



ANNUAL COMPREHENSIVE FINANCIAL REPORT

City of Franklin, Virginia

For the Period Ended June 30, 2023
Prepared by the Department of Finance



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THE CITY OF FRANKLIN, VIRGINIA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2023



Acknowledgments

The preparation of this report has been accomplished by the efficient and dedicated services of the staff of the Department of Finance and various departments who have been assisted by the independent auditors, Creedle Jones & Associates PC. The contributions of all are invaluable and sincerely appreciated and clearly reflect the high standards which have been set by the City of Franklin.

The following Finance employees were instrumental in the preparation of this report:

Melisa Blythe	Joe Ann Faulk
Regina Brown	Lois Panton

It is also appropriate to thank the City Manager, Mayor and Members of City Council for making possible the excellent financial position of the City through their interest and support in planning and conducting the financial affairs of the City.

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

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City of Franklin, Virginia

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City of Franklin, Virginia

Directory of Principal Officials

June 30, 2023

Mayor

Robert Cutchins

Vice Mayor

Wynndolyn H. Copeland

Council Members

Gregory McLemore
Jessica Banks
Mark R. Kitchen

Linwood Johnson
Charles R. Smith

Constitutional Officers

Dinah M. Babb
Selenia Boone
Jennifer L. Maynard

Treasurer
Commissioner of Revenue
Registrar

Franklin City Public Schools

Robert Holt
Dr. Carlton Carter
Tracy Morrison

Chairman of School Board
Superintendent
Director of Finance

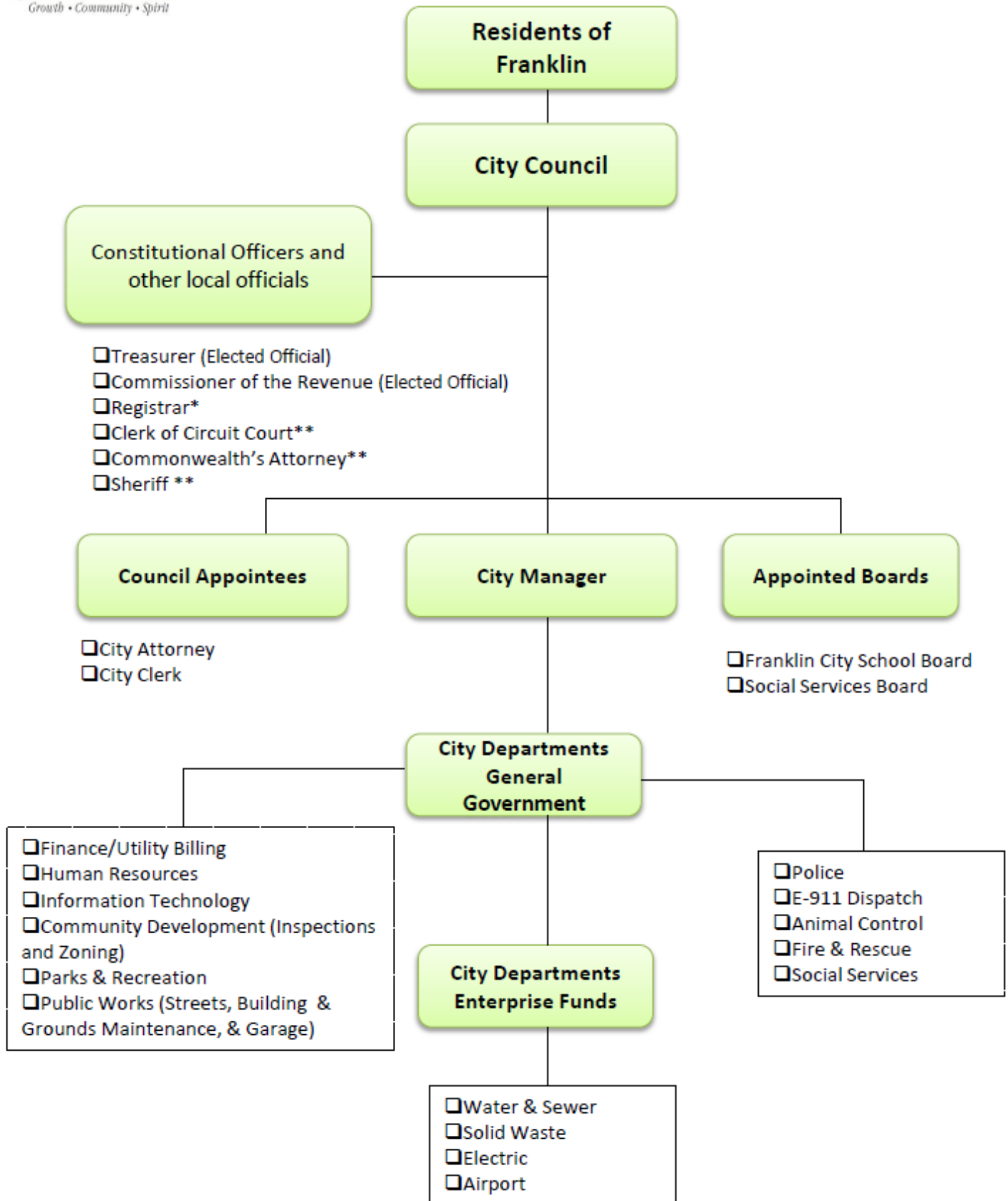
City Administration

Amanda C. Jarratt
Rachel Trollinger
Steve Patterson
Vernie Francis
Camara Jacobs
Chad Edwards
Zach Wright
Carlee Gurskiy
Sammara Green-Bailey
Sarah Rexrode

City Manager
Director of Finance
Chief of Police
Chief of Emergency Services
Director of Human Resources
Director of Public Works
Director of Power and Light
Director of Community Development
Director of Parks and Recreation
Director of Social Services

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CITY OF FRANKLIN ORGANIZATIONAL CHART



*Appointed by State Board of Elections

** Shared Services with Southampton County

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*Office Of The City Manager
Amanda C. Jarratt*

December 8, 2023

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

We are pleased to submit to you the Annual Comprehensive Financial Report (ACFR) of the City of Franklin (the “City”) for the fiscal year ended June 30, 2023. 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 January 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. Other

services provided include public education, health and social services, and judicial activities. Beginning in January of 2020 the City of Franklin began providing emergency medical services to Southampton County. 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, owns and operates a City pool; and manages various paid recreational activities. Franklin owns and maintains a municipal airport located one mile east of Franklin in Isle of Wight County.

Component Units

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

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

Economic Conditions & Outlook

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

Local Economy

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

- ❖ Global Concentrate an international juice manufacturer purchased 150 acres in Pretlow Industrial Park and is planning to invest \$154M and create 50 jobs.
- ❖ Construction of a new Wawa, Starbucks, and GMC Chrysler dealership started along Armory Drive totaling over \$6M in new capital investment.
- ❖ The Franklin Business Center currently has 34 clients and welcomed eight new businesses.

Local taxes indicative of Franklin's economy was stable at June 30, 2022 as shown in the table below:

Fiscal Year	Business Licenses	Meals Tax	Lodging Tax	Cigarette Taxes	Sales & Use Taxes	Totals
FY 13	\$ 923,492	\$ 1,259,747	\$ 152,875	\$ 356,358	\$ 1,782,760	\$ 4,475,232
FY 14	\$ 952,525	\$ 1,294,882	\$ 149,854	\$ 342,433	\$ 1,722,799	\$ 4,462,493
FY 15	\$ 921,270	\$ 1,439,601	\$ 149,166	\$ 373,904	\$ 1,767,063	\$ 4,651,004
FY 16	\$ 969,182	\$ 1,494,137	\$ 123,626	\$ 352,199	\$ 1,767,781	\$ 4,706,925
FY 17	\$ 959,132	\$ 1,498,567	\$ 141,317	\$ 316,662	\$ 1,799,419	\$ 4,715,097
FY 18	\$ 972,179	\$ 1,522,481	\$ 170,060	\$ 298,773	\$ 1,854,694	\$ 4,818,187
FY 19	\$ 950,764	\$ 1,478,018	\$ 148,234	\$ 300,133	\$ 1,896,306	\$ 4,773,455
FY20	\$ 1,024,563	\$ 1,531,440	\$ 133,484	\$ 359,057	\$ 1,946,296	\$ 4,994,840
FY21	\$ 1,005,131	\$ 1,805,178	\$ 178,790	\$ 337,113	\$ 2,111,038	\$ 5,437,250
FY22	\$ 1,154,160	\$ 1,917,888	\$ 194,387	\$ 311,078	\$ 2,171,098	\$ 5,748,611
Growth Trend Since FYE 6-30-13						\$ 1,273,379
						28.45%
Growth Trend Since FYE 6-30-21						\$ 311,361
						5.73%

Enterprise Zones

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

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

Bond Rating

The City working with Davenport & Company to have the City's bond ratings reaffirmed in June of 2021. The City maintained the AA credit rating from Standard & Poor's (S & P) bond rating agency. 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 also maintained the Aa1 rating from Moody's Investors Services.

Financial Information and Significant Financial Policies

Minimum Fund Balance Policy

One of the financial policies closely monitored is the City's minimum fund balance policy which indicates the ability of the City to cope with unexpected financial challenges or emergencies. This policy enables the City to 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, 2023, the City's unassigned fund balance of \$13.5 million represented 41.1% of the actual annual expenditures (as revised) exceeding the minimum policy level.

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

Fiscal Year	General Fund		Ratio
	Unassigned Fund Balance	Actual Expenditures	
2023	\$ 13,500,196	\$ 31,793,354	42.40%
2022	\$ 10,775,904	\$ 30,268,921	35.60%
2021	\$ 8,584,579	\$ 24,167,792	35.52%
2020	\$ 6,549,082	\$ 23,564,327	27.79%
2019	\$ 4,815,905	\$ 23,391,229	20.59%

Internal Control and Budget Accounting

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

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

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

Financial Advisor

The City uses Financial Advisors to guide it through the long-term financial planning needed to address capital improvement planning and related debt service structuring. The efforts of Davenport & Company LLC have helped the City achieve long-term cost savings associated with debt service. Davenport played a significant role in the most recent bond rating affirmations as well as the capital borrowing that the City of Franklin closed on in December of 2019.

Independent Audit

The City of Franklin's financial statements have been audited by Creedle, Jones & Associates, PC, 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, 2023 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, 2023, 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 2022-2023 remains stable, with some revenue growth expected and continued cost-saving efforts planned. The City has been consistently able to achieve a balanced budget in recent years without eliminating direct services to Franklin residents and with the minimum responsible impact to the real estate tax rate. This has been accomplished in the wake of fiscal challenges which to some extent were beyond the City's control. We feel that current management initiatives, along with prudent long-range strategic and comprehensive planning, will enable the City to continue to generate sufficient resources to meet future service demands, maintain a stable financial position, protect the City's good credit rating, and maintain realistic and affordable tax burdens on the citizens of the City.

Other Accomplishments for FY 2023

We are pleased to report some significant accomplishments and initiatives undertaken during the year ended June 30, 2023:

AIRPORT

- ❖ Maintained all rental space at 100% capacity for the year.
- ❖ Maintained airport grounds to FAA and DOAV Standards.
- ❖ Supported 50 days of skydive operations.
- ❖ Accommodated fly in customers with fuel, courtesy car use, and local directions for attractions/food.

COMMISSIONER OF THE REVENUE

- ❖ FOIA certified
- ❖ All employees participated in Excel Training through Laurel Ridge Community College
- ❖ Spring Fest
- ❖ Sent signed Veteran's Cards to all disabled Veteran's for Veteran's Day
- ❖ Received Office Accreditation

COMMUNITY DEVELOPMENT

- ❖ Adoption of comprehensive zoning ordinance amendments – including the repeal of unassigned zoning districts, expansion of definitions and uses within Business and Industrial districts, reevaluation of setbacks within the Residential Districts
- ❖ Adoption of Mobile Food Unit Ordinance
- ❖ Construction build-out of Regency Estates, Joyner Farms, Riverwood Estates
- ❖ Increase of full time staff from 1 to 4, plus one part time staff member
 - Building Official and Environmental Specialist have all taken required courses, and are studying for their exams
- ❖ Beginning the Demolition process of emergency unsafe houses and structures throughout the City
- ❖ Currently evaluating the existing sign ordinance and preparing for amendments
- ❖ Working with DRPT to obtain a Demonstration Grant to provide public Transportation to residents of the City

DEPARTMENT OF SOCIAL SERVICES

- ❖ The total amount of money spent in the locality in SFY 2023 = \$54,262,385
- ❖ The total amount of funds spent by the locality in SFY 2023 = \$557,469
- ❖ Adult Protective Services Cass: 42
- ❖ Long-Term Services and Support Screenings: 95
- ❖ Children in Protective Services referrals = 303
- ❖ 1,737 Households received SNAP benefits, totaling 3,410 individuals
- ❖ 102 Households received TANF benefits, totaling 269 individuals
- ❖ 2,925 Households received Medical Assistance, totaling 4,875 individuals
- ❖ Households receiving Energy Assistance:
 - ❖ Fuel = 476
 - ❖ Cooling = 462
 - ❖ Crisis = 93
- ❖ 63 Families received Child Care subsidies totaling 106 Children in SFY 2023
- ❖ Christmas Assistance Program (Dec. 2023): 116 children

POWER & LIGHT

Line Department

- ❖ Responded to 35 Trouble Calls during regular business hours and 65 calls after hours. These ranged from no power to no trouble on the city side of meter. These included broken poles, lines torn down by trees, bad secondary connectors, bad underground cables, blown fuses due to contact by squirrels and lightning.
- ❖ Responded to 273 calls for malfunctioning street and yard lights.
- ❖ Responded to 8 traffic signal malfunctions
- ❖ Responded to 60 other miscellaneous calls for tree trimming, voltage problems, etc.
- ❖ Assisted Public Works with lighting replacements at municipal buildings, tree removal at various locations

Engineering and Services Department

- ❖ Responded to 4318 work orders including 336 Turn Off, 5498 Turn On, 630 Transfer Reading, 223 requests to re-read meter (all readings were correct), 1132 Cut Offs, 1046 Reconnects as well as many miscellaneous requests.
- ❖ Responded to 9 requests for energy audits.
- ❖ Conducted 1,095 Miss Utility underground locates of FP&L underground facilities.

FIRE & RESCUE

- ❖ Completed a VCU paramedic and Advanced-EMT program.
- ❖ 1 Employee graduated from the Hampton Roads Fire Officers Academy
- ❖ Participated in a Mass Casualty Incident (MCI) drill with Camp Community College
- ❖ Participated in an Active Shooter Incident drill with Camp Community College
- ❖ 4 Employees have successfully completed Paramedic Certification and the Tidewater Emergency Medical Service (TEMS) sanctioning process.
- ❖ 2 Employees have successfully completed Advanced-EMT
- ❖ Several staff completed Firefighter I & II train the trainer certification
- ❖ New Fire Engine was purchased/ordered
- ❖ Numerous CPR/AED talks throughout the community (e.g. Churches, Civic Groups, & High School Students)
- ❖ Sponsored 4 Hunter Safety Education Course for the General Public for a total of 70 Students
- ❖ Sponsored 2 Boater Safety Course for the General Public for a total of 17 Students
- ❖ Submitted two VDEM grants Local Emergency Management Performance Grant (LEMPG) and Radiological Emergency Preparedness Program (REPP)
- ❖ Sponsored Fire Extinguisher training to the Village at Woods Edge and Camp Community College
- ❖ Participated in Solenis Safety Day training and yearly response exercise
- ❖ "Sound the Alarm" event conducted by the City of Franklin and Red Cross
 - 112 homes made safer
 - 129 smoke alarms installed
 - 271 people educated
- ❖ Participated with EDMARC for a Santa delivery for a Franklin Child
- ❖ Updated the City's Radiological Emergency Response Plan
- ❖ Completed EMT-Basic portion of the Hampton Roads Fire Academy Class 57 with 4 recruits successfully completed the certification

HUMAN RESOURCES

- ❖ **Compensation Study**: Worked with Management Advisory Group, Inc., and Department Heads to create and implement a feasible citywide compensation plan.
- ❖ **Recruitment**: Built relationships with departments on shortening lengthy hiring processes with new efforts to attract, hire, and retain skilled employees. Worked with departments to reclassify positions to gain the attention of more qualified applicants.
- ❖ **Staff Wellness**: Health & Wellness Program launched to create a work environment that promotes the social, emotional, and physical well-being for City employees.
- ❖ **Leadership Training**: Facilitated DISC Workshop and EAP Supervisor Training.

INFORMATION TECHNOLOGY

- ❖ Kicked off project to install new phone system for the City
- ❖ Installed new wireless system in the Incubator

PARKS & RECREATION

- ❖ **Building upgrades**
 - -Armory Pool got a pool cover
- ❖ **Programs- Adult**
 - -Implemented Weekly Karate classes for Adults
 - -Assisted with Third Thursdays
 - -Adult Swim Nights
- ❖ **Program-Youth**
 - -Implemented Friday teen nights

- -Created a partnership with FCPS school system to advertise teen programing
- -Increased participation in community center- 40 kids per day
- -Basketball and Cheer program increased to- 190 participants
- -Participated in FCPS Fall Festival
- -Crafts at Storehouse
- -Worked with multiple community organizations in partnering with Summer Jam (Health Departments, Woman of Dignity, ODU Community care Medical Mobile Clinic, and Brothers Keepers
- -Swimming Lessons
- ❖ **Parks**
 - -Blackwater Park received Governor's Environmental excellence award
 - Added a new Playground College Drive Park
- ❖ **Special Events**
 - -City of Franklin Trick or Trot Run & Pumpkin Dash 90 registrants
 - -Implemented Park after Dark- 250 participants
 - -Implemented Chalk it up event-75 participants
 - -Independence Day Celebration- 800 people
- ❖ **CIP**
 - -Added new cameras at popular City Parks
 - -Stated CIP project for Armory Recreational Facility

POLICE DEPARTMENT

Training:

- ❖ Continued to require online Implicit Bias training provided through the Virginia Association of Chiefs of Police for all sworn staff.
- ❖ Continued to provide de-escalation training to all officers.

Equipment:

- ❖ Through budget acquisition, the department continues to look for and purchase new vehicles to include buying non-used vehicles from other City departments.
- ❖ The department purchased outer carrier ballistic vests and ballistic helmets for all officers.

Policy:

- ❖ Continued to review, approve, and implement policy through Lexipol.
- ❖ Continued to advance the accreditation process through the Virginia Law Enforcement Professional Standards Commission by reviewing and updating policies.

Community Interaction:

- ❖ The department, with collaboration with other city departments and the community, hosted a National Night Out event in August.
- ❖ The department participated in two Drug Enforcement Administration's National Drug Take Back days.
- ❖ The department continued to hold Coffee with a Cop Events and town hall events.
- ❖ The department assisted with the City of Franklin's Downtown Trick or Treating event, the Holiday Parade, and the Easter Egg Hunt.
- ❖ The department continues to hold Public Safety Kids Camp and Senior Academy.

Staffing:

- ❖ The department continues to recruit to fill open positions through job fairs and online recruiting platforms such as Monster, Indeed, and Zip Recruiter.

Technology:

- ❖ Continue to utilize PoliceOne electronic program to document training for staff members as well as daily training bulletins.

- ❖ Reestablished radio communications onto the Hunterdale Water Tower and the temporary tower removed
- ❖ Began the process of developing a joint use radio system between the City of Franklin and Southampton County.
- ❖ Continue to use Flock license plate readers to investigate crimes which led to the recovery of a missing child.

PUBLIC WORKS

Garage

- ❖ In 2007, the Public Works department implemented a fleet management system to track all aspects of service and repairs to city vehicles. In 2022 - 2023, The City Garage completed the following number of services or repairs to fleet vehicles per department:

○ Airport	6
○ Community Development	4
○ Power and Light	64
○ Fire and Rescue	67
○ Garage	7
○ Police	129
○ Recreation	10
○ Refuse	69
○ Schools	179
○ Sewer	14
○ Wastewater Treatment	2
○ Social Services	13
○ Streets	114
○ Water	42
○ Grounds Maintenance	78

- ❖ The City Garage completed a total of 798 services or repairs in 2022-2023.

Streets Division

- ❖ The Street Division maintains roads, drainage systems, ditches, concrete appurtenances, and assists in setup for special events. They also assist the Sanitation Division during times of heavy leaves and yard debris pickup.
 - 38 repairs to drainage structures or pipes
 - 550 LF of ditches graded and or vegetation cleared
 - Cleaned numerous storm drain structures and lines
 - 58 tons of 21A stone repairing various alleys and road shoulders
 - 158 bags of cold mix used for pothole patching
 - 20.25 tons of hot mix asphalt placed
 - 10.5 cubic yards of concrete poured repairing sidewalks or curbing
 - Moved bleachers and goal post twice at Armory Field
 - Assisted Refuse crew on 56 different occasions
 - Assisted water crew on 16 different occasions
 - Installed Christmas decorations and built the City float for the parade
 - Replaced or installed 49 street signs with post
 - Cleaned 240 street signs
- ❖ Other projects completed by Contractors include:
 - Replaced the wooden boardwalk at Barrett's Landing with concrete.
 - Resurfaced N. High St., Crescent Dr., Homestead Rd., Delaware Rd., and Clay St. using VDOT funding.
 - Resurfaced Delk St., Harris St., Thomas St., Cool Springs St., Fair St., Holley St., Pearl St., Ashton Ave., Hall St., Hayden Dr., Pine St., Chestnut St., Maplewood Ave., Morton St. and a portion of South St. using ARPA funding.
 - Rehabilitated 2692.2 lf of storm sewer using cured in place pipe technology. ARPA funded.

Right of Way Grounds Maintenance

- ❖ During the course of the year and on a weekly basis the division maintains all interchanges of Route 58, North High Street, Hunterdale Road, Fairview Drive, Pretlow Street, Pretlow Industrial Park, Clay Street, entrance at the river bridge, several lots owned by the city, pond area on Morton Street, pocket park in downtown, Delaware Road, area at Post office, lot at South and High Streets, Commerce Park Road, Bruce Street entrance, Bowers Road, Andrews Avenue, Dog pound, Crescent Drive to the school, all city buildings, both cemeteries, major right of ways and landscaping of various areas. Activities include cutting, trimming and litter control.
- ❖ They also empty all trash receptacles and dog waste containers along South Street, the downtown areas, city parks and facilities.
- ❖ Clean ditches of trash and vegetation as directed as well as all major streets.
- ❖ Assist the Sanitation Division during times of heavy leaves and yard debris pickup.

Sanitation & Refuse Collection

- ❖ Street sweeping is conducted every day unless personnel needs dictate otherwise or in the event of equipment outages.
- ❖ Trash and refuse are collected on a daily basis each week.
 - Refuse Tonnage Collected: 3,940.6 Tons
 - Yard waste Tonnage Collected: 1,032.6 Tons
 - Household Hazardous Waste Events: 57
- ❖ Completed 944 work orders for picking up or delivering refuse containers.

Building Maintenance

- ❖ Our Building Maintenance Technician is responsible for the repairs and maintenance of fourteen city owned or operated buildings. These buildings include Public Works / Power and Light, Police / Courts, City Hall, ESB, Airport, M.L.K. Center, Library, Social Services, Health Department, Franklin Business Center, HVFD, Armory Field House, Barrett's Landing and the Train Depot.

Custodial Services

- ❖ Our custodians are responsible for year round building cleaning and upkeep of 11 City buildings. City Hall, Public Works/Electrical Department, King Center, Armory Field House, Health Department, Barrett's Landing, Police Department/Courts Facilities, Social Services, Library, Train Depot/Visitors Center, and the Franklin Business Center Facility.
- ❖ Daily routines include cleaning of floors, bathrooms, dusting, vacuuming, window cleaning and trash removal.
- ❖ Waxing of appropriate floors is performed as needed to include preparation and buffing.
- ❖ Custodians also provide services during times of inclement weather to facilities that operate 24 hours a day.

SEWER/WATER UTILITIES

Utility Division

❖ Water Leaks	148
❖ Meter Replacements	88
❖ Water Meters Read	42,224
❖ Utility Billing Work Orders	1,284
❖ Water and Sewer Demolition	6
❖ Water and sewer taps paid	35
❖ Sewer Pumping Station Inspections	2,160
❖ Sewer Pump Station cleaning and Grease Removal	13
❖ Miss Utility Locate Tickets	725

Water Distribution

❖ Well Inspections	745
❖ Customer Complaints	43

Water Withdrawal

❖ College Drive Well #4	40,000
❖ Hunterdale Well #5	40,566,000
❖ Pretlow Well #6	179,071,000
❖ Hunterdale Well #7	<u>85,621,000</u>
	Total
	305,298,000 Gallons
❖ Water Sampling	
❖ Chlorine Testing	2,561
❖ Bacteriological	124
❖ MPN	4
❖ Fluoride	2
❖ Metals	1
❖ Nitrate/Nitrite	4
❖ Performed grounds maintenance at 3 water distribution facilities and 15 sewer pumping stations and other various locations in the city.	
❖ Mailed the water quality report to customers.	
❖ Oversaw performance of the annual tank maintenance contract.	

Sewer System

- ❖ Maintained the citywide sewer system and responded to complaints.
- ❖ Rehabilitated 3,919.1 lf of sanitary sewer Using cured in place pipe technology. User fee funded.
- ❖ Rehabilitated 6,457.2 lf of sanitary sewer Using cured in place pipe technology. ARPA funded.

Wastewater Treatment Plant

- ❖ Treated 365.44 million gallons.
- ❖ Oversaw contract chief operator services.

Administration

- ❖ Continued the process of updating our Geographic Information System to include water, sewer, and stormwater as incorrect or missing data is discovered.
- ❖ Provided oversight and management of the daily operations of the department.
- ❖ Managed all aspects of two City owned Cemeteries to include selling spaces, marking spaces for funerals, marking spaces for headstone placement, and meeting with families over concerns.

TOURISM

- ❖ FY2022-2023 City Hosted Events:
 - We hosted the first annual Spring Fest, with over 90+ vendors and an estimated 1,500 patrons. The VMFA Mobile Art Mobile attended to provide access to fine art for the community and had over 400 visitors.
 - The annual Independence Day Celebration was a success with an estimated 1,000-1,500 patrons. We hosted "The Embers" at Barrett's landing, Cruise In, and Market on Main during the event, which concluded with 10-minute fireworks show.
 - Boo Bash (Downtown Trick or Treat) brought hundreds of families to the streets of downtown to mingle with business owners, dine in the restaurants, and conclude the night with a Halloween themed movie in the park at Barrett's landing.
 - During the annual Holiday Open House, we added an additional vendor portion that was held at the Two Sisters event venue. We sold out of vendor's spaces and welcomed hundreds of patrons to Franklin to begin their holiday shopping locally.
 - The annual Franklin Christmas Parade was a huge success with 63 groups/organizations participating. The theme this year was Gingerbread Land and hundreds of visitors lined Main Street and 4th Ave to kick-off the holiday season.

- ❖ The City of Franklin was awarded \$30,000 in ARPA Tourism funding, which will be used to fund eight different projects in 2023.
- ❖ The City of Franklin became a municipal representative on the Sail 250 Executive Council. Sail 250 is an official multi-state, high-profile international tall ship, and military project formed to celebrate the 250th birthday of the United States. The event will take place in 2026 and will bring enormous economic impact to entire the Hampton Roads area.
- ❖ Franklin/Southampton continues to be a member of the following regional and state organizations:
 - Coastal Virginia Tourism Alliance (CVTA)
 - Virginia Restaurant, Lodging, Travel Association (VRLTA)
 - Virginia Association of Destination Marketing Organizations (VADMO)
 - Salty Southern Route (SSR)

TREASURER

- ❖ Maintained a collection rate of 99.67 for Real Estate for years 2003-2022
- ❖ Maintained a collection rate of 96.86 for Personal Property for years 2016-2022
- ❖ The Treasurer's Office had two tax sales. One was online and the second was done online and in person (hybrid). 7 properties were up for sale, prior to the sale, 5 properties were satisfied, and removed from the sale. The remaining 2 were sold for enough to pay all delinquent taxes, nuisance liens, attorney fees, and auctioneer fees. Both properties had surplus and will remain with the courts for the required 2 years.
- ❖ Treasurer's Office received \$100k from the courts in surplus funds from tax sale done back in 2021
- ❖ Treasurer's Office set up Positive Pay Payee with the Bank to protect the City's account against check fraud. Since this service was instituted it has saved the city from several fraudulent checks from hitting the city's account.
- ❖ Edward A. Martin, Deputy Treasurer completed all the required courses to become a Master Governmental Deputy Treasurer through UVA's Weldon Cooper Center for Public Service and School of Continuing and Professional Studies supported by the Treasurers' Association of Virginia
- ❖ Treasurer Dinah Babb, finished year as the 80th President of the Treasurers' Association of Virginia

What was provided above is a summary of the major accomplishments by each of the City Departments. As evidenced, the City continued its history of (1) seeking grant funds for public safety and community improvements, (2) utilizing resources to provide quality governmental services to Franklin Citizens, (3) expanding technology to improve operational efficiencies and control costs, (4) promoting safety and wellness throughout all City departments, (5) improving activities and programs to enhance overall quality of life.

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 all while navigating the current daily challenges. I would like to sincerely thank Rachel Trollinger for her dedication and commitment to the City of Franklin throughout this process. If it were not for Ms. Trollinger's efforts, this process would not have been completed in a timely manner. We also express sincere appreciation to CityCouncil whose oversight of the financial affairs of the City has resulted in the City's strong financial position. Council is commended for their interest and support in the strategic planning for the City's future and for conducting the operations of the City of Franklin in a responsible and progressive manner.

Respectfully Submitted,

Amanda C. Jarratt

Amanda C. Jarratt
City Manager

Rachel Trollinger

Rachel Trollinger
Director of Finance



Government Finance Officers Association

Certificate of
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**City of Franklin
Virginia**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morill

Executive Director/CEO

FINANCIAL SECTION





INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit IDA, each major fund, and the aggregate remaining fund information of the City of Franklin, Virginia, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Franklin, Virginia's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Franklin, Virginia, as of June 30, 2023, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Our responsibilities under those standards and specifications are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Franklin, Virginia and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

We did not audit the financial statements and schedule of expenditures of federal awards of the Component Unit, School Board. Those statements were audited by other auditors in accordance with the same standards above, whose report has been furnished to us, and in our opinion, insofar as it relates to the amounts included for the Component Unit, School Board, is based solely on the report of, and additional audit procedures to meet the relevant requirements of auditing standards generally accepted in the United States of America performed by the other auditors.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2023, the City adopted new accounting guidance, GASB Statement No. 96, Subscription-Based Information Technology Arrangements and No. 94, Public-Public Partnerships and Availability Payment Arrangements. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Franklin, Virginia's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of Franklin, Virginia's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Franklin, Virginia's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding on pages 4-13, 125-127, and 128-158 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary 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 accompanying combining and individual nonmajor fund financial statements, component unit financial statements, schedule of revenues and expenses—budget to actual, and schedule of expenditures of awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are 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 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, component unit financial statements, schedule of revenues and expenses—budget to actual, 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. Federal expenditures related to the Component Unit, School Board, are reported in a separate SEFA audited by other auditors.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2023, on our consideration of the City of Franklin, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of City of Franklin, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Franklin, Virginia's internal control over financial reporting and compliance.

Credle, Jones & Associates, P.C.

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

South Hill, Virginia
December 8, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year July 1, 2022 – June 30, 2023

This section of the City of Franklin, Virginia's (the City's) annual financial report presents an overall review of the City's financial activities for the fiscal year ended June 30, 2023. 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 is \$1.03 per \$100 of assessed valuation.
- Overall, General Fund revenues (less other financing sources) increased by \$1,140,492 from FY 2022 from \$32,358,868 to \$33,499,360.
- At the close of FY 2023, unassigned fund balance for the General Fund was \$13,500,196. At the close of FY 2022, the unassigned fund balance of the General Fund was \$10,775,904. This represents an increase of \$2,724,292 or 20.17%.
- The composition of the \$5,763,023 fund balance at the end of the year was 61.17% unassigned, 4.50% nonspendable, 6.63% restricted, 23.63% committed and 4.07% assigned.
- The General Fund, on a current financial resources basis, reported revenues and other financing sources of \$22,071,030 over expenditures and financing uses. This is after making a \$4,330,237 payment to Franklin City Schools, \$993,431 to Enterprise Funds, \$1,111,911 to Special Revenue Funds, \$4,105,582 to Capital Projects Fund, and \$1,196,929 to the Debt Service Fund. Expenditures (less transfers) increased by \$464,462 when compared to FY 2022.

Governmental Activities

- At the close of the fiscal year, the assets and deferred outflows of resources of the City's governmental activities exceeded its liabilities and deferred inflows of resources by \$30,284,706. Of this amount, \$20,901,822 is unrestricted and \$1,578,975 is restricted for debt service. The residual \$7,803,909 relates to net investment in capital assets and is not available for expenditure.
- The City's total net position increased by \$8,512,255 from the prior year. Of this amount, an increase of \$7,212,260 is related to governmental activities and an increase of \$1,299,995 is attributed to business-type activities.
- The City's total outstanding general obligation debt (exclusive of premiums) at June 30, 2023 was \$26,464,594. This includes \$4,339,200 in business-activity debt and \$22,125,394 in general government activities.

Overview of the Financial Statements

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

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

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

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

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

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

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

Notes to the Financial Statements

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

Other Information

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

Government-Wide Financial Statements Analysis

Over time, net position may serve as a useful indicator of a government's financial position. At the close of the most recent fiscal year, the City's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$49,191,564.

Summary of Net Position
As of June 30, 2023 and 2022

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Assets						
Current and other assets	\$ 30,593,696	\$ 26,681,719	\$ 14,257,840	\$ 14,255,123	\$ 44,851,536	\$ 40,936,842
Capital assets (net)	30,088,564	26,611,381	12,247,125	11,593,600	42,335,689	38,204,981
Total Assets	60,682,260	53,293,100	26,504,965	25,848,723	87,187,225	79,141,823
Deferred Outflows of Resources						
	3,705,082	4,060,843	380,919	455,095	4,086,001	4,515,938
Total Assets and Deferred Outflows of Resources	\$ 64,387,342	\$ 57,353,943	\$ 26,885,884	\$ 26,303,818	\$ 91,273,226	\$ 83,657,761
Liabilities						
Current and other liabilities	\$ 2,257,167	\$ 3,026,794	\$ 2,662,743	\$ 2,230,283	\$ 4,919,910	\$ 5,257,077
Long-term liabilities	28,817,386	25,869,756	4,907,157	5,573,374	33,724,543	31,443,130
Total Liabilities	31,074,553	28,896,550	7,569,900	7,803,657	38,644,453	36,700,207
Deferred Inflows of Resources						
	3,028,083	5,413,507	409,126	893,298	3,437,209	6,306,805
Net Position						
Net investment in capital assets	7,803,909	4,875,286	7,896,054	6,686,158	15,699,963	11,561,444
Restricted	1,578,975	6,447,172	1,797,488	2,770,389	3,376,463	9,217,561
Unrestricted	20,901,822	11,721,428	9,213,316	8,150,316	30,115,138	19,871,744
Total Net Position	30,284,706	23,043,886	18,906,858	17,606,863	49,191,564	40,650,749
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 64,387,342	\$ 57,353,943	\$ 26,885,884	\$ 26,303,818	\$ 91,273,226	\$ 83,657,761

A large portion of the City's total net position of \$49,191,564 is its \$15,699,963 net investment in capital assets, less any related debt used to acquire or construct those assets that are still outstanding. The City uses these capital assets to provide services to citizens. Consequently, these assets are not available for future spending. The remaining net position is comprised of \$30,115,138 in unrestricted net position, which may be used to meet the City's ongoing obligations, and \$1,578,975 in restricted assets for debt service for the governmental activities and \$1,797,488 is restricted for capital projects in the business-type activities.

The City's financial position includes \$30,115,138, or 61.22% of the net position, as unrestricted net position comprised of \$20,901,822 from governmental activities and \$9,213,316 from business-type activities are available to allow the City to provide obligations to citizens and creditors.

Statement of Activities

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

Summary of Changes in Net Position

For the Fiscal Years Ended June 30, 2023 and 2022

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Revenues						
Program Revenues						
Charges for services	\$ 2,083,658	\$ 2,071,197	\$ 22,412,717	\$ 20,992,018	\$ 24,496,375	\$ 23,063,215
Operating grants and contributions	10,619,015	10,214,365	212,835	27,607	10,831,850	10,241,972
General Revenues						
Real estate and personal property taxes	8,835,132	7,883,911	-	-	8,835,132	7,883,911
Other local taxes	7,459,894	6,673,465	-	-	7,459,894	6,673,465
Revenue sharing from counties	1,113,098	1,076,561	-	-	1,113,098	1,076,561
Grants and contributions not restricted to specific programs	1,444,871	1,490,981	-	-	1,444,871	1,490,981
Unrestricted revenues from use of money and property	621,055	1,644,053	50,179	5,399	671,234	1,649,452
Miscellaneous	670,190	643,051	15,544	10,424	685,734	653,475
Total Revenues	32,846,913	31,697,584	22,691,275	21,035,448	55,538,188	52,733,032
Expenses						
General government administration	1,955,637	2,765,685	-	-	1,955,637	2,765,685
Judicial administration	438,519	528,559	-	-	438,519	528,559
Public safety	8,373,694	8,873,018	-	-	8,373,694	8,873,018
Public works	5,339,201	3,723,882	-	-	5,339,201	3,723,882
Health and welfare	3,430,755	3,114,961	-	-	3,430,755	3,114,961
Education	4,330,237	4,830,237	-	-	4,330,237	4,830,237
Parks, recreation, and cultural	864,291	896,658	-	-	864,291	896,658
Community development	1,188,198	1,255,804	-	-	1,188,198	1,255,804
Interest and fees on long-term debt	715,683	638,179	-	-	715,683	638,179
Water and sewer	-	-	3,022,216	3,606,945	3,022,216	3,606,945
Electric	-	-	15,354,566	13,724,987	15,354,566	13,724,987
Solid waste	-	-	1,210,746	1,105,456	1,210,746	1,105,456
Airport	-	-	802,190	494,003	802,190	494,003
Total Expenses	26,636,215	26,626,983	20,389,718	18,931,391	47,025,933	45,558,374
Excess (Deficiency) Before Transfers	6,210,698	5,070,601	2,301,557	2,104,057	8,512,255	7,174,658
Transfers	1,001,562	1,093,985	(1,001,562)	(1,093,985)	-	-
Increase in Net Position	7,212,260	6,164,586	1,299,995	1,010,072	8,512,255	7,174,658
Beginning Net Position (Restated)	23,072,446	16,879,300	17,606,863	16,596,791	40,679,309	33,476,091
Ending Net Position	\$ 30,284,706	\$ 23,043,886	\$ 18,906,858	\$ 17,606,863	\$ 49,191,564	\$ 40,650,749

Governmental Activities

Operating grants and contributions comprised the City's largest revenue source, totaled \$10,619,015, an increase from the previous year at \$10,214,365. Real estate and personal property tax revenue, the City's second largest revenue source, totaled \$8,835,132, an increase from the previous year at \$7,883,911. The City's real estate tax rate is \$1.03 per \$100 of assessed valuation. Personal property was taxed at \$4.50 per \$100 of assessed value and, represents \$2,043,230 of total general property taxes (excludes tax relief portion of \$1,048,897). Other local tax revenues totaled \$7,459,894 consisting primarily of local option sales, consumer utility, business license, motor vehicle license, lodging, and meals taxes.

Revenue Sharing from Counties of \$1,113,098 represents revenue sharing payments received from Isle of Wight and Southampton Counties as part of annexation and service providing agreements. This is a increase from FY 2022 revenue sharing payments of \$1,076,561. Charges for services represent revenue received primarily from ambulance services and administration reimbursements from certain General Fund costs of the Enterprise Funds.

The City's expenses for governmental activities cover a wide range of services as seen in the above table. Overall, expenses for governmental activities increased \$9,232. The table below provides an overview of program expenses and related revenues.

Net Cost of Governmental Activities

For the Fiscal Years Ended June 30, 2023 and 2022

	<u>2023</u>		<u>2022</u>	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
General government administration	\$ 1,955,637	\$ 4,282,241	\$ 2,765,685	\$ (1,172,515)
Judicial administration	438,519	(434,423)	528,559	(526,423)
Public safety	8,373,694	(7,083,830)	8,873,018	(2,899,795)
Public works	5,339,201	(3,032,277)	3,723,882	(1,849,785)
Health and welfare	3,430,755	(633,434)	3,114,961	(337,123)
Education	4,330,237	(4,330,237)	4,830,237	(4,830,237)
Parks, recreation, and cultural	864,291	(818,634)	896,658	(849,060)
Community development	1,188,198	(1,167,265)	1,255,804	(1,238,304)
Interest on long-term debt	715,683	(715,683)	638,179	(638,179)
Total	<u>\$ 26,636,215</u>	<u>\$ (13,933,542)</u>	<u>\$ 26,626,983</u>	<u>\$ (14,341,421)</u>

Business-Type Activities

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

Business-type activities increased the City's net position by \$1,299,995. Total operating revenues for business-type activities increased from FY 2022 by \$1,655,827. Total business-type expenses increased by \$1,458,327.

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 and Proprietary 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 \$28,459,182, compared to \$24,089,728 (as restated) 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 \$22,071,030, which reflects a \$5,763,023 increase over the prior year ending fund balance of \$16,308,007. Of this balance, \$13,500,196 or 61.17%, represents unassigned funds, which are available for operations of the government. The remaining \$8,570,834 is allocated among nonspendable, 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, 2023, this percentage totaled 48.84%, an increase over the previous year.
- **Virginia Public Assistance Fund.** The Virginia Public Assistance (VPA) Fund accounts for revenues and expenditures related to services provided by the Department of Social Services (DSS). The VPA fund ended the year with \$609,904 in total fund balance, an increase of \$259,497 from 2022. The increase is mainly due to funding for the new DSS building.
- **Capital Projects Fund.** The capital projects fund accounts and report financial resources that are restricted, committed or assigned to expenditure for capital outlays for all general government, including schools, construction projects, excluding capital projects related to business-type activities which are accounted for elsewhere. At the end of the current fiscal year, the restricted fund balance totaled \$3,231,638, an increase of \$1,271,931.
- **Debt Service Fund.** The debt service fund has a restricted fund balance of \$1,375,152, which represents funds purposed for capital projects. This is a decrease of \$3,112,313 from the prior year mainly due to transfers to the capital fund.
- **Proprietary Funds.** The City's Proprietary Funds (Enterprise Funds) provide the same type of information found in the government-wide financial statements, but in more detail. The City's enterprise funds account for its water and sewer, solid waste, municipal electric, and airport operations. Total net position of the enterprise funds at the end of the current fiscal year totaled \$18,906,858, an increase of \$1,299,995 over the prior balance of \$17,606,863.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

During the year, City Council revised the budget on several occasions to include the appropriation of prior year reserves, grants, donations, and other revenues. Actual expenditures varied from the final budgeted amount for the General Fund.

