,579	5,397,175	103.37%	498,463	9.55%			
2002	5,153,719	4,896,547	95.01%	230,318	5,126,865	99.48%	452,614	8.78%			
2001	5,093,699	4,858,060	95.37%	250,038	5,108,098	100.00%	528,145	10.33%			
2000	4,900,600	4,610,558	94.09%	265,457	4,876,015	99.50%	610,911	12.47%			

(1) Exclusive of penalties and interest.

(2) Does not include land redemptions.

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

City of Franklin, Virginia

Table 6

Assessed Value of Taxable Property
Last Ten Fiscal Years Ended June 30,

Year	Public Service Corporations				Machinery and Tools	Mobile Homes	Personal Property	Public Service Corporations		Total
	Real Estate	Personal Property	Real Estate	Personal Property						
2009	\$ 671,857,100	\$ 59,307,993	\$ 900	\$ 2,909,231	\$ 7,646,642	\$ 27,151	\$ 741,749,017			
2008	561,634,400	57,716,863	-	573,729	8,480,797	39,340	628,445,129			
2007	567,081,965	62,652,410	-	703,167	6,596,676	21,591	637,055,809			
2006	418,087,841	59,659,923	-	738,901	8,611,442	39,123	487,137,230			
2005	413,484,184	55,210,009	-	757,167	8,617,223	39,123	478,107,706			
2004	371,050,871	52,890,760	-	1,134,874	9,097,960	57,587	434,232,052			
2003	365,657,221	55,879,359	166,080	971,160	8,969,861	38,567	431,682,248			
2002	339,435,343	53,684,686	259,368	764,613	11,150,501	12,254	405,306,765			
2001	346,907,411	43,006,770	469,560	822,593	10,248,575	21,255	401,476,164			
2000	336,027,995	47,915,578	-	598,937	10,202,502	69,851	394,814,863			

**Property Tax Rates - Last Ten Fiscal Years
Tax Rates Per Hundred Dollars of Assessed Value
Last Ten Fiscal Years Ended June 30,**

Year	Real Estate	Personal Property	Mobile Homes	Machinery and Tools	Public Service Corporation	
					Real Estate (1)	Personal Property
2009	\$ 0.77 / \$ 1.01	\$ 4.50	\$ 0.90	\$ 2.00	\$ 0.77	\$ 4.50
2008	\$ 0.90 / \$ 1.14	4.50	0.85	2.00	0.90	4.50
2007	\$ 0.85 / \$ 1.09	4.50	0.85	2.00	0.85	4.50
2006	\$ 0.95 / \$ 1.19	4.50	0.95	2.00	0.95	4.50
2005	\$ 0.90 / \$ 1.14	4.50	0.90	2.00	0.90	4.50
2004	\$ 0.90 / \$ 1.14	4.50	0.90	2.00	0.90	4.50
2003	\$ 0.90 / \$ 1.14	4.50	0.90	2.00	0.90	4.50
2002	\$ 0.90 / \$ 1.14	4.50	0.90	2.00	0.90	4.50
2001	\$ 0.90 / \$ 1.14	4.50	0.90	2.00	0.90	4.50
2000	\$ 0.90 / \$ 1.14	4.50	-	2.00	0.90	4.50

- (1) Public Service Corporation property was taxed at basic real estate rates regardless of location.
- (2) Downtown district real estate tax rate was \$1.09 and remaining areas were taxed at \$0.85 for real estate.
- (3) Downtown district real estate tax rate was \$1.14 and remaining areas were taxed at \$ 0.90 for real estate.
- (4) Downtown district real estate tax rate was \$1.19 and remaining areas were taxed at \$ 0.95 for real estate.
- (5) Downtown district real estate tax rate was \$1.01 and remaining areas were taxed at \$ 0.77 for real estate.

