

CITY OF FRANKLIN, KENTUCKY
ANNUAL FINANCIAL REPORT
Year Ended June 30, 2022

CITY OF FRANKLIN, KENTUCKY

ANNUAL FINANCIAL REPORT

Year Ended June 30, 2022

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INDEPENDENT AUDITORS' REPORT

The Honorable Mayor, Commissioners and City Manager
City of Franklin, Kentucky

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Franklin, Kentucky (City) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City'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, each major fund, and the aggregate remaining fund information of the City of Franklin, Kentucky, as of June 30, 2022, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City 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.

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'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.

Auditors' Responsibility 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 auditors' 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'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'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 on pages 4 - 11, General Fund budgetary comparison schedule on pages 66 - 69, infrastructure condition and maintenance data on page 70, and pension and OPEB schedules on pages 71 - 76 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's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and schedules on pages 77 - 87 and schedule of expenditures of federal 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*, on page 94 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 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 11, 2023, on our consideration of the City'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 the City'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's internal control over financial reporting and compliance.

1 (Inby + Moore, LLP)

Bowling Green, Kentucky
February 11, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Franklin, Kentucky

Management's Discussion and Analysis

The City of Franklin (City) offers the Management's Discussion & Analysis to provide a narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2022. The information contained in this MD&A should be considered in conjunction with the information contained in the Accountants' Reports and Financial Statements and Supplementary information.

Financial Highlights

- The City's total assets and deferred outflows exceeded its liabilities and deferred inflows at the close of the fiscal year by \$43,335,424.
- The City's total net position increased \$2,929,250 this year. The net position of governmental activities increased by \$2,018,821 and the net position of business-type activities increased by \$910,429.
- As of June 30, 2022, the City's governmental funds reported a combined ending funding balance of \$15,698,099, an increase of \$1,402,019 over the prior year. Of the total fund balance amount, \$13,646,868 in the General Fund was unassigned and available for spending.

Overview of the Financial Statements

The discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner like a private-sector business. The Statement of Net Position presents information on all the City's 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.

The Statement of Activities presents information showing how the government's 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 the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, *e.g.*, depreciation and earned but unused vacation leave.

The government-wide financial statements are divided into two categories, governmental and business-type activities. The governmental activities of the City include general government, administrative services, financial services, police, fire, public works, community and economic development and cemetery. The business-type activities of the City include water, wastewater, sewer collection and rehabilitation, sanitation and related support departments which comprise the Utility Fund. The City does not have any component units, *e.g.*, where the City has control over the income and expenses of the entity.

The government-wide financial statements can be found on pages **12 and 13** of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources which have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds

Most of the City's basic services are included in the governmental fund type. The statements provide a short-term view of general government operations and show how services are financed as well as the balances left at the end of the year that are available for future spending. These funds use the modified accrual accounting basis, which measures cash and all other financial assets that can readily be converted to cash. The general fund, special revenue funds and permanent funds are all governmental type funds.

Proprietary Funds

Proprietary funds, in general, charge customers for the services that are provided. These funds use a long-term financial accounting approach, full accrual basis and provide additional information in the statement of cash flows. The City considers Water and Wastewater and Sanitation to be 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. The notes to the financial statements can be found on pages **24 through 65** of this report.

Government-wide Analysis

The following table summarizes the City's financial position as of June 30, 2022. As of June 30, 2022, the City's assets exceeded liabilities by \$43,335,424, an increase of \$2,929,250 over the prior year. Of the \$43,335,424 in net position, 72% or \$31,224,820 is the City's investment in capital assets, *e.g.*, land, buildings, machinery and equipment less any related outstanding debt used to acquire those assets. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Only the unrestricted net position of the City may be used to meet the government's ongoing obligations to citizens and creditors.

The net position of governmental activities totaled \$20,785,277, comprised of \$15,806,094 (76%) in net investment of capital assets and \$4,193,362 (20%) as unrestricted. The unrestricted net position of government funds included fund balances of the General Fund and various special revenue funds.

The net position of the City's business-type activities totaled \$22,550,147. Of the net position total, \$15,418,726 (68%) is the net investment in capital assets and \$5,948,748 (26%), is unrestricted.

	Summary of Net Position					
	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 17,698,874	\$14,921,201	\$11,772,661	\$10,791,321	\$29,471,535	\$25,712,522
Capital assets	15,806,094	15,145,494	18,655,850	18,856,638	34,461,944	34,002,132
Total assets	33,504,968	30,066,695	30,428,511	29,647,959	63,933,479	59,714,654
Deferred outflows of resources	2,833,746	3,438,156	984,748	1,241,034	3,818,494	4,679,190
Long-term liabilities outstanding	-	-	3,159,808	3,385,064	3,159,808	3,385,064
Net CERS Pension Liability	7,953,983	9,901,204	2,250,071	3,099,458	10,204,054	13,000,662
Net OPEB Liability	2,516,343	3,149,165	905,643	1,189,091	3,421,986	4,338,256
Deferred revenue	1,452,075	-	-	-	1,452,075	-
Other liabilities	704,059	762,948	1,423,433	1,324,742	2,127,492	2,087,690
Total liabilities	12,626,460	13,813,317	7,738,955	8,998,355	20,365,415	22,811,672
Deferred inflows of resources	2,926,977	925,078	1,124,157	250,920	4,051,134	1,175,998
Net position						
Net investment in capital assets	15,806,094	15,145,494	15,418,726	15,609,394	31,224,820	30,754,888
Restricted						
Expendable - Highways & Streets	214,800	134,411	-	-	214,800	134,411
Expendable - Debt service & capital activity	-	-	1,182,673	1,177,752	1,182,673	1,177,752
Nonexpendable - Perpetual Care	571,021	586,322	-	-	571,021	586,322
Unrestricted	4,193,362	2,900,229	5,948,748	4,852,572	10,142,110	7,752,801
Total net position	\$ 20,785,277	\$18,766,456	\$22,550,147	\$21,639,718	\$43,335,424	\$40,406,174

Analysis of City Operations

The following table summarizes the City's operations for the fiscal year ended June 30, 2022. Government activities increased the City of Franklin's net position by \$2,018,821. The increase in net position is a result of the continued growth of the City providing additional tax revenues and continued investment in capital assets, combined with a conservative spending approach. Business-type activities increased the City's net position by \$910,429. The increase in business-type net position is due to increased growth in both water and wastewater services.

	Changes in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenues						
Program revenues						
Charges for services	\$ 1,293,820	\$ 1,098,768	\$ 6,866,813	\$ 6,511,629	\$ 8,160,633	\$ 7,610,397
Operating grants and contributions	1,451,652	1,200,748	285,579	-	1,737,231	1,200,748
Capital grants and contributions	-	-	-	-	-	-
General revenues						
Property taxes	1,456,359	1,328,237	-	-	1,456,359	1,328,237
Occupational fees	2,478,821	2,555,290	-	-	2,478,821	2,555,290
Insurance premium fees	2,153,525	2,106,467	-	-	2,153,525	2,106,467
Franchise fees	116,408	98,301	-	-	116,408	98,301
Business license fees	1,152,619	982,278	-	-	1,152,619	982,278
Interest income	(90,772)	124,873	(51,947)	77,163	(142,719)	202,036
Miscellaneous income	130,725	91,144	73,527	61,498	204,252	152,642
Gain on the sale of assets	(4,317)	22,712	(535)	22,451	(4,852)	45,163
Extinguishment of landfill obligation	-	-	-	295,613	-	295,613
Total revenues and transfers	10,138,840	9,608,818	7,173,437	6,968,354	17,312,277	16,577,172
Expenses						
General government	1,573,343	1,600,862	-	-	1,573,343	1,600,862
Public safety	3,141,772	3,581,599	-	-	3,141,772	3,581,599
Public works	1,585,424	1,625,582	-	-	1,585,424	1,625,582
Community and cultural	1,819,480	816,409	-	-	1,819,480	816,409
Interest expense on long-term debt	-	-	113,944	120,943	113,944	120,943
Water and wastewater	-	-	5,061,663	5,324,422	5,061,663	5,324,422
Sanitation	-	-	1,087,401	984,158	1,087,401	984,158
Total expenses	8,120,019	7,624,452	6,263,008	6,429,523	14,383,027	14,053,975
Change in net position	2,018,821	1,984,366	910,429	538,831	2,929,250	2,523,197
Net position, beginning of year	18,766,456	16,782,090	21,639,718	21,100,887	40,406,174	37,882,977
Net position, end of year	\$20,785,277	\$18,766,456	\$22,550,147	\$21,639,718	\$43,335,424	\$40,406,174

Financial Analysis of the Government's Funds

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. Fund balance may serve as a useful measure of a government's net resources available for spending for program purposes at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported an ending fund balance of \$15,698,099, of which \$13,614,662 or 87% is unrestricted and available for spending at the City's discretion. The remaining balance includes no spendable, restricted, committed and assigned funds which are not available for spending, or otherwise restricted by statute or ordinance, or are intended to be used for specific purposes

The General Fund is the primary operating fund of the City. As of June 30, 2022, the total General Fund balance was \$13,786,399. Of this balance, 99% is unassigned, reflecting 142% of General Fund revenues. These resources have not been restricted, committed or assigned to a specific purpose. The assigned fund balance totaled \$139,531, representing prepaid items and funds assigned to specific purposes. The General Fund balance increased \$1,254,818 from the prior year.

Proprietary Funds

The City's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail. The net position in the proprietary funds totaled \$22,550,147 as of June 30, 2022, an increase of \$910,429 from the prior year, primarily due to increased utility customers.

General Fund Budgetary Highlights

During the fiscal year, the City's General Fund budgeted revenue increased from the original adopted budget by \$1,585,000, or 20%.

Original revenue estimates were changed as follows:

Grants & Contributions	\$1,090,000
Tax revenues	454,000
Miscellaneous income	41,000

Actual revenues are \$95,100 higher than the final amended budget. This increase is due to increased tax revenues of \$215,000 offset by a decrease in grant and contribution revenues of \$25,000 and miscellaneous income of \$94,900.

The original expenditure budget was increased by \$1,584,000 or 22%, as follows:

Community Services	\$1,146,000
General Government	112,000
Public Safety	112,000
Public Services	38,000
Capital Outlay	176,000

A comparison of actual expenditures to the final amended budgeted expenditures indicates overall reduced spending of \$800,000, or 9%. These reductions were in General Government (\$149,000), Public Safety (\$42,000), Public Services (\$89,000), Community Services (\$125,000) and Capital Outlays (\$395,000). A significant portion of this reduction was due to supply-chain-related delays.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2022, the City's investment in capital assets (net of accumulated depreciation and related debt) for its governmental and business-type activities was \$34,461,941. This investment in capital assets includes land, buildings, improvements, machinery and equipment, vehicles, streets, and construction in progress as shown in the table below.

	Capital Assets (net of depreciation)					
	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	\$ 1,797,657	\$ 1,529,472	\$ 380,530	\$ 380,530	\$ 2,178,187	\$ 1,910,002
Infrastructure	11,597,941	11,597,941	-	-	11,597,941	11,597,941
Land improvements	15,026	16,523	27,048	30,416	42,074	46,939
Utility plant	-	-	16,693,726	17,288,510	16,693,726	17,288,510
Buildings & improvements	1,031,008	1,085,918	14,344	15,463	1,045,352	1,101,381
Vehicles	378,566	385,100	57,203	105,852	435,769	490,952
Furniture & equipment	408,370	352,285	649,422	747,304	1,057,792	1,099,589
Construction in progress	577,526	178,255	833,577	288,563	1,411,103	466,818
Total	\$15,806,094	\$15,145,494	\$18,655,850	\$18,856,638	\$34,461,944	\$34,002,132

The current year major General Fund capital additions are as follows:

Land and land improvements for new police station	\$516,537
Police department vehicle & equipment replacements	316,347
Public Works heavy equipment replacement	118,650
Sidewalk infrastructure improvements/additions	34,499

The current year major Business-Type capital additions are as follows:

Water treatment plant equipment replacement	\$ 33,204
Water distribution equipment replacement/improvements	60,064
Wastewater treatment plant equipment replacements	192,492
Wastewater infrastructure additions/replacements	622,546

Modified Approach to Infrastructure

The City has elected to apply the Modified Approach to accounting for street infrastructure systems as set forth in GASB34. With this approach, the City uses an overall condition index (OCI) to assess the surface condition of pavement sections. It is the City's policy to assess the condition of the roads every three years and to consider streets in need when the OCI rating falls below minimum functional classification values. The City's most recent assessment in 2022 found that there were no streets severely deficient in condition as of June 30, 2022.

Eligible infrastructure assets are not depreciated, additions and improvements thereto are capitalized, and all other outlays made for such assets are expensed in the period incurred only if requirements regarding asset management system and preservation at condition level are met.

Long-term Debt

The City had \$3,379,808 in revenue bonds and capital lease obligations outstanding related to business-type activities as of June 30, 2022, which is a decrease of \$215,256 from the previous year. See note 5 for additional information.

In FY2022, Moody's Investors Service assigned an Aa3 issuer rating to the City. The City has no general obligation bonds outstanding as of June 30, 2022. The Aa3 issuer rating reflects the City's strong financial position supported by formal policies and comprehensive fiscal planning along with low fixed costs.

Industrial Expansion & Economic Development

For the past several years, Franklin has enjoyed positive industrial growth and low unemployment and FY2022 is no exception. Franklin had several new industries and businesses either locate a new facility or expand at their existing facility during the past year. During FY2022, the City contributed approximately \$966,000 to the Industrial Authority to support the ongoing efforts for industrial growth.

Overall, all leaders within our community are excited for growth and expansion. The City's goal is the desire for our community to have the capacity and availability to provide jobs to our citizens. Our community's unemployment rates are at 3.5% as of the end of 2022.

General Fund FY2023 Budget

For the Fiscal Year 2023, the City used a conservative forecasting process, taking into account the growth the City is experiencing, resulting in increased general fund revenues of 11% over the FY2022 final budget. This increase is due to a combination of increased

American Rescue Plan Act funding and increased tax revenues. The FY2023 general fund expenditures budget increased by 8% from the FY2022 final budget. This increase is due to increased spending of American Rescue Plan Act funds and inflationary impacts on labor, materials and supplies, and contracted services.

New initiatives in the FY2023 budget include funding to build a new police campus that will provide community meeting space, a community park and walking trail as well as additional office and meeting space and updated technology for police services and training. Funding for this project will be provided by the unrestricted general fund balance and issuance of general obligation (GO) bonds.

Contacting the City's Financial Management

The financial report is designed to provide a general overview of the City's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, 117 West Cedar Street, P. O. Box 2805, Franklin, KY 42135.