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

Budgetary Comparison

General Fund

For the Fiscal Years Ended June 30, 2023 and 2022

	<u>2023</u>			<u>2022</u>		
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
Revenues						
Taxes	\$ 8,749,804	\$ 8,968,104	\$ 8,687,058	\$ 7,800,083	\$ 7,800,083	\$ 7,852,886
Other	12,252,972	13,519,503	14,836,615	11,845,225	13,901,980	14,754,093
Intergovernmental	4,697,299	10,126,680	9,975,687	4,529,736	9,684,275	9,751,889
Total	25,700,075	32,614,287	33,499,360	24,175,044	31,386,338	32,358,868
Expenditures	25,493,116	34,333,627	27,641,083	24,830,843	29,881,084	24,937,152
Excess (Deficiency) of Revenues Over (Under) Expenditures	206,959	(1,719,340)	5,858,277	(655,799)	1,505,254	7,421,716
Other Financing Sources (Uses)						
Financed purchase obligations	-	-	-	-	-	162,419
Lease liabilities issued	-	-	62,024	-	-	26,997
Issuance of debt	-	2,000,000	-	-	-	-
From unappropriated funds	150,000	4,834,932	-	-	-	-
Transfers in	1,994,994	3,994,993	3,994,993	2,094,993	2,506,348	2,506,348
Transfers (out)	(2,351,953)	(9,182,149)	(4,152,271)	(1,713,362)	(5,335,471)	(5,331,769)
Total	(206,959)	1,647,776	(95,254)	381,631	(2,829,123)	(2,636,005)
Net Change in Fund Balance Before Transfer from Surplus	-	(71,564)	5,763,023	(274,168)	(1,323,869)	4,785,711
Transfer from Surplus Funds	-	71,564	-	274,168	1,323,869	-
Change in Fund Balance	\$ -	\$ -	\$ 5,763,023	\$ -	\$ -	\$ 4,785,711

The difference between the original budget and the final amended budget for the City's General Fund expenditures was approximately \$8,840,511 representing an increase in appropriations. Some major variances are due to the following appropriation and anticipated expenditure made during FY 2023:

- \$740,826 appropriation for grant funded projects
- \$2,922,141 appropriation related to CSLFRF funding
- \$3,093,997 appropriation related to FY23 delayed projects

Actual total revenues were above the amended budget by \$885,073, primarily due to restaurant taxes and business licenses.

Expenditures were below the amended budget by \$6,692,544 or 19.49%, due to cost savings resulting from unused appropriations for general expenses.

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, 2023, totaled \$42,335,989 net of accumulated depreciation and amortization. Net capital assets increased \$3,477,183 in the governmental activities and increased \$653,525 in the proprietary activities. Additional details on school board capital assets can be located in the notes to the financial statements. See Note 7 – Capital Assets.

The following table summarizes capital assets, net of depreciation:

Change in Capital Assets

Primary Government

Governmental Activities

	<u>Balance July 1, 2022</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2023</u>
Land	\$ 4,788,275	\$ -	\$ 4,788,275
Construction in process	1,151,628	2,887,423	4,039,051
Buildings	18,865,143	60,948	18,926,091
Improvements other than buildings	3,040,255	(12,943)	3,027,312
Machinery and equipment	10,772,075	276,312	11,048,387
Infrastructure	<u>18,114,339</u>	<u>(6,822,123)</u>	<u>11,292,216</u>
Total Capital Assets	56,731,715	(3,610,383)	53,121,332
Less: Accumulated depreciation	<u>(30,237,109)</u>	<u>7,109,801</u>	<u>(23,127,308)</u>
Total Capital Assets, Net	<u>\$ 26,494,606</u>	<u>\$ 3,499,418</u>	<u>\$ 29,994,024</u>
Lease assets	\$ 279,784	\$ (141,017)	\$ 138,767
Less: Accumulated amortization	<u>(163,009)</u>	<u>118,782</u>	<u>(44,227)</u>
Lease Assets, Net	<u>\$ 116,775</u>	<u>\$ (22,235)</u>	<u>\$ 94,540</u>

Business-Type Activities

	<u>Balance July 1, 2022</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2023</u>
Land	\$ 179,258	\$ -	\$ 179,258
Construction in progress	1,636,203	1,143,368	2,779,571
Infrastructure	29,584,497	(313,036)	29,271,461
Buildings and improvements	1,488,464	-	1,488,464
Machinery and equipment	<u>5,948,651</u>	<u>243,942</u>	<u>6,192,593</u>
Total Capital Assets	38,837,073	1,074,274	39,911,347
Less: Accumulated depreciation and amortization	<u>(27,243,173)</u>	<u>(420,749)</u>	<u>(27,663,922)</u>
Total Capital Assets, Net	<u>\$ 11,593,900</u>	<u>\$ 653,525</u>	<u>\$ 12,247,425</u>

Debt Administration. The City's total outstanding general obligation debt at June 30, 2023 was \$26,464,594, which is considered to be tax supported debt. Other general fund long-term liabilities are also provided. Additional details on the long-term debt activity can be located in Note 8, Long-Term Obligations.

	<u>Balance July 1, 2022</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2023</u>
Governmental Activities			
General obligation bonds	\$ 20,622,800	\$ 1,502,594	\$ 22,125,394
Financed purchase obligations	196,303	(42,517)	153,786
Compensated absences	<u>637,918</u>	<u>128,568</u>	<u>766,486</u>
	21,457,021	1,588,645	23,045,666
Add: Premiums	<u>314,103</u>	<u>(24,419)</u>	<u>289,684</u>
Total Governmental Activities	<u>\$ 21,771,124</u>	<u>\$ 1,564,226</u>	<u>\$ 23,335,350</u>
 Business-Type Activities			
General obligation bonds	\$ 4,889,200	\$ (550,000)	\$ 4,339,200
Compensated absences	<u>80,230</u>	<u>7,626</u>	<u>87,856</u>
	4,969,430	(542,374)	4,427,056
Add: Premiums	<u>32,045</u>	<u>(4,965)</u>	<u>27,080</u>
Total Business-Type Activities	<u>\$ 5,001,475</u>	<u>\$ (547,339)</u>	<u>\$ 4,454,136</u>

State statutes limit the amount of general obligation debt a government may issue to 10% of its total assessed valuation of real and public service corporations. The City's ratio of net general bonded debt to assessed value totals 4.33%.

	<u>FY 2023</u>	<u>FY 2022</u>
General Government Activities		
Bonds payable - general ⁽¹⁾	\$ 19,429,911	\$ 17,596,994
School related bonds ⁽¹⁾	<u>2,985,167</u>	<u>3,339,909</u>
Total Tax Supported Debt	22,415,078	20,936,903
Business-Type Activities		
	<u>4,366,280</u>	<u>4,921,245</u>
Total General Obligation Debt	<u>\$ 26,781,358</u>	<u>\$ 25,858,148</u>
Total Per Capita Tax Supported Debt	<u>\$ 3,247</u>	<u>\$ 3,147</u>

⁽¹⁾General obligation bonds are reported net of premium and discounts for both governmental and business-type activities.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal-year 2024 budget.

The June 30, 2023 unemployment rate for the City of Franklin, Virginia was 3.6% compared to 2.8% for Virginia and the national rate of 3.8%. The June 30, 2022 unemployment rate for the City of Franklin, Virginia was 5.2%, compared to the state's unemployment rate of 2.9% and the average national rate of 3.8%.

These rates along with other indicators were taken into account when adopting the General Fund budget for 2024. In FY 23-24, the City's original general fund budget is \$29,482,277, a decrease of \$7,127,003 or 19.47% over prior year's final budget (including transfers).

REQUEST FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS



City of Franklin, Virginia
Statement of Net Position
As of June 30, 2023

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total Primary Government	School Board	Industrial Development Authority
Assets					
Current assets					
Cash and cash equivalents	\$ 27,075,132	\$ 13,682,551	\$ 40,757,683	\$ 1,773,773	\$ 14,324
Receivables (net of allowance for uncollectibles)					
Property taxes receivable	1,083,696	-	1,083,696	-	-
Accounts receivable	697,975	1,523,923	2,221,898	-	-
Leases receivable, current portion	16,317	-	16,317	-	-
Notes receivable	29,675	-	29,675	-	-
Internal balances	969,874	(969,874)	-	-	-
Prepaid items	1,647	-	1,647	-	-
Due from other governmental units	711,043	-	711,043	1,074,779	-
Inventories	-	21,240	21,240	27,386	-
Net pension asset	-	-	-	697,617	-
Net OPEB asset	3,237	-	3,237	7,905	-
Total Current Assets	30,588,596	14,257,840	44,846,436	3,581,460	14,324
Noncurrent assets					
Lease receivable, noncurrent	5,100	-	5,100	-	-
Capital asset					
Land and construction in progress	8,827,326	2,958,829	11,786,155	67,210	-
Other capital assets, net	21,166,698	9,288,296	30,454,994	13,064,182	-
Lease assets, net	94,540	-	94,540	847,062	-
Subscription assets, net	-	-	-	38,247	-
Capital assets, net	30,088,564	12,247,125	42,335,689	14,016,701	-
Total Noncurrent Assets	30,093,664	12,247,125	42,340,789	14,016,701	-
Total Assets	60,682,260	26,504,965	87,187,225	17,598,161	14,324
Deferred Outflows of Resources					
Pension related items	1,432,100	287,562	1,719,662	2,327,700	-
OPEB related items	1,892,789	78,148	1,970,937	385,342	-
Deferred outflows - loss on refunding	380,193	15,209	395,402	-	-
Total Deferred Outflows of Resources	3,705,082	380,919	4,086,001	2,713,042	-
Total Assets and Deferred Outflows of Resources	\$ 64,387,342	\$ 26,885,884	\$ 91,273,226	\$ 20,311,203	\$ 14,324
Liabilities					
Current liabilities:					
Accounts payable and accrued liabilities	\$ 1,118,011	\$ 1,471,305	\$ 2,589,316	\$ 1,296,980	\$ -
Customers' deposits	-	377,531	377,531	-	-
Accrued interest payable	230,584	41,682	272,266	-	-
Line of credit	-	285,439	285,439	-	-
Deposits held in escrow	80,309	-	80,309	-	-
Current portion of lease liabilities	27,578	-	27,578	188,574	-
Current portion of subscription liabilities	-	-	-	19,116	-
Current portion of compensated absences	76,649	8,786	85,435	-	-
Current portion of long-term liabilities	724,036	478,000	1,202,036	20,948	-
Total Current Liabilities	2,257,167	2,662,743	4,919,910	1,525,618	-
Long-term liabilities:					
Due in more than one year					
Compensated absences	689,837	79,070	768,907	188,531	-
Lease liabilities	68,406	-	68,406	882,530	-
Subscription liabilities	-	-	-	19,748	-
Financed purchase obligations	153,786	-	153,786	-	-
Bonds, loans, and premiums	21,691,042	3,888,280	25,579,322	-	-
OPEB liabilities	4,301,842	443,097	4,744,939	7,035,722	-
Net pension liability	1,912,473	496,710	2,409,183	1,823,238	-
Total Long-term Liabilities	28,817,386	4,907,157	33,724,543	9,949,769	-
Total Liabilities	31,074,553	7,569,900	38,644,453	11,475,387	-
Deferred Inflows of Resources					
Pension related items	1,624,401	332,274	1,956,675	2,594,975	-
OPEB related items	1,383,755	76,852	1,460,607	533,026	-
Lease deferrals	19,927	-	19,927	-	-
Total Deferred Inflows of Resources	3,028,083	409,126	3,437,209	3,128,001	-
Net Position					
Net investment in capital assets	7,803,909	7,896,054	15,699,963	12,906,733	-
Restricted for					
Capital projects	-	1,797,488	1,797,488	-	-
Debt service	1,578,975	-	1,578,975	-	-
Net pension asset	-	-	-	697,617	-
Net OPEB asset	-	-	-	7,905	-
Unrestricted (deficit)	20,901,822	9,213,316	30,115,138	(7,904,440)	14,324
Total Net Position	30,284,706	18,906,858	49,191,564	5,707,815	14,324
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 64,387,342	\$ 26,885,884	\$ 91,273,226	\$ 20,311,203	\$ 14,324

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

City of Franklin, Virginia
Statement of Activities
For the Year Ended June 30, 2023

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Units	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total	School Board	Industrial Development Authority
Primary Government									
Governmental Activities									
General government administration	\$ 1,955,637	\$ 1,100,931	\$ 5,136,947	\$ -	\$ 4,282,241		\$ 4,282,241		
Judicial administration	438,519	4,096	-	-	(434,423)		(434,423)		
Public safety	8,373,694	652,853	637,011	-	(7,083,830)		(7,083,830)		
Public works	5,339,201	310,109	1,996,815	-	(3,032,277)		(3,032,277)		
Health and welfare	3,430,755	-	2,797,321	-	(633,434)		(633,434)		
Education	4,330,237	-	-	-	(4,330,237)		(4,330,237)		
Parks, recreation, and cultural	864,291	15,669	29,988	-	(818,634)		(818,634)		
Community development	1,188,198	-	20,933	-	(1,167,265)		(1,167,265)		
Interest on long-term debt and fiscal charges	715,683	-	-	-	(715,683)		(715,683)		
Total Governmental Activities	26,636,215	2,083,658	10,619,015	-	(13,933,542)		(13,933,542)		
Business-Type Activities									
Water and sewer	3,022,216	3,641,583	-	-		\$ 619,367	619,367		
Solid waste	1,210,746	1,359,924	-	-		149,178	149,178		
Electric	15,354,566	17,284,862	-	-		1,930,296	1,930,296		
Airport	802,190	126,348	212,835	-		(463,007)	(463,007)		
Total Business-Type Activities	20,389,718	22,412,717	212,835	-		2,235,834	2,235,834		
Total Primary Government	\$ 47,025,933	\$ 24,496,375	\$ 10,831,850	\$ -			(11,697,708)		
Component Units									
School Board	\$ 19,094,510	\$ 78,045	\$ 16,557,704	\$ -			\$ (2,458,761)	\$ -	
Industrial Development Authority	-	-	-	-			-	-	
Total - Component Units	\$ 19,094,510	\$ 78,045	\$ 16,557,704	\$ -			(2,458,761)		
General Revenues									
General property taxes					8,835,132	-	8,835,132	-	-
Local sales and use taxes					2,394,886	-	2,394,886	-	-
Consumers' utility taxes					529,582	-	529,582	-	-
Business license taxes					1,322,231	-	1,322,231	-	-
Motor vehicle license taxes					214,611	-	214,611	-	-
Cigarette taxes					379,132	-	379,132	-	-
Lodging taxes					199,864	-	199,864	-	-
Restaurant food taxes					2,235,378	-	2,235,378	-	-
Other local taxes					184,210	-	184,210	-	-
Unrestricted revenues from use of property					194,577	(10,156)	184,421	2,856	-
Investment earnings					426,478	60,335	486,813	-	2
Revenue sharing from counties					1,113,098	-	1,113,098	-	-
Miscellaneous					670,190	15,544	685,734	507,144	-
Contribution from City of Franklin, Virginia					-	-	-	4,330,237	-
Grants and contributions not restricted to specific programs					1,444,871	-	1,444,871	-	-
Transfers in (out)					1,001,562	(1,001,562)	-	-	-
Total General Revenues and Transfers					21,145,802	(935,839)	20,209,963	4,840,237	2
Change in Net Position					7,212,260	1,299,995	8,512,255	2,381,476	2
Net Position - Beginning of Year (Restated)					23,072,446	17,606,863	40,679,309	3,326,339	14,322
Net Position - End of Year					\$ 30,284,706	\$ 18,906,858	\$ 49,191,564	\$ 5,707,815	\$ 14,324

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

City of Franklin, Virginia

Balance Sheet
Governmental Funds
As of June 30, 2023

	General Fund	Virginia Public Assistance	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents	\$ 20,606,947	\$ 473,924	\$ 3,516,318	\$ 1,375,152	\$ 1,130,053	\$ 27,102,394
<i>Receivables - net of allowance for uncollectibles</i>						
Property taxes receivable	1,083,696	-	-	-	-	1,083,696
Accounts receivable	628,299	26,927	-	-	42,749	697,975
Leases receivable	21,417	-	-	-	-	21,417
Notes receivable	-	-	-	-	29,675	29,675
Prepaid items	1,647	-	-	-	-	1,647
Due from other funds	969,874	-	-	-	-	969,874
Due from other governmental units	497,867	109,053	-	-	104,123	711,043
Total Assets	<u>\$ 23,809,747</u>	<u>\$ 609,904</u>	<u>\$ 3,516,318</u>	<u>\$ 1,375,152</u>	<u>\$ 1,306,600</u>	<u>\$ 30,617,721</u>
Liabilities						
Pooled cash deficit	\$ -	\$ -	\$ -	\$ -	\$ 27,262	\$ 27,262
Accounts payable and accrued liabilities	759,259	-	284,680	-	74,071	1,118,010
Deposits held in escrow	46,500	-	-	-	33,809	80,309
Total Liabilities	805,759	-	284,680	-	135,142	1,225,581
Deferred Inflows of Resources	932,958	-	-	-	-	932,958
Fund Balances						
<i>Nonspendable</i>						
Long-term receivables - airport	969,874	-	-	-	-	969,874
Leases	21,417	-	-	-	-	21,417
Prepaid items	1,647	-	-	-	-	1,647
<i>Restricted</i>						
General government	764,392	-	-	-	27,544	791,936
Public safety	2,283,200	-	-	-	176,124	2,459,324
Public works	498,456	-	-	-	-	498,456
Health and welfare	-	609,904	-	-	-	609,904
Parks, recreation, and cultural	827,718	-	-	-	193,306	1,021,024
Community development	514,700	-	-	-	493,392	1,008,092
Debt service	203,823	-	-	1,375,152	-	1,578,975
Capital projects	125,000	-	3,231,638	-	-	3,356,638
<i>Committed</i>	1,462,450	-	-	-	-	1,462,450
<i>Assigned</i>	898,157	-	-	-	288,083	1,186,240
<i>Unassigned (Deficit)</i>	13,500,196	-	-	-	(6,991)	13,493,205
Total Fund Balances	<u>22,071,030</u>	<u>609,904</u>	<u>3,231,638</u>	<u>1,375,152</u>	<u>1,171,458</u>	<u>28,459,182</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 23,809,747</u>	<u>\$ 609,904</u>	<u>\$ 3,516,318</u>	<u>\$ 1,375,152</u>	<u>\$ 1,306,600</u>	<u>\$ 30,617,721</u>

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

City of Franklin, Virginia

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

At June 30, 2023

Total Fund Balances for Governmental Funds \$ 28,459,182

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

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

Land and construction in progress	\$ 8,827,326	
Buildings and improvements, net	9,644,568	
Infrastructure, net	6,182,213	
Furniture, equipment, and vehicles, net	5,339,917	
Lease assets, net	<u>94,540</u>	
Total Capital Assets		30,088,564

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

Unavailable revenue - taxes	<u>932,958</u>	
Total Other Assets		932,958

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

Deferred outflows of resources related to pensions	1,432,100	
Deferred outflows of resources related to OPEB liabilities	1,892,789	
Deferred inflows of resources related to pensions	(1,624,401)	
Deferred inflows of resources related to OPEB	<u>(1,383,755)</u>	
Total Deferred Outflows and Inflows of Resources		316,733

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

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

Bonds, financed purchase obligations, and notes payable with related premiums	(22,568,864)	
Deferred outflows - refunding on debt	380,193	
Accrued interest payable on debt	(230,584)	
OPEB obligations	(4,298,606)	
Net VRS pension liability	(1,912,473)	
Deferred inflows on leases	(19,927)	
Lease liabilities	(95,984)	
Compensated absences	<u>(766,486)</u>	
Total		<u>(29,512,731)</u>

Total Net Position of Governmental Activities \$ 30,284,706

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

City of Franklin, Virginia

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2023

	General Fund	Virginia Public Assistance	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues						
General property taxes	\$ 8,687,058	\$ -	\$ -	\$ -	\$ -	\$ 8,687,058
Other local taxes	7,459,894	-	-	-	-	7,459,894
Permits, privilege fees, and regulatory licenses	137,112	-	-	-	-	137,112
Fines and forfeitures	41,376	-	-	-	-	41,376
Revenue from the use of money and property	263,235	-	-	161,340	200,958	625,533
Charges for services	1,905,170	-	-	-	-	1,905,170
Miscellaneous	1,585,327	783	-	-	131,944	1,718,054
Recovered costs	3,444,501	-	-	-	-	3,444,501
<i>Intergovernmental</i>						
Revenue from the Commonwealth of Virginia	4,774,266	506,722	-	-	538,214	5,819,202
Revenue from the Federal Government	5,201,421	1,008,532	-	-	34,731	6,244,684
Total Revenues	33,499,360	1,516,037	-	161,340	905,847	36,082,584
Expenditures						
Current						
General government administration	3,095,957	-	-	-	39,531	3,135,488
Judicial administration	604,187	-	2,807,414	-	-	3,411,601
Public safety	10,828,727	-	-	-	82,716	10,911,443
Public works	5,906,295	-	-	-	-	5,906,295
Health and welfare	895,054	1,851,821	24,136	-	823,668	3,594,679
Education	4,330,237	-	-	-	-	4,330,237
Parks, recreation, and cultural	993,115	-	2,101	-	1,301	996,517
Community development	900,253	-	-	-	287,945	1,188,198
<i>Debt service</i>						
Principal retirement	85,089	-	-	641,000	-	726,089
Interest and other fiscal charges	2,169	-	-	717,594	-	719,763
Total Expenditures	27,641,083	1,851,821	2,833,651	1,358,594	1,235,161	34,920,310
Excess (Deficiency) of Revenues Over (Under) Expenditures	5,858,277	(335,784)	(2,833,651)	(1,197,254)	(329,314)	1,162,274
Other Financing Sources (Uses)						
Lease liabilities issued	62,024	-	-	-	-	62,024
Issuance of debt	-	-	-	2,143,594	-	2,143,594
Transfers in	3,994,993	595,281	4,105,582	1,196,929	516,630	10,409,415
Transfers (out)	(4,152,271)	-	-	(5,255,582)	-	(9,407,853)
Total Other Financing Sources (Uses)	(95,254)	595,281	4,105,582	(1,915,059)	516,630	3,207,180
Net Change in Fund Balances	5,763,023	259,497	1,271,931	(3,112,313)	187,316	4,369,454
Fund Balances - Beginning of Year (Restated)	16,308,007	350,407	1,959,707	4,487,465	984,142	24,089,728
Fund Balances - End of Year	\$ 22,071,030	\$ 609,904	\$ 3,231,638	\$ 1,375,152	\$ 1,171,458	\$ 28,459,182

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

City of Franklin, Virginia

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

Year Ended June 30, 2023

Net Change in Fund Balances - Total Governmental Funds \$ 4,369,454

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

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. The following is a computation of these differences.

Capital asset additions	\$ 5,531,420	
Capital asset disposals, net	(4,478)	
Depreciation expense	<u>(2,027,524)</u>	3,499,418

Lease assets, net of purchases and amortization (22,235)

Revenues in the Statement of Activities that do not provide current financial resources are deferred in the fund statements. 213,308

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

Issuance of new debt	(2,143,594)	
Principal payments	641,000	
Deferred outflows - refunding of debt	(20,536)	
Lease liabilities issued/paid, net	23,065	
Financed purchase obligations payments	42,517	
Premium on bond issue and accrued interest payable	<u>5,164</u>	
Net Adjustment		(1,452,384)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. Changes in the following accounts are as follows:

Compensated absences	(128,568)	
Net pension liability	(1,539,806)	
Deferred inflows - OPEB	(304,958)	
Deferred inflows - VRS pension	2,675,221	
Deferred outflows - OPEB	(3,732)	
Deferred outflows - VRS pension	(307,074)	
Net OPEB liabilities	<u>213,616</u>	
Net Adjustment		<u>604,699</u>

Change in Net Position of Governmental Activities \$ 7,212,260

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

City of Franklin, Virginia

Statement of Net Position

Proprietary Funds

As of June 30, 2023

	<u>Water and Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Electric Fund</u>	<u>Airport Fund</u>	<u>Total</u>
Assets					
Current Assets					
Cash and cash equivalents	\$ 3,900,287	\$ 1,428,200	\$ 8,471,773	\$ 200	\$ 13,800,460
Receivables, net	341,996	148,687	1,017,226	16,014	1,523,923
Inventories	-	-	-	21,240	21,240
Total Current Assets	4,242,283	1,576,887	9,488,999	37,454	15,345,623
Noncurrent Assets					
Capital assets, net	3,379,327	595,407	4,775,987	3,496,404	12,247,125
Total Noncurrent Assets	3,379,327	595,407	4,775,987	3,496,404	12,247,125
Total Assets	7,621,610	2,172,294	14,264,986	3,533,858	27,592,748
Deferred Outflows of Resources					
Pension	96,190	45,151	134,755	11,466	287,562
OPEB	24,421	4,884	39,074	9,769	78,148
Loss on refunding	4,823	4,737	5,649	-	15,209
Total Deferred Outflows of Resources	125,434	54,772	179,478	21,235	380,919
Total Assets and Deferred Outflows of Resources	<u>\$ 7,747,044</u>	<u>\$ 2,227,066</u>	<u>\$ 14,444,464</u>	<u>\$ 3,555,093</u>	<u>\$ 27,973,667</u>
Liabilities					
Current Liabilities					
Accounts payable and accrued liabilities	\$ 218,166	\$ 43,306	\$ 1,174,704	\$ 35,129	\$ 1,471,305
Pooled cash deficit	-	-	-	117,909	117,909
Line of credit	-	230,000	55,439	-	285,439
Customers' deposits	-	-	377,531	-	377,531
Accrued interest payable	12,356	6,001	23,325	-	41,682
Due to other funds	-	-	-	969,874	969,874
Current portion of compensated absences	3,858	935	3,168	825	8,786
Current portion of long-term liabilities	308,000	10,000	160,000	-	478,000
Total Current Liabilities	542,380	290,242	1,794,167	1,123,737	3,750,526
Noncurrent Liabilities, Net of Current Portion					
Pension liability	174,763	99,494	177,537	44,916	496,710
OPEB liabilities	138,468	27,693	221,549	55,387	443,097
Compensated absences	34,710	8,421	28,507	7,432	79,070
Long-term notes and bonds and premiums	717,131	498,806	2,672,343	-	3,888,280
Total Noncurrent Liabilities	1,065,072	634,414	3,099,936	107,735	4,907,157
Total Liabilities	1,607,452	924,656	4,894,103	1,231,472	8,657,683
Deferred Inflows of Resources					
OPEB	24,016	4,803	38,426	9,607	76,852
Pension	118,317	24,306	170,084	19,567	332,274
Total Deferred Inflows of Resources	142,333	29,109	208,510	29,174	409,126
Net Position					
Net investment in capital assets	2,359,019	91,338	1,949,293	3,496,404	7,896,054
Restricted for capital projects	185,523	32,787	1,579,178	-	1,797,488
Unrestricted (Deficit)	3,452,717	1,149,176	5,813,380	(1,201,957)	9,213,316
Total Net Position	5,997,259	1,273,301	9,341,851	2,294,447	18,906,858
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 7,747,044</u>	<u>\$ 2,227,066</u>	<u>\$ 14,444,464</u>	<u>\$ 3,555,093</u>	<u>\$ 27,973,667</u>

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

City of Franklin, Virginia

Statement of Revenues, Expenses, and Changes in Net Position

Proprietary Funds

Year Ended June 30, 2023

	<u>Water and Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Electric Fund</u>	<u>Airport Fund</u>	<u>Total</u>
Operating Revenues					
Charges for services	\$ 3,641,583	\$ 1,359,924	\$ 17,284,862	\$ 126,348	\$ 22,412,717
Miscellaneous	556	-	14,988	-	15,544
Operating grants - state	-	-	-	4,212	4,212
Operating grants - federal	-	-	-	208,623	208,623
	<u>3,642,139</u>	<u>1,359,924</u>	<u>17,299,850</u>	<u>339,183</u>	<u>22,641,096</u>
Total Operating Revenues					
Operating Expenses					
Salaries and wages	522,170	199,321	848,249	53,244	1,622,984
Fringe benefits	179,043	84,169	232,709	60,300	556,221
Contractual services	353,717	-	114,965	1,131	469,813
Repairs and maintenance	173,929	61,593	396,574	247,295	879,391
Utilities	241,886	-	32,546	22,413	296,845
Insurance	39,366	11,357	23,958	12,942	87,623
Materials and supplies	341,083	73,140	12,524,395	2,071	12,940,689
Other charges	150,214	354,124	83,963	76,929	665,230
Payment to general fund for services and taxes	433,515	287,391	710,577	20,612	1,452,095
Depreciation and amortization	552,957	127,912	298,511	305,253	1,284,633
	<u>2,987,880</u>	<u>1,199,007</u>	<u>15,266,447</u>	<u>802,190</u>	<u>20,255,524</u>
Total Operating Expenses					
Operating Income (Loss)	654,259	160,917	2,033,403	(463,007)	2,385,572
Nonoperating Revenues (Expenses)					
Interest income	9,699	3,880	46,756	-	60,335
Loss on disposal of property and equipment	(10,156)	-	-	-	(10,156)
Interest expense and issuance costs	(34,336)	(11,739)	(88,119)	-	(134,194)
	<u>(34,793)</u>	<u>(7,859)</u>	<u>(41,363)</u>	<u>-</u>	<u>(84,015)</u>
Total Nonoperating Revenues (Expenses)					
Income (Loss) Before Transfers	619,466	153,058	1,992,040	(463,007)	2,301,557
Transfers in	912,798	-	25,000	55,633	993,431
Transfers (out)	(195,000)	-	(1,799,993)	-	(1,994,993)
	<u>717,798</u>	<u>-</u>	<u>(1,774,993)</u>	<u>55,633</u>	<u>(1,001,562)</u>
Total Nonoperating Revenues (Expenses)					
Change in Net Position	1,337,264	153,058	217,047	(407,374)	1,299,995
Total Net Position - Beginning of Year	4,659,995	1,120,243	9,124,804	2,701,821	17,606,863
Total Net Position - End of Year	<u>\$ 5,997,259</u>	<u>\$ 1,273,301</u>	<u>\$ 9,341,851</u>	<u>\$ 2,294,447</u>	<u>\$ 18,906,858</u>

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

City of Franklin, Virginia
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2023

	Water and Sewer Fund	Solid Waste Fund	Electric Fund	Airport Fund	Total
Cash Flows from Operating Activities					
Receipts from customers and users	\$ 3,636,605	\$ 1,360,156	\$ 17,610,558	\$ 117,327	\$ 22,724,646
Operating grants	-	-	-	212,835	212,835
Payments to suppliers for goods and services	(1,864,776)	(791,477)	(13,786,236)	(313,562)	(16,756,051)
Payments to and on behalf of employees	<u>(726,056)</u>	<u>(296,988)</u>	<u>(1,129,428)</u>	<u>(72,233)</u>	<u>(2,224,705)</u>
Net Cash Provided by (Used in) Operating Activities	1,045,773	271,691	2,694,894	(55,633)	3,956,725
Cash Flows from Noncapital Financing Activities					
Transfers (to) other funds	<u>717,798</u>	<u>-</u>	<u>(1,774,993)</u>	<u>55,633</u>	<u>(1,001,562)</u>
Net Cash Provided by (Used in) Noncapital Financing Activities	717,798	-	(1,774,993)	55,633	(1,001,562)
Cash Flows from Capital and Related Financing Activities					
Purchase of capital assets	(511,193)	-	(1,437,121)	-	(1,948,314)
Payment on long-term debt	(290,000)	(10,000)	(250,000)	-	(550,000)
Interest paid on capital debt	<u>(38,165)</u>	<u>(12,397)</u>	<u>(86,396)</u>	<u>-</u>	<u>(136,958)</u>
Net Cash Used in Capital and Related Financing Activities	(839,358)	(22,397)	(1,773,517)	-	(2,635,272)
Cash Flows from Investing Activities					
Interest income	<u>9,699</u>	<u>3,880</u>	<u>46,756</u>	<u>-</u>	<u>60,335</u>
Net Cash Provided by Investing Activities	9,699	3,880	46,756	-	60,335
Net Increase (Decrease) in Cash and Cash Equivalents	933,912	253,174	(806,860)	-	380,226
Cash and Cash Equivalents - Beginning of Year	<u>2,966,375</u>	<u>1,175,026</u>	<u>9,278,633</u>	<u>200</u>	<u>13,420,234</u>
Cash and Cash Equivalents - End of Year	<u>\$ 3,900,287</u>	<u>\$ 1,428,200</u>	<u>\$ 8,471,773</u>	<u>\$ 200</u>	<u>\$ 13,800,460</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities					
Operating income (loss)	\$ 654,259	\$ 160,917	\$ 2,033,403	\$ (463,007)	\$ 2,385,572
<i>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</i>					
Depreciation expense	552,957	127,912	298,511	305,253	1,284,633
(Increase) decrease in accounts receivable	(5,534)	232	348,536	(9,021)	334,213
(Increase) decrease in inventories	-	-	-	7,408	7,408
(Increase) decrease in deferred outflows - pension	18,278	7,311	29,245	3,656	58,490
(Increase) decrease in deferred outflows - OPEB	1,894	3,332	3,158	(3,736)	4,648
Increase (decrease) in accounts payable and accrued liabilities	(131,066)	(3,872)	100,742	26,535	(7,661)
Increase (decrease) in pooled cash deficit	-	-	-	35,888	35,888
Increase (decrease) in compensated absences	(3,935)	4,195	5,447	1,919	7,626
Increase (decrease) in net pension liability	91,655	36,662	146,648	18,331	293,296
Increase (decrease) in deferred inflows - pension	(157,927)	(63,171)	(252,682)	(9,530)	(483,310)
Increase (decrease) in OPEB liability	25,088	(652)	23,134	27,042	74,612
Increase (decrease) in deferred inflows - OPEB	104	(1,175)	(3,420)	3,629	(862)
Increase (decrease) in customer deposits	<u>-</u>	<u>-</u>	<u>(37,828)</u>	<u>-</u>	<u>(37,828)</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 1,045,773</u>	<u>\$ 271,691</u>	<u>\$ 2,694,894</u>	<u>\$ (55,633)</u>	<u>\$ 3,956,725</u>

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

City of Franklin, Virginia

Statement of Fiduciary Net Position

Custodial Funds

As of June 30, 2023

	<u>Custodial Funds</u>
Assets	
Cash and cash equivalents	\$ 73,691
Accounts receivable	<u>33,323</u>
Total Assets	<u>\$ 107,014</u>
Liabilities	
Accounts payable and accrued liabilities	\$ 1,388
Fiduciary Net Position	<u>105,626</u>
Total Liabilities and Fiduciary Net Position	<u>\$ 107,014</u>

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

City of Franklin, Virginia

Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2023

	<u>Custodial Funds</u>
Additions	
Miscellaneous income	\$ 191,022
Revenue from City of Franklin	757,540
Local grant funds and other donations	<u>98,688</u>
Total Additions	1,047,250
Deductions	
Program and administrative expenses	<u>1,040,116</u>
Net Increase (Decrease) in Fiduciary Net Position	7,134
Net Position - Beginning	<u>98,492</u>
Net Position - Ending	<u><u>\$ 105,626</u></u>

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

City of Franklin, Virginia

Notes to the Financial Statements

Year Ended June 30, 2023

1 Summary of Significant Accounting Policies

Narrative Profile

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

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

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

A. Government-wide and Fund Financial Statements

Management's Discussion and Analysis

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

Government-wide Financial Statements

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

Statement of Net Position

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

Statement of Activities

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

Budgetary Comparison Schedules

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

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

B. Other Related Organizations

Included in the City's Financial Report – None

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

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

The City applies all GASB pronouncements.

Government-Wide and Fund Accounting Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- **Governmental Funds**

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

- **General Fund**

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

- **Special Revenue Funds**

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

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

- *Police State Forfeiture Fund* – accounts for revenues and expenditures related to police forfeitures. Revenues are derived from entitlement funds received from the Commonwealth of Virginia.
- *Police Evidence Holding Fund* – accounts for revenues and expenditures related to police evidence that is held for the courts.
- *Camp Homestead Fund* – accounts for revenues and expenditures related to the maintenance and upkeep of the Camp family home on Homestead Lane.
- *Economic Development Fund* – accounts for revenues and expenditures related to economic development efforts of the City including rental of the building in Pretlow Industrial Park and operation of the incubator building.
- *Willie Camp Younts Fund* – accounts for revenues and expenditures related to the maintenance of the Willie Camp Younts cemetery.
- *Southview Cemetery Trust Fund* – accounts for revenues and expenditures of the Southview Cemetery.
- *Cemetery Perpetual Care Trust Fund* – accounts for revenues and expenditures of the Cemetery.
- *Charles Smith Cemetery Trust Fund* – accounts for revenues and expenditures of the Charles Smith Cemetery.
- *Employees Emergency Trust* – accounts for monies provided primarily through private donors for assistance to employees for emergencies.
- *Flexible Spending Fund* – accounts for monies received from employees to pay for medical claims.

- **Debt Service Fund**

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

- **Capital Projects Fund**

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

- **Proprietary Fund**

Proprietary Funds are used to account for activities that are similar to those often found in the private sector. All assets, liabilities, equities, revenues, expenses, and transfers relating to the primary government's business activities are accounted for through proprietary funds. The measurement focus is on the determination of net income, financial position, and cash flows. Proprietary Funds distinguish operating revenues and expenses from nonoperating revenues and expenses. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal

operating revenues of the Proprietary Funds are charges for services. Operating expenses include cost of sales and services, personnel, contractual services, and depreciation. The City applies all current GASB pronouncements. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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

- *Enterprise Funds*

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

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

- **Fiduciary Funds**

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

- **Trust and Custodial Funds**

Trust and Custodial Funds include nonexpendable trust funds and custodial 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.

- **Custodial Funds**

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

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

- **Discretely Presented Component Units**

- *City of Franklin Public Schools*

The City of Franklin Public Schools (School Board) is responsible for elementary and secondary education within the City. The Schools are fiscally dependent upon the City because the City Council approves the annual budget of the Schools, levies the necessary taxes to finance the Schools’ operations, and approves the borrowing of money. The School Board is reported in a separate column to emphasize that it is legally separate from the City. During the current year, the City contributed \$4,330,237 to the School Board from the General Fund, exclusive of debt service. The School Board does not issue separate financial statements.

- *School Operating Fund* – accounts for revenues and expenditures relating to the operation of the City of Franklin Public Schools. Revenues are derived from the General Fund and from state and federal funds.
- *Cafeteria Fund* – accounts for revenues and expenditures relating to the operation of school cafeterias. Revenues are derived from state and federal funds.
- *School Textbook Fund* – accounts for revenues and expenditures relating to the purchase of school textbooks. Revenues are derived from state and federal funds.
- *School Activity Fund* – accounts for revenues and expenditures relating to special student activities within the individual schools. Revenues are derived from student and teacher-related fees and activities during the course of the school year.

- *Industrial Development Authority*

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

D. Budgets and Budgetary Accounting

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

- At least 60 days prior to June 30, the City Manager submits to City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- The budget is formulated from estimates of revenues and expected expenditures from each department. The School Board is treated as a single expenditure line item.
- When the City Manager submits the proposed budget to City Council, he also recommends an appropriation ordinance and an ordinance levying the tax rates for the ensuing year.
- City Council then holds public hearings on the proposed budget. Notice of such public hearings must appear in a local newspaper not less than seven days prior to the hearing.
- The budget must be approved by a majority vote of City Council and legally adopted before July 1. If City Council does not adopt the proposed budget before July 1, the budget as submitted is automatically adopted.
- Additional appropriations may be made by City Council only if there is an undesignated fund balance or additional funding becomes available.
- The City Manager is authorized to transfer budgeted amounts within departments up to \$20,000. Expenditures over this amount must be approved by City Council. The School Board is authorized to transfer budgeted amounts within the school system's categories.
- Appropriations lapse on June 30 for all City units.
- All budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America as applicable to governmental entities.

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

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

E. Allowance for Uncollectible Amounts

The City calculates its allowance for uncollectible property taxes, refuse collection, and utility service charges using historical collection data. At June 30, 2023, the allowance attributed to the General Fund amounted to \$140,300 and Enterprise Fund in the amount of \$2,248,468.

F. Cash and Cash Equivalents

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

G. Inventories

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

H. Capital Assets

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

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

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

The estimated useful lives of capital assets are as follows:

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

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

I. Compensated Absences

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

J. Pensions

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

K. Group Life Insurance

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

L. Health Insurance Credit

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

M. Teacher Employee Health Insurance Credit Program

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

N. Line of Duty Act Program

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

O. Political Subdivision Employee Virginia Local Disability Program

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

P. Teacher Employee Virginia Local Disability Program

The Virginia Retirement System (VRS) Teacher Employee Virginia Local Disability Program is a multiple-employer, cost-sharing plan. For purposes of measuring the net Teacher Employee Virginia Local Disability Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Teacher Employee Virginia

Local Disability Program OPEB, and the Teacher Employee Virginia Local Disability Program OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Teacher Employee Virginia Local Disability Program; and the additions to/deductions from the VRS Teacher Employee Virginia Local Disability Program's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Q. Liquidation of Long-Term Liabilities Other than Debt

The governmental fund used to liquidate long-term liabilities other than debt is the general fund.

R. Deferred Outflows/Inflows of Resources

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

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

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

S. 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.

T. 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.

U. 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.

V. Credit Risk

The assessed value of real estate and personal property for the City's ten largest taxpayers comprise 11.87% and 8.52% 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.

