

Community Community



Growth Growth



CITY OF FRANKLIN, VIRGINIA COMPREHENSIVE ANNUAL FINANCIAL REPORT For the Period Ended June 30, 2015 Prepared by the Department of Finance



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THE CITY OF FRANKLIN, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2015



Growth – Community - Spirit

Department of Finance

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

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CITY OF FRANKLIN, VIRGINIA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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CITY OF FRANKLIN, VIRGINIA
DIRECTORY OF PRINCIPAL OFFICIALS
JUNE 30, 2015

Mayor

Raystine D. Johnson-Ashburn

Vice Mayor

Barry Cheatham

Council Members

Frank M. Rabil
Brenton D. Burgess
Mona L. Murphy

Mary E. Hilliard
Gregory McLemore

Constitutional Officers

Dinah M. Babb
Brenda B. Rickman

Treasurer
Commissioner of Revenue

Franklin City Public Schools

Edna King
Superintendent Willie Bell, Jr
Laveka Jarrell

Chairman of School Board
Superintendent
Coordinator of Finance

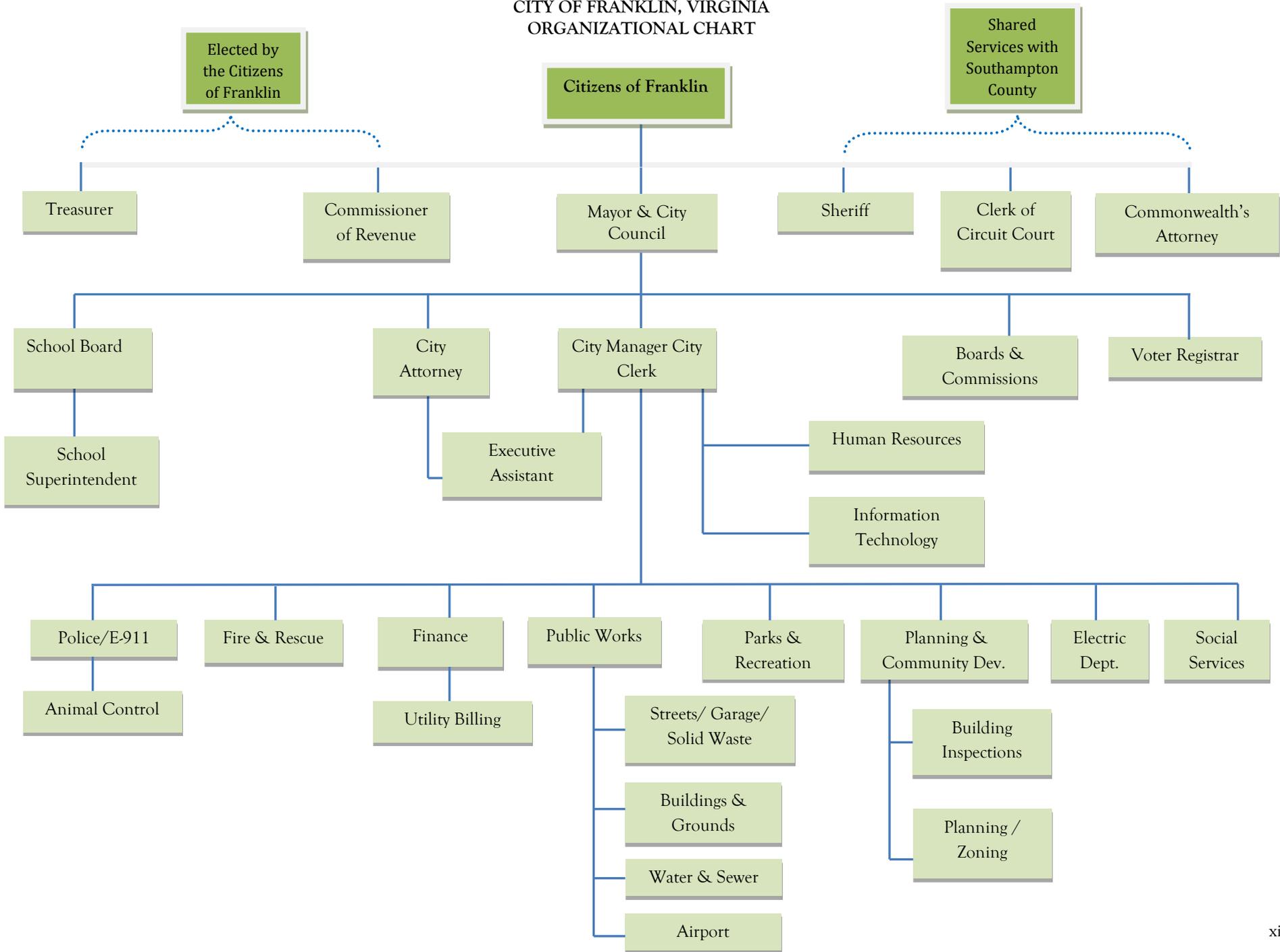
City Administration

R. Randy Martin
H. Taylor Williams, IV
Melissa Rollins
Phillip M. Hardison
Mark Bly
Frank Davis
Jennifer L. Maynard
Vincent P. Holt
Russell L. Pace
Christopher A. Hogge
Donald E. Goodwin

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

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CITY OF FRANKLIN, VIRGINIA
ORGANIZATIONAL CHART



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*Office of The City Manager
R. Randy Martin*

November 30, 2015

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, 2015. The report is required in accordance with section 3.08 (c) of the Franklin City Charter and is prepared in accordance with the standards of financial reporting prescribed by the Governmental Accounting Standards Board (GASB), and the Auditor of Public Accounts of the Commonwealth of Virginia. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. As management, we assert that, to the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and component units of the City of Franklin. GAAP requires management to provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of a Management's Discussion and Analysis (MD&A). The letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the independent auditor's report.

The Reporting Entity and Its Services

Background

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

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

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

The City of Franklin provides a full range of general governmental services for its citizens, including police and fire protection and emergency medical services; the maintenance of highways, streets, and other infrastructure; and recreational activities, library services and cultural events. The City's Community Development Office provides building and planning related services throughout Southampton County through a shared services agreement with the County. Other services provided include public education, health and social services, and judicial activities. The City owns and operates a municipal electric company (Franklin Power & Light), which provides electrical services to City residents and certain geographical locations within surrounding jurisdictions (Southampton, Suffolk and Isle of Wight). The City also owns and operates water and sewage facilities that extend into portions of Southampton and Isle of Wight Counties; provides curb-side solid waste disposal and recycling services; owns and operates a City pool; and manages various paid recreational activities. Franklin owns and maintains a municipal airport located one mile east of Franklin in Isle of Wight County.

Bond Rating

The City maintained the AA credit rating from Standard & Poor's (S & P) bond rating agency received in April 2014. S & P referred to the City's strong reserves, strong cash position to cover debt service, and sound budgetary and financial management practices for support of the rating. The City holds an Aa2 rating from Moody's Investors Services.

Financial Information and Significant Financial Policies

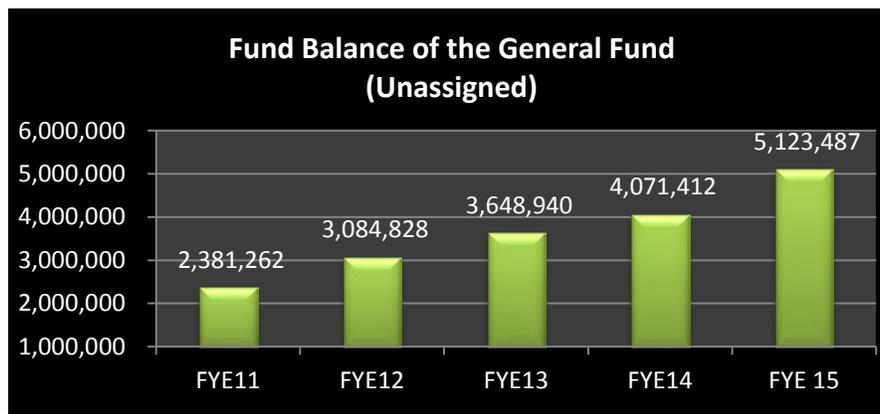
One of the financial policies closely monitored is the City's unassigned fund balance policy which indicates the ability of the City to cope with unexpected financial challenges or emergencies. The healthier the unassigned General Fund balance, the greater the City's ability to (1) survive potential financial emergencies and adverse fluctuations in revenue cycles, (2) take advantage of unexpected opportunities and, (3) retain its sound financial position. The City has established by policy, the ratio of unassigned General Fund balance as a percentage of budgeted annual expenditures in the General Fund at a minimum of 15%. At June 30, 2015, the City's unassigned fund balance of \$5.12 million represented 20.3% of the budgeted annual expenditures (as revised) exceeding the minimum policy level.

During FY 2015, General Fund revenues including other financial sources exceeded expenditures by \$177,563. The City was able to improve its unassigned fund balance from the previous year by fiscally sound budget management practices to include improved revenue forecasting, expenditure reductions and program savings and structured debt management practices (i.e. use of planned debt service reserve funds).

Summary of Changes in General Fund Unassigned Fund Balance

Unassigned Fund balance at June 30, 2014		\$	4,071,358
Revenues:	\$	22,026,234	
Expenditures:	\$	21,848,671	
<hr/>			
Net Change in Fund Balance		177,563	
Decrease in reservations (Restricted, Committed and Assigned)	\$	874,566	
Increase in Unassigned Fund Balance		\$	<u>1,052,129</u>
Unassigned Fund Balance at June 30, 2015		\$	<u>5,123,487</u>

Below is a history of the City's Unassigned Fund Balance for the General Fund for the current and past four fiscal periods. The FY 6/30/15 Unassigned fund balance increased by 25% from the 6/30/14 Unassigned Fund Balance.



Budgetary Controls

Budgetary controls are maintained to ensure compliance with legal provisions embodied in the annual appropriated budget approved by City Council and serves as the foundation for the City of Franklin's financial planning and control. All agencies and departments of the City of Franklin are required to submit requests for appropriation to the City Manager in February. The City Manager presents a

proposed budget to City Council for review in April. The Council is required to hold public hearings on the proposed budget and must adopt a final budget by no later than June 30th. The appropriated budget is prepared by fund and department. The City Manager, subject to a \$10,000 limit, may make transfers of appropriations within a department. New sources of funding and transfers exceeding the \$10,000 limit require the approval of City Council. Transfers within the School Operating Fund must be approved by City Council.

The City also maintains an encumbrance accounting system as one method of maintaining budgetary control. Although encumbered amounts lapse at year end, the outstanding encumbrances are reviewed and generally re-appropriated as part of the following year's budget provided there is availability of funding at year end. Budget-to-actual comparisons for the General Fund are provided on exhibit 11 and schedule 2 of the report.

Financial Advisor

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

Other Information

Independent Audit

The City of Franklin's financial statements have been audited by Davis & Associates, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Franklin for the fiscal year ended June 30, 2015 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City of Franklin's financial statements for the fiscal year ended June 30, 2015, are fairly presented in conformity with GAAP. The independent auditor's report is presented in the Financial Section of this report.

Single Audit

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

Financial Outlook

The financial outlook for Fiscal Year 2015-16 is stable, with minimum revenue growth expected and continued cost-saving efforts planned. The City has been consistently able to achieve a balanced budget in recent years without eliminating direct services to Franklin residents and with the minimum responsible impact to the real estate tax rate. This has been accomplished in wake of the fiscal challenges which to some extent were beyond the City's control (i.e. rising costs of regional jail administration in which the City is a member jurisdiction along with Isle of Wight and Suffolk). We feel that current management initiatives, along with prudent long-range strategic and comprehensive planning, will enable the City to continue to generate sufficient resources to meet future service demands, maintain a stable financial position, protect the City's good credit rating, and maintain realistic and affordable tax burdens on the citizens of the City.

Other Accomplishments for FY2015

We are pleased to report some significant accomplishments and initiatives undertaken during the year ended June 30, 2015:

Legislative

- The Franklin City Council updated the priorities for the City and developed a new “vision statement” in January 2015 aimed at improving the quality of life for Franklin citizens. It includes six vision target areas: (1) Economic development, (2) Education, (3) Housing, (4) Regionalism and Partnerships, (5) City-Wide infrastructure and (6) Public Services.

Public Safety

- The Franklin Police Department was awarded a \$50,000 USDA matching grant to acquire two replacement patrol vehicle.
- The Franklin Police Department, E911 Communications was awarded a \$150,000 Wireless Grant to improve E911 communications in the City and Southampton County.
- The City public safety departments in collaboration with Southampton County agencies, implemented a new dispatching protocol that will result in decreased dispatching times for service calls.

Community Development & Neighborhood Services

- The City was awarded a 2-Year Community Development Block Grant in the cumulative amount of \$1.23 million from the Virginia Department of Housing & Community Development to rehabilitate eligible homes and make utility service enhancements in the Madison Street Neighborhood to improve the quality of life for residents.
- The City’s Shared Services Community Development Department successfully completed the Southampton County and the City of Franklin Comprehensive Plan which was adopted by the Board of Supervisors and Franklin City Council in 2015.
- The City was awarded a \$65,000 Hazard Mitigation Grant from FEMA and the Virginia Department of Emergency Management to improve emergency operation equipment (generator automatic transfer switch) at the City’s Emergency Shelter. The City leveraged matching funds to complete the project which costs approximately \$182,000.

Awards and Recognition

Comprehensive Annual Financial Report

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Franklin, Virginia for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2014. This is the third consecutive year that the City has applied for and received this prestigious award that recognizes conformance with the highest standards for preparation of state and local government financial reports.

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

Future Awards

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

Acknowledgements

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

Respectfully Submitted,



R. Randy Martin
City Manager



Melissa D. Rollins
Director of Finance



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Franklin
Virginia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO

INDEPENDENT AUDITOR'S REPORT

The Honorable Governing Body
City of Franklin, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Franklin, Virginia (the City), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Franklin, Virginia, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, Schedule of Pension Funding Progress, and Schedule of OPEB Funding Progress as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Franklin, Virginia's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2015, on our consideration of the City of Franklin, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The City of Franklin, Virginia's internal control over financial reporting and compliance.

Davis & Associates, PLLC

November 26, 2015
Alexandria, Virginia

Management's Discussion and Analysis Fiscal Year July 1, 2014 – June 30, 2015

This section of the City of Franklin's (the City's) annual financial report presents an overall review of the City's financial activities for the fiscal year ended June 30, 2015. To enhance your understanding of the City's financial performance, please read this discussion and analysis in conjunction with the transmittal letter in the front of this report, the City's basic financial statements, and supplementary information following this section.

FINANCIAL HIGHLIGHTS

General Fund

- The City's real estate tax rate increased from \$0.90 per \$100 of assessed valuation to \$0.96 per \$100 of assessed value. This reflects a \$0.02 increase beyond the revenue neutral rate of \$0.94 based on the 2014 Reassessment.
- Overall, General Fund revenues (less transfers in) increased by \$1.34 million from FY 2014, primarily due to revenue increases in the following areas: (1) general property taxes by \$227,587, (2) other local taxes by \$366,831 or 7% resulting from gains in restaurant meals, cigarette and local sales taxes, (3) miscellaneous revenue by \$426,220 primarily resulting from increased revenue sharing payments and fee revenue associated with late utility payments based on new policy guidelines and (4) charges for services by a net \$52,636 due to increased administrative transfers from the City's Enterprise Funds.
- At the close of FY 2015, unassigned fund balance for the General Fund was \$5.12 million or 20.3% of the FY 2015 total General Fund budget as amended. At the close of FY 2014, the unassigned fund balance of the General Fund was \$4.07 million, or 17.2% of FY 2014 General Fund budget as amended. This represents an increase of \$1.05 mil or 25% in the unassigned fund balance from the prior fiscal year.
- The composition of the \$7.06 million fund balance at the end of the year was 72% unassigned, 14% non-spendable, 7% restricted and 7% assigned. (Less than 1.0% represented committed fund balance).
- The City's restricted, assigned and committed fund balance at the close of FY 2015 was \$874,566, down from \$2.82 million in FY 2014. As a result, the City was able to divert more funds to the unassigned fund balance, which increased the amount of funds available for subsequent expenditure. A portion of the increase in the unassigned fund balance is attributed to a \$354,000 decrease in the committed portion of fund balance for Education based on action taken by City Council to increase the appropriation by this amount prior to June 30, 2015.
- The General Fund, on a current financial resources basis, reported revenues and other financing sources of \$177,563 over expenditures and financing uses. This is after making a \$5.15 million payment to Franklin City Schools, \$130,021 payment to the Airport Fund (Enterprise), \$714,859 to Special Revenue Funds, and \$1,052,411 to the Debt Service Fund. Expenditures decreased by \$355,884 when compared to FY 2014. Public Safety expenditures increased by \$586,786 or 8.5% over FY 2014 as a result of higher regional jail administration cost and fire and rescue departmental costs in which a portion (\$157,000) was reimbursed by state and local grants. The City's transfer to Education increased by \$123,866, or 2.0%, from FY 2014.

Governmental Activities

- The assets of the City of Franklin exceeded its liabilities at the close of fiscal year 2015 by \$27.0 million (net position). Of this amount, \$12.2 million represents an unrestricted net position, which may be used to meet the City's ongoing obligation; \$1.23 million represents a restricted net position for future debt service; \$324,850 is restricted for capital projects; \$695,000 is restricted for community development; and \$60,930 is restricted for public safety. The residual \$13.5 million relates to net investment in capital assets, and is not available for expenditure (Exhibit 1).
- The City's total net position decreased by \$3.8 million from the prior year. Of this amount, the business-type activities net position decreased \$1.6 million while governmental activities net position decreased by \$2.6 million (Exhibit 2).

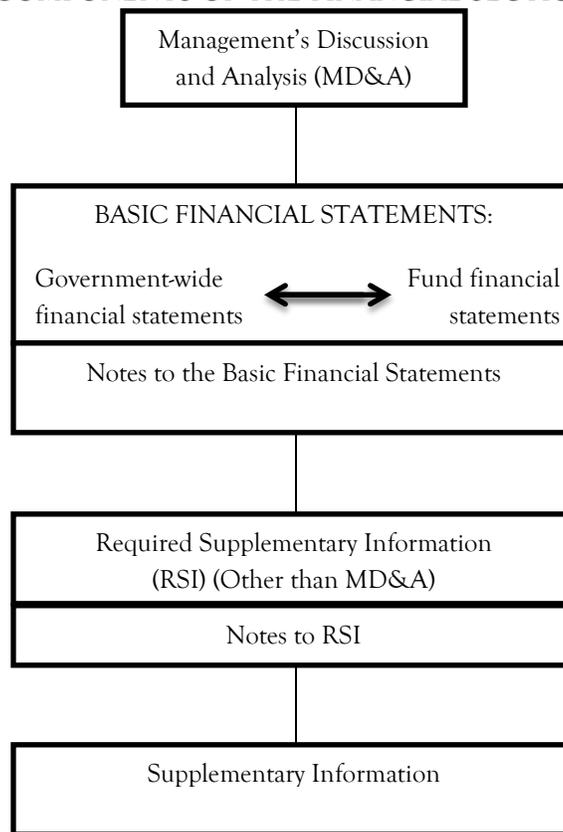
Governmental Activities

- The City’s total outstanding general obligation debt at June 30, 2015, was \$20,540,399. This includes \$4,410,000 in business-activity debt and \$16,130,399 in general government activities (\$8,832,399 is School-related debt and \$7,298,000 is other general government debt - details in Note 7 – Notes to the Financial Statements). The City issued new general obligation debt in FY 2015 in the amount of \$1.816 million to fund school related projects. Prior debt decreased by \$419,284 in governmental activities and \$466,000 in business-type activities.

OVERVIEW OF THE FINANCIAL STATEMENTS

This Comprehensive Annual Financial Report consists of four sections: introductory, financial, statistical and financial compliance reports for federal funds. The financial section consists of three (3) sections: *management discussion and analysis*, basic financial statements and supplementary information. The City’s basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

COMPONENTS OF THE FINANCIAL SECTION



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

OVERVIEW OF THE FINANCIAL STATEMENTS

Government-Wide Financial Statements

Government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business. The *Statement of Net Position* (Exhibit 1) presents information on all City assets and liabilities with the difference between the two reported as *net position*. Over time increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. However, other non-financial factors will need to be considered, such as changes in the City's property tax base and condition of the City's infrastructure. The *Statement of Activities* (Exhibit 2) presents information identifying how net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of when cash is received or paid.

In the *Statement of Net Position* (Exhibit 1) and the *Statement of Activities* (Exhibit 2), the City is divided into the following:

- **Governmental activities** - The City's basic municipal services are reported here and include general government, public safety, highways and streets, community development, public health, and cultural and recreation. These activities are mainly supported by taxes and intergovernmental revenue.
- **Business-type activities** - The City charges user fees to customers to help offset all or most of the cost of the services provided. The business-type activities of the City reported in this section include Water and Sewer Utility, Electric Utility, Solid Waste, and Airport operations. While the Solid Waste, Water & Sewer, and Electric Utility Funds are self-supporting, the City provides general fund support for operation of the Airport.
- **Component Units** - The government-wide financial statements include not only the City itself (known as the Primary Government), but also the following legally separate component units for which the City is financially accountable for providing operating and capital funding: the City of Franklin Public Schools, and the City of Franklin Industrial Development Authority. Financial information for these component units is reported separately from the financial information presented for the primary government and can be found on Exhibits 19 - 24 of this report.

Fund Financial Statements

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS: (CONTINUED)

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

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

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

Proprietary Funds - The City maintains proprietary funds to account for enterprise fund operations that report the same functions as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer, electrical, solid waste and airport operations. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information on each fund and can be found in Exhibits 7, 8 and 9 of this report.

Fiduciary Funds - The fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support City programs. The accounting for fiduciary funds is similar to the proprietary funds. The fiduciary fund financial statement can be found in Exhibit 10 of this report.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found after Exhibit 10 in this report.

Other Information - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary and other supplementary information concerning the City, including financial information of the School Board component unit. Supplementary information can be found in Exhibits 13 - 24 of this report.

OVERVIEW OF THE FINANCIAL STATEMENTS: (CONTINUED)

Government-Wide Financial Statements Analysis

Over time, net position may serve as a useful indicator of a government's financial position. At the close of the most recent fiscal year, the City's assets exceeded its liabilities by \$27,089,480.

STATEMENT OF NET POSITION (Exhibit 1)
For the Fiscal Year Ended June 30, 2015

	Governmental Activities		Business-type Activities		Total	
	FY 2015	FY 2014	FY 2015	FY 2014	FY 2015	FY 2014
Current and other assets	\$ 12,635,473	\$ 11,780,362	\$ 5,202,586	\$ 5,334,506	\$ 17,838,058	\$ 17,114,868
Capital assets	26,792,261	28,265,788	10,812,259	11,488,437	37,604,520	39,754,225
Deferred outflow of resources	-	-	300,969	-	300,969	0
Total assets	\$ 39,427,734	\$ 40,046,151	\$ 16,315,814	\$ 16,822,943	\$ 55,743,548	\$ 56,869,093
Current and other liabilities	\$ 1,236,415	\$ 1,345,650	\$ 3,522,804	\$ 2,342,733	\$ 4,759,219	\$ 3,688,383
Long-term liabilities	18,877,996	17,638,681	4,691,536	5,004,410	23,569,532	22,643,091
Deferred inflow of resources	-	-	325,317	-	325,317	-
Total liabilities	\$ 20,114,411	\$ 18,984,330	\$ 8,539,657	\$ 7,347,143	\$ 28,654,068	\$ 26,331,474
Net assets:						
Invested in capital assets, net of related debt	\$ 7,914,265	\$ 12,910,601	\$ 5,661,019	\$ 6,484,028	\$ 13,575,285	\$ 19,394,629
Restricted	1,237,617	2,595,216	-	-	1,237,617	2,595,216
Unrestricted net assets	10,161,441	5,556,004	2,115,137	2,991,772	12,276,578	8,547,776
Total Net assets	\$ 19,313,323	\$ 21,061,821	\$ 7,776,156	\$ 9,475,800	\$ 27,089,480	\$ 30,537,621

The largest portion of the City's total net position of \$27,089,480 is its \$13,575,285 investment in capital assets (e.g. land, buildings and improvements, machinery and equipment), less any related debt used to acquire or construct those assets that are still outstanding. The City uses these capital assets to provide services to citizens. Consequently, these assets are not available for future spending. The remaining net position of \$13,514,195 is comprised of \$12,276,578 in unrestricted net position, which may be used to meet the City's ongoing obligations, and \$1,237,617 in restricted assets.

The City's financial position includes \$12.27 million, or 45.0% of the net position, as unrestricted net position. The \$10.16 million from governmental activities and \$2.11 million from business-type activities are available to allow the City to provide obligations to citizens and creditors.

OVERVIEW OF THE FINANCIAL STATEMENTS: (CONTINUED)

Statement of Activities

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

CHANGES IN NET POSITION (Exhibit 2)
For the Fiscal Year Ended June 30, 2015

	Governmental Activities		Business-type Activities		Total	
	FY 2015	FY 2014	FY 2015	FY 2014	FY 2015	FY 2014
Revenues						
Program Revenues:						
Charges for Services	\$ 1,705,441	\$ 1,587,000	\$ 20,017,680	\$ 19,688,915	\$ 21,723,121	\$ 21,275,915
Operating grants & contributions	4,188,762	4,036,731	-	-	4,188,762	4,036,731
Capital grants & contributions	-	-	1,113,036	93,223	1,113,036	93,223
General Revenues:						
Real estate & personal property taxes	7,037,730	6,810,144	-	-	7,037,730	6,810,144
Other local taxes	5,586,058	5,198,763	-	-	5,586,058	5,198,763
Revenue sharing from counties	704,969	556,765	-	-	704,969	556,765
Use of money & property	676,115	706,839	-	-	676,115	706,839
Grants & gifts - non-restricted	1,662,463	1,663,516	-	-	1,662,463	1,663,516
Miscellaneous	614,408	438,559	-	-	614,408	438,559
Total Revenues	\$ 22,175,945	\$ 20,998,316	\$ 21,130,716	\$ 19,782,137	\$ 43,306,661	\$ 40,780,453
Expenses						
General government	\$ 1,797,961	\$ 1,581,531	\$ -	\$ -	\$ 1,797,961	\$ 1,581,531
Judicial	320,562	312,767	-	-	320,562	312,767
Public safety	7,924,624	6,806,355	-	-	7,924,624	6,806,355
Public works	3,628,604	3,457,133	-	-	3,628,604	3,457,133
Health and welfare	2,035,529	1,890,689	-	-	2,035,529	1,890,689
Education	6,998,339	5,753,084	-	-	6,998,339	5,753,084
Parks, recreation, cultural	904,944	778,365	-	-	904,944	778,365
Community development	1,431,913	1,714,373	-	-	1,431,913	1,714,373
Interest & fees on long-term debt	463,122	458,420	-	-	463,122	458,420
Nondepartmental	46,326	63,905	-	-	46,326	63,905
Water & Sewer	-	-	3,230,072	2,927,576	3,230,072	2,927,576
Electric	-	-	14,466,480	13,464,599	14,466,480	13,464,599
Solid Waste	-	-	1,394,764	1,319,111	1,394,764	1,319,111
Airport	-	-	1,650,099	631,437	1,650,099	631,437
Total Expenses	\$ 25,551,924	\$ 22,816,622	\$ 20,741,416	\$ 18,342,723	\$ 46,293,341	\$ 41,159,345
Excess of revenue over expenses	\$ (3,375,979)	\$ (1,818,305)	\$ 389,300	\$ 1,439,414	\$ (2,986,679)	\$ (378,892)
Transfers	1,309,870	1,314,660	(1,309,870)	(1,314,660)	-	-
Increase (decrease) in net assets	\$ (2,066,109)	\$ (503,645)	\$ (920,570)	\$ 124,754	\$ (2,986,679)	\$ (378,892)
Net assets - beginning of year - restated	21,379,433	21,565,465	8,696,726	9,351,045	30,076,159	30,916,510
Net assets - ending of year	\$ 19,313,324	\$ 21,061,820	\$ 7,776,156	\$ 9,475,799	\$ 27,089,480	\$ 30,537,619

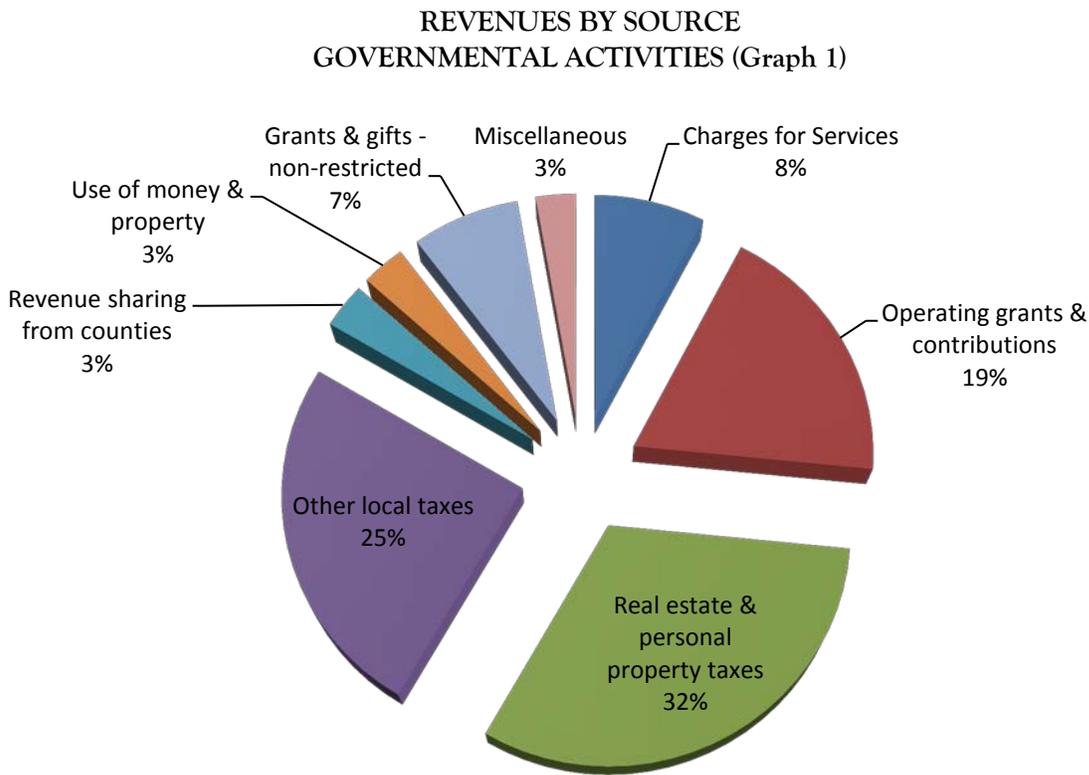
OVERVIEW OF THE FINANCIAL STATEMENTS: (CONTINUED)

Government Activities

Real estate and personal property tax revenue, the City's largest revenue source, totaled \$7.03 million, a 3.3% increase from the previous year at \$6.81 million. The City's real estate tax rate increased to \$0.96 per hundred dollars of assessed valuation from at \$0.90. Personal property was taxed at \$4.50 per \$100 of assessed value and represents \$1.50 million of total general property taxes (excludes tax relief portion of \$1.04 million). Other local tax revenues, which totaled \$5,586,057, consist primarily of local option sales, consumer utility, business license, motor vehicle license, lodging, and meals taxes. The City received \$366,831 or 7.0% more revenue in FY 2015 from these sources.