BASIC FINANCIAL STATEMENTS

CITY OF FRANKLIN, KENTUCKY

STATEMENT OF NET POSITION

June 30, 2022

	Governmental Activities	Primary Government Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,691,451	\$ 7,038,711	\$ 8,730,162
Certificates of deposit	257,302	—	257,302
Investments	14,016,731	1,665,668	15,682,399
Receivables (net of allowance for uncollectibles):			
Accounts	203,780	862,965	1,066,745
Taxes	1,220,733	—	1,220,733
Intergovernmental	17,066	—	17,066
Internal balances	(98,541)	98,541	—
Inventory	—	149,945	149,945
Prepaid items	68,865	43,515	112,380
Restricted assets:			
Cash and cash equivalents	97,737	921,314	1,019,051
Certificates of deposit	223,750	992,002	1,215,752
Capital assets, net of accumulated depreciation:			
Nondepreciable	13,395,598	380,530	13,776,128
Depreciable capital assets	1,832,970	17,441,743	19,274,713
Construction in progress	577,526	833,577	1,411,103
Total assets	<u>33,504,968</u>	<u>30,428,511</u>	<u>63,933,479</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on refunding bonds	—	75,448	75,448
Outflows for pensions	1,592,574	468,580	2,061,154
Outflows for OPEB	1,241,172	440,720	1,681,892
Total deferred outflows	<u>2,833,746</u>	<u>984,748</u>	<u>3,818,494</u>
LIABILITIES			
Accounts payable	430,882	356,881	787,763
Other accrued liabilities	117,819	26,912	144,731
Accrued interest payable	—	19,386	19,386
Accrued vacation	155,358	60,303	215,661
Deferred revenue	1,452,075	—	1,452,075
Noncurrent liabilities:			
Customer deposits	—	739,951	739,951
OPEB liability	2,516,343	905,643	3,421,986
Net pension liability	7,953,983	2,250,071	10,204,054
Revenue bonds			
Due within one year	—	220,000	220,000
Due in more than one year	—	3,159,808	3,159,808
Total liabilities	<u>12,626,460</u>	<u>7,738,955</u>	<u>20,365,415</u>
DEFERRED INFLOWS OF RESOURCES			
Inflows for pensions	1,722,263	673,900	2,396,163
Inflows for OPEB	1,204,714	450,257	1,654,971
Total deferred inflows	<u>2,926,977</u>	<u>1,124,157</u>	<u>4,051,134</u>
NET POSITION			
Net investment in capital assets	15,806,094	15,418,726	31,224,820
Restricted for:			
Expendable:			
Highways and streets	214,800	—	214,800
Debt service and capital activity	—	1,182,673	1,182,673
Nonexpendable:			
Perpetual care	571,021	—	571,021
Unrestricted	4,193,362	5,948,748	10,142,110
Total net position	<u>\$ 20,785,277</u>	<u>\$ 22,550,147</u>	<u>\$ 43,335,424</u>

See Notes to Financial Statements

CITY OF FRANKLIN, KENTUCKY

STATEMENT OF ACTIVITIES Year Ended June 30, 2022

Function/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary Government							
Governmental activities:							
General government	\$ 1,573,343	\$ 685,753	\$ 119,947	\$ —	(\$ 767,643)	\$ —	(\$ 767,643)
Public safety	3,141,772	14,598	136,075	—	(2,991,099)	—	(2,991,099)
Public services	1,585,424	463,669	202,511	—	(919,244)	—	(919,244)
Community and cultural	1,819,480	129,800	993,119	—	(696,561)	—	(696,561)
Total governmental activities	8,120,019	1,293,820	1,451,652	—	(5,374,547)	—	(5,374,547)
Business-type activities:							
Water and wastewater	5,175,607	5,789,803	—	285,579	—	899,775	899,775
Sanitation	1,087,401	1,077,010	—	—	—	(10,391)	(10,391)
Total business-type activities	6,263,008	6,866,813	—	285,579	—	889,384	889,384
Total primary government	\$ 14,383,027	\$ 8,160,633	\$ 1,451,652	\$ 285,579	(5,374,547)	889,384	(4,485,163)
General revenues:							
Property taxes					1,456,359	—	1,456,359
Occupational taxes					2,478,821	—	2,478,821
Insurance premium taxes					2,153,525	—	2,153,525
Franchise taxes					116,408	—	116,408
Business license taxes					1,152,619	—	1,152,619
Interest income					(90,772)	(51,947)	(142,719)
Miscellaneous					130,725	73,527	204,252
Gain (loss) on sale of capital assets					(4,317)	(535)	(4,852)
Total general revenues and transfers					7,393,368	21,045	7,414,413
Change in net position					2,018,821	910,429	2,929,250
Net position, beginning of year					18,766,456	21,639,718	40,406,174
Net position, end of year					\$ 20,785,277	\$ 22,550,147	\$ 43,335,424

See Notes to Financial Statements

CITY OF FRANKLIN, KENTUCKY

BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2022

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 534,536	\$ 1,156,914	\$ 1,691,450
Certificates of deposit	—	257,302	257,302
Investments	13,448,926	567,805	14,016,731
Receivables (net of allowance for uncollectibles):			
Accounts	140,794	62,989	203,783
Taxes	1,220,733	—	1,220,733
Intergovernmental	17,066	—	17,066
Due from other funds	202,039	63,724	265,763
Prepaid items	64,294	4,570	68,864
Restricted assets			
Cash and cash equivalents	<u>321,487</u>	<u>—</u>	<u>321,487</u>
Total assets	<u>\$ 15,949,875</u>	<u>\$ 2,113,304</u>	<u>\$ 18,063,179</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 409,677	\$ 21,205	\$ 430,882
Due to other funds	183,905	180,399	364,304
Accrued expenses	117,819	—	117,819
Deferred revenue	<u>1,452,075</u>	<u>—</u>	<u>1,452,075</u>
Total liabilities	<u>2,163,476</u>	<u>201,604</u>	<u>2,365,080</u>
Fund balances:			
Nonspendable:			
Prepaid items	64,294	4,570	68,864
Perpetual care	—	571,021	571,021
Restricted:			
Highways and streets	—	214,800	214,800
Committed:			
Stormwater	—	953,207	953,207
Assigned to:			
Retirement benefits	30,551	—	30,551
Drug enforcement	44,686	—	44,686
Other purposes	—	200,308	200,308
Unassigned	<u>13,646,868</u>	<u>(32,206)</u>	<u>13,614,662</u>
Total fund balances	<u>13,786,399</u>	<u>1,911,700</u>	<u>15,698,099</u>
Total liabilities and fund balances	<u>\$ 15,949,875</u>	<u>\$ 2,113,304</u>	<u>\$ 18,063,179</u>

See Notes to Financial Statements

CITY OF FRANKLIN, KENTUCKY

**RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION**

June 30, 2022

Total fund balances - governmental funds		\$ 15,698,099
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		15,806,094
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds:		
Compensated absences	(\$ 155,358)	
Net pension and OPEB liabilities	(<u>10,470,326</u>)	(10,625,684)
Net deferred inflows and outflows related to pensions and OPEB		(<u>93,232</u>)
Net position of governmental activities		<u>\$ 20,785,277</u>

See Notes to Financial Statements

CITY OF FRANKLIN, KENTUCKY

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended June 30, 2022**

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues			
Taxes:			
Property	\$ 1,456,359	\$ —	\$ 1,456,359
Occupational	2,478,821	—	2,478,821
Insurance premium	2,153,525	—	2,153,525
Franchise	116,408	—	116,408
Business license	1,152,619	—	1,152,619
Intergovernmental	1,207,033	197,387	1,404,420
Charges for sales and services	—	362,732	362,732
Interfund charges	804,787	—	804,787
Fines and forfeitures	135,207	—	135,207
Contributions and donations	—	8,700	8,700
Investment income	(58,414)	(32,358)	(90,772)
Miscellaneous	<u>160,318</u>	<u>35</u>	<u>160,353</u>
Total revenues	<u>9,606,663</u>	<u>536,496</u>	<u>10,143,159</u>
Expenditures			
Current:			
General government	1,479,408	—	1,479,408
Public safety	2,925,499	—	2,925,499
Public services	921,593	599,133	1,520,726
Community services	1,576,828	238,862	1,815,690
Capital outlay	<u>999,817</u>	<u>—</u>	<u>999,817</u>
Total expenditures	<u>7,903,145</u>	<u>837,995</u>	<u>8,741,140</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,703,518</u>	<u>(301,499)</u>	<u>1,402,019</u>
Other financing sources (uses):			
Transfers in	—	464,028	464,028
Transfers out	<u>(448,700)</u>	<u>(15,328)</u>	<u>(464,028)</u>
Total other financing sources (uses)	<u>(448,700)</u>	<u>448,700</u>	<u>—</u>
Net change in fund balances	1,254,818	147,201	1,402,019
Fund balances, beginning of year	<u>12,531,581</u>	<u>1,764,499</u>	<u>14,296,080</u>
Fund balances, end of year	<u>\$ 13,786,399</u>	<u>\$ 1,911,700</u>	<u>\$ 15,698,099</u>

See Notes to Financial Statements

CITY OF FRANKLIN, KENTUCKY

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2022**

	<u>Total Governmental Funds</u>
Net change in fund balances - total governmental funds	\$ 1,402,019
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 and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	664,918
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.	(4,317)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:	
Compensated absences	(\$ 17,533)
OPEB expense	(42,775)
Pension expense	<u>16,509</u>
	(<u>43,799</u>)
Change in net position of governmental activities	<u>\$ 2,018,821</u>

See Notes to Financial Statements

CITY OF FRANKLIN, KENTUCKY

STATEMENT OF FUND NET POSITION - PROPRIETARY FUNDS
June 30, 2022

	<u>Enterprise Funds</u>		
	<u>Water and Wastewater</u>	<u>Sanitation</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 6,501,390	\$ 537,321	\$ 7,038,711
Investments	1,665,668	—	1,665,668
Accounts receivable, net	745,255	117,710	862,965
Due from other funds	132,912	3,177	136,089
Inventory	149,945	—	149,945
Prepaid items	43,515	—	43,515
Restricted assets:			
Cash and cash equivalents	921,314	—	921,314
Certificates of deposit	<u>992,002</u>	<u>—</u>	<u>992,002</u>
Total current assets	<u>11,152,001</u>	<u>658,208</u>	<u>11,810,209</u>
Noncurrent assets:			
Capital assets:			
Land	340,416	40,114	380,530
Depreciable capital assets, net	17,441,743	—	17,441,743
Construction in progress	<u>833,577</u>	<u>—</u>	<u>833,577</u>
Total noncurrent assets	<u>18,615,736</u>	<u>40,114</u>	<u>18,655,850</u>
Total assets	<u>29,767,737</u>	<u>698,322</u>	<u>30,466,059</u>
DEFERRED OUTFLOWS			
Deferred amount on refunding bonds	75,448	—	75,448
Outflows for pensions	468,580	—	468,580
Outflows for OPEB	<u>440,720</u>	<u>—</u>	<u>440,720</u>
Total deferred outflows	<u>984,748</u>	<u>—</u>	<u>984,748</u>

See Notes to Financial Statements

CITY OF FRANKLIN, KENTUCKY

STATEMENT OF FUND NET POSITION - PROPRIETARY FUNDS June 30, 2022

	Enterprise Funds		
	Water and Wastewater	Sanitation	Total
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 202,596	\$ 154,285	\$ 356,881
Accrued liabilities	26,912	—	26,912
Accrued interest	19,386	—	19,386
Accrued vacation	60,303	—	60,303
Due to other funds	37,548	—	37,548
Payable from restricted assets:			
Current maturities of revenue bonds payable	220,000	—	220,000
Customer deposits	<u>739,951</u>	<u>—</u>	<u>739,951</u>
Total current liabilities	<u>1,306,696</u>	<u>154,285</u>	<u>1,460,981</u>
Noncurrent liabilities:			
OPEB liability	839,123	66,520	905,643
Net pension liability	2,250,071	—	2,250,071
Revenue bonds payable	<u>3,159,808</u>	<u>—</u>	<u>3,159,808</u>
Total noncurrent liabilities	<u>6,249,002</u>	<u>66,520</u>	<u>6,315,522</u>
Total liabilities	<u>7,555,698</u>	<u>220,805</u>	<u>7,776,503</u>
DEFERRED INFLOWS			
Inflows for pensions	673,900	—	673,900
Inflows for OPEB	<u>450,257</u>	<u>—</u>	<u>450,257</u>
Total deferred inflows	<u>1,124,157</u>	<u>—</u>	<u>1,124,157</u>
NET POSITION			
Net investment in capital assets	15,378,612	40,114	15,418,726
Restricted for debt service and capital activity	1,182,673	—	1,182,673
Unrestricted	<u>5,511,345</u>	<u>437,403</u>	<u>5,948,748</u>
Total net position	<u>\$ 22,072,630</u>	<u>\$ 477,517</u>	<u>\$ 22,550,147</u>

CITY OF FRANKLIN, KENTUCKY

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET POSITION - PROPRIETARY FUNDS
Year Ended June 30, 2022**

	<u>Enterprise Funds</u>		
	<u>Water and Wastewater</u>	<u>Sanitation</u>	<u>Total</u>
Operating revenues			
Charges for services	\$ 5,613,090	\$ 1,058,000	\$ 6,671,090
Fines and forfeitures	<u>176,713</u>	<u>19,011</u>	<u>195,724</u>
Total operating revenues	<u>5,789,803</u>	<u>1,077,011</u>	<u>6,866,814</u>
Operating expenses			
Salaries, wages and benefits	2,101,590	—	2,101,590
Maintenance	398,195	810,947	1,209,142
Utilities	337,739	—	337,739
Administrative	261,547	276,454	538,001
Supplies	658,953	—	658,953
Other	194,790	—	194,790
Depreciation	<u>1,108,560</u>	<u>—</u>	<u>1,108,560</u>
Total operating expenses	<u>5,061,374</u>	<u>1,087,401</u>	<u>6,148,775</u>
Operating income	<u>728,429</u>	<u>(10,390)</u>	<u>718,039</u>
Nonoperating revenues (expenses):			
Investment income	(55,002)	3,054	(51,948)
Miscellaneous revenue	73,527	—	73,527
Interest and fiscal charges expense	(113,201)	—	(113,201)
Amortization expense	(1,032)	—	(1,032)
Gain (loss) on disposal of assets	<u>(535)</u>	<u>—</u>	<u>(535)</u>
Total nonoperating revenues (expenses)	<u>(96,243)</u>	<u>3,054</u>	<u>(93,189)</u>
Income before capital contributions	632,186	(7,336)	624,850
Capital contributions	<u>285,579</u>	<u>—</u>	<u>285,579</u>
Change in net position	917,765	(7,336)	910,429
Net position, beginning of year	<u>21,154,865</u>	<u>484,853</u>	<u>21,639,718</u>
Net position, end of year	<u>\$ 22,072,630</u>	<u>\$ 477,517</u>	<u>\$ 22,550,147</u>

See Notes to Financial Statements

CITY OF FRANKLIN, KENTUCKY

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
Year Ended June 30, 2022

	<u>Enterprise Funds</u>		
	<u>Water and Wastewater</u>	<u>Sanitation</u>	<u>Total</u>
Cash flows from operating activities			
Cash received from customers	\$ 5,857,279	\$ 1,071,073	\$ 6,928,352
Cash payments to employees and retirees	(2,110,858)	—	(2,110,858)
Cash payments to suppliers	(1,694,084)	(807,616)	(2,501,700)
Payments for administrative overhead	(261,547)	(276,454)	(538,001)
Net cash provided by operating activities	<u>1,790,790</u>	<u>(12,997)</u>	<u>1,777,793</u>
Cash flows from capital and related financing activities			
Purchase of capital assets	(908,308)	—	(908,308)
Principal paid on bonds, notes and lease obligations	(210,000)	—	(210,000)
Interest paid on bonds, notes and lease obligations	(114,160)	—	(114,160)
Capital contributions	<u>245,629</u>	<u>—</u>	<u>245,629</u>
Net cash used in capital and related financing activities	<u>(986,839)</u>	<u>—</u>	<u>(986,839)</u>
Cash flows from investing activities			
Interest received	73,248	3,054	76,302
Purchase of investments	<u>(1,793,917)</u>	<u>—</u>	<u>(1,793,917)</u>
Net cash provided by (used in) investing activities	<u>(1,720,669)</u>	<u>3,054</u>	<u>(1,717,615)</u>
Net increase (decrease) in cash and cash equivalents	(916,718)	(9,943)	(926,661)
Cash and cash equivalents, beginning of year	<u>8,339,422</u>	<u>547,264</u>	<u>8,886,686</u>
Cash and cash equivalents, end of year	<u>\$ 7,422,704</u>	<u>\$ 537,321</u>	<u>\$ 7,960,025</u>
Reflected in the Statement of Fund Net Position -			
Proprietary Funds as:			
Cash and cash equivalents	\$ 6,501,390	\$ 537,321	\$ 7,038,711
Restricted cash and cash equivalents	<u>921,314</u>	<u>—</u>	<u>921,314</u>
Total	<u>\$ 7,422,704</u>	<u>\$ 537,321</u>	<u>\$ 7,960,025</u>

See Notes to Financial Statements

(continued)

CITY OF FRANKLIN, KENTUCKY

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
Year Ended June 30, 2022

	<u>Enterprise Funds</u>		
	<u>Water and Wastewater</u>	<u>Sanitation</u>	<u>Total</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 728,429	(\$ 10,390)	\$ 718,039
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	1,108,560	—	1,108,560
Nonoperating revenues	73,527	—	73,527
Decrease in deferred outflows of resources	249,998	—	249,998
Increase in deferred inflow of resources	873,237	—	873,237
Change in assets and liabilities:			
Increase in accounts receivable	(58,773)	(5,939)	(64,712)
(Increase) decrease in due from other funds	(128,902)	6,172	(122,730)
Decrease in inventory and prepaid items	1,713	—	1,713
Increase (decrease) in accounts payable	39,444	(2,849)	36,595
Increase in accrued liabilities	2,011	—	2,011
Increase in accrued vacation	(1,678)	—	(1,678)
Increase in customer deposits	52,722	—	52,722
Increase (decrease) in due to other funds	(16,662)	9	(16,653)
Decrease in OPEB liability	(283,449)	—	(283,449)
Decrease in pension liability	(849,387)	—	(849,387)
Net cash provided by operating activities	<u>\$ 1,790,790</u>	<u>(\$ 12,997)</u>	<u>\$ 1,777,793</u>

See Notes to Financial Statements

CITY OF FRANKLIN, KENTUCKY
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2022

	<u>Custodial Fund</u>
ASSETS	
Cash and cash equivalents	\$ 143,750
LIABILITIES	
Due to other governmental units	<u>143,750</u>
NET POSITION	
Restricted for other governments	<u>\$ —</u>

See Notes to Financial Statements

CITY OF FRANKLIN, KENTUCKY

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
Year Ended June 30, 2022

	<u>Custodial Fund</u>
ADDITIONS	
County 911 fee collections	\$ 130,050
DEDUCTIONS	
Payments of 911 fees to County	(130,050)
Changes in net position	—
Net position, beginning of year	—
Net position, end of year	\$ —

See Notes to Financial Statements

CITY OF FRANKLIN, KENTUCKY

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Franklin, Kentucky (City) is a municipal corporation and political subdivision of the Commonwealth of Kentucky. The City operates under a Commission-Manager form of government. The City provides a full range of municipal services including general government services, police and fire protection, public works, parks and recreation, and cemetery operations. In addition, the City owns and operates a water and sewer system.