W. Net Position

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

X. Interfund Activity

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

Y. Fund Equity

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

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

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

The City Council establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the City Council through adoption or amendment of the budget

as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes). The City's Fund Balance Policy adopted by the Governing Body delegates the authority to assign fund balances for specific purposes to the City Manager.

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

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

Z. Property Taxes

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

AA. Unearned Revenues

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

AB. Leases

As lessee, the City recognizes a lease liability and an intangible right-to-use lease asset in the government-wide financial statements and recognizes lease liabilities with an initial, individual value of \$5,000 or more. At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City uses its estimated incremental borrowing rate as the discount rate for leases. The City's estimated incremental borrowing rate is based on historical market data and credit spread based on market data points compared to the lease commencement date.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

As lessor, the City recognizes leases receivable and deferred inflows of resources in the government-wide and governmental fund financial statements. At commencement of the lease, the lease receivable is measured at the present value of lease payments expected to be received during the lease term, reduced by any provision for estimated uncollectible amounts. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is measured at the initial amount of the lease receivable, less lease payments received from the lessee at or before the commencement of the lease term (less any lease incentives).

AC. Subscription-Based Information Technology Arrangements

The City has various subscription-based IT arrangements (SBITAs) requiring recognition. A SBITA is defined as a contract that conveys control of the right to use another party's (SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

The City recognizes intangible right-to-use subscription assets (subscription assets) and corresponding subscription liabilities with an initial value of \$5,000, in individually or in the aggregate, in the government-wide financial statements. At the commencement of the subscription, the subscription liability is measured at the present value of payments expected to be made during the subscription liability term (less any contract incentives). The subscription liability is reduced by the principal portion of payments made. The subscription asset is measured at the initial amount of the subscription liability payments made to the SBITA vendor before commencement of the subscription term, and capitalizable implementation costs, less any incentives received from the SBITA vendor at or before the commencement of the subscription term. The subscription asset is amortized over the shorter of the subscription term or the useful life of the underlying IT asset.

Key estimates and judgments related to subscription-based IT arrangements include how the City determines (1) the discount rate it uses to discount the expected subscription payments to present value, (2) subscription term, and (3) subscription payments.

- The City uses the interest rate stated in the subscription contract. When the interest rate charged is not provided, the City uses its estimated incremental borrowing rate as the discount rate for subscriptions.
- The subscription term includes the noncancellable period of the subscription. Subscription payments included in the measurement of the subscription liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its subscription and will remeasure the subscription asset and liability if certain changes occur that are expected to significantly affect the amount of the subscription liability.

Subscription assets are reported with other capital assets and subscription liabilities are reported with long-term debt on the statement of net position.

AD. New GASB Pronouncements

During the fiscal year ended June 30, 2023, the City adopted the following GASB statement:

In March 2020, GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements. The primary objective of this statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. GASB Statement No. 94 is effective for fiscal years beginning after June 15, 2022. The requirements of this statement are effective for the fiscal year ending June 30, 2023 for the City.

In May 2020, Statement No. 96, Subscription-Based Information Technology Arrangements. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). GASB Statement No. 96 is effective for fiscal year ending June 15, 2022. The requirements of this statement are effective for the fiscal year ending June 30, 2023 for the City.

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

- GASB Statement No. 99, *Omnibus 2022*. This Statement will enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements in paragraphs 11–25 related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The requirements in paragraphs 4–10 related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.
- GASB Statement No. 100, *Accounting Changes and Error Corrections*. An Amendment of GASB Statement No. 62 – will be effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023.
- GASB Statement No. 101, *Compensated Absences* - requires recording compensation due to employees as a liability if not paid at the date of the financial statements. The amount due should be calculated at the employee's pay rate as of the date of financials. The Statement reduces the note disclosure and excludes certain compensated absences such as parental leave, military leave, and jury duty from the calculated liability. This Statement is effective for fiscal years beginning after December 15, 2023.

2 Deposits

Deposits

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

Investments

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

The City's investment policy authorizes the City to purchase investments consistent with obligations permitted by statutes of the Commonwealth of Virginia. The policy requires that all investments shall be held by the City or purchased by a third-party custodial agent who may not otherwise be a counterparty to the investment transaction.

Credit Risk of Debt Securities

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

Interest Rate Risk

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

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by nationally recognized statistical rating organizations. The City did not have any investments at June 30, 2023.

Custodial Credit Risk - Deposits

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

Concentration of Credit Risk

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

3 Interfund Receivables and Payables

Interfund balances at June 30, 2023 were as follows:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Governmental Funds		
From Airport to General	\$ 969,874	\$ -
Proprietary Funds		
From Airport to General	<u>-</u>	<u>969,874</u>
Total	<u>\$ 969,874</u>	<u>\$ 969,874</u>

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Component Unit - School Board		
School operating fund	\$ -	\$ 78,686
Textbook fund	<u>78,686</u>	<u>-</u>
Total	<u>\$ 78,686</u>	<u>\$ 78,686</u>

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

Interfund transfers for the year ended June 30, 2023 were as follows:

	<u>Purpose - Funding for:</u>	<u>Transfers In</u>	<u>Transfers Out</u>
City of Franklin, Virginia			
General Fund			
Transfers between General Fund and Electric Fund	Support of general fund operations	\$ 1,799,993	\$ 25,000
Transfers between General Fund and Water and Sewer Fund	Support of general fund operations	195,000	912,798
Transfers to the Airport Fund	Support of airport operations and projects	-	55,633
From General Fund to Capital Projects Fund	Support of Pay-As-You-Go Projects	-	850,000
From General Fund to Nonmajor Governmental Funds	Support of special revenue programs	-	516,630
From General Fund to Virginia Public Assistance Fund	Support of VPA fund	-	595,281
Transfers between General Fund to Debt Service Fund	Support of debt service fund	2,000,000	1,196,929
Nonmajor Governmental Funds			
From General Fund to nonmajor governmental funds	Support of special revenue programs	516,630	-
Capital Projects			
From Debt Service Fund to Capital Projects Fund	Support of Pay-As-You-Go Projects	3,255,582	-
From General Fund to Capital Projects Fund	Support of Pay-As-You-Go Projects	850,000	-
Virginia Public Assistance Fund			
From General Fund to Virginia Public Assistance Fund	Support of VPA fund	595,281	-
Debt Service Fund			
Between General Fund to Debt Service Fund	Payment of City debt	1,196,929	2,000,000
From Debt Service Fund to Capital Projects Fund	Support of Pay-As-You-Go Projects	<u>-</u>	<u>3,255,582</u>
Subtotal - Governmental Funds		10,409,415	9,407,853
Proprietary Funds			
Transfers between General Fund and Water & Sewer Fund	Support of water and sewer operations	912,798	195,000
Transfers between Airport and General Funds	Support of airport operations	55,633	-
Transfers between General Fund and Electric Fund	Support of general fund operations	<u>25,000</u>	<u>1,799,993</u>
Subtotal - Proprietary Funds		<u>993,431</u>	<u>1,994,993</u>
		<u>\$ 11,402,846</u>	<u>\$ 11,402,846</u>

4 Transfer to Component Units/Transfer from Primary Government

Details of the primary government due to component units as of June 30, 2023 are as follows:

		Transfers In	Transfers Out
City of Franklin, Virginia to Component Units			
Primary Government - City of Franklin, Virginia			
To Component Unit - School Board	Support of local school system	\$ -	\$ 4,330,237
Component Unit - School Board			
From Primary Government - City of Franklin, Virginia	Support of local school system	<u>4,330,237</u>	<u>-</u>
		<u>\$ 4,330,237</u>	<u>\$ 4,330,237</u>
Within Component Unit - School Board			
To Textbook Fund from School Board Operating Fund to support operations	Support of local school system	<u>\$ 78,686</u>	<u>\$ 78,686</u>

5 Receivables

Receivables in the fund statements at June 30, 2023 are as follows:

Primary Government

	General	Virginia Public Assistance	Other Governmental Funds	Total Governmental Activities	Business- type Activities	Total
Receivables						
Property taxes	\$ 1,223,996	\$ -	\$ -	\$ 1,223,996	\$ -	\$ 1,223,996
Accounts receivable	<u>628,299</u>	<u>26,927</u>	<u>42,749</u>	<u>697,975</u>	<u>3,772,391</u>	<u>4,470,366</u>
Total Receivables	1,852,295	26,927	42,749	1,921,971	3,772,391	5,694,362
Less: Allowance for Uncollectible Accounts						
Property taxes	140,300	-	-	140,300	-	140,300
Utility and other service charges	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,248,468</u>	<u>2,248,468</u>
Total Allowance for Uncollectible Accounts	<u>140,300</u>	<u>-</u>	<u>-</u>	<u>140,300</u>	<u>2,248,468</u>	<u>2,388,768</u>
Receivables, Net						
Property taxes	1,083,696	-	-	1,083,696	-	1,083,696
Accounts receivable	<u>628,299</u>	<u>26,927</u>	<u>42,749</u>	<u>697,975</u>	<u>1,523,923</u>	<u>2,221,898</u>
Receivables, Net	<u>\$ 1,711,995</u>	<u>\$ 26,927</u>	<u>\$ 42,749</u>	<u>\$ 1,781,671</u>	<u>\$ 1,523,923</u>	<u>\$ 3,305,594</u>

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6 Due from Other Governments

Due from other governments consists of the following at June 30, 2023:

Primary Government

	<u>General</u>	<u>Virginia Public Assistance</u>	<u>Other Governmental Funds</u>	<u>Total</u>	<u>Component Unit - School Board</u>
Commonwealth of Virginia					
State and local sales taxes	\$ 419,335	\$ -	\$ -	\$ 419,335	\$ 145,205
Communications tax	61,199	-	-	61,199	-
Compensation Board	17,059	-	-	17,059	-
Other state funds	274	-	104,123	104,397	-
Public assistance	-	<u>37,381</u>	-	<u>37,381</u>	-
	497,867	37,381	104,123	639,371	145,205
Federal Government					
Vocational Education	-	-	-	-	27,318
Special Education Cluster	-	-	-	-	102,446
Title II	-	-	-	-	17,497
Title I	-	-	-	-	207,340
CARES Act ESSERF	-	-	-	-	412,355
Other federal funds	-	71,672	-	71,672	117,381
School food program	-	-	-	-	<u>45,237</u>
	-	<u>71,672</u>	-	<u>71,672</u>	<u>929,574</u>
	<u>\$ 497,867</u>	<u>\$ 109,053</u>	<u>\$ 104,123</u>	<u>\$ 711,043</u>	<u>\$ 1,074,779</u>

7 Capital Assets

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

Governmental Activities

	<u>Balance July 1, 2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2023</u>
Capital Assets Not Being Depreciated				
Land	\$ 4,788,275	\$ -	\$ -	\$ 4,788,275
Construction in process	<u>1,151,628</u>	<u>2,887,423</u>	-	<u>4,039,051</u>
Total Capital Assets Not Being Depreciated	5,939,903	2,887,423	-	8,827,326
Capital Assets Being Depreciated				
Buildings	18,865,143	80,113	19,165	18,926,091
Improvements other than buildings	3,040,255	-	12,943	3,027,312
Machinery, equipment, other	10,772,075	293,015	16,703	11,048,387
Infrastructure	<u>18,114,339</u>	<u>2,270,869</u>	<u>9,092,992</u>	<u>11,292,216</u>
Total Capital Assets Being Depreciated	50,791,812	2,643,997	9,141,803	44,294,006
Less: Accumulated depreciation				
Buildings	9,159,252	498,822	16,688	9,641,386
Improvements other than buildings	2,584,093	96,299	12,943	2,667,449
Machinery, equipment, other	4,797,358	925,814	14,702	5,708,470
Infrastructure	<u>13,696,406</u>	<u>506,589</u>	<u>9,092,992</u>	<u>5,110,003</u>
Total Accumulated Depreciation	<u>30,237,109</u>	<u>2,027,524</u>	<u>9,137,325</u>	23,127,308
Subtotal Capital Assets, Net	<u>20,554,703</u>	<u>616,473</u>	<u>4,478</u>	21,166,698
Total Capital Assets, Governmental Activities, Net	<u>\$ 26,494,606</u>	<u>\$ 3,503,896</u>	<u>\$ 4,478</u>	\$ 29,994,024

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. At this time, the City has no school financed assets reported in the Primary Government for financial reporting purposes.

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

General governmental administration	\$ 440,530
Public safety	691,887
Public works	621,652
Health and welfare	65,384
Parks, recreation, and cultural	202,630
Community development	<u>5,441</u>
Total	<u>\$ 2,027,524</u>

Lease asset activity for the year ended June 30, 2023, was as follows:

Governmental Activities

	Balance July 1, 2022	Increases	Decreases	Balance June 30, 2023
Lease Assets				
Machinery and equipment	\$ 279,784	\$ 24,413	\$ 203,040	\$ 101,157
Vehicles	-	37,610	-	37,610
Less: accumulated amortization for				
Machinery and equipment	<u>163,009</u>	<u>30,637</u>	<u>149,419</u>	<u>44,227</u>
Lease Assets, Net	<u>\$ 116,775</u>	<u>\$ 31,386</u>	<u>\$ 53,621</u>	<u>\$ 94,540</u>

	Amortization Expense
General governmental administration	\$ 28,756
Public safety	<u>1,881</u>
Total	<u>\$ 30,637</u>

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

Business-Type Activities

	<u>Balance July 1, 2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2023</u>
Water and Sewer Fund				
Capital Assets Not Being Depreciated				
Construction in progress	\$ -	\$ 13,106	\$ -	\$ 13,106
Total Capital Assets Not Being Depreciated	-	13,106	-	13,106
Other Capital Assets				
Infrastructure	15,261,237	405,189	718,225	14,948,201
Machinery and equipment	2,749,707	92,898	155,815	2,686,790
Total Other Capital Assets	18,010,944	498,087	874,040	17,634,991
Less: Accumulated depreciation				
Infrastructure	12,845,542	348,533	708,799	12,485,276
Machinery and equipment	1,734,155	204,424	155,085	1,783,494
Total Accumulated Depreciation	14,579,697	552,957	863,884	14,268,770
Subtotal Capital Assets, Net	3,431,247	(54,870)	10,156	3,366,221
Total Water and Sewer Fund	<u>\$ 3,431,247</u>	<u>\$ (41,764)</u>	<u>\$ 10,156</u>	<u>\$ 3,379,327</u>
Solid Waste Fund				
Other Capital Assets				
Infrastructure	\$ -	\$ -	\$ -	\$ -
Machinery and equipment	1,707,512	-	-	1,707,512
Total Other Capital Assets	1,707,512	-	-	1,707,512
Less: Accumulated depreciation				
Infrastructure	-	-	-	-
Machinery and equipment	984,193	127,912	-	1,112,105
Total Accumulated Depreciation	984,193	127,912	-	1,112,105
Subtotal Capital Assets, Net	723,319	(127,912)	-	595,407
Total Solid Waste Fund	<u>\$ 723,319</u>	<u>\$ (127,912)</u>	<u>\$ -</u>	<u>\$ 595,407</u>

	Balance July 1, 2022	Increases	Decreases	Balance June 30, 2023
Electric Fund				
Capital Assets Not Being Depreciated				
Land	\$ -	\$ -	\$ -	\$ -
Construction in progress	<u>1,470,295</u>	<u>1,130,262</u>	<u>-</u>	<u>2,600,557</u>
Total Capital Assets Not Being Depreciated	1,470,295	1,130,262	-	2,600,557
Other Capital Assets				
Infrastructure	6,098,337	-	-	6,098,337
Buildings and improvements	-	-	-	-
Machinery and equipment	<u>1,322,496</u>	<u>306,859</u>	<u>-</u>	<u>1,629,355</u>
Total Other Capital Assets	7,420,833	306,859	-	7,727,692
Less: Accumulated depreciation				
Infrastructure	4,472,437	191,128	-	4,663,565
Buildings and improvements	-	-	-	-
Machinery and equipment	<u>781,314</u>	<u>107,383</u>	<u>-</u>	<u>888,697</u>
Total Accumulated Depreciation	<u>5,253,751</u>	<u>298,511</u>	<u>-</u>	<u>5,552,262</u>
Subtotal Capital Assets, Net	<u>2,167,082</u>	<u>8,348</u>	<u>-</u>	<u>2,175,430</u>
Total Electric Fund	<u>\$ 3,637,377</u>	<u>\$ 1,138,610</u>	<u>\$ -</u>	<u>\$ 4,775,987</u>
Airport Fund				
Capital Assets Not Being Depreciated				
Land	\$ 179,258	\$ -	\$ -	\$ 179,258
Construction in progress	<u>165,908</u>	<u>-</u>	<u>-</u>	<u>165,908</u>
Total Capital Assets Not Being Depreciated	345,166	-	-	345,166
Other Capital Assets				
Infrastructure	8,224,623	-	-	8,224,623
Buildings and improvements	1,488,464	-	-	1,488,464
Machinery and equipment	<u>168,936</u>	<u>-</u>	<u>-</u>	<u>168,936</u>
Total Other Capital Assets	9,882,023	-	-	9,882,023
Less: Accumulated depreciation				
Infrastructure	4,881,499	291,791	-	5,173,290
Buildings and improvements	1,381,080	11,263	-	1,392,343
Machinery and equipment	<u>162,953</u>	<u>2,199</u>	<u>-</u>	<u>165,152</u>
Total Accumulated Depreciation	<u>6,425,532</u>	<u>305,253</u>	<u>-</u>	<u>6,730,785</u>
Subtotal Capital Assets, Net	<u>3,456,491</u>	<u>(305,253)</u>	<u>-</u>	<u>3,151,238</u>
Total Airport Fund	<u>\$ 3,801,657</u>	<u>\$ (305,253)</u>	<u>\$ -</u>	<u>\$ 3,496,404</u>

	Balance July 1, 2022	Increases	Decreases	Balance June 30, 2023
Total Business-Type Activities				
Capital Assets Not Being Depreciated				
Land	\$ 179,258	\$ -	\$ -	\$ 179,258
Construction in progress	1,636,203	1,143,368	-	2,779,571
Total Capital Assets Not Being Depreciated	1,815,461	1,143,368	-	2,958,829
Other Capital Assets				
Infrastructure	29,584,197	405,189	718,225	29,271,161
Buildings and improvements	1,488,464	-	-	1,488,464
Machinery and equipment	5,948,651	399,757	155,815	6,192,593
Total Other Capital Assets	37,021,312	804,946	874,040	36,952,218
Less: Accumulated depreciation	27,243,173	1,284,633	863,884	27,663,922
Total Capital Assets, Net	9,778,139	(479,687)	10,156	9,288,296
Business-Type Activities	\$ 11,593,600	\$ 663,681	\$ 10,156	\$ 12,247,125

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

Component Unit - School Board

	Balance July 1, 2022	Increases	Decreases	Balance June 30, 2023
Capital Assets Not Being Depreciated				
Construction in progress	\$ 119,335	\$ 186,545	\$ 238,670	\$ 67,210
Total Capital Assets Not Being Depreciated	119,335	186,545	238,670	67,210
Capital Assets Being Depreciated				
Land improvement	272,305	-	-	272,305
Buildings	14,848,986	-	-	14,848,986
Infrastructure	6,258,843	36,637	-	6,295,480
Machinery and equipment	6,806,251	1,048,306	-	7,854,557
Total Other Capital Assets	28,186,385	1,084,943	-	29,271,328
Less: Accumulated depreciation				
Land improvement	157,906	10,229	-	168,135
Buildings	8,489,961	277,780	-	8,767,741
Infrastructure	1,486,845	167,346	-	1,654,191
Machinery and equipment	5,383,558	233,521	-	5,617,079
Total Accumulated Depreciation	15,518,270	688,876	-	16,207,146
Other Capital Assets being Depreciated, Net	12,668,115	396,067	-	13,064,182
Total Capital Assets, Net	\$ 12,787,450	\$ 582,612	\$ 238,670	\$ 13,131,392

Lease asset activity for the Component Unit - School Board for the year ended June 30, 2023 was as follows:

School Board Component Unit

	<u>Balance July 1, 2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2023</u>
Lease Assets				
Equipment	\$ 1,411,770	\$ -	\$ -	\$ 1,411,770
Less: accumulated amortization for				
Equipment	<u>282,354</u>	<u>282,354</u>	<u>-</u>	<u>564,708</u>
Lease Assets, Net	<u>\$ 1,129,416</u>	<u>\$ (282,354)</u>	<u>\$ -</u>	<u>\$ 847,062</u>

	<u>Amortization Expense</u>
Education	<u>\$ 282,354</u>
Total	<u>\$ 282,354</u>

Subscription-Based Information Technology (SBITA) asset activity for the Component Unit - School Board for the year ended June 30, 2023 was as follows:

School Board Component Unit

	<u>Balance July 1, 2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2023</u>
SBITA Assets				
Software arrangements	\$ -	\$ 57,370	\$ -	\$ 57,370
Less: accumulated amortization for				
Software arrangements	<u>-</u>	<u>19,123</u>	<u>-</u>	<u>19,123</u>
SBITA Assets, Net	<u>\$ -</u>	<u>\$ 38,247</u>	<u>\$ -</u>	<u>\$ 38,247</u>

	<u>Amortization Expense</u>
Education	<u>\$ 19,123</u>
Total	<u>\$ 19,123</u>

8 Long-Term Obligations

The following is a summary of the changes in long-term obligations of the primary government and its Component Unit – School Board, respectively, for the year ended June 30, 2023:

	<u>Balance</u> <u>July 1, 2022</u>	<u>Adjustments</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2023</u>	<u>Due Within</u> <u>One Year</u>
Primary Government						
Governmental Activities						
General obligations bonds	\$20,622,800	\$ -	\$ 2,143,594	\$ 641,000	\$ 22,125,394	\$ 657,000
Financed purchase obligations	196,303	-	-	42,517	153,786	42,617
Premium on bond issuance	314,103	-	-	24,419	289,684	24,419
Compensated absences	<u>637,918</u>	-	<u>651,475</u>	<u>522,907</u>	<u>766,486</u>	<u>76,649</u>
Total Governmental Activities	21,771,124	-	2,795,069	1,230,843	23,335,350	800,685
Business-Type Activities						
General obligation bonds	4,889,200	-	-	550,000	4,339,200	478,000
Premium on bond issuance	<u>32,045</u>	-	-	<u>4,965</u>	<u>27,080</u>	<u>4,965</u>
Total Bonds and Loan	4,921,245	-	-	554,965	4,366,280	482,965
Compensated absences	<u>80,230</u>	-	<u>123,492</u>	<u>115,866</u>	<u>87,856</u>	<u>8,786</u>
Total Business-Type Activities	<u>5,001,475</u>	-	<u>123,492</u>	<u>670,831</u>	<u>4,454,136</u>	<u>491,751</u>
Total Primary Government	<u>\$26,772,599</u>	<u>\$ -</u>	<u>\$ 2,918,561</u>	<u>\$ 1,901,674</u>	<u>\$ 27,789,486</u>	<u>\$ 1,292,436</u>
Component Unit - School Board						
Lease liabilities	\$ 1,247,308	\$ -	\$ -	\$ 176,204	\$ 1,071,104	\$ 188,574
Subscription liabilities	-	57,370	-	18,506	38,864	19,116
Compensated absences	<u>280,135</u>	-	-	<u>70,656</u>	<u>209,479</u>	<u>20,948</u>
Total School Board	<u>\$ 1,527,443</u>	<u>\$ 57,370</u>	<u>\$ -</u>	<u>\$ 265,366</u>	<u>\$ 1,319,447</u>	<u>\$ 228,638</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.

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General obligation debt of the governmental activities at June 30, 2023 is comprised of the following:

<u>Description</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Authorized and Issued</u>	<u>Outstanding June 30, 2023</u>
Primary Government					
Governmental Obligations					
<i>General Obligation Bonds</i>					
General Obligation School Bonds, Series 2013A	04/12/13	07/15/33	3.05-5.05	\$ 1,695,000	\$ 1,125,000
General Obligation Bond, Series 2019B	10/17/19	01/15/26	2.70	8,000,000	4,650,000
GO Refunding Bond, Taxable Series 2019:	12/20/19	01/15/39	2.01-3.40	6,935,000	
City portion					5,080,000
School portion					1,270,000
Tax Exempt General Obligation Bond, Series 2021A	06/30/21	01/15/46	5-2.125	6,430,000	5,529,800
Tax Exempt General Obligation and Refunding Bond, Series 2021B	06/30/21	01/15/46	2-2.5	1,895,000	1,855,000
Tax Exempt General Obligation Line of Credit Note, Series 2022	09/12/22	01/15/25	2.88	4,000,000	2,143,594
Virginia General Obligation Qualified Zone Academy Bond, Series 2014	12/30/14	12/01/24	0.0	1,816,000	472,000
Total General Obligation Bonds					22,125,394
<i>Financed Purchase Obligations</i>					
Police vehicles	01/18/21	01/31/26	3.57	164,794	114,823
Defibrillators	07/01/20	07/01/23	0.0	64,771	38,963
Total Financed Purchase Obligations					153,786
Premium on bond issuance					289,684
Compensated absences					766,486
Total General Long-Term Obligations					23,335,350
Proprietary Funds					
<i>Water and Sewer Fund</i>					
General Obligation Bonds - Public Improvement and Refunding Series 2010	04/27/10	01/15/26	2.00-4.50	3,435,000	105,000
Taxable General Obligation Refunding Bond, Series 2012A	12/20/12	01/15/24	3.05	1,387,000	255,000
Tax Exempt General Obligation Public Improvement and Refunding Bond, Series 2012B	12/20/12	01/15/23	3.05	907,000	3,000
Tax Exempt General Obligation and Refunding Bond, Series 2021A	06/30/21	01/15/46	2.125%- 5%	6,430,000	643,000
Premium on bond issuance					19,131
Compensated absences					38,568
Total Water and Sewer Fund					1,063,699

<u>Description</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Authorized and Issued</u>	<u>Outstanding June 30, 2023</u>
<i>Electric Fund</i>					
Tax-Exempt General Obligation Public Improvement and Refunding Bond, Series 2012B	12/20/12	01/15/38	2.70	844,000	-
General Obligation Bond, Series 2019B	10/17/19	01/15/26	2.70	8,000,000	2,831,000
Premium on bond issuance					1,343
Compensated absences					31,675
Total Electric Fund					2,864,018
<i>Airport Fund</i>					
Compensated absences					8,257
Total Airport Fund					8,257
<i>Solid Waste Funds</i>					
GO Refunding Bond, Taxable Series 2019	12/20/19	01/15/32	2.01-2.84	6,935,000	245,000
Tax Exempt General Obligation and Refunding Bond, Series 2021A	06/30/21	01/15/46	2.125%- 5%	6,430,000	257,200
Premium on bond issuance					6,606
Compensated absences					9,356
Total Solid Waste Funds					518,162
Total Proprietary Funds					4,454,136
Total Primary Government					\$ 27,789,486

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

<u>Fiscal Year</u> <u>Ending</u> <u>June 30,</u>	<u>Financed</u>				<u>Totals</u>	
	<u>General Obligation Bonds</u> <u>Principal</u>	<u>Interest</u>	<u>Purchase Obligations</u> <u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 657,000	\$ 602,245	\$ 42,617	\$ 5,236	\$ 699,617	\$ 607,481
2025	2,953,194	589,340	42,617	5,236	2,995,811	594,576
2026	829,900	509,801	42,617	5,236	872,517	515,037
2027	852,900	485,612	18,877	3,544	871,777	489,156
2028	879,200	460,371	7,058	1,181	886,258	461,552
2029-2033	4,789,300	1,903,039	-	-	4,789,300	1,903,039
2034-2038	5,508,800	1,158,280	-	-	5,508,800	1,158,280
2039-2043	3,668,500	420,273	-	-	3,668,500	420,273
2044-2048	1,986,600	84,159	-	-	1,986,600	84,159
	<u>\$22,125,394</u>	<u>\$ 6,213,120</u>	<u>\$153,786</u>	<u>\$ 20,433</u>	<u>\$22,279,180</u>	<u>\$6,233,553</u>

Long-Term Liabilities – Business-Type Activities

Long-term obligations of the business-type activities at June 30, 2023 are comprised of the following:

Fiscal Year Ending June 30,	<u>General Obligation Bonds</u>							
	Water and Sewer Fund		Electric Fund		Solid Waste Fund		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 308,000	\$ 26,797	\$ 160,000	\$ 76,437	\$ 10,000	\$ 13,014	\$ 478,000	\$ 116,248
2025	61,000	15,834	160,000	72,117	17,400	12,796	238,400	100,747
2026	6,500	15,534	164,000	67,797	12,600	12,326	183,100	95,657
2027	6,500	15,209	168,000	63,369	7,600	11,958	182,100	90,536
2028	7,000	14,884	173,000	58,833	7,800	11,704	187,800	85,421
2029-2033	40,500	68,820	935,000	221,670	216,200	47,955	1,191,700	338,445
2034-2038	48,000	58,865	1,071,000	88,317	19,200	23,548	1,138,200	170,730
2039-2043	297,500	44,625	-	-	119,000	17,852	416,500	62,477
2044-2048	231,000	9,786	-	-	92,400	3,915	323,400	13,701
	<u>\$ 1,006,000</u>	<u>\$ 270,354</u>	<u>\$ 2,831,000</u>	<u>\$ 648,540</u>	<u>\$ 502,200</u>	<u>\$ 155,068</u>	<u>\$ 4,339,200</u>	<u>\$ 1,073,962</u>

The City also has a line of credit with SunTrust Bank of \$2,100,000 with a balance of \$285,439 as of June 30, 2023.

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, 2023, the City's Legal Debt Margin is as follows:

Total Assessed Value of Taxed Assessed Value	
Assessed value of real estate	<u>\$ 611,738,005</u>
Debt Limit - 10% of Total Assessed Value	\$ 61,173,801
Amount of Debt Applicable to Debt Limit	
<i>General Obligation Debt</i>	
Primary Government	\$ 22,125,394
Business-Type	<u>4,339,200</u>
Total General Obligation Debt	<u>26,464,594</u>
Legal Debt Margin	<u>\$ 34,709,207</u>

Note: The City was in compliance with all significant financial covenants contained in the various indentures at June 30, 2023.

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

Debt Issuance

Reason for Debt Issuance

Governmental Activities

General Obligation School Bonds, Series 2013A	Capital Projects, including building repairs, bleacher replacements, school bus purchases, HVAC repairs, oven replacements, and track resurfacing
Virginia General Obligation Qualified Zone Academy Bond, Series 2014	Technology improvements for all schools; energy/HVAC improvements, roof repairs
General Obligation Refunding Bond, Series 2019	Refunding of Series 2015A, 2015B, and portion of Series 2010
General Obligation Bond, Series 2019B	Capital Projects
General Obligation Line of Credit Note, Series 2022	Capital Projects
General Obligation Bond, Series 2021A	Various capital projects, including, but not limited to, funding the City's contribution to a new courthouse serving the City and Southampton County, Virginia
General Obligation Refunding Bond, Series 2021B	Advance refunding of General Obligation Refunding Bond, Series 2013

Business-Type Activities

Water and Sewer Fund

General Obligation Bonds - Public Improvement and Refunding Series 2010	Water/Sewer Line Extensions, Hunterdale Pump Station
Taxable General Obligation Refunding Bond, Series 2012A	Refinancing of existing indebtedness; Capital Projects, including water main improvement
Tax-Exempt General Obligation Public Improvement and Refunding Bond, Series 2012B	Refinancing of existing indebtedness; Capital Projects, including water main improvement
General Obligation Bond, Series 2021A	Various capital projects

Electric Fund

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
General Obligation Bond, Series 2019B	Generation and Distribution Facilities Improvements

Solid Waste Fund

General Obligation Bond 2019	Refunding of existing indebtedness
General Obligation Bond, Series 2021A	Various capital projects

9 Leases

City as Lessor

The City has entered into an agreement as lessor for various land properties. The lease agreements are summarized as follows:

<u>Property Description</u>	<u>Date</u>	<u>Payment Terms</u>	<u>Payment Amount</u>	<u>Interest Rate</u>	<u>Balance June 30, 2023</u>
308 N. Main St.	9/6/2021	5 years	Varies, see schedule below	3.00%	\$ 3,620
Hunterdale 400 fairview - ground space	4/13/2018	5 years	Varies, see schedule below	3.00%	<u>17,797</u>
Totals					<u>\$ 21,417</u>

Remaining amounts to be received associated with these leases are as follows:

<u>Fiscal Year</u>	<u>Receivable Received</u>	<u>Interest Income</u>	<u>Total</u>
2024	\$ 16,317	\$ 383	\$ 16,700
2025	3,731	62	3,793
2026	1,178	23	1,201
2027	<u>191</u>	<u>-</u>	<u>191</u>
Total	<u>\$ 21,417</u>	<u>\$ 468</u>	<u>\$ 21,885</u>

City as Lessee

Lease agreements resulting in lease liabilities are summarized as follows:

<u>Description</u>	<u>Date</u>	<u>Payment Terms</u>	<u>Payment Amount</u>	<u>Interest Rate</u>	<u>Balance June 30, 2023</u>
Various Xerox copier machines from Xerox Financial Services and DSI (Document Systems, Inc.)	Various	24 to 60 months	Varies	3.00%	\$ 41,139
Canon copier machines	Various	24 to 60 months	\$431 and \$68/month	3.00%	9,214
Enterprise - vehicles	Various	60 months	Varies	4.00%	35,903
Two Pitney Bowes SendPro series machines	Various	36 and 60 months	\$150/mo. and \$788/qtr.	3.00%	<u>9,728</u>
					<u>\$ 95,984</u>

	Balance July 1, 2022	Increases	Decreases	Balance June 30, 2023	Due Within One Year
Lease Liabilities	\$ 119,049	\$ 62,024	\$ 85,089	\$ 95,984	\$ 27,578

Remaining principal and interest payments on leases are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 27,578	\$ 3,031
2025	25,324	2,114
2026	18,034	1,344
2027	15,250	698
2028	<u>9,798</u>	<u>160</u>
Totals	<u>\$ 95,984</u>	<u>\$ 7,347</u>

Component Unit – School Board

Remaining principal and interest payments on leases are as follows:

<u>Fiscal Year Ending June 30,</u>	Component Unit - School Board		
	<u>Lease Liability Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 188,574	\$ 35,599	\$ 224,173
2025	201,604	28,123	229,727
2026	182,404	20,493	202,897
2027	189,163	13,115	202,278
2028	203,128	5,218	208,346
2029	<u>106,231</u>	<u>4</u>	<u>106,235</u>
	<u>\$ 1,071,104</u>	<u>\$ 102,552</u>	<u>\$ 1,173,656</u>

	Balance July 1, 2022	Increases	Decreases	Balance June 30, 2023	Due Within One Year
Lease Liabilities	\$ 1,247,308	\$ -	\$ 176,204	\$ 1,071,104	\$ 188,574

Leases

Amount Outstanding

\$1,633,726 obligation for energy efficient equipment, issued January 1, 2018 payable in varying quarterly installments through December 6, 2028, interest at 4.01%.

\$ 989,265

\$138,018 copier lease, issued August 11, 2020 payable in monthly installments of \$2,480 through August 11, 2025, interest at 3%.

62,354

\$43,131 copier lease, issued August 11, 2020 payable in monthly installments of \$775 through August 11, 2025, interest at 3%.

19,485

Total Leases

\$ 1,071,104

10 Subscription-Based Information Technology Arrangements

Subscription-Based Information Technology Arrangements (SBITA) liabilities for the Component Unit School Board are summarized as follows:

Component Unit School Board

<u>Description</u>	<u>Date</u>	<u>Subscription Term</u>	<u>Payment Term</u>	<u>Interest Rate</u>	<u>Balance June 30, 2023</u>
Smoothwall Software	6/2023	Annually for 2 years	\$16,907/year	3.25%	\$ 32,211
Stormwind Software	7/2022	Monthly for 3 years	\$287/month	3.25%	<u>6,653</u>
					<u>\$ 38,864</u>

Future subscription payments under SBITA agreements are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Subscriptions Interest</u>	<u>Total</u>
2024	\$ 19,116	\$ 1,231	\$ 20,347
2025	<u>19,748</u>	<u>600</u>	<u>20,348</u>
Totals	<u>\$ 38,864</u>	<u>\$ 1,831</u>	<u>\$ 40,695</u>

Amortization expense by class of underlying asset is as follows:

	<u>Year Ending June 30, 2023</u>
Software	<u>\$ 19,123</u>
Total	<u>\$ 19,123</u>

Summary of changes in SBITA agreements is as follows:

	<u>Balance July 1, 2022</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2023</u>	<u>Due Within One Year</u>
Subscriptions	\$ -	\$ 57,370	\$ 18,506	\$ 38,864	\$ 19,116

11 Net Investment in Capital Assets

The “net investment in capital assets” amount reported on the government-wide Statement of Net Position as of June 30, 2023 is determined as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Component Unit - School Board</u>
Net Investment in Capital Assets			
Cost of Capital Assets	\$ 53,260,099	\$ 39,911,047	\$ 30,807,678
Less: Accumulated depreciation/amortization	<u>(23,171,535)</u>	<u>(27,663,922)</u>	<u>(16,790,977)</u>
Book value	30,088,564	12,247,125	14,016,701
Less: Capital related debt	(14,074,180)	(2,831,000)	-
Less: Lease liabilities	(95,984)	-	(1,071,104)
Less: SBITA liabilities	-	-	(38,864)
Less: Refunded capital related debt	(8,205,000)	(1,508,200)	-
Add: Loss on refunding	380,193	15,209	-
Less: Bond premiums	<u>(289,684)</u>	<u>(27,080)</u>	<u>-</u>
Net Investment in Capital Assets	<u>\$ 7,803,909</u>	<u>\$ 7,896,054</u>	<u>\$ 12,906,733</u>

12 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 \$766,486 and \$87,856, respectively, as of June 30, 2023. 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, 2023, accumulated unpaid vacation amounted to \$209,479. Sick leave is not recorded, as the pay out of sick leave is only upon retirement of employees which is undeterminable.

13 Deferred Inflows of Resources

Deferred inflows of resources are comprised of the following:

Governmental Funds - General Fund

Deferred Inflows of Resources:

Delinquent taxes not collected within 60 days	\$ 847,797
Deferred inflows - leases receivable	19,927
Deferred inflows - Opioid settlement	<u>65,234</u>

Total Deferred Inflows of Resources	<u>\$ 932,958</u>
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14 Pension Plan

Plan Description

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

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

RETIREMENT PLAN PROVISIONS

PLAN 1

About Plan 1

Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, service credit, and average final compensation at retirement using a formula.

Eligible Members

Members are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund.

Hybrid Opt-In Election

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

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

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

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

PLAN 2

About Plan 2

Same as Plan 1.

Eligible Members

Members are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013. *Teachers:* Members are in Plan 2 if their membership date is from July 1, 2010, to December 31, 2013, and they have not taken a refund. Members are covered under Plan 2 if they have a membership date prior to July 1, 2010, and they were not vested before January 1, 2013.

Hybrid Opt-In Election

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

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

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

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

HYBRID RETIREMENT PLAN

About the Hybrid Retirement Plan

The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.

- The defined benefit is based on a member's age, service credit, and average final compensation at retirement using a formula.

- The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.

- In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

Eligible Members

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

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

**Non-Eligible Members*

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

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

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

PLAN 1

Retirement Contributions

Members contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.

Service Credit

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

Vesting

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

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

PLAN 2

Retirement Contributions

Same as Plan 1.

Service Credit

Same as Plan 1.

Vesting

Same as Plan 1.

**HYBRID
RETIREMENT PLAN**

Retirement Contributions

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

Service Credit

Defined Benefit Component:

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

Defined Contributions Component:

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

Vesting

Defined Benefit Component:

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

Defined Contributions Component:

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

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

PLAN 1

Calculating the Benefit

The basic benefit is determined using the average final compensation, service credit and plan multiplier. An early retirement reduction is applied to this amount if the member is retiring with a reduced benefit. In cases where the member has elected an optional form of retirement payment, an option factor specific to the option chosen is then applied.

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

Average Final Compensation

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

Service Retirement Multiplier

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

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

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

PLAN 2

Calculating the Benefit

See definition under Plan 1.

Average Final Compensation

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

Service Retirement Multiplier

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

Sheriffs and regional jail superintendents: Same as Plan 1.

Political subdivision hazardous duty employees: Same as Plan 1.

HYBRID RETIREMENT PLAN

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

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

Distributions not required, except as governed by law.

Calculating the Benefit

Defined Benefit Component:

See definition under Plan 1.

Defined Contribution Component:

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

Average Final Compensation

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

Service Retirement Multiplier

Defined Benefit Component:

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

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

Sheriffs and regional jail superintendents: Not applicable.

Political subdivision hazardous duty employees: Not applicable.

Defined Contribution Component

Not applicable.

PLAN 1
Normal Retirement Age

VRS: Age 65.

Political subdivisions hazardous duty employees:
Age 60.

Earliest Unreduced Retirement Eligibility

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

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

Earliest Reduced Retirement Eligibility

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

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

Cost-of-Living Adjustment (COLA) in Retirement

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

Eligibility:

For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of service credit, 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 service credit, the COLA will go

PLAN 2
Normal Retirement Age

VRS: Normal Social Security retirement age.

Political subdivisions hazardous duty employees:
Same as Plan 1.

Earliest Unreduced Retirement Eligibility

VRS: Normal Social Security retirement age with at least five years (60 months) of service credit or when their age plus service credit equal 90.

Political subdivisions hazardous duty employees:
Same as Plan 1.

Earliest Reduced Retirement Eligibility

VRS: Age 60 with at least five years (60 months) of service credit.

Political subdivisions hazardous duty employees:
Same as Plan 1.

Cost-of-Living Adjustment (COLA) in Retirement

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

Eligibility:

Same as Plan 1

**HYBRID
RETIREMENT PLAN**
Normal Retirement Age

Defined Benefit Component:

VRS: Same as Plan 2.

Political subdivisions hazardous duty employees:
Not applicable.

Defined Contribution Component:

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

Earliest Unreduced Retirement Eligibility

Defined Benefit Component:

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

Political subdivisions hazardous duty employees:
Not applicable.

Defined Contribution Component:

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

Earliest Reduced Retirement Eligibility

Defined Benefit Component:

VRS: Age 60 with at least five years (60 months) of service credit.