Revenue Sharing from Counties of \$704,969 represents revenue sharing payments received from Isle of Wight and Southampton Counties as part of annexation and service providing agreements. This is an increase from FY 2014 revenue sharing payments of \$556,765. Charges for services represent revenue received primarily from ambulance services and administration reimbursements from certain General Fund costs of the Enterprise Funds.

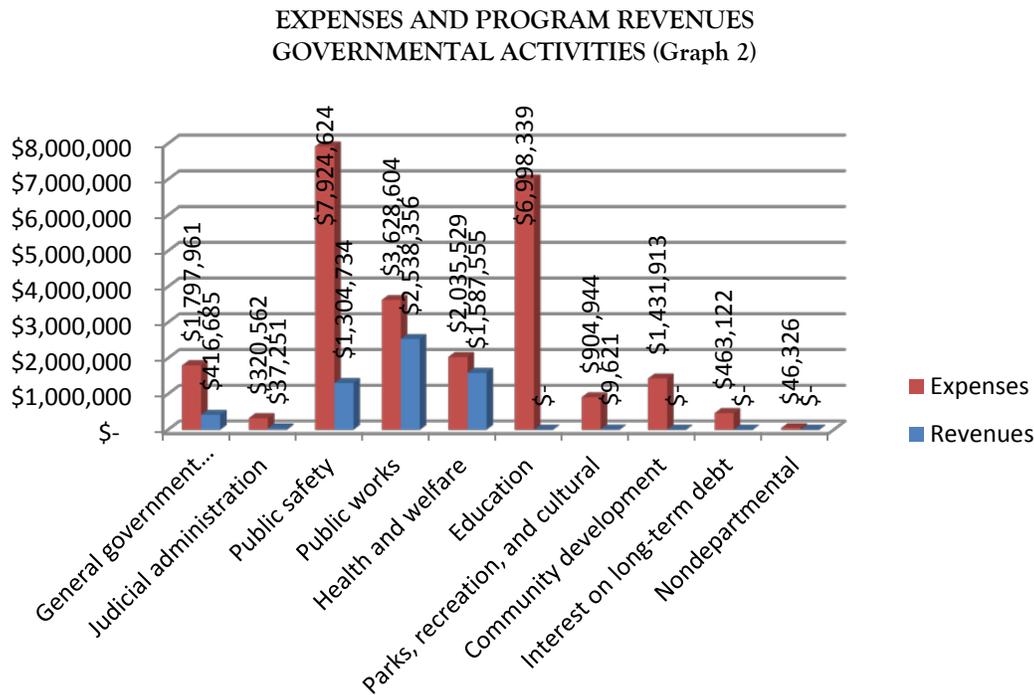
The chart below denotes the major sources of revenue for the governmental funds.



OVERVIEW OF THE FINANCIAL STATEMENTS: (CONTINUED)

Government Activities (CONTINUED)

The City’s expenses for governmental activities cover a wide range of services, with \$7.92 million or 31.0% related to public safety, \$6.99 million or 27.3% for Education and \$3.62 million or 14.2% for public works. Overall, expenses for governmental activities increased \$2.73 million from fiscal year 2014 primarily due to increases of \$216,430 in General Government Administration, \$1.11 million in Public Safety and \$1.24 million in Education. The chart below provides an overview of program expenses and related revenues as reflected in Exhibit 2, the Statement of Activities.



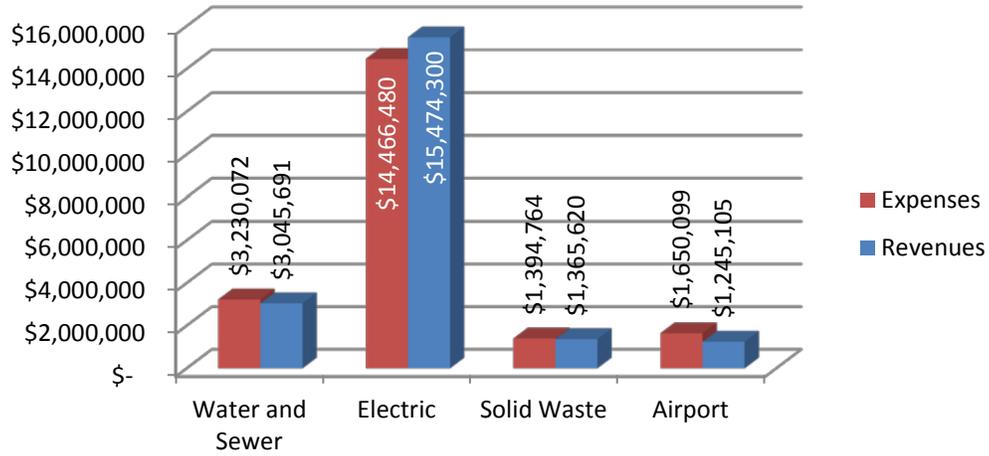
Business-type Activities

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

Business-type activities increased the City’s net position before transfers and capital grants by \$389,300 and after transfers and capital grants decreased net position by \$920,520. Key elements of each fund were: Electric Fund revenue increased \$356,640, or 2.3%, from the prior year due to a rise in charges for services. Revenues totaled \$15,474,300 when compared to \$15,117,660 in FY 2014. Electric Fund operating expenses increased \$1.0 million from the previous year, primarily resulting from increased purchase of goods and services for resale. The Water and Sewer Fund operating revenue remained relative consistent with the prior year at \$3.04 million, while expenditures rose slightly from \$2.9 million to \$3.2 million. Revenues for the Airport fund at \$132,069 decreased from the prior year amount of \$178,450 due to a decline in fuel sales. Expenditures on the other hand significantly increased due to major capital outlay initiatives (runway lighting and weather station upgrades) contributing to a loss before capital grants and transfers of \$(1,388,009). Airport Fund net position decreased by \$274,973. Solid Waste Fund revenue at \$1,365,620 reflects a slight increase from the prior year revenue of \$1,343,522. The funds’ net position decreased overall; the Fund contributed \$30,000 to support Economic Development operations.

Graph 3 below provides a comparison of program expenses and revenues, while Graph 4 denotes revenues by source. Graph 3 denotes revenues and expenses from continuing operations and also includes capital grants or transfers.

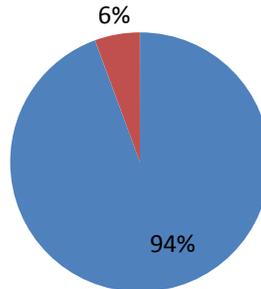
BUSINESS-TYPE FUNDS
Expenses and Program Revenues (Graph 3)



BUSINESS-TYPE ACTIVITIES
Revenues by Source (Graph 4)

Revenues

■ Charges for Services ■ Capital Grants



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

Governmental Funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. At the end of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$11,020,732, compared to \$10,434,713 last year. The various components are discussed below.

General fund. The general fund is the chief operating fund of the City. At the conclusion of the current fiscal year, the combined fund balance totaled \$7,069,202, which reflects a \$177,563 increase over the prior year ending fund balance of \$6,891,635. Of the \$7,069,205 balance, \$5,123,487, or 72.4%, represents unassigned funds, which are available for operations of the government. The remaining \$1,945,718 is allocated among non-spendable, restricted, committed and assigned fund balances. The unassigned fund balance expressed as a percentage of total fund expenditures is a useful measure of the general fund's liquidity. For the fiscal year ended June 30, 2015, this percentage totaled 21.4%, an improvement over the previous year.

Capital projects fund. The capital projects fund accounts for all general government, including schools, construction projects, excluding capital projects related to business-type activities which are accounted for elsewhere. At the end of the current fiscal year, the assigned fund balance totaled \$1,262,261, which is related to school capital expenditures.

Debt service fund. The debt service fund has a restricted fund balance of \$1,864,141, which represents funds purposed to pay future debt service obligations.

Proprietary funds. The City's Propriety Funds (Enterprise Funds) provide the same type of information found in the government-wide financial statements, but in more detail. The City's enterprise funds account for its water and sewer, solid waste, municipal electric, and airport operations. Total net position of the enterprise funds at the end of the current fiscal year totaled \$7,776,156, a decrease of \$920,570 over the prior balance of \$8,696,726. Information supporting the analysis of the proprietary funds was discussed previously.

GENERAL FUND BUDGETARY HIGHLIGHTS

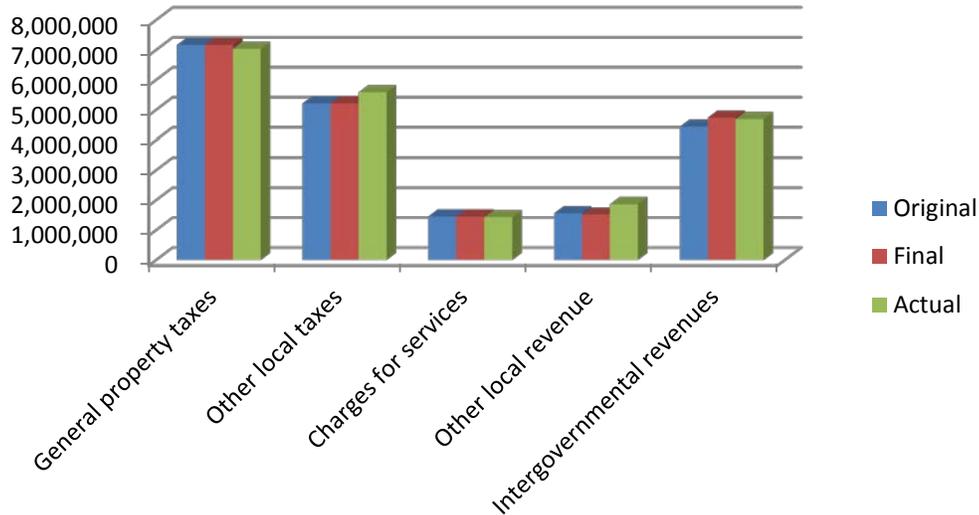
The City's annual budget, which is prepared on an operating basis, includes estimated revenues and annual appropriations. Annual operating budgets are adopted by ordinance for the General Fund, Debt Service Fund, Water & Sewer Fund, Solid Waste, Electric Fund, Airport Fund and several Special Revenue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

During the year, City Council revised the budget on several occasions to include the appropriation of prior year reserves, grants, donations, and other revenues. Actual expenditures varied significantly from the final budgeted amount for the General Fund. The actual contribution to the local school board was \$494,643 lower than the budgeted amount. Additionally, expenditures for General Government Administration and Public Works were \$339,611 and \$520,541, below budget, respectively. General Government expenditures were less than budget primarily due to position vacancies and capital project funds appropriated but not spent in information technology. Public Works savings were the result of unspent capital outlay funds.

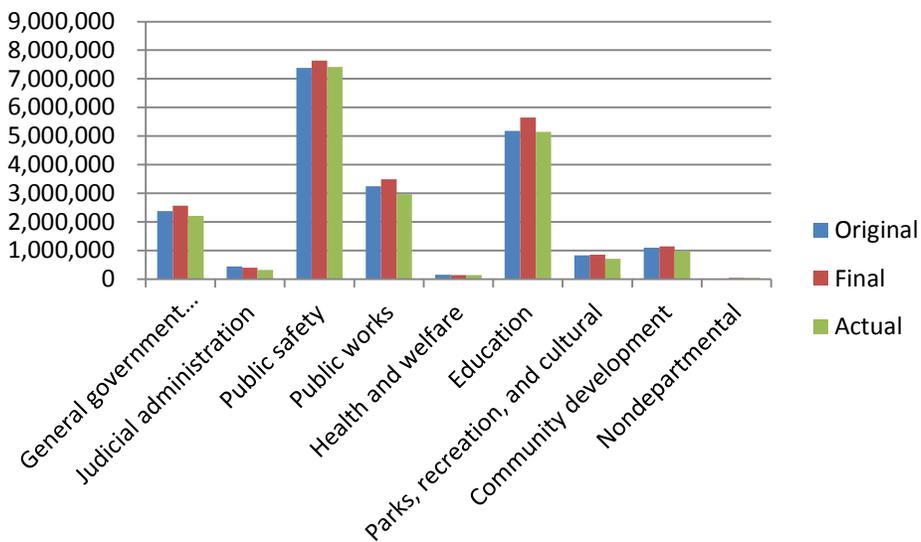
GENERAL FUND BUDGETARY HIGHLIGHTS: (CONTINUED)

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

GENERAL FUND REVENUE
 Comparison of Budget to Actual
 Fiscal Year 2014-2015 (Graph 5)



GENERAL FUND EXPENDITURES
 Comparison of Budget to Actual
 Fiscal Year 2014-2015 (Graph 6)



GENERAL FUND BUDGETARY HIGHLIGHTS: (CONTINUED)

The difference between the original budget and the final amended budget for the City's General Fund expenditures was approximately \$1.2 million representing an increase in appropriations. The variance is mainly due to the following appropriations and anticipated expenditures made during FY 2015:

- \$185,000 – increase appropriation of loan proceeds for capital projects in Information Technology
- \$220,000 – increase in appropriation for street paving and improvement projects
- \$ 55,000 – increased appropriation of Generator Hookup Grant in Community Development
- \$ 50,000 – police department grant to cover vehicle acquisition
- \$150,000 – Emergency 911 Communications Wireless Grant for equipment upgrades
- \$462,465 – increase in appropriation for School Operations

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, 2015, totaled \$37,604,520 net of accumulated depreciation. Investment in capital assets includes land and easements, buildings, improvements other than buildings, infrastructure, machinery and equipment, and construction in progress. The current year reduction in capital assets of \$2,149,704 is primarily due to depreciation expense, which totaled \$1,819,920 in the governmental activities and \$777,823 in the proprietary activities. School board capital assets are not included in the schedule below. Additional details on school board capital assets can be located in Note 6 to the financial statements.

The following table summarizes capital assets, net of depreciation:

	Governmental Activities		Business Type Activities		Total	
	FY 2015	FY 2014	FY 2015	FY 2014	FY 2015	FY 2014
Land	\$ 5,159,209	\$ 5,159,209	\$ 879,726	\$ 110,101	\$ 6,038,935	\$ 5,269,310
Construction in progress	-	-	820,193	820,193	820,193	820,193
Buildings	11,725,326	12,402,668	108,801	148,888	11,834,127	12,551,556
Improvements other than buildings	1,137,502	1,233,438	-	-	1,137,502	1,233,438
Machinery and equipment	2,452,827	2,672,895	2,508,736	1,993,364	4,961,562	4,666,259
Infrastructure	3,555,940	4,133,882	6,494,804	8,415,891	10,050,744	12,549,773
Allocations of Component Units	2,761,458	2,663,696	-	-	2,761,458	2,663,696
Totals	\$ <u>26,792,261</u>	\$ <u>28,265,788</u>	\$ <u>10,812,259</u>	\$ <u>11,488,437</u>	\$ <u>37,604,520</u>	\$ <u>39,754,225</u>

Debt Administration. The City's total outstanding general obligation debt at June 30, 2015 was \$20,540,399. Of this total, \$15,888,999 is considered to be tax supported debt. This includes \$7,016,399 in School-related debt and \$8,872,600 of general government debt. The remaining \$4,651,400 is related to Enterprise Fund (water & sewer, electric, and solid waste) debt, which is directly supported by revenues generated from operations and not supported by taxes. Additional details on the long-term debt activity can be located in Note 7, Long-Term Obligations, Page 55.

CAPITAL ASSETS AND DEBT ADMINISTRATION: (CONTINUED)

State statutes limit the amount of general obligation debt a government may issue to 10% of its total assessed valuation of real and public service corporations. The City's ratio of net bonded debt to assessed value totals 2.35% (see Table 15).

	<u>FY 2015</u>	<u>FY 2014</u>
General Government Activities:		
Bonds Payable - General	\$ 8,872,600	\$ 7,676,720
School Related Bonds & Notes	<u>7,016,399</u>	<u>7,410,575</u>
Total Tax Supported Debt	\$ <u>15,888,999</u>	\$ <u>15,087,295</u>
 Business-type Activities:		
Total Long -Term Debt	\$ <u>4,651,400</u>	\$ <u>4,876,000</u>
 Per Capita Tax Supported	\$ <u>1,851</u>	\$ <u>1,758</u>
Total Per Capita Debt	\$ <u><u>2,424</u></u>	\$ <u><u>2,326</u></u>

ECONOMIC FACTORS & NEXT YEAR'S BUDGETS AND RATES

- The June 30, 2015 unemployment rate for the City of Franklin was 7.6% compared to 5.3% for Virginia and the national rate of 6.1%. The June 30, 2014 unemployment rate for the City of Franklin was 9.2%, compared to the state's unemployment rate of 5.6% and the average national rate of 7.6%.
- In FY 15-16, the City's real estate tax rate increased from \$0.96 cents per \$100 of assessed valuation to \$0.99 cents. The increase in the tax rate was necessitated by an increase in jail administration costs, City Council's commitment to provide a 2.0% cost of living adjustment to employees and to increase the base local appropriation to the School Division in FY 2015-2016.

REQUEST FOR INFORMATION

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

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CITY OF FRANKLIN
Statement of Net Position
June 30, 2015

Exhibit 1

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	Industrial Development Authority
ASSETS					
Cash and cash Equivalents	\$ 7,930,324	\$ 3,834,739	\$ 11,765,063	\$ 685,321	\$ 14,313
Receivables (net of allowance for uncollectibles):					
Property taxes receivable	747,122	-	747,122	-	-
Accounts receivable	389,203	2,312,722	2,701,925	57,792	-
Internal balances	969,874	(969,874)	-	-	-
Due from other governmental units	734,809	-	734,809	906,803	-
Inventories	-	24,999	24,999	11,405	-
Prepaid expenses	-	-	-	-	-
Restricted assets:					
Temporarily restricted:					
Cash and cash equivalents	1,864,141	-	1,864,141	-	-
Other assets:					
Deposits	-	-	-	-	-
Capital assets (net of accumulated depreciation):					
Land	5,159,209	879,726	6,038,935	-	-
Construction in progress	-	820,193	820,193	-	-
Land improvements	-	-	-	50,596	-
Buildings	14,486,784	108,801	14,595,585	4,703,760	-
Improvements other than buildings	1,137,502	-	1,137,502	-	-
Machinery and equipment	2,452,827	2,508,736	4,961,562	601,637	-
Infrastructure	3,555,940	6,494,804	10,050,744	3,841,072	-
Total assets	\$ 39,427,734	\$ 16,014,845	\$ 55,442,579	\$ 10,858,385	\$ 14,313
Deferred Outflow of Resources:					
Deferred outflow of resources - pension	\$ -	\$ 141,628	\$ 141,628	\$ -	\$ -
Deferred outflow - loss on refunding	-	159,341	159,341	-	-
Total Deferred Outflow of Resources	\$ -	\$ 300,969	\$ 300,969	\$ -	\$ -
Total Assets and Deferred Outflow of Resources	\$ 39,427,734	\$ 16,315,814	\$ 55,743,548	\$ 10,858,385	\$ 14,313
LIABILITIES					
Reconciled overdraft	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable and accrued liabilities	1,175,153	1,517,121	2,692,274	1,126,221	-
Customers' deposits	-	659,574	659,574	-	-
Accrued interest payable	-	65,866	65,866	-	-
Deposits held in escrow	61,262	-	61,262	-	-
Net Pension Liability	-	820,539	820,539	-	-
Long-term liabilities:					
Due within one year	1,094,153	459,704	1,553,857	242,248	-
Due in more than one year	17,783,843	4,691,536	22,475,379	135,055	-
Total liabilities	\$ 20,114,411	\$ 8,214,340	\$ 28,328,751	\$ 1,503,524	\$ -
Deferred Inflow of Resources:					
Pension	-	325,317	325,317	-	-
Total Deferred Inflow of Resources	\$ -	\$ 325,317	\$ 325,317	\$ -	\$ -
Total Liabilities and Deferred Inflow of Resources	\$ 20,114,411	\$ 8,539,657	\$ 28,654,068	\$ 1,503,524	\$ -
NET POSITION					
Net investment in capital assets	\$ 7,914,265	\$ 5,661,019	\$ 13,575,285	\$ 9,197,064	\$ -
Restricted for:					
Debt service	156,673	-	156,673	-	-
Capital projects	324,850	-	324,850	-	-
Community development	695,164	-	695,164	-	-
Public safety and parks and recreation	60,930	-	60,930	-	-
Unrestricted (deficit)	10,161,441	2,115,137	12,276,578	157,797	14,313
Total net position	19,313,323	7,776,156	27,089,480	9,354,861	14,313
Total liabilities and net position	\$ 39,427,734	\$ 16,315,814	\$ 55,743,548	\$ 10,858,385	\$ 14,313

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

	Net (Expense) Revenue and Changes in Net Position				
	Primary Government			Component Units	
	Governmental Activities	Business- type Activities	Total	School Board	Industrial Development Authority
	\$ (1,381,275)	\$ -	\$ (1,381,275)	\$ -	\$ -
	(283,311)	-	(283,311)	-	-
	(6,619,890)	-	(6,619,890)	-	-
	(1,090,248)	-	(1,090,248)	-	-
	(447,974)	-	(447,974)	-	-
	(6,998,339)	-	(6,998,339)	-	-
	(895,323)	-	(895,323)	-	-
	(1,431,913)	-	(1,431,913)	-	-
	(463,122)	-	(463,122)	-	-
	(46,326)	-	(46,326)	-	-
	<u>\$ (19,657,721)</u>	<u>\$ -</u>	<u>\$ (19,657,721)</u>	<u>\$ -</u>	<u>\$ -</u>
	\$ -	\$ (184,382)	\$ (184,382)	\$ -	\$ -
	-	(29,144)	(29,144)	-	-
	-	1,007,819	1,007,819	-	-
	-	(404,994)	(404,994)	-	-
	<u>\$ -</u>	<u>\$ 389,300</u>	<u>\$ 389,300</u>	<u>\$ -</u>	<u>\$ -</u>
	<u>\$ (19,657,721)</u>	<u>\$ 389,300</u>	<u>\$ (19,268,422)</u>	<u>\$ -</u>	<u>\$ -</u>
	\$ -	\$ -	\$ -	\$ (5,119,046)	\$ -
	-	-	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (5,119,046)</u>	<u>\$ -</u>
General revenues:					
General property taxes	\$ 7,037,730	\$ -	\$ 7,037,730	\$ -	\$ -
Local sales and use taxes	1,767,063	-	1,767,063	-	-
Restaurant food taxes	1,439,601	-	1,439,601	-	-
Business licenses	921,270	-	921,270	-	-
Consumers' utility taxes	576,452	-	576,452	-	-
Other local taxes	881,671	-	881,671	-	-
Revenue sharing from counties	704,969	-	704,969	-	-
Unrestricted revenues from use of money and property	676,115	-	676,115	112,418	1
Miscellaneous	614,408	-	614,408	215,219	-
Contribution from City of Franklin	-	-	-	5,150,991	-
Grants and contributions not restricted to specific programs	1,662,463	-	1,662,463	-	-
Transfers	1,309,870	(1,309,870)	-	-	-
Total general revenues	<u>\$ 17,591,612</u>	<u>\$ (1,309,870)</u>	<u>\$ 16,281,742</u>	<u>\$ 5,478,627</u>	<u>\$ 1</u>
Change in net position	\$ (2,066,109)	\$ (920,570)	\$ (2,986,679)	\$ 359,581	\$ 1
Net position - beginning, as restated	21,379,433	8,696,726	30,076,159	8,995,280	14,308
Net position - ending	<u>\$ 19,313,324</u>	<u>\$ 7,776,156</u>	<u>\$ 27,089,480</u>	<u>\$ 9,354,861</u>	<u>\$ 14,309</u>

CITY OF FRANKLIN, VIRGINIA

Exhibit 3

Balance Sheet

Governmental Funds

June 30, 2015

	General	Virginia Public Assistance	Capital Projects	Debt Service	Other Governmental Funds	Total
ASSETS						
Cash and cash equivalents	\$ 5,802,330	\$ -	\$ 1,478,818	\$ -	\$ 737,579	\$ 8,018,726
Receivables (net of allowance for uncollectibles)						
Property taxes receivable	747,122	-	-	-	-	747,122
Accounts receivable	304,241	-	-	-	84,962	389,203
Due from other funds	969,874	-	-	-	-	969,874
Due from other governmental units	590,642	100,678	-	-	43,489	734,809
Restricted assets:						
Cash and cash equivalents	-	-	-	1,864,141	-	1,864,141
Total assets	<u>\$ 8,414,208</u>	<u>\$ 100,678</u>	<u>\$ 1,478,818</u>	<u>\$ 1,864,141</u>	<u>\$ 866,031</u>	<u>\$ 12,723,875</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Reconciled overdraft	\$ -	\$ 43,447	\$ -	\$ -	\$ 44,956	\$ 88,403
Accounts payable and accrued liabilities	842,033	57,232	216,557	-	59,331	1,175,153
Unearned revenue	456,469	-	-	-	-	456,469
Deposits held in escrow	46,500	-	-	-	14,762	61,262
Total liabilities	<u>\$ 1,345,002</u>	<u>\$ 100,678</u>	<u>\$ 216,557</u>	<u>\$ -</u>	<u>\$ 119,049</u>	<u>\$ 1,781,286</u>
Fund balances:						
Nonspendable:						
Inventory and prepaids	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Long-term receivables - Airport	969,874	-	-	-	-	969,874
Restricted:						
Public safety	11,957	-	-	-	48,973	60,930
Community development	-	-	-	-	695,164	695,164
Debt service	156,673	-	-	-	-	156,673
Capital projects	324,850	-	-	-	-	324,850
Committed:						
General government	7,336	-	-	-	-	7,336
Assigned:						
Capital projects	-	-	1,262,261	-	-	1,262,261
Debt service	475,028	-	-	1,864,141	-	2,339,169
Unassigned:						
General fund	5,123,487	-	-	-	-	5,123,487
Special revenue fund	-	-	-	-	2,845	2,845
Total fund balances	<u>\$ 7,069,205</u>	<u>\$ -</u>	<u>\$ 1,262,261</u>	<u>\$ 1,864,141</u>	<u>\$ 746,982</u>	<u>\$ 10,942,589</u>
Total liabilities and fund balances	<u>\$ 8,414,208</u>	<u>\$ 100,678</u>	<u>\$ 1,478,818</u>	<u>\$ 1,864,141</u>	<u>\$ 866,031</u>	<u>\$ 12,723,875</u>

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

CITY OF FRANKLIN, VIRGINIA
Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Position
June 30, 2015

Exhibit 4

Total Fund Balances from Exhibit 3 - Balance Sheet Governmental Funds	\$	10,942,589
Capital Assets are Not Included	\$	26,792,261
Other Long-Term Assets	\$	456,469
Long-Term Liabilities	\$	<u>(18,877,996)</u>
Net Assets of Governmental Activities	\$	<u><u>19,313,323</u></u>

CITY OF FRANKLIN, VIRGINIA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2015

Exhibit 5

	General	Virginia Public Assistance	Capital Projects	Debt Service	Other Governmental Funds	Total
REVENUES						
General property taxes	\$ 7,037,730	\$ -	\$ -	\$ -	\$ -	\$ 7,037,730
Other local taxes	5,586,058	-	-	-	-	5,586,058
Permits, privilege fees, and regulatory licenses	239,299	-	-	-	-	239,299
Fines and forfeitures	32,553	-	-	-	-	32,553
Revenue from the use of money and property	247,184	-	2,396	46,838	136,798	433,216
Charges for services	1,433,589	-	-	-	-	1,433,589
Miscellaneous	1,106,532	28,308	-	-	184,537	1,319,377
Recovered costs	242,899	-	-	-	-	242,899
Intergovernmental revenues:						
Commonwealth	4,212,661	364,871	-	-	179,079	4,756,610
Federal	477,838	822,257	-	-	12,887	1,312,982
Total revenues	<u>\$ 20,616,343</u>	<u>\$ 1,215,435</u>	<u>\$ 2,396</u>	<u>\$ 46,838</u>	<u>\$ 513,301</u>	<u>\$ 22,394,313</u>
EXPENDITURES						
Current:						
General government administration	\$ 2,211,912	\$ -	\$ -	\$ -	\$ -	\$ 2,211,912
Judicial administration	320,562	-	-	-	-	320,562
Public safety	7,416,152	-	-	-	121,457	7,537,609
Public works	2,970,313	-	-	-	-	2,970,313
Health and welfare	145,198	1,621,018	-	-	224,220	1,990,435
Education	5,150,991	-	1,741,776	-	-	6,892,767
Parks, recreation, and cultural	712,031	-	-	-	15,978	728,009
Community development	977,894	-	-	-	454,019	1,431,913
Nondepartmental	46,326	-	-	-	-	46,326
Debt service:						
Principal retirement	-	-	-	419,284	-	419,284
Interest and other fiscal charges	-	-	-	463,122	-	463,122
Total expenditures	<u>\$ 19,951,380</u>	<u>\$ 1,621,018</u>	<u>\$ 1,741,776</u>	<u>\$ 882,406</u>	<u>\$ 815,673</u>	<u>\$ 25,012,253</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 664,963</u>	<u>\$ (405,582)</u>	<u>\$ (1,739,380)</u>	<u>\$ (835,568)</u>	<u>\$ (302,372)</u>	<u>\$ (2,617,940)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	\$ 1,409,891	\$ 405,582	\$ -	\$ 1,052,411	\$ 339,277	\$ 3,207,161
Transfers (out)	(1,897,291)	-	-	-	-	(1,897,291)
Issuance of additional debt	-	-	1,816,000	-	-	1,816,000
Total other financing sources (uses)	<u>\$ (487,400)</u>	<u>\$ 405,582</u>	<u>\$ 1,816,000</u>	<u>\$ 1,052,411</u>	<u>\$ 339,277</u>	<u>\$ 3,125,870</u>
Net change in fund balances	\$ 177,563	\$ -	\$ 76,620	\$ 216,843	\$ 36,905	\$ 507,930
Fund balances - beginning, as restated	6,891,639	-	1,185,642	1,647,298	710,077	10,434,656
Fund balances - ending	<u>\$ 7,069,202</u>	<u>\$ -</u>	<u>\$ 1,262,263</u>	<u>\$ 1,864,141</u>	<u>\$ 746,981</u>	<u>\$ 10,942,587</u>

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

CITY OF FRANKLIN, VIRGINIA
 Reconciliation of Statement of Revenues, Expenditures,
 And Changes in Fund Balances of Governmental Funds
 To the Statement of Activities
 For the Year Ended June 30, 2015

Exhibit 6

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

Net change in fund balances - total governmental funds	\$ 507,930
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The following is a computation of these differences.