The financial statements of the City have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of the City's accounting policies are described below.

A. Reporting Entity

The accompanying government-wide financial statements present the financial statements of the City. There are no component units, legally separate entities for which the City is considered to be financially accountable. Accountability is defined as the City's substantive appointment of the majority of the component unit's governing board. Furthermore, to be financially accountable, the City must be able to impose its will upon the component unit or there must be a possibility that the component unit may provide specific financial benefits to or impose specific financial burdens on the City.

Related Organizations and Jointly Governed Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the Electric Plant Board and the Housing Authority of Franklin are considered related organizations of the City.

CITY OF FRANKLIN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A regional government or other multi-governmental arrangement is governed by representatives from each of the governments that created the organization, but is not a joint venture because the participants do not retain an ongoing financial interest or responsibility. Based on these criteria, the Franklin-Simpson Industrial Authority, Franklin-Simpson Planning and Zoning Commission, and Franklin-Simpson Planning and Zoning Adjustment Board are considered jointly governed organizations of the City.

Joint Ventures

A joint venture is a legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. Based on these criteria, the Franklin-Simpson Parks Board and the Simpson County 911 Advisory Board are considered joint ventures of the City.

B. Government-wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements as follows:

Government-wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the City. Fiduciary activities are excluded from the government-wide statements because they cannot be used to support the City's own programs. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. The Statement of Activities demonstrates the degree to which the direct expenses of a given function or identifiable activity is offset by program revenues. Direct expenses are those that are clearly associated with a specific function or identifiable activity. Expenses that cannot be specifically identified to a particular function are charged to funds based on time spent for that function and are included in the functional categories. Program revenues

CITY OF FRANKLIN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

include: (a) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or identifiable activity, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program or identifiable activity. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions.

Fund Financial Statements

The fund financial statements provide information about the City's funds. Separate statements for each fund – governmental and proprietary are presented. The emphasis of fund financial statements is on major governmental and major enterprise funds, each displayed in a separate column. All other governmental and enterprise funds, if any, are aggregated and reported as nonmajor funds.

Fund Accounting

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

Governmental Funds

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The City has presented the following major governmental fund:

General Fund

The General Fund is the general operating fund of the City. All general tax revenues and other receipts that are not allocated by law, ordinance or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

CITY OF FRANKLIN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes. The City's five nonmajor special revenue funds account for specific revenues that are restricted to expenditures for operating the Greenlawn-Shady Rest Cemetery (Greenlawn-Shady Rest Cemetery Fund), governmental housing, community and economic development projects (Community Development Fund), public works (Municipal Aid Fund), economic development activities (Economic Development Revolving Loan Fund), and stormwater system (Stormwater Fund).

Permanent Funds

Permanent funds are used to report resources that are legally restricted to allow only the earnings and not the principal to be used for purposes that support the reporting government's programs. The City reports two nonmajor permanent funds (Francis Harris Cemetery Perpetual Fund and Greenlawn-Shady Rest Cemetery Perpetual Fund) which account for assets held in trust for the permanent maintenance and beautification of Greenlawn-Shady Rest cemetery.

Proprietary Funds

Proprietary fund reporting focuses on changes in net assets, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service.

Enterprise Funds

Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determinations or revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The City reports the following major enterprise funds:

Water and Wastewater Fund

The Water and Wastewater Fund accounts for the operations of the City's water and wastewater system.

CITY OF FRANKLIN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Sanitation Fund

The Sanitation Fund accounts for the operations of the City's sanitation system.

Fiduciary Funds

Fiduciary Funds are used to account for assets held on behalf of outside parties, including other governments. Trust funds account for assets held by the City under the terms of a formal trust agreement. The City does not report any trust funds. Custodial funds generally are used to account for assets that the City holds on behalf of others as their agent and are custodial in nature. The funds could report net position. The City reports the following custodial fund:

911 Fund

The 911 Fund accounts for the collection of a County assessed 911 fee on water meters located within the City's water service territory pursuant to billing services agreement between the City and County dated August 26, 2019. The 911 fees are billed and collected by the City's Water and Wastewater Fund and transferred to the 911 Fund for monthly remittance to the County.

C. Measurement Focus and Basis of Accounting

Government-wide and Proprietary Funds

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and accrual basis of accounting. With this measurement focus, all assets and all liabilities including long-term assets, as well as long-term debt and obligations, are included in Statement of Net Position. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows.

In proprietary funds, operating revenues and expenses are distinguished from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the principal ongoing operations of the fund. All revenues and expenses not meeting this definition are reported as nonoperating items. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

CITY OF FRANKLIN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Nonexchange transactions, in which the City receives (or gives) value without directly giving (or receiving) equal value in exchange, include property taxes, grants, entitlements and similar items and donations. Recognition standards are based on the characteristics and classes of nonexchange transactions. Revenues from property taxes are recognized in the period in which the taxes are levied. Franchise fees, licenses and permits, fines and forfeitures are recognized as revenues, net of estimated refunds and uncollectible amounts, in the accounting period when an enforceable legal claim to the assets arises and the use of resources is required or is first permitted. Grants, entitlements and donations are recognized as revenues, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met.

Amounts received before all eligibility requirements have been met are reported as deferred revenues. Grants and similar aid to other organizations are recognized as expenses as soon as recipients have met all eligibility requirements. Amounts paid before all eligibility requirements have been met are reported as prepaid items.

Governmental Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and liabilities are generally included on the balance sheet. The statement of revenues, expenditures and changes in fund balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in spendable resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

General capital asset acquisitions are reported as expenditures and proceeds of general long-term debt are reported as other financing sources. Under the modified accrual basis of accounting, revenues are recognized when both measurable and available. The City considers revenues reported in the governmental funds to be available if they are collectible within 60 days after year end. Principal revenue sources considered susceptible to accrual include taxes, licenses and investment earnings. Other revenues are considered to be measurable and available only when cash is received by the City. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, compensated absences and obligations for worker's compensation, which are recognized as expenditures when payment is due. Pension expenditures are recognized when amounts are due to a plan.

CITY OF FRANKLIN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City reports unearned revenue on its combined balance sheet. Unearned revenue arises when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Unearned revenue also arises when resources are received by the City before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met or when the City has a legal claim to the resources, the liability for unearned revenue is removed from the combined balance sheet and revenue is recognized.

D. Assets, Liabilities and Fund Equity

Cash and Cash Equivalents

The City considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2022, cash equivalents consisted primarily of certificates of deposit and short-term instruments with local financial institutions.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables are shown net of an allowance for uncollectibles. Property taxes attach as an enforceable lien on property as of January 1 each year. Property values are assessed on January 1 of each year, taxes are levied annually by ordinance and are payable on December 31. The City bills and collects its own property taxes. City property tax revenues are recognized when levied to the extent that they are both measurable and available.

Inventories

Inventories are valued at cost, which approximate market, using the first-in/first-out (FIFO) method. The costs of inventory items are recognized as expenditures or expenses when used.

CITY OF FRANKLIN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Prepaid Items

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

Restricted Assets

Certain proceeds of bonds, as well as certain resources set aside for their payment, are classified as restricted assets on the balance sheet since their use is limited by applicable bond indentures. Construction fund accounts are used to report proceeds of general obligation and revenue bonds and notes that are restricted for use in construction and capital acquisitions. Depreciation and Maintenance accounts are the resources set aside to provide reasonable reserves for renewals, replacements, improvements, extensions, extraordinary major repairs and contingencies related to bond obligation projects. Sinking Fund accounts are the resources accumulated for debt service payments.

Investments and Investment Income

Investments include certificates of deposit, U.S. Treasury securities, and money market mutual funds carried at fair value. Investment income includes interest income and the net change for the year in the fair value of investments carried at fair value. Fair value is determined based on quoted market prices or yields currently available on comparable securities of issuers with similar credit ratings.

Unbilled Revenue

The City bills customers for water and sewer services after usage based upon meter readings made during the month. The City records a receivable for unbilled revenue at June 30 for usage for which bills have not been sent.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets, are reported in the government-wide financial statements and the fund financial statements for proprietary funds. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

The City maintains a capitalization threshold of \$2,000. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

CITY OF FRANKLIN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital assets, excluding infrastructure, are depreciated using the straight-line method over their estimated useful lives as follows:

	<u>Years</u>
Utility plant	25 - 50
Building and improvements	25 - 40
Furniture and equipment	10
Vehicles	4

The City utilizes the modified approach for reporting eligible infrastructure assets. Eligible infrastructure assets are not depreciated, additions and improvements thereto are capitalized and all other outlays made for such assets are expensed in the period incurred only if requirements regarding asset management system and preservation at condition level are met.

Depreciation expense is charged directly to the department/function based on the department that utilizes the related asset.

Compensated Absences

The City grants vacation and sick pay to all full-time employees based on length of service time. The cost of vacation and sick pay is accrued when earned in the government wide and proprietary fund financial statements and reported as accrued liabilities. In fund financial statements, only amounts that are expected to be liquidated with available financial resources are reported as expenditures and included in accrued liabilities.

Long-term Obligations

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the columns for governmental activities, business-type activities or proprietary fund Statement of Net Position. Bond premiums and discounts are amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Debt issuance costs are reported as expenses in the period incurred.

CITY OF FRANKLIN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Unearned Revenue

The City defers revenue recognition for assets recognized before revenue recognition criteria has been satisfied.

Grants and entitlements received before eligibility requirements are met are unearned. In addition, in governmental fund financial statements, notes and lease receivables at fiscal year-end are recorded as unearned revenue because potential revenue does not meet the “available” criteria for recognition in the current period.

Deferred Inflows of Resources and Deferred Outflows of Resources

With the implementation of GASB Statements 65 and 68, and GASB Statements 74 and 75, the City’s Statement of Net Position includes deferred inflows (or deferred outflows) of resources when appropriate. Deferred outflows of resources represent a consumption of net position that applies to a future period(s). Deferred inflows of resources represent an acquisition of net position that applies to a future period(s). These amounts will not be recognized as expense or revenue until the applicable period.

Deferred Outflows - include the differences between reacquisition price and the net carrying amount of refunded debt obligations that is recognized as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter. In addition, it includes differences between expected and actual experience, changes of assumptions, changes in proportionate share, and differences between projected and actual earnings on investments in both pension plans and other paid employee benefit plans, and contributions to pension plans and other paid employee benefit plans made subsequent to the City’s measurement date of June 30, 2021.

Deferred Inflows - include differences between expected and actual experience, changes of assumptions, changes in proportionate share, and projected and actual earnings on investments, in both pension plans and other paid employee benefit plans.

CITY OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Classification

The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance—amounts that are not in spendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance—amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance—amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e., City ordinance). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint.
- Assigned fund balance—amounts the City intends to use for a specific purpose. Intent can be expressed by the City Commission or by an official or body to which the City Commission delegates the authority.
- Unassigned fund balance—in the General fund, resources not otherwise reported as nonspendable, restricted, committed, or assigned. This classification is also used to report negative fund balance amounts in other governmental funds.

The City Commission establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance. 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 City Commission through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

The City would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

CITY OF FRANKLIN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position

In the government-wide statements, the difference between the City's total assets and total liabilities represents net position.

Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets.

Net position is reported as restricted when constraints placed on them are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or are imposed by law through constitutional provisions or enabling legislation.

E. Revenues, Expenditures and Expenses

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, non-capital financing, or investing activities.

Interfund Activity

Transfers between governmental and proprietary activities on the government-wide statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

CITY OF FRANKLIN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

G. Budgetary Information

Budget Policy

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general, special revenue, and enterprise funds. A budget is not prepared for the City's permanent funds. All annual appropriations lapse at fiscal year-end.

Legal Compliance

All agencies of the City submit requests for appropriation to the City manager so that a budget may be prepared. The budget is prepared by fund, function and activity, and includes information on the part year, current year estimates, and requested appropriations for the next fiscal year.

Before June 1st, the proposed budget is presented to the City Commission for review. The City Commission holds public hearings to obtain taxpayer comments. Prior to July 1, the budget is legally enacted through passage of an ordinance. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Commission. During the year, several supplementary appropriations were necessary.

CITY OF FRANKLIN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 2. DEPOSITS, INVESTMENTS AND INVESTMENT RETURN

Deposits

Custodial credit risk is the risk that in the event of a bank failure a government's deposits may not be returned to it. The City's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of all deposits with federal depository insurance; letters of credit issued by federal home loan banks; bonds, notes, letters of credit or other obligations of the U. S. Treasury, U. S. agencies or instrumentalities or the state of Kentucky; bonds of any city of the first, second, and third classes, county, school district or educational institution of the state of Kentucky; or surety bonds having an aggregate current face value or current quoted market value at least equal to the amount of the deposits in excess of amounts insured by the FDIC.

At June 30, 2022, \$2,875,498 of the City's bank balances of \$10,970,313 was exposed to custodial credit risk as follows, while \$8,119,687 was covered by the FDIC:

Uninsured and collateral held by pledging financial institution	<u>\$ 2,875,498</u>
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Investments

In accordance with Kentucky Revised Statutes (KRS) 66.480, the City may legally invest in obligations of the U. S. Treasury, U. S. agencies and instrumentalities, including obligations subject to repurchase agreements, bankers' acceptances, commercial paper, obligations of the Commonwealth of Kentucky and its agencies and instrumentalities, shares of mutual funds or interest bearing deposits of insured national or state banks.

At June 30, 2022, the City had the following investments and maturities:

Type	Maturities In Years			
	Fair Value	Not Applicable	Less than 1	1-5
U.S. Treasury securities				
U.S. Treasury bill	\$ 9,851,807	—	\$ 9,851,807	—
U.S. Treasury note	1,486,641	—	—	1,486,641
Mutual funds				
Equity	506,472	506,472	—	—
International	282,108	282,108	—	—
Fixed	3,555,371	3,555,371	—	—
	<u>\$ 15,682,399</u>	<u>\$ 4,343,951</u>	<u>\$ 9,851,807</u>	<u>\$ 1,486,641</u>

CITY OF FRANKLIN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 2. DEPOSITS, INVESTMENTS AND INVESTMENT RETURN (Continued)

Interest Rate Risk - The City recognizes that some level of risk is inherent in any investment transaction. Losses may be incurred due to issuer default, market price changes, or closing investments prior to maturity due to unanticipated cash flow needs. While the City has adopted an investment policy that recommends controlling interest rate risk through maturity diversification, the policy states that unless matched to a specific cash flow need, the City's funds should not, in general, be invested in securities maturing more than ten years from the date of purchase.

Credit Risk - Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. It is the City's policy to limit its investments in securities issued by a state or local government or any U. S. agency or instrumentality to the top three ratings issued by nationally recognized statistical rating organizations (NRSROs).