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

Year	Assessed Value (in Thousands)	Gross Bonded Debt (1)	Less:		Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value
			Debt Service Monies	Debt Payable from Enterprise Revenues (2)		
2009	\$ 679,504	\$ 18,683,258	\$ 644,623	\$ 4,303,770	\$ 13,734,865	2.02%
2008	570,115	20,202,716	460,698	4,788,132	14,953,886	2.62%
2007	573,679	21,351,648	279,236	5,319,576	15,752,836	2.75%
2006	426,699	24,486,173	-	5,920,883	18,565,290	4.35%
2005	422,101	23,479,028	-	6,597,451	16,881,577	3.53%
2004	380,149	24,583,588	-	7,099,588	17,484,000	4.03%
2003	374,627	22,871,597	-	9,111,219	13,760,378	3.19%
2002	350,586	22,481,784	-	9,766,132	12,715,652	3.14%
2001	357,156	17,006,239	-	8,816,527	8,189,712	2.04%
2000	346,230	17,903,167	-	9,033,169	8,869,998	2.25%

Note: (1) Includes all long-term general obligation debt (excludes loss on net tax revenue obligation and capital leases).

(2) Enterprise Debt includes Proprietary Fund Types and Component Unit - IDA.

City of Franklin, Virginia

Table 9

Ratio of Annual Debt Service Expenditures to Total General Governmental Expenditures Last Ten Fiscal Years

Fiscal Year	Expenditures - All Governmental Fund Types	Total Debt Service (1)	Percentage of Debt Service to Expenditures
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%
2003	38,048,493	4,060,192	10.67%
2002	33,629,546	1,113,775	3.31%
2001	28,417,988	1,042,331	3.67%
2000	33,482,854	961,359	2.87%

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

City of Franklin, Virginia

Table 10

Principal Taxpayers - Real Estate
June 30, 2009

Taxpayer	Type of Business	2008 Assessed Valuation	Percent of Total Assessed Valuation of Real Estate
Community Health Systems Inc.	Hospital	\$ 25,961,800	3.82%
James L. Rifkin Estate	Shopping Center	13,496,900	1.99%
The Village at Woods Edge	Retirement Home	10,873,000	1.60%
Lowes Home Centers Inc.	Retail - Hardware	8,611,800	1.27%
Southampton Shopping Center L. P.	Shopping Center	7,049,800	1.04%
ACJCS LLC	Direct Mail - Advertising	6,055,700	0.89%
Meadowridge Associates L P	Apartments	5,101,400	0.75%
Dorchester Apartments L.P.	Apartments	4,507,800	0.66%
F.P. Associates Inc.	Apartments	4,305,400	0.63%
F P A LLC	Apartments	3,998,400	0.59%
		<u>\$ 89,962,000</u>	<u>13.24%</u>

City of Franklin, Virginia

Table 11

Principal Taxpayers - Personal Property
June 30, 2009

Taxpayer	Type of Business	2008 Assessed Valuation	Percent of Total Assessed Personal Property
Money Mailer LLC	Direct Mail - Advertising	\$ 2,292,727	3.86%
Franklin Hospital Corporation	Hospital	1,850,776	3.12%
Wal-Mart Stores Inc.	Retail - Variety	832,612	1.40%
Lowes Home Centers #2698	Retail - Hardware	690,844	1.16%
Charter Communications	Service - Telecommunications	435,630	0.73%
Butler Paper Recycling Inc	Paper Recycling	408,417	0.69%
Birdsong Corporation	Peanut Wholesaler Industry	254,988	0.43%
General Electric Credit Corporation	Lease - furniture & fixtures	241,494	0.41%
Albert G. Dail	Retail - Hardware	222,415	0.37%
Food Lion Inc LLC #405	Retail - Grocery	220,819	0.37%
		<u>\$ 7,450,722</u>	<u>12.56%</u>

City of Franklin, Virginia

Table 12

**Demographic Statistics
Last Ten Fiscal Years**

Fiscal Year	Population	Per Capita Income (3)	School Enrollment (4)	Unemployment Rate (5)
2009	8,877 (1)	Not Available	1,331	11.5%
2008	8,906 (1)	Not Available	1,319	6.4%
2007	8,800 (1)	Not Available	1,287	4.0%
2006	8,594 (1)	Not Available	1,307	5.2%
2005	8,594 (1)	25,750	1,360	5.2%
2004	8,450 (1)	\$25,024	1,384	5.0%
2003	8,324 (1)	\$24,478	1,434	4.9%
2002	8,181 (1)	\$23,767	1,404	4.9%
2001	8,263 (1)	\$23,046	1,423	4.4%
2000	8,346 (2)	\$22,111	1,484	3.2%