Capital asset additions	\$ 346,393	
Depreciation expense	<u>(1,819,920)</u>	(1,473,526)

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

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 premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This following is the net effect of these differences in the treatment of long-term debt and related items.

Issuance of long-term debt, net of premiums and deferred amount on refunding	\$ (1,816,000)	
Principal payments	419,284	
Premium on bond issue and Interest Charges	(27,201)	
Deferred amount on refunding	<u>-</u>	(1,423,917)

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	\$ (22,749)	
Other postemployment benefits	(24,990)	
Accrued interest	<u>371,144</u>	<u>323,405</u>

Change in net assets of governmental activities		<u><u>(2,066,109)</u></u>
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The accompanying notes to the financial statements are an integral part of this statement

CITY OF FRANKLIN, VIRGINIA
Statement of Net Position
Proprietary Funds
June 30, 2015

Exhibit 7

	Water and Sewer Fund	Solid Waste Fund	Electric Fund	Airport Fund	Total
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 2,199,681	\$ 489,888	\$ 1,170,283	\$ (25,114)	\$ 3,834,739
Accounts receivable, net of allowances for uncollectibles	295,556	75,027	1,739,041	203,098	2,312,722
Inventories				24,999	24,999
Total current assets	<u>\$ 2,495,238</u>	<u>\$ 564,915</u>	<u>\$ 2,909,324</u>	<u>\$ 202,982</u>	<u>\$ 6,172,459</u>
Noncurrent assets:					
Capital assets:					
Land	-	-	-	179,258	179,258
Construction in progress	820,193	-	-	700,468	1,520,661
Buildings and improvements	-	-	34,966	1,415,026	1,449,992
Equipment and furniture/fixtures	1,888,160	1,209,661	2,252,910	434,817	5,785,548
Infrastructure	14,131,308	223,500	13,183,088	5,608,554	33,146,450
Less: accumulated depreciation	(14,149,476)	(1,057,555)	(11,568,486)	(4,494,133)	(31,269,649)
Total capital assets	<u>\$ 2,690,184</u>	<u>\$ 375,606</u>	<u>\$ 3,902,479</u>	<u>\$ 3,843,990</u>	<u>\$ 10,812,259</u>
Total assets	<u>\$ 5,185,422</u>	<u>\$ 940,521</u>	<u>\$ 6,811,803</u>	<u>\$ 4,046,972</u>	<u>\$ 16,984,719</u>
Deferred Outflow of Resources:					
Deferred outflow of resources - pension	\$ 58,759	\$ 22,861	\$ 50,845	\$ 9,164	\$ 141,628
Deferred outflow - loss on refunding	82,515	-	76,825	-	159,341
Total Deferred Outflow of Resources	<u>\$ 141,274</u>	<u>\$ 22,861</u>	<u>\$ 127,670</u>	<u>\$ 9,164</u>	<u>\$ 300,969</u>
Total Assets and Deferred Outflow of Resources	<u>\$ 5,326,696</u>	<u>\$ 963,382</u>	<u>\$ 6,939,473</u>	<u>\$ 4,056,136</u>	<u>\$ 17,285,688</u>
LIABILITIES					
Current liabilities:					
Reconciled overdraft	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable and accrued liabilities	151,022	69,841	1,119,597	176,661	1,517,121
Customers' deposits	-	-	672,207	(12,633)	659,574
Accrued interest payable	40,319	2,423	-	23,124	65,866
Due to other funds	-	-	-	969,874	969,874
Net Pension Liability	287,332	111,986	376,331	44,890	820,539
Current portion of long-term liabilities	238,000	21,704	200,000	-	459,704
Total current liabilities	<u>\$ 716,673</u>	<u>\$ 205,954</u>	<u>\$ 2,368,135</u>	<u>\$ 1,201,916</u>	<u>\$ 4,492,678</u>
Noncurrent liabilities:					
Long-term liabilities - less current portion	\$ 2,668,749	\$ 303,469	\$ 1,703,107	\$ 16,211	\$ 4,691,536
Total noncurrent liabilities	<u>\$ 2,668,749</u>	<u>\$ 303,469</u>	<u>\$ 1,703,107</u>	<u>\$ 16,211</u>	<u>\$ 4,691,536</u>
Total liabilities	<u>\$ 3,385,422</u>	<u>\$ 509,423</u>	<u>\$ 4,071,242</u>	<u>\$ 1,218,127</u>	<u>\$ 9,184,214</u>
Deferred Inflow of Resources:					
Pension	114,634	44,600	149,880	16,203	325,317
Total Deferred Inflow of Resources	<u>\$ 114,634</u>	<u>\$ 44,600</u>	<u>\$ 149,880</u>	<u>\$ 16,203</u>	<u>\$ 325,317</u>
Total Liabilities and Deferred Inflow of Resources	<u>\$ 3,500,056</u>	<u>\$ 554,023</u>	<u>\$ 4,221,122</u>	<u>\$ 1,234,330</u>	<u>\$ 9,509,531</u>
NET POSITION					
Net investment in capital assets	\$ (216,565)	\$ 50,433	\$ 1,999,372	\$ 3,827,779	\$ 5,661,019
Restricted					
Unrestricted	2,043,205	358,926	718,979	(1,005,973)	2,115,137
Total net position	<u>\$ 1,826,640</u>	<u>\$ 409,359</u>	<u>\$ 2,718,351</u>	<u>\$ 2,821,806</u>	<u>\$ 7,776,156</u>
Total liabilities and net position	<u>\$ 5,326,696</u>	<u>\$ 963,382</u>	<u>\$ 6,939,473</u>	<u>\$ 4,056,136</u>	<u>\$ 17,285,687</u>

CITY OF FRANKLIN, VIRGINIA

Exhibit 8

Statement of Revenues, Expenses, and Changes in Net Position

Proprietary Funds

For the Year Ended June 30, 2015

	Water and Sewer Fund	Solid Waste Fund	Electric Fund	Airport Fund	Total
OPERATING REVENUES					
Charges for services	\$ 3,038,160	\$ 1,365,620	\$ 15,461,639	\$ 130,654	\$ 19,996,074
Miscellaneous	7,531	-	12,661	1,415	21,607
Total operating revenues	<u>\$ 3,045,691</u>	<u>\$ 1,365,620</u>	<u>\$ 15,474,300</u>	<u>\$ 132,069</u>	<u>\$ 20,017,680</u>
OPERATING EXPENSES					
Personal services	\$ 543,710	\$ 205,319	\$ 642,505	\$ 76,688	\$ 1,468,222
Benefits	176,522	87,427	205,638	27,311	496,898
Contractual services	69,143	-	202,939	-	272,081
Other charges	1,643,676	787,283	12,416,740	1,243,100	16,090,799
Payment to general fund for services and taxes	312,380	195,389	499,500	18,863	1,026,132
Depreciation and amortization	356,751	91,290	398,177	284,137	1,130,354
Total operating expenses	<u>\$ 3,102,181</u>	<u>\$ 1,366,708</u>	<u>\$ 14,365,498</u>	<u>\$ 1,650,099</u>	<u>\$ 20,484,487</u>
Operating income (loss)	<u>\$ (56,491)</u>	<u>\$ (1,088)</u>	<u>\$ 1,108,801</u>	<u>\$ (1,518,030)</u>	<u>\$ (466,807)</u>
NONOPERATING REVENUES (EXPENSES)					
Interest expense	\$ 127,891	\$ 28,056	\$ 100,982	\$ -	\$ 256,929
Total nonoperating revenues (expenses)	<u>\$ 127,891</u>	<u>\$ 28,056</u>	<u>\$ 100,982</u>	<u>\$ -</u>	<u>\$ 256,929</u>
Income before capital grants and transfers	<u>\$ (184,382)</u>	<u>\$ (29,144)</u>	<u>\$ 1,007,819</u>	<u>\$ (1,518,030)</u>	<u>\$ (723,736)</u>
Capital grants:					
Commonwealth	\$ -	\$ -	\$ -	\$ 174,074	\$ 174,074
Federal	-	-	-	938,962	938,962
Transfers in	-	-	-	130,021	130,021
Transfers (out)	-	(30,000)	(1,409,891)	-	(1,439,891)
Change in net position	<u>\$ (184,382)</u>	<u>\$ (59,144)</u>	<u>\$ (402,072)</u>	<u>\$ (274,973)</u>	<u>\$ (920,570)</u>
Total net position - beginning, as restated	<u>2,011,022</u>	<u>468,503</u>	<u>3,120,422</u>	<u>3,096,779</u>	<u>8,696,726</u>
Total net position - ending	<u><u>\$ 1,826,640</u></u>	<u><u>\$ 409,359</u></u>	<u><u>\$ 2,718,350</u></u>	<u><u>\$ 2,821,806</u></u>	<u><u>\$ 7,776,156</u></u>

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

CITY OF FRANKLIN, VIRGINIA
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2015

Exhibit 9

	<u>Water and Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Electric Fund</u>	<u>Airport Fund</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	\$ 3,032,132	\$ 1,290,594	\$ 15,217,486	\$ (38,018)	\$ 19,502,193
Payments to suppliers for goods and services	(2,051,460)	(912,831)	(13,002,613)	(1,079,019)	(17,045,922)
Payments to and on behalf of employees	<u>(720,232)</u>	<u>(292,746)</u>	<u>(848,143)</u>	<u>(103,999)</u>	<u>(1,965,120)</u>
Net cash provided (used) by operating activities	\$ <u>260,440</u>	\$ <u>85,017</u>	\$ <u>1,366,730</u>	\$ <u>(1,221,037)</u>	\$ <u>491,150</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers (to) other funds	\$ -	\$ (30,000)	\$ (1,409,891)	\$ -	\$ (1,439,891)
Transfers from other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>130,021</u>	<u>130,021</u>
Net cash provided (used) by noncapital financing activities	\$ <u>-</u>	\$ <u>(30,000)</u>	\$ <u>(1,409,891)</u>	\$ <u>130,021</u>	\$ <u>(1,309,870)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Capital grants	\$ -	\$ -	\$ -	\$ 1,113,036	\$ 1,113,036
Interest paid on capital debt	<u>(127,891)</u>	<u>(28,056)</u>	<u>(100,982)</u>	<u>-</u>	<u>(256,929)</u>
Net cash provided (used) by capital and related financing activities	\$ <u>(127,891)</u>	\$ <u>(28,056)</u>	\$ <u>(100,982)</u>	\$ <u>1,113,036</u>	\$ <u>856,107</u>
Net increase (decrease) in cash and cash equivalents	\$ 132,549	\$ 26,960	\$ (144,143)	\$ 22,021	\$ 37,387
Cash and cash equivalents - beginning	<u>2,067,132</u>	<u>462,928</u>	<u>1,314,426</u>	<u>(47,135)</u>	<u>3,797,351</u>
Cash and cash equivalents - ending	\$ <u><u>2,199,681</u></u>	\$ <u><u>489,888</u></u>	\$ <u><u>1,170,283</u></u>	\$ <u><u>(25,114)</u></u>	\$ <u><u>3,834,738</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ <u>(56,491)</u>	\$ <u>(1,088)</u>	\$ <u>1,108,801</u>	\$ <u>(1,518,030)</u>	\$ <u>(466,807)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation expense	\$ 356,751	\$ 91,290	\$ 398,177	\$ 284,137	\$ 1,130,354
(Increase) decrease in accounts receivable	(13,559)	(75,027)	(261,086)	(182,721)	(532,393)
(Increase) decrease in inventories	-	-	-	15,752	15,752
Increase (decrease) in accounts payable and accrued liabilities	(26,261)	69,841	116,566	167,192	327,338
Increase (decrease) in customer deposits	<u>-</u>	<u>-</u>	<u>4,272</u>	<u>12,633</u>	<u>16,905</u>
Total adjustments	\$ <u>316,931</u>	\$ <u>86,104</u>	\$ <u>257,929</u>	\$ <u>296,994</u>	\$ <u>957,957</u>
Net cash provided (used) by operating activities	\$ <u><u>260,440</u></u>	\$ <u><u>85,017</u></u>	\$ <u><u>1,366,730</u></u>	\$ <u><u>(1,221,037)</u></u>	\$ <u><u>491,150</u></u>

CITY OF FRANKLIN, VIRGINIA
Statement of Fiduciary Net Position
Agency Funds
June 30, 2015

Exhibit 10

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 108,537
Total assets	\$ <u>108,537</u>
LIABILITIES	
Amounts held for others	\$ 108,537
Total liabilities	\$ <u>108,537</u>
NET POSITION	
Total net position	\$ -
Total liabilities and net position	\$ <u>108,537</u>

CITY OF FRANKLIN, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS AS OF JUNE 30, 2015

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 require financial statements to be accompanied by a narrative introduction of the basic financial statements and an analytical overview of the government's financial activities in the form of Management's Discussion and Analysis (MD&A).

Government-wide Financial Statements

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

Statement of Net Position

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

Statement of Activities

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

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

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

Government-Wide and Fund Accounting Financial Statements

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

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

specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

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

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

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

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

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

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

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

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

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

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

eligible expenditures are incurred. Expenditures, other than accrued interest on long-term debt, are recorded when the fund liability is incurred.

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

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

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

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

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

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

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

Governmental Funds

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

General Fund

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

Special Revenue Funds

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

Virginia Public Assistance Fund – accounts for revenues and expenditures related to services provided by the Department of Social Services. Most revenues are derived from the Commonwealth of Virginia and the federal government. This fund is considered a major fund.

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

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

Community Development Block Grant Fund – accounts for all entitlement funds received under Title I of the Housing and Community Development Act of 1974, commonly known as the Community Development Block Grant Program.

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

Comprehensive Services Act Fund – accounts for revenues and expenditures related to the Comprehensive Services Act for At-risk Youth and Families. Revenues are derived from categorical aid received from the Commonwealth of Virginia.

Western Tidewater Home Consortium Fund – accounts for revenues and expenditures related to a joint venture with the City of Suffolk and Isle of Wight County to provide affordable housing.

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

Police State Forfeiture Fund – accounts for revenues and expenditures related to police forfeitures. Revenues are derived from entitlement funds received from the Commonwealth of Virginia.

Police Evidence Holding Fund – accounts for revenues and expenditures related to police evidence that is held for the courts.

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

Community Development Downtown Grant Fund – accounts for revenues and expenditures related to development and rehabilitation of the downtown area. Revenues are derived from categorical aid received from the Commonwealth of Virginia and the federal government.

Cobbtown Grant Fund – accounts for revenues and expenditures related to development and rehabilitation of the Cobbtown area of the City. Revenues are derived from categorical aid received from the Commonwealth of Virginia and the federal government.

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

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

Economic Development Fund – accounts for revenues and expenditures related to economic development efforts of the City including rental of the building in Pretlow Industrial Park and operation of the incubator building.

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

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

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

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

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

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

Debt Service Fund

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

Capital Projects Fund

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

Proprietary Fund

Proprietary Funds are used to account for activities that are similar to those often found in the private sector. All assets, liabilities, equities, revenues, expenses, and transfers relating to the primary government's business activities are accounted for through proprietary funds. The measurement focus is on the determination of net income, financial position, and cash flows. Proprietary Funds distinguish operating revenues and expenses from nonoperating revenues and expenses. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Proprietary Funds are charges for services. Operating expenses include cost of sales and services, personnel, contractual services, and depreciation. The City applies all GASB as well as Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. The City's proprietary funds consist of only enterprise funds.

Enterprise Funds

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

Water and Sewer Fund – accounts for the provision of water and sewer services to City residents. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operating, maintenance, billing, collections, financing and related debt service, and capital assets of the water and sewage systems.

Electric Fund – accounts for the provision of electrical services to City residents. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operation, maintenance, billing, collections, financing and related debt service, and capital assets of the electrical systems.

Airport Fund – accounts for the operations of the City-owned airport. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operation, maintenance, billing, collections, financing and related debt service, and capital assets of the airport.

Solid Waste Fund – accounts for the provision of garbage services to City residents and businesses. All activities necessary to provide such services are accounted for in this fund, including but not limited to administration, operating, billing, collections, financing and related debt service and capital assets of solid waste operations.

Fiduciary Funds

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

Trust and Agency Funds

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

Agency Funds

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

Special Welfare Fund and Special Welfare – SSI Fund – account for receipts of welfare checks and foster children support checks from the state government and payments made on behalf of individuals.

Flexible Spending Fund – accounts for monies received from employees to pay for medical claims.

Early Childhood Commission – accounts for monies received to promote early childhood growth.

Employees Emergency Trust – accounts for monies received from employees to be used for emergencies in the City.

Discretely Presented Component Units

City of Franklin Public Schools

The City of Franklin Public Schools (School Board) is responsible for elementary and secondary education within the City. The Schools are fiscally dependent upon the City because the City Council approves the annual budget of the Schools, levies the necessary taxes to finance the Schools' operations, and approves the borrowing of money. The School Board is reported in a separate column to emphasize that it is legally separate from the City. During the current year, the City contributed \$5,024,127 to the School Board.

School Operating Fund – accounts for revenues and expenditures relating to the operation of the City of Franklin Public Schools. Revenues are derived from the General Fund and from state and federal funds.

Cafeteria Fund – accounts for revenues and expenditures relating to the operation of school cafeterias. Revenues are derived from state and federal funds.

School Textbook Fund - accounts for revenues and expenditures relating to the purchase of school textbooks. Revenues are derived from state and federal funds.

Industrial Development Authority

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

D. Budgets and Budgetary Accounting

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

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

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

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

D. Budgets and Budgetary Accounting (CONTINUED)

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

E. Allowance for Uncollectible Amounts

The City calculates its allowances for uncollectible property taxes, refuse collection, and utility service charges using historical collection data. At June 30, 2015, the allowance attributed to the General Fund amounted to \$233,432 and Enterprise Fund in the amount of \$842,637.

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.

The estimated useful lives of capital assets are as follows:

	<u>Years</u>
Buildings	40
Improvements other than buildings	20 - 50
Machinery and equipment	3 - 50
Infrastructure	10 - 30

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

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. Unearned revenue

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

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.

M. Prepaid Expenses

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

N. Credit Risk

The assessed value of real estate and personal property for the City's ten largest taxpayers comprise 14.3% and 10.4% 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.

O. Net Position

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

P. Fund Equity

Beginning with fiscal year 2011, the City implemented GASB Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions. This Statement provides more clearly defined fund balance

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

categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

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

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

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

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

Q. **Property Taxes**

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

NOTE 2 – DEPOSITS AND INVESTMENTS:

Deposits

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

Investments

Statutes authorize the City to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, “prime quality” commercial paper and certain corporate notes, banker’s acceptances, repurchase agreements, and the State Treasurer’s Local Government Investment Pool (LGIP).

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

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

Credit Risk of Debt Securities

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

Interest Rate Risk

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

NOTE 3 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS:

Interfund balances at June 30, 2015, were as follows:

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

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

Interfund transfers for the year ended June 30, 2015, were as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Major funds:		
General	\$ 1,409,891	\$ 1,897,291
Virginia public assistance	405,582	-
Capital projects	-	-
Debt service	1,052,411	-
Nonmajor governmental funds:		
Disaster recovery	-	-
Comprehensive services act	126,444	-
Regional Fire Training	-	-
Block grant fund	-	-
Economic development	212,833	-
Proprietary funds:		
Water and sewer	-	-
Solid Waste	-	30,000
Airport	130,021	-
Electric	-	1,409,891
Total	<u>\$ 3,337,182</u>	<u>\$ 3,337,182</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, 2015, are as follows:

Primary Government

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Business- type Activities</u>	<u>Total</u>
Property taxes	\$ 833,392	\$ -	\$ -	\$ 833,392
Accounts receivable	<u>536,365</u>	<u>84,962</u>	<u>3,084,560</u>	<u>3,705,887</u>
Total receivables	\$ 1,369,757	\$ 84,962	\$ 3,084,560	\$ 4,539,279
Less-allowance for uncollectible accounts:				
Property taxes	86,270	-	-	86,270
Utility and other service charges	<u>147,162</u>	<u>-</u>	<u>771,838</u>	<u>919,000</u>
Receivables - net	<u>\$ 1,136,325</u>	<u>\$ 84,962</u>	<u>\$ 2,312,722</u>	<u>\$ 3,534,009</u>

NOTE 5 – DUE FROM OTHER GOVERNMENTS:

Due from other governments consists of the following at June 30, 2015:

Primary Government

	<u>General</u>	<u>Virginia Public Assistance</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>	<u>Component Unit - School Board</u>
Commonwealth of Virginia: Total due from the Commonwealth of Virginia	\$ <u>590,642</u>	\$ <u>32,668</u>	\$ <u>43,489</u>	\$ <u>666,799</u>	\$ <u>906,803</u>
Federal Government: Total due from federal government	\$ <u>-</u>	\$ <u>68,010</u>	\$ <u>-</u>	\$ <u>68,010</u>	\$ <u>-</u>
Total due from other governments	<u>\$ 590,642</u>	<u>\$ 100,678</u>	<u>\$ 43,489</u>	<u>\$ 734,809</u>	<u>\$ 906,803</u>

NOTE 6 – CAPITAL ASSETS:

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

Governmental Activities

	Balance 30, 2014	June Increases	Decreases	Balance June 30, 2015
Capital assets not being depreciated				
Land	\$ 5,159,209	\$ -	\$ -	\$ 5,159,209
Total capital assets not being depreciated	<u>\$ 5,159,209</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,159,209</u>
Capital assets being depreciated				
Buildings	\$ 18,462,577	\$ -	\$ -	\$ 18,462,577
Improvements other than buildings	3,215,232	43,176	-	3,258,408
Machinery and equipment	10,096,839	293,443	-	10,390,282
School joint tenancy assets	4,888,086	-	-	4,888,086
Infrastructure	16,548,447	9,774	-	16,558,221
Total capital assets being depreciated	<u>\$ 53,211,181</u>	<u>\$ 346,393</u>	<u>\$ -</u>	<u>\$ 53,557,574</u>
Less-accumulated depreciation				
Buildings	\$ 5,620,604	\$ 481,818	\$ -	\$ 6,102,421
Improvements other than buildings	1,981,794	139,113	-	2,120,906
Machinery and equipment	7,423,944	513,512	-	7,937,455
School joint tenancy assets	2,663,696	97,762	-	2,761,458
Infrastructure	12,414,565	587,716	-	13,002,281
Total accumulated depreciation	<u>\$ 30,104,603</u>	<u>\$ 1,819,920</u>	<u>\$ -</u>	<u>\$ 31,924,522</u>
Subtotal capital assets, net	<u>\$ 23,106,579</u>	<u>\$ (1,473,526)</u>	<u>\$ -</u>	<u>\$ 21,633,052</u>
Total capital assets, governmental activities, net	<u>\$ 28,265,788</u>	<u>\$ (1,473,526)</u>	<u>\$ -</u>	<u>\$ 26,792,261</u>

- 1) Legislation enacted during the year ended June 30, 2002, Section 15.2-1800.1 of the Code of Virginia 1950, as amended, has changed the reporting of local capital assets and related debt for financial statement purposes. Historically, debt incurred by local governments “on-behalf” of school boards was reported in the school board’s discrete column along with the related capital assets. Under the law local governments have a “tenancy in common” with the school board whenever the locality incurs any financial obligations for any school property which is payable over more than one year. For financial reporting purposes, the legislation permits the locality to report the portion of school property related to any outstanding financial obligation eliminating any potential deficit from capitalizing assets financed with debt. The effect on the City of Franklin, Virginia for the year ended June 30, 2015, is that school financed assets in the amount of \$2,126,628 net are reported in the Primary Government for financial reporting purposes.