Concentration of Credit Risk - The City's funds must be diversified by security type and institution with the exception of fully insured or fully collateralized investments and except for authorized investment pools, no more than 30% of the City's total investment portfolio shall be invested in a single security type or with a single financial institution.

Summary of Carrying Values

The carrying values of deposits and investments shown above are included in the balance sheets as follows:

Carrying value:	
Deposits	\$ 11,222,267
Investments	<u>15,682,399</u>
	<u>\$ 29,904,666</u>

CITY OF FRANKLIN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 2. DEPOSITS, INVESTMENTS AND INVESTMENT RETURN (Continued)

Included in the following balance sheet captions:

Government-wide Statement of Net Position

Cash and cash equivalents	\$ 8,730,162
Certificates of deposit	257,302
Investments	15,682,399
Restricted assets:	
Cash and cash equivalents	1,019,051
Certificates of deposit	<u>1,215,752</u>
 Total	 <u>\$ 26,904,666</u>

Recurring Fair Value Measurements - The City categorizes fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The City had the following assets measured at fair value on a recurring basis as of June 30, 2022.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
U.S. Treasury securities	\$ —	\$ 11,388,448	—	\$ 11,388,448
Money market mutual funds	<u>4,343,951</u>	<u>—</u>	<u>—</u>	<u>4,343,951</u>
	<u>\$ 4,343,951</u>	<u>\$ 11,388,448</u>	<u>—</u>	<u>\$ 15,682,399</u>

NOTE 3. RESTRICTED ASSETS

The City's restricted assets are as follows as of June 30, 2022:

	<u>Cash</u>	<u>Certificates of Deposit</u>	<u>Total</u>
Governmental activities:			
General Fund:			
Retiree Life fund	\$ 30,551	\$ —	\$ 30,551
Police fund	44,686	—	44,686
Taeyang pledge	—	223,750	223,750
HRA/FSA fund	20,010	—	20,010
Community Development	<u>2,490</u>	<u>—</u>	<u>2,490</u>
 Total governmental activities	 <u>97,737</u>	 <u>223,750</u>	 <u>321,487</u>

CITY OF FRANKLIN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 3. RESTRICTED ASSETS (continued)

	<u>Cash</u>	<u>Certificates of Deposit</u>	<u>Total</u>
Business-type activities:			
Enterprise Fund			
Water and Wastewater Fund:			
Customer deposits	490,534	240,107	730,642
Debt service reserve	430,780	303,460	734,240
Depreciation reserve	—	291,166	291,166
Maintenance and replacement reserve	<u>—</u>	<u>157,268</u>	<u>157,268</u>
Total business-type activities	<u>921,314</u>	<u>992,002</u>	<u>1,913,316</u>
Total restricted assets	<u>\$ 1,019,051</u>	<u>\$ 1,215,752</u>	<u>\$ 2,234,803</u>

CITY OF FRANKLIN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2022 was as follows:

	Balance June 30, 2021	Increases	Decreases	Balance June 30, 2022
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,529,472	\$ 268,185	\$ —	\$ 1,797,657
Streets and sidewalks	11,597,941	—	—	11,597,941
Construction in progress	178,255	399,271	—	577,526
Total capital assets, not being depreciated	13,305,668	667,456	—	13,973,124
Capital assets being depreciated:				
Buildings and improvements	2,060,697	—	—	2,060,697
Land improvements	22,456	—	—	22,456
Vehicles	1,504,508	146,958	(22,858)	1,628,608
Furniture, fixtures and equipment	1,249,181	185,993	(67,150)	1,368,024
Total capital assets, being depreciated	4,836,842	332,951	(90,008)	5,079,785
Less accumulated depreciation:				
Buildings and improvements	(974,779)	(54,908)	—	(1,029,687)
Land improvements	(5,933)	(1,497)	—	(7,430)
Vehicles	(1,119,408)	(153,492)	22,858	(1,250,042)
Furniture, fixtures and equipment	(896,896)	(125,001)	62,241	(959,656)
Total accumulated depreciation	(2,997,016)	(334,898)	85,099	(3,246,815)
Total capital assets, being depreciated, net	1,839,826	(1,947)	(4,909)	1,832,970
Governmental activities capital assets, net	\$ 15,145,494	\$ 665,509	(\$ 4,909)	\$ 15,806,094
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 380,530	\$ —	\$ —	\$ 380,530
Construction in progress	288,563	600,804	(55,790)	833,577
Total capital assets, not being depreciated	669,093	600,804	(55,790)	1,214,107
Capital assets being depreciated:				
Utility plant	40,571,851	349,341	—	40,921,192
Buildings	86,738	—	—	86,738
Furniture and equipment	2,667,062	13,951	(119,618)	2,561,395
Vehicles	660,106	—	—	660,106
Land improvements	50,519	—	—	50,519
Total capital assets being depreciated	44,036,276	363,292	(119,618)	44,279,950
Less accumulated depreciation:				
Utility plant	(23,283,341)	(944,125)	—	(24,227,466)
Buildings	(71,275)	(1,119)	—	(72,394)
Furniture and equipment	(1,919,758)	(111,299)	119,084	(1,911,973)
Vehicles	(554,254)	(48,649)	—	(602,903)
Land improvements	(20,103)	(3,368)	—	(23,471)
Total accumulated depreciation	(25,848,731)	(1,108,560)	119,084	(26,838,207)
Total capital assets, being depreciated, net	18,187,545	(745,268)	(534)	17,441,743
Business-type activities capital assets, net	\$ 18,856,638	(\$ 144,464)	(\$ 56,324)	\$ 18,655,850

CITY OF FRANKLIN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 4. CAPITAL ASSETS (Continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 67,021
Public safety	207,926
Public works	57,452
Community and cultural	<u>2,499</u>
Total depreciation expense - governmental activities	<u>\$ 334,898</u>
Business-type activities:	
Water and wastewater	<u>\$ 1,108,560</u>

NOTE 5. LONG-TERM LIABILITIES

Revenue bonds and other directly related long-term liabilities, which are intended to be paid from proprietary funds, are included in the accounts of such funds. All other long-term indebtedness is accounted for in the Governmental column of the Government-wide Statement of Net Position.

Changes in long-term liabilities for the year ended June 30, 2022 were as follows:

	<u>Balance</u> <u>June 30, 2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2022</u>	<u>Amounts Due</u> <u>in One Year</u>
Business-type activities:					
Revenue bonds	\$ 3,525,000	\$ —	\$ 210,000	\$ 3,315,000	\$ 220,000
Unamortized discounts, premiums, net	<u>70,064</u>	<u>—</u>	<u>5,256</u>	<u>64,808</u>	<u>—</u>
Total business-type activities	<u>\$ 3,595,064</u>	<u>\$ —</u>	<u>\$ 215,256</u>	<u>\$ 3,379,808</u>	<u>\$ 220,000</u>
Total governmental and business-type activities	<u>\$ 3,595,064</u>	<u>\$ —</u>	<u>\$ 215,256</u>	<u>\$ 3,379,808</u>	<u>\$ 220,000</u>

CITY OF FRANKLIN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 5. LONG-TERM LIABILITIES (Continued)

Governmental activities:

The City enters into general obligation bonds, lease purchase agreements and notes payable to finance the acquisition and construction of various public projects. These long-term liabilities pledge the full faith and credit of the City. The City did not have any general obligation long-term debt outstanding as of June 30, 2022.

Business-type activities:

Revenue bonds

Revenue bonds are comprised of various issues for the purpose of acquiring, constructing, equipping, renovating, expanding and refurbishing additions and improvements to the City's system. The City pledges income derived from the acquired or constructed assets to pay debt service.

Water and Wastewater Fund:

Revenue bonds outstanding at June 30, 2022 were as follows:

	<u>Interest Rates</u>	<u>Final Maturity Date</u>	<u>Principal at June 30, 2022</u>
Revenue bonds, Series 2012 (A)	2.00 - 3.75%	December 1, 2033	\$ 2,360,000
Revenue bonds, Series 2016 (B)	3.00 - 3.60%	February 1, 2037	955,000
			3,315,000
Unamortized discounts, premiums, net			64,808
Total revenue bonds payable - business-type activities			<u>\$ 3,379,808</u>

- (A) \$3,860,000 City of Franklin, Kentucky Water and Sewer Revenue Refunding Bonds, Series 2012, dated July 24, 2012; fully registered bonds in the denomination of \$5,000 or any integral multiple thereof; maturing on December 1 in annual installments of \$135,000 to \$230,000 through 2033; interest payable semi-annually on June 1 and December 1; issued to currently refund the City's outstanding Water and Sewer Revenue Bonds, Series 2004; secured by water and sewer system revenues.
- (B) \$1,190,000 Kentucky Bond Corporation Revenue Lease, dated November 30, 2016; City of Franklin, Kentucky portion of Kentucky Bond Corporation Financing Program Revenue Bonds, Series 2016D; maturing on February 1 in annual installments of \$45,000 to \$80,000 through 2037; interest at 3% to 3.5% payable semi-annually on February 1 and August 1; issued to finance water and sewer system improvements; secured by water and sewer system revenues.

CITY OF FRANKLIN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 5. LONG-TERM LIABILITIES (Continued)

Annual Debt Service Requirements

The annual requirements to amortize long-term debt outstanding as of June 30, 2022 are as follows:

Year Ending June 30	Governmental Activities		Business-Type Activities		Government-Wide	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ —	\$ —	\$ 220,000	\$ 105,356	\$ 220,000	\$ 105,356
2024	—	—	225,000	99,394	225,000	99,394
2025	—	—	230,000	93,000	230,000	93,000
2026	—	—	235,000	86,244	235,000	86,244
2027	—	—	240,000	79,119	240,000	79,119
2028 – 2032	—	—	1,340,000	272,834	1,340,000	272,834
2033 – 2037	—	—	825,000	56,881	825,000	56,881
	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 3,315,000</u>	<u>\$ 792,828</u>	<u>\$ 3,315,000</u>	<u>\$ 792,828</u>

NOTE 6. INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payable as of June 30, 2022 are as follows:

	Interfund Receivables	Interfund Payables
Governmental Funds:		
General Fund	\$ 202,039	\$ 183,905
Special Revenue Funds:		
Municipal Aid Fund	—	132,912
Economic Development Revolving Loan Fund	50,993	—
Greenlawn Shady Rest Cemetery Fund	—	12,355
Community Development Fund	—	32,206
Stormwater Fund	12,731	2,848
Permanent Fund		
Francis M. Harris Trust	—	79
Total governmental funds	<u>265,763</u>	<u>364,305</u>
Proprietary Funds:		
Water and Wastewater Fund	132,912	37,548
Sanitation Fund	3,177	—
Total proprietary funds	<u>136,089</u>	<u>37,548</u>
	<u>\$ 401,852</u>	<u>\$ 401,852</u>

CITY OF FRANKLIN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 6. INTERFUND RECEIVABLES AND PAYABLES (Continued)

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

NOTE 7. INTERFUND TRANSFERS

Interfund transfers for the year ending June 30, 2022 are summarized as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds:		
General Fund	\$ —	\$ 448,700
Special Revenue Fund		
Municipal Aid Fund	236,000	—
Greenlawn Shady Rest Cemetery Fund	195,700	12,328
Stormwater Fund	32,328	—
Permanent Fund		
Greenlawn-Shady Rest Cemetery Perpetual Fund	—	3,000
Total governmental funds	<u>\$ 464,028</u>	<u>\$ 464,028</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 8. RETIREMENT PLAN

County Employees Retirement System

Plan Description

The County Employees Retirement System (CERS) is a cost sharing multiple-employer defined benefit pension plan created by the Kentucky General Assembly, pursuant to the provisions of Kentucky Revised Statute Section 78.520. CERS is administered by the Kentucky Public Pensions Authority (KPPA) and covers substantially all regular full-time City employees (members) employed in nonhazardous and hazardous duty positions. The KPPA is the successor to Kentucky Retirement Systems and was created by state statute under Kentucky Revised Statute Section 61.645 as amended by House Bill 484 and House Bill 9 of the 2020 and 2021 regular sessions, respectively, of the Kentucky General Assembly. These amendments transferred governance of the CERS to a separate nine-member board of trustees. The CERS Board of Trustees is responsible for the proper operation and administration of the CERS. The KPPA issues a publicly available financial report that can be obtained by writing to Kentucky Public Pensions Authority, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601, or by telephone at (502) 564-4646.

CITY OF FRANKLIN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 8. RETIREMENT PLAN (Continued)

Benefits Provided

CERS provides for retirement, disability and death benefits to plan members. Members are vested in the plan after five years' service credit. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost of living adjustments (COLAs) are provided at the discretion of the State Legislature. Senate Bill 2 of 2013 eliminated all future COLAs unless the State Legislature so authorizes on a biennial basis and either (i) the system is over 100% funded or (ii) the Legislature appropriates sufficient funds to pay the increased liability for the COLA. For retirement purposes, employees are grouped into three tiers based on hire date. Tier 1 includes plan members whose participation began before September 1, 2008, Tier 2 includes plan members whose participation began on or after September 1, 2008 but before January 1, 2014, and Tier 3 includes plan members whose participation began on or after January 1, 2014.

Tier 1 non-hazardous members are eligible to retire with an unreduced retirement benefit at age 65 with four years of service credit or after 27 years of service credit regardless of age. Benefits are determined by a benefit formula calculation based on final compensation times benefit factor times years of service. Tier 1 final compensation is the average of the five highest years' earnings, benefit factor is 2.20% for members participating prior to August 1, 2004 and 2.00 % for members participating on or after August 1, 2004 and before September 1, 2008. Reduced benefits for early retirement are available at age 55 with five years of service credit or at any age with 25 years of service credit. Tier 2 non-hazardous members are eligible to retire with an unreduced retirement benefit at age 65 with five years' service credit or at age 57 based on the Rule of 87 - sum of service years plus age equal 87. Final compensation for Tier 2 benefit formula calculation is the average of the last complete five years' earnings and benefit factor is an increasing percent based on service at retirement plus 2.00% for each year of service over 30. Reduced benefits for early retirement are available at age 60 with 10 years of service. Tier 3 non-hazardous members are eligible to retire with an unreduced retirement benefit at age 65 with five years' service credit or at age 57 based on the Rule of 87. Tier 3 members are not eligible for reduced retirement benefits. Tier 3 is a hybrid cash balance plan. When a member is eligible to retire, the benefit is calculated based on the member's accumulated account balance. A member earns service credit for each month contributing to the plan. Upon retirement, the hypothetical account, which includes member contributions, employer contributions and interest credits can be withdrawn in a lump sum or annuitized into a single life annuity option.

CITY OF FRANKLIN, KENTUCKY

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

NOTE 8. RETIREMENT PLAN (Continued)

Tier 1 hazardous members are eligible to retire with an unreduced retirement benefit at age 55 with five years of service credit or after 20 years of service credit regardless of age. Benefits are determined by above benefit formula. Calculation is based on average of the three highest years' earnings (final compensation), a 2.50% benefit factor and years of service. Reduced benefits for early retirement are available at age 50 with 15 years of service credit. Tier 2 hazardous members are eligible to retire at any age with 25 years of service or at age 60 with 5 years of service credit. Benefit formula calculation is based on average of the three highest complete years' earnings, an increasing percent benefit factor based on service at retirement, and years of service. Reduced benefits for early retirement are available at age 50 with 15 years of service. Tier 3 hazardous members are also eligible to retire at any age with 25 years of service or at age 60 with 5 years of service. Tier 3 members are not eligible for reduced retirement benefits.

Death benefits are provided for both death after retirement and death prior to retirement. Members receiving a monthly benefit based on at least four years of creditable service are eligible for a \$5,000 death benefit. Beneficiaries of deceased members are eligible for a monthly benefit if the member was (1) eligible for retirement at the time of death or, (2) under the age of 55 with at least 60 months of service credit and currently working for a participating agency at the time of death or (3) no longer working for a participating agency but at the time of death had at least 144 months of service credit. If the beneficiary of a deceased active member is not eligible for a monthly benefit, the beneficiary will receive a lump sum payment of the member's contributions and any accumulated interest.