(1) Source: United States Census Estimates

(2) Source: 2000 United States Census

(3) Source: Weldon Cooper Center for Public Service combined amount for City of Franklin & Southampton County (US Commerce BEA)

(4) Source: Franklin School

(5) Source: Virginia Employment Commission

City of Franklin, Virginia

Table 13

Net Assets by Component
June 30,

	2009	2008	2007	2006	2005
Governmental activities					
Invested in capital assets - net of related debt	\$ 17,319,997	\$ 16,777,541	\$ 15,949,140	\$ 13,717,240	\$ 14,767,515
Restricted	-	-	-	1,870,206	371,875
Unrestricted	4,374,403	4,188,340	3,188,314	3,226,660	2,907,806
Total governmental activities	<u>\$ 21,694,400</u>	<u>\$ 20,965,881</u>	<u>\$ 19,137,454</u>	<u>\$ 18,814,106</u>	<u>\$ 18,047,196</u>
Business-type activities					
Invested in capital assets - net of related debt	\$ 8,004,309	\$ 8,388,252	\$ 8,363,160	\$ 8,276,928	\$ 7,139,689
Unrestricted	1,786,860	2,191,355	2,511,591	2,855,121	3,386,128
Total business-type activities	<u>\$ 9,791,169</u>	<u>\$ 10,579,607</u>	<u>\$ 10,874,751</u>	<u>\$ 11,132,049</u>	<u>\$ 10,525,817</u>
Primary government					
Invested in capital assets - net of related debt	\$ 25,324,306	\$ 25,165,793	\$ 24,312,300	\$ 21,994,168	\$ 21,907,204
Restricted	-	-	-	1,870,206	371,875
Unrestricted	6,161,263	6,379,695	5,699,905	6,081,781	6,293,934
Total primary government	<u>\$ 31,485,569</u>	<u>\$ 31,545,488</u>	<u>\$ 30,012,205</u>	<u>\$ 29,946,155</u>	<u>\$ 28,573,013</u>

Change in Net Assets
June 30,

	2009	2008	2007	2006	2005
Expenses					
Governmental activities:					
General government	\$ 2,570,721	\$ 2,648,658	\$ 2,418,619	\$ 3,579,360	\$ 2,154,840
Judicial	238,213	254,382	276,708	220,786	227,962
Public safety	6,175,136	5,244,287	5,199,732	4,581,392	4,385,901
Public works	4,328,943	4,360,802	4,049,898	3,273,363	4,452,836
Health and welfare	2,607,817	2,479,570	2,328,871	2,476,948	2,138,779
Education	4,866,262	5,005,226	5,877,702	4,358,068	4,155,196
Parks, recreation, and cultural	1,156,868	1,030,677	1,035,540	908,320	993,109
Community development	1,249,752	1,551,031	1,658,873	1,154,255	213,146
Interest on long-term debt	554,434	594,528	879,419	761,876	738,001
Nondepartmental	-	-	-	580,617	577,465
Total governmental activities	\$ 23,748,146	\$ 23,169,161	\$ 23,725,362	\$ 21,894,985	\$ 20,037,235
Business-type activities:					
Water and sewer	\$ 2,994,753	\$ 3,028,136	\$ 2,931,072	\$ 2,895,536	\$ 2,794,462
Electric	12,844,876	11,084,995	10,833,758	10,704,954	8,887,833
Airport	584,294	637,885	628,378	571,601	614,946
Total business-type activities	\$ 16,423,923	\$ 14,751,016	\$ 14,393,208	\$ 14,172,091	\$ 12,297,241
Total expenses	\$ 40,172,069	\$ 37,920,177	\$ 38,118,570	\$ 36,067,076	\$ 32,334,476
Program revenue					
Governmental activities:					
Charges for services:					
General government	\$ 615,929	\$ 607,034	\$ 613,334	\$ 754,493	\$ 1,483,726
Judicial	17,509	9,601	8,831	51,540	59,776
Public safety	464,978	384,793	493,587	244,800	293,261
Public works	1,207,847	1,101,485	877,464	799,434	-
Health and welfare	9,503	34,060	-	-	15,525
Parks, recreation, and cultural	20,197	22,216	19,185	54,750	53,795
Community development	9,655	32,003	-	48,868	-
Operating grants and contributions	4,056,878	2,520,711	4,096,205	3,698,397	3,645,508
Capital grants and contributions	656,776	2,532,197	1,207,312	93,952	2,168,480
Total governmental activities	\$ 7,059,272	\$ 7,244,100	\$ 7,315,918	\$ 5,746,234	\$ 7,720,071