NOTE 6 – CAPITAL ASSETS: (CONTINUED)

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

General Governmental Administration	\$	447,012
Public Safety		387,016
Public Works		658,291
Health and Welfare		45,094
Parks, Recreation, and Cultural		176,935
Education		105,572
Total	\$	<u>1,819,920</u>

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

	Balance June 30, 2014	Increases	Decreases	Balance June 30, 2015
Water and Sewer Fund:				
Capital assets not being depreciated				
Construction in progress	\$ 820,193	\$ -	\$ -	\$ 820,193
Total capital assets not being depreciated	<u>\$ 820,193</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 820,193</u>
Other capital assets				
Infrastructure	\$ 13,501,179	\$ 630,128	\$ -	\$ 14,131,308
Machinery and equipment	1,152,317	735,843	-	1,888,160
Total other capital assets	<u>\$ 14,653,496</u>	<u>\$ 1,365,971</u>	<u>\$ -</u>	<u>\$ 16,019,468</u>
Less - accumulated depreciation				
Infrastructure	\$ 12,941,041	\$ 338,500	\$ -	\$ 13,279,541
Machinery and equipment	851,684	63,896	-	915,580
Total accumulated depreciation	<u>\$ 13,792,725</u>	<u>\$ 402,396</u>	<u>\$ -</u>	<u>\$ 14,195,121</u>
Subtotal capital assets, net	<u>\$ 860,771</u>	<u>\$ 963,575</u>	<u>\$ -</u>	<u>\$ 1,824,347</u>
Total Water and Sewer Fund	<u>\$ 1,680,964</u>	<u>\$ 963,575</u>	<u>\$ -</u>	<u>\$ 2,644,539</u>
Solid Waste Fund:				
Capital assets not being depreciated				
Construction in progress	\$ -	\$ -	\$ -	\$ -
Total capital assets not being depreciated	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Other capital assets				
Infrastructure	\$ 223,500	\$ -	\$ -	\$ 223,500
Machinery and equipment	1,209,661	-	-	1,209,661
Total other capital assets	<u>\$ 1,433,161</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,433,161</u>
Less - accumulated depreciation				
Infrastructure	\$ 845,145	\$ 82,405	\$ -	\$ 927,550
Machinery and equipment	75,475	8,885	-	84,360
Total accumulated depreciation	<u>\$ 920,620</u>	<u>\$ 91,290</u>	<u>\$ -</u>	<u>\$ 1,011,910</u>
Subtotal capital assets, net	<u>\$ 512,541</u>	<u>\$ 91,290</u>	<u>\$ -</u>	<u>\$ 421,251</u>
Total Solid Waste Fund	<u>\$ 512,541</u>	<u>\$ 91,290</u>	<u>\$ -</u>	<u>\$ 421,251</u>

NOTE 6 – CAPITAL ASSETS: (CONTINUED)

	<u>Balance</u> <u>June 30, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2015</u>
Electric Fund:				
Capital assets not being depreciated				
Construction in progress	\$ -	\$ -	\$ -	\$ -
Total capital assets not being depreciated	\$ -	\$ -	\$ -	\$ -
Other capital assets				
Infrastructure	\$ 13,073,140	\$ 109,948	\$ -	\$ 13,183,088
Buildings and improvements	34,966	-	-	34,966
Machinery and equipment	2,212,696	40,214	-	2,252,910
Total other capital assets	\$ 15,320,802	\$ 150,162	\$ -	\$ 15,470,964
Less - accumulated depreciation				
Infrastructure	\$ 9,239,314	\$ 325,161	\$ -	\$ 9,564,475
Buildings and improvements	34,966	-	-	34,966
Machinery and equipment	1,896,029	73,016	-	1,969,045
Total accumulated depreciation	\$ 11,170,309	\$ 398,177	\$ -	\$ 11,568,486
Subtotal capital assets, net	\$ 4,150,492	\$ (248,014)	\$ -	\$ 3,902,479
Total Electric Fund	\$ 4,150,492	\$ (248,014)	\$ -	\$ 3,902,479
Airport Fund:				
Capital assets not being depreciated				
Land	\$ 110,101	\$ 69,157	\$ -	\$ 179,258
Construction in progress	-	-	-	-
Total capital assets not being depreciated	\$ 110,101	\$ 69,157	\$ -	\$ 179,258
Other capital assets				
Infrastructure	\$ 5,608,554	\$ -	\$ -	\$ 5,608,554
Buildings and improvements	1,415,026	-	-	1,415,026
Machinery and equipment	353,995	80,822	-	434,817
Total other capital assets	\$ 7,377,575	\$ 80,822	\$ -	\$ 7,458,397
Less - accumulated depreciation				
Infrastructure	\$ 2,664,711	\$ 215,369	\$ -	\$ 2,880,080
Buildings and improvements	1,266,138	40,087	-	1,306,225
Machinery and equipment	279,147	28,681	-	307,828
Total accumulated depreciation	\$ 4,209,996	\$ 284,137	\$ -	\$ 4,494,133
Subtotal capital assets, net	\$ 3,167,579	\$ (203,315)	\$ -	\$ 2,964,264
Total Airport Fund	\$ 3,277,680	\$ 566,310	\$ -	\$ 3,843,990
Total capital assets, business-type activities	\$ 9,621,678	\$ 1,190,581	\$ -	\$ 10,812,259

NOTE 6 – CAPITAL ASSETS: (CONTINUED)

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

	Balance June 30, 2014	Increases	Decreases	Balance June 30, 2015
Capital assets not being depreciated				
Construction in progress	\$ -	\$ -	\$ -	\$ -
Total capital assets not being depreciated	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Other capital assets				
Land improvement	\$ 144,911	\$ 6,100	\$ -	\$ 151,010
Buildings	13,444,543	-	-	13,444,543
Infrastructure	4,530,593	-	-	4,530,593
School joint tenancy assets	(4,888,086)	-	-	(4,888,086)
Machinery and equipment	3,557,314	59,054	5,000	3,611,369
Total other capital assets	<u>\$ 16,789,274</u>	<u>\$ 65,154</u>	<u>\$ 5,000</u>	<u>\$ 16,849,429</u>
Less- accumulated depreciation				
Land improvement	\$ 96,350	\$ 4,064	\$ -	\$ 100,415
Buildings	6,349,884	264,271	-	6,614,155
Infrastructure	620,217	69,305	-	689,522
School joint tenancy assets	(2,663,696)	(97,762)	-	(2,761,458)
Machinery and equipment	2,978,705	36,026	5,000	3,009,731
Total accumulated depreciation	<u>\$ 7,381,461</u>	<u>\$ 275,904</u>	<u>\$ 5,000</u>	<u>\$ 7,652,365</u>
Other capital assets - net	<u>\$ 9,407,813</u>	<u>\$ (210,750)</u>	<u>\$ -</u>	<u>\$ 9,197,064</u>
Total capital assets, net	<u>\$ 9,407,814</u>	<u>\$ (210,750)</u>	<u>\$ -</u>	<u>\$ 9,197,064</u>

NOTE 7 – LONG-TERM OBLIGATIONS:

The following is a summary of the changes in long-term obligations of the primary government and its Component Unit – School Board, respectively, for the year ended June 30, 2015:

	Balance June 30, 2014	Increases	Decreases	Balance June 30, 2015	Due within one year
Primary Government:					
Governmental Activities					
General obligation bonds	\$ 14,492,283	\$ 1,816,000	\$ 419,284	\$ 15,888,999	\$ 543,780
Capital lease obligations	155,957	-	19,898	136,059	60,953
Premium on bond issuance	535,771	-	27,201	508,570	27,201
Landfill postclosure/corrective action	875,760	13,046	-	888,806	-
Compensated absences	762,463	484,968	462,219	785,212	462,219
Other postemployment benefits	645,360	24,990	-	670,350	-
Total - Governmental activities	<u>\$ 17,467,594</u>	<u>\$ 2,339,004</u>	<u>\$ 928,602</u>	<u>\$ 18,877,996</u>	<u>\$ 1,094,153</u>
Business-type Activities					
Bonds payable	\$ 5,117,400	-	466,000	\$ 4,651,400	\$ 466,000
Capital lease obligations	169,816	-	41,055	128,761	-
Premium on bond issuance	39,604	-	3,960	35,644	3,960
Total bonds and loans	<u>\$ 5,326,820</u>	<u>\$ -</u>	<u>\$ 511,015</u>	<u>\$ 4,815,805</u>	<u>\$ 469,960</u>
Compensated absences	117,109	127,025	131,936	112,198	131,936
Other postemployment benefits	161,340	62,110	-	223,450	-
Total - Business-type Activities	<u>\$ 5,605,269</u>	<u>\$ 189,135</u>	<u>\$ 642,951</u>	<u>\$ 5,151,453</u>	<u>\$ 601,896</u>
Total - Primary Government	<u>\$ 23,072,863</u>	<u>\$ 2,528,139</u>	<u>\$ 1,571,554</u>	<u>\$ 24,029,449</u>	<u>\$ 1,696,049</u>
Component Unit - School Board:					
Compensated absences	\$ 263,615	\$ 149,737	\$ 242,248	\$ 171,104	\$ 242,248
Other postemployment benefits	185,200	21,000	-	206,200	-
Total School Board	<u>\$ 448,815</u>	<u>\$ 170,737</u>	<u>\$ 242,248</u>	<u>\$ 377,304</u>	<u>\$ 242,248</u>

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

NOTE 7 – LONG-TERM OBLIGATIONS: (CONTINUED)

General obligation debt of the governmental activities at June 30, 2015 is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Authorized and Issued	Outstanding June 30, 2015
Primary Government:					
Governmental Obligations:					
General obligation bonds:					
Public Improvement and Refunding Series 2010	04/27/10	01/15/26	2.00-4.50	\$ 5,235,000	\$ 3,105,000
Public Improvement Series 1999A	05/28/99	07/15/19	3.97	2,041,330	477,480
Public Improvement Series 2004	12/01/04	12/01/14	3.64	310,000	-
Public Improvement Series 2008	02/15/08	01/15/18	3.56	400,000	136,000
Virginia General Obligation Qualified Zone					
Academy Bond, Series 2005	12/29/05	12/20/20	-	2,214,429	2,214,429
Virginia Public School Authority Series 1995A	12/21/95	01/15/16	5.10-6.10	567,942	36,490
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	-
Taxable General Obligation Refunding Bond, Series 2012A	12/20/12	06/30/27	3.05	2,664,000	2,523,000
Tax-Exempt General Obligation Public					
Improvement and Refunding Bond, Series 2012B	12/20/12	06/30/28	3.05	965,600	965,600
General Obligation Refunding Bond, Series 2013	04/04/13	10/01/38	3.65	2,075,000	1,975,000
General Obligation School Bonds, Series 2013A	04/12/13	07/15/33	3.05-5.05	1,695,000	1,640,000
Virginia General Obligation Qualified Zone					
Academy Bond, Series 2014			-	1,816,000	1,816,000
Total general obligation bonds					\$ 15,888,999
Capital lease obligations:					
Fire Truck	06/13/11	08/20/20	3.74	217,020	136,059
Total capital lease obligations					\$ 136,059
Premium on bond issuance					\$ 508,570
Landfill post-closure/corrective action					888,806
Compensated absences					785,212
Other postemployment benefits					670,350
Total general long-term obligations					\$ 18,877,996
The assets acquired through capital leases are as follows:					
Asset:					
Machinery and equipment				\$	534,810
Less: accumulated depreciation					120,962
Total				\$	413,848

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

NOTE 7 – LONG-TERM OBLIGATIONS: (CONTINUED)

Description	Issue Date	Final Maturity	Interest Rate	Authorized and Issued	Outstanding June 30, 2015
Water and Sewer Fund:					
General obligation bonds - Public Improvement and Refunding Series 2010	04/27/10	01/15/26	2.00-4.50	\$ 3,435,000	\$ 750,000
Taxable General Obligation Refunding Bond, Series 2012A	12/20/12	01/15/24	3.05	1,387,000	1,334,000
Tax-Exempt General Obligation Public Improvement and Refunding Bond, Series 2012B	12/20/12	01/15/23	3.05	907,000	695,000
Premium on bond issuance					23,554
Compensated absences					32,754
Other postemployment benefits					71,504
Total Water and Sewer Fund					\$ 2,906,812
Electric Fund:					
General obligation bonds - Public Improvement and Refunding Series 2010	04/27/10	01/15/26	2.00-4.50	\$ 3,435,000	\$ 940,000
Tax-Exempt General Obligation Public Improvement and Refunding Bond, Series 2012B	12/20/12	01/15/23	3.05	844,000	691,000
Premium on bond issuance					12,089
Capital lease obligation (Bucket Truck)	10/22/12	10/22/19	2.00	147,297	107,714
Compensated absences					54,075
Other postemployment benefits					98,318
Total Electric Fund					\$ 1,903,196
Airport Fund:					
Compensated absences					\$ 7,273
Other postemployment benefits					8,938
Total Airport Fund					\$ 16,211
Solid Waste Fund:					
Tax-Exempt General Obligation Public Improvement and Refunding Bond, Series 2012B	12/20/12	06/30/28	3.05	241,400	\$ 241,400
Capital lease obligation (Garbage Truck)	06/20/11	06/20/16	3.22	101,955	21,047
Compensated absences					18,097
Other postemployment benefits					44,690
Total Solid Waste Fund					\$ 325,234
Total Proprietary Funds					\$ 5,151,453
Total Primary Government					\$ 24,029,449

NOTE 7 - LONG-TERM OBLIGATIONS: (CONTINUED)

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

Fiscal Year Ending June 30,	General Obligation Bonds		Capital Leases	
	Principal	Interest	Principal	Interest
2016	543,780.00	415,469.00	20,645.00	5,095.00
2017	611,873.00	397,218.00	21,418.00	4,322.00
2018	729,070.00	376,688.00	22,220.00	3,520.00
2019	1,683,292.00	354,585.00	23,051.00	2,688.00
2020	900,755.00	332,970.00	23,915.00	1,825.00
2021	3,063,429.00	305,168.00	24,810.00	929.00
2022	1,062,400.00	279,631.00	-	-
2023	1,099,000.00	246,430.00	-	-
2024	1,133,000.00	214,752.00	-	-
2025	1,125,800.00	181,905.00	-	-
2026	926,400.00	149,042.00	-	-
2027	907,800.00	114,801.00	-	-
2028	262,400.00	81,658.00	-	-
2029	190,000.00	71,473.00	-	-
2030	195,000.00	63,861.00	-	-
2031	200,000.00	56,245.00	-	-
2032	210,000.00	47,995.00	-	-
2033	220,000.00	39,331.00	-	-
2034	225,000.00	30,538.00	-	-
2035	110,000.00	23,843.00	-	-
2036	115,000.00	19,068.00	-	-
2037	120,000.00	14,069.00	-	-
2038	125,000.00	8,828.00	-	-
2039	130,000.00	3,069.00	-	-
	<u>\$ 15,888,999.00</u>	<u>\$ 3,828,637.00</u>	<u>\$ 136,059.00</u>	<u>\$ 18,379.00</u>

NOTE 7 – LONG-TERM OBLIGATIONS: (CONTINUED)

Long-Term Liabilities – Business-Type Activities:

Long-term obligations of the business-type activities at June 30, 2015, are comprised of the following:

Fiscal Year Ending June 30,	General Obligation Bonds							
	Water and Sewer Fund		Electric Fund		Solid Waste Fund		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2016	278,000	87,609	200,000	50,452	-	5,287	478,000	143,348
2017	287,000	80,048	207,000	45,100	13,800	5,287	507,800	130,435
2018	294,000	72,235	214,000	39,554	14,200	4,984	522,200	116,773
2019	302,000	64,053	220,000	33,652	14,800	4,673	536,800	102,378
2020	311,000	55,086	222,000	27,234	15,400	4,349	548,400	86,669
2021	321,000	44,869	234,000	19,254	22,000	4,012	577,000	68,135
2022	333,000	33,825	241,000	10,780	26,600	3,530	600,600	48,135
2023	343,000	22,375	93,000	2,037	27,000	2,948	463,000	27,360
2024	310,000	10,963	-	-	28,000	2,356	338,000	13,319
2025	-	-	-	-	19,200	1,743	19,200	1,743
2026	-	-	-	-	19,600	1,323	19,600	1,323
2027	-	-	-	-	20,200	894	20,200	894
2028	-	-	-	-	20,600	451	20,600	451
Total	\$ 2,779,000	\$ 471,063	\$ 1,631,000	\$ 228,063	241,400	\$ 41,837	\$ 4,651,400	\$ 740,963

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, 2015, the City's aggregate general obligation indebtedness is approximately \$34.0 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		\$ 546,840,453
Debt limit – 10% of total assessed value		\$ 54,684,045
Amount of debt applicable to debt limit		
General obligation debt:		
Primary Government	\$ 15,888,999	
Business - type	4,651,400	20,540,399
Legal debt margin		\$ 34,143,647

Note: The City was in compliance with all significant financial covenants contained in the various indentures at June 30, 2015.

NOTE 7 – LONG-TERM OBLIGATIONS: (CONTINUED)

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

Debt Issuance	Reason for Debt Issuance
Governmental Activities:	
Public Improvement and Refunding Series 2010	Schools Realignment and Gym, Social Services Building., King Center, City Buildings
Public Improvement Series 1999A	School Roofs
Public Improvement Series 2004	Bleachers - Armory Field/Athletic Field FHS
Public Improvement Series 2008	Cemetery Expansion - Poplar Springs
Virginia General Obligation Qualified Zone Academy Bond, Series 2005	Capital School Improvements
Virginia Public School Authority Series 1995A	Franklin High School Air Conditioning and Band Room
Virginia General Obligation Qualified Zone Academy Bond, Series 2003	Capital School Improvement Projects
Southampton county debt assumed*	Phase II Annexation
Taxable General Obligation Refunding Bond, Series 2012A	Refinancing of existing indebtedness; Capital Projects, including building repairs, computer systems upgrades, vehicle and equipment purchases, HVAC repair, and water main improvement
Tax-Exempt General Obligation Public Improvement and Refunding Bond, Series 2012B	Refinancing of existing indebtedness; Capital Projects, including building repairs, computer systems upgrades, vehicle and equipment purchases, and HVAC repair
General Obligation Refunding Bond, Series 2013	Refunding of 2002 RD Loan
General Obligation School Bonds, Series 2013A	Capital Projects, including building repairs, bleacher replacements, school bus purchases, HVAC repairs, oven replacements, and track re-surfacing
Virginia General Obligation Qualified Zone Academy Bond, Series 2014	Technology improvements for all schools; energy/HVAC improvements, roof repairs
Business-Type Activities:	
<i>Water and Sewer Fund:</i>	
General obligation bonds - Public Improvement and Refunding Series 2010	Water/Sewer Line Extensions, Hunterdale Pump Station
Taxable General Obligation Refunding Bond, Series 2012A	Refinancing of existing indebtedness; Capital Projects, including water main improvement
Tax-Exempt General Obligation Public Improvement and Refunding Bond, Series 2012B	Refinancing of existing indebtedness; Capital Projects, including water main improvement
<i>Electric Fund:</i>	
General obligation bonds - Public Improvement and Refunding Series 2010	Generation and Distribution Facilities Improvements
Tax-Exempt General Obligation Public Improvement and Refunding Bond, Series 2012B	Refinancing of existing indebtedness; Capital Projects, including refurbishment of building to house City's electric department
<i>Solid Waste Fund:</i>	
Tax-Exempt General Obligation Public Improvement and Refunding Bond, Series 2012B	Garbage truck

NOTE 8 – 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 \$785,213 and \$112,198, respectively, as of June 30, 2015. The general fund has normally been used in prior years to liquidate the liability for compensated absences.

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

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

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

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

All employees of the City of Franklin Public Schools earn one day per month of sick leave. Employees who retire under provisions of the Virginia Retirement System Act while employed by the City of Franklin Public Schools will receive severance compensation for unused sick leave at a rate of \$30 per day, not to exceed 200 days. The school system will accept transfer of up to 90-days accumulated unused sick leave earned by an employee while employed by another local school division or an institution accredited by the Virginia Department of Education. At June 30, 2015, accumulated unpaid vacation and sick leave amounted to \$171,104.

NOTE 9 – 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 (professional) employees of public school divisions and employees of participating employers are automatically covered by VRS upon employment. Members earn one month of service credit for each month they are employed and they and their employer are paying contributions to VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as service credit in their plan.

Within the VRS Plan, the System administers three different benefit plans for local government employees – Plan 1, Plan 2, and, Hybrid. Each plan has a different eligibility and benefit structure as set out in the table below:

VRS Plan 1	VRS Plan 2	VRS Plan 3
<p>About VRS Plan 1</p> <p>VRS Plan 1 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2014.</p>	<p>About VRS Plan 2</p> <p>VRS Plan 2 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2014.</p>	<p>About the Hybrid Retirement Plan</p> <p>The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2015 are in this plan, as well as VRS Plan 1 and VRS Plan 2 members who were eligible and opted into the plan during a special election window.</p> <p>(See “Eligible Members”)</p> <ul style="list-style-type: none"> • The defined benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
<p>Eligible Members Employees are in VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2014.</p> <p>Hybrid Opt-In Election VRS non-hazardous duty covered Plan 1</p>	<p>Eligible Members Employees are in VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2014.</p> <p>Hybrid Opt-In Election</p>	<p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2015. This includes:</p> <ul style="list-style-type: none"> • State employees* • School division employees • Political subdivision

VRS Plan 1	VRS Plan 2	VRS Plan 3
<p>members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2015.</p> <p>The Hybrid Retirement Plan's effective date for eligible VRS Plan 1 members who opted in was July 1, 2015.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and had prior service under VRS Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 1 or ORP.</p>	<p>VRS Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2015.</p> <p>The Hybrid Retirement Plan's effective date for eligible VRS Plan 2 members who opted in was July 1, 2015.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and have prior service under VRS Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 2 or ORP.</p>	<p>employees*</p> <ul style="list-style-type: none"> • Judges appointed or elected to an original term on or after January 1, 2015 • Members in VRS Plan 1 or VRS Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2015; the plan's effective date for opt-in members was July 1, 2015 <p>*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> • Members of the State Police Officers' Retirement System (SPORS) • Members of the Virginia Law Officers' Retirement System (VaLORS) • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees <p>Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under VRS Plan 1 or VRS Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select VRS Plan 1 or VRS Plan 2 (as applicable) or ORP.</p>
<p>Retirement Contributions Members contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions and political subdivisions elected to phase in the required 5% member contribution; all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p>Retirement Contributions Same as VRS Plan 1.</p>	<p>Retirement Contributions A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>
<p>Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if</p>	<p>Creditable Service Same as VRS Plan 1.</p>	<p>Creditable Service <u>Defined Benefit Component:</u> Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance</p>

VRS Plan 1	VRS Plan 2	VRS Plan 3
the employer offers the health insurance credit.		credit in retirement, if the employer offers the health insurance credit. <u>Defined Contributions Component:</u> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.
<p>Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p>Vesting Same as VRS Plan 1.</p>	<p>Vesting <u>Defined Benefit Component:</u> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. VRS Plan 1 or VRS Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><u>Defined Contributions Component:</u> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p> <p>Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. <p>Distribution is not required by law until age 70½.</p>
<p>Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement</p>	<p>Calculating the Benefit See definition under VRS Plan 1.</p>	<p>Calculating the Benefit <u>Defined Benefit Component:</u> See definition under VRS Plan 1 <u>Defined Contribution</u></p>

VRS Plan 1	VRS Plan 2	VRS Plan 3
<p>multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.</p> <p>An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.</p>		<p><u>Component:</u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>
<p>Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation Same as VRS Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p>Service Retirement Multiplier The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.7%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.7% or 1.85% as elected by the employer.</p>	<p>Service Retirement Multiplier Same as Plan 1 for service earned, purchased or granted prior to January 1, 2014. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2014.</p>	<p>Service Retirement Multiplier The retirement multiplier is 1.0%.</p> <p>For members that opted into the Hybrid Retirement Plan from VRS Plan 1 or VRS Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.</p>
<p>Normal Retirement Age Age 65.</p>	<p>Normal Retirement Age Normal Social Security retirement age.</p>	<p>Normal Retirement Age <u>Defined Benefit Component:</u> Same as VRS Plan 2.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Unreduced Retirement Eligibility Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit at age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.</p> <p>Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.</p>	<p>Earliest Unreduced Retirement Eligibility Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.</p>	<p>Earliest Unreduced Retirement Eligibility <u>Defined Benefit Component:</u> Members are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Reduced Retirement Eligibility Members may retire with a reduced benefit as early as age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</p>	<p>Earliest Unreduced Retirement Eligibility <u>Defined Benefit Component:</u> Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>

VRS Plan 1	VRS Plan 2	VRS Plan 3
<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p> <p>Eligibility: For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p> <p>Exceptions to COLA Effective Dates: The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2014. • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). <p>The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.</p> <ul style="list-style-type: none"> • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins. 	<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.</p> <p>Eligibility: Same as VRS Plan 1</p> <p>Exceptions to COLA Effective Dates: Same as VRS Plan 1</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement <u>Defined Benefit</u> Component: Same as VRS Plan 2.</p> <p>Defined Contribution Component: Not applicable.</p> <p>Eligibility: Same as VRS Plan 1 and VRS Plan 2.</p> <p>Exceptions to COLA Effective Dates: Same as VRS Plan 1 and VRS Plan 2.</p>
<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p> <p>Most state employees are covered under the Virginia Sickness and Disability</p>	<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p> <p>Most state employees are covered under the Virginia Sickness and Disability Program</p>	<p>Disability Coverage Eligible political subdivision and school division (including VRS Plan 1 and VRS Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides and employer-paid comparable program for its members.</p>

VRS Plan 1	VRS Plan 2	VRS Plan 3
<p>Program (VSDP), and are not eligible for disability retirement.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p>(VSDP), and are not eligible for disability retirement.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p>State employees (including VRS Plan 1 and VRS Plan2 opt-ins) participating in the Hybrid Retirement Plan are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.</p> <p>Hybrid members (including VRS Plan 1 and VRS Plan 2 opt-ins) covered under VSDP or VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>
<p>Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan.</p> <p>Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.</p>	<p>Purchase of Prior Service Same as VRS Plan 1.</p>	<p>Purchase of Prior Service <u>Defined Benefit Component:</u> Same as VRS Plan 1.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p>

The system issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the plans administered by VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2014-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Employees Covered by Benefit Terms

As of the June 30, 2014 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	City	School Board Non-Professional Group
Inactive members or their beneficiaries currently receiving benefits	94	
Inactive Members		
Vested	29	
Non-vested	45	
Active elsewhere in VRS	62	
Total Inactive Members	136	
Active Members	186	
Total	416	

A. Funding Policy

Primary Government

Plan members are required to contribute to their retirement plans as provided by Title 51.1 of the Code of Virginia (1950), as amended. The member contribution is 5% of compensation. 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 of Franklin, Virginia contribution rate for the fiscal year ended June 30, 2015 was 8.13% of the annual covered payroll.

Net Pension Liability

At June 30, 2015 the City's Net Pension Liability was \$4,551,500. The City's net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2014, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the City's Retirement Plan was based on an actuarial valuation as of June 30, 2014, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

Actuarial Cost Method	Entry Age
Amortization Method	Level Percent Closed
Remaining Amortization Period	30 years
Asset Valuation Method	5-years smoothed market
Actuarial Assumptions	
Investment Rate of Return	7.00%
Projected Salary Increases*	3.5%-5.35%
*Includes inflation at	2.5%
Cost of living adjustments	2.25%-2.5%

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

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

Largest 10 - Non-LEOS: Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Non-LEOS:

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

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

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

Long-Term Expected Rate of Return

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

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

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

Discount Rate

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

Change in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Pension (b)	Net Pension Liability (a-b)
Balance at June 30, 2013	<u> </u>	<u> </u>	<u> </u>
Changes for the year			
Service Cost	960,215		960,215
Interest	2,227,952		2,227,952
Changes of assumptions			
Difference between expected and actual experience			
Contributions - employer		813,748	(813,748)
Contributions - employee		374,515	(374,515)
Net investment income		4,072,505	(4,072,505)
Benefit payments, including refunds of employee contribution	(1,704,071)	(1,704,071)	
Administrative Expense		(22,183)	22,183
Other Charges		214	(214)
Net Charges	<u>1,484,096</u>	<u>3,534,728</u>	<u>(2,050,632)</u>
Balances at June 30, 2014	<u>\$34,161,016</u>	<u>\$29,612,516</u>	<u>\$4,551,500</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

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

	Decrease (6.00%)	Discount Rate (7.00%)	Increase (8.00%)
Plan's Net Pension Liability	\$8,846,906	\$4,551,500	\$962,972

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

For the year ended June 30, 2015, the City recognized pension expense of \$575,822. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 0	\$ 0
Change in assumptions	0	0
Net difference between projected and actual earnings on plan	0	1,812,706
Employer contributions subsequent to the Measurement Date	-	-
Total	\$ 0	\$ 1,812,706

Amortization of Deferred Inflows

Year Ended June 30, 2016	\$ (453,176)
2017	(453,176)
2018	(453,176)
2019	(453,178)
Thereafter	0

B. Annual Pension Cost

Primary Government

For the fiscal year ended June 30, 2015, the City of Franklin, Virginia's annual pension cost of \$775,208 for VRS was equal to the required and actual contributions.

NOTE 9 – DEFINED PENSION BENEFIT OBLIGATION: (CONTINUED)

**Three-Year Trend Information
for the City of Franklin, Virginia**

Fiscal Year Ending	Annual Pension Cost (APC)*	Percentage Of APC Contributed	Net Pension Obligation
6/30/2014	\$775,208	100%	\$-
6/30/2013	801,556	100%	-
6/30/2012	748,861	100%	-

* Employer portion only

The FY 2015 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% per year for local general government employees, 3.75% to 6.2

0% per year for teachers, and 3.50% to 4.75% per year 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 for Plan 1 employees and 2.25% for Plan 2 employees. Both the investment rate of return and the projected salary increases also include an inflation component of 2.50%.

The actuarial value of the City of Franklin, Virginia’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 of Franklin’s unfunded actuarial accrued liability is being amortized as level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2014 for the Unfunded Actuarial Accrued liability (UAAL) was 30 years. The amortization period is closed.

C. Annual Pension Cost (CONTINUED)

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

For the fiscal year ended June 30, 2015, the School Board’s annual pension cost of \$37,418 for VRS was equal to the required and actual contributions.

**Three-Year Trend Information
for the City of Franklin, Virginia**

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage Of APC Contributed	Net Pension Obligation
6/30/2015	\$37,418	100%	\$-
6/30/2014	37,978	100%	-
6/30/2013	36,858	100%	-

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement.

NOTE 9 – DEFINED PENSION BENEFIT OBLIGATION: (CONTINUED)

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 contribution rate for the fiscal year ended June 30, 2015 was 5.81% of the annual covered payroll.

D. Funded Status and Funding Progress

Primary Government

As of June 30, 2014, the most recent actuarial valuation date, the plan was 79.43% funded. The actuarial accrued liability for benefits was \$34,285,329, and the actuarial value of assets was \$27,233,625, resulting in an unfunded actuarial accrued liability (UAAL) of \$7,051,704. The covered payroll (annual payroll of active employees covered by the plan) was \$7,514,862, and the ratio of the UAAL to the covered payroll was 93.84%.

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, 2014, the most recent actuarial valuation date, the plan was 96.84% funded. The actuarial accrued liability for benefits was \$33,133, and the actuarial value of assets was \$32,086, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,047. The covered payroll (annual payroll of active employees covered by the plan) was \$385,649, and the ratio of the UAAL to the covered payroll was .27%.

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

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. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2014-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Funding Policy

Plan members are required to contribute 5.00% of their annual covered salary and Franklin City School Board is required to contribute at an actuarially determined rate. The current rate is 8.94% of annual covered payroll. The contribution requirements of plan members and Franklin City School Board are established and may be amended by the VRS Board of Trustees. The School Board's contributions to VRS for the years ending June 30, 2015, 2014 and 2012 were \$481,906, \$498,285, and \$540,792, respectively, equal to the required contributions for each year.

NOTE 10 - 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.

NOTE 11 – 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 \$4,651,400 have been recorded in the Enterprise Funds from which repayment is anticipated. The General Fund has a contingent liability for repayment of the aforementioned amounts should the Enterprise Funds be unable to pay.

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

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

NOTE 12 – OTHER POST-EMPLOYMENT BENEFITS PROGRAM:

Background

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

City:

A. Plan Description

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

B. Funding Policy

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

C. Annual OPEB and Net OPEB Obligation:

The annual cost of other post-employment benefits (OPEB) under GASB 45 is called the annual required contribution or ARC. The estimated pay as you go cost for OPEB benefits is \$310,000 for fiscal year 2015. The City has paid an estimated \$205,200 towards this obligation during the fiscal year. The City is required to contribute the annual required contribution of the employer (ARC) an amount actuarially determined in accordance within the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

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

City: (Continued)

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

Annual OPEB Cost

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

Annual required contribution	\$	290,400
Interest on net OPEB obligation		28,200
Adjustment to annual required contribution		<u>(29,800)</u>
Annual OPEB cost (expense)	\$	288,800
Estimated contributions made		<u>(201,700)</u>
Increase in net OPEB obligation		87,100
Net OPEB obligation, beginning of year	\$	<u>806,700</u>
Net OPEB obligation, end of year	\$	<u><u>893,800</u></u>

For 2015 the City's expected cash payment of \$205,200 was \$104,800 less than the OPEB cost. The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2015, 2014 and 2012 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, 2013	297,800	57%	701,900
June 30, 2014	310,000	38%	806,700
June 30, 2015	288,800	32%	893,800

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

City: (Continued)

D. Funded Status and Funding Progress

The funded status of the plan as of June 30, 2015 (based on the valuation dated July 1, 2014), is as follows:

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

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

E. Actuarial Methods and Assumptions

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

Cost Method

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

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

City: (Continued)

E. Actuarial Methods and Assumptions: (Continued)

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

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

Interest Assumptions

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

School Board:

A. Plan Description

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

B. Funding Policy:

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

C. Annual OPEB Cost and Net OPEB Obligation:

The annual cost of other post-employment benefits (OPEB) under GASB 45 is called the annual required contribution or ARC. The estimated pay-as-you-go cost for OPEB benefits is \$71,000 for fiscal year 2015. The School Board has paid an estimated \$50,000 towards this obligation during the fiscal year. The School Board is required to contribute the annual required contribution of the employer (ARC) an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

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

School Board: (Continued)

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

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

Annual required contribution	\$	71,200
Interest on net OPEB obligation		6,600
Adjustment to annual required contribution		<u>(6,800)</u>
Annual OPEB cost (expense)	\$	71,000
Estimated contributions made		<u>(50,000)</u>
Increase in net OPEB obligation	\$	21,000
Net OPEB obligation, beginning of year		<u>164,200</u>
Net OPEB obligation, end of year	\$	<u><u>185,200</u></u>

Annual OPEB Cost

For 2015 the School Board's expected cash payment of \$50,000 was \$21,000 less than the OPEB cost. The School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2015, 2014 and 2012 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, 2013	66,900	62%	134,600
June 30, 2014	68,900	57%	164,200
June 30, 2015	71,200	38%	185,200

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

The funded status of the plan as of June 30, 2015 is as follows:

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

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

E. Actuarial Methods and Assumptions

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

Cost Method

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

School Board: (Continued)

E. Actuarial Methods and Assumptions: (Continued)

Cost Method: (Continued)

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

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

Interest Assumptions

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

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

A. **Plan Description**

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

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

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

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

B. Funding Policy

As a participating local political subdivision, the School Board is required to contribute the entire amount necessary to fund participation in the program using the actuarial basis specified by the Code of Virginia and the VRS Board of Trustees. The School Board’s contribution rate for the fiscal year ended 2015 was .82% of annual covered payroll.