Members participating before August 1, 2004 may retire on account of disability provided the member has at least 60 months of service credit and is not eligible for an unreduced benefit. Additional service credit may be added for computation of benefits under the benefit formula. Members participating on or after August 1, 2004, but before January 1, 2014, may retire on account of disability provided the member has at least 60 months of service credit. Benefits are computed as the higher of a % of final rate of pay (20% nonhazardous, 25% hazardous) or the amount calculated under the benefit formula based upon actual service. Members participating on or after January 1, 2014, may retire on account of disability provided the member has at least 60 months of service credit. The hypothetical account which includes member contributions, employer contributions and interest credits can be withdrawn as a lump sum or an annuity equal to the larger of a % of the member's monthly final rate of pay (20% nonhazardous, 25% hazardous) or the annuitized hypothetical account into a single life annuity option. Members disabled as a result of a single duty-related injury or act of violence related to their job may be eligible for special benefits.

CITY OF FRANKLIN, KENTUCKY

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

NOTE 8. RETIREMENT PLAN (Continued)

Contributions

Employee contribution rates are set by statutes governing the CERS and may only be changed by the Kentucky General Assembly. Participating employers are required to contribute at an actuarially determined rate as approved by the CERS Board without further legislative review. Per KRS Section 78.635, normal contribution and the actuarially accrued liability contribution rates shall be determined by the CERS Board of Trustees on the basis of the annual actuarial valuation last preceding the July 1 of a new biennium. The CERS Board of Trustees may amend contribution rates as of July 1 of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. The normal contribution rate (the percent computed of employee creditable compensation) shall be determined by the entry age normal cost funding method.

The actuarially accrued liability shall be determined by actuarial method consistent with the methods prescribed for determining the normal contribution rate. The actuarially accrued liability contribution shall be computed by amortizing the total unfunded actuarially accrued liability over a period of 30 years using the level-percentage-of-payroll amortization method. Administrative costs of CERS are financed through employer contributions and investment earnings.

Plan members participating in CERS on or before August 31, 2008 (Tier 1), with nonhazardous and hazardous duty positions, were required to contribute 5% and 8%, respectively, of their annual creditable compensation. For plan members who began participating on or after September 1, 2008 but before January 1, 2014 (Tier 2), contribution rates are 6% (nonhazardous) and 9% (hazardous) of annual creditable compensation. The additional 1% is deposited to an account created for the payment of health insurance benefits under 26 USC Section 401(h) in the Pension Fund (Kentucky Administrative Regulation 105 KAR 1:420E). Plan members participating on, or after January 1, 2014 (Tier 3), were required to contribute to the hybrid cash balance plan. Plan members and employers contribute a set percentage of creditable compensation into the member's account. Members contribute 5% (nonhazardous) and 8% (hazardous) of their annual creditable compensation and 1% to the health insurance fund which is not credited to the member's account and is not refundable. Employers contribute 4% (nonhazardous) and 7.5% (hazardous) of creditable compensation into member's hypothetical account.

CITY OF FRANKLIN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 8. RETIREMENT PLAN (Continued)

For the year ended June 30, 2022, the City contributed 26.95% (nonhazardous – 21.17% pension; 5.78% insurance) and 44.33% (hazardous – 33.86% pension; 10.47% insurance) of each employee’s creditable compensation to CERS, in accordance with its actuarially determined contribution rate. The City’s employer’s contributions to CERS for pension benefits for the year ended June 30, 2022 were \$884,406.

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

At June 30, 2022, the City reported a liability of \$10,204,054 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020 and rolled-forward using generally accepted actuarial principles. The City’s proportion of the net pension liability was based on a projection of the City’s long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2021, the City’s proportion was 0.082680% (non-hazardous), a decrease of 0.004216% from its proportion measured as of June 30, 2020, and 0.185284% (hazardous), a decrease of .024857% from its proportion as of June 30, 2020.

For the year ended June 30, 2022, the City recognized pension expense of \$849,235. At June 30, 2022, the City 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>
Net difference between projected and actual earnings on pension plan investments	\$ 362,007	\$ 1,594,130
Difference between expected and actual experience	196,556	51,163
Change of assumptions	132,357	—
Change in proportion and differences between employer contributions and proportionate share of contributions	485,827	750,870
Contributions subsequent to the measurement date of June 30, 2021	<u>884,406</u>	<u>—</u>
Total	<u>\$ 2,061,153</u>	<u>\$ 2,396,163</u>

The amount shown above for “contributions subsequent to the measurement date of June 30, 2021,” will be recognized as a reduction of the net pension liability in the year ending June 30, 2023.

CITY OF FRANKLIN, KENTUCKY

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

NOTE 8. RETIREMENT PLAN (Continued)

Other amounts reported as deferred inflows of resources and deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2023	(\$ 170,431)
2024	(279,577)
2025	(329,838)
2026	(439,570)
	<u>(\$1,219,416)</u>

In the table above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

Actuarial assumptions. There have been no actuarial assumption or method changes since June 30, 2020. The assumptions are:

Inflation	2.30 %
Payroll Growth Rate	2.00%
Salary increases	3.30% to 10.30% for CERS non-hazardous; 3.55% to 19.05% for CERS hazardous
Investment rate of return	6.25 %

During the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. Benefits paid to the spouses of deceased members have been increased from 25% of the member's final rate of pay to 75% of the member's average pay. If the member does not have a surviving spouse, benefits paid to surviving dependent children have been increased from 10% of the member's final pay rate to 50% of average pay for one child, 65% of average pay for two children, or 75% of average pay for three children.

Senate Bill 249 passed during the 2020 legislative session changed the funding period for the amortization of the unfunded liability to 30 years as of June 30, 2019. Gains and losses incurred in future years will be amortized over separate 20-year amortization bases. This change does not impact the calculation of the Total Pension Liability and only impacts the calculation of the contribution rates that would be payable starting July 1, 2020. There were no other material plan provision changes.

The mortality table used for active members was a Pub-2010 General Mortality table, for the Non-Hazardous System, and the Pub-2010 Public Safety Mortality table for the Hazardous System, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy

CITY OF FRANKLIN, KENTUCKY

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

NOTE 8. RETIREMENT PLAN (Continued)

retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2020. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

The long-term expected rate of return was determined by using a building-block method in which best estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Growth	68.50%	
US equity	21.75%	5.70%
Non-US equity	21.75%	6.35%
Private equity	10.00%	9.70%
Specialty credit/high yield	15.00%	2.80%
Liquidity	11.50%	
Core bonds	10.00%	0.00%
Cash	1.50%	-0.60%
Diversifying Strategies	20.00%	
Real estate	10.00%	5.40%
Opportunistic	0.00%	N/A
Real return	10.00%	4.55%
Expected Real Return	100.00%	5.00%
Long Term Inflation Assumption		<u>2.30%</u>
Expected Nominal Return for Portfolio		7.30%

Discount rate. The projection of cash flows used to determine the discount rate of 6.25% for CERS hazardous and nonhazardous, assumes that local employers would contribute with required employer contributions each future year, as determined by the current funding policy established in Statute as last amended by House Bill 8 (passed in 2021). The discount rate determination does not use a municipal bond rate. The target asset allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the KPPA financial report.

CITY OF FRANKLIN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 8. RETIREMENT PLAN (Continued)

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the City calculated using the discount rate of 6.25%, as well as the net pension liability if calculated using a discount rate that is 1-percentage-point lower (5.25 %) or 1-percentage-point higher (7.25 %) than the current rate:

	1% Decrease <u>(5.25%)</u>	Current Discount <u>Rate (6.25%)</u>	1% Increase <u>(7.25%)</u>
City of Franklin's net pension liability			
Hazardous	\$ 6,287,226	\$ 4,932,555	\$ 3,828,504
Nonhazardous	<u>6,760,947</u>	<u>5,271,499</u>	<u>4,039,015</u>
Total	<u>\$ 13,048,173</u>	<u>\$ 10,204,054</u>	<u>\$ 7,867,519</u>

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CERS financial report.

NOTE 9. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Kentucky Retirement Systems' Insurance Fund

Plan Description

Employees of the City are provided hospital and medical insurance through the Kentucky Public Pensions Authority's County Employees' Retirement Insurance Fund (Insurance Fund), a cost-sharing multiple-employer defined benefit OPEB plan. The KPPA was created by State statute under Kentucky Revised Statute Section 61.645. The CERS Board of Trustees is responsible for the proper operation and administration of the CERS. The KPPA issues a publicly available financial report that can be obtained by writing to Kentucky Public Pension Authority, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601, or by telephone at (502) 564-4646.

Benefits provided. The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance. The Insurance Fund pays the same proportion of hospital and medical insurance premiums for the spouse and dependents of retired hazardous members killed in the line of duty.

CITY OF FRANKLIN, KENTUCKY

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

NOTE 9. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)
(Continued)

As a result of House Bill 290 (2004 Kentucky General Assembly), medical insurance benefits are calculated differently for members who began participating on, or after, July 1, 2003. Once members reach a minimum vesting period of 10 years, non-hazardous employees whose participation began on, or after, July 1, 2003, earn \$10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Hazardous employees whose participation began on, or after July 1, 2003, earn \$15 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon death of a hazardous employee, the employee's spouse receives \$10 per month for insurance benefits for each year of the deceased employee's earned hazardous service. This dollar amount is subject to adjustment annually, which is currently 1.5%, based upon Kentucky Revised Statutes. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgment, the welfare of the Commonwealth so demands.

Contributions. Contribution requirements of the participating employers are established and may be amended by the CERS Board of Trustees. The City's contractually required contribution rate for the year ended June 30, 2022 was 5.78% (non-hazardous) and 10.47% (hazardous) of covered payroll. Contributions to the Insurance Fund from the City were \$256,038 for the year ended June 30, 2022. Employees that entered the plan prior to September 1, 2008 are not required to contribute to the Insurance Fund. Employees that entered the plan after September 1, 2008 are required to contribute 1% of their annual creditable compensation which is deposited to an account created for the payment of health insurance benefits under 26 USC Section 401(h) in the Pension Fund (see Kentucky Administrative Regulation 105 KAR 1:420E).

The City's proportion of the collective net OPEB liability and OPEB expense was determined using the employers' actual contributions for fiscal year 2021. This method is expected to be reflective of the employers' long-term contribution effort. At June 30, 2022, the City's proportion was 0.082660% (non-hazardous) and 0.185283% (hazardous).

Net OPEB Liability

At June 30, 2021, the City reported a liability of \$3,080,607 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an

CITY OF FRANKLIN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 9. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)
(Continued)

actuarial valuation as of June 30, 2020 and rolled-forward using generally accepted actuarial principles. The City's proportion of the net OPEB liability was based on a projection of the City's long-term share of contributions to the Insurance Fund relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2020, the City's proportion was 0.082660% (non-hazardous), an increase of 0.004211% from its proportion measured as of June 30, 2020, and 0.185283% (hazardous), an increase of 0.024791% from its proportion as of June 30, 2020.

Actuarial assumptions. The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actual assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.30%
Payroll growth rate	2.00%
Salary increases	3.30% to 10.30%, varies by service for CERS non-hazardous; 3.55% to 19.05%, varies by service for CERS hazardous
Investment rate of return	6.25%
Healthcare cost trend rates (Pre-65)	Initial trend starting at 6.30% at January 1, 2023, and gradually decreasing to ultimate trend rate of 4.05% over a period of 13 years.
Healthcare cost trend rates (Post-65)	Initial trend starting at 6.30% at January 1, 2023, and then gradually decreasing to ultimate trend rate of 4.05% over a period of 13 years.

Senate Bill 169 passed during the 2021 legislative session changed the disability benefits for certain qualifying members who become "totally and permanently disabled" in the line of duty or as a result of a duty-related disability. The total OPEB liability as of June 30, 2021, is determined using these updated benefit provisions. There were no other material plan provision changes.

CITY OF FRANKLIN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 7. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)
(Continued)

The mortality table used for active members was a Pub-2010 General Mortality table, for the Non-Hazardous System, and the Pub-2010 Public Safety Mortality table for the Hazardous System, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of OPEB plan 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 allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Growth	68.50%	
US equity	21.75%	5.70%
Non-US equity	21.75%	6.35%
Private equity	10.00%	9.70%
Specialty credit/high yield	15.00%	2.80%
Liquidity	11.50%	
Core bonds	10.00%	0.00%
Cash	1.50%	-0.60%
Diversifying Strategies	20.00%	
Real estate	10.00%	5.40%
Opportunistic	0.00%	N/A
Real return	10.00%	4.55%
Expected Real Return	100.00%	5.00%
Long Term Inflation Assumption		2.30%
Expected Nominal Return for Portfolio		7.30%

CITY OF FRANKLIN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 9. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)
Continued)

Discount rate. The discount rate used to measure the total OPEB liability was 5.20% for non-hazardous and 5.05% for hazardous employees. The discount rate is based on the expected rate of return on OPEB plan investments of 6.25% and a municipal bond rate of 1.92%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2021. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, the plan's fiduciary net position and future contributions were projected to be sufficient to finance future benefit payments of current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the plan.

However, the cost associated with the implicit employer subsidy was not included in the calculation of the System's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The target asset allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the CAFR.

The projection of cash flows used to determine the single discount rate must include an assumption regarding actual employer contributions made each future year. Future contributions are projected assuming that each participating employer in each insurance plan contributes the actuarially determined employer contribution each future year calculated in accordance with the current funding policy, as most recently revised by House Bill 8, passed during the 2021 legislative session. The assumed future employer contributions reflect the provisions of House Bill 362 (passed during the 2018 legislative session) which limit the increases to the employer contribution rates to 12% over the prior fiscal year through June 30, 2028.

Changes in the Net OPEB Liability

Sensitivity of the City's proportionate share of the collective net OPEB liability to changes in the discount rate. The following presents the City's proportionate share of the collective net OPEB liabilities, calculated using discount rates of 5.05% (hazardous) and 5.20% (nonhazardous), as well as what the City's proportionate share of the collective net OPEB liabilities would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

CITY OF FRANKLIN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 9. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)
(Continued)

	<u>1% Decrease (4.05%)</u>	<u>Current Discount (5.05%)</u>	<u>1% Increase (6.05%)</u>
City of Franklin's net OPEB liability			
Hazardous	\$ 2,171,994	\$ 1,498,123	\$ 956,707
	<u>1% Decrease (4.20%)</u>	<u>Current Discount (5.20%)</u>	<u>1% Increase (6.20%)</u>
City of Franklin's net OPEB liability			
Non-hazardous	\$ 2,172,739	\$ 1,582,484	\$ 1,098,082
Total net OPEB liability	<u>\$ 4,344,733</u>	<u>\$ 3,080,607</u>	<u>\$ 2,054,789</u>

Sensitivity of the City's proportionate share of the collective net OPEB liability to changes in the healthcare cost trend rates. The following presents the City's proportionate share of the collective net OPEB liabilities, as well as what the City's proportionate share of the collective net OPEB liabilities would be if they were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current health care cost trend rates:

	<u>1% Decrease</u>	<u>Current Health- care Cost Trend Rates</u>	<u>1% Increase</u>
City of Franklin's net OPEB liability			
Hazardous	\$ 981,652	\$ 1,498,123	\$ 2,130,677
Nonhazardous	<u>1,139,201</u>	<u>1,582,484</u>	<u>2,117,535</u>
Total	<u>\$ 2,120,853</u>	<u>\$ 3,080,607</u>	<u>\$ 4,248,212</u>

OPEB plan fiduciary net position. Detailed information about the OPEB plan's fiduciary net position is available in the separately issued KPPA financial report.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2022, the City recognized OPEB expense of \$318,428. At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

CITY OF FRANKLIN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 9. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)
(Continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between expected and actual experience	\$ 295,660	\$ 633,651
Changes of assumptions	795,242	2,031
Net difference between projected and actual earnings on OPEB plan investments	174,233	703,771
Changes in proportion and difference between employer contributions and proportionate share of contributions	160,719	315,518
Contributions subsequent to the measurement date of June 30, 2021	<u>256,038</u>	<u>—</u>
Total	<u>\$ 1,681,892</u>	<u>\$ 1,654,971</u>

The amount shown above for “contributions subsequent to the measurement date of June 30, 2021,” will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources at June 30, 2022, related to OPEB, are recognized in OPEB expense as follows:

Year ended June 30,	
2023	(\$ 39,089)
2024	(29,736)
2025	(20,803)
2026	(140,081)
2027	<u>593</u>
	(\$ <u>229,116</u>)

NOTE 10. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (CITY OPEB)

In addition to the other post-employment benefits provided by the City through the Kentucky Retirement Systems’ Insurance Fund, described above, the City also maintains an informal retirement plan authorized by the Mayor/Commission. The City does not issue a separate, publicly available OPEB financial report. City employees who retired prior to May 1, 1988, plus employees/spouses who retired after May 1, 1988 but who elected not to participate in the CERS plan (above), are paid a \$100 per month retirement benefit. Eleven retired City employees are currently covered under the plan. Retirement benefits are financed on a pay as you go basis. Payments under the plan totaled \$20,190 for the year ended June 30, 2022.