Change in Net Assets
June 30,

	2009	2008	2007	2006	2005
Program revenue					
Business-type activities:					
Charges for services:					
Water and sewer	\$ 3,283,366	\$ 3,396,655	\$ 3,330,432	\$ 3,868,775	\$ 2,979,414
Electric	13,687,790	12,493,995	12,007,869	12,109,011	10,958,120
Airport	174,456	231,698	251,026	835,929	384,485
Capital grants and contributions:					
Airport	102,004	5,453	400,143	-	-
Total business-type activities	\$ 17,247,616	\$ 16,127,801	\$ 15,989,470	\$ 16,813,715	\$ 14,322,019
Total program revenue	\$ 24,306,888	\$ 23,371,901	\$ 23,305,388	\$ 22,559,949	\$ 22,042,090
Governmental activities net expense	\$ (16,688,874)	\$ (15,925,061)	\$ (16,409,444)	\$ (16,148,751)	\$ (12,317,164)
Business-type activities net expense	823,693	1,376,785	1,596,262	2,641,624	2,024,778
Total primary government net expense	\$ (15,865,181)	\$ (14,548,276)	\$ (14,813,182)	\$ (13,507,127)	\$ (10,292,386)
General revenues and other changes in net assets					
Governmental activities:					
Taxes:					
Property taxes	\$ 6,974,226	\$ 6,376,419	\$ 6,052,770	\$ 6,344,577	\$ 5,812,087
Other taxes	5,508,466	5,612,005	5,683,002	5,414,961	5,170,817
Revenue sharing from counties	1,310,461	1,279,456	1,175,879	1,136,199	1,103,685
Revenue from use of money and property	362,362	380,114	460,631	374,124	9,025
Grants & Gifts non-restricted	1,108,120	1,323,968	1,132,497	482,165	-
Miscellaneous	533,867	1,015,319	1,154,938	613,854	374,154
Transfers	1,619,891	1,766,207	1,926,907	2,100,872	2,113,017
Total governmental activities	\$ 17,417,393	\$ 17,753,488	\$ 17,586,624	\$ 16,466,752	\$ 14,582,785
Business-type activities:					
Revenue from use of money and property	\$ 7,760	\$ 94,278	\$ 73,346	\$ 65,481	\$ 2,087
Transfers	(1,619,891)	(1,766,207)	(1,926,907)	(2,100,872)	(2,113,017)
Total business-type activities	\$ (1,612,131)	\$ (1,671,929)	\$ (1,853,561)	\$ (2,035,391)	\$ (2,110,930)
Total general revenues and other changes in net assets	\$ 15,805,262	\$ 16,081,559	\$ 15,733,063	\$ 14,431,361	\$ 12,471,855
Change in Net Assets					
Governmental activities	\$ 728,519	\$ 1,828,427	\$ 1,177,180	\$ 318,001	\$ 2,265,621
Business-type activities	(788,438)	(295,144)	(257,299)	606,233	(86,152)
Total primary government	\$ (59,919)	\$ 1,533,283	\$ 919,881	\$ 924,234	\$ 2,179,469