C. OPEB Cost and Net OPEB Obligations

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

For 2015, the School Board’s contribution of \$1,051 was equal to the ARC and OPEB cost. The School Board’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost (ARC)</u>	<u>Percentage of ARC Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2015	\$ 1,051	100%	\$ -

D. Funded Status and Funding Progress

The funded status of the plan as of June 30, 2014, the most recent actuarial valuation date, is as follows:

Actuarial accrued liability (AAL)	\$ 32,422
Actuarial value of plan assets	28,793
Unfunded actuarial accrued liability (UAAL)	3,629
Funded ratio (actuarial value of plan assets / AAL)	88.81%
Covered payroll (active plan members)	374,568
UAAL as a percentage of covered payroll	0.97%

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

D. Funded Status and Funding Progress: (Continued)

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

E. Actuarial Methods and Assumptions

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

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

F. Professional Employees – Discretely Presented Component Unit School Board

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

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

The School Board is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. The current rate is .60% of annual covered payroll. The School Board's contributions to VRS for the years ended June 30, 2015, 2014, and 2013 were \$37,428, \$37,978, and \$36,858, respectively and equaled the required contributions for each year.

NOTE 13—LANDFILL POST-CLOSURE CARE COSTS:

State and federal laws and regulations require that the City perform certain maintenance and monitoring functions subsequent to closure of the City’s landfill site. The City ceased accepting solid waste at the landfill in 1984 and completed initial closure measures in 1987. In letters dated January 13, 1995, and February 1, 1995, the Virginia Department of Environmental Quality informed the City the thirty-year 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 \$888,806 represents \$758,482 of postclosure care liability and \$130,324 of corrective action monitoring costs. The postclosure care costs and corrective action activities will continue through June 30, 2025.

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

NOTE 14—SURETY BONDS:

Surety bonds of the City of Franklin are as follows:

Division of Risk Management Surety:
Commonwealth Funds

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

NOTE 15—ANNEXATIONS:

Southampton County

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

NOTE 15—ANNEXATIONS: (CONTINUED)

Southampton County: (Continued)

The City adopted a Revenue-Sharing Agreement with the County in January 1997. County residents approved this agreement in November 1997. The agreement was reviewed and recommended for Court approval by the Commission on Local Government of the Commonwealth of Virginia in January 1999. The Revenue Sharing Agreement covers approximately 17.1 square miles in Southampton County immediately contiguous to the City of Franklin. The agreement provides that the County will pay to the City on October 15th of each year, 30% of local tax revenue collected through June 30 of that year by industries and commercial establishments located within this area that are served by City water and sewer treatment. The City is required to provide potable water for non-residential use to industrial and commercial businesses in the designated area and receive wastewater from such businesses. The agreement is to remain in effect in perpetuity as adopted, subject to amendment by agreement of the parties, except if the City, or a City water and/or sewer authority decides to discontinue operation of both its water and sewer treatment systems, the agreement may be voided upon two years' notice to the County. The designated area, which includes all portions of the County immediately contiguous to the City, is immune from annexation as long as the agreement remains in force and the City exists as a political subdivision in the nature of a city. For the year ending June 30, 2015, the City received \$5,827 in tax revenue from the County under this agreement.

County of Isle of Wight

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

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

¹as adjusted by formula

The local revenues are payable to the City by the County of Isle of Wight on August 1, following the end of the fiscal year. During the year ended June 30, 2015, the City received \$699,141 from the County of Isle of Wight under this agreement for tax revenues collected for the year ended June 30, 2014.

NOTE 16—UNEARNED REVENUE:

Unearned revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting such amounts are measurable, but not available. Unearned revenue totaling \$456,469 is comprised of the following:

Deferred Property Tax Revenue: Unearned revenue representing uncollected tax billings not available for funding of current expenditures totaled \$456,469.

NOTE 17—ASSIGNED AND UNASSIGNED BALANCES

Portions of the General Fund balance are assigned as follows:

Fund balance in the amount of \$324,850 is restricted for capital projects.

Fund balance in the amount of \$475,028 is assigned for debt service.

Fund balance in the amount of \$5,123,487 is unassigned and available for subsequent expenditures.

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

Fund balance in the amount of \$1,262,261 is assigned for expenditures for school-related capital outlays.

NOTE 18—EXPENDITURES IN EXCESS OF APPROPRIATIONS:

There were no expenditures in excess of appropriations at June 30, 2015.

NOTE 19—EVALUATION OF SUBSEQUENT EVENTS:

The City has evaluated subsequent events through November 26, 2015, the date which the financial statements were available to be issued.

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.

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2015

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenues				
General property taxes	\$ 7,168,006	\$ 7,168,006	\$ 7,037,730	\$ (130,276)
Other local taxes	5,218,500	5,218,500	5,586,058	367,558
Permits, privilege fees, and regulatory licenses	191,636	191,636	239,299	47,663
Fines and forfeitures	40,200	40,200	32,553	(7,647)
Revenue from the use of money and property	242,522	242,522	247,184	4,662
Charges for services	1,458,809	1,458,809	1,433,589	(25,220)
Miscellaneous	753,092	754,492	1,106,532	352,040
Recovered costs	335,000	290,000	242,899	(47,101)
Intergovernmental revenues:				
Commonwealth	4,006,599	4,257,810	4,212,661	(45,149)
Federal	429,604	480,533	477,838	(2,695)
Total revenues	\$ 19,843,968	\$ 20,102,508	\$ 20,616,343	\$ 513,835
Expenditures				
Current:				
General government administration	\$ 2,381,623	\$ 2,563,379	\$ 2,211,912	\$ 351,467
Judicial administration	444,847	397,997	320,562	77,435
Public safety	7,386,868	7,642,770	7,416,152	226,618
Public works	3,248,345	3,490,854	2,970,313	520,541
Health and welfare	156,198	145,198	145,198	-
Education	5,182,989	5,645,634	5,150,991	494,643
Parks, recreation, and cultural	836,907	858,539	712,031	139,307
Community development	1,103,454	1,149,705	977,894	171,811
Nondepartmental	21,000	46,350	46,326	24
Total expenditures	\$ 20,762,231	\$ 21,940,426	\$ 19,951,380	\$ 1,981,845
Excess (deficiency) of revenues over (under) expenditures	\$ (918,264)	\$ (1,837,918)	\$ 664,963	\$ 2,502,881
Other Financing Sources (Uses)				
Transfer to debt service	-	-	-	-
Transfers in	2,809,394	3,729,048	1,409,891	(2,319,157)
Transfers out	(1,891,130)	(1,891,130)	(1,897,291)	(6,161)
Total other financing sources and uses	\$ 918,264	\$ 1,837,918	\$ (487,400)	\$ (2,325,318)
Net change in fund balances	\$ -	\$ -	\$ 177,563	\$ 177,563
Fund balances - beginning, as restated	-	-	6,891,639	6,891,639
Fund balances - ending	\$ -	\$ -	\$ 7,069,202	\$ 7,069,202

CITY OF FRANKLIN, VIRGINIA

Exhibit 12

Virginia Public Assistance Fund

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

For the Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Miscellaneous	\$ -	\$ 40,140	\$ 28,308	\$ (11,832)
Intergovernmental revenues:				
Commonwealth	487,609	487,609	364,871	(122,739)
Federal	<u>730,615</u>	<u>730,615</u>	<u>822,257</u>	<u>91,642</u>
Total revenues	\$ <u>1,218,224</u>	\$ <u>1,258,364</u>	\$ <u>1,215,435</u>	\$ <u>(42,929)</u>
EXPENDITURES				
Current:				
Health and welfare	\$ <u>1,674,962</u>	\$ <u>1,715,102</u>	\$ <u>1,621,018</u>	\$ <u>94,084</u>
Total expenditures	\$ <u>1,674,962</u>	\$ <u>1,715,102</u>	\$ <u>1,621,018</u>	\$ <u>94,084</u>
Excess (deficiency) of revenues over (under) expenditures	\$ <u>(456,738)</u>	\$ <u>(456,738)</u>	\$ <u>(405,582)</u>	\$ <u>51,156</u>
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	\$ <u>456,738</u>	\$ <u>456,738</u>	\$ <u>405,582</u>	\$ <u>(51,156)</u>
Total other financing sources and uses	\$ <u>456,738</u>	\$ <u>456,738</u>	\$ <u>405,582</u>	\$ <u>(51,156)</u>
Net change in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	-	-
Fund balances - ending	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

CITY OF FRANKLIN, VIRGINIA
 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)		Actuarial Accrued Liability (AAL)		Unfunded (Excess Funded) Actuarial Accrued (UAAL)	Funded Ratio (d)	Annual Covered Payroll (e)	UAAL as % of Payroll (f)
	(a)	(b)	(c)	(b) - (a)	(a)/(b)			
6/30/2014	\$ 27,233,625	\$ 34,285,329	\$ 7,051,704	79.43%	\$ 7,514,862	93.84%		
6/30/2013	24,794,273	32,679,920	7,885,647	75.87%	7,335,473	107.50%		
6/30/2012	24,147,190	33,169,771	9,022,581	72.80%	6,795,474	132.77%		

School Board Non-Professionals:

Valuation Date	Actuarial Value of Assets (AVA)		Actuarial Accrued Liability (AAL)		Unfunded (Excess Funded) Actuarial Accrued (UAAL)	Funded Ratio (d)	Annual Covered Payroll (e)	UAAL as % of Payroll (f)
	(a)	(b)	(c)	(b) - (a)	(a)/(b)			
6/30/2014	\$ 32,086	\$ 33,133	\$ 1,047	96.84%	\$ 385,649	0.27%		
6/30/2013	28,793	32,422	3,629	88.81%	374,568	0.97%		
6/30/2012	25,413	28,339	2,926	89.68%	346,651	0.84%		

*

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

Exhibit 14

City:

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

School Board:

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

School Board - VRS Health Insurance Credit:

Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Excess Funded)	Funded ratio (d)	Annual Covered Payroll (e)	UAAL as % of Payroll (f)
			Actuarial Accrued (UAAL) (c)			(b) - (a)
6/30/2013	\$ 28,793	\$ 32,422	\$ 3,629	88.81%	\$ 374,568	0.97%
6/30/2012	25,413	28,339	2,926	89.68%	346,651	0.84%
6/30/2011	25,633	30,900	5,267	82.95%	424,976	1.24%

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CITY OF FRANKLIN, VIRGINIA
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2015

	<u>Community Development</u>									
	<u>Compre- hensive Services Act Fund</u>	<u>Regional Fire Training Ground Act</u>	<u>Foundation Grants Fund</u>	<u>Block Grant Fund</u>	<u>Down- town Grant Fund</u>	<u>Western Tidewater Home Consortium Fund</u>	<u>Neighbor- hood Stabilization Program Fund</u>	<u>Cobbtowb Grant Fund</u>	<u>Police Federal Forfeiture Fund</u>	<u>Police State Forfeiture Fund</u>
Assets										
Cash and cash equivalents	\$ -	\$ 327	\$ 94,796	\$ 146,994	\$ 24,365	\$ -	\$ 20,096	\$ (8,703)	\$ 21,806	\$ 6,851
Receivables (net of allowance for uncollectibles):										
Accounts Receivable				-		42,562		42,400		-
Inventory										
Due from other governmental units	<u>43,489</u>									
Total assets	<u>\$ 43,489</u>	<u>\$ 327</u>	<u>\$ 94,796</u>	<u>\$ 146,994</u>	<u>\$ 24,365</u>	<u>\$ 42,562</u>	<u>\$ 20,096</u>	<u>\$ 33,697</u>	<u>\$ 21,806</u>	<u>\$ 6,851</u>
Liabilities and Fund Balances										
Liabilities:										
Reconciled overdraft	\$ 20,453					\$ 24,503				
Accounts payable and accrued expenses	23,036	36	5,221		20,240	150	-			
Deposits held in escrow										
Total liabilities	<u>\$ 43,489</u>	<u>\$ 36</u>	<u>\$ 5,221</u>	<u>\$ -</u>	<u>\$ 20,240</u>	<u>\$ 24,653</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balances:										
Nonspendable:										
Inventory	\$ -	\$ -								\$ -
Restricted:										
Public safety		291							21,806	6,851
Parks, recreation, and cultural										
Community development			89,575	146,994	4,125	17,910	20,096	33,697		
Unassigned:										
Special Revenue (deficit)										
Total fund balances	<u>\$ -</u>	<u>\$ 291</u>	<u>\$ 89,575</u>	<u>\$ 146,994</u>	<u>\$ 4,125</u>	<u>\$ 17,910</u>	<u>\$ 20,096</u>	<u>\$ 33,697</u>	<u>\$ 21,806</u>	<u>\$ 6,851</u>
Total liabilities and fund balances	<u>\$ 43,489</u>	<u>\$ 327</u>	<u>\$ 94,796</u>	<u>\$ 146,994</u>	<u>\$ 24,365</u>	<u>\$ 42,563</u>	<u>\$ 20,096</u>	<u>\$ 33,697</u>	<u>\$ 21,806</u>	<u>\$ 6,851</u>

<u>Police Evidence Holding Fund</u>	<u>Camp Homestead Fund</u>	<u>Economic Development Fund</u>	<u>Willie Camp Younts Fund</u>	<u>Fire and Rescue Volunteers Fund</u>	<u>Southveiv Cemetery Trust Fund</u>	<u>Cemetery Perpetual Care Trust Fund</u>	<u>Charles Smith Cemetery Trust Fund</u>	<u>Total</u>
\$ 1,477	\$ 37,173	\$ 195,257	\$ 52,789	\$ 18,548	\$ 3,482	\$ 109,588	\$ 12,734	\$ 737,579
								84,962
								43,489
<u>\$ 1,477</u>	<u>\$ 37,173</u>	<u>\$ 195,257</u>	<u>\$ 52,789</u>	<u>\$ 18,548</u>	<u>\$ 3,482</u>	<u>\$ 109,588</u>	<u>\$ 12,734</u>	<u>\$ 866,030</u>
\$	\$ 38	\$ 10,610	\$	\$	\$	\$	\$	\$ 44,956
		14,762						59,331
								14,762
\$ -	\$ 38	\$ 25,372	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 119,049
\$	\$	\$	\$	\$	\$	\$	\$	\$
1,477				18,548				48,973
	37,135	169,885	52,789		3,482	109,588	9,889	695,164
							2,845	2,845
<u>\$ 1,477</u>	<u>\$ 37,135</u>	<u>\$ 169,885</u>	<u>\$ 52,789</u>	<u>\$ 18,548</u>	<u>\$ 3,482</u>	<u>\$ 109,588</u>	<u>\$ 12,734</u>	<u>\$ 746,982</u>
<u>\$ 1,477</u>	<u>\$ 37,173</u>	<u>\$ 195,257</u>	<u>\$ 52,789</u>	<u>\$ 18,548</u>	<u>\$ 3,482</u>	<u>\$ 109,588</u>	<u>\$ 12,734</u>	<u>\$ 866,030</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, 2015

Exhibit 16

Page 1 of 2

	<u>Community Development</u>									
	<u>Compre- hensive Services Act Fund</u>	<u>Regional Fire Training Grounds Fund</u>	<u>Foundation Grants Fund</u>	<u>Block Grant Fund</u>	<u>Down- town Grant Fund</u>	<u>Western Tidewater Home Consortium Fund</u>	<u>Neighbor- hood Stabilization Program Fund</u>	<u>Cobb- town Grant Fund</u>	<u>Police Federal Forfeiture Fund</u>	<u>Police State Forfeiture Fund</u>
Revenues										
Revenue from the use of money and property	\$ -	\$ 5,125	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Miscellaneous	96	-	126,000		4,736			-	17,367	7,157
Intergovernmental revenues:										
Commonwealth	97,679		-			81,400				
Federal							12,887			
Total Revenues	<u>\$ 97,776</u>	<u>\$ 5,125</u>	<u>\$ 126,000</u>	<u>\$ -</u>	<u>\$ 4,736</u>	<u>\$ 81,400</u>	<u>\$ 12,887</u>	<u>\$ -</u>	<u>\$ 17,367</u>	<u>\$ 7,157</u>
Expenditures										
Current:										
Public safety	\$ -	\$ 4,834	\$ 90,367	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,534	\$ 6,436
Health and welfare	224,220									
Parks, recreation, and cultural			-							
Community development				411		81,576	10,891			
Total expenditures	<u>\$ 224,220</u>	<u>\$ 4,834</u>	<u>\$ 90,367</u>	<u>\$ 411</u>	<u>\$ -</u>	<u>\$ 81,576</u>	<u>\$ 10,891</u>	<u>\$ -</u>	<u>\$ 7,534</u>	<u>\$ 6,436</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (126,444)</u>	<u>\$ 291</u>	<u>\$ 35,633</u>	<u>\$ (411)</u>	<u>\$ 4,736</u>	<u>\$ (177)</u>	<u>\$ 1,996</u>	<u>\$ -</u>	<u>\$ 9,834</u>	<u>\$ 722</u>
OTHER FINANCING SOURCES (USES)										
Transfers in	\$ 126,444	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers (out)										
Total other financing sources and uses	<u>\$ 126,444</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balances	-	291	35,633	(411)	4,736	(177)	1,996	-	9,834	722
Fund balances - beginning	-	-	53,943	147,405	(611)	18,086	18,099	33,697	11,972	6,129
Fund balances - ending	<u>\$ -</u>	<u>\$ 291</u>	<u>\$ 89,575</u>	<u>\$ 146,994</u>	<u>\$ 4,125</u>	<u>\$ 17,910</u>	<u>\$ 20,096</u>	<u>\$ 33,697</u>	<u>\$ 21,806</u>	<u>\$ 6,851</u>

Police Evidence Holding Fund	Camp Homestead Fund	Economic Development Fund	Willie Camp Younts Fund	Fire and Rescue Volunteers Fund	South-view Cemetery Trust Fund	Cemetery Perpetual Care Trust Fund	Charles Smith Cemetery Trust Fund	Total
\$ -	\$ -	\$ 130,173	\$ -	\$ -	\$ 1,500	\$ -	\$ -	\$ 136,798
(673)	1,500	7,886	280	20,143	44			184,537
								179,079
								12,887
<u>\$ (673)</u>	<u>\$ 1,500</u>	<u>\$ 138,058</u>	<u>\$ 280</u>	<u>\$ 20,143</u>	<u>\$ 1,544</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 513,301</u>
\$	\$	\$	\$	\$ 12,286	\$	\$	\$	\$ 121,457
								224,220
	15,978		-					15,978
	-	359,673	1,456		-	12		454,019
<u>\$ -</u>	<u>\$ 15,978</u>	<u>\$ 359,673</u>	<u>\$ 1,456</u>	<u>\$ 12,286</u>	<u>\$ -</u>	<u>\$ 12</u>	<u>\$ -</u>	<u>\$ 815,673</u>
<u>\$ (673)</u>	<u>\$ (14,478)</u>	<u>\$ (221,615)</u>	<u>\$ (1,176)</u>	<u>\$ 7,857</u>	<u>\$ 1,544</u>	<u>\$ (12)</u>	<u>\$ -</u>	<u>\$ (302,372)</u>
\$	\$	\$ 212,833	\$	\$	\$	\$	\$	\$ 339,277
								-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 212,833</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 339,277</u>
(673)	(14,478)	(8,782)	(1,176)	7,857	1,544	(12)	-	36,905
<u>2,150</u>	<u>51,613</u>	<u>178,667</u>	<u>53,965</u>	<u>10,691</u>	<u>3,482</u>	<u>108,056</u>	<u>12,734</u>	<u>710,077</u>
<u>\$ 1,477</u>	<u>\$ 37,135</u>	<u>\$ 169,885</u>	<u>\$ 52,789</u>	<u>\$ 18,548</u>	<u>\$ 5,026</u>	<u>\$ 108,044</u>	<u>\$ 12,734</u>	<u>\$ 746,981</u>

Agency Funds

	Special Welfare - SSI Fund	Flexible Spending Fund	Employee Emergency Trust Fund	Early Childhood Commission Fund	Total
ASSETS					
Cash and cash equivalents	\$ 10,931	\$ 7,343	\$ 11,690	\$ 67,642	\$ 97,606
Total assets	<u>\$ 10,931</u>	<u>\$ 7,343</u>	<u>\$ 11,690</u>	<u>\$ 67,642</u>	<u>\$ 97,606</u>
LIABILITIES					
Amounts held for others	\$ 10,931	\$ 7,343	\$ 11,690	\$ 67,642	\$ 97,606
Total liabilities	<u>\$ 10,931</u>	<u>\$ 7,343</u>	<u>\$ 11,690</u>	<u>\$ 67,642</u>	<u>\$ 97,606</u>

CITY OF FRANKLIN, VIRGINIA
 Combining Statements of Changes in Assets and Liabilities
 Agency Funds
 For The Year Ended June 30, 2015

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Special Welfare - SSI Fund:				
ASSETS				
Cash and cash equivalents	\$ 10,931	\$ -	\$ -	\$ 10,931
Total assets	<u>\$ 10,931</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,931</u>
LIABILITIES				
Amounts held for others	\$ 10,931	\$ -	\$ -	\$ 10,931
Total liabilities	<u>\$ 10,931</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,931</u>
Flexible Spending Fund:				
ASSETS				
Cash and cash equivalents	\$ 7,157	\$ 30,103	\$ 29,917	\$ 7,343
Total assets	<u>\$ 7,157</u>	<u>\$ 30,103</u>	<u>\$ 29,917</u>	<u>\$ 7,343</u>
LIABILITIES				
Amounts held for others	\$ 7,157	\$ 30,103	\$ 29,917	\$ 7,343
Total liabilities	<u>\$ 7,157</u>	<u>\$ 30,103</u>	<u>\$ 29,917</u>	<u>\$ 7,343</u>
Employee Emergency Trust Fund:				
ASSETS				
Cash and cash equivalents	\$ 12,597	\$ 3,141	\$ 4,048	\$ 11,690
Total assets	<u>\$ 12,597</u>	<u>\$ 3,141</u>	<u>\$ 4,048</u>	<u>\$ 11,690</u>
LIABILITIES				
Amounts held for others	\$ 12,597	\$ 3,141	\$ 4,048	\$ 11,690
Total liabilities	<u>\$ 12,597</u>	<u>\$ 3,141</u>	<u>\$ 4,048</u>	<u>\$ 11,690</u>
Early Childhood Commission Fund:				
ASSETS				
Cash and cash equivalents	\$ 80,553	\$ 136,015	\$ 148,926	\$ 67,642
Total assets	<u>\$ 80,553</u>	<u>\$ 136,015</u>	<u>\$ 148,926</u>	<u>\$ 67,642</u>
LIABILITIES				
Amounts held for others	\$ 80,553	\$ 136,015	\$ 148,926	\$ 67,642
Total liabilities	<u>\$ 80,553</u>	<u>\$ 136,015</u>	<u>\$ 148,926</u>	<u>\$ 67,642</u>
Totals - All Agency Funds:				
ASSETS				
Cash and cash equivalents	\$ 111,237	\$ 169,259	\$ 182,891	\$ 97,606
Total assets	<u>\$ 111,237</u>	<u>\$ 169,259</u>	<u>\$ 182,891</u>	<u>\$ 97,606</u>
LIABILITIES				
Amounts held for others	\$ 111,237	\$ 169,259	\$ 182,891	\$ 97,606
Total liabilities	<u>\$ 111,237</u>	<u>\$ 169,259</u>	<u>\$ 182,891</u>	<u>\$ 97,606</u>

DISCRETELY PRESENTED COMPONENT UNIT-
SCHOOL BOARD

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

CITY OF FRANKLIN, VIRGINIA
 Combining Balance Sheet
 Discretely Presented Component Unit – School Board
 June 30, 2015

Exhibit 19

	<u>School Operating Fund</u>	<u>Cafeteria Fund</u>	<u>Textbook Fund</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 177,183	\$ 141,754	\$ 366,384	\$ 685,321
Receivables (net of allowance for uncollectibles):				-
Accounts receivable	-	57,792		57,792
Due from other governmental units	906,803			906,803
Inventories		11,405		11,405
Prepaid items				-
	<u>1,083,986</u>	<u>210,951</u>	<u>366,384</u>	<u>1,661,321</u>
Total assets	\$	\$	\$	\$
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 85,051	\$ 6,751		\$ 91,802
Accrued liabilities	998,935	35,484		1,034,419
	<u>1,083,986</u>	<u>42,235</u>	<u>-</u>	<u>1,126,221</u>
Total liabilities	\$	\$	\$	\$
Fund balances:				
Nonspendable:				
Inventory		168,716	366,384	535,100
Restricted:				
Special Revenue				-
	<u>-</u>	<u>168,716</u>	<u>366,384</u>	<u>535,100</u>
Total fund balances	\$	\$	\$	\$
Total liabilities and fund balances	<u>\$ 1,083,986</u>	<u>\$ 210,951</u>	<u>\$ 366,384</u>	<u>\$ 1,661,321</u>

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

Total fund balances per above	\$ 535,100
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:	
Capital assets	\$ 16,849,429
Less: accumulated depreciation	<u>(7,652,365)</u>
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	\$ (206,200)
Compensated absences	<u>(171,104)</u>
Net assets of governmental activities	<u>\$ 9,354,861</u>

CITY OF FRANKLIN, VIRGINIA

Exhibit 20

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds – Discretely Presented Component Unit – School Board
 For the Year Ended June 30, 2015

	<u>School Operating Fund</u>	<u>Cafeteria Fund</u>	<u>Textbook Fund</u>	<u>Total Governmental Funds</u>
REVENUES				
Revenue from the use of money and property	\$ 5,622	\$ -	\$ 106,796	\$ 112,418
Charges for services	6,303	44,278	-	50,581
Miscellaneous	207,575	2,087	-	209,661
Recovered costs	5,557	-	-	5,557
Intergovernmental revenues:	-	-	-	-
Local government	5,150,991	-	-	5,298,994
Commonwealth	8,659,463	15,674	-	8,674,887
Federal	2,070,944	777,774	-	2,700,964
Total revenues	<u>\$ 16,106,455</u>	<u>\$ 839,813</u>	<u>\$ 106,796</u>	<u>\$ 17,053,063</u>
EXPENDITURES				
Current:				
Education:				
Instruction	\$ 12,241,638	\$ -	\$ 58,081	\$ 12,299,719
Administration, attendance and health	1,081,981	-	-	1,081,981
Transportation	589,927	-	-	589,927
Operations and maintenance	1,462,660	-	-	1,462,660
Technology	730,249	-	-	730,249
Food services	-	781,241	-	781,241
Total expenditures	<u>\$ 16,106,455</u>	<u>\$ 781,241</u>	<u>\$ 58,081</u>	<u>\$ 16,945,777</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 58,572</u>	<u>\$ 48,715</u>	<u>\$ 107,285</u>
OTHER FINANCING SOURCES (USED)				
Debt Issuance	\$ -	\$ -	\$ -	\$ -
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources and uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ 58,572</u>	<u>\$ 48,715</u>	<u>\$ 107,285</u>
Fund balances - beginning	<u>-</u>	<u>110,145</u>	<u>317,670</u>	<u>427,814</u>
Fund balances - ending	<u><u>\$ -</u></u>	<u><u>\$ 168,716</u></u>	<u><u>\$ 366,384</u></u>	<u><u>\$ 535,100</u></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				\$ 107,285
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		\$ 65,154	
	Depreciation expense		<u>(275,904)</u>	(210,750)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds (accrued leave & OPEB)				
				463,045
Change in net assets of governmental activities				<u><u>\$ 359,581</u></u>

CITY OF FRANKLIN, VIRGINIA

Exhibit 21

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
 Discretely Presented Component Unit – School Board
 For the Year Ended June 30, 2015

	School Operating Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 2,500	\$ 2,500	\$ 5,622	\$ 3,122
Charges for services	29,000	29,000	6,303	(22,697)
Miscellaneous	125,400	235,063	207,574	(27,489)
Recovered costs	53,718	53,718	5,557	(48,161)
Intergovernmental revenues:				
Local government	5,182,989	6,761,910	5,150,991	(1,462,916)
Commonwealth	8,728,651	8,803,041	8,659,463	(143,828)
Federal	2,305,368	2,305,368	2,070,944	(382,178)
Total revenues	\$ 16,427,626	\$ 18,190,600	\$ 16,106,455	\$ (2,084,146)
EXPENDITURES				
Current:				
Education:				
Instruction	\$ 12,873,898	\$ 14,575,566	\$ 12,241,638	\$ 2,333,928
Administration, attendance and health	1,057,200	1,034,929	1,081,981	(47,052)
Transportation	530,137	530,137	589,927	(59,790)
Operations and maintenance	1,302,510	1,302,510	1,462,660	(160,150)
Technology	663,881	747,458	730,249	17,209
Food services	-	-	-	-
Total expenditures	\$ 16,427,626	\$ 18,190,600	\$ 16,106,455	\$ 2,084,146
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ -
OTHER FINANCING SOURCES (USES)				
Debt Issuance	\$ -	\$ -	\$ -	\$ -
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources and uses	\$ -	\$ -	\$ -	\$ -
Net change in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	-	-
Fund balances - ending	\$ -	\$ -	\$ -	\$ -