Political subdivisions hazardous duty employees:
Not applicable

Defined Contribution Component:

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

Cost-of-Living Adjustment (COLA) in Retirement

Defined Benefit Component:

Same as Plan 2

Defined Contribution Component:

Not applicable

Eligibility:

Same as Plan 1 and Plan 2

PLAN 1

Exceptions to COLA Effective Dates:

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

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

Disability Coverage

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

Purchase of Prior Service

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

PLAN 2

Exceptions to COLA Effective Dates:

Same as Plan 1

Disability Coverage

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

Purchase of Prior Service

Same as Plan 1

**HYBRID
RETIREMENT PLAN**

Exceptions to COLA Effective Dates:

Same as Plan 1 and Plan 2

Disability Coverage

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

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

Purchase of Prior Service

Defined Benefit Component:

Same as Plan 1, with the following exceptions:

- Hybrid Retirement Plan members are ineligible for ported service.

Defined Contribution Component:

Not applicable

Employees Covered by Benefit Terms

As of the June 30, 2021 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Primary Government - City</u>	<u>School Board - General Employees</u>
	<u>Number</u>	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	158	14
Inactive members:		
Vested inactive members	37	1
Non-vested inactive members	67	11
LTD	0	0
Inactive members active elsewhere in VRS	<u>101</u>	<u>8</u>
Total inactive members	205	20
Active members	<u>167</u>	<u>20</u>
Total covered employees	<u>530</u>	<u>54</u>

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions and school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement.

If the employer used the certified rate: The City of Franklin’s (55232) contractually required contribution rate for the year ended June 30, 2023 was 13.47% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The rate for the Franklin City Public Schools (55606) was 0%.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the City of Franklin (55232) were \$1,267,134 and \$914,400 for the years ended June 30, 2023 and June 30, 2022, respectively.

For Franklin City Public Schools (55606), employer contributions were \$-0- and \$-0- for the years ended June 30, 2023 and June 30, 2022, respectively.

Each school division’s contractually required contribution rate for the year ended June 30, 2023 was 16.62% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contribution to the pension plan from Franklin City Public Schools – Teachers (40232) were \$1,275,544 and \$1,097,787 for the years ended June 30, 2023 and June 30, 2022, respectively.

In June 2022, the Commonwealth made a special contribution of approximately \$442.4 million to the VRS Teacher Employee Plan. This special payment was authorized by a budget amendment include in Chapter 1 of the 2022 Appropriation Act, and is classified as a non-employer contribution.

Net Pension Liability

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer’s total pension liability determined in accordance with GASB Statement No. 68, less that employer’s fiduciary net position. For City of Franklin (55232), the net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2021 rolled forward to the measurement date of June 30, 2022.

Net Pension Liability – Teacher Employee Retirement Plan

The net pension liability (NPL) is calculated separately for each system and represents that particular system’s total pension liability determined in accordance with GASB Statement No. 67, less that system’s fiduciary net position. As of June 30, 2022, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

	Teacher Employee Retirement Plan
Total Pension Liability	\$ 54,732,329
Plan Fiduciary Net Position	<u>45,211,731</u>
Employer's Net Pension Liability (Asset)	<u>\$ 9,520,598</u>
 Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	 82.61%

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

Actuarial Assumptions – General Employees and School Division – Teachers

The total pension liability for General Employees in the Political Subdivision’s Retirement Plan and the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2021 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, 2022.

	<u>General Employees</u>	<u>Teachers</u>
Inflation	2.50%	2.50%
Salary increases, including inflation	3.50% - 5.35%	3.50% - 5.95%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation	6.75%, net of pension plan investment expenses, including inflation

Political Subdivisions

Mortality rates:

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

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

Mortality Improvement:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

School Divisions – Teachers

Mortality rates:

Pre-Retirement:

Pub-2010 Amount Weighted Teachers Employee Rates projected generationally; 110% of rates for males

Post-Retirement:

Pub-2010 Amount Weighted Teachers Healthy Retiree Rates projected generationally; males set forward 1 year; 105% of rates for females

Post-Disablement:

Pub-2010 Amount Weighted Teachers Disabled Rates projected generationally; 110% of rates for males and females

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally

Mortality Improvement:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees with hazardous duty benefits in the Political Subdivision Retirement Plan was based on an actuarial valuation as of June 30, 2021, 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, 2022.

Inflation	2.50%
Salary increases, including inflation	3.50% - 4.75%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation

Mortality rates:

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

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally with a Modified MP-2020 Improvement Scale; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally with a Modified MP-2020 Improvement Scale; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally with a Modified MP-2020 Improvement Scale; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally with a Modified MP-2020 Improvement Scale; 110% of rates for males and females set forward 2 years

Mortality Improvement:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

All Others (Non 10 Largest) – Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Largest 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Long-Term Expected Rate of Return

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

<u>Asset Class (Strategy)</u>	<u>Long-Term Target Asset Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return*</u>
Public Equity	34.00%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS - Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP - Private Investment Partnership	<u>3.00%</u>	6.55%	<u>0.20%</u>
Total	<u>100.00%</u>		5.33%
	Inflation		<u>2.50%</u>
	**Expected arithmetic nominal return		<u>7.83%</u>

*The above allocation provides a one-year return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%.

**On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2022, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2021, actuarial valuations, whichever was greater. Through the fiscal year ending June 30, 2022, the rate contributed by the school division for the VRS Teacher Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2022 on, participating employers and school divisions are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

Primary Government - City

		<u>Increase (Decrease)</u>		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)		Net Pension Liability (a) - (b)
Balances at June 30, 2021	\$ 43,828,787	\$ 43,252,706	\$	576,081
Changes for the Year				
Service cost	928,400	-		928,400
Interest	2,922,574	-		2,922,574
Assumption changes	-	-		-
Differences between expected and actual experience	(824,195)	-		(824,195)
Contributions - employer	-	877,814		(877,814)
Contributions - employee	-	361,669		(361,669)
Net investment income	-	(19,532)		19,532
Benefit payments, including refunds of employee contributions	(2,919,586)	(2,919,586)		-
Refunds of employee contributions	-	-		-
Administrative expenses	-	(27,250)		27,250
Other changes	-	976		(976)
Net Changes	<u>107,193</u>	<u>(1,725,909)</u>		<u>1,833,102</u>
Balances at June 30, 2022	<u>\$ 43,935,980</u>	<u>\$ 41,526,797</u>	<u>\$</u>	<u>2,409,183</u>

Component Unit School Board - General Employees

		<u>Increase (Decrease)</u>		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)		Net Pension Liability (a) - (b)
Balances at June 30, 2021	\$ 1,692,225	\$ 2,477,475	\$	(785,250)
Changes for the Year				
Service cost	36,531	-		36,531
Interest	112,906	-		112,906
Assumption changes	-	-		-
Differences between expected and actual experience	(36,512)	-		(36,512)
Contributions - employer	-	-		-
Contributions - employee	-	29,391		(29,391)
Net investment income	-	(2,605)		2,605
Benefit payments, including refunds of employee contributions	(107,106)	(107,106)		-
Refunds of employee contributions	(5,030)	(5,030)		-
Administrative expenses	-	(1,550)		1,550
Other changes	-	56		(56)
Net Changes	<u>789</u>	<u>(86,844)</u>		<u>87,633</u>
Balances at June 30, 2022	<u>\$ 1,693,014</u>	<u>\$ 2,390,631</u>	<u>\$</u>	<u>(697,617)</u>

Sensitivity of the City of Franklin (55232), the Franklin City Public Schools (55606), and Franklin City Public Schools – Teachers (40232) Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City of Franklin (55232), Franklin City Public Schools (55606), and Franklin City Public Schools – Teachers (40232) proportionate share of the net pension liability using the discount rate of 6.75%, as well as what the City of Franklin (55232), Franklin City Public Schools (55606), and Franklin City Public Schools – Teachers (40232) proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
Primary Government - City Political subdivision's Net Pension Liability	<u>\$ 7,704,945</u>	<u>\$ 2,409,183</u>	<u>\$ (1,963,220)</u>
Component Unit School Board - General Employees Net Pension Liability (Asset)	<u>\$ (499,084)</u>	<u>\$ (697,617)</u>	<u>\$ (861,257)</u>
School Division's Proportionate Share of the VRS Teacher Employee Retirement Plan Net Pension Liability	<u>\$ 12,566,339</u>	<u>\$ 7,035,722</u>	<u>\$ 2,532,584</u>

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

For the year ended June 30, 2023, the City of Franklin (55232) recognized pension expense of \$270,683.

For the year ended June 30, 2023, the Franklin City Public Schools (55606) recognized pension expense of \$(216,818).

At June 30, 2023, Franklin City Public Schools – Teachers (40232) reported a liability of \$7,035,722 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2022 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation performed as of June 30, 2021, and rolled forward to the measurement date of June 30, 2022. Franklin City Public Schools – Teachers (40232) proportion of the Net Pension Liability was based on Franklin City Public Schools – Teachers (40232) actuarially determined employer contributions to the pension plan for the year ended June 30, 2022 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, Franklin City Public Schools – Teachers (40232) proportion was .07390% as compared to .07677% at June 30, 2021.

For the year ended June 30, 2023, Franklin City Public Schools – Teachers (40232) recognized pension expense of \$(226,041). Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions. Beginning with the June 30, 2022 measurement date, the difference between expected and actual contributions is included with the pension expense calculation.

At June 30, 2023, the City of Franklin (55232), Franklin City Public Schools (55606), and Franklin City Public Schools – Teachers (40232) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Primary Government - City's Political Subdivision		
Differences between expected and actual experience	\$ -	\$ 669,965
Change in assumptions	452,528	-
Net difference between projected and actual earnings on pension plan investments	-	1,286,710
Employer contributions subsequent to the measurement date	<u>1,267,134</u>	<u>-</u>
Total	<u>\$ 1,719,662</u>	<u>\$ 1,956,675</u>
Component Unit School Board - General Employees		
Differences between expected and actual experience	\$ -	\$ 60,561
Change in assumptions	7,409	-
Net difference between projected and actual earnings on pension plan investments	-	71,435
Employer contributions subsequent to the measurement date	<u>-</u>	<u>-</u>
Total	<u>\$ 7,409</u>	<u>\$ 131,996</u>
Component Unit School Board - Teachers		
Differences between expected and actual experience	\$ -	\$ 485,141
Change in assumptions	663,327	-
Net difference between projected and actual earnings on pension plan investments	-	917,311
Changes in proportion and differences between Employer contributions and proportionate share of contributions	381,420	1,060,527
Employer contributions subsequent to the measurement date	<u>1,275,544</u>	<u>-</u>
Total	<u>\$ 2,320,291</u>	<u>\$ 2,462,979</u>

\$1,267,134 for the City of Franklin (55232), \$-0- for Franklin City Public Schools (55606), and \$1,275,544 for Franklin City Public Schools - Teachers (40232) reported as deferred outflows of resources related to pensions resulting from the political subdivision and school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

**Year Ended
June 30,**

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

2024	\$	(515,632)
2025		(708,327)
2026		(856,488)
2027		576,300
2028		-
Thereafter		-

**Component Unit School
Board - General Employees**

2024	\$	(73,840)
2025		(36,036)
2026		(48,111)
2027		33,400
2028		-
Thereafter		-

**Component Unit School
Board - Teachers**

2024	\$	(654,439)
2025		(523,963)
2026		(593,237)
2027		353,407
2028		-
Thereafter		-

Pension Plan Fiduciary Net Position

Detailed information about the VRS Political Subdivision's and Teacher Retirement Plans' Virginia Retirement System's Fiduciary Net Position is available in the separately issued VRS 2022 *Annual Comprehensive Financial Report* (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at varetire.org/Pdf/Publications/2022-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Aggregate Pension Information

	Primary Government					Component Unit School Board				
	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>	<u>Net Pension Liability</u>	<u>Net Pension (Asset)</u>	<u>Pension Expense</u>	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>	<u>Net Pension Liability</u>	<u>Net Pension (Asset)</u>	<u>Pension Expense</u>
VRS Pension Plans										
Primary Government	\$ 1,719,662	\$ 1,956,675	\$ 2,409,183	\$ -	\$ 270,683	\$ -	\$ -	\$ -	\$ -	\$ -
School Board - General Employees	-	-	-	-	-	7,409	131,996	-	(697,617)	(216,818)
School Board - Teachers	-	-	-	-	-	2,320,291	2,462,979	7,035,722	-	(226,041)
Totals	<u>\$ 1,719,662</u>	<u>\$ 1,956,675</u>	<u>\$ 2,409,183</u>	<u>\$ -</u>	<u>\$ 270,683</u>	<u>\$ 2,327,700</u>	<u>\$ 2,594,975</u>	<u>\$ 7,035,722</u>	<u>\$ (697,617)</u>	<u>\$ (442,859)</u>

15 Other Post-Employment Benefits - Group Life Insurance

Plan Description

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

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

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

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS
<p>Eligible Employees</p> <p>The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement:</p> <ul style="list-style-type: none"> • City of Richmond • City of Portsmouth • City of Roanoke • City of Norfolk • Roanoke City Schools Board <p>Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.</p>
<p>Benefit Amounts</p> <p>The benefits payable under the Group Life Insurance Program have several components.</p> <ul style="list-style-type: none"> • <i>Natural Death Benefit:</i> The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. • <i>Accidental Death Benefit:</i> The accidental death benefit is double the natural death benefit. • <i>Other Benefit Provisions:</i> In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include: <ul style="list-style-type: none"> Accidental dismemberment benefit Safety belt benefit Repatriation benefit Felonious assault benefit Accelerated death benefit option
<p>Reduction in Benefit Amounts</p> <p>The benefit amounts provided to members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.</p>
<p>Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)</p> <p>For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$8,984 as of June 30, 2023.</p>

Contributions

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% X 60%) and the employer component was 0.54% (1.34% X 40%). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2023 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contribution to the Group Life Insurance Program from the entity were \$50,863 and \$41,917 for the years ended June 30, 2023 and June 30, 2022, respectively.

For the school board – general employees, contributions were \$3,949 and \$3,803 for the years ended June 30, 2023 and June 30, 2022, respectively.

For the school board – teachers, contributions were \$44,334 and \$37,564 for the years ended June 30, 2023 and June 30, 2022, respectively.

In June 2022, the Commonwealth made a special contribution of approximately \$30.4 million to the Group Life Insurance plan. This special payment was authorized by a Budget Amendment included in Chapter 1 of the 2022 Appropriation Act.

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

At June 30, 2023, the participating employer reported a liability of \$429,742 for the City's political subdivision, \$39,013 for the school board – general employees, and \$385,070 for the school board - teacher for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2022 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2021, and rolled forward to the measurement date of June 30, 2022. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2022 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the participating employer's proportion was .35690% for the City's political subdivision, .00320% for the school board – general employees, and .03200% for the school board – teacher proportionate share as compared to .54% for the City's political subdivision, .00260% for the school board – general employees, and .03350% for the school board – teacher proportionate share at June 30, 2021.

For the year ended June 30, 2023, the participating employer recognized GLI OPEB expense of \$(1,190) for the City's political subdivision, \$3,853 for the school board – general employees, and \$(14,792) for the school board – teacher proportionate share. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2023, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

Primary Government - City's Political Subdivision

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 34,030	\$ 17,240
Net difference between projected and actual earnings on GLI OPEB program investments	-	26,853
Change in assumptions	16,029	41,859
Changes in proportionate share	18,479	54,436
Employer contributions subsequent to the measurement date	<u>50,863</u>	<u>-</u>
Total	<u>\$ 119,401</u>	<u>\$ 140,388</u>

Component Unit School Board - General Employees

Differences between expected and actual experience	3,089	1,565
Net difference between projected and actual earnings on GLI OPEB program investments	-	2,438
Change in assumptions	1,455	3,800
Changes in proportionate share	11,131	8
Employer contributions subsequent to the measurement date	<u>3,949</u>	<u>-</u>
Total	<u>\$ 19,624</u>	<u>\$ 7,811</u>

Component Unit School Board - Teachers

Differences between expected and actual experience	\$ 30,493	\$ 15,448
Net difference between projected and actual earnings on GLI OPEB program investments	-	24,061
Change in assumptions	14,363	37,507
Changes in proportionate share	25,894	79,776
Employer contributions subsequent to the measurement date	<u>44,334</u>	<u>-</u>
Total	<u>\$ 115,084</u>	<u>\$ 156,792</u>

\$50,863 for the City’s political subdivision, \$3,949 for the School Board general employees, and \$44,334 for the Teacher pool reported as deferred outflows of resources related to the GLI OPEB resulting from the employer’s contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the Fiscal Year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

**Year Ended
June 30,**

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

2024	\$ (21,086)
2025	(18,731)
2026	(32,273)
2027	(185)
2028	425
Thereafter	-

**Component Unit
School Board -
General
Employees**

2024	\$ 1,923
2025	1,942
2026	446
2027	2,433
2028	1,120
Thereafter	-

**Component Unit
School Board -
Teachers**

2024	\$ (31,859)
2025	(23,373)
2026	(27,956)
2027	3,518
2028	(6,372)
Thereafter	-

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2021, 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, 2022.

Inflation	2.50%
Salary increases, including inflation -	
Teachers	3.50% - 5.95%
Locality - General employees	3.50% - 5.35%
Locality - Hazardous Duty employees	3.50% - 4.75%
Investment rate of return	6.75%, net of investment expenses, including inflation

Mortality rates – Teachers

Pre-Retirement:

Pub-2010 Amount Weighted Teachers Employee Rates projected generationally; 110% of rates for males

Post-Retirement:

Pub-2010 Amount Weighted Teachers Healthy Retiree Rates projected generationally; males set forward 1 year; 105% of rates for females

Post-Disablement:

Pub-2010 Amount Weighted Teachers Disabled Rates projected generationally; 110% of rates for males and females

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

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

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; males set forward 2 years; 105% of rates for females set forward 3 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 95% of rates for males set forward 2 years; 95% of rates for females set forward 1 year

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 110% of rates for males set forward 3 years; 110% of rates for females set forward 2 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

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

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Net GLI OPEB Liability

The net OPEB liability (NOL) for the Group Life Insurance Program represents the program’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2022, NOL amounts for the Group Life Insurance Program is as follows (amounts expressed in thousands):

	Group Life Insurance OPEB Program
Total GLI OPEB Liability	\$ 3,672,085
Plan Fiduciary Net Position	<u>2,467,989</u>
GLI Net OPEB Liability (Asset)	<u>\$ 1,204,096</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	67.21%

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

Long-Term Expected Rate of Return

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

<u>Asset Class (Strategy)</u>	<u>Long-Term Target Asset Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return*</u>
Public Equity	34.00%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS - Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP - Private Investment Partnership	<u>3.00%</u>	6.55%	<u>0.20%</u>
Total	<u>100.00%</u>		5.33%
	Inflation		<u>2.50%</u>
	Expected arithmetic nominal return**		<u>7.83%</u>

* The above allocation provides a one-year return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%.

**On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2022, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2022 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

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

The following presents the employer's proportionate share of the net GLI OPEB liability using the discount rate of 6.75%, as well as what the employer's proportionate share of the net GLI OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
State Agency's Proportionate Share of the Group Life Insurance Plan Net OPEB Liability	\$ <u>625,325</u>	\$ <u>429,742</u>	\$ <u>271,684</u>
Component Unit School Board - General Employees	\$ <u>56,768</u>	\$ <u>39,013</u>	\$ <u>24,664</u>
Component Unit School Board - Teacher	\$ <u>560,322</u>	\$ <u>385,070</u>	\$ <u>243,442</u>

Group Life Insurance Program Fiduciary Net Position

Detailed information about the Group Life Insurance Program's Fiduciary Net Position is available in the separately issued VRS 2022 *Annual Comprehensive Financial Report* (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at varetire.org/Pdf/Publications/2022-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

16 Other Post-Employment Benefits - Health Insurance Credit Program

Plan Description

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

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

POLITICAL SUBDIVISION HEALTH INSURANCE CREDIT PROGRAM (HIC) PLAN PROVISIONS

Eligible Employees

The Political Subdivision Retiree Health Insurance Credit Program was established July 1, 1993 for retired political subdivision employees of employers who elect the benefit and who retire with at least 15 years of service credit.

Eligible employees are enrolled automatically upon employment. They include:

- Full-time permanent salaried employees of the participating political subdivision who are covered under the VRS pension plan.

Benefit Amounts

The political subdivision's Retiree Health Insurance Credit Program provides the following benefits for eligible employees:

- *At Retirement:* For employees who retire, the monthly benefit is \$1.50 per year of service per month with a maximum benefit of \$45.00 per month.
- *Disability Retirement:* For employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is \$45.00 per month.

Health Insurance Credit Program Notes:

- The monthly Health Insurance Credit benefit cannot exceed the individual premium amount.
- No Health Insurance Credit for premiums paid and qualified under LODA, however, the employee may receive the credit for the premiums paid for other qualified health plans.
- Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the health insurance credit as a retiree.

Employees Covered by Benefit Terms

As of the June 30, 2021 actuarial valuation, the following employees were covered by the benefit terms of the HIC OPEB plan:

	<u>School Board Number</u>
Inactive members or their beneficiaries currently receiving benefits	5
Inactive members:	
Vested	-
Non-vested	-
Active elsewhere in the System	-
Total inactive members	<u>5</u>
Active members	<u>20</u>
Total covered employees	<u><u>25</u></u>

Contributions

The contribution requirement for active employees is governed by §51.1-1402(E) of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Franklin City Public Schools (55606) contractually required employer contribution rate for the year ended June 30, 2023 was 0% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from Franklin City Public Schools (55606) to the Political Subdivision Health Insurance Credit Program were \$-0- and \$1,110 for the years ended June 30, 2023 and June 30, 2022, respectively.

Net HIC OPEB Liability

Franklin City Public Schools (55606) net Health Insurance Credit OPEB liability was measured as of June 30, 2022. The total Health Insurance Credit OPEB liability was determined by an actuarial valuation performed as of June 30, 2021, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

Actuarial Assumptions

The total HIC OPEB liability was based on an actuarial valuation as of June 30, 2021, 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, 2022.

Inflation	2.50%
Salary increases, including inflation	
Locality - General Employees	3.50% - 5.35%
Locality - Hazardous Duty Employees	3.50% - 4.75%
Investment rate of return	6.75%, net of investment expenses, including inflation

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

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

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

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Long-Term Expected Rate of Return

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

<u>Asset Class (Strategy)</u>	<u>Long-Term Target Asset Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return*</u>
Public Equity	34.00%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS - Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP - Private Investment Partnership	<u>3.00%</u>	6.55%	<u>0.20%</u>
Total	<u>100.00%</u>		5.33%
	Inflation		<u>2.50%</u>
	**Expected arithmetic nominal return		<u>7.83%</u>

* The above allocation provides a one-year return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%.

**On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total HIC OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2022, the rate contributed by the entity for the HIC OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2022 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the HIC OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total HIC OPEB liability.

Changes in Net HIC OPEB Liability:

	Total HIC OPEB Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net HIC OPEB Liability (a) - (b)
Component Unit School Board - General Employees			
Balances at June 30, 2021	\$ 31,697	\$ 38,385	\$ (6,688)
Changes for the Year			
Service cost	346	-	346
Interest	2,053	-	2,053
Benefit changes	-	-	-
Assumption changes	4,299	-	4,299
Differences between expected and actual experience	(4,695)	-	(4,695)
Contributions - employer	-	1,110	(1,110)
Net investment income	-	95	(95)
Benefit payments	(3,249)	(3,249)	-
Administrative expenses	-	(64)	64
Other changes	-	917	(917)
Net Changes	<u>(1,246)</u>	<u>(1,191)</u>	<u>(55)</u>
Balances at June 30, 2022	<u>\$ 30,451</u>	<u>\$ 37,194</u>	<u>\$ (6,743)</u>

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

The following presents the Political Subdivision Health Insurance Credit Program net HIC OPEB liability using the discount rate of 6.75%, as well as what the Political subdivision's net HIC OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
Component Unit School Board - General Employees Net HIC OPEB Liability (Asset)	<u>\$ (3,940)</u>	<u>\$ (6,743)</u>	<u>\$ (9,165)</u>

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

For the year ended June 30, 2023, Franklin City Public Schools (55606) recognized Health Insurance Credit Program OPEB expense \$(2,402). At June 30, 2023, Franklin City Public Schools (55606) reported deferred outflows of resources and deferred inflows of resources related to Franklin City Public Schools (55606) Health Insurance Credit Program from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Component Unit School Board - General Employees		
Differences between expected and actual experience	\$ 77	\$ 7,385
Net difference between projected and actual earnings on HIC OPEB program investments	-	1,029
Change in assumptions	3,593	129
Changes in proportionate share	-	-
Employer contributions subsequent to the measurement date	-	-
Total	<u>\$ 3,670</u>	<u>\$ 8,543</u>

\$-0- reported as deferred outflows of resources related to the HIC OPEB resulting from the Franklin City Public Schools (55606) contributions subsequent to the measurement date will be recognized as a reduction of the Net HIC OPEB Liability in the Fiscal Year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIC OPEB will be recognized in the HIC OPEB expense in future reporting periods as follows:

Year Ended June 30.	
Component Unit School Board - General Employees	
2024	\$ (1,646)
2025	(1,878)
2026	(1,600)
2027	267
2028	(16)
Thereafter	-

Health Insurance Credit Program Plan Data

Information about the VRS Political Subdivision Health Insurance Credit Program is available in the separately issued VRS 2022 *Annual Comprehensive Financial Report* (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at varetire.org/Pdf/Publications/2022-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

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

Plan Description

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

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

TEACHER EMPLOYEE HEALTH INSURANCE CREDIT PROGRAM (HIC) PLAN PROVISIONS

Eligible Employees

The Teacher Employee Retiree Health Insurance Credit Program was established July 1, 1993 for retired Teacher Employees covered under VRS who retire with at least 15 years of service credit.

Eligible employees are enrolled automatically upon employment. They include:

- Full-time permanent (professional) salaried employees of public school divisions covered under VRS.

Benefit Amounts

The Teacher Employee Retiree Health Insurance Credit Program provides the following benefits for eligible employees:

- *At Retirement:* For Teacher and other professional school employees who retire with at least 15 years of service credit, the monthly benefit is \$4.00 per year of service per month with no cap on the benefit amount.
- *Disability Retirement:* For Teacher and other professional school employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is either:
 - \$4.00 per month, multiplied by twice the amount of service credit, or
 - \$4.00 per month, multiplied by the amount of service earned had the employee been active until age 60, whichever is lower.

Health Insurance Credit Program Notes:

- The monthly Health Insurance Credit benefit cannot exceed the individual premium amount.
- Employees who retire after being on long-term disability under VLDP must have at least 15 year of service credit to qualify for the health insurance credit as a retiree.

Contributions

The contribution requirement for active employees is governed by §51.1-1401(E) of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2023 was 1.21% of covered employee compensation for employees in the VRS Teacher Employee Health Insurance Credit Program. This rate was the final approved General Assembly rate which based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from Franklin City Public Schools – Teachers (40232) to the VRS Teacher Employee Health Insurance Credit Program were \$98,789 and \$83,436 for the years ended June 30, 2023 and June 30, 2022, respectively.

In June 2022, the Commonwealth made a special contribution of approximately \$12 million to the VRS Teacher Health Insurance Credit Program. This special payment was authorized by a budget amendment included in Chapter 1 of the 2022 Appropriation Act, and is classified as a non-employer contribution.

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

At June 30, 2023, Franklin City Public Schools – Teachers (40232) reported a liability of \$924,170 for its proportionate share of the VRS Teacher Employee Health Insurance Credit Program Net OPEB Liability. The Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was measured as of June 30, 2022 and the total VRS Teacher Employee Health Insurance Credit Program OPEB liability used to calculate the Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was determined by an actuarial valuation performed as of June 30, 2021 and rolled forward to the measurement date of June 30, 2022. Franklin City Public Schools – Teachers (40232) proportion of the Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was based on Franklin City Public Schools – Teachers (40232) actuarially determined employer contributions to the VRS Teacher Employee Health Insurance Credit Program OPEB plan for the year ended June 30, 2022, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, Franklin City Public Schools – Teachers (40232) proportion of the VRS Teacher Employee Health Insurance Credit Program was .07399% as compared to .07726% at June 30, 2021.

For the year ended June 30, 2023, the school division recognized VRS Teacher Employee Health Insurance Credit Program OPEB expense of \$28,655. Since there was a change in proportionate share between measurement dates a portion of the VRS Teacher Employee Health Insurance Credit Program Net OPEB expense was related to deferred amounts from changes in proportionate share and differences between actual and expected contributions.

At June 30, 2023, Franklin City Public Schools – Teachers (40232) reported deferred outflows of resources and deferred inflows of resources related to the VRS Teacher Employee Health Insurance Credit Program OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 37,671
Net difference between projected and actual earnings on Teacher HIC OPEB program investments	-	928
Change in assumptions	27,000	2,360
Changes in proportionate share and differences between actual and expected contributions	46,497	190,657
Employer contributions subsequent to the measurement date	<u>98,789</u>	<u>-</u>
Total	<u>\$ 172,286</u>	<u>\$ 231,616</u>

\$98,789 reported as deferred outflows of resources related to the Teacher Employee HIC OPEB resulting from the school division’s contributions subsequent to the measurement date will be recognized as a reduction of the Net Teacher Employee HIC OPEB Liability in the Fiscal Year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee HIC OPEB will be recognized in the Teacher Employee HIC OPEB expense in future reporting periods as follows:

**Year Ended
June 30,**

2024	\$ (48,023)
2025	(45,291)
2026	(34,297)
2027	(16,833)
2028	(5,088)
Thereafter	(8,587)

Actuarial Assumptions

The total Teacher Employee HIC OPEB liability for the VRS Teacher Employee Health Insurance Credit Program was based on an actuarial valuation as of June 30, 2021, 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, 2022.

Inflation	2.50%
Salary increases, including inflation - Teacher Employees	3.50% - 5.95%
Investment rate of return	6.75%, net of plan investment expenses, including inflation

Mortality rates – Teachers

Pre-Retirement:

Pub-2010 Amount Weighted Teachers Employee Rates projected generationally; 110% of rates for males

Post-Retirement:

Pub-2010 Amount Weighted Teachers Healthy Retiree Rates projected generationally; males set forward 1 year; 105% of rates for females

Post-Disablement:

Pub-2010 Amount Weighted Teachers Disabled Rates projected generationally; 110% of rates for males and females

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

Net Teacher Employee HIC OPEB Liability

The net OPEB liability (NOL) for the Teacher Employee Health Insurance Credit Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2022, NOL amounts for the VRS Teacher Employee Health Insurance Credit Program is as follows (amounts expressed in thousands):

	Teacher Employee HIC OPEB Plan
Total Teacher Employee HIC OPEB Liability	\$ 1,470,891
Plan Fiduciary Net Position	<u>221,845</u>
Teacher Employee Net HIC OPEB Liability (Asset)	<u>\$ 1,249,046</u>
Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability	15.08%

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

Long-Term Expected Rate of Return

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

<u>Asset Class (Strategy)</u>	<u>Long-Term Target Asset Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return*</u>
Public Equity	34.00%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS - Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP - Private Investment Partnership	<u>3.00%</u>	6.55%	<u>0.20%</u>
Total	<u>100.00%</u>		5.33%
	Inflation		<u>2.50%</u>
	**Expected arithmetic nominal return		<u>7.83%</u>

* The above allocation provides a one-year return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%.

**On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total Teacher Employee HIC OPEB was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2022, the rate contributed by each school division for the VRS Teacher Employee Health Insurance Credit Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2022 on, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Teacher Employee HIC OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total Teacher Employee HIC OPEB liability.

Sensitivity of Franklin City Public Schools – Teachers (40232) Proportionate Share of the Teacher Employee HIC Net OPEB Liability to Changes in the Discount Rate

The following presents Franklin City Public Schools - Teachers (40232) proportionate share of the VRS Teacher Employee Health Insurance Credit Program net HIC OPEB liability using the discount rate of 6.75%, as well as what Franklin City Public Schools - Teachers (40232) proportionate share of the net HIC OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
School Division's Proportionate Share of the VRS Teacher Employee HIC OPEB Plan Net HIC OPEB Liability	\$ 1,041,550	\$ 924,170	\$ 824,669

Teacher Employee HIC OPEB Fiduciary Net Position

Detailed information about the VRS Teacher Employee Health Insurance Credit Program's Fiduciary Net Position is available in the separately issued VRS 2022 *Annual Comprehensive Financial Report* (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at varetire.org/Pdf/Publications/2022-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

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

Plan Description

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

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

LINE OF DUTY ACT PROGRAM (LODA) PLAN PROVISIONS

Eligible Employees

The eligible employees of the LODA Program include paid employees and volunteers in hazardous duty positions in Virginia localities as well as hazardous duty employees who are covered under VRS, SPORS, or VaLORS.

Benefit Amounts

LODA provides death and health insurance benefits for eligible individuals:

Death: The LODA program death benefit is a one-time payment made to the beneficiary or beneficiaries of a covered individual. Amounts vary as follows:

- \$100,000 when a death occurs as the direct or proximate result of performing duty as of January 1, 2006, or after
- \$25,000 when the cause of death is attributed to one of the applicable presumptions and occurred earlier than five years after the retirement date.
- An additional \$20,000 benefit is payable when certain members of the National Guard and U.S. military reserves are killed in action in any armed conflict on or after October 7, 2001.

Health Insurance: The LODA program provides health insurance benefits.

- The health insurance benefits are managed through the Virginia Department of Human Resource Management (DHRM). The health benefits are modeled after the State Employee Health Benefits Program plans and provide consistent, premium-free continued health plan coverage for LODA-eligible disabled individuals, survivors and family members.
-

Contributions

The contribution requirements for the LODA Program are governed by §9.1-400.1 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each employer's contractually required employer contribution rate for the LODA Program for the year ended June 30, 2023 was \$681.84 per covered full-time-equivalent employee. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021 and represents the pay-as-you-go funding rate and not the full actuarial cost of the benefits under the program. The actuarially determined pay-as-you-go rate was expected to finance the costs and related expenses of benefits payable during the year. Contributions to the LODA Program from the entity were \$69,548 and \$71,372 for the years ended June 30, 2023 and June 30, 2022, respectively.

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

At June 30, 2023, the entity reported a liability of \$1,975,575 for its proportionate share of the Net LODA OPEB Liability. The Net LODA OPEB Liability was measured as of June 30, 2022 and the total LODA OPEB liability used to calculate the Net LODA OPEB Liability was determined by an actuarial valuation as of June 30, 2021, and rolled forward to the measurement date of June 30, 2022. The entity's proportion of the Net LODA OPEB Liability was based on the entity's actuarially determined pay-as-you-go employer contributions to the LODA OPEB plan for the year ended June 30, 2022 relative to the total of the actuarially determined pay-as-you-go employer contributions for all participating employers. At June 30, 2022, the entity's proportion was .52201% as compared to .46500% at June 30, 2021.

For the year ended June 30, 2023, the entity recognized LODA OPEB expense of \$323,882. Since there was a change in proportionate share between measurement dates, a portion of the LODA OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2023, the agency reported deferred outflows of resources and deferred inflows of resources related to the LODA OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 151,778	\$ 369,231
Net difference between projected and actual earnings on LODA OPEB program investments	-	8,448
Change in assumptions	550,933	487,269
Changes in proportionate share	674,738	106,072
Employer contributions subsequent to the measurement date	<u>69,548</u>	<u>-</u>
Total	<u>\$ 1,446,997</u>	<u>\$ 971,020</u>

\$69,458 reported as deferred outflows of resources related to the LODA OPEB resulting from the entity's contributions subsequent to the measurement date will be recognized as a reduction of the Net LODA OPEB Liability in the Fiscal Year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the LODA OPEB will be recognized in LODA OPEB expense in future reporting periods as follows:

**Year Ended
June 30,**

2024	\$ 58,197
2025	58,377
2026	58,569
2027	65,508
2028	53,926
Thereafter	111,852

Actuarial Assumptions

The total LODA OPEB liability was based on an actuarial valuation as of June 30, 2021, 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, 2022.

Inflation	2.50%
Salary increases, including inflation - Locality employees	N/A
Medical cost trend rates assumption - Under age 65	7.00% - 4.75%
Ages 65 and older	5.25% - 4.75%
Year of ultimate trend rate	
Under age 65	Fiscal year ended 2028
Ages 65 and older	Fiscal year ended 2023
Investment rate of return	3.69%, including inflation*

** Since LODA is funded on a current-disbursement basis, the assumed annual rate of return of 3.69% was used since it approximates the risk-free rate of return.*

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

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change

Net LODA OPEB Liability

The net OPEB liability (NOL) for the Line of Duty Act Program (LODA) represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the Measurement Date of June 30, 2022, NOL amounts for the Line of Duty Act Program (LODA) is as follows (amounts expressed in thousands):

	Line of Duty Act Program
Total LODA OPEB Liability	\$ 385,669
Plan Fiduciary Net Position	<u>7,214</u>
LODA Net OPEB Liability (Asset)	<u>\$ 378,455</u>
 Plan Fiduciary Net Position as a Percentage of the Total LODA OPEB Liability	 1.87%

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

Long-Term Expected Rate of Return

The long-term expected rate of return on LODA OPEB Program's investments was set at 3.69% for this valuation. Since LODA is funded on a current-disbursement basis, it is not able to use the VRS Pooled Investments' 6.75% assumption. Instead, the assumed annual rate of return of 3.69% was used since it approximates the risk-free rate of return. This Single Equivalent Interest Rate (SEIR) is the applicable municipal bond index rate based on the Bond Buyer General Obligation 20-year Municipal Bond Index as of the measurement date of June 30, 2022.

Discount Rate

The discount rate used to measure the total LODA OPEB liability was 3.69%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made per the VRS Statutes and that they will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2022, the rate contributed by participating employers to the LODA OPEB Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly.

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

The following presents the covered employer's proportionate share of the net LODA OPEB liability using the discount rate of 3.69%, as well as what the covered employer's proportionate share of the net LODA OPEB liability would be if it were calculated using a discount rate that is one percentage point lower 2.69% or one percentage point higher 4.69% than the current rate:

	1.00% Decrease 2.69%	Current Discount Rate 3.69%	1.00% Increase 4.69%
Covered Employer's Proportionate Share of the LODA Net OPEB Liability	\$ <u>2,255,101</u>	\$ <u>1,975,575</u>	\$ <u>1,746,891</u>

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

Because the Line of Duty Act Program (LODA) contains a provisions for the payment of health insurance premiums, the liabilities are also impacted by the health care trend rates. The following presents the covered employer's proportionate share of the net LODA OPEB liability using health care trend rate of 7.00% decreasing to 4.75%, as well as what the covered employer's proportionate share of the net LODA OPEB liability would be if it were calculated using a health care trend rate that is one percentage point lower (6.00% decreasing to 3.75%) or one percentage point higher (8.00% decreasing to 5.75%) than the current rate:

	1.00% Decrease (6.00% decreasing to 3.75%)	Current Trend Rate (7.00% decreasing to 4.75%)	1.00% Increase (8.00% decreasing to 5.75%)
Covered Employer's Proportionate Share of the LODA Net OPEB Liability	\$ <u>1,664,852</u>	\$ <u>1,975,575</u>	\$ <u>2,365,581</u>

LODA OPEB Plan Fiduciary Net Position

Detailed information about the Line of Duty Act Program (LODA) Fiduciary Net Position is available in the separately issued VRS 2022 *Annual Comprehensive Financial Report* (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at varetire.org/Pdf/Publications/2022-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

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

Plan Description

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

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

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

Eligible Employees

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

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

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

Benefit Amounts

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

Short-Term Disability:

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

Long-Term Disability:

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

Virginia Local Disability Program Notes:

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

Contributions

The contribution requirement for active hybrid plan employees is governed by §51.1-1178(C) of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to political subdivisions by the Virginia General Assembly. Each political subdivision's contractually required employer contribution rate for the year ended June 30, 2023 was 0.85% of covered employee compensation for employees in the VRS Political Subdivision Employee Virginia Local Disability Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the political subdivision to the VRS Political Subdivision Employee Virginia Local Disability Program were \$30,153 and \$21,405 for the years ended June 30, 2023 and June 30, 2022, respectively.

For the school board – general employees, contributions to the VRS Political Subdivision Employee Virginia Local Disability Program were \$4,710 and \$4,404 for the years ended June 30, 2023 and June 30, 2022, respectively.

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

At June 30, 2023, the political subdivision reported a liability (asset) of \$(3,237) and \$(666) school board – general employees for its proportionate share of the VRS Political Subdivision Employee Virginia Local Disability Program Net OPEB Liability. The Net VRS Political Subdivision Employee Virginia Local Disability Program OPEB Liability was measured as of June 30, 2022 and the total VRS Political Subdivision Employee Virginia Local Disability Program OPEB liability used to calculate the Net VRS Political Subdivision Employee Virginia Local Disability Program OPEB Liability was determined by an actuarial valuation as of June 30, 2021, and rolled forward to the measurement date of June 30, 2022. The political subdivision's proportion of the Net VRS Political Subdivision Employee Virginia Local Disability Program OPEB Liability was based on the political subdivision's actuarially determined employer contributions to the VRS Political Subdivision Employee Virginia Local Disability Program OPEB plan for the year ended June 30, 2022 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the political subdivision's proportion of the VRS Political Subdivision Employee Virginia Local Disability Program was .55048% and .11330% school board – general employees as compared to .43554% and .08359% school board – general employees at June 30, 2021.