CITY OF FRANKLIN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 10. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (CITY OPEB)
(Continued)

In addition to providing retirement benefits, the City also provides certain health care and life insurance benefits for these retired employees and their spouses. The cost of the retiree health care and life insurance benefits is borne 100% by the City and is financed on a pay as you go basis. For the year ended June 30, 2022, payments under the plan totaled \$45,812.

At June 30, 2022, the City reported a total OPEB liability of \$341,378. The City's total OPEB liability was measured as of June 30, 2022 and was calculated by the City using the alternative measurement method permitted by GASB Statement 75 for employers in OPEB plans with fewer than 100 employees as of the beginning of the measurement period.

The following simplifying assumptions were made:

Marital Status - Marital status of members at the calculation date was assumed to continue throughout retirement.

Mortality - Life expectancies were based on mortality tables from the National Center for Health Statistics.

Healthcare cost trend rate - The expected rate of increase in healthcare insurance premiums was based on projections of the Office of the Actuary at the Centers for Medicare & Medicaid Services' long-term healthcare trends analysis model. A rate of 5.60% per year initially, fluxuated slightly before returning to a rate of 5.60% per year.

Discount rate - The discount rate used to measure the total OPEB liability was 3.75%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2022. No assets have been accumulated in an irrevocable trust, so the municipal rate has been applied to all periods. The discount rate was 1.92% for the June 30, 2021 measurement date.

CITY OF FRANKLIN, KENTUCKY

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

NOTE 10. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (CITY OPEB)
(Continued)

Changes in the Total OPEB Liability

Sensitivity of the City's total OPEB liability to changes in the discount rate. The following presents the City's total OPEB liability as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.75%) or 1 percentage point higher (4.75%) than the current discount rate:

	<u>1% Decrease</u> <u>(2.75%)</u>	<u>Discount Rate</u> <u>(3.75%)</u>	<u>1% Increase</u> <u>(4.75%)</u>
City of Franklin's total OPEB liability	\$ 354,725	\$ 341,378	\$ 328,886

Sensitivity of the City's total OPEB liability to changes in the healthcare cost trend rates. The following presents the City's total OPEB liability, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current health care cost trend rates:

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
City of Franklin's total OPEB liability	\$ 318,545	\$ 341,378	\$ 351,578

NOTE 11. DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all full-time City employees at their option, permits participants to defer a portion of their salary until future years. The deferred compensation is not available to participants until termination, retirement, death or unforeseeable emergency.

The plan's investments are held in trust by Public Employee Benefit Service Corporation. Participating employees can contribute to the plan based on either a percentage of compensation or a fixed dollar amount per pay period up to 100% of the participant's total includible compensation or \$20,500 for 2022, whichever is less. During the fiscal year ending June 30, 2022, contributions made on behalf of employees totaled \$81,183.

CITY OF FRANKLIN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 12. SOLID WASTE COLLECTION FRANCHISE AGREEMENTS

Commercial and Residential

On September 30, 2013, the City entered into an exclusive commercial and residential franchise agreement with Scott Waste Services, LLC (franchisee), for the collection of residential and commercial solid waste and wastewater treatment plant waste in the City. Pursuant to franchise agreement for residential services, the City shall withhold 10% of the monthly gross receipts (franchise fee) received by the City from utility bill payments attributable to operations conducted by franchisee. In addition, City shall withhold 3% of the monthly gross receipts as a collection fee for its billing and collection services provided. For commercial services, the franchisee shall bill all commercial and industrial customers and pay to the City a fee of 10% of collected gross receipts for commercial and industrial services. The franchise agreement was for a five-year period beginning October 1, 2013 and ending September 30, 2018.

Industrial

In September, 2013, the City entered into non-exclusive industrial franchise agreements with franchisees for the collection of industrial solid waste in the City and/or industrial parks located therein. The industrial franchisee must remit to the City monthly 10% of the gross receipts received attributable to its operations in the industrial franchise area. The franchise agreements were for a five-year period beginning October 1, 2013 and ending September 30, 2018.

Amended and Restated Franchise Agreement

On August 15, 2019, the City and County entered into an amended and restated franchise agreement with Scott Waste Services, LLC (franchisee), for the collection of residential, commercial and industrial solid waste and wastewater treatment plant waste within the City and County. The City and County desired to combine their respective separate franchise agreements with franchisee for the extended term of this amended and restated franchise agreement. This agreement is effective August 15, 2019, shall terminate on June 30, 2026, and may be renewed for one additional seven-year term. Monthly rates for collection of City residential solid waste and recyclable materials by franchisee shall continue be billed by City as part of monthly resident's utility bills. Monthly rates for collection of commercial solid waste shall be billed to customers by franchisee.

The City shall withhold ten percent (10%) of the monthly gross receipts received from utility bill payments (residential franchise fee) and the franchisee shall pay the City a fee of ten percent (10%) of collected gross receipts from all commercial and industrial customers (commercial franchise fee). In addition, the City shall withhold three percent (3%) of the monthly gross receipts from residential utility bill payments as a collection fee for its billing and collection services provided.

CITY OF FRANKLIN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 13. INTERLOCAL AGREEMENT FOR FIRE PROTECTION

On June 21, 2012, the City and Simpson County Fiscal Court ("County") entered into an Interlocal Agreement for fire protection and related emergency services. The County presently furnishes basic fire protection services within its boundaries and the City desires to contract for essential fire-fighting, protection and emergency services for the City.

At onset of Interlocal Agreement, the City and County fire departments merged into the Franklin-Simpson Fire Rescue operated, managed and administered by the County, with the Simpson County Fire Department Chief being the chief officer of the merged department.

Fire Station and Equipment

The County shall have full use of fire station owned by City and shall maintain the station and grounds. The City shall retain ownership of the fire station and shall provide for major capital repairs of station required during the term of the agreement including extensions.

Personnel

Staffing of Franklin-Simpson Fire Rescue will be determined by the Fire Chief, in consultation with the County Judge Executive and the Mayor and City Manager, subject to approval of the Simpson County Fiscal Court.

Financial Contributions

City contributions to the County to the cost and expense of Franklin-Simpson Fire Rescue shall be at amounts per City's adopted budget payable monthly, however, not less than \$250,000 annually, without the prior written agreement of the parties. City contributions shall be increased or decreased annually, based upon change in consumer price index or cost of living increases set by Governor's Office of Local Development or comparable governmental office, effective July 1st of year increase or decrease is adopted by applicable state office, or the percentage increase in Simpson County's fire department budget, whichever is lower.

Financial contributions to the County for implementation of federal, state or local mandatory regulations shall be determined by negotiation. City shall furnish, without charge, quantities of water and use of fire hydrants as County may require or be able to use in its fire-fighting operations within the City or County. City shall provide insurance coverage for the fire station facility, however, vehicles owned or operated by County located within the station, shall be insured by the County.

CITY OF FRANKLIN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 13. INTERLOCAL AGREEMENT FOR FIRE PROTECTION (Continued)

Term

The term of the agreement is for ten years, unless extended by mutual agreement or terminated. The agreement shall be renewed for one additional ten year term unless, not less than twelve months prior to the expiration of this agreement, either party shall provide written notice to the other of its intent to terminate. The agreement may be terminated by either party by written notice at least one year prior to intended termination.

NOTE 14. RISK MANAGEMENT

The City is 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. The City maintains outside insurance coverage (either commercial or through a pooled insurance program) covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims did not exceed this commercial coverage in the past three fiscal years.

NOTE 15. CONTINGENCIES

The City has been named as a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City that resolution of these matters will not have a material adverse effect on the City's financial position. Accordingly, no provision for any liability resulting from such litigation has been made in the accompanying financial statements.

The City participates in numerous State and Federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustments by the grantor agencies; therefore, to the extent that the City complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2022 may be impaired. In the opinion of the City, there are not significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

CITY OF FRANKLIN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 15. CONTINGENCIES (Continued)

In June, 2015, the City Commission voted by resolution to sell and transfer all of the tangible and intangible assets of its fiber optic network to the Franklin Electric Plant Board (Board) for \$2,500,000. The Board assumed day-to-day operations of the fiber optic network on July 1, 2015. The City also is a guarantor of the Board's \$650,000 Franklin Bank & Trust commercial revolving draw promissory note, dated May 14, 2015, issued to facilitate the transfer of the fiber optic network from the City to the Board. The Board's note payable has a note maturity date of May 14, 2020 and the City's guaranty remains in effect until the Board's Franklin Bank & Trust debt is paid in full.

NOTE 16. CONDUIT DEBT OBLIGATIONS

The City has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. The City is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of June 30, 2022, was one Industrial Revenue Bond outstanding, with an aggregate approximate principal amount payable of \$59,324,392.

NOTE 17. TAX ABATEMENTS

The City participates, along with the Commonwealth of Kentucky, in the Kentucky Business Investment Program ("KBI"). KBI provides a wage incentive of up to 1% of the gross wages of each employee for qualified businesses in the City. An eligible company must be engaged in one of the following activities: manufacturing, agribusiness, regional or national headquarters operations, or certain nonretail service or technology activities. The minimum requirements for an eligible project are: create a minimum of 10 new, full-time jobs for Kentucky residents, incur at least \$100,000 in eligible costs, and meet a minimum level of wages and benefits. The tax incentives involved with this program are available for up to 10 years. The authority for this program is established in KRS 154.32. For the year ended June 30, 2022, City tax abatements were approximately \$188,797 relating to the City's participation in the KBI program.

CITY OF FRANKLIN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 18. SUBSEQUENT EVENTS

In November, 2022, the Commission awarded a \$9,900,761 base construction contract with Scott, Murphy & Daniel for the construction of a new Franklin police station. Brandstetter Carroll, Inc. has also been awarded a \$107,903 construction administration contract. Police station project financing will include use of existing General Fund resources and the issuance of a \$4 million General obligation bond through the Kentucky League of Cities. Project costs to date include approximately \$222,000 for site preparation and \$305,500 for construction. Project construction is estimated to be complete in the early calendar year 2024.

REQUIRED SUPPLEMENTARY INFORMATION
(Other than Management's Discussion and Analysis)

CITY OF FRANKLIN, KENTUCKY

BUDGETARY COMPARISON SCHEDULE

General Fund

Year Ended June 30, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues				
Taxes	\$ 1,307,779	\$ 1,359,577	\$ 1,456,359	\$ 96,782
Occupational taxes	2,488,641	2,593,691	2,478,821	(114,870)
Insurance premium taxes	1,930,000	2,151,000	2,153,525	2,525
Business license taxes	872,000	948,000	1,152,619	204,619
Franchise taxes	91,000	91,000	116,408	25,408
Intergovernmental	141,830	1,232,035	1,207,033	(25,002)
Interfund charges	804,786	804,786	804,786	—
Fines and forfeitures	97,500	76,500	135,208	58,708
Miscellaneous	<u>193,150</u>	<u>255,011</u>	<u>101,904</u>	<u>(153,107)</u>
Total revenues	<u>7,926,686</u>	<u>9,511,600</u>	<u>9,606,663</u>	<u>95,063</u>
Expenditures				
General government:				
Legislative:				
Personal services	126,446	121,906	124,505	(2,599)
Contractual services	24,493	33,593	25,679	7,914
Materials and supplies	3,250	3,250	594	2,656
Other	<u>25,050</u>	<u>24,050</u>	<u>19,838</u>	<u>4,212</u>
Total legislative	<u>179,239</u>	<u>182,799</u>	<u>170,616</u>	<u>12,183</u>
Administrative:				
Personal services	391,806	407,474	425,987	(18,513)
Contractual services	70,481	145,381	89,964	55,417
Materials and supplies	12,750	15,200	6,585	8,615
Other	<u>28,150</u>	<u>28,150</u>	<u>5,254</u>	<u>22,896</u>
Total administrative	<u>503,187</u>	<u>596,205</u>	<u>527,790</u>	<u>68,415</u>
Finance and accounting:				
Personal services	282,147	287,924	301,592	(13,668)
Contractual services	121,942	122,492	113,547	8,945
Materials and supplies	78,200	71,465	71,260	205
Other	<u>18,500</u>	<u>6,900</u>	<u>4,612</u>	<u>2,288</u>
Total finance and accounting	<u>500,789</u>	<u>488,781</u>	<u>491,011</u>	<u>(2,230)</u>

See Independent Auditor's Report

(continued)

CITY OF FRANKLIN, KENTUCKY

BUDGETARY COMPARISON SCHEDULE

General Fund

Year Ended June 30, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Expenditures (continued)				
Risk management:				
Personal services	\$ 225,899	\$ 239,788	\$ 223,821	\$ 15,967
Contractual services	14,500	25,500	15,640	9,860
Materials and supplies	3,500	3,500	1,934	1,566
Other	<u>89,547</u>	<u>92,047</u>	<u>48,596</u>	<u>43,451</u>
Total risk management	<u>333,446</u>	<u>360,835</u>	<u>289,991</u>	<u>70,844</u>
Total general government	<u>1,516,661</u>	<u>1,628,620</u>	<u>1,479,408</u>	<u>149,212</u>
Public safety:				
Police department:				
Administration:				
Personal services	282,427	291,028	296,898	(5,870)
Contractual services	4,600	5,100	3,361	1,739
Materials and supplies	3,325	3,325	3,231	94
Other	<u>2,000</u>	<u>6,816</u>	<u>4,421</u>	<u>2,395</u>
Total administration	<u>292,352</u>	<u>306,269</u>	<u>307,911</u>	<u>(1,642)</u>
Patrol:				
Personal services	1,988,292	2,017,767	1,992,264	25,503
Contractual services	25,760	40,760	38,450	2,310
Materials and supplies	89,305	110,305	109,638	667
Other	<u>13,850</u>	<u>17,792</u>	<u>12,992</u>	<u>4,800</u>
Total patrol	<u>2,117,207</u>	<u>2,186,624</u>	<u>2,153,344</u>	<u>33,280</u>
Non-sworn personnel:				
Personal services	79,112	103,098	94,845	8,253
Contractual services	63,560	65,785	63,326	2,459
Materials and supplies	10,200	12,600	14,130	(1,530)
Other	<u>750</u>	<u>750</u>	<u>327</u>	<u>423</u>
Total non-sworn personnel	<u>153,622</u>	<u>182,233</u>	<u>172,628</u>	<u>9,605</u>
Total police department	<u>2,563,181</u>	<u>2,675,126</u>	<u>2,633,883</u>	<u>41,243</u>
Fire department:				
Inspection and administration:				
Contractual services	<u>625</u>	<u>625</u>	<u>416</u>	<u>209</u>

See Independent Auditor's Report

(continued)

CITY OF FRANKLIN, KENTUCKY

BUDGETARY COMPARISON SCHEDULE

General Fund

Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Expenditures (continued)				
Firefighting:				
Contractual services	\$ 291,200	\$ 291,200	\$ 291,200	\$ —
Total fire department	291,825	291,825	291,616	209
Total public safety	2,855,006	2,966,951	2,925,499	41,452
Public services:				
Public works:				
Personal services	536,753	522,772	490,932	31,840
Contractual services	246,291	295,191	255,913	39,278
Materials and supplies	94,320	96,120	82,166	13,954
Other	3,225	3,025	2,013	1,012
Total public works	880,589	917,108	831,024	86,084
Code enforcement:				
Personal services	85,002	84,104	85,087	(983)
Contractual services	2,290	4,340	3,481	859
Materials and supplies	2,300	2,300	1,861	439
Other	2,560	2,560	140	2,420
Total code enforcement	92,152	93,304	90,569	2,735
Total public services	972,741	1,010,412	921,593	88,819
Community services:				
Economic development	316,533	503,729	380,909	122,820
Parks and recreation	239,000	276,500	274,000	2,500
Emergency services	0	921,920	921,919	1
Total community services	555,533	1,702,149	1,576,828	125,321
Capital outlay:				
Vehicles	144,260	146,958	252,999	(106,041)
Equipment	302,068	203,316	195,792	7,524
Land and improvements	308,364	627,600	304,550	323,050
Buildings	434,000	399,400	246,476	152,924
Reserve for capital improvement	30,000	17,500	—	17,500
Total capital outlay	1,218,692	1,394,774	999,817	394,957
Total expenditures	7,118,633	8,702,906	7,903,145	799,761