Statement of Net Position

Discretely Presented Component Unit - Industrial Development Authority

June 30, 2015

	<u>Industrial Development Authority</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ <u>14,313</u>
Total assets	\$ <u><u>14,313</u></u>
 NET ASSETS	
Unrestricted	\$ <u>14,313</u>
Total net assets	\$ <u><u>14,313</u></u>

Statement of Revenues, Expenses, and Changes in Net Position
Discretely Presented Component Unit - Industrial Development Authority
For the Year Ended June 30, 2015

	<u>Industrial Development Authority</u>
NONOPERATING REVENUES	
Contribution from Primary Government	\$
Interest income	<u>1</u>
 Total nonoperating income	 \$ <u>1</u>
 Change in net assets	 \$ 1
 Total net assets - beginning	 <u>14,312</u>
Total net assets - ending	\$ <u><u>14,313</u></u>

Statement of Cash Flows

Discretely Presented Component Unit - Industrial Development Authority

For the Ended June 30, 2015

	<u>Industrial Development Authority</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Contribution from Primary Government	\$
Repayment of amount due Primary Government	<u> </u>
Net cash provided by capital and related financing activities	\$ <u> -</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends received	\$ <u> 1</u>
Net cash provided by investing activities	\$ <u> 1</u>
Net increase (decrease) in cash and cash equivalents	\$ 1
Cash and cash equivalents - beginning	<u> 14,312</u>
Cash and cash equivalents - ending	\$ <u><u> 14,313</u></u>

CITY OF FRANKLIN, VIRGINIA
 Schedule of Revenues – Budget and Actual
 General Fund
 For the Year Ended June 30, 2015

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	\$ 5,473,742	\$ 5,473,742	\$ 5,284,287	\$ (189,456)
Real and personal public service corporation taxes	61,818	61,818	64,977	3,159
Personal property taxes	1,432,446	1,432,446	1,501,227	68,781
Machinery and tools taxes	65,000	65,000	18,867	(46,133)
Penalties	80,000	80,000	109,125	29,125
Interest	55,000	55,000	59,247	4,247
Total general property taxes	<u>\$ 7,168,006</u>	<u>\$ 7,168,006</u>	<u>\$ 7,037,730</u>	<u>\$ (130,276)</u>
Other local taxes:				
Local sales and use taxes	\$ 1,720,000	\$ 1,720,000	\$ 1,767,063	\$ 47,063
Consumers' utility taxes	565,000	565,000	576,452	11,452
Probate taxes	-	-	3,130	3,130
Electric consumption taxes	30,000	30,000	33,305	3,305
Business license taxes	930,500	930,500	921,270	(9,230)
Motor vehicle license taxes	170,000	170,000	195,333	25,333
Bank stock taxes	58,000	58,000	71,671	13,671
Taxes on recordation and wills	35,000	35,000	55,162	20,162
Cigarette taxes	300,000	300,000	373,904	73,904
Lodging taxes	150,000	150,000	149,166	(834)
Restaurant food taxes	1,260,000	1,260,000	1,439,601	179,601
Total other local taxes	<u>\$ 5,218,500</u>	<u>\$ 5,218,500</u>	<u>\$ 5,586,058</u>	<u>\$ 367,558</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 3,200	\$ 3,200	\$ 4,164	\$ 964
Building and related permits	-	-	-	-
Transfer fees	-	-	-	-
Permits and other licenses	188,436	188,436	235,136	46,700
Total permits, privilege fees, and regulatory licenses	<u>\$ 191,636</u>	<u>\$ 191,636</u>	<u>\$ 239,299</u>	<u>\$ 47,663</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 40,200	\$ 40,200	\$ 32,553	\$ (7,647)
Total fines and forfeitures	<u>\$ 40,200</u>	<u>\$ 40,200</u>	<u>\$ 32,553</u>	<u>\$ (7,647)</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 2,000	\$ 2,000	\$ 3,110	\$ 1,110
Revenue from use of property	240,522	240,522	244,074	3,552
Total revenue from use of money and property	<u>\$ 242,522</u>	<u>\$ 242,522</u>	<u>\$ 247,184</u>	<u>\$ 4,662</u>
Charges for services:				
Law library and court fees	\$ 5,200	\$ 5,200	\$ 4,698	\$ (502)
J & D Services - Southampton County	4,100	4,100	4,100	-
Fire and emergency services	114,814	114,814	114,814	-

CITY OF FRANKLIN, VIRGINIA
 Schedule of Revenues – Budget and Actual
 General Fund
 For the Year Ended June 30, 2015

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)				
Ambulance services	315,000	315,000	304,992	(10,008)
Southampton County - fire truck	33,705	33,705	33,723	18
Animal boarding and adoption fees	100	100	140	40
Janitorial services	16,500	16,500	17,461	961
Social services - telephone system	-	-	(1,594)	(1,594)
Waste collection and disposal	-	-	350	350
Weed Cutting Charges	10,000	10,000	1,878	(8,122)
Demolition and debris removal	1,000	1,000	100	(900)
Administration - water and sewer	481,309	481,309	481,309	-
Administration - airport	18,863	18,863	18,863	-
Administration - electric	440,218	440,218	440,218	-
Recreation fees and admissions	15,100	15,100	9,621	(5,479)
Other charges for services	2,900	2,900	2,916	16
Total charges for services	\$ 1,458,809	\$ 1,458,809	\$ 1,433,589	\$ (25,220)
Miscellaneous revenue:				
Miscellaneous	\$ 14,350	\$ 15,750	\$ 280,256	\$ 264,506
Payment in lieu of taxes - water and sewer	26,460	26,460	26,460	-
Payment in lieu of taxes - electric	59,282	59,282	59,282	-
Payment in lieu of taxes - FRHA	7,000	7,000	-	(7,000)
Isle of Wight - revenue sharing	600,000	600,000	699,141	99,141
Southampton County - revenue sharing	30,000	30,000	5,828	(24,172)
Sale of cemetery lots	16,000	16,000	35,565	19,565
Total miscellaneous revenue	\$ 753,092	\$ 754,492	\$ 1,106,532	\$ 352,040
Recovered costs:				
Workers' compensation	\$ -	\$ -	\$ -	\$ -
Insurance recovery - liability	5,000	5,000	-	(5,000)
Other recovered costs	330,000	285,000	242,899	(42,101)
Total recovered costs	\$ 335,000	\$ 290,000	\$ 242,899	\$ (47,101)
Total revenue from local sources	\$ 15,407,765	\$ 15,364,165	\$ 15,925,845	\$ 561,680
Revenue from the Commonwealth:				
Noncategorical aid:				
Railroad rolling stock tax	\$ 6,500	\$ 6,500	\$ 6,652	\$ 152
Motor vehicle rental tax	30,000	30,000	33,526	3,526
Communication taxes	575,000	575,000	553,898	(21,102)
State recordation tax	15,000	15,000	19,490	4,490
Personal property tax relief funds	1,048,897	1,048,897	1,048,897	-
Total noncategorical aid	\$ 1,675,397	\$ 1,675,397	\$ 1,662,463	\$ (12,934)

CITY OF FRANKLIN, VIRGINIA
 Schedule of Revenues - Budget and Actual
 General Fund
 For the Year Ended June 30, 2015

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Categorical aid:				
Shared expenses:				
Commissioner of revenue	\$ 78,000	\$ 78,000	\$ 76,719	\$ (1,282)
Treasurer	68,500	68,500	64,070	(4,430)
Registrar/electoral board	33,000	33,000	33,542	542
Total shared expenses	<u>\$ 179,500</u>	<u>\$ 179,500</u>	<u>\$ 174,330</u>	<u>\$ (5,170)</u>
Other categorical aid:				
HB 599 Law enforcement grant	\$ 404,250	\$ 404,250	\$ 392,211	\$ (12,039)
Fire and rescue grant	157,820	157,820	162,081	4,261
Street and highway maintenance funds	1,529,132	1,571,820	1,571,820	0
Litter control grants	-	6,357	6,357	-
Wireless 911 grant	47,500	47,500	50,869	3,369
PSAP Wireless Grant	-	150,000	150,000	0
DHCD Stormwater Management Assistance	45,000	45,000	25,922	(19,078)
Other categorical aid	13,000	20,166	16,608	(3,558)
Total other categorical aid	<u>\$ 2,151,702</u>	<u>\$ 2,402,913</u>	<u>\$ 2,375,868</u>	<u>\$ (27,045)</u>
Total categorical aid	<u>\$ 2,331,202</u>	<u>\$ 2,582,413</u>	<u>\$ 2,550,198</u>	<u>\$ (32,215)</u>
Total revenue from the Commonwealth	<u>\$ 4,006,599</u>	<u>\$ 4,257,810</u>	<u>\$ 4,212,661</u>	<u>\$ (45,149)</u>
Revenue from the federal government:				
Categorical aid:				
Emergency services grant	16,596	16,595	16,595	-
Police grants	-	50,000	56,287	6,287
Fire department - safer grant	413,008	413,008	404,026	(8,982)
Other federal categorical aid	-	930	930	-
Total categorical aid	<u>\$ 429,604</u>	<u>\$ 480,533</u>	<u>\$ 477,838</u>	<u>\$ (2,695)</u>
Total revenue from the federal government	<u>\$ 429,604</u>	<u>\$ 480,533</u>	<u>\$ 477,838</u>	<u>\$ (2,695)</u>
Total General Fund	<u><u>\$ 19,843,968</u></u>	<u><u>\$ 20,102,508</u></u>	<u><u>\$ 20,616,343</u></u>	<u><u>\$ 513,835</u></u>

CITY OF FRANKLIN, VIRGINIA
Statement of Expenditures - Budget and Actual
General Fund
For the Year Ended June 30, 2015

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
General government administration:				
Legislative:				
City council	\$ 249,462	\$ 177,891	\$ 169,919	\$ 7,972
General and financial administration:				
City manager	\$ 232,511	\$ 229,711	\$ 179,208	\$ 50,503
City attorney	140,174	187,301	172,660	14,641
Management services and human resources	149,855	151,671	151,650	21
Commissioner of revenue	245,755	250,887	250,877	10
Real estate assessor	52,688	52,270	51,530	740
Treasurer	270,273	272,837	254,783	18,054
Accounting	313,600	315,348	267,417	47,931
Purchasing	83,813	84,395	83,685	710
Utility billings and collections	232,424	234,172	224,468	9,704
Insurance	134,500	134,500	130,896	3,604
Information Technology	175,457	370,469	176,775	193,694
Total general and financial administration	\$ 2,031,050	2,283,561	\$ 1,943,950	\$ 339,611
Board of elections:				
Electoral board and officials	\$ 101,111	\$ 101,927	\$ 98,043	\$ 3,884
Total board of elections	\$ 101,111	\$ 101,927	\$ 98,043	\$ 3,884
Total general government administration	\$ 2,381,623	\$ 2,563,379	\$ 2,211,912	\$ 351,467
Judicial administration:				
Courts:				
Circuit court - joint operations	\$ 7,525	\$ 7,525	\$ 7,524	\$ 1
General district court	17,575	17,575	11,956	5,619
Magistrates	-	-	-	-
Clerk of the circuit court	78,294	78,294	57,644	20,650
Juvenile and domestic relations court	158,928	112,078	60,915	51,163
Sheriff - courts	113,201	113,201	113,200	1
Total courts	\$ 375,523	\$ 328,673	\$ 251,239	\$ 77,434
Commonwealth's attorney:				
Commonwealth's attorney	\$ 69,324	\$ 69,324	\$ 69,324	\$ -
Total commonwealth's attorney	\$ 69,324	\$ 69,324	\$ 69,324	\$ -
Total judicial administration	\$ 444,847	\$ 397,997	\$ 320,562	\$ 77,435
Public safety:				
Law enforcement and traffic control:				
Police department	\$ 2,887,932	\$ 2,960,753	\$ 2,863,274	\$ 97,479
Total law enforcement and traffic control	\$ 2,887,932	\$ 2,960,753	\$ 2,863,274	\$ 97,479

CITY OF FRANKLIN, VIRGINIA
Statement of Expenditures - Budget and Actual
General Fund
For the Year Ended June 30, 2015

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	\$ 639,530	\$ 793,465	\$ 738,797	\$ 54,668
Emergency management services	2,320,481	2,344,238	2,327,394	16,844
Total emergency services	<u>\$ 2,960,011</u>	<u>\$ 3,137,703</u>	<u>\$ 3,066,191</u>	<u>\$ 71,512</u>
Correction and detention:				
Detention - Western Tidewater Regional Jail	\$ 851,235	\$ 852,165	\$ 852,165	\$ -
Total correction and detention	<u>\$ 851,235</u>	<u>\$ 852,165</u>	<u>\$ 852,165</u>	<u>\$ -</u>
Inspections:				
Building	\$ 501,636	\$ 505,279	\$ 474,980	\$ 30,299
Total inspections	<u>\$ 501,636</u>	<u>\$ 505,279</u>	<u>\$ 474,980</u>	<u>\$ 30,299</u>
Other protection:				
Animal control	\$ 112,643	\$ 113,459	\$ 92,632	\$ 20,827
Civil defense	71,910	71,910	66,673	5,237
Safety and health	1,501	1,501	237	1,264
Total other protection	<u>\$ 186,054</u>	<u>\$ 186,870</u>	<u>\$ 159,542</u>	<u>\$ 27,328</u>
Total public safety	<u>\$ 7,386,868</u>	<u>\$ 7,642,770</u>	<u>\$ 7,416,152</u>	<u>\$ 226,618</u>
Public works:				
Maintenance of highways, streets, bridges, and sidewalks:				
Streets and highways	\$ 1,957,024	\$ 2,194,951	\$ 1,742,935	\$ 452,016
Snow removal	26,500	17,500	17,355	145
Garage	240,067	242,107	226,717	15,390
Total maintenance of highways, streets, bridges, and sidewalks	<u>\$ 2,223,591</u>	<u>\$ 2,454,558</u>	<u>\$ 1,987,007</u>	<u>\$ 467,551</u>
Maintenance of general buildings and grounds:				
Maintenance of general buildings and grounds	\$ 659,587	\$ 650,375	\$ 618,031	\$ 32,344
Maintenance of armory	54,180	54,472	38,703	15,769
Maintenance of city hall	204,954	225,036	224,563	473
Maintenance of social services	77,015	77,161	76,764	397
Maintenance of health department	29,018	29,252	25,246	4,006
Total maintenance of general buildings and grounds	<u>\$ 1,024,754</u>	<u>\$ 1,036,296</u>	<u>\$ 983,306</u>	<u>\$ 52,990</u>
Total public works	<u>\$ 3,248,345</u>	<u>\$ 3,490,854</u>	<u>\$ 2,970,313</u>	<u>\$ 520,541</u>

CITY OF FRANKLIN, VIRGINIA
Statement of Expenditures - Budget and Actual
General Fund
For the Year Ended June 30, 2015

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Health and welfare:				
Health:				
Local health department	\$ 110,000	\$ 110,000	\$ 110,000	\$ -
Mosquito control	11,000	-	-	-
Mental health	35,198	35,198	35,198	-
Total health	<u>\$ 156,198</u>	<u>\$ 145,198</u>	<u>\$ 145,198</u>	<u>\$ -</u>
Total health and welfare	<u>\$ 156,198</u>	<u>\$ 145,198</u>	<u>\$ 145,198</u>	<u>\$ -</u>
Education:				
Contribution to local school board	\$ 5,182,989	\$ 5,645,634	\$ 5,150,991	\$ 494,643
Total education	<u>\$ 5,182,989</u>	<u>\$ 5,645,634</u>	<u>\$ 5,150,991</u>	<u>\$ 494,643</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Programs and operations	\$ 360,882	\$ 332,280	\$ 296,079	\$ 36,201
Senior citizen programs	85,617	115,617	29,647	85,970
Senior citizen nutrition	40,985	41,219	43,406	(2,187)
Cemeteries	57,050	57,050	37,727	19,323
Total parks and recreation	<u>\$ 544,534</u>	<u>\$ 546,166</u>	<u>\$ 406,859</u>	<u>\$ 139,307</u>
Library:				
Library administration	\$ 292,373	\$ 312,373	\$ 305,173	\$ -
Total library	<u>\$ 292,373</u>	<u>\$ 312,373</u>	<u>\$ 305,173</u>	<u>\$ -</u>
Total parks, recreation, and cultural	<u>\$ 836,907</u>	<u>\$ 858,539</u>	<u>\$ 712,031</u>	<u>\$ 139,307</u>
Community development:				
Planning and community development:				
Planning and zoning	\$ 241,361	\$ 297,484	\$ 205,973	\$ 91,511
Beautification commission	5,000	20,128	12,645	7,483
Downtown development	107,093	107,093	106,971	122
Contribution to component unit IDA	-	-	-	-
Payments to Southampton County	750,000	725,000	652,305	72,695
Total planning and community development	<u>\$ 1,103,454</u>	<u>\$ 1,149,705</u>	<u>\$ 977,894</u>	<u>\$ 171,811</u>
Total community development	<u>\$ 1,103,454</u>	<u>\$ 1,149,705</u>	<u>\$ 977,894</u>	<u>\$ 171,811</u>
Nondepartmental:				
Nondepartmental capital	\$ -	\$ -	\$ -	\$ -
Other nondepartmental	21,000	46,350	46,326	24
Total nondepartmental	<u>\$ 21,000</u>	<u>\$ 46,350</u>	<u>\$ 46,326</u>	<u>\$ 24</u>
Total General Fund	<u>\$ 20,762,231</u>	<u>\$ 21,940,426</u>	<u>\$ 19,951,380</u>	<u>\$ 1,981,845</u>

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

STATISTICAL SECTION

Contents

Tables

Financial Trends

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

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Revenue Capacity

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

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Debt Capacity

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

15-18

Demographic and Economic Information

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

19-20

Operating Information

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

21-23

Sources:

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

CITY OF FRANKLIN, VIRGINIA
 Government-Wide Revenues
 Year Ended June 30,

Table 1

Fiscal Year	Program Revenues			General Revenues						Total
	Charges for Services	Operating Grants and Contribution	Capital Grants and Contributions	Taxes	Revenue Sharing from Counties	Grants and Contributions Not Restricted to Specific Programs	Unrestricted Investment Earnings	Miscellaneous		
2015	\$ 21,723,121	\$ 4,188,762	\$ 1,113,036	\$ 12,623,788	\$ 704,969	\$ 1,662,463	\$ 676,115	\$ 692,495	\$ 43,384,749	
2014	21,275,915	4,036,731	93,223	12,008,907	# 556,765	1,663,516	* 706,839	# 438,559	40,780,453	
2013	20,063,868	3,935,552	178,275	12,028,857	# 243,503	1,668,047	* 430,218	# 346,392	38,894,711	
2012	19,021,975	3,790,723	22,006	11,752,727	1,212,182	1,666,230	* 367,899	359,583	38,193,325	
2011	19,898,355	4,638,338	109,004	11,431,190	438,746	1,663,699	* 341,820	249,154	38,770,306	
2010	18,285,763	4,077,928	2,072,735	11,579,344	1,316,661	1,673,064	* 354,881	305,705	39,666,081	
2009	19,491,230	4,056,878	758,780	12,482,692	1,310,461	1,108,120	* 362,362	533,867	40,104,390	
2008	18,313,540	2,520,711	2,537,650	11,988,424	1,279,456	1,323,968	* 474,392	1,015,319	39,453,460	
2007	17,601,728	4,096,205	1,607,455	11,735,772	1,175,879	1,132,497	* 132,207	1,556,708	39,038,451	
2006	18,767,600	3,698,397	93,952	10,627,041	1,136,199	1,132,497	* 38,191	1,431,952	36,925,829	
2005	16,228,102	3,645,508	2,168,480	10,982,904	1,103,685	0	* 9,025	374,154	34,511,858	

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

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

Table 2

Fiscal Year	General Government	Judicial	Public Safety	Public Works	Health and Welfare	Education	Parks, Recreation and Cultural	Community Development	Non-Departmental	Interest on Long-Term Debt	Water and Sewer	Electric	Airport	Total Expenditures
2015	2,408,961	320,562	7,924,624	3,628,604	2,035,529	6,998,339	904,944	1,431,913	46,326	402,324	4,624,837	14,466,480	1,365,962	46,559,407
2014	1,581,531	312,767	6,806,355	3,457,133	1,890,689	5,753,084	778,365	1,714,373	63,905	458,420	2,927,576	13,464,599	631,437	39,840,233
2013	2,464,954	390,639	6,477,498	4,042,630	2,029,046	4,757,834	987,498	1,238,138	88,315	862,901	2,784,937	12,742,843	599,945	39,467,177
2012	2,797,507	408,025	6,331,863	4,702,151	1,883,150	4,373,992	1,026,675	1,457,880	41,283	434,988	2,972,701	13,153,530	351,863	39,935,607
2011	2,451,215	417,073	6,638,673	4,123,252	2,092,175	4,762,168	1,045,170	2,134,311	-	240,711	3,025,608	12,315,508	571,057	39,816,921
2010	2,301,552	227,580	5,786,765	4,497,628	2,406,592	4,633,929	1,049,424	1,370,039	-	549,261	3,069,237	10,319,351	572,686	36,784,044
2009	2,570,721	238,213	6,175,136	4,328,943	2,607,817	4,866,262	1,156,868	1,249,752	-	554,434	2,994,753	12,844,876	584,294	40,172,069
2008	2,648,658	254,382	5,244,287	4,360,802	2,479,570	5,005,226	1,030,677	1,551,031	-	594,528	3,028,136	11,084,995	637,885	37,920,177
2007	2,418,619	276,708	5,199,732	4,049,898	2,328,871	5,877,702	1,035,540	1,658,873	-	879,419	2,931,072	10,833,758	628,378	38,118,570
2006	3,579,360	220,786	4,581,392	3,273,363	2,476,948	4,358,068	908,320	1,154,255	580,617	717,482	2,895,536	10,704,954	571,601	36,022,682

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

Table 3

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
General property taxes	\$ 7,037,730	\$ 6,810,144	\$ 6,761,228	\$ 6,531,186	\$ 6,564,430	\$ 6,530,638	\$ 6,738,891	\$ 6,583,034	\$ 5,996,085	\$ 6,359,770
Other local taxes	5,586,058	5,198,763	5,267,629	5,221,541	4,931,497	5,496,343	5,508,466	5,612,005	5,598,044	5,245,322
Permits, fees and licenses	239,299	168,629	54,736	65,986	43,827	42,070	50,721	85,785	84,958	111,310
Fines and forfeitures	32,553	37,418	63,941	60,735	67,659	62,877	59,119	51,650	67,106	42,865
Use of money and property	545,633	423,159	390,886	368,747	344,072	355,363	363,039	380,946	463,110	612,208
Charges for services	1,484,170	1,380,953	2,740,501	2,673,776	2,813,659	2,716,955	2,395,449	2,205,796	2,109,470	1,688,388
Miscellaneous and donations	1,607,125	1,290,444	755,490	1,783,730	925,311	1,965,875	2,212,987	2,561,414		2,375,228
Recovered costs	248,457	284,056	51,320	132,719	69,151	140,199	109,572	208,839	832,764	162,534
Intergovernmental	17,445,443	16,823,269	16,412,826	16,262,051	16,919,937	16,640,925	17,063,702	17,187,544	17,823,513	18,955,586
Total	\$ <u>34,226,469</u>	\$ <u>32,416,835</u>	\$ <u>32,498,557</u>	\$ <u>33,100,471</u>	\$ <u>32,679,543</u>	\$ <u>33,951,245</u>	\$ <u>34,501,946</u>	\$ <u>34,877,013</u>	\$ <u>35,350,278</u>	\$ <u>35,034,183</u>

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

CITY OF FRANKLIN, VIRGINIA
 General Government Expenditures by Function
 Last Ten Fiscal Years Ended June 30,

Table 4

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
General government administration	\$ 2,211,912	\$ 2,173,109	\$ 2,017,868	\$ 2,064,443	\$ 2,060,446	\$ 2,083,550	\$ 2,231,540	\$ 2,342,771	\$ 2,170,465
Judicial administration	320,562	312,767	390,639	408,025	417,073	226,508	236,455	260,681	277,318
Public safety	7,537,609	7,051,828	6,082,876	5,916,167	6,039,390	5,379,484	5,871,389	5,132,088	5,179,909
Public works	2,970,313	3,874,669	3,591,932	4,277,392	4,644,403	4,253,984	4,155,038	4,279,138	4,729,833
Health and welfare	1,990,435	1,919,290	1,990,673	1,856,751	2,047,487	2,314,766	2,531,118	2,418,143	2,395,651
Education	18,687,553	17,167,862	16,064,811	15,680,694	15,627,197	16,189,511	16,245,264	16,260,078	15,648,683
Parks, recreation and cultural	728,009	890,590	845,750	852,091	867,991	877,561	1,098,785	1,142,871	978,109
Community development	1,431,913	1,714,373	1,238,138	1,457,880	2,162,246	1,486,489	1,306,902	1,553,177	1,668,299
Nondepartmental	46,326	39,835	64,245	41,283	104,155	61,375	50,554	782,653	20,869
Capital Projects	0	0	0	0	0	46,127	152,417	1,231,340	2,413,468
Debt service:									
Principal retirement	480,082	355,041	4,193,126	480,037	674,229	1,173,938	1,157,421	1,041,923	2,557,013
Interest and fiscal charges	402,324	417,441	2,074,953	434,988	318,941	1,066,708	577,131	589,825	679,916
Totals	<u>36,807,039</u>	<u>35,916,805</u>	<u>38,555,011</u>	<u>33,469,751</u>	<u>34,963,558</u>	<u>35,160,001</u>	<u>35,614,014</u>	<u>37,034,688</u>	<u>38,719,533</u>

NOTE:

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

CITY OF FRANKLIN, VIRGINIA
Fund Balance – Governmental Funds
Last Ten Fiscal Years Ended June 30,

Table 5

Fund Balances, Governmental Funds
Pre-GASB 54 Implementation:

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
General Fund						
Reserved	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Unreserved	5,211,536	4,671,350	3,998,815	3,094,618	2,635,891	2,414,750
Total general fund	<u>\$ 5,211,536</u>	<u>\$ 4,671,350</u>	<u>\$ 3,998,815</u>	<u>\$ 3,094,618</u>	<u>\$ 2,635,891</u>	<u>\$ 2,414,750</u>
All Other Governmental Funds						
Reserved	\$ 834,736	\$ 644,623	\$ 460,698	\$ 279,236	\$ 1,870,206	\$ 312,438
Unreserved, reported in:						
Special revenue funds	1,094,142	1,297,002	1,460,560	1,179,047	0	0
Debt service funds	(325,499)	(280,924)	0	0	0	0
Capital projects funds	118,884	89,921	192,338	545,812	0	0
Permanent funds	136,060	129,787	126,030	133,068	133,046	130,768
Unreserved and undesignated	0	0	0	0	912,516	916,594
Total all other governmental funds	<u>\$ 1,858,323</u>	<u>\$ 1,880,409</u>	<u>\$ 2,239,626</u>	<u>\$ 2,137,163</u>	<u>\$ 2,915,768</u>	<u>\$ 1,359,800</u>

Post-GASB 54 Implementation:

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
General Fund					
Nonspendable	\$ 969,874	\$ 969,874	\$ 969,874	\$ 969,874	\$ 978,500
Restricted	493,480	240,686	1,070,252	80,000	146,044
Committed	7,336	496,110	643,174	230,972	343,194
Assigned	475,028	1,113,614	2,366,148	2,588,020	1,212,612
Unassigned	5,123,487	4,071,412	3,648,940	3,084,828	2,381,262
Total general fund	<u>\$ 7,069,205</u>	<u>\$ 6,891,696</u>	<u>\$ 8,698,388</u>	<u>\$ 6,953,694</u>	<u>\$ 5,061,612</u>
All Other Governmental Funds					
Nonspendable	\$ -	\$ 0	\$ 219,584	\$ 226,048	\$ 226,048
Restricted	744,137	2,354,530	1,780,661	1,478,166	1,728,261
Committed	-	0	7,575	0	0
Assigned	3,126,402	1,185,642	1,976,098	98,268	180,277
Unassigned, reported in:					
Special revenue funds	2,845	2,845	(10,606)	(20,380)	(49,310)
Total all other governmental funds	<u>\$ 3,873,384</u>	<u>\$ 3,543,017</u>	<u>\$ 3,973,312</u>	<u>\$ 1,782,102</u>	<u>\$ 2,085,276</u>

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

CITY OF FRANKLIN, VIRGINIA
 Changes in Fund Balance - Governmental Funds
 Last Ten Fiscal Years Ended June 30,