For the year ended June 30, 2023, the political subdivision recognized VRS Political Subdivision Employee Virginia Local Disability Program OPEB expense of \$17,545 and \$3,722 school board – general employees. Since there was a change in proportionate share between measurement dates a portion of the VRS Political Subdivision Employee Virginia Local Disability Program Net OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2023, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to the VRS Political Subdivision Employee Virginia Local Disability Program OPEB from the following sources:

Primary Government - City's Political Subdivision

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 4,550	\$ 6,926
Net difference between projected and actual earning on Political Subdivision VLDP OPEB program investments	-	14
Change in assumptions	124	1,161
Changes in proportion	685	1,163
Employer contributions subsequent to the measurement date	<u>30,153</u>	<u>-</u>
Total	<u>\$ 35,512</u>	<u>\$ 9,264</u>

Component Unit - School Board General Employees

Differences between expected and actual experience	\$ 936	\$ 1,425
Net difference between projected and actual earnings on Political Subdivision VLDP OPEB program investments	-	3
Change in assumptions	25	239
Changes in proportion	335	-
Employer contributions subsequent to the measurement date	<u>4,710</u>	<u>-</u>
Total	<u>\$ 6,006</u>	<u>\$ 1,667</u>

\$30,153 for the City's political subdivision and \$4,710 for the component unit – school board general employees reported as deferred outflows of resources related to the Political Subdivision Employee VLDP OPEB resulting from the political subdivision's contributions subsequent to the measurement date will be recognized as a reduction of the Net Political Subdivision Employee VLDP OPEB Liability in the Fiscal Year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Political Subdivision Employee VLDP OPEB will be recognized in the Political Subdivision Employee VLDP OPEB expense in future reporting periods as follows:

**Year Ended
June 30,**

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

2024	\$ (390)
2025	(420)
2026	(1,499)
2027	178
2028	(218)
Thereafter	(1,556)

**Component Unit -
School Board
General
Employees**

2024	\$ 32
2025	22
2026	(230)
2027	78
2028	(10)
Thereafter	(263)

Actuarial Assumptions

The total Political Subdivision Employee VLDP OPEB liability for the VRS Political Subdivision Employee Virginia Local Disability Program was based on an actuarial valuation as of June 30, 2021, 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, 2022.

Inflation	2.50%
Salary increases, including inflation - Political subdivision employees	3.50% - 5.35%
Investment rate of return	6.75%, including inflation

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

Pre-Retirement:

Pub-2010 Amount Weighted General Employee Rates projected generationally; males set forward 2 years; 105% of rates for females set forward 3 years

Post-Retirement:

Pub-2010 Amount Weighted General Healthy Retiree Rates projected generationally; 95% of rates for males set forward 2 years; 95% of rates for females set forward 1 year

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 110% of rates for males set forward 3 years; 110% of rates for females set forward 2 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted General Contingent Annuitant Rates projected generationally

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Net Political Subdivision Employee VLDP OPEB Liability

The net OPEB liability (NOL) for the Political Subdivision Employee Virginia Local Disability Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2022, NOL amounts for the VRS Political Subdivision Employee Virginia Local Disability Program is as follows (amounts expressed in thousands):

	Political Subdivision Employee VLDP OPEB Plan	
Total Political Subdivision Employee VLDP OPEB Liability	\$	7,360
Plan Fiduciary Net Position		<u>7,948</u>
Political Subdivision Employee VLDP Net OPEB Liability (Asset)	\$	<u>(588)</u>
Plan Fiduciary Net Position as a Percentage of the Total Political Subdivision Employee VLDP OPEB Liability		107.99%

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

Long-Term Expected Rate of Return

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

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return*</u>
Public Equity	34.00%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS - Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP - Private Investment Partnership	<u>3.00%</u>	6.55%	<u>0.20%</u>
Total	<u>100.00%</u>		5.33%
	Inflation		<u>2.50%</u>
	**Expected arithmetic nominal return		<u>7.83%</u>

*The above allocation provides a one-year return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%.

**On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total Political Subdivision Employee VLDP OPEB was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2022, the rate contributed by the political subdivision for the VRS Political Subdivision Employee Virginia Local Disability Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2022 on, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Political Subdivision Employee VLDP OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total Political Subdivision Employee VLDP OPEB liability.

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

The following presents the political subdivision's proportionate share of the VRS Political Subdivision Employee Virginia Local Disability Program net VLDP OPEB liability using the discount rate of 6.75%, as well as what the political subdivision's proportionate share of the net VLDP OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
Covered Employers Proportionate Share of the VRS Political Subdivision Employee VLDP OPEB Plan Net OPEB Liability (Asset)	\$ <u>343</u>	\$ <u>(3,237)</u>	\$ <u>(6,345)</u>
Covered Employers Proportionate Share of the VRS School Board General Employees VLDP OPEB Plan Net OPEB Liability (Asset)	\$ <u>71</u>	\$ <u>(666)</u>	\$ <u>(1,305)</u>

Political Subdivision Employee VLDP OPEB Fiduciary Net Position

Detailed information about the VRS Political Subdivision Employee Virginia Local Disability Program's Fiduciary Net Position is available in the separately issued VRS 2022 *Annual Comprehensive Financial Report* (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at varetire.org/Pdf/Publications/2022-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

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

Plan Description

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

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

TEACHER EMPLOYEE VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) PLAN PROVISIONS

Eligible Employees

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

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

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

Benefit Amounts

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

Short-Term Disability:

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

Long-Term Disability:

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

Virginia Local Disability Program Notes:

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

Contributions

The contribution requirement for active hybrid plan employees is governed by §51.1-1178(C) of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2023 was 0.47% of covered employee compensation for employees in the VRS Teacher Employee Virginia Local Disability Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the school division to the VRS Teacher Employee Virginia Local Disability Program were \$22,673 and \$16,679 for the years ended June 30, 2023 and June 30, 2022, respectively.

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

At June 30, 2023, the school division reported a liability of \$496 for its proportionate share of the VRS Teacher Employee Virginia Local Disability Program Net OPEB Liability (Asset). The Net VRS Teacher Employee Virginia Local Disability Program OPEB Liability (Asset) was measured as of June 30, 2022 and the total VRS Teacher Employee Virginia Local Disability Program OPEB liability used to calculate the Net VRS Teacher Employee Virginia Local Disability Program OPEB Liability was determined by an actuarial valuation as of June 30, 2021, and rolled forward to the measurement date of June 30, 2022. The school division's proportion of the Net VRS Teacher Employee Virginia Local Disability Program OPEB Liability was based on the school division's actuarially determined employer contributions to the VRS Teacher Employee Virginia Local Disability Program OPEB plan for the year ended June 30, 2022 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the school division's proportion of the VRS Teacher Employee Virginia Local Disability Program was .44090% as compared to .45762% at June 30, 2021.

For the year ended June 30, 2023 the school division recognized VRS Teacher Employee Virginia Local Disability Program OPEB expense of \$12,557. Since there was a change in proportionate share between measurement dates a portion of the VRS Teacher Employee Virginia Local Disability Program Net OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2023, the school division reported deferred outflows of resources and deferred inflows of resources related to the VRS Teacher Employee Virginia Local Disability Program OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 5,847	\$ 1,504
Net difference between projected and actual earnings on Teacher VLDP OPEB program investments	-	138
Change in assumptions	1,479	-
Changes in proportionate share	167	952
Employer contributions subsequent to the measurement date	<u>22,673</u>	<u>-</u>
Total	<u>\$ 30,166</u>	<u>\$ 2,594</u>

\$22,673 reported as deferred outflows of resources related to the Teacher Employee VLDP OPEB resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Teacher Employee VLDP OPEB Liability in the Fiscal Year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee VLDP OPEB will be recognized in the Teacher Employee VLDP OPEB expense in future reporting periods as follows:

**Year Ended
June 30,**

2024	\$	302
2025		306
2026		211
2027		899
2028		464
Thereafter		2,717

Actuarial Assumptions

The total Teacher Employee VLDP OPEB liability for the VRS Teacher Employee Virginia Local Disability Program was based on an actuarial valuation as of June 30, 2021, 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, 2022.

Inflation	2.50%
Salary increases, including inflation - Teacher employees	3.50% - 5.95%
Investment rate of return	6.75%, including inflation

Mortality rates – Teachers

Pre-Retirement:

Pub-2010 Amount Weighted Teachers Employee Rates projected generationally;
110% of rates for males

Post-Retirement:

Pub-2010 Amount Weighted Teachers Healthy Retiree Rates projected
generationally; males set forward 1 year; 105% of rates for females

Post-Disablement:

Pub-2010 Amount Weighted Teachers Disabled Rates projected generationally;
110% of rates for males and females

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected
generationally

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75%
of the MP-2020 rates

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

Net Teacher Employee VLDP OPEB Liability

The net OPEB liability (NOL) for the Teacher Employee Virginia Local Disability Program represents the program’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2022, NOL amounts for the VRS Teacher Employee Virginia Local Disability Program is as follows (amounts expressed in thousands):

	Teacher Employee VLDP OPEB Plan
Total Teacher Employee VLDP OPEB Liability	\$ 7,207
Plan Fiduciary Net Position	<u>7,320</u>
Teacher Employee VLDP Net OPEB Liability (Asset)	<u>\$ (113)</u>
Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee VLDP OPEB Liability	101.57%

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

Long-Term Expected Rate of Return

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

<u>Asset Class (Strategy)</u>	<u>Long-Term Target Asset Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return*</u>
Public Equity	34.00%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS - Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP - Private Investment Partnership	<u>3.00%</u>	6.55%	<u>0.20%</u>
Total	<u>100.00%</u>		5.33%
	Inflation		<u>2.50%</u>
	**Expected arithmetic nominal return		<u>7.83%</u>

*The above allocation provides a one-year return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%.

**On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total Teacher Employee VLDP OPEB was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2022, the rate contributed by the school division for the VRS Teacher Employee Virginia Local Disability Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2022 on, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Teacher Employee VLDP OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total Teacher Employee VLDP OPEB liability.

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

The following presents the school division's proportionate share of the VRS Teacher Employee Virginia Local Disability Program net VLDP OPEB liability using the discount rate of 6.75%, as well as what the school division's proportionate share of the net VLDP OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

1.00% Decrease Current Discount 1.00% Increase
(5.75%) Rate (6.75%) (7.75%)

Covered Employers Proportionate Share of the VRS Teacher Employee VLDP OPEB Plan			
Net OPEB Liability (Asset)	\$ 3,591	\$ (496)	\$ (4,031)

Teacher Employee VLDP OPEB Fiduciary Net Position

Detailed information about the VRS Teacher Employee Virginia Local Disability Program’s Fiduciary Net Position is available in the separately issued VRS 2022 *Annual Comprehensive Financial Report* (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at varetire.org/Pdf/Publications/2022-annual-report.pdf, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

21 Other Post-Employment Benefits Program

Background

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

City

A. Plan Description

Under the terms of a City resolution, the City administers a single-employer defined benefit Healthcare Benefits Plan. The City Council has the authority to establish and amend the benefit terms and financing requirements. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75. The City provides post-retirement medical and dental coverage benefits for employees who are eligible for retirement benefits and are covered by the active plan at time of retirement.

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

B. Funding Policy

The City establishes employer contribution rates for plan participants as part of the budgetary process each year. The City also determines how the plan will be funded each year, whether it will partially fund the plan or fully fund the plan. Again this is determined annually as part of the budgetary process. Participating retirees are responsible for the insurance premium (health and dental) at the same cost as for

active employees. Retirees pay 100% of spousal premiums. Coverage ceases when retirees reach the age of 65. Surviving spouses are not allowed access to the plan. In addition, retirees employed after June 30, 2004 and all retirees with less than 10 years of service with the City must pay a 2.00% administrative fee. A separate report was not issued for the plan.

C. *Executive Summary*

Relationship Between Valuation Date, Measurement Date, and Reporting Date

The Valuation Date is July 1, 2021. This is the date as of which the actuarial valuation is performed. The Measurement Date is June 30, 2023. This is the date as of which the City's total OPEB liability is determined. The Reporting Date is June 30, 2023. This is the plan's and/or employer's fiscal year ending date.

Significant Changes

Given the substantial uncertainty regarding the impact of COVID-19 on plan costs, including whether the pandemic will increase or decrease costs during the term of our projections, we have chosen not to make an adjustment in the expected plan costs. It is possible that the COVID-19 pandemic could have a material impact on the projected costs.

Participant Data as of July 1, 2022

	<u>Number</u>
Actives	170
Retirees	13
Spouses of retirees	1
Beneficiaries	-
Total	<u>184</u>

D. *Total OPEB Liability*

Total OPEB Liability

June 30, 2023

Total OPEB Liability	\$	2,339,622
Covered Payroll		8,823,965
Total OPEB liability as a % of covered payroll		26.51%

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

E. *Discount Rate*

Discount Rate

Discount rate	3.65%
20 Year Tax-Exempt Municipal Bond Yield	3.65%

The discount rate was based on the Bond Buyer General Obligation 20-Bond Municipal Index.

F. *Other Key Actuarial Assumptions*

The demographic assumptions used to determine the Total OPEB Liability as of June 30, 2023 were based on the results of an actuarial experience study for the Virginia Retirement System covering the period from July 1, 2016 to June 30, 2020. The demographic assumptions recommended as a result of this study were adopted by the VRS Board of Trustees on April 20, 2021.

Other Key Actuarial Assumptions

	<u>June 30, 2023</u>
Valuation Date	July 1, 2022
Measurement Date	June 30, 2023
Actuarial Cost Method	Entry Age Normal
Inflation	2.50%
Healthcare Cost Trend Rate	3.70%

G. *Changes in Total OPEB Liability*

	Increase (Decrease) Total OPEB Liability
Balance as of June 30, 2022	\$ 2,437,254
Changes for the Year	
Service cost	82,004
Interest on total OPEB liability	85,250
Effect of plan changes	-
Effect of economic/demographic gains or losses	(113,381)
Effect of assumptions changes or inputs	72,578
Benefit payments	<u>(224,083)</u>
Net Changes	<u>(97,632)</u>
Balance as of June 30, 2023	<u>\$ 2,339,622</u>

H. *Sensitivity Analysis*

The following presents the total OPEB liability of the City, calculated using the discount rate of 3.65%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.65%) or one percentage point higher (4.65%) than the current rate.

	1% Decrease <u>2.65%</u>	Discount Rate <u>3.65%</u>	1% Increase <u>4.65%</u>
Political subdivision's Total OPEB liability	\$2,480,794	\$ 2,339,622	\$2,209,558

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

	<u>1% Decrease</u>	Current Trend Rate	<u>1% Increase</u>
Political subdivision's Total OPEB liability	\$2,163,283	\$ 2,339,622	\$2,538,520

I. OPEB Expense and Deferred Outflows/Inflows of Resources

For the year ended June 30, 2023, the City recognized retiree health insurance OPEB expense of \$219,268.

As of June 30, 2023, the deferred outflows and inflows of resources are as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 259,837	\$ 114,027
Change of assumptions	109,190	225,908
Changes in proportion	-	-
Employer contributions subsequent to the measurement date	-	-
Total	<u>\$ 369,027</u>	<u>\$ 339,935</u>

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

<u>Year Ended June 30,</u>	
2024	\$ 36,132
2025	7,722
2026	(4,183)
2027	(7,556)
2028	(3,023)
Thereafter	-

School Board

A. Plan Description

The School Board provides postemployment medical coverage for retired employees through a single- employer defined benefit plan. The School Board may change, add or delete coverage as they deem appropriate and with the approval of the Board of Supervisors. The plan does not grant retirees vested health benefits. The Plan does not issue separate financial statements.

B. Benefits Provided

Employees who retire from the School Board with service eligible for VRS benefits (Plan 1 - Age 50 and 10 years of service or Age 55 and 5 years of service; Plan 2 - age 60 and 5 years of service; Hazardous duty - age 50 and 5 years of service) and who are participating in the medical coverage are eligible to elect post-retirement coverage. Retirees are eligible to remain on the medical plan with 100% of the premium paid by the retiree. The retiree's spouse can receive benefits under the plan with the premium to be paid by the retiree. Retirees' coverage ceases at eligibility for Medicare.

C. Plan Membership

The following employees were covered by the benefit terms:

	<u>Number</u>
Actives	153
Retirees and spouses	-
Beneficiaries	-
	<hr/>
Total	<u>153</u>

D. Contributions

The School Board does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the School Board.

E. Total OPEB Liability

The School Board's total OPEB liabilities were measured as of June 30, 2023. The total OPEB liabilities were determined by an actuarial valuation as of July 1, 2022.

F. Actuarial Assumptions

The total OPEB liability in the June 30, 2023 actuarial valuations report was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50% per year
Healthcare cost trend rate	3.70%
Salary increases	2.50%
Discount rate	3.65%

G. Discount Rate

The discount rate has been set equal to 3.65% and represents the 20-year tax-exempt municipal bond yield as of July 1, 2022.

H. Changes in Total OPEB Liability

	Increase (Decrease) Total OPEB Liability
Balance as of June 30, 2022	\$ 421,013
Changes for the Year	
Service cost	36,105
Interest	16,075
Effect of economic/demographic gains (losses)	41,097
Changes in assumptions	(33,228)
Benefit payments	<u>(6,077)</u>
Net Changes	<u>53,972</u>
Balance as of June 30, 2023	<u>\$ 474,985</u>

I. Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following amounts present the total OPEB liability of the School Board, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.65%) or one percentage point higher (4.65%) than the current discount rate:

	1% Decrease <u>2.65%</u>	Current Discount Rate <u>3.65%</u>	1% Increase <u>4.65%</u>
Schools'			
Total OPEB liability	\$ 509,120	\$ 474,985	\$ 442,477

J. *Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates*

The following presents the total OPEB liabilities of the School Board, as well as what the total OPEB liabilities would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rate used of 3.70%:

	1% Decrease <u>2.70%</u>	Healthcare Cost Trend Rate <u>3.70%</u>	1% Increase <u>4.70%</u>
Schools'			
Total OPEB liability	\$ 424,061	\$ 474,985	\$ 533,595

K. *OPEB Expense and Deferred Outflows/Inflows of Resources*

For the year ended June 30, 2023, the School Board recognized OPEB expense in the amount of \$(4,412). Deferred outflows of resources and deferred inflows of resources were as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 32,710	\$ 72,000
Changes in assumptions	5,796	52,003
Changes in proportion	-	-
Employer contributions subsequent to the measurement date	-	-
Total	<u>\$ 38,506</u>	<u>\$ 124,003</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in future reporting periods as follows:

Year Ended <u>June 30,</u>	
2024	\$ (32,139)
2025	(26,021)
2026	(26,021)
2027	(1,316)
2028	-
Thereafter	-

22 Aggregate OPEB Information

Aggregate OPEB information is as follows:

	Primary Government					Component Unit School Board				
	Deferred Outflows	Deferred Inflows	Net OPEB Liability	Net OPEB (Asset)	OPEB Expense	Deferred Outflows	Deferred Inflows	Net OPEB Liability	Net OPEB (Asset)	OPEB Expense
VRS OPEB Plans										
<i>Group Life Insurance</i>										
Primary Government	\$ 119,401	\$ 140,388	\$ 429,742	\$ -	\$ (1,190)	\$ -	\$ -	\$ -	\$ -	\$ -
School Board - General Employees	-	-	-	-	-	19,624	7,811	39,013	-	3,853
School Board - Teachers	-	-	-	-	-	115,084	156,792	385,070	-	(14,792)
<i>Health Insurance Credit</i>										
School Board - General Employees	-	-	-	-	-	3,670	8,543	-	(6,743)	(2,402)
School Board - Teachers	-	-	-	-	-	172,286	231,616	924,170	-	28,655
<i>Line of Duty Act Program</i>										
Primary Government	1,446,997	971,020	1,975,575	-	323,882	-	-	-	-	-
<i>Virginia Local Disability Program</i>										
Primary Government	35,512	9,264	-	(3,237)	17,545	-	-	-	-	-
School Board - General Employees	-	-	-	-	-	6,006	1,667	-	(666)	3,722
School Board - Teachers	-	-	-	-	-	30,166	2,594	-	(496)	12,557
Retiree Health Insurance										
City	369,027	339,935	2,339,622	-	219,268	-	-	-	-	-
School Board	-	-	-	-	-	38,506	124,003	474,985	-	(4,412)
Totals	<u>\$ 1,970,937</u>	<u>\$ 1,460,607</u>	<u>\$ 4,744,939</u>	<u>\$ (3,237)</u>	<u>\$ 559,505</u>	<u>\$ 385,342</u>	<u>\$ 533,026</u>	<u>\$ 1,823,238</u>	<u>\$ (7,905)</u>	<u>\$ 27,181</u>

23 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.

24 Contingent Liabilities

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

General obligation bonds of \$4,339,200 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.

Health insurance coverage for some 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.

25 Tax Abatement Disclosures

The City negotiates property tax abatement agreements on an individual basis. The City has no tax abatement agreements with any entities as of June 30, 2023.

26 Annexations

Southampton County

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

The City adopted a Revenue-Sharing Agreement with the County in January 1997. County residents approved this agreement in November 1997. The agreement was reviewed and recommended for Court approval by the Commission on Local Government of the Commonwealth of Virginia in January 1999. The Revenue Sharing Agreement covers approximately 17.1 square miles in Southampton County immediately contiguous to the City of Franklin. The agreement provides that the County will pay to the City on October 15 of each year, 30% of local tax revenue collected through June 30 of that year by industries and commercial establishments located within this area that are served by City water and sewer treatment. The City is required to provide potable water for non-residential use to industrial and commercial businesses in the designated area and receive wastewater from

such businesses. The agreement is to remain in effect in perpetuity as adopted, subject to amendment by agreement of the parties, except if the City, or a City water and/or sewer authority decides to discontinue operation of both its water and sewer treatment systems, the agreement may be voided upon two years' notice to the County. The designated area, which includes all portions of the County immediately contiguous to the City, is immune from annexation as long as the agreement remains in force and the City exists as a political subdivision in the nature of a city. For the year ending June 30, 2023, the City received \$65,092 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%
1996-2016	17.8%
2017 and thereafter	¹ 21.8%

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, 2023, the City received \$1,048,006 from the County of Isle of Wight under this agreement for tax revenues collected for the year ended June 30, 2023.

27 Fund Balances

Portions of the General Fund balance are as follows:

- Fund balance in the amount of \$969,874 is nonspendable due to airport fund.
- Fund balance in the amount of \$21,417 is nonspendable for net lease receivables.
- Fund balance in the amount of \$764,392 is restricted for general government.
- Fund balance in the amount of \$2,283,200 is restricted for capital needs of public safety.
- Fund balance in the amount of \$498,456 is restricted for public works.
- Fund balance in the amount of \$827,718 is restricted for parks, recreation, and cultural.
- Fund balance in the amount of \$514,700 is restricted for community development.
- Fund balance in the amount of \$125,000 is restricted for capital projects.
- Fund balance in the amount of \$203,823 is restricted for debt service.
- Fund balance in the amount of \$898,157 is assigned for fiscal year 2024 budgets.

- Fund balance in the amount of \$1,462,450 is committed for open purchase orders existing at June 30, 2023.
- Fund balance in the amount of \$13,500,196 is unassigned and available for subsequent expenditures.

Portions of the Capital Projects Fund are as follows:

- Fund balance in the amount of \$3,231,638 is restricted for expenditures for general fund capital outlays.

28 Risk Management

The City and School Board are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

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

Division of Risk Management Surety Commonwealth Funds

Commissioner of Revenue	Selenia R. Boone	\$ 3,000
Treasurer	Dinah M. Babb	500,000

29 Litigation

The City is involved in various claims and litigation resulting from its normal operations. The ultimate outcome of these matters is not presently determinable. The City management, based on the advice of the City Attorney, is of the opinion that these matters will not have a material effect on the City's financial position.

30 Legal Compliance

The Virginia Public Finance Act contains state law for issuance of long-term and short-term debt. The Act states, in part, that no municipality may issue bonds or other interest-bearing obligations, including existing indebtedness, which will at any time exceed 10 percent of the assessed valuation on real estate as shown by the last preceding assessment for taxes. Short-term revenue anticipation bonds/notes, general obligation bonds approved in a referendum, revenue bonds, and contract obligations for publically owned or regional projects should not be included in the debt limitation.

31 Restatement

The following has been restated:

	Governmental Activities
Beginning Net Position as previously reported - July 1, 2022	\$ 23,043,886
Recategorized Employee Emergency Trust Fund and Flexible Spending Fund	<u>28,560</u>
Restated Net Position - beginning of the year - July 1, 2022	<u><u>\$ 23,072,446</u></u>

	<u>Fund Balances</u>	
	<u>Custodial Funds</u>	<u>Special Revenue Funds</u>
Beginning Balance as previously reported - July 1, 2022	\$ 127,052	\$ 955,582
Recategorized Employee Emergency Trust Fund and Flexible Spending Fund	<u>(28,560)</u>	<u>28,560</u>
Restated Balance - beginning of the year - July 1, 2022	<u>\$ 98,492</u>	<u>\$ 984,142</u>

32 Subsequent Events

Management has performed an analysis of the activities and transactions subsequent to June 30, 2023 to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended June 30, 2023. Management has performed their analysis through December 8, 2023.

REQUIRED SUPPLEMENTARY INFORMATION



Note to Required Supplementary Information

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

City of Franklin, Virginia

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

Year Ended June 30, 2023

General Fund

	<u>Budgeted Amounts</u>			<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>With</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
Revenues				
General property taxes	\$ 8,749,804	\$ 8,968,104	\$ 8,687,058	\$ (281,046)
Other local taxes	6,419,257	6,419,257	7,459,894	1,040,637
Permits, privilege fees, and regulatory licenses	102,625	103,125	137,112	33,987
Fines and forfeitures	22,750	22,750	41,376	18,626
Revenue from use of money and property	159,244	159,244	263,235	103,991
Charges for services	1,848,957	1,848,957	1,905,170	56,213
Miscellaneous	1,447,390	1,524,619	1,585,327	60,708
Recovered costs	2,252,749	3,441,551	3,444,501	2,950
Intergovernmental				
Commonwealth	4,487,103	4,741,999	4,774,266	32,267
Federal	210,196	5,384,681	5,201,421	(183,260)
Total Revenues	25,700,075	32,614,287	33,499,360	885,073
Expenditures				
Current				
General government administration	3,179,995	4,036,717	3,095,957	940,760
Judicial administration	556,388	605,766	604,187	1,579
Public safety	11,124,813	14,547,255	10,828,727	3,718,528
Public works	3,690,862	6,824,185	5,906,295	917,890
Health and welfare	869,026	895,402	895,054	348
Education	4,330,237	4,330,237	4,330,237	-
Parks, recreation, and cultural	818,598	2,065,096	993,115	1,071,981
Community development	875,609	981,381	900,253	81,128
Debt service	47,588	47,588	87,258	(39,670)
Total Expenditures	25,493,116	34,333,627	27,641,083	6,692,544
Excess (Deficiency) of Revenues Over (Under) Expenditures	206,959	(1,719,340)	5,858,277	7,577,617
Other Financing Sources (Uses)				
Lease liabilities issued	-	-	62,024	62,024
Issuance of debt	-	2,000,000	-	(2,000,000)
From unappropriated funds	150,000	4,834,932	-	(4,834,932)
Transfers in	1,994,994	3,994,993	3,994,993	-
Transfers (out)	(2,351,953)	(9,182,149)	(4,152,271)	5,029,878
Total Other Financing Sources (Uses)	(206,959)	1,647,776	(95,254)	(1,743,030)
Net Change in Fund Balances Before Transfer from Surplus	-	(71,564)	5,763,023	5,834,587
From Surplus	-	71,564	-	(71,564)
Net Change in Fund Balances	\$ -	\$ -	5,763,023	\$ 5,763,023
Fund Balance - Beginning of Year			16,308,007	
Fund Balance - End of Year			\$22,071,030	

Virginia Public Assistance Fund

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Miscellaneous	\$ -	\$ -	\$ 783	\$ 783
Intergovernmental				
Commonwealth	314,923	314,923	506,722	191,799
Federal	<u>1,824,342</u>	<u>1,824,342</u>	<u>1,008,532</u>	<u>(815,810)</u>
Total Revenues	2,139,265	2,139,265	1,516,037	(623,228)
Expenditures				
Current				
Health and welfare	<u>2,734,546</u>	<u>2,734,546</u>	<u>1,851,821</u>	<u>882,725</u>
Total Expenditures	<u>2,734,546</u>	<u>2,734,546</u>	<u>1,851,821</u>	<u>882,725</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(595,281)	(595,281)	(335,784)	259,497
Other Financing Sources (Uses)				
Transfers in	595,281	595,281	595,281	-
Transfers (out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>595,281</u>	<u>595,281</u>	<u>595,281</u>	<u>-</u>
Net Change in Fund Balances Before Transfer from Surplus	-	-	259,497	259,497
From Surplus	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	259,497	<u>\$ 259,497</u>
Fund Balance - Beginning of Year			<u>350,407</u>	
Fund Balance - End of Year			<u>\$ 609,904</u>	

Debt Service Fund

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Revenue from use of money - interest income	\$ -	\$ -	\$ 161,340	\$ 161,340
Total Revenues	-	-	161,340	161,340
Expenditures				
Current - Debt Service				
Debt service - principal payments	297,000	297,000	641,000	(344,000)
Debt service - interest payments and other fees	<u>466,820</u>	<u>466,820</u>	<u>717,594</u>	<u>(250,774)</u>
Total Expenditures	<u>763,820</u>	<u>763,820</u>	<u>1,358,594</u>	<u>(594,774)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(763,820)	(763,820)	(1,197,254)	(433,434)
Other Financing Sources (Uses)				
Issuance of debt	-	-	2,143,594	\$ 2,143,594
Transfers in	763,820	763,820	1,196,929	433,109
Transfers in	<u>-</u>	<u>-</u>	<u>(5,255,582)</u>	<u>(5,255,582)</u>
Total Other Financing Sources (Uses)	<u>763,820</u>	<u>763,820</u>	<u>(1,915,059)</u>	<u>(2,678,879)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	(3,112,313)	<u>\$ (3,112,313)</u>
Fund Balance - Beginning of Year			<u>4,487,465</u>	
Fund Balance - End of Year			<u>\$ 1,375,152</u>	

City of Franklin, Virginia

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

For the Plan Years Ended June 30

	<u>Primary Government</u>								
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability									
Service cost	\$ 928,400	\$ 950,129	\$ 899,889	\$ 905,990	\$ 875,835	\$ 925,511	\$ 971,564	\$ 970,766	\$ 960,215
Interest	2,922,574	2,723,410	2,664,687	2,688,424	2,616,486	2,527,091	2,442,204	2,330,900	2,227,952
Changes in benefit terms	-	-	-	-	-	-	-	-	-
Difference between expected and actual experience	(824,195)	(669,390)	(49,321)	(1,361,200)	(465,422)	(69,781)	(225,106)	129,805	-
Changes of assumptions	-	1,889,124	-	1,070,509	-	(105,527)	-	-	-
Benefit payments	(2,919,586)	(2,822,616)	(2,467,926)	(1,997,965)	(2,000,456)	(1,999,992)	(1,951,971)	(1,730,880)	(1,704,071)
Net change in total pension liability	107,193	2,070,657	1,047,329	1,305,758	1,026,443	1,277,302	1,236,691	1,700,591	1,484,096
Total pension liability - beginning	43,828,787	41,758,130	40,710,801	39,405,043	38,378,600	37,101,298	35,864,607	34,164,016	32,679,920
Total pension liability - ending (a)	\$ 43,935,980	<u>\$ 43,828,787</u>	<u>\$ 41,758,130</u>	<u>\$ 40,710,801</u>	<u>\$ 39,405,043</u>	<u>\$ 38,378,600</u>	<u>\$ 37,101,298</u>	<u>\$ 35,864,607</u>	<u>\$ 34,164,016</u>
Plan fiduciary net position									
Contributions - employer	\$ 877,814	\$ 804,421	\$ 873,180	\$ 918,357	\$ 816,635	\$ 811,984	\$ 816,294	\$ 814,427	\$ 813,748
Contributions - employee	361,669	335,079	355,227	372,712	372,856	373,063	369,825	372,766	374,515
Net investment income	(19,532)	9,499,871	674,648	2,288,557	2,411,633	3,632,479	512,886	1,343,739	4,072,505
Benefit payments	(2,919,586)	(2,822,616)	(2,467,926)	(1,997,965)	(2,000,456)	(1,999,992)	(1,951,971)	(1,730,880)	(1,704,071)
Refunds of contributions	-	-	-	-	-	-	-	-	-
Administrator charges	(27,250)	(24,618)	(23,821)	(22,773)	(21,091)	(21,347)	(19,122)	(18,654)	(22,183)
Other	976	887	(800)	(1,439)	(2,141)	(3,217)	(221)	(286)	214
Net change in plan fiduciary net position	(1,725,909)	7,793,024	(589,492)	1,557,449	1,577,436	2,792,970	(272,309)	781,112	3,534,728
Plan fiduciary net position - beginning	43,252,706	35,459,682	36,049,174	34,491,725	32,914,289	30,121,319	30,393,628	29,612,516	26,077,788
Plan fiduciary net position - ending (b)	\$ 41,526,797	<u>\$ 43,252,706</u>	<u>\$ 35,459,682</u>	<u>\$ 36,049,174</u>	<u>\$ 34,491,725</u>	<u>\$ 32,914,289</u>	<u>\$ 30,121,319</u>	<u>\$ 30,393,628</u>	<u>\$ 29,612,516</u>
Political subdivision's net pension liability - ending (a-b)	\$ 2,409,183	<u>\$ 576,081</u>	<u>\$ 6,298,448</u>	<u>\$ 4,661,627</u>	<u>\$ 4,913,318</u>	<u>\$ 5,464,311</u>	<u>\$ 6,979,979</u>	<u>\$ 5,470,979</u>	<u>\$ 4,551,500</u>
Plan fiduciary net position as a percentage of the total pension liability	94.52%	98.69%	84.92%	88.55%	87.53%	85.76%	81.19%	84.75%	86.68%
Covered payroll	\$ 7,748,709	7,034,396	7,428,465	7,792,591	7,630,497	7,507,194	\$7,368,240	\$7,586,380	\$7,460,063
Political subdivision's net pension liability as a percentage of covered payroll	31.09%	8.19%	84.79%	59.82%	64.39%	72.79%	94.73%	72.12%	61.01%

City of Franklin, Virginia

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

For the Plan Years Ended June 30

	School Board General Employees								
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability									
Service cost	\$ 36,531	\$ 35,960	\$ 38,741	\$ 35,438	\$ 45,828	\$ 47,678	\$ 47,491	\$ 48,778	\$ 47,021
Interest	112,906	115,649	129,027	124,077	124,787	122,651	122,398	118,981	114,045
Changes in benefit terms	-	-	-	-	-	-	-	-	-
Difference between expected and actual experience	(36,512)	(172,995)	(298,266)	50,803	(48,609)	(38,551)	(77,469)	(29,062)	-
Changes of assumptions	-	32,953	-	50,719	-	(12,055)	-	-	-
Benefit payments	(112,136)	(65,322)	(70,058)	(174,059)	(90,246)	(88,152)	(89,460)	(90,309)	(90,796)
Net change in total pension liability	789	(53,755)	(200,556)	86,978	31,760	31,571	2,960	48,388	70,270
Total pension liability - beginning	1,692,225	1,745,980	1,946,536	1,859,558	1,827,798	1,796,227	1,793,267	1,744,879	1,674,609
Total pension liability - ending (a)	\$ 1,693,014	\$ 1,692,225	\$ 1,745,980	\$ 1,946,536	\$ 1,859,558	\$ 1,827,798	\$ 1,796,227	\$ 1,793,267	\$ 1,744,879
Plan fiduciary net position									
Contributions - employer	\$ -	\$ (8)	\$ 21,147	\$ 20,202	\$ 27,277	\$ 28,347	\$ 43,846	\$ 41,701	\$ 46,023
Contributions - employee	29,391	23,508	21,812	20,302	19,115	19,721	19,491	18,929	19,200
Net investment income	(2,605)	539,798	37,605	125,501	138,802	208,126	29,837	75,954	230,671
Benefit payments	(112,136)	(65,322)	(70,058)	(174,059)	(90,246)	(88,152)	(89,460)	(90,309)	(90,796)
Refunds of contributions	-	-	-	-	-	-	-	-	-
Administrator charges	(1,550)	(1,347)	(1,279)	(1,364)	(1,212)	(1,217)	(1,071)	(1,055)	(1,253)
Other	56	51	(45)	(79)	(123)	(184)	(13)	(15)	12
Net change in plan fiduciary net position	(86,844)	496,680	9,182	(9,497)	93,613	166,641	2,630	45,205	203,857
Plan fiduciary net position - beginning	2,477,475	1,980,795	1,971,613	1,981,110	1,887,497	1,720,856	1,718,226	1,673,021	1,469,164
Plan fiduciary net position - ending (b)	\$ 2,390,631	\$ 2,477,475	\$ 1,980,795	\$ 1,971,613	\$ 1,981,110	\$ 1,887,497	\$ 1,720,856	\$ 1,718,226	\$ 1,673,021
Political subdivision's net pension liability - ending (a-b)	\$ (697,617)	\$ (785,250)	\$ (234,815)	\$ (25,077)	\$ (121,552)	\$ (59,699)	\$ 75,371	\$ 75,041	\$ 71,858
Plan fiduciary net position as a percentage of the total Pension liability	141.21%	146.40%	113.45%	101.29%	106.54%	103.27%	95.80%	95.82%	95.88%
Covered payroll	\$ 693,948	537,311	485,278	445,056	411,802	\$428,732	\$419,188	\$391,523	\$384,283
Political subdivision's net pension liability as a percentage of covered payroll	-100.53%	-146.14%	-48.39%	-5.63%	-29.52%	-13.92%	17.98%	19.17%	18.70%

City of Franklin, Virginia

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

For the Measurement Dates of June 30, 2014 through 2022

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Employer's Proportion of the Net Pension Liability (Asset)	0.07390%	0.07677%	0.07200%	0.07987%	0.08655%	0.09610%	0.10034%	0.10104%	0.10813%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 7,035,722	\$ 5,959,730	\$ 10,477,891	\$ 10,511,346	\$ 10,178,000	\$ 11,818,000	\$ 14,062,000	\$ 12,717,000	\$ 13,067,000
Employer's Covered Payroll	\$ 6,895,539	6,833,198	6,337,909	6,746,816	7,048,968	\$7,636,068	\$7,645,748	\$6,781,114	\$7,889,430
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its covered payroll	102.033%	87.217%	165.321%	155.797%	144.390%	154.766%	183.919%	187.536%	165.627%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.61%	85.46%	71.47%	73.51%	74.81%	72.92%	68.28%	70.68%	70.88%

Schedule is intended to show information for 10 years. Since 2022 is the ninth year for this presentation, there are only nine years of data is available. However, additional years will be included as they become available.

For Reference Only

The Plan Fiduciary Net Position as a Percentage of the Total Pension Liability for the VRS Teacher Retirement Plan for each year is presented on pages 120 and 121 of the VRS 2022 Annual Report.

City of Franklin, Virginia

Schedule of Employer Contributions

VRS Political Subdivisions Retirement Plan and Teacher Retirement Plan

For the Years Ended June 30, 2014 through 2023

Date	Contractually Required Contribution (1)*	Contributions in Relation to Contractually Required Contribution (2)*	Contribution Deficiency (Excess) (3)	Employer's Covered Employee Payroll (4)	Contributions as a % of Covered Employee Payroll (5)
Primary Government					
2023	\$ 1,267,134	\$ 1,267,134	\$ -	\$ 9,407,083	13.47%
2022	914,400	914,400	-	7,748,709	11.80%
2021	830,059	830,059	-	7,034,396	11.80%
2020	895,664	895,664	-	7,428,465	12.08%
2019	941,347	941,347	-	7,792,591	12.08%
2018	837,601	837,601	-	7,630,497	10.98%
2017	824,531	824,531	-	7,507,194	10.98%
2016	815,838	815,838	-	7,368,240	11.07%
2015	814,427	814,427	-	7,586,380	10.74%
2014	N/A	N/A	N/A	N/A	N/A
Component Unit School Board - General Employees					
2023	\$ -	\$ -	\$ -	\$ 700,703	0.00%
2022	-	-	-	693,948	0.00%
2021	4,833	4,833	-	537,311	0.90%
2020	24,409	24,409	-	485,278	5.03%
2019	22,387	22,387	-	445,056	5.03%
2018	29,278	29,278	-	411,802	7.11%
2017	30,483	30,483	-	428,732	7.11%
2016	44,719	44,719	-	419,188	10.67%
2015	41,697	41,697	-	391,523	10.65%
2014	46,037	46,037	-	384,283	11.98%
Component Unit School Board - Teachers					
2023	\$ 1,275,544	\$ 1,275,544	\$ -	\$ 8,164,400	15.62%
2022	1,097,787	1,097,787	-	6,895,539	15.92%
2021	1,086,028	1,086,028	-	6,833,198	15.89%
2020	993,784	993,784	-	6,337,909	15.68%
2019	1,057,678	1,057,678	-	6,746,816	15.68%
2018	1,150,064	1,150,064	-	7,048,968	16.32%
2017	1,246,206	1,246,206	-	7,636,068	16.32%
2016	1,068,615	1,068,615	-	7,645,748	13.98%
2015	1,081,012	1,081,012	-	6,781,114	15.94%
2014	481,906	481,906	-	5,390,447	8.94%

*includes contributions (mandatory and match on voluntary) to the defined contribution portion of the Hybrid Retirement Plan.

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

For Reference Only:

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

Column 2 - Employer contributions as referenced in Covered Payroll & Contributions report on VRS website

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

City of Franklin, Virginia

Notes to Required Supplementary Information

For the Year Ended June 30, 2023

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

Changes of assumptions – The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

All Others (Non 10 Largest) – Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Rates Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Largest 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

School Division

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

City of Franklin, Virginia

Schedule of Employer's Share of Net OPEB Liability
Group Life Insurance Program
For the Measurement Dates of June 30, 2017 through 2022

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Primary Government - City						
Employer's Proportion of the Net GLI OPEB Liability (Asset)	0.35690%	0.34120%	0.36130%	0.39870%	0.04016%	0.04081%
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset)	\$ 429,742	\$ 397,249	\$ 602,591	\$ 648,791	\$ 610,000	\$ 614,000
Employer's Covered Payroll	\$ 7,762,805	\$ 7,044,061	\$ 7,435,304	\$ 7,815,638	\$ 7,637,206	\$ 7,527,197
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of its Covered Payroll	5.54%	5.64%	8.10%	8.30%	7.99%	8.16%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	67.21%	67.45%	52.64%	52.00%	51.22%	48.86%
Component Unit School Board - General Employees						
Employer's Proportion of the Net GLI OPEB Liability (Asset)	0.00320%	0.00260%	0.00236%	0.00227%	0.00217%	0.00233%
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset)	\$ 39,013	\$ 30,620	\$ 39,385	\$ 36,939	\$ 33,000	\$ 36,000
Employer's Covered Payroll	\$ 704,348	\$ 542,148	\$ 485,278	\$ 445,056	\$ 411,802	\$ 430,203
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of its Covered Payroll	5.54%	5.65%	8.12%	8.30%	8.01%	8.37%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	67.21%	67.45%	52.64%	52.00%	51.22%	48.86%
Component Unit - Teachers						
Employer's Proportion of the Net GLI OPEB Liability (Asset)	0.03200%	0.03350%	0.03086%	0.03466%	0.03732%	0.04145%
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset)	\$ 385,070	\$ 389,915	\$ 515,003	\$ 564,011	\$ 567,000	\$ 624,000
Employer's Covered Payroll	\$ 6,956,252	\$ 6,914,197	\$ 6,350,666	\$ 6,794,021	\$ 7,095,851	\$ 7,646,683
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of its Covered Payroll	5.54%	5.64%	8.11%	8.30%	7.99%	8.16%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	67.21%	67.45%	52.64%	52.00%	51.22%	48.86%

Schedule is intended to show information for 10 years. Since 2022 is the sixth year of presentation, only six years of data is available. However, additional years will be included as they become available.