See Independent Auditor's Report

(continued)

CITY OF FRANKLIN, KENTUCKY

BUDGETARY COMPARISON SCHEDULE

General Fund

Year Ended June 30, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Excess of revenues over expenditures	\$ 808,053	\$ 808,694	\$ 1,703,518	\$ 894,824
Other financing sources (uses):				
Sale of capital assets	10,000	—	—	—
Transfers out	(448,700)	(448,700)	(448,700)	—
Total other financing sources (uses)	(438,700)	(448,700)	(448,700)	—
Net change in fund balance	369,353	359,994	1,254,818	894,824
Fund balances, beginning of year	<u>12,531,581</u>	<u>12,531,581</u>	<u>12,531,581</u>	—
Fund balances, end of year	<u>\$ 12,900,934</u>	<u>\$ 12,891,575</u>	<u>\$ 13,786,399</u>	<u>\$ 894,824</u>

See Independent Auditor's Report

CITY OF FRANKLIN, KENTUCKY

Infrastructure Condition and Maintenance Data June 30, 2022

Modified Approach to Infrastructure

The following schedules are presented by the City as supplementary information on infrastructure assets using the modified approach:

		Square Feet of Road Area					
		2022		2020		2019	
	OCI Condition Rating	Square Feet	%	Square Feet	%	Square Feet	%
Acceptable	75 - 100	5,649,060	87.69	4,991,178	87.21	4,162,508	79.66
Marginally deficient	50 - 74	622,769	9.67	580,504	10.14	770,049	14.74
Moderately deficient	25 - 49	170,205	2.64	146,604	2.56	292,922	5.60
Severely deficient	0 - 24	—	—	5,104	.09	—	—
Total		<u>6,442,034</u>	<u>100.00</u>	<u>5,723,390</u>	<u>100.00</u>	<u>5,225,479</u>	<u>100.00</u>

Comparison of Estimated-to-Actual Maintenance/Preservation					
	2022	2021	2020	2019	2018
Original estimate	\$ 917,108	\$ 878,014	\$ 878,014	\$ 396,607	\$ 183,465
Actual	\$ 831,024	\$ 807,140	\$ 785,175	\$ 336,616	\$ 143,844

The condition of the City's roads is determined using its Road Management and Inspection Program (RMIP). The road condition is rated from 1 to 100 (OCI), with 100 being new or recently paved.

It is the City's policy to assess the condition of the roads at least every three years for cracks, potholes, misalignment, drainage condition and number of specific safety hazards.

The City has not changed the measurement scale used to assess and report the condition of its roads for the past 10 years.

The City's goal is to have all roads at 90 - 100 OCI rating.

See Independent Auditor's Report

CITY OF FRANKLIN, KENTUCKY

SCHEDULE OF PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
COUNTY EMPLOYEES RETIREMENT SYSTEM
OF THE STATE OF KENTUCKY
Last Ten Fiscal Years

	2022	2021	2020	2019	2018	2017	2016	2015
Total net pension liability for County Employees Retirement Systems	\$ 9,037,943,645	\$ 10,684,945,613	\$ 9,795,340,000	\$ 8,508,762,000	\$ 8,090,585,976	\$ 6,639,559,678	\$ 5,834,631,445	\$ 9,037,943,645
City's proportion of the net pension liability	.1129%	.12167%	.11346%	.1175%	.1188%	.1156%	.1150%	.1166%
City's proportionate share of the net pension liability	\$ 10,204,054	\$ 13,000,662	\$ 10,906,757	\$ 9,999,688	\$ 9,614,320	\$ 7,677,024	\$ 6,708,131	\$ 5,186,001
City's covered payroll	\$ 3,647,759	\$ 3,468,463	\$ 3,683,281	\$ 3,480,555	\$ 3,378,134	\$ 3,253,039	\$ 3,205,636	\$ 3,162,531
City's proportionate share of the net pension liability as a percentage of its covered payroll	279.73%	374.82%	296.12%	287.30%	284.60%	236.00%	209.26%	163.98%
Plan fiduciary net position as a percentage of the total pension liability	55.95%	46.82%	49.43%	52.40%	52.40%	59.11%	59.35%	65.96%

Note: This schedule is intended to present a 10-year trend per GASB 68. Additional years will be reported as they become available.

Note: The County Employees Retirement System measurement date is 12 months prior to the City's Financial Statements, the 2022 measurement date is 06/30/21.

See Independent Auditor's Report

CITY OF FRANKLIN, KENTUCKY

SCHEDULE OF CITY CONTRIBUTIONS COUNTY EMPLOYEES RETIREMENT SYSTEM OF THE STATE OF KENTUCKY Last Ten Fiscal Years

	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 884,406	\$ 741,410	\$ 764,404	\$ 614,767	\$ 537,426	\$ 511,350	\$ 452,495	\$ 450,450
Contributions in relation to the actuarially determined contribution	<u>\$ 884,406</u>	<u>\$ 741,410</u>	<u>764,404</u>	<u>614,767</u>	<u>537,426</u>	<u>511,350</u>	<u>452,495</u>	<u>450,450</u>
Contribution deficiency (excess)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
City's covered payroll	\$ 3,647,759	\$ 3,468,463	\$ 3,683,281	\$ 3,480,555	\$ 3,378,134	\$ 3,253,039	\$ 3,205,636	\$ 3,162,531
Contributions as a percentage of covered payroll	24.25%	21.38%	20.75%	17.66%	15.91%	15.72%	14.12%	14.24%

Notes to Schedule:

Valuation date	Actuarially determined contribution rates for 2022 were calculated based on the June 30, 2020, actuarial valuation.
Actuarial cost method	Entry age normal
Amortization method	Level percent of pay
Remaining amortization period	30 years, closed
Payroll growth rate	2.00%
Asset valuation method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary increase	3.30 to 19.05%, varies by service
Investment rate of return	6.25%
Mortality	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.

Note: This schedule is intended to present a 10-year trend per GASB 68. Additional years will be reported as they become available.

See Independent Auditor's Report

CITY OF FRANKLIN, KENTUCKY

**SCHEDULE OF PROPORTIONATE SHARE OF THE
NET OPEB LIABILITY
COUNTY EMPLOYEES RETIREMENT SYSTEM
OF THE STATE OF KENTUCKY
Last Ten Fiscal Years**

	2022	2021	2020	2019	2018
Total net OPEB liability for County Employees' Retirement Systems	\$ 2,723,009,298	\$ 3,338,801,439	\$ 2,421,815,000	\$ 2,488,439,000	\$ 2,837,013,635
City's proportion of the net OPEB liability (asset)	.1131%	.1210%	.1134%	.1178%	.1204%
City's proportionate share of the net OPEB liability (asset)	\$ 3,080,607	\$ 4,038,976	\$ 2,747,013	\$ 2,930,581	\$ 3,414,788
City's covered payroll	\$ 3,647,759	\$ 3,468,463	\$ 3,683,281	\$ 3,480,555	\$ 3,378,134
City's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	84.45%	116.45%	74.58%	84.20%	101.09%
Total pension plan's fiduciary net position	\$ 4,874,625,000	\$ 3,902,730,000	\$ 3,910,225,000	\$ 3,695,108,000	\$ 3,401,537,049
Total pension plan's OPEB liability	\$ 7,597,634,000	\$ 7,241,531,000	\$ 6,332,040,000	\$ 6,183,547,000	\$ 6,288,550,680
Total pension plan's fiduciary net position as a percentage of the total OPEB liability	64.16%	53.89%	61.75%	59.76%	54.52%

Note: This schedule is intended to present a 10-year trend per GASB 75.

Additional years will be reported as incurred.

Note: The County Employer's Retirement System measurement date is 12 months prior to the City's Financial Statements, the 2022 measurement date is 06/30/21.

See Independent Auditor's Report

CITY OF FRANKLIN, KENTUCKY

SCHEDULE OF CITY OPEB CONTRIBUTIONS COUNTY EMPLOYEES RETIREMENT SYSTEM OF THE STATE OF KENTUCKY Last Ten Fiscal Years

	2022	2021	2020	2019	2018	2017
Actuarially determined OPEB contribution	\$ 256,038	\$ 206,228	\$ 212,569	\$ 223,998	\$ 212,332	\$ 200,741
Contributions in relation to the actuarially determined OPEB contribution	<u>256,038</u>	<u>206,228</u>	<u>212,569</u>	<u>223,998</u>	<u>212,332</u>	<u>200,741</u>
OPEB contribution deficiency (excess)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
City's covered payroll	\$ 3,647,759	\$ 3,468,463	\$ 3,683,281	\$ 3,480,555	\$ 3,378,134	\$ 3,253,039
OPEB contributions as a percentage of covered payroll	7.02%	5.95%	5.77%	6.43%	6.26%	6.17%

Notes to Schedule:

Valuation date	Actuarially determined contribution rates for 2021 were calculated based on the June 30, 2019, actuarial valuation.
Actuarial cost method	Entry age normal
Amortization method	Level percent of pay
Remaining amortization period	30 years, closed at June 30, 2019; gains/losses incurring after June 30, 2019 will be amortized over separate closed 20-year amortization bases.
Payroll growth rate	2.00%
Asset valuation method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary increase	3.30% to 19.05%, varies by service
Investment rate of return	6.25%
Mortality	System-specific mortality table based on mortality experience from 2013-2018, projected with ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.
Healthcare trend rates:	
Pre-65	Initial trend starting at 6.25% at January 1, 2021 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years
Post-65	Initial trend starting at 5.50% at January 1, 2021 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years
Phase-In Provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018

Note: This schedule is intended to present a 10-year trend per GASB 75. Additional years will be reported as incurred.

See Independent Auditor's Report

CITY OF FRANKLIN, KENTUCKY

**SCHEDULE OF TOTAL OPEB LIABILITY
CITY RETIREMENT PLAN
Last Ten Fiscal Years**

	2022	2021	2020	2019	2018	2017
Total OPEB liability	<u>\$ 330,124</u>	<u>\$ 249,708</u>	<u>\$ 275,005</u>	<u>\$ 330,124</u>	<u>\$ 427,987</u>	<u>\$ 515,756</u>

Note: This schedule is intended to present a 10-year trend per GASB 75. Additional years will be reported as they become available.

See Independent Auditor's Report

CITY OF FRANKLIN, KENTUCKY

**SCHEDULE OF CITY OPEB CONTRIBUTIONS
CITY RETIREMENT PLAN
Last Ten Fiscal Years**

	2022	2021	2020	2019	2018	2017
City OPEB contributions	<u>\$ 66,002</u>	<u>\$ 61,002</u>	<u>\$ 71,207</u>	<u>\$ 85,242</u>	<u>\$ 102,886</u>	<u>\$ 122,400</u>

Note: This schedule is intended to present a 10-year trend per GASB 75. Additional years will be reported as they become available.

See Independent Auditor's Report

SUPPLEMENTARY INFORMATION

Nonmajor Governmental Funds

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are restricted to expenditures for particular purposes.

Greenlawn-Shady Rest Cemetery Fund - This fund is used to account for the activities of the Greenlawn-Shady Rest Cemetery. The cemetery is operated by the City with input from an advisory board.

Community Development Fund - This fund is used to account for the federal community development block grant program and state economic development grant programs restricted for various governmental housing and community development and economic development projects.

Municipal Aid Fund - This fund is used to account for the City's share of liquid fuel tax receipts, mineral and coal severance tax receipts and special municipal road aid bond receipts restricted for public works eligible costs.

Economic Development Revolving Loan Fund - This fund is used to account for economic development incentive loans to local industrial tenants. Loan repayments are restricted to future economic development activities.

Stormwater Fund - This fund is used to account for revenues received to develop and maintain the City's stormwater management system.

Permanent Funds

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

Francis Harris Cemetery Perpetual Care Fund - This fund is used to account for monies held in trust from a memorial from Francis Harris to provide for the future care and maintenance of the Greenlawn Shady Rest Cemetery.

Greenlawn - Shady Rest Cemetery Perpetual Care Fund - This fund is used to account for monies set aside to provide for the future care and maintenance of the Greenlawn Shady Rest Cemetery.

CITY OF FRANKLIN, KENTUCKY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2022

	<u>Special Revenue</u>					
	<u>Cemetery</u>	<u>Community Development</u>	<u>Municipal Aid</u>	<u>Economic Development</u>	<u>Stormwater</u>	<u>Total</u>
ASSETS						
Cash and cash equivalents	\$ 150,096	\$ —	\$ 340,073	\$ —	\$ 642,276	\$ 1,132,445
Certificates of deposit	—	—	—	—	—	—
Investments	—	—	—	—	278,766	278,766
Receivables (net of allowance for uncollectibles):						
Accounts	11,600	—	24,560	—	26,429	62,589
Due from other funds	—	—	—	50,993	12,731	63,724
Prepaid items	27	—	—	—	4,543	4,570
Total assets	<u>\$ 161,723</u>	<u>\$ —</u>	<u>\$ 364,633</u>	<u>\$ 50,993</u>	<u>\$ 964,745</u>	<u>\$ 1,542,094</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 28	\$ —	\$ 16,921	\$ —	\$ 4,147	\$ 21,096
Due to other funds	12,353	32,206	132,912	—	2,848	180,319
Total liabilities	<u>12,381</u>	<u>32,206</u>	<u>149,833</u>	<u>—</u>	<u>6,995</u>	<u>201,415</u>
Fund balances:						
Nonspendable:						
Prepaid items	27	—	—	—	4,543	4,570
Perpetual care	—	—	—	—	—	—
Restricted						
Highway and streets	—	—	214,800	—	—	214,800
Committed						
Stormwater	—	—	—	—	953,207	953,207
Assigned to:						
Other purposes	149,315	—	—	50,993	—	200,308
Unassigned	—	(32,206)	—	—	—	(32,206)
Total fund balances	<u>149,342</u>	<u>(32,206)</u>	<u>214,800</u>	<u>50,993</u>	<u>957,750</u>	<u>1,340,679</u>
Total liabilities and fund balances	<u>\$ 161,723</u>	<u>\$ —</u>	<u>\$ 364,633</u>	<u>\$ 50,993</u>	<u>\$ 964,745</u>	<u>\$ 1,542,094</u>

See Independent Auditor's Report

<u>Permanent Funds</u>	
<u>Cemetery Perpetual</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 24,469	\$ 1,156,914
257,302	257,302
289,039	567,805
400	62,989
—	63,724
—	4,570
<u>\$ 571,210</u>	<u>\$ 2,113,304</u>
\$ 109	\$ 21,205
80	180,399
189	201,604
—	4,570
571,021	571,021
—	214,800
—	953,207
—	200,308
—	(32,206)
<u>571,021</u>	<u>1,911,700</u>
<u>\$ 571,210</u>	<u>\$ 2,113,304</u>

CITY OF FRANKLIN, KENTUCKY

**COMBINING BALANCE SHEET
NONMAJOR PERMANENT FUNDS**

June 30, 2022

	<u>Francis Harris Cemetery Perpetual</u>	<u>Greenlawn- Shady Rest Cemetery Perpetual</u>	<u>Total Nonmajor Permanent Funds</u>
ASSETS			
Cash and cash equivalents	\$ 3,897	\$ 20,572	\$ 24,469
Certificates of deposit	50,000	207,302	257,302
Investments	—	289,039	289,039
Accounts receivable	<u>—</u>	<u>400</u>	<u>400</u>
Total assets	<u>\$ 53,897</u>	<u>\$ 517,313</u>	<u>\$ 571,210</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 16	\$ 93	\$ 109
Due to other funds	<u>80</u>	<u>—</u>	<u>80</u>
Total liabilities	<u>96</u>	<u>93</u>	<u>189</u>
Fund balances			
Nonspendable:			
Cemetery maintenance	53,801	—	53,801
Perpetual care	<u>—</u>	<u>517,220</u>	<u>517,220</u>
Total fund balances	<u>53,801</u>	<u>517,220</u>	<u>571,021</u>
Total liabilities and fund balances	<u>\$ 53,897</u>	<u>\$ 517,313</u>	<u>\$ 571,210</u>