Table 6

Changes in Fund Balance, Governmental Funds

	2,015	2,014	2,013	2,012	2,011	2,010	2,009	2,008	2,007	2,006
Revenues										
General property taxes	\$ 7,037,730	\$ 6,810,144	\$ 6,761,228	\$ 6,531,186	\$ 6,564,430	\$ 6,530,638	\$ 6,738,891	\$ 6,583,034	\$ 5,996,085	\$ 6,359,770
Other local taxes	5,586,058	5,198,763	5,267,629	5,221,541	4,931,497	5,496,343	5,508,466	5,612,005	5,598,044	5,245,322
Permits, privilege fees, and regulatory licenses	239,299	168,629	54,736	65,986	43,827	42,070	50,721	85,785	84,958	111,310
Fines and forfeitures	32,553	37,418	63,941	60,735	67,659	62,877	59,119	51,650	67,106	42,865
Revenue from use of money and property	433,216	423,111	386,324	367,899	341,820	354,881	362,362	380,114	460,631	612,131
Charges for services	1,433,589	1,380,953	2,615,929	2,557,279	2,700,399	2,573,185	2,235,778	2,053,757	1,945,295	1,688,388
Miscellaneous	1,397,464	995,324	589,895	1,500,459	687,900	1,622,366	1,844,328	2,294,775	2,250,451	1,759,510
Recovered costs	242,899	283,729	43,894	71,306	27,261	100,749	61,314	82,857	773,902	86,545
Intergovernmental	6,069,592	5,787,624	5,603,598	5,456,953	6,302,037	5,214,853	5,821,774	6,376,876	6,436,014	4,221,465
Total revenues	\$ 22,472,400	\$ 21,085,695	\$ 21,387,175	\$ 21,833,344	\$ 21,666,830	\$ 21,997,962	\$ 22,682,753	\$ 23,520,853	\$ 23,612,486	\$ 20,127,306
Expenditures										
Current:										
General government administration	\$ 2,211,912	\$ 2,173,109	\$ 2,017,868	\$ 2,064,443	\$ 2,060,446	\$ 2,083,550	\$ 2,231,540	\$ 2,342,771	\$ 2,170,465	\$ 2,033,571
Judicial administration	320,562	312,767	390,639	408,025	417,073	226,508	236,455	260,681	277,318	220,786
Public safety	7,537,609	7,051,828	6,082,876	5,916,167	6,039,390	5,379,484	5,871,389	5,132,088	5,179,909	4,352,306
Public works	2,970,313	3,874,669	3,591,932	4,277,392	4,644,403	4,253,984	4,155,038	4,279,138	4,729,833	4,131,807
Health and welfare	1,990,435	1,919,290	1,990,673	1,856,751	2,047,487	2,314,766	2,531,118	2,418,143	2,395,651	2,411,904
Education	6,892,767	5,820,046	4,677,791	4,276,230	4,664,406	4,490,040	4,620,576	4,651,368	4,472,469	4,260,306
Parks, recreation and cultural	728,009	890,590	845,750	852,091	867,991	877,561	1,098,785	1,142,871	978,109	989,414
Community development	1,431,913	1,714,373	1,238,138	1,457,880	2,162,246	1,486,489	1,306,902	1,553,177	1,668,299	866,223
Nondepartmental	46,326	39,835	64,245	41,283	104,155	61,375	50,554	782,653	20,869	718,739
Capital projects	-	-	-	-	-	46,127	152,417	1,231,340	2,413,468	1,332,763
Debt service:										
Principal retirement	480,082	355,041	4,193,126	480,037	674,229	1,173,938	1,157,421	1,041,923	2,557,013	2,575,710
Interest and other fiscal charges	402,324	417,441	2,074,593	434,988	318,941	1,066,708	577,131	589,825	679,916	717,482
Bond issuance cost	-	-	-	-	-	-	-	-	-	44,394
Total expenditures	\$ 25,012,253	\$ 24,568,988	\$ 27,167,630	\$ 22,065,287	\$ 24,000,767	\$ 23,460,530	\$ 23,989,326	\$ 25,425,978	\$ 27,543,319	\$ 24,655,405
Excess (deficiency) of revenues over expenditures	\$ (2,539,852)	\$ (3,483,292)	\$ (5,780,454)	\$ (231,943)	\$ (2,333,937)	\$ (1,462,568)	\$ (1,306,573)	\$ (1,905,125)	\$ (3,930,833)	\$ (4,528,099)
Other Financing Sources (Uses)										
Proceeds from long-term debt	\$ 1,816,000	\$ -	\$ 8,137,578	\$ -	\$ -	\$ 5,235,000	\$ -	\$ 400,000	\$ -	\$ 3,755,429
Payment to refunding bond escrow agent	-	-	-	-	-	(4,828,997)	-	-	-	-
Premium on issuance of bonds	-	-	-	-	-	84,500	-	-	-	-
Discount on sale of bonds	-	-	-	-	-	-	-	-	-	-
Transfers in	3,207,161	3,185,390	3,581,305	3,428,856	4,634,273	4,139,028	3,878,065	4,271,190	6,082,270	4,333,951
Transfers out	(1,897,291)	(1,872,093)	(2,020,222)	(1,599,773)	(2,625,576)	(2,648,863)	(2,258,174)	(2,504,983)	(4,155,363)	(2,233,079)
Issuance of capital leases	-	-	-	-	318,975	-	-	745,578	1,577,117	-
Total other financing sources (uses)	\$ 3,125,870	\$ 1,313,297	\$ 9,698,662	\$ 1,829,083	\$ 2,327,672	\$ 1,980,668	\$ 1,619,891	\$ 2,911,785	\$ 3,504,024	\$ 5,856,301
Net change in fund balances	\$ 586,018	\$ (2,169,996)	\$ 3,918,207	\$ 1,597,140	\$ (6,265)	\$ 518,100	\$ 313,318	\$ 1,006,660	\$ (426,809)	\$ 1,328,202
Debt service as a percentage of noncapital expenditures	4%	23%	23%	4%	4%	10%	8%	7%	13%	15%

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

Table 7

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Governmental activities								
Invested in capital assets - net of related debt	\$ 7,820,476	\$ 12,910,601	\$ 9,300,806	\$ 15,514,000	\$ 16,568,294	\$ 17,477,560	\$ 17,319,997	\$ 16,777,541
Restricted	1,237,617	2,595,216	2,850,913	1,062,775	1,032,007			
Unrestricted	<u>9,783,115</u>	<u>5,556,004</u>	<u>9,820,786</u>	<u>5,786,923</u>	<u>4,558,481</u>	<u>4,919,147</u>	<u>4,374,403</u>	<u>4,188,340</u>
Total governmental activities	\$ <u>18,841,208</u>	\$ <u>21,061,820</u>	\$ <u>21,972,505</u>	\$ <u>22,363,698</u>	\$ <u>22,158,782</u>	\$ <u>22,396,707</u>	\$ <u>21,694,400</u>	\$ <u>20,965,881</u>
Business-type activities								
Invested in capital assets - net of related debt	\$ 5,967,851	\$ 6,677,554	\$ 5,949,747	\$ 8,095,793	\$ 8,400,534	\$ 9,228,349	\$ 8,004,309	\$ 8,388,252
Restricted	0	0	700,333	0	0	0	0	0
Unrestricted	<u>1,904,949</u>	<u>2,798,246</u>	<u>1,702,628</u>	<u>438,188</u>	<u>2,080,645</u>	<u>2,748,995</u>	<u>1,786,860</u>	<u>2,191,355</u>
Total business-type activities	\$ <u>7,872,800</u>	\$ <u>9,475,800</u>	\$ <u>8,352,708</u>	\$ <u>8,533,981</u>	\$ <u>10,481,179</u>	\$ <u>11,977,344</u>	\$ <u>9,791,169</u>	\$ <u>10,579,607</u>
Primary government								
Invested in capital assets - net of related debt	\$ 13,788,327	\$ 19,588,154	\$ 15,250,553	\$ 23,609,792	\$ 24,968,828	\$ 26,705,909	\$ 25,324,306	\$ 25,165,793
Restricted	1,237,617	2,595,216	3,551,246	1,062,775	1,032,007			
Unrestricted	<u>11,688,064</u>	<u>8,354,250</u>	<u>11,523,414</u>	<u>6,225,111</u>	<u>6,639,126</u>	<u>7,668,142</u>	<u>6,161,263</u>	<u>6,379,695</u>
Total primary government	\$ <u>26,714,009</u>	\$ <u>30,537,620</u>	\$ <u>30,325,213</u>	\$ <u>30,897,678</u>	\$ <u>32,639,961</u>	\$ <u>34,374,051</u>	\$ <u>31,485,569</u>	\$ <u>31,545,488</u>

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

Table 8
Page 1 of 2

	2015	2014	2013	2012	2011	2010	2009	2008	2007
Expenses									
Governmental activities:									
General government	\$ 2,408,961	\$ 1,581,531	\$ 2,464,954	\$ 2,797,507	\$ 2,451,215	\$ 2,301,552	\$ 2,570,721	\$ 2,648,658	\$ 2,418,619
Judicial	320,562	312,767	390,639	408,025	417,073	227,580	238,213	254,382	276,708
Public safety	7,924,624	6,806,355	6,477,498	6,331,863	6,638,673	5,799,871	6,175,136	5,244,287	5,199,732
Public works	3,628,604	3,457,133	4,042,630	4,702,151	4,123,252	4,497,628	4,328,943	4,360,802	4,049,898
Health and welfare	2,035,529	1,890,689	2,029,046	1,883,150	2,092,175	2,406,592	2,607,817	2,479,570	2,328,871
Education	6,998,339	5,753,084	4,757,834	4,373,992	4,762,168	4,633,929	4,866,262	5,005,226	5,877,702
Parks, recreation, and cultural	904,944	778,365	987,498	1,026,675	1,045,170	1,049,424	1,156,868	1,030,677	1,035,540
Community development	1,431,913	1,714,373	1,238,138	1,457,880	2,134,311	1,273,639	1,249,752	1,551,031	1,658,873
Interest on long-term debt	402,324	458,420	862,901	434,988	240,711	549,261	554,434	594,528	879,419
Nondepartmental	46,326	63,905	88,315	41,283	0	0	0	0	0
Total governmental activities	\$ 26,102,126	\$ 22,816,622	\$ 23,339,452	\$ 23,457,513	\$ 23,904,748	\$ 22,739,476	\$ 23,748,146	\$ 23,169,161	\$ 23,725,362
Business-type activities:									
Water and sewer	\$ 3,275,718	\$ 2,927,576	\$ 2,784,937	\$ 2,972,701	\$ 3,025,608	\$ 3,069,237	\$ 2,994,753	\$ 3,028,136	\$ 2,931,072
Solid waste	1,349,119	1,319,111	0	0	0	0	0	0	0
Electric	14,466,480	13,464,599	12,742,843	13,153,530	12,315,508	11,107,273	12,844,876	11,084,995	10,833,758
Airport	1,365,962	631,437	599,945	351,863	571,057	572,686	584,294	637,885	628,378
Total business-type activities	\$ 20,457,280	\$ 18,342,723	\$ 16,127,725	\$ 16,478,094	\$ 15,912,173	\$ 14,749,196	\$ 16,423,923	\$ 14,751,016	\$ 14,393,208
Total expenses	\$ 46,559,406	\$ 41,159,345	\$ 39,467,177	\$ 39,935,607	\$ 39,816,921	\$ 37,488,672	\$ 40,172,069	\$ 37,920,177	\$ 38,118,570
Program revenue									
Governmental activities:									
Charges for services:									
General government	\$ 242,355	\$ 384,455	\$ 148,629	\$ 630,502	\$ 613,208	\$ 662,101	\$ 615,929	\$ 607,034	\$ 613,334
Judicial	37,251	41,794	69,127	68,562	88,075	14,432	17,509	9,601	8,831
Public safety	457,629	422,447	381,946	441,386	529,385	510,261	464,978	384,793	493,587
Public works	960,179	710,310	2,119,550	1,517,698	1,535,386	1,469,356	1,207,847	1,101,485	877,464
Health and welfare	(1,594)	17,141	0	0	16,112	0	9,503	34,060	0
Parks, recreation, and cultural	9,621	10,853	15,356	13,783	17,327	14,418	20,197	22,216	19,185
Community development	0	0	0	12,070	12,392	7,564	9,655	32,003	0
Operating grants and contributions	4,188,762	4,036,731	3,935,552	3,790,723	4,638,338	4,077,928	4,056,878	2,520,711	4,096,205
Capital grants and contributions	0	0	0	0	0	49,197	656,776	2,532,197	1,207,312
Total governmental activities	\$ 5,894,201	\$ 5,623,731	\$ 6,670,158	\$ 6,474,724	\$ 7,450,223	\$ 6,805,257	\$ 7,059,272	\$ 7,244,100	\$ 7,315,918

CITY OF FRANKLIN, VIRGINIA

Change in Net Position
 Ended June 30,

Program revenue										
Business-type activities:										
Charges for services:										
Water and sewer	\$ 3,045,691	\$ 3,049,282	\$ 3,154,656	\$ 3,043,329	\$ 3,035,547	\$ 3,276,636	\$ 3,283,366	\$ 3,396,655	\$ 3,330,432	
Solid waste	1,365,620	1,343,522	0	0	0	0	0	0	0	
Electric	15,474,300	15,117,660	13,996,271	13,093,877	13,871,929	12,142,738	13,687,790	12,493,995	12,007,869	
Airport	132,069	178,450	178,334	200,768	178,994	188,257	174,456	231,698	251,026	
Capital grants and contributions:										
Airport	1,113,036	93,223	178,275	22,006	109,004	2,040,691	102,004	5,453	400,143	
Total business-type activities	\$ 21,130,716	\$ 19,782,137	\$ 17,507,536	\$ 16,359,980	\$ 17,195,474	\$ 17,648,322	\$ 17,247,616	\$ 16,127,801	\$ 15,989,470	
Total program revenue	\$ 27,024,917	\$ 25,405,868	\$ 24,177,694	\$ 22,834,704	\$ 24,645,697	\$ 24,453,579	\$ 24,306,888	\$ 23,371,901	\$ 23,305,388	
Governmental activities net expense	\$ (20,207,925)	\$ (17,192,891)	\$ (16,669,294)	\$ (16,982,789)	\$ (16,454,525)	\$ (15,934,219)	\$ (16,688,874)	\$ (15,925,061)	\$ (16,409,444)	
Business-type activities net expense	\$ 673,437	\$ 1,439,414	\$ 1,379,811	\$ (118,114)	\$ 1,283,301	\$ 2,899,126	\$ 823,693	\$ 1,376,785	\$ 1,596,262	
Total primary government net expense	\$ (19,534,489)	\$ (15,753,477)	\$ (15,289,483)	\$ (17,100,903)	\$ (15,171,224)	\$ (13,035,093)	\$ (15,865,181)	\$ (14,548,276)	\$ (14,813,182)	
General revenues and other changes in net assets										
Governmental activities:										
Taxes:										
Property taxes	\$ 7,037,730	\$ 6,810,144	\$ 6,761,228	\$ 6,531,186	\$ 6,499,693	\$ 6,668,337	\$ 6,974,226	\$ 6,376,419	\$ 6,052,770	
Other taxes	5,586,058	5,198,763	5,267,629	5,221,541	4,931,497	4,911,007	5,508,466	5,612,005	5,683,002	
Revenue sharing from counties	704,969	556,765	243,503	1,212,182	438,746	1,316,661	1,310,461	1,279,456	1,175,879	
Revenue from use of money and property	676,115	706,839	430,218	367,899	341,820	354,881	362,362	380,114	460,631	
Grants & Gifts non-restricted	1,662,463	1,663,516	1,668,047	1,666,230	1,663,699	1,673,064	1,108,120	1,323,968	1,132,497	
Miscellaneous	692,495	438,559	346,392	359,583	249,154	305,705	533,867	1,015,319	1,154,938	
Transfers	1,309,870	1,314,660	1,561,084	1,829,084	2,008,697	1,490,165	1,619,891	1,766,207	1,926,907	
Total governmental activities	\$ 17,669,700	\$ 16,689,246	\$ 16,278,101	\$ 17,187,705	\$ 16,133,306	\$ 16,719,820	\$ 17,417,393	\$ 17,753,488	\$ 17,586,624	
Business-type activities:										
Revenue from use of money and property										
Transfers	\$ (1,309,870)	\$ (1,314,660)	\$ (1,561,084)	\$ (1,829,084)	\$ (2,008,697)	\$ (1,490,165)	\$ (1,619,891)	\$ (1,766,207)	\$ (1,926,907)	
Total business-type activities	(1,309,870)	(1,314,660)	(1,561,084)	(1,829,084)	(2,008,697)	(1,483,720)	(1,612,131)	(1,671,929)	(1,853,561)	
Total general revenues and other changes in net assets	\$ 16,359,830	\$ 15,374,586	\$ 14,717,017	\$ 15,358,621	\$ 14,124,609	\$ 15,236,100	\$ 15,805,262	\$ 16,081,559	\$ 15,733,063	
Change in Net Assets										
Governmental activities	\$ (2,538,226)	\$ (503,645)	\$ (391,193)	\$ 204,916	\$ (321,219)	\$ 785,601	\$ 728,519	\$ 1,828,427	\$ 1,177,180	
Business-type activities	(636,433)	124,754	(181,273)	(1,947,198)	(725,396)	1,415,406	(788,438)	(295,144)	(257,299)	
Total primary government	\$ (3,174,660)	\$ (378,891)	\$ (572,467)	\$ (1,742,282)	\$ (1,046,615)	\$ 2,201,007	\$ (59,919)	\$ 1,533,283	\$ 919,881	

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

Table 9

Year	Total Tax Levy ⁽¹⁾	Current Tax Collections ⁽¹⁾	Percent of Levy Collected	Delinquent Tax Collections ⁽¹⁾⁽²⁾	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes	Percent of Delinquent Taxes to Tax Levy
2015	\$ 7,804,613	\$ 7,582,188	97.15%	\$ 380,551	\$ 7,962,739	102.03%	\$ 700,940	8.98%
2014	7,764,626	7,547,602	97.20%	321,534	7,869,136	101.35%	612,060	7.88%
2012	7,277,357	7,197,984	98.91%	183,306	7,381,290	101.43%	671,990	9.23%
2011	7,333,436	7,135,568	97.30%	304,318	7,439,886	101.45%	756,365	10.31%
2010	7,355,039	7,326,977	99.62%	125,647	7,452,624	101.33%	863,109	11.73%
2009	7,774,091	7,482,861	96.25%	182,767	7,665,628	98.60%	758,751	9.76%
2008	7,510,356	7,240,857	96.41%	232,401	7,473,258	99.51%	756,356	10.07%
2007	7,023,237	6,827,150	97.21%	179,681	7,006,831	99.77%	649,891	9.25%
2006	6,229,526	5,913,050	94.92%	279,881	6,192,931	99.41%	619,208	9.94%
2005	5,640,259	5,323,582	94.39%	290,026	5,613,608	99.53%	485,700	8.61%

Source: City of Franklin Commissioner of Revenue

⁽¹⁾ Exclusive of penalties and interest.

⁽²⁾ Does not include land redemptions.

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

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

Table 10

Year	Real Estate	Personal Property	Mobile Home	Machinery and Tools	Public Service Corporations			Total Direct Tax Rate
					Real Estate	Personal Property	Total	
2015	\$ 546,840,453	\$ 60,195,857	\$ -	\$ 2,471,371	\$ 6,551,183	\$ 43,818	\$ 616,102,682	1.36
2014	571,544,231	58,915,121	-	3,136,696	6,588,695	77,003	640,261,746	1.34
2012	550,495,439	55,575,941	-	2,993,303	6,927,392	13,914	616,005,989	1.22
2011	606,470,410	55,398,273	-	3,032,569	7,371,365	16,575	672,289,192	1.19
2010	629,410,310	57,061,332	-	3,018,957	7,761,879	42,224	697,294,702	1.19
2009	671,857,100	59,307,993	900	2,909,231	7,646,642	27,151	741,749,017	1.18
2008	561,634,400	57,716,863	-	573,729	8,480,797	39,340	628,445,129	1.34
2007	567,081,965	62,652,410	-	703,167	6,596,676	21,591	637,055,809	1.32
2006	418,087,841	59,659,923	-	738,901	8,611,442	39,123	487,137,230	1.49
2005	413,484,184	55,210,009	-	757,167	8,617,223	39,123	478,107,706	1.42

Source: City of Franklin Treasurer

CITY OF FRANKLIN, VIRGINIA

Property Tax Rates

Tax Rates per Hundred Dollars of Assessed Value

Last Ten Fiscal Years Ended June 30,

Table 11

Year	Real Estate		Personal Property	Mobile Home	Machinery and Tools	Public Service Corporation	
						Real Estate ⁽¹⁾	Personal Property
2015	\$ 0.96 / \$ 1.20	⁷⁾	\$ 4.50	\$ 0.90	\$ 2.00	\$ 0.90	\$ 4.50
2014	\$ 0.90 / \$ 1.14	⁶⁾	4.50	0.90	2.00	0.90	4.50
2012	\$ 0.77 / \$ 1.01	⁽⁵⁾	4.50	0.77	2.00	0.77	4.50
2011	\$ 0.77 / \$ 1.01	⁽⁵⁾	4.50	0.77	2.00	0.77	4.50
2010	\$ 0.77 / \$ 1.01	⁽⁵⁾	4.50	0.77	2.00	0.77	4.50
2009	\$ 0.77 / \$ 1.01	⁽⁵⁾	4.50	0.77	2.00	0.77	4.50
2008	\$ 0.90 / \$ 1.14	⁽³⁾	4.50	0.90	2.00	0.90	4.50
2007	\$ 0.85 / \$ 1.09	⁽²⁾	4.50	0.85	2.00	0.85	4.50
2006	\$ 0.95 / \$ 1.19	⁽⁴⁾	4.50	0.95	2.00	0.95	4.50
2005	\$ 0.90 / \$ 1.14	⁽³⁾	4.50	0.90	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.

⁽⁶⁾ Downtown district real estate tax rate was \$1.14 and remaining areas were taxed at \$ 0.90 for real estate.

⁽⁷⁾ Downtown district real estate tax rate was \$1.20 and remaining areas were taxed at \$ 0.96 for real estate.

Source: City of Franklin Commissioner of Revenue

CITY OF FRANKLIN, VIRGINIA
Principal Taxpayers - Real Estate
Current Years and Nine Years Ago

Table 12

Principal Taxpayers, Real Estate			
Fiscal Year 2015			
Taxpayer	Type of Business	2014 Assessed Valuation	Percent of Total Assessed Valuation of Real Estate
Franklin Hospital Corporation	Hospital	\$ 23,836,800	4.28%
James L. Rifkin Estate	Shopping Center	11,202,300	2.01%
The Village at Woods Edge	Retirement Home	10,315,800	1.85%
Lowes Home Centers, Inc	Retail - Hardware	8,115,000	1.46%
Southhampton Shopping Center L.P.	Shopping Center	5,228,900	0.94%
Meadowridge Associates L.P.	Apartments	4,775,000	0.86%
Money Mailer	Direct Mail	4,408,900	0.79%
FP Associates INC	Apartments	4,280,000	0.77%
Dorchester Apartments L.P.	Apartments	3,930,000	0.71%
Adjacent Properties Inc.	Apartments	3,750,000	0.67%
		<u>\$ 79,842,700</u>	<u>14.33%</u>
Fiscal Year 2006			
Taxpayer	Type of Business	2005 Assessed Valuation	Percent of Total Assessed Valuation of Real Estate
Franklin Hospital Corporation	Hospital	\$ 15,808,600	3.75%
James L. Rifkin Estate	Shopping Center	8,277,300	1.96%
Southampton Center, Joint Venture	Shopping Center	6,504,900	1.54%
The Village at Woods Edge	Retirement Home	6,052,300	1.43%
Wood Properties, LLP	Shopping Center	5,096,300	1.21%
Meadowridge Association	Apartments	4,308,100	1.02%
F.P. Associates	Apartments	3,718,800	0.88%
Dorchester Associates	Apartments	3,664,100	0.87%
FPA LLC	Apartments	3,378,700	0.80%
Adjacent Properties	Apartments	3,351,400	0.79%
		<u>\$ 60,160,500</u>	<u>14.25%</u>

Source: City of Franklin Treasurer

CITY OF FRANKLIN, VIRGINIA
Principal Taxpayers - Personal Property
Current Year and Nine Years Ago

Table 13

Principal Taxpayers, Personal Property			
Fiscal Year 2015			
Taxpayer	Type of Business	2013 Assessed Valuation	Percent of Total Assessed Personal Property
Franklin Hospital Corporation	Hospital	2,527,429	3.80%
Charter Communications	Service - Telecommunications	820,699	1.23%
Lowes Home Centers #2698	Retail - Hardware	713,365	1.07%
Richfood Procurement LLC	Retail - Grocery	656,668	0.99%
Wal-Mart Stores, Inc	Retail-Variety	625,470	0.94%
Burter Paper Recycling, Inc	Paper Recycling	479,138	0.72%
Food Lion Inc	Retail-Grocery	383,189	0.58%
The Village at Woods Edge	Retirement Home	369,256	0.55%
CHS PSC Leasing	Leasing	195,543	0.29%
Modern Oil	Oil Company	156,708	0.24%
		\$ 6,927,465	10.40%
Fiscal Year 2006			
Taxpayer	Type of Business	2005 Assessed Valuation	Percent of Total Assessed Personal Property
Franklin Hospital Corporation	Hospital	\$ 1,491,416	2.50%
Wal-Mart Stores, Inc.	Retail - Variety	667,266	1.12%
Charter Communications, Inc.	Cable	450,380	0.75%
Alber G. Dail, Inc	Retail - Hardware	218,141	0.37%
General Electric	Lease Furniture & Fixtures	215,207	0.36%
Food Lion, Inc. LLC	Retail - Grocery	208,017	0.35%
S.W. Rawls, Inc.	Retail - Variety	204,206	0.34%
CIT Financial USA, Inc.	Retail - Variety	184,095	0.31%
Belk Stores of Virginia	Retail-Clothing	141,192	0.24%
HVT, Inc.	Retail-Finance	129,068	0.22%
		\$ 3,908,988	6.25%

Source: City of Franklin Treasurer

CITY OF FRANKLIN, VIRGINIA

Taxable Sales by Category

Last Ten Calendar Years Ended June 30,

Table 14

	2015	2014	2013	2012	2011	2010	2009	2008	2007
Merchant Wholesaler, Durable Goods	\$ 1,669,822	\$ 3,188,873	\$ 2,201,607	N/A	\$ 540,973	\$ 319,700	\$ 160,501	\$ 206,624	\$ 370,011
Motor Vehicle & Parts Dealers	4,709,352	4,721,876	4,692,831	3,873,423	5,049,510	4,177,804	3,978,697	4,485,996	4,740,931
Furniture & Home Furnishings	1,049,067	2,279,473	3,157,818	3,057,434	3,367,524	3,415,004	3,766,476	3,460,241	3,768,080
Crop Production	-	-	-	N/A	67,636	N/A	N/A	N/A	N/A
Building Materials, Farm & Garden Supplies		15,626,661	20,589,426	-	-	-	-	-	3,683,597
Food and Beverage Stores	15,181,770	18,978,071	19,052,994	18,485,435	17,562,519	18,543,874	20,153,777	14,117,933	11,325,087
Health and Personal Care	1,094,381	995,056		N/A	1,620,007	1,708,589	1,181,688	914,493	-
Gasoline Stations	5,883,759	6,912,466	6,984,919	6,386,331	5,728,484	5,064,456	5,484,253	4,347,208	2,841,936
Clothing & Clothing Accessories Stores	1,640,436	1,800,686	1,907,205	1,913,678	1,918,978	1,992,877	1,910,099	1,954,980	2,057,085
Sporting Goods, Hobby, Book & Music Stores	572,043	213,433	855,199	268,093	-	34,340	-	-	229,560
General Merchandise Stores	59,265,803	59,383,364	66,102,148	59,970,095	57,836,189	60,044,952	60,639,197	60,217,521	53,083,978
Miscellaneous Store Retailers	2,506,553	1,668,453	1,457,346	1,896,322	2,094,847	1,745,625	1,735,875	2,469,992	2,912,936
Nonstore Retailers	1,056,137	1,050,957	1,109,388	957,052	1,392,909	1,169,469	1,518,049	2,895,028	3,550,649
Rental & Lease Services		43,429	95,371	538,438	676,770	929,073	796,030	1,291,440	960,998
Professional, Scientific and Technical Services	496,354	N/A	1,532,544	1,621,123	1,765,592	1,605,670	634,005	177,766	-
Accommodation	N/A	N/A	2,512,857	N/A	816,451	N/A	N/A	N/A	N/A
Food Services & Drinking Places	16,428,458	15,989,545	17,408,704	15,530,633	16,947,347	17,052,909	15,814,206	13,903,248	12,888,112
Repair & Maintenance	4,217,944	3,594,792	2,906,481	2,843,412	2,906,222	2,772,329	2,528,870	2,650,097	2,388,335
Personal & Laundry Services	1,208,198	1,302,214	1,300,644	1,323,188	1,115,148	905,405	1,309,468	1,252,258	922,640
Chemical Manufacturing	-	200,572	686,394						
All Other Businesses	2,384,511	2,589,207		2,530,722	1,155,848	213,205	318,129	1,352,993	5,437,841
Miscellaneous & Unidentifiable	38,796,791	17,006,970	7,764,925	27,833,602	25,414,636	27,559,023	28,788,615	24,690,382	22,719,304
Total	\$ 158,161,379	\$ 157,546,098	\$ 162,318,801	\$ 149,028,981	\$ 147,977,590	\$ 149,254,304	\$ 150,717,935	\$ 140,388,200	\$ -
Source - City of Franklin Department of Taxation									

CITY OF FRANKLIN, VIRGINIA

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

Table 15

Ratio of Net General Bonded Debt to Assessed Value												
Year	Bonded Debt Outstanding ⁽³⁾							Less:			Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita ⁽⁵⁾
	Assessed Value (in Thousands) ⁽⁴⁾	Governmental Activities			Business-type Activities			Debt Service Escrow	Debt Payable from Enterprise Revenues ⁽²⁾	Net Bonded Debt		
		General Obligation Bonds	Literary Fund Loans	Other Notes	General Obligation Bonds	Revolving Loans	Gross Bonded Debt ⁽¹⁾					
2015	\$ 553,392	\$ 15,888,999	\$ 0	\$ 0	\$ 4,651,400	\$ 0	\$ 20,540,399	\$ 1,864,141	\$ 4,651,400	\$ 14,266,257	2.58%	\$ 1,662
2014	553,392	14,733,683	0	0	4,876,000	0	19,609,683	1,715,923	4,876,000	13,017,760	2.35%	1,517
2013	578,133	15,087,295	0	0	5,326,000	0	20,413,295	1,488,751	5,326,000	13,598,544	2.35%	1,585
2012	557,423	12,860,239	0	0	3,435,000	448,518	16,743,757	1,230,196	3,883,518	11,630,043	2.09%	1,355
2011	613,842	13,170,270	0	0	3,435,000	505,296	17,110,566	1,032,007	3,940,296	12,138,263	1.98%	1,414
2010	637,172	13,456,141	100,000	160,000	3,435,000	560,409	17,711,550	834,736	3,995,409	12,881,405	2.02%	1,461
2009	679,504	13,899,488	200,000	280,000	3,689,865	613,905	18,683,258	644,623	4,303,770	13,734,865	2.02%	1,547
2008	570,115	14,714,584	300,000	400,000	4,122,300	665,832	20,202,716	460,698	4,788,132	14,953,886	2.62%	1,679
2007	573,679	15,112,072	400,000	520,000	4,603,341	716,235	21,351,648	279,236	5,319,576	15,752,836	2.75%	1,790
2006	426,699	N/A	N/A	N/A	N/A	N/A	24,486,173	0	5,920,883	18,565,290	4.35%	2,160

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

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

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

⁽⁴⁾ See Table 10 for actual assessed values.