**Taxable Sales by Category
Last Ten Fiscal Years ***

	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Merchant Wholesaler, Durable Goods	\$ 160,501	206,624	370,011	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Motor Vehicle & Parts Dealers	3,978,697	4,485,996	4,740,931	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Furniture & Home Furnishings	3,766,476	3,460,241	3,768,080	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Building materials, Farm & Garden Supplies	-	-	3,683,597	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Food and Beverage Stores	20,153,777	14,117,933	11,325,087	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Health and Personal Care	1,181,688	914,493	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Gasoline Stations	5,484,253	4,347,208	2,841,936	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Clothing & Clothing Accessories Stores	1,910,099	1,954,980	2,057,085	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Sporting Goods, Hobby, Book & Music Stores	-	-	229,560	N/A	N/A	N/A	N/A	N/A	N/A	N/A
General Merchandise Stores	60,639,197	60,217,521	53,083,978	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Miscellaneous Store Retailers	1,735,875	2,469,992	2,912,936	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Nonstore Retailers	1,518,049	2,895,028	3,550,649	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Rental & Lease Services	796,030	1,291,440	960,998	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Professional, Scientific and Technical Services	634,005	177,766	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Food Services & Drinking Places	15,814,206	13,903,248	12,888,112	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Repair & Maintenance	2,528,870	2,650,097	2,388,335	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Personal & Laundry Services	1,309,468	1,252,258	922,640	N/A	N/A	N/A	N/A	N/A	N/A	N/A
All Other Businesses	318,129	1,352,993	5,437,841	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Miscellaneous & Unidentifiable	28,788,615	24,690,382	22,719,304	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total	\$ 150,717,935	140,388,200	133,881,080	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

* Source - Department of Taxation

**Full-time Equivalent City Government Employees by Function/Program
Last Ten Fiscal Years**

Function/Program	Full-time Equivalent Employees as of June 30									
	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
GENERAL FUND										
General Government	24	26	26	26	24.5	24.5	26	25.5	25	25
Police & Communications	40	37.5	42	42	42	42	42	42	41.5	40.5
Animal Control	1	1	1	1	1	1	1	1	1	1
Fire & Rescue - EMS	15	15	15	12	12	12	10	10	10	9
Community Services	7	7	6	6	5	5	5	5	4.5	4
Public Works-Streets	14	18	23	23	23	24	25	25	26	26.5
Garage	4	4	4	4	4	4	4	4	4	4
Refuse collection	8	7	9	9	9	9	9	9	9	9
Public Works-Bldgs & Grounds	9.5	11.5	9	9	9	7.5	7	6	6	6
Cemetery & Mosquito Control	0	0	0	0	0	0.5	1	1	1	3
Park and Recreation	3.5	3.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7
Senior Program	2.5	1.5	2	2	2	2	2	2	2	2
Library	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Economic Development	0	0	0	0	0	1	1	0	0	0
Downtown Development	1	1	1	1	1	1	1	1	2	2
Total General Fund	130	133.5	146	143	140.5	141.5	142	139.5	140	139.5
SOCIAL SERVICES FUND										
ELECTRIC	20	18	19	19	19	20	20	20	20	19
WATER & SEWER	16	15	20	20	20	20	20	20	20	20
INCUBATOR	14	15.5	16	16	17	18	18	18	18	17
AIRPORT	0	0.5	1	1	0	0	0	0	0	0
EARLY CHILDHOOD	2	2	2	2	2	2	1.5	1.5	1.5	1.5
Total	184	185.5	204	201	198.5	201.5	201.5	199	199.5	197

Operating Indicators by Function/Program
Last Ten Fiscal Years

Function/Program	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Police										
Physical arrests	686	721	1,223	955	954	882	695	667	435	736
Parking violations	37	39	45	108	80	110	120	188	411	333
Traffic violations	1406	1,172	1,370	1,955	1,069	1,022	1,220	1,001	1,485	1,508
Fire										
Emergency responses	2324	2,422	2,304	2,170	2,072	1,886	1,827	1,718	-	-
Fires extinguished	202	96	98	108	95	89	89	86	-	-
Inspections	17	1,726	18	11	10	12	10	7	-	-
Refuse collection										
Refuse collected (tons per day)	13.82	12.65	13.41	13.40	-	-	-	-	-	-
Recyclables collected (tons per day)	1.02	1.01	1.22	1.31	N/A	N/A	N/A	-	-	-
Other public works										
Street resurfacing (tons)	3576	1,503	215	2,750	-	-	-	-	-	-
Potholes repaired	207	234	250	200	-	-	-	-	-	-
Park and recreation										
Athletic field permits issued	275	250.00	56.00	N/A	-	-	-	-	-	-
Community center admissions	29,634	33,026	25,956	25,956	26,605	N/A	N/A	18,438	19,038	N/A
Library										
Volumes in collection	47,000	53,000	50,000	50,000	N/A	-	-	-	-	-
Total volumes borrowed	116,000	106,000	97,000	107,672	102,455	-	-	-	-	-
Water										
New connections	11	24	25	40	42	36	11	7	15	13
Water mains breaks	54	75	68	20	-	-	-	-	-	-
Average daily consumption (thousands of gallons)	1037	1,100	1,072	1,169	-	-	-	-	-	-
Peak daily consumption (thousands of gallons)	1453	1,800	1,610	1,700	-	-	-	-	-	-
Wastewater										
Average daily sewage treatment	1090	1,090	903	980	-	-	-	-	-	-
Sewer connections - New	9	21	25	40	42	36	11	7	15	13
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