For Reference Only

The Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability for the VRS Group Life Insurance Program (GLI) for each year is presented on page 132 of the VRS 2022 Annual Report.

City of Franklin, Virginia

Schedule of Employer Contributions
Group Life Insurance OPEB Plan

For the Years Ended June 30, 2014 through 2023

Date	Contractually Required Contribution (1)	Contribution in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Employee Payroll (4)	Contributions as a % of Covered Employee Payroll (5)
Primary Government					
2023	\$ 50,863	\$ 50,863	\$ -	\$ 9,410,145	0.54%
2022	41,917	41,917	-	7,762,805	0.54%
2021	38,037	38,037	-	7,044,061	0.54%
2020	38,651	38,651	-	7,435,304	0.52%
2019	40,642	40,642	-	7,815,638	0.52%
2018	39,713	39,713	-	7,637,206	0.52%
2017	39,141	39,141	-	7,527,197	0.52%
2016	39,792	39,792	-	7,507,921	0.53%
2015	39,507	39,507	-	7,454,105	0.53%
2014	39,317	39,317	-	7,418,210	0.53%
Component Unit School Board - General Employees					
2023	\$ 3,949	\$ 3,949	\$ -	\$ 731,380	0.54%
2022	3,803	3,803	-	704,348	0.54%
2021	2,928	2,928	-	542,148	0.54%
2020	2,523	2,523	-	485,278	0.52%
2019	2,314	2,314	-	445,056	0.52%
2018	2,142	2,142	-	411,802	0.52%
2017	2,237	2,237	-	430,203	0.52%
2016	2,222	2,222	-	419,188	0.53%
2015	2,077	2,077	-	391,874	0.53%
2014	2,036	2,036	-	384,283	0.53%
Component Unit School Board - Teachers					
2023	\$ 44,334	\$ 44,334	\$ -	\$ 8,209,937	0.54%
2022	37,564	37,564	-	6,956,252	0.54%
2021	37,337	37,337	-	6,914,197	0.54%
2020	33,023	33,023	-	6,350,666	0.52%
2019	35,329	35,329	-	6,794,021	0.52%
2018	36,851	36,851	-	7,095,851	0.52%
2017	39,763	39,763	-	7,646,683	0.52%
2016	40,663	40,663	-	7,672,284	0.53%
2015	39,863	39,863	-	7,521,373	0.53%
2014	42,098	42,098	-	7,943,035	0.53%

For Reference Only

- Column 1 – Employer contribution rate multiplied by the employer's covered payroll
- Column 2 – Employer contributions as referenced in Covered Payroll & Contributions report on VRS website
- Column 4 – Employer's covered payroll amount for the fiscal year

City of Franklin, Virginia

Notes to Required Supplementary Information – GLI OPEB

For the Year Ended June 30, 2023

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

Changes of assumptions – The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Teachers

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

Non-Largest Ten Locality Employers – General Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Non-Largest Ten Locality Employers – Hazardous Duty Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

City of Franklin, Virginia

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

For the Measurement Dates of June 30, 2022, 2021, 2020, 2019, 2018 and 2017

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
School Board - General Employees						
Total HIC OPEB liability						
Service cost	\$ 346	\$ 562	\$ 578	\$ 544	\$ 562	\$ 608
Interest	2,053	2,311	2,381	2,373	2,299	2,331
Changes in benefit terms	-	-	1,875	-	-	-
Difference between expected and actual experience	(4,695)	(3,825)	(3,047)	509	1,198	-
Changes of assumptions	4,299	(211)	-	735	-	(929)
Benefit payments	(3,249)	(2,766)	(2,856)	(2,741)	(3,241)	(1,720)
Net change in total HIC OPEB liability	(1,246)	(3,929)	(1,069)	1,420	818	290
Total HIC OPEB liability - beginning	31,697	35,626	36,695	35,275	34,457	34,167
Total HIC OPEB liability - ending (a)	\$ 30,451	\$ 31,697	\$ 35,626	\$ 36,695	\$ 35,275	\$ 34,457
Plan fiduciary net position						
Contributions - employer	\$ 1,110	\$ 860	\$ 825	\$ 756	\$ 868	\$ 900
Net investment income	95	8,189	660	2,045	2,370	3,542
Benefit payments	(3,249)	(2,766)	(2,856)	(2,741)	(3,241)	(1,720)
Administrator charges	(64)	(92)	(61)	(44)	(53)	(56)
Other	917	-	-	(2)	(183)	183
Net change in plan fiduciary net position	(1,191)	6,191	(1,432)	14	(239)	2,849
Plan fiduciary net position - beginning	38,385	32,194	33,626	33,612	33,851	31,002
Plan fiduciary net position - ending (b)	\$ 37,194	\$ 38,385	\$ 32,194	\$ 33,626	\$ 33,612	\$ 33,851
Political subdivision's net HIC OPEB liability - ending (a) - (b)	\$ (6,743)	\$ (6,688)	\$ 3,432	\$ 3,069	\$ 1,663	\$ 606
Plan fiduciary net position as a percentage of the total HIC OPEB liability	122.14%	121.10%	90.37%	91.64%	95.29%	98.24%
Covered payroll	\$ 693,948	\$ 537,311	\$ 485,278	\$ 445,056	\$ 411,802	\$ 430,203
Political subdivision's net HIC OPEB liability as a percentage of covered payroll	-0.97%	-1.24%	0.71%	0.69%	0.40%	0.14%

City of Franklin, Virginia

Schedule of Employer Contributions - HIC OPEB School Board General Employees

For the Years Ended June 30, 2014 through 2023

Date	Contractually Required Contribution (1)	Contribution in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2023	\$ -	\$ -	\$ -	\$ 700,703	0.00%
2022	1,110	1,110	-	693,948	0.16%
2021	860	860	-	537,311	0.16%
2020	825	825	-	485,278	0.17%
2019	756	756	-	445,056	0.17%
2018	865	865	-	411,802	0.21%
2017	903	903	-	430,203	0.21%
2016	964	964	-	419,188	0.23%
2015	901	901	-	391,874	0.23%
2014	1,076	1,076	-	384,283	0.28%

For Reference Only

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

Column 2 – Employer contributions as referenced in Covered Payroll & Contributions Report on VRS website

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

City of Franklin, Virginia

Notes to Required Supplementary Information – HIC OPEB School Board General Employees

For the Year Ended June 30, 2023

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

Changes of assumptions – The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Non-Largest Ten Locality Employers – Hazardous Duty Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

City of Franklin, Virginia

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

For the Measurement Dates of June 30, 2017 through 2022

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Employer's Proportion of the Net HIC OPEB Liability (Asset)	0.07399%	0.07726%	0.07230%	0.08044%	0.08722%	0.09670%
Employer's Proportionate Share of the Net HIC OPEB Liability (Asset)	\$ 924,170	\$ 991,686	\$ 943,035	\$ 1,053,038	\$ 1,108,000	\$ 1,227,000
Employer's Covered Payroll	\$ 6,895,539	\$ 6,833,198	\$ 6,337,909	\$ 6,746,816	\$ 7,054,104	\$ 7,631,713
Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) as a Percentage of its Covered Payroll	13.40%	14.51%	14.88%	15.61%	15.71%	16.08%
Plan Fiduciary Net Position as a Percentage of the Total HIC OPEB Liability	15.08%	13.15%	9.95%	8.97%	8.08%	7.04%

Schedule is intended to show information for 10 years. Since 2022 is the sixth year of presentation, only six years of data is available. However, additional years will be included as they become available.

For Reference Only

The Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability for the Health Insurance Credit (HIC) for each year is presented on page 138 of the VRS 2022 Annual Report.

City of Franklin, Virginia

Schedule of Employer Contributions
Health Insurance Credit - Teacher

For the Years Ended June 30, 2014 through 2023

Date	Contractually Required Contribution (1)	Contribution in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Employee Payroll (4)	Contributions as a % of Covered Employee Payroll (5)
2023	\$ 98,789	\$ 98,789	\$ -	\$ 8,164,400	1.21%
2022	83,436	83,436	-	6,895,539	1.21%
2021	82,682	82,682	-	6,833,198	1.21%
2020	76,055	76,055	-	6,337,909	1.20%
2019	80,962	80,962	-	6,746,816	1.20%
2018	86,702	86,702	-	7,054,104	1.23%
2017	93,871	93,871	-	7,631,713	1.23%
2016	90,273	90,273	-	7,650,222	1.18%
2015	88,641	88,641	-	7,511,954	1.18%
2014	92,531	92,531	-	7,908,612	1.17%

For Reference Only

- Column 1 – Employer contribution rate multiplied by the employer’s covered payroll
- Column 2 – Employer contributions as referenced in Covered Payroll & Contributions Report on VRS website
- Column 4 – Employer’s covered payroll amount for the fiscal year

City of Franklin, Virginia

Notes to Required Supplementary Information – HIC OPEB Teacher

For the Year Ended June 30, 2023

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

Changes of assumptions – The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

City of Franklin, Virginia

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

For the Measurement Dates of June 30, 2017 through 2022

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Employer's Proportion of the Net LODA OPEB Liability (Asset)	0.52201%	0.46500%	0.30251%	0.33655%	0.34623%	0.32616%
Employer's Proportionate Share of the Net LODA OPEB Liability (Asset)	\$ 1,975,575	\$ 2,050,611	\$ 1,266,958	\$ 1,207,000	\$ 1,085,000	\$ 857,000
Covered-Employee Payroll	\$ 3,052,896	\$ 2,796,220	\$ 2,720,045	\$ 2,758,828	\$ 2,594,611	\$ 2,701,124
Employer's Proportionate Share of the Net LODA OPEB Liability (Asset) as a Percentage of its Covered-Employee Payroll*	64.71%	73.34%	46.58%	43.75%	41.82%	31.73%
Plan Fiduciary Net Position as a Percentage of the Total LODA OPEB Liability	1.87%	1.68%	1.02%	0.79%	0.60%	1.30%

Schedule is intended to show information for 10 years. Since 2022 is the sixth year of presentation, only six years of data are available. However, additional years will be included as they become available.

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

For Reference Only

The Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability for the Line of Duty Act Program (LODA) for each year is presented on page 136 of the VRS 2022 Annual Report.

City of Franklin, Virginia

Schedule of Employer Contributions
Line of Duty Act Program (LODA)

For the Years Ended June 30, 2014 through 2023

Date	Contractually Required Contribution (1)	Contribution in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)**	Contributions as a % of Covered Employee Payroll (5)*
2023	\$ 69,548	\$ 69,548	\$ -	\$ 3,686,229	1.89%
2022	71,372	71,372	-	3,052,896	2.34%
2021	135,393	135,393	-	2,796,220	4.84%
2020	41,111	41,111	-	2,720,045	1.51%
2019	45,169	45,169	-	2,758,828	1.64%
2018	36,879	36,879	-	2,594,611	1.42%
2017	35,177	35,177	-	2,701,124	1.30%
2016	N/A	N/A	N/A	N/A	N/A
2015	N/A	N/A	N/A	N/A	N/A
2014	N/A	N/A	N/A	N/A	N/A

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

Note: This schedule should present 10 years of data; however, the information prior to fiscal year 2017 is not available.

For Reference Only

- Column 1 – Employer contribution rate multiplied by the employer’s covered payroll
- Column 2 – Employer contributions as referenced in Covered Payroll & Contributions Report on VRS website
- Column 4 – Employer’s covered payroll amount for the fiscal year

City of Franklin, Virginia

Notes to Required Supplementary Information – LODA OPEB

For the Year Ended June 30, 2023

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

Changes of assumptions – The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change

City of Franklin, Virginia

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

For the Measurement Dates of June 30, 2017 through 2022

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Employer's Proportion of the Net VLDP OPEB Liability (Asset)	0.55048%	0.43554%	0.43511%	0.54747%	0.65156%	0.57235%
Employer's Proportionate Share of the Net VLDP OPEB Liability (Asset)	\$ (3,237)	\$ (4,408)	\$ 4,344	\$ 11,091	\$ 5,000	\$ 3,000
Employer's Covered Payroll	\$ 2,578,858	\$ 1,749,612	\$ 1,621,403	\$ 1,691,845	\$ 1,582,032	\$ 1,050,992
Employer's Proportionate Share of the Net VLDP OPEB Liability (Asset) as a Percentage of its Covered Payroll	-0.13%	-0.25%	0.27%	0.66%	0.32%	0.29%
Plan Fiduciary Net Position as a Percentage of the Total VLDP OPEB Liability	107.99%	119.59%	76.84%	49.19%	51.39%	38.40%

Schedule is intended to show information for 10 years. Since 2022 is the sixth year of presentation, only six years of data are available. However, additional years will be included as they become available.

For Reference Only

The Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability for the Virginia Local Disability (VLDP) for each year is presented on page 133 of the VRS 2022 Annual Report.

City of Franklin, Virginia

Schedule of Employer Contributions
Virginia Local Disability Program - City

For the Years Ended June 30, 2014 through 2023

Date	Contractually Required Contribution (1)	Contribution in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Employee Payroll (4)	Contributions as a % of Covered Employee Payroll (5)
2023	\$ 30,153	\$ 30,153	\$ -	\$ 3,547,411	0.85%
2022	21,405	21,405	-	2,578,858	0.83%
2021	14,522	14,522	-	1,749,612	0.83%
2020	11,674	11,674	-	1,621,403	0.72%
2019	10,489	10,489	-	1,691,845	0.62%
2018	9,492	9,492	-	1,582,032	0.60%
2017	6,306	6,306	-	1,050,992	0.60%
2016	3,942	3,942	-	657,010	0.60%
2015	2,528	2,528	-	421,275	0.60%
2014	462	462	-	76,996	0.60%

For Reference Only

- Column 1 – Employer contribution rate multiplied by the employer's covered payroll
- Column 2 – Actual employer contribution remitted to VRS
- Column 4 – Employer's covered payroll amount for the fiscal year

City of Franklin, Virginia

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

For the Measurement Dates of June 30, 2017 through 2022

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Employer's Proportion of the Net VLDP OPEB Liability (Asset)	0.11330%	0.08359%	0.06580%	0.06310%	0.06317%	0.09421%
Employer's Proportionate Share of the Net VLDP OPEB Liability (Asset)	\$ (666)	\$ (846)	\$ 657	\$ 1,279	-	\$ 1,000
Employer's Covered Payroll	\$ 530,659	\$ 335,766	\$ 245,151	\$ 195,068	\$ 153,384	\$ 173,005
Employer's Proportionate Share of the Net VLDP OPEB Liability (Asset) as a Percentage of its Covered Payroll	-0.13%	-0.25%	0.27%	0.66%	0.00%	0.58%
Plan Fiduciary Net Position as a Percentage of the Total VLDP OPEB Liability	107.99%	119.59%	76.84%	49.49%	51.39%	38.40%

Schedule is intended to show information for 10 years. Since 2022 is the sixth year of presentation, only six years of data are available. However, additional years will be included as they become available.

For Reference Only

The Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability for the Virginia Local Disability (VLDP) for each year is presented on page 133 of the VRS 2022 Annual Report.

City of Franklin, Virginia

Schedule of Employer Contributions
Virginia Local Disability Program - School Board General Employees

For the Years Ended June 30, 2014 through 2023

Date	Contractually Required Contribution (1)	Contribution in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Employee Payroll (4)	Contributions as a % of Covered Employee Payroll (5)
2023	\$ 4,710	\$ 4,710	\$ -	\$ 554,135	0.85%
2022	4,404	4,404	-	530,659	0.83%
2021	2,787	2,787	-	335,766	0.83%
2020	1,765	1,765	-	245,151	0.72%
2019	1,209	1,209	-	195,068	0.62%
2018	920	920	-	153,384	0.60%
2017	1,038	1,038	-	173,005	0.60%
2016	881	881	-	146,862	0.60%
2015	399	399	-	66,432	0.60%
2014	8	8	-	1,414	0.57%

For Reference Only

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

Column 2 – Actual employer contribution remitted to VRS

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

City of Franklin, Virginia

Notes to Required Supplementary Information – VLDP OPEB

For the Year Ended June 30, 2023

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

Changes of assumptions – The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

City of Franklin, Virginia

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

For the Measurement Dates of June 30, 2017 through 2022

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Employer's Proportion of the Net VLDP OPEB Liability (Asset)	0.44090%	0.45762%	0.42070%	0.54769%	0.63101%	0.71370%
Employer's Proportionate Share of the Net VLDP OPEB Liability (Asset)	\$ (496)	\$ (3,322)	\$ 3,375	\$ 3,184	\$ 5,000	\$ 4,000
Employer's Covered Payroll	\$ 3,548,638	\$ 3,079,324	\$ 2,488,571	\$ 2,626,346	\$ 2,352,849	\$ 2,014,073
Employer's Proportionate Share of the Net VLDP OPEB Liability (Asset) as a Percentage of its Covered Payroll	-0.01%	-0.11%	0.11%	0.12%	0.21%	0.20%
Plan Fiduciary Net Position as a Percentage of the Total VLDP OPEB Liability	101.57%	114.46%	78.28%	74.12%	46.18%	31.96%

Schedule is intended to show information for 10 years. Since 2022 is the sixth year of presentation, only six years of data are available. However, additional years will be included as they become available.

For Reference Only

The Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability for the Virginia Local Disability (VLDP) for each year is presented on page 132 of the VRS 2022 Annual Report.

City of Franklin, Virginia

Schedule of Employer Contributions
Virginia Local Disability Program - Teacher

For the Years Ended June 30, 2014 through 2023

Date	Contractually Required Contribution (1)	Contribution in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Employee Payroll (4)	Contributions as a % of Covered Employee Payroll (5)
2023	\$ 22,673	\$ 22,673	\$ -	\$ 4,823,949	0.47%
2022	16,679	16,679	-	3,548,638	0.47%
2021	14,473	14,473	-	3,079,324	0.47%
2020	10,203	10,203	-	2,488,571	0.41%
2019	10,768	10,768	-	2,626,346	0.41%
2018	7,264	7,264	-	2,352,849	0.31%
2017	6,244	6,244	-	2,014,073	0.31%
2016	4,616	4,616	-	1,591,555	0.29%
2015	2,336	2,336	-	805,456	0.29%
2014	85	85	-	29,193	0.29%

For Reference Only

- Column 1 – Employer contribution rate multiplied by the employer’s covered payroll
- Column 2 – Employer contributions as referenced in Covered Payroll & Contributions Report on VRS website
- Column 4 – Employer’s covered payroll amount for the fiscal year

City of Franklin, Virginia

Notes to Required Supplementary Information – VLDP OPEB Teacher

For the Year Ended June 30, 2023

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

Changes of assumptions – The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

City of Franklin

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability						
Service cost	\$ 82,004	\$ 101,811	\$ 103,431	\$ 86,378	\$ 70,757	\$ 100,083
Interest on total OPEB liability	85,250	58,872	56,794	91,092	91,160	94,478
Effect of plan changes	-	-	-	-	-	-
Effect of economic/demographic gains (losses)	(113,381)	-	571,642	-	(201,972)	-
Effect of assumption changes or inputs	72,578	(196,221)	(253,001)	86,320	347,156	(56,168)
Benefit payments	<u>(224,083)</u>	<u>(300,356)</u>	<u>(342,480)</u>	<u>(284,148)</u>	<u>(270,954)</u>	<u>(231,388)</u>
Net change in total OPEB liability	(97,632)	(335,894)	136,386	(20,358)	36,147	(92,995)
Total OPEB liability - beginning	<u>2,437,254</u>	<u>2,773,148</u>	<u>2,636,762</u>	<u>2,657,120</u>	<u>2,620,973</u>	<u>2,713,968</u>
Total OPEB liability - ending	<u>\$2,339,622</u>	<u>\$2,437,254</u>	<u>\$2,773,148</u>	<u>\$2,636,762</u>	<u>\$2,657,120</u>	<u>\$2,620,973</u>
Covered employee payroll	\$8,823,965	\$7,200,753	\$7,200,753	\$7,897,505	\$7,897,505	\$7,630,497
Total OPEB liability as a % of covered employee payroll	26.51%	33.85%	38.51%	33.39%	33.65%	34.35%

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

City of Franklin, Virginia

Schedule of Employer Contributions for OPEB Retiree Health Insurance

For the Years Ended June 30, 2014 through 2023

Date	Contractually Required Contribution (1)	Contribution in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Employee Payroll (4)	Contributions as a % of Covered Payroll (5)
2023	\$ 224,083	\$ 224,083	\$ -	\$ 8,823,965	2.54%
2022	300,356	300,356	-	7,200,753	4.17%
2021	342,480	342,480	-	7,200,753	4.76%
2020	284,148	284,148	-	7,897,505	3.60%
2019	270,954	270,954	-	7,897,505	3.43%
2018	231,388	231,388	-	7,630,497	3.03%
2017	N/A	N/A	N/A	N/A	N/A
2016	N/A	N/A	N/A	N/A	N/A
2015	N/A	N/A	N/A	N/A	N/A
2014	N/A	N/A	N/A	N/A	N/A

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

City of Franklin

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

Schools	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability						
Service cost	\$ 36,105	\$ 34,117	\$ 32,279	\$ 33,362	\$ 31,736	\$ 38,938
Interest on total OPEB liability	16,075	10,135	12,796	18,757	20,012	25,284
Effect of plan changes	-	-	-	-	-	-
Effect of economic/demographic gains (losses)	41,097	-	(126,384)	-	(202,093)	-
Effect of assumption changes or inputs	(33,228)	(42,027)	8,129	35,010	(226)	(18,679)
Benefit payments	<u>(6,077)</u>	<u>(32,404)</u>	<u>(44,442)</u>	<u>(41,375)</u>	<u>(27,440)</u>	<u>(55,357)</u>
Net change in total OPEB liability	53,972	(30,179)	(117,622)	45,754	(178,011)	(9,814)
Total OPEB liability - beginning	<u>421,013</u>	<u>451,192</u>	<u>568,814</u>	<u>523,060</u>	<u>701,071</u>	<u>710,885</u>
Total OPEB liability - ending	<u>\$ 474,985</u>	<u>\$ 421,013</u>	<u>\$ 451,192</u>	<u>\$ 568,814</u>	<u>\$ 523,060</u>	<u>\$ 701,071</u>
Covered employee payroll	\$ 6,937,707	\$ 6,001,573	\$ 6,001,573	\$ 6,656,676	\$ 6,656,676	\$ 6,647,800
Total OPEB liability as a % of covered employee payroll	6.85%	7.02%	7.52%	8.55%	7.86%	10.55%

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

City of Franklin, Virginia

Notes to Required Supplementary Information – Retiree Health Insurance – City and Schools

For the Year Ended June 30, 2023

Valuation Date: 7/1/2022

Measurement Date: **6/30/2023**

No assets are accumulated in a trust that meets the criteria in GASB 75 to pay related benefits.

Methods and assumptions used to determine OPEB liability:

Actuarial Cost Method	Entry age normal level % of salary
Discount Rate	3.65%
Inflation	2.50%
Healthcare Trend Rate	The healthcare-trend rate assumption starts at 3.70% and varies in subsequent years ranging from 3.70% to 6.50%.
Salary Increase Rates	The salary increase rate was an inflation rate of 2.50%, productivity component of 1.00%, and a variable merit component that is dependent on years of service.
Retirement Age	The average age of retirement is 65.
Mortality Rates	The mortality rates for pre-retirement participants was calculated using the RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with Scale BB to 2020; males setback 1 year, 85% of rates; females setback 1 year. The mortality rates for active and healthy retirees was calculated using the RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year; females setback 1 year with 1.5% increase compounded from ages 70 to 85. The mortality rates for disabled retirees was calculated using the RP-2014 Disability Mortality Rates projected with Scale BB to 2020; 115% of rates for males and 130% of rates for females.

OTHER SUPPLEMENTARY INFORMATION



City of Franklin, Virginia

Combining Balance Sheet

Nonmajor Special Revenue Funds

As of June 30, 2023

	Children Services Act Fund	Regional Fire Training Grounds Fund	Foundation Grants Fund	Block Grant Fund	Community Development Downtown Grant Fund	Madison Street Project Fund	Western Tidewater Home Consortium Fund	Neighborhood Stabilization Program Fund	Laurel Street Project Fund	Cobbtown Grant Fund	Police Federal Forfeiture Fund	Police State Forfeiture Fund	Police Evidence Holding Fund	Camp Homestead Fund	Economic Development Fund	Willie Camp Youths Fund	Flexible Spending Fund	Employee Emergency Trust Fund	Southview Cemetery Trust Fund	Cemetery Perpetual Care Trust Fund	Charles Smith Cemetery Trust Fund	Total
Assets																						
Cash and cash equivalents	\$ 266,448	\$ 17,850	\$ 106,169	\$ 128,852	\$ 23,914	\$ 44,213	\$ 28,697	\$ 7,250	\$ -	\$ -	\$ 31,936	\$ 18,959	\$ 1,477	\$ -	\$ 233,438	\$ 43,380	\$ 15,853	\$ 11,691	\$ 3,237	\$ 133,763	\$ 12,926	\$ 1,130,053
Accounts receivable (net)	349	-	-	-	-	-	-	-	-	42,400	-	-	-	-	-	-	-	-	-	-	-	42,749
Loan receivable	-	-	-	29,675	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	29,675
Due from other governmental units	95,090	-	-	-	-	-	-	-	9,033	-	-	-	-	-	-	-	-	-	-	-	-	104,123
Total Assets	\$ 361,887	\$ 17,850	\$ 106,169	\$ 158,527	\$ 23,914	\$ 44,213	\$ 28,697	\$ 7,250	\$ 9,033	\$ 42,400	\$ 31,936	\$ 18,959	\$ 1,477	\$ -	\$ 233,438	\$ 43,380	\$ 15,853	\$ 11,691	\$ 3,237	\$ 133,763	\$ 12,926	\$ 1,306,600
Liabilities and Fund Balances																						
Liabilities																						
Reconciled overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,033	\$ 8,703	\$ -	\$ -	\$ -	\$ 1,991	\$ 2,535	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 27,262
Accounts payable and accrued expenses	73,804	135	132	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	74,071
Deposits held in escrow	-	-	-	-	20,240	-	-	-	-	-	-	-	-	-	13,569	-	-	-	-	-	-	33,809
Total Liabilities	73,804	135	132	-	20,240	-	-	-	14,033	8,703	-	-	-	1,991	16,104	-	-	-	-	-	-	135,142
Fund Balances																						
<i>Restricted</i>																						
General government administration	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	15,853	11,691	-	-	-	27,544
Public safety	-	17,715	106,037	-	-	-	-	-	-	-	31,936	18,959	1,477	-	-	-	-	-	-	-	-	176,124
Parks, recreation, and cultural	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	43,380	-	-	3,237	133,763	12,926	193,306
Community development	-	-	-	158,527	3,674	44,213	28,697	7,250	-	33,697	-	-	-	-	217,334	-	-	-	-	-	-	493,392
Health and welfare	288,083	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	288,083
<i>Unassigned (Deficit)</i>	-	-	-	-	-	-	-	-	(5,000)	-	-	-	-	(1,991)	-	-	-	-	-	-	-	(6,991)
Total Fund Balances (Deficit)	288,083	17,715	106,037	158,527	3,674	44,213	28,697	7,250	(5,000)	33,697	31,936	18,959	1,477	(1,991)	217,334	43,380	15,853	11,691	3,237	133,763	12,926	1,171,458
Total Liabilities and Fund Balances	\$ 361,887	\$ 17,850	\$ 106,169	\$ 158,527	\$ 23,914	\$ 44,213	\$ 28,697	\$ 7,250	\$ 9,033	\$ 42,400	\$ 31,936	\$ 18,959	\$ 1,477	\$ -	\$ 233,438	\$ 43,380	\$ 15,853	\$ 11,691	\$ 3,237	\$ 133,763	\$ 12,926	\$ 1,306,600

City of Franklin, Virginia

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

Nonmajor Special Revenue Funds

Year Ended June 30, 2023

	Children Services Act Fund	Regional Fire Training Grounds Fund	Foundation Grants Fund	Block Grant Fund	Community Development Downtown Grant Fund	Madison Street Project Fund	Western Tidewater Home Consortium Fund	Neighborhood Stabilization Program Fund	Laurel Street Project Fund	Cobbtown Grant Fund	Police Federal Forfeiture Fund	Police State Forfeiture Fund	Police Evidence Holding Fund	Camp Homestead Fund	Economic Development Fund	Willie Camp Youths Fund	Flexible Spending Fund	Employee Emergency Trust Fund	Southview Cemetery Trust Fund	Cemetery Perpetual Care Trust Fund	Charles Smith Cemetery Trust Fund	Total
Revenues																						
Revenue from use of money and property	\$ -	\$ 4,500	\$ -	\$ 1,886	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 189,755	\$ 3	\$ -	\$ 1	\$ -	\$ 4,813	\$ -	\$ 200,958
Miscellaneous	9,588	-	78,300	-	-	-	-	-	-	-	-	-	-	-	5,542	-	38,514	-	-	-	-	131,944
Intergovernmental																						
Commonwealth of Virginia	524,527	-	-	-	-	-	-	-	9,033	-	-	4,654	-	-	-	-	-	-	-	-	-	538,214
Federal	-	-	-	-	-	-	-	-	11,900	-	22,831	-	-	-	-	-	-	-	-	-	-	34,731
Total Revenues	534,115	4,500	78,300	1,886	-	-	-	-	20,933	-	22,831	4,654	-	-	195,297	3	38,514	1	-	4,813	-	905,847
Expenditures																						
Current																						
General government administration	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	39,381	150	-	-	-	39,531
Public safety	-	3,254	79,462	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	82,716
Health and welfare	823,668	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	823,668
Parks, recreation, and cultural	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,001	-	-	150	150	-	1,301
Community development	-	-	-	-	-	-	-	-	25,933	-	-	-	-	-	262,012	-	-	-	-	-	-	287,945
Total Expenditures	823,668	3,254	79,462	-	-	-	-	-	25,933	-	-	-	-	-	262,012	1,001	39,381	150	150	150	-	1,235,161
Excess (Deficiency) of Expenditures Over (Under) Revenues	(289,553)	1,246	(1,162)	1,886	-	-	-	-	(5,000)	-	22,831	4,654	-	-	(66,715)	(998)	(867)	(149)	(150)	4,663	-	(329,314)
Other Financing Sources (Uses)																						
Transfers in (out)	416,630	-	-	-	-	-	-	-	-	-	-	-	-	-	100,000	-	-	-	-	-	-	516,630
Total Other Financing Sources (Uses)	416,630	-	-	-	-	-	-	-	-	-	-	-	-	-	100,000	-	-	-	-	-	-	516,630
Net Change in Fund Balances	127,077	1,246	(1,162)	1,886	-	-	-	-	(5,000)	-	22,831	4,654	-	-	33,285	(998)	(867)	(149)	(150)	4,663	-	187,316
Fund Balances (Deficit) - Beginning of Year	161,006	16,469	107,199	156,641	3,674	44,213	28,697	7,250	-	33,697	9,105	14,305	1,477	(1,991)	184,049	44,378	16,720	11,840	3,387	129,100	12,926	984,142
Fund Balances (Deficit) - End of Year	\$ 288,083	\$ 17,715	\$ 106,037	\$ 158,527	\$ 3,674	\$ 44,213	\$ 28,697	\$ 7,250	\$ (5,000)	\$ 33,697	\$ 31,936	\$ 18,959	\$ 1,477	\$ (1,991)	\$ 217,334	\$ 43,380	\$ 15,853	\$ 11,691	\$ 3,237	\$ 133,763	\$ 12,926	\$ 1,171,458

City of Franklin, Virginia

Combining Statement of Fiduciary Net Position

Custodial Funds

As of June 30, 2023

	<u>Special Welfare - SSI Fund</u>	<u>Special Welfare Fund</u>	<u>Smart Beginnings Fund</u>	<u>Fire and Rescue Volunteers Fund</u>	<u>Children's Center Fund</u>	<u>Total Custodial Funds</u>
Assets						
Cash and cash equivalents	\$ 14,230	\$ 10,784	\$ 1,891	\$ 46,731	\$ 55	\$ 73,691
Accounts receivable	<u>-</u>	<u>-</u>	<u>33,323</u>	<u>-</u>	<u>-</u>	<u>33,323</u>
Total Assets	<u>\$ 14,230</u>	<u>\$ 10,784</u>	<u>\$ 35,214</u>	<u>\$ 46,731</u>	<u>\$ 55</u>	<u>\$ 107,014</u>
Liabilities						
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 1,388	\$ -	\$ -	\$ 1,388
Net Position	<u>14,230</u>	<u>10,784</u>	<u>33,826</u>	<u>46,731</u>	<u>55</u>	<u>105,626</u>
Total Liabilities and Net Position	<u>\$ 14,230</u>	<u>\$ 10,784</u>	<u>\$ 35,214</u>	<u>\$ 46,731</u>	<u>\$ 55</u>	<u>\$ 107,014</u>

City of Franklin, Virginia

Combining Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2023

	<u>Special Welfare - SSI Fund</u>	<u>Special Welfare Fund</u>	<u>Smart Beginnings Fund</u>	<u>Fire and Rescue Volunteers Fund</u>	<u>Children's Center Fund</u>	<u>Total Custodial Funds</u>
Additions						
Miscellaneous income	\$ 455	\$ 15,352	\$ 173,974	\$ 1,241	\$ -	\$ 191,022
Revenue from City of Franklin	-	-	-	-	757,540	757,540
Local grant funds and other donations	-	-	85,028	13,660	-	98,688
	<u>455</u>	<u>15,352</u>	<u>259,002</u>	<u>14,901</u>	<u>757,540</u>	<u>1,047,250</u>
Deductions						
Program and administrative expenses	<u>125</u>	<u>18,439</u>	<u>257,005</u>	<u>7,007</u>	<u>757,540</u>	<u>1,040,116</u>
	<u>125</u>	<u>18,439</u>	<u>257,005</u>	<u>7,007</u>	<u>757,540</u>	<u>1,040,116</u>
Net Increase (Decrease) in Net Position	330	(3,087)	1,997	7,894	-	7,134
Net Position - Beginning	<u>13,900</u>	<u>13,871</u>	<u>31,829</u>	<u>38,837</u>	<u>55</u>	<u>98,492</u>
Net Position - Ending	<u>\$ 14,230</u>	<u>\$ 10,784</u>	<u>\$ 33,826</u>	<u>\$ 46,731</u>	<u>\$ 55</u>	<u>\$ 105,626</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. The School Activity Fund accounts for activities within the individual schools held for the extracurricular activities and fees charged by each school for student activities.

City of Franklin, Virginia
Combining Balance Sheet
Discretely Presented Component Unit - School Board
As of June 30, 2023

	School Operating Fund	Cafeteria Fund	Textbook Fund	School Activity Fund	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 1,171,934	\$ 452,152	\$ 109,869	\$ 39,818	\$ 1,773,773
<i>Receivables (net of allowance for uncollectibles)</i>					
Accounts receivable	-	-	-	-	-
Due from other funds	-	-	78,686	-	78,686
Due from other governmental units	1,029,542	45,237	-	-	1,074,779
Inventories	-	27,386	-	-	27,386
Total Assets	<u>\$ 2,201,476</u>	<u>\$ 524,775</u>	<u>\$ 188,555</u>	<u>\$ 39,818</u>	<u>\$ 2,954,624</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable and accrued liabilities	\$ 1,231,279	\$ 65,701	\$ -	\$ -	\$ 1,296,980
Due to other funds	78,686	-	-	-	78,686
Total Liabilities	1,309,965	65,701	-	-	1,375,666
Fund Balances					
<i>Nonspendable</i>					
Prepaid items	-	-	-	-	-
Inventory	-	27,386	-	-	27,386
<i>Restricted</i>					
City of Franklin, Virginia rollover funds	-	-	-	-	-
<i>Assigned</i>					
Education	-	431,688	188,555	39,818	660,061
Unassigned	891,511	-	-	-	891,511
Total Fund Balances	891,511	459,074	188,555	39,818	1,578,958
Total Liabilities and Fund Balances	<u>\$ 2,201,476</u>	<u>\$ 524,775</u>	<u>\$ 188,555</u>	<u>\$ 39,818</u>	<u>\$ 2,954,624</u>
Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:					
Total fund balances per above					\$ 1,578,958
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The amounts reported below are net of accumulated depreciation.					
Land and improvements				\$ 104,170	
Buildings				6,081,245	
Machinery and equipment				2,237,478	
Infrastructure				4,641,289	
Construction in progress				67,210	13,131,392
Lease assets, net of accumulated amortization					847,062
Subscription assets, net of accumulated amortization					38,247
The net pension asset is not an available resource and, therefore, is not reported in the fund - General Employees					697,617
The net OPEB asset is not an available resource and, therefore, is not reported in the fund - General Employees					7,905
Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the funds.					
Pension related items				(267,275)	
OPEB related items				(147,684)	(414,959)
Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.					
Net OPEB liabilities				(1,823,238)	
Net pension asset				-	
Net pension liability				(7,035,722)	
Compensated absences				(209,479)	
Subscription liabilities				(38,864)	
Lease liabilities				(1,071,104)	(10,178,407)
Net Position of Governmental Activities					<u>\$ 5,707,815</u>

City of Franklin, Virginia

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds - Discretely Presented Component Unit - School Board
 For the Year Ended June 30, 2023

	School Operating Fund	Cafeteria Fund	Textbook Fund	School Activity Fund	Total Governmental Funds
Revenues					
Revenue from use of money and property	\$ 2,844	\$ -	\$ 12	\$ -	\$ 2,856
Charges for services	44,124	33,921	-	-	78,045
Miscellaneous	73,067	99,257	-	334,820	507,144
Intergovernmental Revenues					
Local government	4,330,237	-	-	-	4,330,237
Commonwealth	12,261,140	21,196	-	-	12,282,336
Federal	3,442,482	832,886	-	-	4,275,368
Total Revenues	20,153,894	987,260	12	334,820	21,475,986
Expenditures					
Current					
<i>Education</i>					
Instruction	13,788,110	-	17,387	340,554	14,146,051
Administration, attendance and health	2,205,567	-	-	-	2,205,567
Transportation	696,107	-	-	-	696,107
Operations and maintenance	2,062,921	-	-	-	2,062,921
Technology	1,141,571	-	-	-	1,141,571
Food services	3,878	1,125,290	-	-	1,129,168
Debt service:					
Principal retirement	194,710	-	-	-	194,710
Interest and other fiscal charges	44,417	-	-	-	44,417
Total Expenditures	20,137,281	1,125,290	17,387	340,554	21,620,512
Excess (Deficiency) of Revenues Over (Under) Expenditures	16,613	(138,030)	(17,375)	(5,734)	(144,526)
Other Financing Sources (Uses)					
Transfers in (out)	(78,686)	-	78,686	-	-
Total Other Financing Sources (Uses)	(78,686)	-	78,686	-	-
Net Change in Fund Balances	(62,073)	(138,030)	61,311	(5,734)	(144,526)
Fund Balances - Beginning	953,584	597,104	127,244	45,552	1,723,484
Fund Balances - Ending	\$ 891,511	\$ 459,074	\$ 188,555	\$ 39,818	\$ 1,578,958
Amounts reported for governmental activities in the Statement of Activities (Exhibit 2) are different because:					
Net changes in fund balances - total governmental funds - per above					\$ (144,526)
<i>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is a computation of these differences.</i>					
Capital asset additions				\$ 1,032,818	
Depreciation expense				(990,353)	42,465
<i>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</i>					
Change in compensated absences				70,656	
Change in OPEB related items				172,856	
Change in pension related items				2,045,315	2,288,827
<i>The issuance of long-term debt (e.g., bonds, financed purchase obligations) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. The following is the net effect of these differences in the treatment of long-term debt and related items.</i>					
Principal paid on lease liabilities				176,204	
Principal paid on subscription liabilities				18,506	194,710
					\$ 2,381,476

City of Franklin, Virginia

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

Discretely Presented Component Unit - School Board

For the Year Ended June 30, 2023

	<u>School Operating Fund</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Charges for services	\$ 1,200	\$ 1,200	\$ 44,124	\$ 42,924
Miscellaneous	73,800	60,873	73,067	12,194
Revenue from use of money and property	-	-	2,844	2,844
Intergovernmental				
Local government	4,330,238	4,330,238	4,330,237	(1)
Commonwealth	8,838,035	12,158,182	12,261,140	102,958
Federal	<u>6,894,500</u>	<u>9,321,831</u>	<u>3,442,482</u>	<u>(5,879,349)</u>
Total Revenues	20,137,773	25,872,324	20,153,894	(5,718,430)
Expenditures				
Current				
<i>Education</i>				
Instruction	12,396,055	21,676,008	13,788,110	7,887,898
Administration, attendance and health	1,743,545	2,290,158	2,205,567	84,591
Transportation	562,374	852,853	696,107	156,746
Food services	129,700	45,851	3,878	41,973
Operations and maintenance	4,521,692	2,378,392	2,062,921	315,471
Technology	1,071,834	1,231,080	1,141,571	89,509
Debt service:				
Principal retirement	176,204	176,204	194,710	(18,506)
Interest and other fiscal charges	<u>42,577</u>	<u>42,577</u>	<u>44,417</u>	<u>(1,840)</u>
Total Expenditures	<u>20,643,981</u>	<u>28,693,123</u>	<u>20,137,281</u>	<u>8,555,842</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(506,208)	(2,820,799)	16,613	2,837,412
Other Financing Sources (Uses)				
Transfers (out)	<u>(70,992)</u>	<u>(70,992)</u>	<u>(78,686)</u>	<u>(7,694)</u>
Total Other Financing Sources (Uses)	<u>(577,200)</u>	<u>(2,891,791)</u>	<u>(78,686)</u>	<u>(7,694)</u>
Net Change in Fund Balance	<u>\$ (577,200)</u>	<u>\$ (2,891,791)</u>	(62,073)	<u>\$ 2,829,718</u>
Fund Balances - Beginning			<u>953,584</u>	
Fund Balances - Ending			<u>\$ 891,511</u>	