⁽⁵⁾ See Table 19 for population.

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

Table 16

Legal Debt Margin Information	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt limit	\$ 41,809	\$ 56,708	\$ 57,409	\$ 67,950	\$ 67,239	60,647	\$ 55,050	\$ 57,154	\$ 54,684	54,684
Total net debt applicable to limit	<u>24,707</u>	<u>21,540</u>	<u>20,955</u>	<u>19,339</u>	<u>18,130</u>	<u>17,111</u>	<u>16,744</u>	<u>20,413</u>	<u>19,610</u>	<u>20,540</u>
Legal debt margin	\$ <u>17,102</u>	\$ <u>35,168</u>	\$ <u>36,454</u>	\$ <u>48,611</u>	\$ <u>49,109</u>	\$ <u>43,536</u>	\$ <u>38,306</u>	\$ <u>36,741</u>	\$ <u>35,074</u>	<u>34,144</u>
Total net debt applicable to the limit as a percentage of the debt limit	59.09%	37.98%	36.50%	28.46%	26.96%	28.21%	30.42%	35.72%	35.86%	37.56%

Note: The amounts reported above are presented in thousands.

Assessed value	\$ <u>546,840,453</u>
Total assessed value	\$ <u>546,840,453</u>
Debt limit (10% of total assessed value)	\$ 54,684,045
Amount of debt applicable to debt limit	
General obligation debt:	
Primary Government	15,888,999
Business-Type	<u>4,651,400</u>
Net debt applicable to limit	<u>20,540,399</u>
Legal debt margin	\$ <u>34,143,647</u>

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

CITY OF FRANKLIN, VIRGINIA

Ratio of Annual Debt Service Expenditures to Total General Governmental Expenditures
 Last Ten Fiscal Years Ended June 30,

Table 17

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

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

Ratios of Outstanding Debt by Type

Fiscal Year	Governmental Activities				Business-Type Activities			Total Primary Government	Total Outstanding Debt as Percentage of Personal Income ⁽¹⁾	Total Outstanding Debt Per Capita ⁽¹⁾
	General Obligation Bonds	Literary Fund Loans	Other Notes	Capital Leases	General Obligations Bonds	Capital Leases	Revolving Loans			
2015	\$ 15,888,999	\$ -	\$ -	\$ 156,388	\$ 4,651,400	\$ 107,714	\$ -	\$ 20,804,500	2.46%	\$ 2,424
2014	14,733,683	-	-	326,434	4,876,000	-	-	19,936,117	2.36%	2,323
2013	15,087,295	-	-	258,240	5,326,000	-	-	20,671,535	2.45%	2,409
2012	12,860,239	-	-	407,945	3,435,000	-	448,518	17,151,702	2.03%	1,999
2011	13,170,270	-	-	533,520	3,435,000	-	505,296	17,644,086	2.09%	2,056
2010	13,456,141	100,000	160,000	418,883	3,435,000	-	560,409	18,130,433	2.20%	2,057
2009	13,899,488	200,000	280,000	587,983	3,689,865	19,252	613,905	19,290,493	2.30%	2,173
2008	14,714,584	300,000	400,000	710,308	4,122,300	41,573	665,832	20,954,597	2.41%	2,353
2007	15,112,072	400,000	520,000	125,608	4,603,341	63,069	716,235	21,540,325	2.63%	2,448
2006	17,179,900	645,000	640,000	236,395	5,156,427	83,771	765,159	24,706,652	3.21%	2,875
2005	15,630,714	890,000	-	360,863	5,681,097	103,707	812,647	23,479,028	3.24%	2,732

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

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

Demographic Statistics

<u>Fiscal Year</u>	<u>Population ⁽¹⁾</u>	<u>Total Personal Income ⁽²⁾ (In Thousands)</u>		<u>Per Capita Income ⁽²⁾</u>	<u>School Enrollment ⁽³⁾</u>	<u>Unemployment Rate ⁽⁴⁾</u>
2015	8,582 ⁽⁵⁾	845,339 ⁽⁵⁾	\$	31,313 ⁽⁵⁾	1,265	9.2%
2014	8,582 ⁽⁵⁾	845,339 ⁽⁵⁾		31,313 ⁽⁵⁾	1,265	9.2%
2013	8,582 ⁽⁵⁾	845,339 ⁽⁵⁾		31,313 ⁽⁵⁾	1,265	9.2%
2012	8,582 ⁽⁵⁾	845,339 ⁽⁵⁾		31,313 ⁽⁵⁾	1,271	10.4%
2011	8,582	845,339		31,313	1,283	10.9%
2010	8,814	823,835		30,287	1,303	12.8%
2009	8,877	839,040		30,965	1,299	11.0%
2008	8,906	869,281		31,907	1,362	5.9%
2007	8,800	820,350		30,180	1,394	4.4%
2006	8,594	770,261		29,048	1,324	5.0%
2005	8,594	724,939		27,788	1,383	5.3%

Source:

⁽¹⁾ United States Census Estimates

⁽²⁾ US Commerce - Bureau of Economic Analysis (Franklin & Southampton combined).

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

⁽⁴⁾ Bureau of Labor Statistics (not seasonally adjusted at June 30th)

⁽⁵⁾ Most recent data available

CITY OF FRANKLIN, VIRGINIA
 Principal Employers
 Current Year and Nine Years Ago

Table 20

Principal Employers		
Fiscal Year 2015		
Employer	Employees ⁽¹⁾	Rank
Southampton Memorial Hospital	575	1
Walmart	259	2
Franklin City Public Schools	212	3
City of Franklin	194	4
Farm Fresh	131	5
Paul D. Camp Community College	129	6
Lowe's	93	7
The Children's Center	70	8
Village at Woods Edge	64	9
Apple Beee's	60	10
Totals	1,787	
Fiscal Year 2005		
Employer	Employees ⁽¹⁾	Rank
Southampton Memorial Hospital		1
Franklin City Public Schools		2
Wal Mart		3
City of Franklin		4
Paul D. Camp Community College		5
James L. Camp Jr. YMCA		6
Children's Center		7
Food Lion		8
Noodles & Company		9
Winn Dixie		10
Totals	N/A	

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

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

CITY OF FRANKLIN, VIRGINIA

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

Table 21

Full-Time Equivalent Employees as of June 30,										
Function/Program	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
GENERAL FUND										
General Government	22.5	25.0	26	26	23	24	24	26	26	26
Police & Communications	37.5	39.0	41	40	42	39	40	38	42	42
Animal Control	1.5	2.0	2	2	2	2	1	1	1	1
Fire & Rescue - EMS	28.0	27.0	27	21	15	15	15	15	15	12
Community Services	9.0	9.0	5	5	5	5	7	7	6	6
Public Works-Streets	16.0	17.0	16	14	15	14	14	18	23	23
Garage	4.0	3.0	3	3	4	4	4	4	4	4
Refuse collection	0.0	0.0	7	9	9	9	8	7	9	9
Public Works-Bldgs & Grounds	10.0	8.5	9	15	10	10	10	12	9	9
Cemetery & Mosquito Control	0.0	0.0	0	0	0	0	0	0	0	0
Park and Recreation	3.5	3.5	6	5	5	5	4	4	8	8
Senior Program	1.0	1.0	2	2	2	3	3	2	2	2
Library	0.5	0.5	1	1	1	1	1	1	1	1
Economic Development	0.0	0.0	0	0	0	0	0	0	0	0
Downtown Development	1.0	1.0	1	1	1	1	1	1	1	1
Total General Fund	<u>134.5</u>	<u>136.5</u>	<u>145</u>	<u>142</u>	<u>132</u>	<u>129</u>	<u>130</u>	<u>134</u>	<u>146</u>	<u>143</u>
SOCIAL SERVICES FUND	23.0	21.0	20	20	19	19	20	18	19	19
ELECTRIC	12.0	11.0	16	13	14	14	16	15	20	20
WATER & SEWER	13.0	12.0	13	13	16	14	14	16	16	16
INCUBATOR	8.0	7.0	0	0	0	0	0	0	0	0
AIRPORT	0.0	0.5	0	0	0	0	0	1	1	1
SMART BEGINNINGS	2.0	2.0	2	2	2	2	2	2	2	2
	1.5	3.0	4	4	2	2	2	1	0	0
	<u>59.5</u>	<u>56.5</u>	<u>55</u>	<u>52</u>	<u>53</u>	<u>51</u>	<u>54</u>	<u>52</u>	<u>58</u>	<u>58</u>
Total	<u>136</u>	<u>140</u>	<u>149</u>	<u>146</u>	<u>134</u>	<u>131</u>	<u>132</u>	<u>135</u>	<u>146</u>	<u>143</u>

Source: Individual City departments

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

Table 22

Function/Program	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Police										
Physical arrests	693	724	734	693	671	638	686	721	1,223	955
Parking violations	36	40	79	106	78	39	37	39	45	108
Traffic violations	580	987	1751	1,943	1,845	1,792	1,406	1,172	1,370	1,955
Fire										
Emergency responses	2,895	2,716	2,718	1,971	2,111	2,390	2,324	2,422	2,304	2,170
Fires extinguished	62	70	78	83	31	68	202	96	98	108
Inspections	24	30	26	22	24	22	17	1,726	18	11
Building Inspections(a)										
Inspections Performed (Franklin)	3,167	1,451	1,484	3,495	1,647	N/A	N/A	N/A	N/A	N/A
Permits Issued	1,351	848	406	518	413	N/A	N/A	N/A	N/A	N/A
Refuse collection										
Refuse collected (tons per day)	9.77	9.47	9.75	15	15	13	14	13	13	13
Recyclables collected (tons per day)	1.26	1	1	1	1	1	1	1	1	1
Other public works										
Street resurfacing (tons)	1690	5137	0	2,315	10,542	2,728	3,576	1,503	215	2,750
Potholes repaired	184	149	163	138	152	178	207	234	250	200
Park and recreation										
Athletic field permits issued	250	200	240	307	355	285	275	250	56	N/A
Community center admissions	56,364	57,025	50,885	54,825	44,486	30,214	29,634	33,026	25,956	25,956
Library										
Volumes in collection	30,518	29,832	31,094	32,000	32,600	37,000	47,000	53,000	50,000	50,000
Total volumes borrowed	90,099	96,674	96,749	109,000	121,000	121,000	116,000	106,000	97,000	107,672
Water										
New connections	3	3	0	3	1	5	11	24	25	40
Water mains breaks	45	50	42	51	42	50	54	75	68	20
Average daily consumption (thousands of gallons)	1,100	1.1	953	943	1,067	1,082	1,037	1,100	1,072	1,169
Peak daily consumption (thousands of gallons)	1300	1300	1300	1,300	1,700	1,700	1,453	1,800	1,610	1,700
Wastewater										
Average daily sewage treatment	1320	1330	1603	1,656	1,100	1,780	1,090	1,090	903	980
Sewer connections - New	3	2	0	2	1	5	9	21	25	40
Transit										
Total route miles	0	None	None	None	None	None	None	None	None	None
Passengers	0	None	None	None	None	None	None	None	None	None

Source: Individual City departments
 (a) data collection began in FY 2011

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

Table 23

Capital Assets Statistics by Function/Program

Function/Program	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	16	16	16	16	16	16	16	28	27	27
Fire stations	2	2	2	2	2	2	2	2	2	2
Refuse collection										
Collection trucks	5	5	5	5	5	5	5	5	4	4
Other public works										
Street (miles)	35.50	35.50	35.50	35.50	35.50	35.50	35.50	35.50	35.50	35.50
Highways (miles)	15.09	15.09	15.09	15.09	15.09	15.09	15.09	15.09	15.09	15.09
Streetlights	945	945	945	945	945	945	937	945	953	953
Traffic signals	14	14	14	14	14	14	14	14	14	14
Park and recreation										
Acreage	28.61	28.61	28.61	28.61	28.61	28.61	28.61	28.61	28.61	28.61
Playgrounds	4	4	4	4	4	4	4	4	4	4
Baseball/softball diamonds	6	6	6	6	6	6	6	6	6	6
Soccer/football fields	2	2	2	2	2	2	2	2	2	2
Community centers	1	1	1	1	1	1	1	1	1	1
Water										
Water mains (miles)	67	67	67	67	67	67	67	67	67	66
Fire hydrants	336	336	336	336	336	336	336	336	333	333
Storage capacity (thousands of gallons)	1300	1300	1300	1,300	1,300	1,300	1,300	1,300	1,300	1,300
Wastewater										
Sanitary sewers (miles)	43	43	43	43	43	43	43	43	43	43
Storm sewers (miles)	210	210	210	210	210	210	210	210	210	210
Treatment capacity (thousands of gallons)	2000	2000	2000	2,000	2,000	2,000	2,000	2,000	2,000	2,000

Source: Individual City departments

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

To the Honorable Governing Body
City of Franklin, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the Specifications for Audits of Counties, Cities, and Towns, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of The City of Franklin, Virginia, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise The City of Franklin, Virginia's basic financial statements, and have issued our report thereon dated November 26, 2015.

Internal Control Over Financial Reporting

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

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

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

We noted four deficiencies in Internal Controls – three of these we consider to be material weaknesses. Refer to *Section II – Financial Statement Findings*.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The City of Franklin, Virginia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

We noted one material instance of non-compliance. Refer to *Section II – Financial Statement Findings*.

Purpose of this Report

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

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

Davis & Associates, PLLC

Alexandria, Virginia
November 26, 2015

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

To the Honorable Governing Body
City of Franklin, Virginia

Report on Compliance for Each Major Federal Program

We have audited the City of Franklin, Virginia's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the City of Franklin, Virginia's major federal programs for the year ended June 30, 2015. The City of Franklin, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Franklin, Virginia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the Specifications for Audits of Counties, Cities, and Towns, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Franklin, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the City of Franklin, Virginia's, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Compliance

We have audited the compliance of the City of Franklin, Virginia with the types of requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2015. The City of Franklin, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Franklin, Virginia's management. Our responsibility is to express an opinion on the City of Franklin, Virginia's compliance based on our audit.

Report on Internal Control Over Compliance

Management of The City of Franklin, Virginia, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered The City of Franklin, Virginia's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of The City of Franklin, Virginia's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of The City of Franklin, Virginia, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise The City of Franklin, Virginia's basic financial statements. We issued our report thereon dated November 26, 2015, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Davisξ Associates, PLLC

Alexandria, Virginia
November 26, 2015

CITY OF FRANKLIN, VIRGINIA
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2015

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title (Pass - Through Grantor's Number)	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Health and Human Services:			
Pass Through Payments:			
Department of Social Services:			
Promoting safe and stable families	93.556	0950109/0950110	\$ 12,563
Temporary assistance to needy families (TANF)	93.558	0400109/0400110	165,528
Refugee and entrant assistance - state administered programs	93.566	0500109/0500110	323
Low income home energy assistance	93.568	0600409/0600410	17,397
CCDF Cluster:			
Child care and development block grant	93.575	0770109/0770110	0
ARRA - Child care and development block grant	93.713	0740109/0780109	0
Child care mandatory and matching funds of the child care and development fund	93.596	0760109/0760110	23,586
Stephanie Tubbs Jones child welfare services program	93.645	0900109/0900110	1,161
Foster Care Cluster:			
Foster care - Title IV-E	93.658	1100109/1100110	100,649
ARRA - Foster care - Title IV-E	93.658	1100109/1100110	0
Adoption assistance	93.659	1120109/1120110	6,174
Social services block grant	93.667	1000109/1000110	100,140
Chafee foster care independence program	93.674	9150108/9150109/9150110	1,653
Children's Health Insurance Program (CHIP)	93.767	0540109/0540110	6,565
Medical assistance program	93.778	1200109/1200110	220,163
Total Department of Health and Human Services:			\$ <u>655,902</u>
Department of Defense:			
Direct Payments:			
Junior ROTC program	12.000	N/A	\$ <u>57,766</u>
Department of Agriculture:			
Pass Through Payments:			
Department of Agriculture:			
Cooperative Forestry Assistance	10.664	50105-653	\$ 0
Community Facility Loans and Grants	10.766	N/A	0
Rural Business Enterprise Grants	10.769	N/A	0
Child Nutrition Cluster:			
Food distribution - schools: school lunch program	10.555	10.555/2010/2009	0
Department of Education:			
Child Nutrition Cluster:			
National school lunch program	10.555	10.555/2010/2009	443,574
National school breakfast program	10.553	10.553/2010/2009	257,517
Summer food service program	10.559	10.559/2010/2009	0
Department of Social Services:			
SNAP Cluster:			
State administrative grants for the supplemental nutrition assistance program	10.561	00101109/0040109/0040110	190,778
ARRA - State administrative grants for the supplemental nutrition assistance program	10.561	00101109/0040109/0040110	0
Total Department of Agriculture			\$ <u>891,869</u>
Department of Labor:			
Direct payments:			
ARRA - WIA youth activities	17.259	N/A	\$ <u>0</u>

CITY OF FRANKLIN, VIRGINIA
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2015

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title (Pass - Through Grantor's Number)	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Housing and Community Development:			
Pass Through Payments:			
Department of Housing and Community Development:			
Community development block grant	14.228	N/A	\$ <u>0</u>
Department of Transportation:			
Direct Payments:			
Airport improvement program	20.106	N/A	\$ 862,920
Highway planning and construction	20.205	N/A	0
Pass Through Payments:			
Department of Motor Vehicles:			
State and community highway safety program	20.600	N/A	0
Alcohol open container requirements	20.607	154AL10504084031	0
Total Department of Transportation			\$ <u>862,920</u>
Department of Homeland Security:			
Direct Payments:			
Staffing for adequate fire and emergency response	97.083	N/A	\$ 404,026
Pass Through Payments:			
Department of Emergency Management:			
Emergency management performance grant	97.042	N/A	\$ 0
State Homeland Security Program	97.073	N/A	0
Law enforcement terrorism prevention grant	97.074	N/A	0
Total Department of Homeland Security			\$ <u>404,026</u>
Appalachian Regional Commission:			
Pass Through Payments:			
Department of Housing and Community Development			
Appalachian regional development	23.001	N/A	\$ <u>0</u>
Department of Education:			
Pass Through Payments:			
Department of Education:			
ARRA - State fiscal stabilization fund (SFSF) - education state grants	84.394	S394A090047	\$ 0
Adult basic education	84.002	V002A080046	0
Title I, Part A Cluster:			
Title I: Grants to local educational agencies	84.010	S010A080046	1,065,983
ARRA - Title I: Grants to local educational agencies	84.389	S389A090046	0
School improvement grants	84.377	S377A080047	410,848
Special Education Cluster:			
Special education - grants to states	84.027	H027A080107	240,960
ARRA - Title VI-B: Special education - grants to states	84.391	H391A090107	0
Special education preschool grants	84.173	H173A080112	6,315
Career and technical education: basic grants to states	84.048	V048A090046	35,198
Safe and drug free schools and communities state grant	84.186	Q186A080048	0
Rural education	84.358	S358B090046	4,963
21st Century Community Learning Centers	84.287	N/A	16,627
Reading first state grants	84.357	S357A070048	0
Education technology Cluster:			
Education technology state grants	84.318	S318X080046	0
ARRA - Education technology state grants	84.386	S386A090046	0
Improving teacher quality state grants	84.367	S367A080044	68,550
Total Department of Education			\$ <u>1,849,444</u>
Total Expenditures of Federal Awards			\$ <u><u>4,721,927</u></u>

CITY OF FRANKLIN, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards ("Schedule") includes the federal grant activity of the City of Franklin, Virginia under programs of the federal government for the year ended June 30, 2015. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Because the Schedule presents only a selected portion of the operations of the City of Franklin, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Franklin, Virginia.

Note 2 – Summary of Significant Accounting Policies

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

Note 3 – Relationship to Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:	
Primary government:	
General fund	\$ 477,838
Special revenue funds:	
Virginia public assistance fund	822,257
Disaster Recovery Fund	0
Neighborhood stabilization program fund	12,887
Downtown Grant Fund	0
Enterprise funds:	
Airport fund	938,962
Total primary government	\$ <u>2,251,944</u>
Component Unit - City of Franklin Public Schools	
School operating fund	1,923,190
School cafeteria fund	777,774
Total component unit public schools	\$ <u>2,700,964</u>
Total federal expenditures per basic financial statements	\$ <u>4,952,908</u>
Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$ <u><u>4,721,927</u></u>

CITY OF FRANKLIN, VIRGINIA
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2015

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

Material weakness (es) identified? x yes no

Significant deficiency (ies) identified? x yes no

Noncompliance Material to financial statements noted? x yes no

Federal Awards

Internal control over major programs:

Material weakness (es) identified? yes x no

Significant deficiency (ies) identified? yes x no

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

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

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
97.083	Staffing for adequate fire and emergency response
10.555/10.553	School Lunch and Breakfast Program
20.106	Airport Improvement Grants
84.010	Title I: Grants to local educational agencies
84.377	School improvement grants
14.228	Community Development Block Grant
84.027 / 84.173 / 84.391	Special Education Cluster (IDEA)

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

Auditee qualified as low-risk auditee? x yes no

Section II - Financial Statement Findings

Finding Number: 1
Nature of Finding: Segregation of Duties – Material Weakness in Internal Controls

Criteria

In order to reduce the opportunity for fraud to occur, internal controls over the handling of School Board funds should instill a proper segregation of duties over expenditures made from the schools' funds. As a part of this system of internal controls, all payments should be subjected to at least one level of approval, and under no circumstances should the individual with purchasing power also be the individual with the power of approval.

Condition

The School Board does not have the proper segregation of duties related to the approval of expenditures. The office of the Superintendent approves its own transactions and does not require an additional level of approval for these charges.

Effect

Allowing one individual to both purchase and approve payments without additional approvals can result in the misuse of school funds and significantly increases the opportunity for fraud to occur.

Recommendation

We recommend that the School Board revise its policy on internal controls over School Board funds and train all personnel on acceptable practices.

Risk Level

High

Finding Number: 2
Nature of Finding: Oversight over Financial Transactions – Material Weakness in Internal Control

Criteria

In the event that an authorized Purchase or Credit Card is used for charges to the School Board, all charges should be for an approved purchase and be matched to the appropriated funds in the budget as necessary. Policies should clearly restrict the use of the School Board's purchase card for personal expenses.

Condition

We found one instance certain School Board personnel charged the cost of travel for their family on the School Board's credit card. The personnel then immediately provided a check to the school board to reimburse these improper travel charges, however there are no policies or regulations currently in place to prohibit the use of the Purchase card in this manner.

Effect

Allowing approved cardholders to charge personal expenses to the School Board's accounts may result in improper charges being paid by the School Board.

Recommendation

We recommend that the School Board update their policies to include extensive instructions on the acceptable use of the School Board's Purchase Cards.

Risk Level

High

Finding Number: 3
Nature of Finding: Significant Deficiency in Internal Controls

Criteria

All School Board disbursements should be supported by complete documentation, regardless of the nature of the expenditure. Supporting documentation may include invoices, vouchers, or purchase orders, and all should be properly approved for payment.

Condition

We discovered instances in which School Board expenditures were not accompanied by proper supporting documentation.

Effect

Failing to require a review of supporting documentation prior to the approval of all expenditures creates the opportunity for charges to be falsified and for fraud to occur.

Recommendation

We recommend that the School Board amend its policies to require all expenditures to require complete supporting documentation prior to authorization.

Risk Level

Moderate

Finding Number: 4
Nature of Finding: Budget Activity – Material Weakness in Internal Controls

Criteria

According to Franklin’s School Board Finance Policy:

“The superintendent or superintendent’s designee is responsible for administering the division budget in accordance with board policies and applicable state and federal regulations, and laws. The superintendent or superintendent’s designee uses appropriate fiscal planning and management methods, modeled after the best accepted business practices and directed toward the educational goals of the division.

- 1. If the appropriating body appropriates funds to the School Board by total expenditures, funds may be transferred by the School Board from one category to another. If funds are appropriated to the School Board by major classifications, no funds are expended by the School Board except in accordance with such classifications without the consent of the body appropriating the funds.*
- 2. The superintendent may be authorized by the School Board to make line item transfers within a category.*

The School Board manages and controls the funds made available to the School Board for the public schools and incurs costs and expenses.”

Condition

During Fiscal Year 2015, the School Board was forced to request a budget increase, as the pre-approved levels were found insufficient to meet its needs.

Effect

The requests for budget increases during the fiscal year indicates a lack of proper planning and management methods in determining the budget as well as a lack of management over adhering to the pre-approved budget levels.

Recommendation

We recommend that the School Board and Superintendent’s office improve their planning and management techniques used when determining the budget levels prior to the start of each fiscal year in order to ensure a more controlled outcome.

Risk Level

High

Finding Number: 5
Nature of Finding: Procurement of Services – Material Non-Compliance

Criteria

According to Article 2 of the Virginia Public Procurement Act,

“Professional services shall be procured by competitive negotiation.”

According to the Virginia Public Procurement Act in § 2.2-4302.2, the competitive negotiation process shall include the following:

1. *Issuance of a written Request for Proposal indicating in general terms that which is sought to be procured, specifying the factors that will be used in evaluating the proposal, indicating whether a numerical scoring system will be used in evaluation of the proposal, and containing or incorporating by reference the other applicable contractual terms and conditions, including any unique capabilities, specifications or qualifications that will be required. In the event that a numerical scoring system will be used in the evaluation of proposals, the point values assigned to each of the evaluation criteria shall be included in the Request for Proposal or posted at the location designated for public posting of procurement notices prior to the due date and time for receiving proposals;*
2. *Public notice of the Request for Proposal at least 10 days prior to the date set for receipt of proposals by posting on the Department of General Services’ central electronic procurement website or other appropriate websites. Additionally, public bodies shall publish in a newspaper of general circulation in the area in which the contract is to be performed so as to provide reasonable notice to the maximum number of offerors that can be reasonably anticipated to submit proposals in response to the particular request. Posting on the Department of General Services’ central electronic procurement website shall be required of any state public body. Local public bodies are encouraged to utilize the Department of General Services’ central electronic procurement website to provide the public with centralized visibility and access to the Commonwealth’s procurement opportunities. In addition, proposals may be solicited directly from potential contractors. Any additional solicitations shall include certified businesses selected from a list made available by the Department of Small Business and Supplier Diversity; and*
...
4. *For professional services, the public body shall engage in individual discussions with two or more offerors deemed fully qualified, responsible and suitable on the basis of initial responses and with emphasis on professional competence, to provide the required services. Repetitive informal interviews shall be permissible. The offerors shall be encouraged to elaborate on their qualifications and performance data or staff expertise pertinent to the proposed project, as UNOFFICIAL COPY – VIRGINIA PUBLIC PROCUREMENT ACT 6 well as alternative concepts. In addition, offerors shall be informed of any ranking criteria that will be used by the public body in addition to the review of the professional competence of the offeror. The Request for Proposal shall not, however, request that offerors furnish estimates of man-hours or cost for services. At the discussion stage, the public body may discuss nonbinding estimates of total project costs, including, but not limited to, life-cycle costing, and where appropriate, nonbinding estimates of price for services. In accordance with § 2.2-4342, proprietary information from competing offerors shall not be disclosed to the public or to competitors. At the conclusion of discussion, outlined in this subdivision, on the basis of evaluation factors published in the Request for Proposal and all information developed in the selection process to this point, the public body shall select in the order of preference two or more offerors whose professional qualifications and proposed services are deemed most meritorious.*

Negotiations shall then be conducted, beginning with the offeror ranked first. If a contract satisfactory and advantageous to the public body can be negotiated at a price considered fair and reasonable, the award shall be made to that offeror. Otherwise, negotiations with the offeror ranked first shall be formally terminated and negotiations conducted with the offeror ranked second, and so on until such a contract can be negotiated at a fair and reasonable price.

Notwithstanding the foregoing, if the terms and conditions for multiple awards are included in the Request for Proposal, a public body may award contracts to more than one offeror.

Should the public body determine in writing and in its sole discretion that only one offeror is fully qualified or that one offeror is clearly more highly qualified and suitable than the others under consideration, a contract may be negotiated and awarded to that offeror.

Condition

We found that the School Board selected two consultants without regard for the aforementioned competitive negotiation process.

Effect

Failure to adhere to the procurement guidelines set forth in the Virginia Public Procurement Act may result in excessive charges for products and services to the City of Franklin over and above what the School Board could be expected to pay in the open market.

Recommendation

We recommend that the School Board update its written policies to ensure compliance with the Procurement Act, We also recommend that all individuals with purchasing power be trained on these policies.

Risk Level

High

Section III – Federal Award Findings and Questioned Costs

There are no federal award findings to report.

Section IV – Financial Statement Findings – Prior Year

There are no financial statement findings from the prior year.