**Capital Asset Statistics by Function/Program
Last Ten Fiscal Years**

Function/Program	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	16	28	27	27	27	27	27	27	27	26
Fire stations	2	2	2	2	2	2	2	2	2	2
Refuse collection										
Collection trucks		5	4	4	3	3	3	3	3	3
Other public works										
Street (miles)	35.5	35.50	35.50	35.50	-	-	-	-	-	-
Highways (miles)	15.09	15.09	15.09	15.09	-	-	-	-	-	-
Streetslights	937	945	953	953	-	-	-	-	-	-
Traffic signals	14	14	14	14	13	13	13	12	12	12
Park and recreation										
Acreage	28.61	28.61	28.61	28.61	28.61	28.61	28.61	28.61	28.61	28.61
Playgrounds	4	4	4	4	4	4	4	4	4	4
Baseball/softball diamonds	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)	66.58	66.58	66.28	66.28	-	-	-	-	-	-
Fire hydrants	336	336	333	333	-	-	-	-	-	-
Storage capacity (thousands of gallons)	1300	1,300	1,300	1,300	-	-	-	-	-	-
Wastewater										
Sanitary sewers (miles)	42.90	42.90	42.60	42.60	-	-	-	-	-	-
Storm sewers (miles)	210	210.00	210.00	210.00	-	-	-	-	-	-
Treatment capacity (thousands of gallons)	2,000	2,000	2,000	2,000	-	-	-	-	-	-

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**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 Mayor and City Council
City of Franklin
Franklin, Virginia**

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Franklin, Virginia as of and for the year ended June 30, 2009, which collectively comprise the City of Franklin, Virginia's basic financial statements and have issued our report thereon dated December 3, 2009. We did not audit the financial statements of the School Textbook Fund. Those statements were audited by other auditors whose report has been furnished to us, and our opinion on the financial statements and this report on internal controls and compliance insofar as they relate to the School Textbook Fund is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

Internal Control Over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

Compliance and Other Matters

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

However, we noted other matters involving the internal control and operations that we have reported to management of the City of Franklin, Virginia in a separate letter dated December 3, 2009.

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

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
December 3, 2009

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

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

Compliance

We have audited the compliance of the City of Franklin, Virginia with the types of compliance 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, 2009. 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.

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

In our opinion, the City of Franklin, Virginia complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of the City of Franklin, Virginia is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Franklin, Virginia's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

This report is intended solely for the information and use of management, the City Council 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.

Robinson, Farmer, Cox Associates
Charlottesville, Virginia
December 3, 2009

CITY OF FRANKLIN, VIRGINIA

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2009

Federal Grantor/State Pass - Through Grantor/ Program Title (Pass - Through Grantor's Number)	Federal Catalog Number	Expenditures
Department of Health and Human Services:		
Pass Through Payments:		
Department of Social Services:		
Promoting safe and stable families	93.556	\$ 16,201
Temporary assistance to needy families (TANF)	93.558	122,598
Refugee and entrant assistance - state administered programs	93.566	345
Low income home energy assistance	93.568	8,373
Child care and development block grant	93.575	82,721
ARRA - Child care and development block grant	93.713	1,193
Child care mandatory and matching funds of the child care and development fund	93.596	54,023
Child welfare services - state grants	93.645	785
Chafee education and training vouchers program	93.599	158
Foster care - Title IV-E	93.658	182,768
ARRA - Foster care - Title IV-E	93.658	10,144
Adoption assistance	93.659	4,721
Social services block grant	93.667	102,932
Chafee foster care independence program	93.674	2,609
State children's insurance program	93.767	15,212
Medical assistance program	93.778	140,411
Total Department of Health and Human Services		\$ 745,194
Department of Agriculture:		
Pass Through Payments:		
Department of Agriculture:		
Food distribution - schools: school lunch program	10.555	\$ 68,171
Food distribution - schools: summer food service program	10.559	2,585
Department of Education:		
National school breakfast program	10.553	93,889
National school lunch program	10.555	307,402
Summer food service program	10.559	50,447
Department of Social Services:		
State Administrative Matching Grants for the Supplemental Nutrition Assistance	10.561	210,233
Department of Forestry:		
Schools and roads - grants to states	10.665	5,000
Total Department of Agriculture		\$ 737,727
Department of Justice:		
Direct payments:		
Public safety partnership and community policing grants	16.710	\$ 14,656
Bulletproof vest partnership program	16.607	1,703
Pass Through Payments:		
Department of Criminal Justice Service:		
Edward Byrne memorial justice assistance grant program	16.738	13,094
Total Department of Justice		\$ 29,453