DISCRETELY PRESENTED COMPONENT UNIT – INDUSTRIAL DEVELOPMENT AUTHORITY

City of Franklin, Virginia

Statement of Net Position

Discretely Presented Component Unit - Industrial Development Authority

As of June 30, 2023

	Industrial Development Authority
Assets	
Current Assets	
Cash and cash equivalents	\$ 14,324
Total Assets	<u>\$ 14,324</u>
Net Position	
Unrestricted - community development	<u>\$ 14,324</u>
Total Net Position	<u>\$ 14,324</u>

City of Franklin, Virginia

Statement of Revenues, Expenses, and Changes in Net Position

Discretely Presented Component Unit - Industrial Development Authority

For the Year Ended June 30, 2023

	Industrial Development Authority
Operating Revenues	\$ _____ -
Total Revenues	_____ -
Expenditures	_____ -
Operating Income	_____ -
Nonoperating Revenues	
Interest income	_____ 2
Change in Net Position	2
Total Net Position - Beginning	_____ 14,322
Total Net Position - Ending	<u>\$ 14,324</u>

City of Franklin, Virginia

Statement of Cash Flows

Discretely Presented Component Unit - Industrial Development Authority

For the Year Ended June 30, 2023

	Industrial Development Authority
Cash Flows from Operating Activities	<u>\$ -</u>
Net Cash Provided by (Used in) Operating Activities	-
Cash Flows from Investing Activities	
Interest income	<u>2</u>
Net Cash Provided by Investing Activities	<u>2</u>
Net Increase in Cash and Cash Equivalents	2
Cash and Cash Equivalents - Beginning	<u>14,322</u>
Cash and Cash Equivalents - Ending	<u><u>\$ 14,324</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities	
Operating income (loss)	<u>\$ -</u>
Net Cash Provided by (Used in) Operating Activities	<u><u>\$ -</u></u>

City of Franklin, Virginia

Schedule of Revenues and Other Financing Sources - Budget and Actual

For the Year Ended June 30, 2023

General Fund

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund				
Revenue from Local Sources				
<i>General Property Taxes</i>				
Real property taxes	\$ 6,655,601	\$ 6,815,601	\$ 6,394,405	\$ (421,196)
Real and personal public service corporation taxes	70,593	70,593	39,540	(31,053)
Personal property taxes	1,854,160	1,912,460	2,043,230	130,770
Machinery and tools taxes	24,450	24,450	28,812	4,362
Penalties	85,000	85,000	116,420	31,420
Interest	60,000	60,000	64,651	4,651
	<u>8,749,804</u>	<u>8,968,104</u>	<u>8,687,058</u>	<u>(281,046)</u>
<i>Total General Property Taxes</i>				
<i>Other Local Taxes</i>				
Local sales and use taxes	1,950,000	1,950,000	2,394,886	444,886
Consumers' utility taxes	518,500	518,500	529,582	11,082
Probate taxes	750	750	4,715	3,965
Electric consumption taxes	30,000	30,000	28,365	(1,635)
Business license taxes	1,023,000	1,023,000	1,322,231	299,231
Motor vehicle license taxes	222,400	222,400	214,611	(7,789)
Bank stock taxes	43,000	43,000	53,706	10,706
Taxes on recordation and wills	85,000	85,000	97,424	12,424
Cigarette taxes	310,000	310,000	379,132	69,132
Lodging taxes	180,000	180,000	199,864	19,864
Restaurant food taxes	2,056,607	2,056,607	2,235,378	178,771
	<u>6,419,257</u>	<u>6,419,257</u>	<u>7,459,894</u>	<u>1,040,637</u>
<i>Total Other Local Taxes</i>				
<i>Permits, Privilege Fees, and Regulatory Licenses</i>				
Animal licenses	3,000	3,000	2,474	(526)
Building and related permits	67,025	67,025	88,158	21,133
Permits and other licenses	32,600	33,100	46,480	13,380
	<u>102,625</u>	<u>103,125</u>	<u>137,112</u>	<u>33,987</u>
<i>Total Permits, Privilege Fees, and Regulatory Licenses</i>				
<i>Fines and Forfeitures</i>				
Court fines and forfeitures	22,750	22,750	41,376	18,626
	<u>22,750</u>	<u>22,750</u>	<u>41,376</u>	<u>18,626</u>
<i>Total Fines and Forfeitures</i>				

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<i>Revenues from Use of Money and Property</i>				
Revenue from use of money	2,500	2,500	76,556	74,056
Revenue from use of property	<u>156,744</u>	<u>156,744</u>	<u>186,679</u>	<u>29,935</u>
Total Revenue from Use of Money and Property	159,244	159,244	263,235	103,991
<i>Charges for Services</i>				
Law library and court fees	1,950	1,950	4,096	2,146
J & D Services - Southampton County	4,100	4,100	-	(4,100)
Fire and emergency services	69,054	69,054	75,738	6,684
Ambulance services	375,000	375,000	398,627	23,627
Janitorial services	17,500	17,500	22,718	5,218
Waste collection and disposal	287,391	287,391	287,391	-
Administration - water and sewer	407,055	407,055	407,055	-
Administration - airport	20,612	20,612	20,612	-
Administration - electric	651,295	651,295	651,295	-
Recreation fees and admissions	9,000	9,000	15,669	6,669
Other charges for services	<u>6,000</u>	<u>6,000</u>	<u>21,969</u>	<u>15,969</u>
Total Charges for Services	1,848,957	1,848,957	1,905,170	56,213
<i>Miscellaneous Revenue</i>				
Miscellaneous	5,000	19,657	32,002	12,345
Opioid settlement funds	-	23,550	23,549	(1)
Cemetery revenues	22,500	22,500	44,965	22,465
Late penalties and fees for utilities	263,000	263,000	285,971	22,971
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	-
Isle of Wight - revenue sharing	996,148	1,035,170	1,048,006	12,836
Southampton County - revenue sharing	<u>75,000</u>	<u>75,000</u>	<u>65,092</u>	<u>(9,908)</u>
Total Miscellaneous Revenue	1,447,390	1,524,619	1,585,327	60,708
<i>Recovered Costs</i>				
Southampton County EMS contract	2,204,749	2,384,601	2,384,601	-
Other recovered costs	<u>48,000</u>	<u>1,056,950</u>	<u>1,059,900</u>	<u>2,950</u>
Total Recovered Costs	<u>2,252,749</u>	<u>3,441,551</u>	<u>3,444,501</u>	<u>2,950</u>
Total Revenue from Local Sources	21,002,776	22,487,607	23,523,673	1,036,066

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Revenue from the Commonwealth				
<i>Noncategorical Aid</i>				
Railroad rolling stock tax	6,200	6,200	6,605	405
ATV/Moped tax	-	-	175	175
Motor vehicle rental tax	18,000	18,000	3,765	(14,235)
Communication taxes	405,000	405,000	385,429	(19,571)
Personal property tax relief funds	<u>1,048,897</u>	<u>1,048,897</u>	<u>1,048,897</u>	<u>-</u>
Total Noncategorical Aid	1,478,097	1,478,097	1,444,871	(33,226)
<i>Categorical Aid</i>				
Shared Expenses				
Commissioner of revenue	81,100	81,100	82,549	1,449
Treasurer	71,100	71,100	89,593	18,493
Registrar/electoral board	<u>54,504</u>	<u>54,504</u>	<u>58,109</u>	<u>3,605</u>
Total Shared Expenses	206,704	206,704	230,251	23,547
Other Categorical Aid				
Law Enforcement grants	444,423	444,423	494,626	50,203
Fire and rescue grant	31,257	31,257	32,819	1,562
Street and highway maintenance funds	1,710,059	1,939,366	1,939,366	-
Litter control grants	-	8,437	8,437	-
Wireless 911 grant	41,500	41,500	39,181	(2,319)
Four for Life EMS	7,500	7,500	-	(7,500)
State infant and toddler grant	567,563	569,727	569,727	-
H.E.A.T. program funds	-	10,000	10,000	-
Arbor Foundation - Tree Planting Grant	-	488	488	-
Arts grant	<u>-</u>	<u>4,500</u>	<u>4,500</u>	<u>-</u>
Total Other Categorical Aid	<u>2,802,302</u>	<u>3,057,198</u>	<u>3,099,144</u>	<u>41,946</u>
Total Categorical Aid	<u>3,009,006</u>	<u>3,263,902</u>	<u>3,329,395</u>	<u>65,493</u>
Total Revenue from the Commonwealth	4,487,103	4,741,999	4,774,266	32,267
Revenue from the Federal Government				
<i>Categorical Aid</i>				
JAG police grant	-	18,295	26,305	8,010
Virginia Tourism ARPA Grant	-	30,000	15,000	(15,000)
American Rescue Plan	-	5,057,155	4,906,696	(150,459)
EMS grant-LEMPG EOC upgrade	16,595	16,595	16,595	-
Department of Rail and Transportation	-	74,823	49,012	(25,811)
Federal infant and toddler grant & ARPA early intervention	<u>193,601</u>	<u>187,813</u>	<u>187,813</u>	<u>-</u>
Total Categorical Aid	<u>210,196</u>	<u>5,384,681</u>	<u>5,201,421</u>	<u>(183,260)</u>
Total Revenue from the Federal Government	<u>210,196</u>	<u>5,384,681</u>	<u>5,201,421</u>	<u>(183,260)</u>
Total Intergovernmental Revenue	4,697,299	10,126,680	9,975,687	(150,993)
Other Financing Sources				
Issuance of debt	-	2,000,000	-	(2,000,000)
Lease liabilities issued	-	-	62,024	62,024
From unappropriated funds	150,000	4,834,932	-	(4,834,932)
Transfers in from other funds	<u>1,994,994</u>	<u>3,994,993</u>	<u>3,994,993</u>	<u>-</u>
Total Other Financing Sources	<u>2,144,994</u>	<u>10,829,925</u>	<u>4,057,017</u>	<u>(6,772,908)</u>
Total General Fund	<u>\$27,845,069</u>	<u>\$43,444,212</u>	<u>\$37,556,377</u>	<u>\$ (5,887,835)</u>

City of Franklin, Virginia

Schedule of Expenditures and Other Financing Uses - Budget and Actual

For the Year Ended June 30, 2023

General Fund

<u>Fund, Function, Activity, and Elements</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund				
General Government Administration				
<i>Legislative</i>				
City council	\$ 167,656	\$ 161,991	\$ 161,991	\$ -
<i>General and Financial Administration</i>				
City manager	338,046	292,345	295,487	(3,142)
City attorney	115,000	200,589	200,588	1
Management services and human resources	238,188	232,558	223,719	8,839
Commissioner of revenue	296,118	324,731	315,581	9,150
Real estate assessor	83,422	88,964	80,879	8,085
Treasurer	398,428	397,207	360,741	36,466
Accounting	381,052	447,100	447,292	(192)
Purchasing	128,175	127,158	124,589	2,569
Utility billings and collections	361,662	346,779	336,514	10,265
Opioid settlement funds	-	23,550	23,733	(183)
Insurance	192,398	172,180	171,112	1,068
Information Technology	<u>291,904</u>	<u>1,032,730</u>	<u>183,597</u>	<u>849,133</u>
Total General and Financial Administration	2,824,393	3,685,891	2,763,832	922,059
<i>Board of Elections</i>				
Electoral board and officials	<u>187,946</u>	<u>188,835</u>	<u>170,134</u>	<u>18,701</u>
Total Board of Elections	<u>187,946</u>	<u>188,835</u>	<u>170,134</u>	<u>18,701</u>
Total General Government Administration	3,179,995	4,036,717	3,095,957	940,760
Judicial Administration				
<i>Courts</i>				
Circuit court - joint operations	12,021	12,021	12,021	-
General district court	14,200	14,200	12,621	1,579
Sheriff's office	132,263	132,263	132,263	-
Clerk of the circuit court	78,351	78,351	78,351	-
Juvenile and domestic relations court	<u>245,234</u>	<u>294,612</u>	<u>294,612</u>	<u>-</u>
Total Courts	482,069	531,447	529,868	1,579

<u>Fund, Function, Activity, and Elements</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<i>Commonwealth's Attorney</i>	74,319	74,319	74,319	-
Total Commonwealth's Attorney	74,319	74,319	74,319	-
Total Judicial Administration	556,388	605,766	604,187	1,579
Public Safety				
<i>Law Enforcement and Traffic Control</i>				
Police department	3,238,763	5,395,185	3,196,671	2,198,514
Total Law Enforcement and Traffic Control	3,238,763	5,395,185	3,196,671	2,198,514
<i>Emergency Services</i>				
E-911 operations	801,199	899,789	737,073	162,716
Emergency management services	5,638,572	6,305,701	5,510,346	795,355
Total Emergency Services	6,439,771	7,205,490	6,247,419	958,071
<i>Correction and Detention</i>				
Detention - Western Tidewater Regional Jail	953,052	953,052	952,982	70
Total Correction and Detention	953,052	953,052	952,982	70
<i>Inspections</i>				
Building	371,920	869,183	321,870	547,313
Total Inspections	371,920	869,183	321,870	547,313
<i>Other Protection</i>				
Animal control	121,307	124,345	109,785	14,560
Total Other Protection	121,307	124,345	109,785	14,560
Total Public Safety	11,124,813	14,547,255	10,828,727	3,718,528
Public Works				
<i>Maintenance of highways, streets, bridges, and sidewalks</i>				
Streets and highways	1,894,563	4,935,172	4,248,838	686,334
Snow removal	15,000	15,000	279	14,721
Garage	280,406	333,789	316,915	16,874
Total Maintenance of Highways, Streets, Bridges, and Sidewalks	2,189,969	5,283,961	4,566,032	717,929

<u>Fund, Function, Activity, and Elements</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<i>Maintenance of General Buildings and Grounds</i>				
Maintenance of general buildings and grounds	1,163,587	1,189,590	1,025,035	164,555
Maintenance of city hall	204,521	213,813	212,854	959
Maintenance of social services	90,162	93,074	66,524	26,550
Maintenance of health department	42,623	43,747	35,850	7,897
	<u>1,500,893</u>	<u>1,540,224</u>	<u>1,340,263</u>	<u>199,961</u>
Total Maintenance of General Buildings and Grounds				
	<u>1,500,893</u>	<u>1,540,224</u>	<u>1,340,263</u>	<u>199,961</u>
Total Public Works	3,690,862	6,824,185	5,906,295	917,890
Health and Welfare				
<i>Health</i>				
Local health department	104,600	104,600	104,252	348
Children's Center	731,164	757,540	757,540	-
Mental health	33,262	33,262	33,262	-
	<u>869,026</u>	<u>895,402</u>	<u>895,054</u>	<u>348</u>
Total Health				
	<u>869,026</u>	<u>895,402</u>	<u>895,054</u>	<u>348</u>
Total Health and Welfare	869,026	895,402	895,054	348
Education				
Contribution to local school board	4,330,237	4,330,237	4,330,237	-
	<u>4,330,237</u>	<u>4,330,237</u>	<u>4,330,237</u>	<u>-</u>
Total Education	4,330,237	4,330,237	4,330,237	-
Parks, Recreation, and Cultural				
<i>Parks and Recreation</i>				
Programs and operations	535,309	1,781,386	715,178	1,066,208
Cemeteries	2,500	2,500	540	1,960
	<u>537,809</u>	<u>1,783,886</u>	<u>715,718</u>	<u>1,068,168</u>
Total Parks and Recreation	537,809	1,783,886	715,718	1,068,168
<i>Library</i>				
Library administration	280,789	281,210	277,397	3,813
	<u>280,789</u>	<u>281,210</u>	<u>277,397</u>	<u>3,813</u>
Total Library	280,789	281,210	277,397	3,813
Total Parks, Recreation, and Cultural	818,598	2,065,096	993,115	1,071,981

<u>Fund, Function, Activity, and Elements</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Community Development				
<i>Planning and Community Development</i>				
Planning and zoning	105,820	139,338	130,666	8,672
Beautification commission	200	17,165	5,091	12,074
Downtown development	69,589	209,337	148,955	60,382
Payments to Southampton County	<u>700,000</u>	<u>615,541</u>	<u>615,541</u>	<u>-</u>
Total Planning and Community Development	<u>875,609</u>	<u>981,381</u>	<u>900,253</u>	<u>81,128</u>
Total Community Development	875,609	981,381	900,253	81,128
Debt Service				
Principal	47,588	47,588	85,089	(37,501)
Interest	<u>-</u>	<u>-</u>	<u>2,169</u>	<u>(2,169)</u>
Total Debt Service	47,588	47,588	87,258	(39,670)
Other Financing Uses				
Transfers out to other funds	<u>2,351,953</u>	<u>9,182,149</u>	<u>4,152,271</u>	<u>5,029,878</u>
Total General Fund Before Transfer from Surplus	<u>27,845,069</u>	<u>43,515,776</u>	<u>31,793,354</u>	<u>11,722,422</u>
Transfer from Surplus	<u>-</u>	<u>71,564</u>	<u>-</u>	<u>(71,564)</u>
Total General Fund	<u>\$27,845,069</u>	<u>\$43,587,340</u>	<u>\$31,793,354</u>	<u>\$11,650,858</u>

City of Franklin, Virginia

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
CSA Fund				
Revenues				
Miscellaneous	\$ -	\$ -	\$ 9,588	\$ 9,588
Intergovernmental revenue - Commonwealth of Virginia	<u>124,245</u>	<u>124,245</u>	<u>524,527</u>	<u>400,282</u>
Total Revenues	124,245	124,245	534,115	409,870
Expenditures				
Health and welfare	<u>548,875</u>	<u>548,875</u>	<u>823,668</u>	<u>(274,793)</u>
Total Expenditures	<u>548,875</u>	<u>548,875</u>	<u>823,668</u>	<u>(274,793)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(424,630)	(424,630)	(289,553)	135,077
Other Financing Sources (Uses)				
Transfers in	<u>416,630</u>	<u>416,630</u>	<u>416,630</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>416,630</u>	<u>416,630</u>	<u>416,630</u>	<u>-</u>
Net Change in Fund Balances Before Transfer from Surplus	(8,000)	(8,000)	127,077	135,077
From Surplus	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>\$ (8,000)</u>	<u>\$ (8,000)</u>	127,077	<u>\$ 135,077</u>
Fund Balance - Beginning of Year			<u>161,006</u>	
Fund Balance - End of Year			<u>\$ 288,083</u>	
Regional Fire Training				
Revenues				
Revenue from use of money - interest income	\$ -	\$ 11,000	\$ 4,500	\$ (6,500)
Total Revenues	-	11,000	4,500	(6,500)
Expenditures				
Public safety	<u>-</u>	<u>11,000</u>	<u>3,254</u>	<u>7,746</u>
Total Expenditures	<u>-</u>	<u>11,000</u>	<u>3,254</u>	<u>7,746</u>
Net Change in Fund Balances Before Transfer from Surplus	-	-	1,246	1,246
From Surplus	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	1,246	<u>\$ 1,246</u>
Fund Balance - Beginning of Year			<u>16,469</u>	
Fund Balance - End of Year			<u>\$ 17,715</u>	

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Foundation Grants				
Revenues				
Miscellaneous	\$ -	\$ 175,644	\$ 78,300	\$ (97,344)
Total Revenues	-	175,644	78,300	(97,344)
Expenditures				
Public safety	-	175,644	79,462	96,182
Total Expenditures	-	175,644	79,462	96,182
Net Change in Fund Balances Before Transfer from Surplus	-	-	(1,162)	(1,162)
From Surplus	-	-	-	-
Net Change in Fund Balances	\$ -	\$ -	(1,162)	\$ (1,162)
Fund Balance - Beginning of Year			107,199	
Fund Balance - End of Year			\$ 106,037	

Western Tidewater Home Consortium Fund

Revenues				
Miscellaneous	\$ -	\$ -	\$ -	\$ -
Total Revenues	-	-	-	-
Expenditures				
Community development	-	-	-	-
Total Expenditures	-	-	-	-
Net Change in Fund Balances	\$ -	\$ -	-	\$ -
Fund Balance - Beginning of Year			28,697	
Fund Balance - End of Year			\$ 28,697	

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Madison Street Project Fund				
Revenues				
Miscellaneous	\$ -	\$ -	\$ -	\$ -
Intergovernmental - Federal	-	-	-	-
Total Revenues	-	-	-	-
Expenditures				
Community development	-	-	-	-
Total Expenditures	-	-	-	-
Net Change in Fund Balances Before Transfer from Surplus	-	-	-	-
From Surplus	-	-	-	-
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund Balance - Beginning of Year			44,213	
Fund Balance - End of Year			<u>\$ 44,213</u>	
Economic Development Fund				
Revenues				
Revenue from use of money and property	\$ 121,000	\$ 121,000	\$ 189,755	\$ 68,755
Miscellaneous	-	-	5,542	5,542
Total Revenues	121,000	121,000	195,297	74,297
Expenditures				
Community development	309,713	309,713	262,012	47,701
Total Expenditures	309,713	309,713	262,012	47,701
Excess (Deficiency) of Revenues Over (Under) Expenditures	(188,713)	(188,713)	(66,715)	121,998
Other Financing Sources (Uses)				
Transfers in	100,000	100,000	100,000	-
Total Other Financing Sources (Uses)	100,000	100,000	100,000	-
Net Change in Fund Balances Before Transfer from Surplus	(88,713)	(88,713)	33,285	121,998
From Surplus	88,713	88,713	-	(88,713)
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	33,285	<u>\$ 33,285</u>
Fund Balance - Beginning of Year			184,049	
Fund Balance - End of Year			<u>\$ 217,334</u>	
Laurel Street Project Fund				
Revenues				
Intergovernmental - Commonwealth of Virginia	\$ 30,000	\$ 30,000	\$ 9,033	\$ (20,967)
Intergovernmental - Federal	1,360,000	1,360,000	11,900	(1,348,100)
Total Revenues	1,390,000	1,390,000	20,933	(1,369,067)
Expenditures				
Community development	1,390,000	1,390,000	25,933	1,364,067
Total Expenditures	1,390,000	1,390,000	25,933	1,364,067
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	(5,000)	<u>\$ (5,000)</u>
Fund Balance - Beginning of Year			-	
Fund Balance (Deficit) - End of Year			<u>\$ (5,000)</u>	

STATISTICAL TABLES

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

STATISTICAL SECTION

CONTENTS

TABLES

Financial Trends

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

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Revenue Capacity

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

9-14

Debt Capacity

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

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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.

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Sources

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

City of Franklin, Virginia

Government-Wide Revenues

Year Ended June 30,

Fiscal Year	<u>Program Revenues</u>			<u>General Revenues</u>						Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	General Property Taxes and Other Local Taxes	Revenue Sharing from Counties	Grants and Contributions Not Restricted to Specific Programs	Unrestricted Investment Earnings and Use of Property	Miscellaneous		
2023	\$ 24,496,375	\$ 10,831,850	\$ -	\$ 16,295,026	\$ 1,113,098	\$ 1,444,871	\$ 671,234	\$ 685,734	\$ 55,538,188	
2022	23,063,215	10,241,972	-	14,557,376	1,076,561	1,490,981	1,649,452	653,475	52,733,032	
2021	21,277,268	7,005,905	-	14,032,280	1,118,627	1,528,752	530,126	833,753	46,326,711	
2020	21,528,919	5,157,991	-	13,719,191	1,051,877	1,570,025	675,574	507,900	44,211,477	
2019	22,496,828	5,000,115	-	13,330,148	1,224,442	1,582,289	530,891	742,562	44,907,275	
2018	22,422,329	6,031,100	-	13,194,078	782,345	1,610,034	622,814	936,143	45,598,843	
2017	21,293,588	4,349,358	-	12,801,214	785,799	1,628,216	447,219	771,580	42,076,974	
2016	19,565,443	4,473,028	-	12,871,881	709,171	1,639,089	427,293	879,193	40,565,098	
2015	21,723,121	4,188,762	1,113,036	12,623,788	704,969	1,662,463	676,115	692,495	43,384,749	
2014	21,275,915	4,036,731	93,223	12,008,907	556,765	1,663,516	706,839	438,559	40,780,455	

City of Franklin, Virginia

Government-Wide Expenses by Function

Year Ended June 30,

<u>Fiscal Year</u>	<u>General Government</u>	<u>Judicial</u>	<u>Public Safety</u>	<u>Public Works</u>	<u>Health and Welfare</u>	<u>Education</u>	<u>Parks, Recreation, and Cultural</u>	<u>Community Development</u>	<u>Non-Departmental</u>	<u>Interest on Long-Term Debt</u>	<u>Water and Sewer</u>	<u>Solid Waste</u>	<u>Electric</u>	<u>Airport</u>	<u>Total</u>
2023	\$ 1,955,637	\$ 438,519	\$ 8,373,694	\$ 5,339,201	\$ 3,430,755	\$ 4,330,237	\$ 864,291	\$ 1,188,198	\$ -	\$ 715,683	\$ 3,022,216	\$ 1,210,746	\$ 15,354,566	\$ 802,190	\$ 47,025,933
2022	2,765,685	528,559	8,873,018	3,723,882	3,114,961	4,830,237	896,658	1,255,804	-	638,179	3,606,945	1,105,456	13,724,987	494,003	45,558,374
2021	3,098,212	375,494	6,546,406	3,005,726	4,909,572	4,830,237	808,373	1,228,955	-	1,037,636	2,660,986	1,154,711	11,225,532	510,794	41,392,634
2020	3,090,604	435,499	6,723,826	3,452,223	2,700,161	5,135,157	820,768	1,674,377	-	433,701	2,858,645	1,165,884	12,221,788	570,704	41,283,337
2019	2,688,077	417,244	7,408,633	3,382,461	2,517,646	5,135,156	887,175	1,567,150	-	297,755	2,948,740	1,057,729	12,768,858	551,670	41,628,294
2018	3,003,717	344,563	7,723,020	3,122,262	2,471,638	5,279,390	747,262	1,822,617	-	307,416	3,012,357	1,106,538	12,474,698	541,774	41,957,252
2017	2,846,060	357,168	7,653,661	2,214,262	1,845,518	5,085,157	899,851	1,821,402	-	405,480	2,854,187	1,209,202	12,697,183	583,462	40,472,593
2016	2,607,038	307,583	7,037,551	2,988,081	2,026,852	6,231,066	848,064	2,013,965	49,188	758,348	2,742,836	1,235,963	13,566,039	515,723	42,928,297
2015	2,408,961	320,562	7,924,624	3,628,604	2,035,529	6,998,339	904,944	1,431,913	46,326	402,324	4,624,837	-	14,466,480	1,365,962	46,559,405
2014	1,581,531	312,767	6,806,355	3,457,133	1,890,689	5,753,084	778,365	1,714,373	63,905	458,420	2,927,576	-	13,464,599	631,437	39,840,234

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

City of Franklin, Virginia

General Governmental Revenues by Source

Year Ended June 30,

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
General property taxes	\$ 8,687,058	\$ 7,852,886	\$ 7,962,856	\$ 7,835,275	\$ 7,309,506	\$ 7,357,887	\$ 7,249,980	\$ 7,343,086	\$ 7,037,730	\$ 6,810,144
Other local taxes	7,459,894	6,673,465	6,350,185	5,873,063	5,640,865	5,688,011	5,577,423	5,566,974	5,586,058	5,198,763
Permits, fees, and licenses	137,112	142,031	108,891	222,025	221,676	200,195	532,781	173,306	239,299	168,629
Fines and forfeitures	41,376	32,313	30,157	26,129	32,044	29,209	34,508	31,899	32,553	37,418
Use of money and property	625,533	2,421,816	567,492	645,310	536,295	632,232	450,868	532,087	545,633	423,159
Charges for services	1,905,170	1,896,853	1,828,853	1,831,743	1,835,064	1,530,851	1,511,417	1,417,125	1,484,170	1,380,953
Miscellaneous and donations	1,718,054	1,719,612	2,273,238	1,803,227	2,186,278	2,109,223	1,878,594	2,152,732	1,607,125	1,290,444
Recovered costs	3,444,501	2,226,658	2,250,142	1,624,983	439,819	271,535	238,678	297,156	248,457	284,056
Intergovernmental	12,063,886	11,705,346	20,748,357	17,568,208	17,124,054	16,944,994	16,767,764	16,349,319	17,445,443	16,823,269
Total	\$ 36,082,584	\$ 34,670,980	\$ 42,120,171	\$ 37,429,963	\$ 35,325,601	\$ 34,764,137	\$ 34,242,013	\$ 33,863,684	\$ 34,226,468	\$ 32,416,835

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

City of Franklin, Virginia

General Governmental Expenditures by Function

Last Ten Fiscal Years Ended June 30,

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
General government administration	\$ 3,135,488	\$ 2,782,436	\$ 2,966,298	\$ 2,807,353	\$ 2,567,819	\$ 2,629,856	\$ 2,510,396	\$ 2,854,178	\$ 2,211,912	\$ 2,173,109
Judicial administration	3,411,601	1,557,506	383,667	466,318	417,244	344,563	357,168	295,583	320,562	312,767
Public safety	10,911,443	12,218,262	10,899,576	8,498,710	7,709,231	7,927,401	7,626,452	7,197,590	7,537,609	7,051,828
Public works	5,906,295	4,292,950	3,599,196	3,840,001	2,907,870	3,178,555	3,613,994	3,610,007	2,970,313	3,874,669
Health and welfare	3,594,679	3,698,572	2,758,209	2,854,474	2,603,522	2,458,149	1,804,334	2,020,091	1,990,435	1,919,290
Education	4,330,237	4,830,237	17,197,953	16,138,195	15,736,678	15,671,852	16,662,510	17,745,962	18,687,553	17,167,862
Parks, recreation, and cultural	996,517	1,007,522	788,400	1,046,825	751,930	738,249	752,435	694,894	728,009	890,590
Community development	1,188,198	1,250,442	1,282,566	1,665,012	1,586,349	1,990,535	1,818,821	2,011,098	1,431,913	1,714,373
Nondepartmental	-	-	-	-	-	-	-	49,188	46,326	39,835
<i>Debt service</i>										
Principal retirement	726,089	756,236	2,836,320	556,081	1,560,832	592,984	547,673	6,245,308	480,082	355,041
Interest and fiscal charges	719,763	490,720	1,030,786	706,978	375,884	393,841	441,519	785,550	402,324	417,441
Totals	<u>\$34,920,310</u>	<u>\$32,884,883</u>	<u>\$43,742,971</u>	<u>\$38,579,947</u>	<u>\$36,217,359</u>	<u>\$35,925,985</u>	<u>\$36,135,302</u>	<u>\$43,509,449</u>	<u>\$36,807,038</u>	<u>\$35,916,805</u>

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

City of Franklin, Virginia

Fund Balances - Governmental Funds

Last Ten Fiscal Years Ended June 30,

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Post-GASB 54 Implementation										
General Fund										
Nonspendable	\$ 971,738	\$ 971,738	\$ 969,874	\$ 969,874	\$ 969,874	\$ 969,874	\$ 969,874	\$ 969,874	\$ 969,874	\$ 969,874
Restricted	4,074,068	4,074,068	853,364	504,364	-	-	58,743	98,743	493,480	240,686
Committed	-	70,982	244,349	-	-	-	-	-	7,336	496,110
Assigned	-	415,315	870,130	412,715	286,970	339,363	491,280	658,214	475,028	1,113,614
Unassigned	17,025,224	10,775,904	8,584,579	6,549,082	4,815,905	4,189,190	5,055,159	5,035,674	5,123,487	4,071,412
Total General Fund	\$ 22,071,030	\$ 16,308,007	\$ 11,522,296	\$ 8,436,035	\$ 6,072,749	\$ 5,498,427	\$ 6,575,056	\$ 6,762,505	\$ 7,069,205	\$ 6,891,696
All Other Governmental Funds										
Restricted	\$ 6,107,060	\$ 7,594,146	\$ 9,499,366	\$ 6,645,988	\$ 3,119,538	\$ 3,452,753	\$ 3,205,897	\$ 2,816,762	\$ 744,137	\$ 2,354,530
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	288,083	161,006	-	-	-	-	-	-	3,126,402	1,185,642
<i>Unassigned, reported in</i>										
Special revenue funds	(6,991)	(1,991)	(29,992)	(65,025)	(33,564)	(19,222)	(431,058)	-	2,845	2,845
Total All Other Governmental Funds	\$ 6,388,152	\$ 7,753,161	\$ 9,469,374	\$ 6,580,963	\$ 3,085,974	\$ 3,433,531	\$ 2,774,839	\$ 2,816,762	\$ 3,873,384	\$ 3,543,017
Total All Governmental Funds	\$ 28,459,182	\$ 24,061,168	\$ 20,991,670	\$ 15,016,998	\$ 9,158,723	\$ 8,931,958	\$ 9,349,895	\$ 9,579,267	\$ 10,942,589	\$ 10,434,713

City of Franklin, Virginia

Changes in Fund Balance - Governmental Funds

Last Ten Fiscal Years Ended June 30,

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Revenues										
General property taxes	\$ 8,687,058	\$ 7,852,886	\$ 7,962,856	\$ 7,835,275	\$ 7,309,506	\$ 7,357,887	\$ 7,249,980	\$ 7,343,086	\$ 7,037,730	\$ 6,810,144
Other local taxes	7,459,894	6,673,465	6,350,185	5,873,063	5,640,865	5,688,011	5,577,423	5,566,974	5,586,058	5,198,763
Permits, privilege fees, and regulatory licenses	137,112	142,031	108,891	222,025	221,676	200,195	532,781	173,306	239,299	168,629
Fines and forfeitures	41,376	32,313	30,157	26,129	32,044	29,209	34,508	31,899	32,553	37,418
Revenue from use of money and property	625,533	2,421,816	567,478	644,792	526,566	620,781	445,878	524,433	433,216	423,111
Charges for services	1,905,170	1,896,853	1,819,085	1,789,206	1,800,790	1,488,704	1,356,274	1,375,315	1,433,589	1,380,953
Miscellaneous	1,718,054	1,719,612	1,940,161	1,547,373	1,926,311	1,695,272	1,531,135	1,581,331	1,397,464	995,324
Recovered costs	3,444,501	2,226,658	2,250,142	1,624,983	439,819	271,535	238,678	296,988	242,899	283,729
Intergovernmental	12,063,886	11,705,346	8,467,026	6,597,375	6,252,683	6,130,028	5,852,460	6,056,065	6,069,592	5,787,624
Total Revenues	36,082,584	34,670,980	29,495,981	26,160,221	24,150,260	23,481,622	22,819,117	22,949,397	22,472,400	21,085,695
Expenditures										
Current										
General government administration	3,135,488	2,782,436	2,966,298	2,807,353	2,567,819	2,629,856	2,510,396	2,854,178	2,211,912	2,173,109
Judicial administration	3,411,601	1,557,506	383,667	466,318	417,244	344,563	357,168	295,583	320,562	312,767
Public safety	10,911,443	12,218,262	10,899,576	8,498,710	7,709,231	7,927,401	7,626,452	7,197,590	7,537,609	7,051,828
Public works	5,906,295	4,292,950	3,599,196	3,840,001	2,907,870	3,178,555	3,613,994	3,610,007	2,970,313	3,874,669
Health and welfare	3,594,679	3,698,572	2,758,209	2,854,474	2,603,522	2,458,149	1,804,334	2,020,091	1,990,435	1,919,290
Education	4,330,237	4,830,237	4,830,237	5,037,395	5,037,395	5,181,628	5,043,504	6,563,431	6,892,767	5,820,046
Parks, recreation, and cultural	996,517	1,007,522	788,400	1,046,825	751,930	738,249	752,435	694,894	728,009	890,590
Community development	1,188,198	1,250,442	1,282,566	1,665,012	1,586,349	1,990,535	1,818,821	2,011,098	1,431,913	1,714,373
Nondepartmental	-	-	-	-	-	-	-	49,188	46,326	39,835
Debt service										
Principal retirement	726,089	756,236	2,741,251	484,895	1,560,832	567,244	547,673	6,245,308	480,082	355,041
Interest and other fiscal charges	719,763	490,720	956,450	613,693	375,884	419,581	441,519	785,550	402,324	417,441
Total Expenditures	34,920,310	32,884,883	31,205,850	27,314,676	25,518,076	25,435,761	24,516,296	32,326,918	25,012,252	24,568,989
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,162,274	1,786,097	(1,709,869)	(1,154,455)	(1,367,816)	(1,954,139)	(1,697,179)	(9,377,521)	(2,539,852)	(3,483,294)
Other Financing Sources (Uses)										
Issuance of debt	2,143,594	-	5,529,800	6,947,708	-	-	-	6,117,000	1,816,000	-
General obligation refunding bonds issued	-	-	1,895,000	5,000,000	-	-	-	-	-	-
Payment to refunding bond escrow agent	-	-	(1,815,604)	(6,660,773)	-	-	-	-	-	-
Transfers in	10,409,415	8,930,873	5,940,887	6,461,840	4,184,983	3,996,654	3,520,736	3,222,004	3,207,161	3,185,390
Transfers out	(9,407,853)	(7,836,888)	(4,101,494)	(4,736,045)	(2,590,402)	(2,460,452)	(2,052,929)	(1,767,674)	(1,897,291)	(1,872,093)
Lease liabilities issued	62,024	26,997	-	-	-	-	-	-	-	-
Financed purchase obligations	-	162,419	235,952	-	-	-	-	461,416	-	-
Total Other Financing Sources (Uses)	3,207,180	1,283,401	7,684,541	7,012,730	1,594,581	1,536,202	1,467,807	8,032,746	3,125,870	1,313,297
Net Change in Fund Balances	\$ 4,369,454	\$ 3,069,498	\$ 5,974,672	\$ 5,858,275	\$ 226,765	\$ (417,937)	\$ (229,372)	\$ (1,344,775)	\$ 586,018	\$ (2,169,997)
Debt Service as a Percentage of Noncapital Expenditures	4%	4%	12%	4%	8%	4%	4%	22%	4%	3%

City of Franklin, Virginia

Net Position by Component

June 30,

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Governmental Activities										
Net investment in capital assets	\$ 7,803,909	\$ 4,875,286	\$ 8,919,139	\$ 9,469,367	\$ 10,863,669	\$ 10,902,923	\$ 10,732,282	\$ 7,885,690	\$ 7,820,476	\$ 12,910,601
Restricted	1,578,975	6,447,172	7,776,780	2,350,763	1,838,813	2,561,938	3,264,640	3,119,104	1,237,617	2,595,216
Unrestricted	<u>20,901,822</u>	<u>11,721,428</u>	<u>183,381</u>	<u>986,555</u>	<u>1,086,369</u>	<u>(1,059,512)</u>	<u>411,654</u>	<u>2,268,401</u>	<u>9,783,115</u>	<u>5,556,004</u>
Total Governmental Activities	30,284,706	23,043,886	16,879,300	12,806,685	13,788,851	12,405,349	14,408,576	13,273,195	18,841,208	21,061,821
Business-Type Activities										
Net investment in capital assets	7,896,054	6,686,158	8,817,902	8,665,767	8,872,780	8,410,799	7,563,748	7,194,170	5,967,851	6,677,554
Restricted	1,797,488	2,770,389	3,848,034	2,976,000	-	-	-	-	-	-
Unrestricted	<u>9,213,316</u>	<u>8,150,316</u>	<u>3,930,855</u>	<u>2,943,644</u>	<u>4,590,061</u>	<u>3,156,563</u>	<u>580,875</u>	<u>(426,206)</u>	<u>1,904,949</u>	<u>2,798,246</u>
Total Business-Type Activities	18,906,858	17,606,863	16,596,791	14,585,411	13,462,841	11,567,362	8,144,623	6,767,964	7,872,800	9,475,800
Primary Government										
Net investment in capital assets	15,699,963	11,561,444	17,737,041	18,135,134	19,736,449	19,313,722	18,296,030	15,079,860	13,788,327	19,588,155
Restricted	3,376,463	9,217,561	11,624,814	5,326,763	1,838,813	2,561,938	3,264,640	3,119,104	1,237,617	2,595,216
Unrestricted	<u>30,115,138</u>	<u>19,871,744</u>	<u>4,114,236</u>	<u>3,930,199</u>	<u>5,676,430</u>	<u>2,097,051</u>	<u>992,529</u>	<u>1,842,195</u>	<u>11,688,064</u>	<u>8,354,250</u>
Total Primary Government	\$49,191,564	\$40,650,749	\$33,476,091	\$27,392,096	\$27,251,692	\$23,972,711	\$22,553,199	\$20,041,159	\$26,714,008	\$30,537,621

City of Franklin, Virginia

Change in Net Position
Ended June 30,

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Expenses										
Governmental Activities										
General government administration	\$ 1,955,637	\$ 2,765,685	\$ 3,098,212	\$ 3,090,604	\$ 2,688,077	\$ 3,003,717	\$ 2,846,060	\$ 2,656,226	\$ 2,455,287	\$ 1,645,436
Judicial	438,519	528,559	375,494	435,499	417,244	344,563	357,168	307,583	320,562	312,767
Public safety	8,373,694	8,873,018	6,546,406	6,723,826	7,408,633	7,723,020	7,653,661	7,037,551	7,924,624	6,806,355
Public works	5,339,201	3,723,882	3,005,726	3,452,223	3,382,461	3,122,262	2,214,262	2,988,081	3,628,604	3,457,133
Health and welfare	3,430,755	3,114,961	4,909,572	2,700,161	2,517,646	2,471,638	1,845,518	2,026,852	2,035,529	1,890,689
Education	4,330,237	4,830,237	4,830,237	5,135,157	5,135,156	5,279,390	5,085,157	6,231,066	6,998,339	5,753,084
Parks, recreation, and cultural	864,291	896,658	808,373	820,768	887,175	747,262	899,851	848,064	904,944	778,365
Community development	1,188,198	1,255,804	1,228,955	1,674,377	1,567,150	1,822,617	1,821,402	2,013,965	1,431,913	1,714,373
Interest on long-term debt	715,683	638,179	1,037,636	433,701	297,755	307,416	405,480	758,348	402,324	458,420
Total Governmental Activities	<u>26,636,215</u>	26,626,983	25,840,611	24,466,316	24,301,297	24,821,885	23,128,559	24,867,736	26,102,126	22,816,622
Business-Type Activities										
Water and sewer	3,022,216	3,606,945	2,660,986	2,858,645	2,948,740	3,012,357	2,854,187	2,742,836	3,275,718	2,927,576
Solid waste	1,210,746	1,105,456	1,154,711	1,165,884	1,057,729	1,106,538	1,209,202	1,235,963	1,349,119	1,319,111
Electric	15,354,566	13,724,987	11,225,532	12,221,788	12,768,858	12,474,698	12,697,183	13,566,039	14,466,480	13,464,599
Airport	802,190	494,003	510,794	570,704	551,670	541,774	583,462	515,723	1,365,962	631,437
Total Business-Type Activities	<u>20,389,718</u>	18,931,391	15,552,023	16,817,021	17,326,997	17,135,367	17,344,034	18,060,561	20,457,279	18,342,723
Total Expenses	<u>47,025,933</u>	45,558,374	41,392,634	41,283,337	41,628,294	41,957,252	40,472,593	42,928,297	46,559,405	41,159,345
Program Revenues										
Governmental Activities										
<i>Charges for Services</i>										
General government administration	1,100,931	1,366,353	1,100,209	987,874	967,858	763,125	984,336	732,066	242,355	384,455
Judicial	4,096	2,136	6,764	7,464	10,021	9,910	7,324	11,875	37,251	41,794
Public safety	652,853	501,084	540,797	750,111	795,134	706,782	375,713	416,434	457,629	422,447
Public works	310,109	186,094	305,617	288,459	277,606	230,475	549,664	407,055	960,179	710,310
Health and welfare	-	3,807	-	-	-	-	-	5,524	(1,594)	17,141
Parks, recreation, and cultural	15,669	11,723	4,746	3,452	3,891	7,816	6,526	7,566	9,621	10,853
Operating Grants and Contributions	<u>10,619,015</u>	<u>10,214,365</u>	<u>6,938,274</u>	<u>5,027,350</u>	<u>4,670,394</u>	<u>4,519,994</u>	<u>4,224,244</u>	<u>4,416,976</u>	<u>4,188,762</u>	<u>4,036,731</u>
Total Governmental Activities	<u>12,702,673</u>	12,285,562	8,896,407	7,064,710	6,724,904	6,238,102	6,147,807	5,997,496	5,894,203	5,623,731
Business-Type Activities										
<i>Charges for Services</i>										
Water and sewer	3,641,583	3,624,503	3,308,959	3,264,193	3,304,585	3,250,423	3,573,740	2,904,767	3,045,691	3,049,282
Solid waste	1,359,924	1,347,823	1,312,689	1,313,049	1,283,745	1,293,890	1,373,427	1,305,582	1,365,620	1,343,522
Electric	17,284,862	15,926,305	14,606,746	14,833,882	15,754,257	16,024,281	14,332,022	13,664,164	15,474,300	15,117,660
Airport	126,348	93,387	90,741	80,435	99,731	135,627	90,836	110,410	132,069	178,450
<i>Operating Grants and Contributions</i>										
Water and sewer	-	-	-	-	-	91,653	728	-	-	-
Electric	-	-	-	-	-	-	7,383	-	-	-
Airport	<u>212,835</u>	27,607	67,631	130,641	329,721	1,419,453	117,003	56,052	1,113,036	93,223
Total Business-Type Activities	<u>22,625,552</u>	21,019,625	19,386,766	19,622,200	20,772,039	22,215,327	19,495,139	18,040,975	21,130,716	19,782,137
Total Program Revenues	<u>35,328,225</u>	33,305,187	28,283,173	26,686,910	27,496,943	28,453,429	25,642,946	24,038,471	27,024,919	25,405,868

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Governmental Activities Net Expense	(13,933,542)	(14,341,421)	(16,944,204)	(17,401,606)	(17,576,393)	(18,583,783)	(16,980,752)	(18,870,240)	(20,207,923)	(17,192,891)
Business-Type Activities Net Expense	2,235,834	2,088,234	3,834,743	2,805,179	3,445,042	5,079,960	2,151,105	(19,586)	673,437	1,439,414
Total Primary Government Net Expense	(11,697,708)	(12,253,187)	(13,109,461)	(14,596,427)	(14,131,351)	(13,503,823)	(14,829,647)	(18,889,826)	(19,534,486)	(15,753,477)
General Revenues and Other Changes in Net Position										
Governmental Activities										
<i>Taxes</i>										
Property taxes	8,835,132	7,883,911	7,682,095	7,846,128	7,689,283	7,506,067	7,223,791	7,304,907	7,037,730	6,810,144
Local sales and use taxes	2,394,886	2,171,099	2,111,038	1,946,296	1,896,307	1,854,694	1,799,419	1,767,781	1,800,368	-
Consumers' utility taxes	529,582	542,265	525,033	541,040	539,420	544,306	565,160	574,958	576,452	-
Business license taxes	1,322,231	1,171,365	1,020,193	1,035,797	959,312	973,005	959,132	969,181	921,270	-
Motor vehicle license taxes	214,611	199,297	227,080	184,549	184,638	187,023	185,505	188,080	195,333	-
Cigarette taxes	379,132	311,078	337,113	359,057	300,133	298,773	316,662	352,199	373,904	-
Lodging taxes	199,864	194,387	178,791	133,484	148,234	170,060	141,318	123,626	149,166	-
Restaurant food taxes	2,235,378	1,917,888	1,805,178	1,531,440	1,478,018	1,522,481	1,498,567	1,494,137	1,439,601	-
Other local taxes	184,210	166,086	145,759	141,400	134,803	137,669	111,660	97,012	129,964	5,198,763
Revenue sharing from counties	1,113,098	1,076,561	1,118,627	1,051,877	1,224,442	782,345	785,799	709,171	704,969	556,765
Revenue from use of money and property	621,055	1,644,053	526,315	644,792	526,566	620,141	445,878	417,798	676,115	706,839
Noncategorical aid from state	1,444,871	1,490,981	1,528,752	1,570,025	1,582,289	1,610,034	1,628,216	1,639,089	1,662,463	1,663,516
Miscellaneous	670,190	643,051	821,534	495,496	701,869	912,927	745,336	872,161	692,495	438,559
Transfers	1,001,562	1,093,985	1,839,393	1,725,795	1,594,581	1,536,202	1,467,807	1,454,330	1,309,870	1,314,660
Total Governmental Activities	21,145,802	20,506,007	19,866,901	19,207,176	18,959,895	18,655,727	17,874,250	17,964,430	17,669,700	16,689,246
Business-Type Activities										
Revenue from use of money and property	50,179	5,399	3,811	30,782	4,325	2,673	1,341	9,495	-	-
Miscellaneous	15,544	10,424	12,219	12,404	40,693	23,216	26,244	7,032	-	-
Transfers	(1,001,562)	(1,093,985)	(1,839,393)	(1,725,795)	(1,594,581)	(1,536,202)	(1,467,807)	(1,454,330)	(1,309,870)	(1,314,660)
Total Business-Type Activities	(935,839)	(1,078,162)	(1,823,363)	(1,682,609)	(1,549,563)	(1,510,313)	(1,440,222)	(1,437,803)	(1,309,870)	(1,314,660)
Total General Revenues and Other Changes in Net Position	20,209,963	19,427,845	18,043,538	17,524,567	17,410,332	17,145,414	16,434,028	16,526,627	16,359,830	15,374,586
Change in Net Position										
Governmental activities	7,212,260	6,164,586	2,922,697	1,805,570	1,383,502	71,944	893,498	(905,810)	(2,538,223)	(503,645)
Business-type activities	1,299,995	1,010,072	2,011,380	1,122,570	1,895,479	3,569,647	710,883	(1,457,389)	(636,433)	124,754
Total Primary Government	\$ 8,512,255	\$ 7,174,658	\$ 4,934,077	\$ 2,928,140	\$ 3,278,981	\$ 3,641,591	\$ 1,604,381	\$ (2,363,199)	\$ (3,174,656)	\$ (378,891)

NOTE: The detailed breakdown of taxes for the year 2014 is not available.

Table 9

City of Franklin, Virginia

Property Tax Levies and Collections

Last Ten Fiscal Years Ended June 30,

<u>Year</u>	<u>Total Tax Levy⁽¹⁾</u>	<u>Current Tax Collections⁽¹⁾</u>	<u>Percent of Levy Collected</u>	<u>Delinquent Tax Collections⁽¹⁾⁽²⁾</u>	<u>Total Tax Collections</u>	<u>Percent of Total Tax Collections to Tax Levy</u>
2023	\$ 8,983,505	\$ 9,025,431	100.47%	\$ -	\$ 9,025,431	100.47%
2022	7,983,114	8,313,299	104.14%	164,077	8,313,299	104.14%
2021	8,837,937	8,469,095	95.83%	164,077	8,633,172	97.68%
2020	8,772,671	8,480,104	96.67%	513,624	8,993,728	102.52%
2019	8,307,702	7,964,338	95.87%	265,364	8,229,702	99.06%
2018	8,053,723	7,949,357	98.70%	274,496	8,223,853	102.11%
2017	8,115,389	7,848,696	96.71%	370,728	8,219,424	101.28%
2016	8,124,907	7,990,238	98.34%	292,049	8,282,287	101.94%
2015	7,856,015	7,537,704	95.95%	367,189	7,904,893	100.62%
2014	7,764,626	7,384,115	95.10%	436,503	7,820,618	100.72%

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. Collections include amounts reimbursed by the state for personal property taxes under the Personal Property Tax Relief Act (PPTRA) of 1998.

City of Franklin, Virginia

Assessed Value of Taxable Property

Last Ten Fiscal Years Ended June 30,

Year					Public Service Corporations		Total	Total Direct Tax Rate
	Real Estate	Personal Property	Mobile Home	Machinery and Tools	Real Estate	Personal Property		
2023	\$ 635,002,705	\$ 71,428,226	\$ -	\$ 1,292,253	\$ 6,446,802	\$ 3,017	\$ 714,173,003	1.20
2022	552,989,811	77,175,937	-	1,223,323	6,831,427	3,017	638,223,515	1.30
2021	578,298,500	69,480,561	-	1,219,334	8,481,431	3,112	657,482,938	1.30
2020	571,192,990	66,539,922	-	1,205,332	8,387,464	3,262	647,328,970	1.40
2019	558,830,605	67,602,891	-	973,154	8,003,166	3,190	635,413,006	1.30
2018	550,853,846	62,891,034	-	1,000,717	7,535,131	3,262	622,283,990	1.29
2017	551,169,536	64,088,674	-	994,840	6,885,844	9,872	623,148,766	1.43
2016	550,548,631	61,007,684	-	970,081	6,771,272	14,362	619,312,030	1.31
2015	546,840,453	60,195,857	-	928,666 ⁽¹⁾	6,551,183	43,818	614,559,977	1.36
2014	571,544,231	59,269,598	-	3,136,696	6,588,695	77,003	640,616,223	1.34

Source: City of Franklin Treasurer

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

City of Franklin, Virginia

Property Tax Rates

Tax Rates per Hundred Dollars of Assessed Value

Last Ten Fiscal Years Ended June 30,

<u>Year</u>	<u>Real Estate</u>		<u>Personal Property</u>	<u>Mobile Home</u>	<u>Machinery and Tools</u>	<u>Public Service Corporation</u>	
						<u>Real Estate⁽¹⁾</u>	<u>Personal Property</u>
2023	1.03 / 1.27	⁽⁸⁾	4.50	1.03	2.00	1.03	4.50
2022	1.03 / 1.27	⁽⁸⁾	4.50	1.03	2.00	1.03	4.50
2021	1.03 / 1.27	⁽⁸⁾	4.50	1.03	2.00	1.03	4.50
2020	1.03 / 1.27	⁽⁷⁾	4.50	0.99	2.00	1.03	4.50
2019	0.99 / 1.23	⁽⁶⁾	4.50	0.99	2.00	0.99	4.50
2018	0.99 / 1.23	⁽⁶⁾	4.50	0.99	2.00	0.99	4.50
2017	0.99 / 1.23	⁽⁶⁾	4.50	0.99	2.00	0.99	4.50
2016	0.99 / 1.23	⁽⁶⁾	4.50	0.99	2.00	0.99	4.50
2015	0.96 / 1.20	⁽⁵⁾	4.50	0.96	2.00	0.96	4.50
2014	0.90 / 1.14	⁽⁴⁾	4.50	0.90	2.00	0.90	4.50

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

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

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

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

⁽⁷⁾Downtown district real estate tax rate was \$1.27 and remaining areas were taxed at \$1.03 for real estate.

⁽⁸⁾Downtown district real estate tax rate was \$1.27 and remaining areas were taxed at \$1.03 for real estate.

Source: City of Franklin Commissioner of Revenue

City of Franklin, Virginia

Principal Taxpayers - Real Estate

Current Year and Nine Years Ago

Fiscal Year 2023

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2022 Assessed Valuation</u>	<u>Percent of Total Assessed Valuation of Real Estate</u>
The Village at Woods Edge	Retirement Home	\$ 14,427,195	2.25%
James L. Rifkin Estate	Shopping Center	10,766,500	1.68%
37 Wm Dorchester, LLC	Apartments	8,695,200	1.36%
Lowes Home Centers, Inc.	Retail - Hardware	7,111,500	1.11%
J Cars III Properties LLC	Car Dealership	7,062,400	1.10%
F.P. Associates, Inc.	Apartments	6,193,100	0.97%
F P A LLC	Apartments	5,953,500	0.93%
Meadowridge Apartments LLC	Apartments	5,385,300	0.84%
Southampton Shopping Center, LP	Shopping Center	5,326,300	0.83%
Adjacent Properties Inc.	Apartments	<u>5,191,000</u>	<u>0.81%</u>
		<u>\$ 76,111,995</u>	<u>11.87%</u>
Total Assessed Real Estate		<u>\$ 641,449,507</u>	

Fiscal Year 2014

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2013 Assessed Valuation</u>	<u>Percent of Total Assessed Valuation of Real Estate</u>
Franklin Hospital Corporation	Hospital	\$ 23,836,800	3.72%
James L. Rifkin Estate	Shopping Center	11,202,300	1.75%
The Village at Woods Edge	Retirement Home	10,315,800	1.61%
Lowes Home Centers, Inc.	Retail - Hardware	8,115,000	1.27%
Southampton Shopping Center, LP	Shopping Center	5,228,900	0.82%
Meadowridge Apartments LLC	Apartments	4,775,000	0.75%
Money Mailer	Direct Mail	4,408,900	0.69%
F.P. Associates, Inc.	Apartments	4,280,000	0.67%
Dorchester Apartments LP	Apartments	3,930,000	0.61%
Adjacent Properties Inc.	Apartments	<u>3,750,000</u>	<u>0.59%</u>
		<u>\$ 79,842,700</u>	<u>12.46%</u>
Total Assessed Real Estate		<u>\$ 640,616,223</u>	

Source: City of Franklin Treasurer

City of Franklin, Virginia

Principal Taxpayers - Personal Property

Current Year and Nine Years Ago

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Fiscal Year 2023</u>	
		<u>2022 Assessed Valuation</u>	<u>Percent of Total Assessed Personal Property</u>
Bon Secours Mercy Health Franklin	Hospital	\$ 1,310,792	1.80%
Spectrum Southeast LLC	Service - Telecommunications	1,001,227	1.38%
Lowe's Home Centers LLC	Retail - Hardware	702,718	0.97%
Wal-Mart Store, Inc.	Shopping Center	660,672	0.91%
Love's Travel Stop	Shopping Center	583,644	0.80%
Food Lion, Inc.	Retail - Grocery	493,263	0.68%
The Village at Woods Edge	Retirement Home	466,184	0.64%
Alliance Healthcare Services	Medical Practice	309,603	0.43%
Franklin Chevrolet Buick GMC, LLC	Car Dealership	260,901	0.36%
Sheet Metal Products, Inc.	Contractor	406,248	0.56%
		<u>\$ 6,195,252</u>	<u>8.52%</u>
Total Assessed Personal Property		<u>\$ 72,720,479</u>	

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Fiscal Year 2014</u>	
		<u>2013 Assessed Valuation</u>	<u>Percent of Total Assessed Personal Property</u>
Franklin Hospital Corporation	Hospital	\$ 2,527,429	4.05%
Charter Communications	Service - Telecommunications	820,699	1.32%
Lowes Home Centers #2698	Retail - Hardware	713,365	1.14%
Richfood Procurement LLC	Retail - Grocery	656,668	1.05%
Wal-Mart Store, Inc.	Retail - Variety	625,470	1.00%
Butler Paper Recycling, Inc.	Paper Recycling	479,138	0.77%
Food Lion	Retail - Grocery	383,189	0.61%
The Village at Woods Edge	Retirement Home	369,256	0.59%
CHS PSC Leasing	Leasing Company	195,543	0.31%
Modern Oil	Oil Company	156,708	0.25%
		<u>\$ 6,927,465</u>	<u>11.10%</u>
Total Assessed Personal Property		<u>\$ 62,406,294</u>	

Source: City of Franklin Treasurer

City of Franklin, Virginia

Taxable Sales by Category

Last Ten Calendar Years Ended June 30,

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Merchant Wholesaler, Durable										
Merchant Wholesaler, Durable Goods	\$ 4,843,215	\$ 5,017,088	\$ 4,485,732	\$ 3,024,397	\$ 2,678,873	\$ 2,904,459	\$ 2,371,632	\$ 1,806,127	\$ 1,669,822	\$ 3,188,873
Merchant Wholesaler, Non-Durable Goods	2,790,670	2,889,094	2,316,498	1,938,925	1,869,475	2,064,428	2,111,572	2,080,192	-	-
Motor vehicle and parts dealers	8,064,022	5,854,760	5,697,229	5,429,051	5,408,868	5,239,325	5,112,592	4,889,783	4,709,352	4,721,876
Furniture and home furnishings	667,309	302,424	328,789	561,280	1,546,225	341,428	-	-	1,049,067	2,279,473
Building materials, farm and garden supplies	-	-	-	-	-	-	-	-	-	15,626,661
Food and beverage stores	23,127,789	17,128,166	17,247,516	14,414,547	13,157,798	19,233,198	9,678,555	9,947,261	15,181,770	18,978,071
Health and personal care	2,369,539	3,170,130	3,270,815	2,866,890	2,756,299	1,392,119	1,770,890	1,214,184	1,094,381	995,056
Gasoline stations	9,630,837	9,891,959	9,568,308	8,169,647	8,366,142	8,084,526	7,355,646	6,696,970	5,883,759	6,912,466
Clothing and clothing accessories stores	1,348,515	1,595,020	1,499,367	1,322,567	1,466,197	1,524,724	1,452,903	1,521,078	1,640,436	1,800,686
Sporting goods, hobby, book and music stores	1,923,246	1,421,628	581,310	-	259,303	923,119	957,114	1,126,773	572,043	213,433
General merchandise stores	69,704,208	63,824,523	61,892,416	58,494,409	59,310,729	60,197,822	59,931,329	61,689,841	59,265,803	59,383,364
Miscellaneous store retailers	2,439,360	2,215,071	2,186,672	1,806,369	1,587,891	1,847,959	2,156,400	3,247,600	2,506,553	1,668,453
Nonstore retailers	4,597,230	5,398,971	3,131,810	2,982,953	3,285,966	290,142	362,880	574,780	1,056,137	1,050,957
Rental and lease services	91,267	141,755	185,575	176,987	143,103	160,149	135,257	138,706	-	43,429
Professional, scientific, and technical services	-	16,861	-	1,130,741	428,204	-	-	1,284,188	496,354	-
Administrative and support services	-	-	35,879	-	-	-	-	-	-	-
Accommodation	-	-	-	-	-	-	-	-	-	-
Food services and drinking places	26,378,139	24,106,439	23,340,965	19,625,591	20,159,158	19,702,931	18,923,698	18,645,187	16,428,458	15,989,545
Repair and maintenance	-	2,837,598	3,716,193	2,244,478	2,708,919	3,161,387	4,043,033	3,962,936	4,217,944	3,594,792
Personal and laundry services	1,153,039	1,325,965	1,108,244	1,034,436	1,171,204	1,105,658	1,137,408	1,080,827	1,208,198	1,302,214
Food manufacturing	360,044	-	-	-	-	-	-	-	-	-
Chemical manufacturing	-	-	-	-	-	-	-	-	-	200,572
All Other Businesses	859,617	5,012	26,112	14,583	17,396	194,094	16,439	9,680	2,384,511	2,589,207
Miscellaneous and Unidentifiable	938,062	-	42,812,796	38,374,601	35,258,015	39,185,900	46,566,770	42,866,680	38,796,791	17,006,970
Total	<u>\$ 161,286,108</u>	<u>\$ 147,142,464</u>	<u>\$ 183,432,226</u>	<u>\$ 163,612,452</u>	<u>\$ 161,579,765</u>	<u>\$ 167,553,368</u>	<u>\$ 164,084,118</u>	<u>\$ 162,782,793</u>	<u>\$ 158,161,379</u>	<u>\$ 157,546,098</u>

Source - Weldon Cooper Center for Public Service

City of Franklin, Virginia

Ratio of Net General Bonded Debt to Assessed Value

Last Ten Fiscal Years Ended June 30,

General Bonded Debt Outstanding

<u>Year</u>	<u>Governmental Activities General Obligation Bonds (Net) ⁽¹⁾</u>	<u>Business-Type Activities General Obligation Bonds (Net) ⁽¹⁾⁽⁴⁾</u>	<u>Total General Obligation Bonds (Net) ⁽¹⁾</u>	<u>School Literary Fund Loans</u>	<u>Revolving Loans</u>	<u>Total</u>	<u>% of Actual Taxable Value of Property ⁽²⁾</u>	<u>Per Capita ⁽³⁾</u>
2023	\$ 22,415,078	\$ 4,366,280	\$ 26,781,358	\$ -	\$ -	\$ 26,781,358	4.18%	3,247
2022	20,936,903	4,921,245	25,858,148	-	-	25,858,148	4.62%	3,147
2021	21,607,322	5,507,212	27,114,534	-	-	27,114,534	4.62%	3,315
2020	18,501,995	5,145,842	23,647,837	-	-	23,647,837	4.08%	2,951
2019	13,623,350	2,675,802	16,299,152	-	-	16,299,152	2.88%	2,034
2018	15,185,642	3,201,762	18,387,404	-	-	18,387,404	3.29%	2,249
2017	15,780,113	3,713,722	19,493,835	-	-	19,493,835	3.49%	2,347
2016	16,354,987	4,211,684	20,566,671	-	-	20,566,671	3.69%	2,422
2015	15,888,999	4,651,400	20,540,399	-	-	20,540,399	3.71%	2,394
2014	14,733,683	4,876,000	19,609,683	-	-	19,609,683	3.39%	2,285

Note

⁽¹⁾ General Obligation Bonds are reported net of premiums and discounts for both Governmental and Business-Type Activities.

⁽²⁾ See Table 10 for assessed and estimated actual value of taxable property for assessed value data.

⁽³⁾ See Table 19 for population.

⁽⁴⁾ In addition to the City's general obligation pledge, the bonds are secured on a junior lien basis by the pledge of utility revenues.

City of Franklin, Virginia

Legal Debt Margin Information (in thousands)

Last Ten Fiscal Years Ended June 30,

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Debt limit	\$ 54,684	\$ 54,684	\$ 55,055	\$ 55,117	\$ 55,085	\$ 55,883	\$ 57,119	\$ 58,678	\$ 55,982	\$ 61,173
Total net debt applicable to limit	<u>19,610</u>	<u>20,540</u>	<u>20,054</u>	<u>19,011</u>	<u>17,936</u>	<u>15,880</u>	<u>23,259</u>	<u>26,739</u>	<u>25,512</u>	<u>26,464</u>
Legal Debt Margin	<u>\$ 35,074</u>	<u>\$ 34,144</u>	<u>\$ 35,001</u>	<u>\$ 36,106</u>	<u>\$ 37,149</u>	<u>\$ 40,003</u>	<u>\$ 33,860</u>	<u>\$ 31,939</u>	<u>\$ 30,470</u>	<u>\$ 34,709</u>
Total Net Debt Applicable to the Limit as a Percentage of the Debt Limit	35.86%	37.56%	36.43%	34.49%	32.56%	28.42%	40.72%	45.57%	45.57%	43.26%

Note: The amounts reported above are presented in thousands.

Assessed value	<u>\$ 611,738,005</u>
Total Assessed Value	<u>\$ 611,738,005</u>
Debt limit (10% of total assessed value)	\$ 61,173,801
Amount of Debt Applicable to Debt Limit	
General Obligation Debt	
Primary Government	22,125,394
Business-Type	<u>4,339,200</u>
Net Debt Applicable to Limit	<u>26,464,594</u>
Legal Debt Margin	<u>\$ 34,709,207</u>

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

Table 17

City of Franklin, Virginia

Ratio of Annual Debt Service Expenditures to
Total General Governmental Expenditures

Last Ten Fiscal Years Ended June 30,

<u>Fiscal Year</u>	<u>Expenditures - All Governmental Fund Types</u>	<u>Total Debt Service⁽¹⁾⁽²⁾</u>	<u>Percentage of Debt Service to Expenditures</u>
2023	\$ 34,920,310	\$ 1,445,852	4.14%
2022	32,884,883	1,246,956	3.79%
2021	31,205,850	3,697,701	11.85%
2020	27,314,676	1,098,588	4.02%
2019	25,518,076	1,936,716	7.59%
2018	25,435,761	3,697,701	14.54%
2017	24,516,296	989,192	4.03%
2016	32,326,918	7,030,858	21.75%
2015	36,807,039	882,406	2.40%
2014	35,916,805	772,482	2.15%

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

⁽²⁾Includes amounts for refunding of debt.

City of Franklin, Virginia

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years Ended June 30,

Fiscal Year	Governmental	Business-Type	Total	Governmental	Business-Type	Lease	SBITA	Total Primary	Total	Outstanding	Total
	Activities	Activities		General	Activities						
	General	General	General	Financed	Financed			Total	Percentage	Debt Per	
	Obligation	Obligation	Obligation	Purchase	Purchase				of Personal	Capita ⁽¹⁾	
	Bonds (Net)	Bonds (Net)	Bonds (Net)	Obligations	Obligations				Income ⁽¹⁾		
2023	\$ 22,415,078	\$ 4,366,280	\$ 26,781,358	\$ 153,786	\$ -	\$ 95,984	\$ -	\$ 27,031,128	2.07%	\$ 3,278	
2022	20,936,903	4,921,245	25,858,148	196,303	-	-	-	26,054,451	2.18%	3,171	
2021	21,607,322	5,507,212	27,114,534	174,269	-	-	-	27,288,803	2.41%	3,336	
2020	18,477,185	5,145,842	23,623,027	24,810	-	-	-	23,647,837	2.18%	2,968	
2019	13,623,350	2,675,802	16,299,152	141,009	22,595	-	-	16,462,756	1.55%	2,055	
2018	15,185,642	3,201,762	18,387,404	256,344	44,650	-	-	18,688,398	1.97%	2,286	
2017	15,780,113	3,713,722	19,493,835	370,847	66,180	-	-	19,930,862	2.11%	2,400	
2016	16,354,987	4,211,684	20,566,671	484,548	87,197	-	-	21,138,416	2.27%	2,490	
2015	15,888,999	4,651,400	20,540,399	156,388	107,714	-	-	20,804,501	2.24%	2,425	
2014	14,733,683	4,876,000	19,609,683	326,434	-	-	-	19,936,117	2.21%	2,323	

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

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

City of Franklin, Virginia

Demographic Statistics

Last Ten Fiscal Years Ended June 30,

Fiscal Year	Population⁽¹⁾	Total Personal Income (in thousands)⁽²⁾	Per Capita Income⁽³⁾	School Enrollment⁽⁴⁾	Unemployment Rate⁽⁵⁾
2023	8,247	1,307,020	49,843	1,023	3.7%
2022	8,217	1,194,732	46,909	992	4.4%
2021	8,180	1,131,808	44,215	969	7.3%
2020	7,967	1,084,903	42,381	1,078	10.4%
2019	8,013	1,060,820	40,917	1,075	5.3%
2018	8,176	946,389	35,898	1,053	5.6%
2017	8,306	946,389	35,898	1,056	5.6%
2016	8,490	930,617	34,987	1,132	5.9%
2015	8,580	930,617	34,987	1,201	7.6%
2014	8,582	901,543	33,778	1,265	9.2%

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

City of Franklin, Virginia

Principal Employers

Current Year and Nine Years Ago

Fiscal Year 2023

<u>Employer</u>	<u>Employees⁽¹⁾</u>	<u>Rank</u>
Bon Secours Health System, Inc.	250-499	1
Wal Mart Stores, Inc.	250-499	2
Franklin City Public Schools	250-499	3
City of Franklin	100-249	4
Lowe's Home Centers, Inc.	100-249	5
VDOT	100-249	6
Elite Home Health Care, LLC	50-99	7
Paul D. Camp Community College	50-99	8
Food Lion	50-99	9
Care Advantage	50-99	10

Fiscal Year 2014

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

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

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

City of Franklin, Virginia

Full-Time Equivalent City Government Employees by Function/Program

Last Ten Fiscal Years Ended June 30,

<u>Function/Program</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
General Fund										
General government administration	29.7	29.7	29.7	27.0	27.0	25.5	25.0	23.5	22.5	25.0
Police and communications	42.6	42.6	42.6	42.5	42.5	42.5	42.5	33.0	37.5	39.0
Animal control	1.6	1.6	1.6	1.5	1.5	1.5	1.5	1.5	1.5	2.0
Fire and rescue - EMS	57.0	57.0	54.0	27.0	27.0	28.0	27.0	27.0	28.0	27.0
Community services	10.0	17.0	17.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0
Public works - streets	15.5	15.5	15.5	15.5	16.0	16.0	16.0	17.0	16.0	17.0
Garage	4.0	4.0	4.0	3.0	3.0	4.0	4.0	4.0	4.0	3.0
Refuse collection	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Public works - buildings and grounds	20.5	20.5	20.5	9.5	9.5	10.0	10.0	10.0	10.0	8.5
Park and recreation	5.0	5.0	4.0	4.0	4.0	3.5	3.5	3.5	3.5	3.5
Senior program	0.0	0.0	0.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Library	0.0	0.0	0.0	0.0	0.0	0.5	0.5	0.5	0.5	0.5
Tourism	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Total General Fund	186.9	193.9	189.9	141.0	141.5	142.5	141.0	131.0	134.5	136.5
Social services fund	24.0	24.0	24.0	25.0	23.0	23.0	23.0	20.0	23.0	21.0
Electric	19.5	19.5	19.5	16.0	16.0	16.0	16.0	9.0	12.0	11.0
Water and sewer	13.0	13.0	13.0	13.0	13.0	13.0	13.0	15.0	13.0	12.0
Solid waste fund	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	7.0
Incubator	0.7	0.7	0.7	0.5	0.5	0.5	0.5	0.0	0.0	0.5
Airport	1.0	1.0	1.0	1.0	1.0	2.0	2.0	2.0	2.0	2.0
Smart beginnings (Early Childhood)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.5	1.5	3.0
	66.2	66.2	66.2	63.5	61.5	62.5	62.5	55.5	59.5	56.5
Total	253.1	260.1	256.1	204.5	203.0	205.0	203.5	186.5	194.0	193.0

Source: Individual City departments

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

Function/Program	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Police										
Physical arrests	590	570	466	611	586	574	718	661	693	724
Parking violations	21	28	49	15	13	33	23	23	36	40
Traffic violations	1,224	986	942	478	560	501	599	790	580	987
Fire										
Emergency responses	2,620	2,662	2,543	2,362	2,250	2,123	2,263	2,498	2,895	2,716
Fires extinguished	94	123	84	81	70	65	60	69	62	70
Inspections	3	2	4	1	7	24	27	30	24	30
Building Inspections										
Inspections performed (Franklin)	690	473	691	1,088	2,702	1,121	1,884	2,004	3,167	1,451
Permits issued	380	520	318	2,736	1,152	2,306	1,215	919	1,351	848
Refuse Collection										
Refuse collected (tons per day)	11.00	10.91	9.57	9.02	10.19	9.61	10.34	10.10	9.77	9.47
Recyclables collected (tons per day)	-	-	0.98	0.93	1.23	1.06	1.09	1.19	1.26	1
Other Public Works										
Street resurfacing (tons)	12,839	920	4,237	715	1,657	1,838	4,046	6,289	1,690	5,137
Potholes repaired	91	63	78	123	108	142	175	159	184	149
Park and Recreation										
Athletic field permits issued	160	150	143	100	300	290	275	275	250	200
Community center admissions	62,000	61,200	14,691	17,000	60,502	59,550	59,501	59,501	56,364	57,025
Library										
Volumes in collection	29,758	30,681	30,319	28,450	28,202	33,377	32,527	31,824	30,518	29,832
Total volumes borrowed	46,169	40,156	46,461	53,762	64,321	78,941	92,446	85,509	90,099	96,674
Water										
New connections	30	39	3	4	4	4	4	2	3	3
Water main breaks	53	65	47	71	79	92	45	48	45	50
Average daily consumption (thousands of gallons)	770	829	826	910	784	647	850	832	1100	1.1
Peak daily consumption (thousands of gallons)	1192	1329	1248	1232	1278	1812	913	906	1300	1300
Wastewater										
Average daily sewage treatment	1000	1160	1380	1160	1180	925	1123	1420	1320	1330
Sewer connections - new	30	39	3	4	4	4	4	2	3	2
Transit										
Total route miles	None	None	None	None	None	None	None	None	None	None
Passengers	None	None	None	None	None	None	None	None	None	None

Source: Individual City Departments

City of Franklin, Virginia

Capital Asset Statistics by Function/Program

Last Ten Fiscal Years Ended June 30,

<u>Function/Program</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	25	21	18	17	17	14	16	16	16	16
Fire Stations	2	2	2	2	2	2	2	2	2	2
Refuse Collection										
Collection trucks	8	8	8	8	8	8	8	6	5	5
Other Public Works										
Street (miles)	42.80	42.80	42.80	43.04	43.04	43.04	43.04	35.50	35.50	35.50
Highways (miles)	7.70	7.70	7.70	7.68	7.68	7.68	7.68	15.09	15.09	15.09
Streetlights	1017	1002	1000	955	955	955	951	950	945	945
Traffic signals	14	14	14	14	14	14	14	14	14	14
Park and Recreation										
Acreage	28.61	28.61	28.61	28.61	28.61	28.61	28.61	28.61	28.61	28.61
Playgrounds	4	4	3	4	4	4	4	4	4	4
Baseball/softball diamonds	4	4	4	5	5	5	6	6	6	6
Soccer/football fields	2	2	2	2	2	2	2	2	2	2
Community centers	1	1	1	1	1	1	1	1	1	1
Water										
Water mains (miles)	68	68	68	68	68	68	68	67	67	67
Fire hydrants	343	343	343	343	343	343	343	336	336	336
Storage capacity (thousands of gallons)	1300	1300	1300	1300	1300	1300	1300	1300	1300	1300
Wastewater										
Sanitary sewers (miles)	43	43	43	43	43	43	43	43	43	43
Storm sewers (miles)	210	210	210	210	210	210	210	210	210	210
Treatment capacity (thousands of gallons)	2000	2000	2000	2000	2000	2000	2000	2000	2000	2000

Source: Individual City Departments

COMPLIANCE SECTION





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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit IDA, each major fund, and the aggregate remaining fund information of City of Franklin, Virginia, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise City of Franklin, Virginia's basic financial statements and have issued our report thereon dated December 8, 2023.

Our report includes a reference to other auditors who audited the financial statements of the School Board of the City of Franklin, Virginia, a discretely presented component unit. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Report on Internal Control over Financial Reporting

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

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

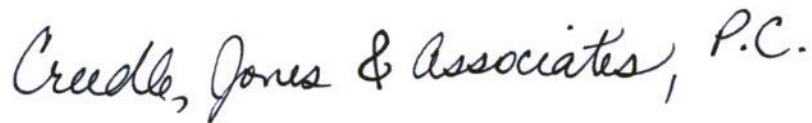
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

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

Creedle, Jones & Associates
Certified Public Accountants

South Hill, Virginia
December 8, 2023



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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited City of Franklin, Virginia's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of City of Franklin, Virginia's major federal programs for the year ended June 30, 2023. 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. The City's basic financial statements include the operations of the School Board of the City of Franklin, Virginia, a discretely presented component unit which may have received federal awards, and which are not included in the schedule of expenditures of federal awards for the year ended June 30, 2023. Our audit described below did not include the operations of the School Board of the City of Franklin, Virginia. The School Board of the City of Franklin, Virginia engaged other auditors to perform an audit in accordance with the Uniform Guidance, if required.

In our opinion, City of Franklin, Virginia, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and the *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Our responsibilities under those standards, the Uniform Guidance, and specifications are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of City of Franklin, Virginia and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of City of Franklin, Virginia's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to City of Franklin, Virginia's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on City of Franklin, Virginia's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about City of Franklin, Virginia's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding City of Franklin, Virginia's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of City of Franklin, Virginia's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of City of Franklin, Virginia's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Creedle, Jones & Associates, P.C.

Creedle, Jones & Associates
Certified Public Accountants

South Hill, Virginia
December 8, 2023



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

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

We have audited the financial statements of the City of Franklin, Virginia, as of and for the year ended June 30, 2023, and have issued our report thereon dated December 8, 2023.

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

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

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

Code of Virginia

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

State Agency Requirements

- Social Services
- Children Services Act Funds
- Economic Development Opportunity Fund

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

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

Creedle, Jones & Associates, P.C.

Creedle, Jones & Associates
Certified Public Accountants

South Hill, Virginia
December 8, 2023

City of Franklin, Virginia
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal Assistance Listing Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Passed Through to Subrecipients</u>	<u>Total Federal Expenditures</u>
U. S. Department of Health and Human Services				
Pass-Through Payments				
<i>Department of Social Services</i>				
Promoting safe and stable families	93.556	765	\$ -	\$ 14,194
<i>TANF Cluster</i>				
Temporary assistance for needy families (TANF)	93.558	765	-	161,163
Refugee and entrant assistance - state administered programs	93.566	765	-	614
Low-income home energy assistance	93.568	765	-	31,556
<i>CCDF Cluster</i>				
Child care mandatory and matching funds of the child care and development fund	93.596	765	-	36,763
Guardianship Assistance	93.090	765	-	75
Title IV-E Prevention Program	93.472	765	-	2,815
	93.599	765	-	2,955
Stephanie Tubbs Jones child welfare services program	93.645	765	-	297
Foster care - Title IV-E	93.658	765	-	124,161
Adoption assistance	93.659	765	-	19,801
Social services block grant	93.667	765	-	124,543
John H. Chafee foster care program for successful transition to adulthood	93.674	765	-	2,170
Elder Abuse Prevention Interventions Program	93.747	765	-	3,021
Children's Health Insurance Program	93.767	765	-	1,434
<i>Medicaid Cluster</i>				
Medical assistance program	93.778	765	-	162,699
Subtotal - U. S. Department of Health and Human Services			-	688,261
U. S. Department of Agriculture				
Pass-Through Payments				
<i>Department of Social Services</i>				
<i>SNAP Cluster</i>				
State administrative matching grants for the supplemental nutrition assistance program	10.561	765	-	316,811
Subtotal - U. S. Department of Agriculture			-	316,811
U. S. Department of Justice				
Pass-Through Payments				
<i>Department of Criminal Justice</i>				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	140	-	26,305
U. S. Department of Transportation				
Direct Payments				
Airport improvement program	20.106	N/A	-	163,623
Pass-Through Payments				
<i>Virginia Department of Rail and Public Transportation</i>				
Cares Act-Rur Area Form-COVID-19	20.509	501	-	49,012
Subtotal - U. S. Department of Transportation			-	212,635
U. S. Department of Homeland Security				
<i>Department of Emergency Management</i>				
Emergency management performance grant	97.042	127	-	16,595
Subtotal - U. S. Department of Homeland Security			-	16,595
U. S. Department of Housing and Urban Development				
Pass-Through Payments				
<i>Department of Housing and Community Development</i>				
Community Development Block Grants - Planning grant	14.228	165	-	11,900
Subtotal - U. S. Department of Housing and Community Development			-	11,900
U. S. Department of the Education				
Pass-Through Payments				
<i>Department of Behavioral Health and Development Services</i>				
Special education - Grants for infants and families	84.181	720	187,813	187,813
Subtotal - U. S. Department of Education			187,813	187,813
U. S. Department of the Treasury				
Direct Payments				
Treasure Forfeiture Fund	21.00	N/A	-	22,831
Pass-Through Payments				
<i>Department of Social Services</i>				
Coronavirus State and Local Fiscal Recovery Funds	21.027	151	-	3,460
<i>Department of Accounts</i>				
Coronavirus State and Local Fiscal Recovery Funds	21.027	151	-	4,966,696
Subtotal - U. S. Department of Treasury			-	4,992,987
Total Expenditures of Federal Awards			<u>\$ 187,813</u>	<u>\$ 6,453,307</u>

See accompanying notes to schedule of expenditures of federal awards.

City of Franklin, Virginia

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2023

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the Federal award activity of City of Franklin, Virginia under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of City of Franklin, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of City of Franklin, Virginia.

2. Summary of Significant Accounting Policies

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

3. Indirect Cost Rate

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

4. Subrecipients

The Children's Center, a nonprofit agency providing children ages birth to five with early childhood education services is a subrecipient of the "Grants for Infants and Families with Disabilities" and received federal awards of \$187,813 from the City for the year ended June 30, 2023.

City of Franklin, Virginia

Schedule of Findings and Questioned Costs

Year Ended June 30, 2023

Section I – Summary of Auditor’s Results

Financial Statements

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

Internal control over financial reporting:

Material weakness(es) identified? No

Significant deficiency (ies) identified? None Reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified? No

Significant deficiency (ies) identified? None Reported

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

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

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
21.027	Coronavirus State and Local Fiscal Recovery Funds

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

Auditee qualified as low-risk auditee? Yes

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

There are no federal award findings to report.