CITY OF FRANKLIN, VIRGINIA

Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2009

Federal Grantor/State Pass - Through Grantor/ Program Title (Pass - Through Grantor's Number)	Federal Catalog Number	Expenditures
Department of Transportation:		
Direct Payments:		
Airport improvement program - ARRA	20.106	\$ <u>94,050</u>
Department of Homeland Security:		
Direct Payments:		
Staffing for adequate fire and emergency response	97.083	\$ 99,311
Pass Through Payments:		
Department of Emergency Management:		
Emergency management performance grant	97.074	<u>387,411</u>
Total Department of Homeland Security		\$ <u>486,722</u>
Appalachian Regional Commission:		
Pass Through Payments Payments:		
Department of Housing and Community Development Appalachian regional development	23.001	\$ <u>5,000</u>
Department of Education:		
Pass Through Payments:		
Department of Education:		
Adult basic education	84.002	\$ 17,545
Title I: Grants to local educational agencies	84.010	709,049
Special education - grants to states	84.027	312,699
Career and Technical Education: Basic grants to states	84.048	45,057
Special education preschool grants	84.173	13,717
Safe and drug free schools and communities state grant	84.186	11,316
Rural education	84.358	32,585
Reading first state grants	84.357	169,365
Education technology state grants	84.318	3,424
Improving teacher quality state grants	84.367	<u>119,753</u>
Total Department of Education		\$ <u>1,434,510</u>
Total Federal Assistance		<u>\$ 3,532,656</u>

CITY OF FRANKLIN, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2009

Note 1 - General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federally assisted programs of the City of Franklin, Virginia. The City's reporting entity is defined in Note 1 to the City's basic financial statements. All federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on the schedule.

Note 2 - Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in Note 1 to the City's basic financial statements.

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	\$	526,175
Special revenue funds:		
Virginia public assistance fund		955,427
Enterprise funds:		
Airport fund		94,050
Total primary government	\$	<u>1,575,652</u>

Component unit - City of Franklin Public Schools

School operating fund	\$	1,434,510
School cafeteria fund		522,494
Total component unit public schools	\$	<u>1,957,004</u>

Total federal expenditures per basic financial statements \$ 3,532,656

Total federal expenditures per the Schedule of Expenditures of Federal Awards \$ 3,532,656

CITY OF FRANKLIN, VIRGINIA

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2009

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	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 Circular A-133, Section .510 (a)?	No

Identification of major programs:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
	Child Care Cluster:
93.575	Child care and development block grant
93.713	ARRA - Child care and development block grant
93.596	Child care mandatory and matching funds of the child care development fund
93.658	Title IV-E: Foster care
93.658	ARRA - Title IV-E: Foster care
97.074	Law enforcement terrorism prevention program
20.106	Airport improvement program - ARRA
	School Nutrition Cluster:
10.553	National school breakfast program
10.555	National school lunch program
10.555	Food distribution - schools: school lunch program
10.559	Summer feeding program
	Special Education Cluster
84.027	Title VI-B: Handicapped state grant
84.173	Title VI-B: Special education preschool grant

Dollar threshold used to distinguish between Type A and Type B programs	\$300,000
Auditee qualified as low-risk auditee?	Yes

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

Prior Year Findings

None