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CITY OF FRANKLIN, KENTUCKY

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2022**

	<u>Special Revenue</u>					
	<u>Cemetery</u>	<u>Community Development</u>	<u>Municipal Aid</u>	<u>Economic Development</u>	<u>Stormwater</u>	<u>Total</u>
Revenues						
Intergovernmental	\$ —	\$ —	\$ 197,387	\$ —	\$ —	\$ 197,387
Charges for sales and services	95,150	—	—	—	267,582	362,732
Contributions	—	—	—	—	—	—
Investment income	224	—	301	—	(11,909)	(11,384)
Miscellaneous	35	—	—	—	—	35
Total revenues	<u>95,409</u>	<u>—</u>	<u>197,688</u>	<u>—</u>	<u>255,673</u>	<u>548,770</u>
Expenditures						
Current:						
Public works	—	—	353,297	—	245,836	599,133
Community services	<u>238,837</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>238,837</u>
Total expenditures	<u>238,837</u>	<u>—</u>	<u>353,297</u>	<u>—</u>	<u>245,836</u>	<u>837,970</u>
Excess (deficiency) of revenues over (under) expenditures	(143,428)	—	(155,609)	—	9,837	(289,200)
Other financing sources (uses):						
Transfers in	195,700	—	236,000	—	32,328	464,028
Transfers out	(12,328)	—	—	—	—	(12,328)
Total other financing sources (uses)	<u>183,372</u>	<u>—</u>	<u>236,000</u>	<u>—</u>	<u>32,328</u>	<u>451,700</u>
Net change in fund balances	39,944	—	80,391	—	42,165	162,500
Fund balances, beginning of year	<u>109,398</u>	(32,206)	<u>134,409</u>	<u>50,993</u>	<u>915,585</u>	<u>1,178,179</u>
Fund balances, end of year	<u>\$ 149,342</u>	<u>(\$ 32,206)</u>	<u>\$ 214,800</u>	<u>\$ 50,993</u>	<u>\$ 957,750</u>	<u>\$ 1,340,679</u>

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<u>Permanent Funds</u>	<u>Total Nonmajor Governmental Funds</u>
<u>Cemetery Perpetual</u>	
\$ —	\$ 197,387
—	362,732
8,700	8,700
(20,974)	(32,358)
<u>—</u>	<u>35</u>
(12,274)	536,496
—	599,133
<u>25</u>	<u>238,862</u>
25	837,995
(12,299)	(301,499)
—	464,028
(3,000)	(15,328)
(3,000)	448,700
(15,299)	147,201
<u>586,320</u>	<u>1,764,499</u>
<u>\$ 571,021</u>	<u>\$ 1,911,700</u>

CITY OF FRANKLIN, KENTUCKY

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR PERMANENT FUNDS
Year Ended June 30, 2022**

	<u>Francis Harris Cemetery Perpetual</u>	<u>Greenlawn- Shady Rest Cemetery Perpetual</u>	<u>Total Nonmajor Permanent Funds</u>
Revenues			
Investment income	\$ 352	(\$ 21,326)	(\$ 20,974)
Contributions	<u>—</u>	<u>8,700</u>	<u>8,700</u>
Total revenues	352	(12,626)	(12,274)
Expenditures			
Current:			
Community services	<u>25</u>	<u>—</u>	<u>25</u>
Excess of revenues over expenditures	327	(12,626)	(12,299)
Other financing uses			
Transfers out	<u>—</u>	<u>(3,000)</u>	<u>(3,000)</u>
Net change in fund balance	327	(15,676)	(15,299)
Fund balance, beginning of year	<u>53,474</u>	<u>532,846</u>	<u>586,320</u>
Fund balance, end of year	<u>\$ 53,801</u>	<u>\$ 517,220</u>	<u>\$ 571,021</u>

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CITY OF FRANKLIN, KENTUCKY

**BUDGETARY COMPARISON SCHEDULE
Greenlawn - Shady Rest Cemetery Special Revenue Fund
Year Ended June 30, 2022**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
Charges for sales and services	\$ 80,000	\$ 80,000	\$ 95,150	\$ 15,150
Investment income	281	128	224	96
Miscellaneous	<u>—</u>	<u>—</u>	<u>35</u>	<u>35</u>
Total revenues	<u>80,281</u>	<u>80,128</u>	<u>95,409</u>	<u>15,281</u>
Expenditures				
Current:				
Community services:				
Personal services	5,217	5,217	1,590	3,627
Contractual services	202,520	203,020	191,896	11,124
Materials and supplies	2,051	2,051	890	1,161
Administrative overhead	34,649	34,649	34,649	—
Other	<u>8,914</u>	<u>8,914</u>	<u>9,812</u>	<u>(898)</u>
Total community services	253,351	253,851	238,837	15,014
Capital outlay	<u>10,000</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total expenditures	<u>263,351</u>	<u>253,851</u>	<u>238,837</u>	<u>15,014</u>
Deficiency of revenues under expenditures	(183,070)	(173,723)	(143,428)	<u>30,295</u>
Other financing sources:				
Transfers in	195,700	195,700	195,700	—
Transfers out	(12,328)	(12,328)	(12,328)	—
Total other financing source (uses)	<u>183,372</u>	<u>183,372</u>	<u>183,372</u>	<u>—</u>
Net change in fund balance	302	9,649	39,944	30,295
Fund balance, beginning of year	<u>109,398</u>	<u>109,398</u>	<u>109,398</u>	<u>—</u>
Fund balance, end of year	<u>\$ 109,700</u>	<u>\$ 119,047</u>	<u>\$ 149,342</u>	<u>\$ 30,295</u>

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CITY OF FRANKLIN, KENTUCKY

BUDGETARY COMPARISON SCHEDULE

Municipal Aid Special Revenue Fund

Year Ended June 30, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
Intergovernmental:				
Liquid fuel tax	\$ 170,770	\$ 170,770	\$ 166,439	(\$ 4,331)
Mineral and coal severance tax	18,000	18,000	30,948	12,948
Investment income	<u>667</u>	<u>174</u>	<u>301</u>	<u>127</u>
Total revenues	189,437	188,944	197,688	8,744
Expenditures				
Current:				
Public works	<u>425,088</u>	<u>425,088</u>	<u>353,297</u>	<u>71,791</u>
Excess (deficiency) of revenues over (under) expenditures	(235,651)	(236,144)	(155,609)	80,535
Other financing sources (uses)				
Transfers in	<u>236,000</u>	<u>236,000</u>	<u>236,000</u>	<u>—</u>
Net change in fund balance	349	(144)	80,391	80,535
Fund balance, beginning of year	<u>134,409</u>	<u>134,409</u>	<u>134,409</u>	<u>—</u>
Fund balance, end of year	<u>\$ 134,758</u>	<u>\$ 134,265</u>	<u>\$ 214,800</u>	<u>\$ 80,535</u>

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CITY OF FRANKLIN, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
Stormwater Special Revenue Fund
Year Ended June 30, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
Charges for sales and services	\$ 254,800	\$ 254,800	\$ 261,938	\$ 7,138
Fines and forfeitures	2,000	4,200	5,644	1,444
Investment income	<u>6,571</u>	<u>15,175</u>	<u>(11,909)</u>	<u>(27,084)</u>
Total revenues	<u>263,371</u>	<u>274,175</u>	<u>255,673</u>	<u>(18,502)</u>
Expenditures				
Current:				
Public works:				
Personal services	155,307	158,860	157,654	1,206
Contractual services	74,950	74,950	27,280	47,670
Materials and supplies	26,000	31,500	22,514	8,986
Administrative overhead	38,048	38,048	38,048	—
Other	<u>666</u>	<u>666</u>	<u>340</u>	<u>326</u>
Total expenditures	<u>294,971</u>	<u>304,024</u>	<u>245,836</u>	<u>58,188</u>
Excess (deficiency) of revenues over expenditures	(31,600)	(29,849)	9,837	39,686
Other financing sources:				
Transfers in	<u>32,328</u>	<u>32,328</u>	<u>32,328</u>	<u>—</u>
Net change in fund balance	728	2,479	42,165	39,686
Fund balance, beginning of year	<u>915,585</u>	<u>915,585</u>	<u>915,585</u>	<u>—</u>
Fund balance, end of year	<u>\$ 916,313</u>	<u>\$ 918,064</u>	<u>\$ 957,750</u>	<u>\$ 39,686</u>

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PROPRIETARY FUNDS

Enterprise Funds

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the City's management is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where the City's management has decided that periodic determination of net income is appropriate for accountability purposes.

Water and Wastewater Fund - This fund is used to account for the activities of the Water and Wastewater operations.

Sanitation Fund - This fund is used to account for the activities of the City's sanitation and landfill operations.

CITY OF FRANKLIN, KENTUCKY

BUDGETARY COMPARISON SCHEDULE

Water and Wastewater Fund

Year Ended June 30, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Operating revenues:				
Charges for sales and services:				
Water division	\$ 2,954,188	\$ 3,006,500	\$ 3,119,029	\$ 112,529
Wastewater division	<u>2,546,196</u>	<u>2,641,540</u>	<u>2,670,774</u>	<u>29,234</u>
Total operating revenues	<u>5,500,384</u>	<u>5,648,040</u>	<u>5,789,803</u>	<u>141,763</u>
Nonoperating revenues:				
Investment income	62,785	69,464	(55,002)	(124,466)
Sales of assets	8,700	8,700	(535)	(9,235)
Miscellaneous	30,000	57,000	73,527	16,527
Contributed capital	<u>0</u>	<u>413,577</u>	<u>285,579</u>	<u>(127,998)</u>
Total nonoperating revenues	<u>101,485</u>	<u>548,741</u>	<u>303,569</u>	<u>(245,172)</u>
Total revenues	<u>5,601,869</u>	<u>6,196,781</u>	<u>6,093,372</u>	<u>(103,409)</u>
Expenditures				
Administration division:				
Administrative:				
Personal services	681,500	691,410	708,850	(17,440)
Contractual services	67,535	78,355	82,497	(4,142)
Materials and supplies	32,900	34,700	30,975	3,725
Other	<u>152,261</u>	<u>174,261</u>	<u>170,211</u>	<u>4,050</u>
Total administration division	<u>934,196</u>	<u>978,726</u>	<u>992,533</u>	<u>(13,807)</u>
Water division:				
Production:				
Personal services	572,763	459,429	456,900	2,529
Contractual services	261,930	306,331	254,411	51,920
Materials and supplies	184,550	218,565	183,472	35,093
Other	<u>13,250</u>	<u>12,050</u>	<u>9,029</u>	<u>3,021</u>
Total water production	<u>1,032,493</u>	<u>996,375</u>	<u>903,812</u>	<u>92,563</u>

See Independent Auditor's Report

(continued)

CITY OF FRANKLIN, KENTUCKY

BUDGETARY COMPARISON SCHEDULE

Water and Wastewater Fund

Year Ended June 30, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Expenditures (continued)				
Distribution:				
Personal services	\$ 371,242	\$ 377,322	\$ 359,983	\$ 17,339
Contractual services	88,613	69,513	30,810	38,703
Materials and supplies	289,750	384,611	236,727	147,884
Other	<u>7,950</u>	<u>8,950</u>	<u>7,050</u>	<u>1,900</u>
Total water distribution	<u>757,555</u>	<u>840,396</u>	<u>634,570</u>	<u>205,826</u>
Total water division	<u>1,790,048</u>	<u>1,836,771</u>	<u>1,538,382</u>	<u>298,389</u>
Wastewater division:				
Treatment:				
Personal services	553,259	562,589	575,857	(13,268)
Contractual services	395,679	394,304	372,281	22,023
Materials and supplies	261,625	233,183	203,669	29,514
Other	<u>7,850</u>	<u>8,850</u>	<u>8,545</u>	<u>305</u>
Total wastewater division	<u>1,218,413</u>	<u>1,198,926</u>	<u>1,160,352</u>	<u>38,574</u>
Administrative overhead	<u>261,547</u>	<u>261,547</u>	<u>261,547</u>	<u>—</u>

See Independent Auditor's Report

(continued)

CITY OF FRANKLIN, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
Water and Wastewater Fund
Year Ended June 30, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Expenditures (continued)				
Debt service:				
Principal	\$ 210,000	\$ 210,000	\$ 210,000	\$ —
Interest	121,034	121,034	110,239	10,795
Administrative fees	<u>3,060</u>	<u>3,060</u>	<u>2,962</u>	<u>98</u>
Total debt service	<u>334,094</u>	<u>334,094</u>	<u>323,201</u>	<u>10,893</u>
Capital outlays	<u>1,137,434</u>	<u>990,704</u>	<u>908,307</u>	<u>82,397</u>
Total expenditures	<u>5,675,732</u>	<u>5,600,768</u>	<u>5,184,322</u>	<u>416,446</u>
Excess of revenues over expenditures	<u>(\$ 73,863)</u>	<u>\$ 596,013</u>	<u>909,050</u>	<u>\$ 313,037</u>
Add:				
Principal payments			210,000	
Capital outlays, including capitalized labor and materials			908,307	
Less:				
Depreciation expense			(1,108,560)	
Amortization expense			<u>(1,032)</u>	
Change in net position			917,765	
Net position, beginning of year			<u>21,154,865</u>	
Net position, end of year			<u>\$22,072,630</u>	

See Independent Auditor's Report

CITY OF FRANKLIN, KENTUCKY

BUDGETARY COMPARISON SCHEDULE

Sanitation Fund

Year Ended June 30, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Operating revenues:				
Charges for services:				
Hand pick-up	\$ 819,144	\$ 819,144	\$ 816,619	(\$ 2,525)
Collection fees	23,400	23,400	24,328	928
Fines and forfeitures	16,800	16,800	19,011	2,211
Franchise fee	<u>233,000</u>	<u>233,000</u>	<u>217,053</u>	<u>(15,947)</u>
Total operating revenues	1,092,344	1,092,344	1,077,011	(15,333)
Nonoperating revenues:				
Investment income	<u>3,854</u>	<u>3,005</u>	<u>3,054</u>	<u>49</u>
Total revenues	<u>1,096,198</u>	<u>1,095,349</u>	<u>1,080,065</u>	<u>(15,284)</u>
Expenditures				
Sanitation operations:				
Contractual services	784,055	784,055	810,947	(26,892)
Administrative overhead	<u>276,454</u>	<u>276,454</u>	<u>276,454</u>	<u>—</u>
Total expenditures	<u>1,060,509</u>	<u>1,060,509</u>	<u>1,087,401</u>	<u>(26,892)</u>
Change in net position	<u>\$ 35,689</u>	<u>\$ 34,840</u>	<u>(7,336)</u>	<u>(\$ 42,176)</u>
Net position, beginning of year			<u>484,853</u>	
Net position, end of year			<u>\$ 477,517</u>	

See Independent Auditor's Report



**INDEPENDENT AUDITORS' 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***

The Honorable Mayor, Commissioners and City Manager
City of Franklin, Kentucky

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Franklin, Kentucky (City) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 1, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City'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 the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2022-1 that we consider to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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*.

City of Franklin, Kentucky's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 "Kirby Moore, CPA". The signature is written in a cursive, flowing style.

Bowling Green, Kentucky
February 11, 2023

CITY OF FRANKLIN, KENTUCKY

SCHEDULE OF FINDINGS AND RESPONSES Year Ended June 30, 2022

FINDINGS - FINANCIAL STATEMENT AUDIT

SIGNIFICANT DEFICIENCIES

2022-1 Segregation of Duties

Criteria: The objectives of internal control are to provide reasonable, but not absolute, assurance that assets are safeguarded and financial statements are reliable. The segregation of accounting duties is an essential element of effective internal control, involving the separation of the custody of assets from the related recording of those transactions.

Condition: As is often the case with smaller governmental units, segregation of conflicting duties within the City's Finance department is difficult because of the limited number of personnel. Delegation of duties with a limited number of personnel cannot adequately provide the separation of custody of assets from the related recording and monitoring of transactions.

Effect: Potentially material misstatements in the financial statements or material misappropriations of assets due to error or fraud could occur and not be prevented or detected in a timely manner.

Cause: Duties in various transaction cycles are not adequately segregated.

Recommendation: While the City has implemented mitigating controls to compensate for some segregation of duties issues since the previous year, we encourage you to limit, to the extent possible, performance of incompatible duties by individuals in the City's Finance department.

Views of Responsible Officials and Planned Corrective Actions: The City will continue to evaluate the cost vs. the benefit of hiring additional personnel and further implementing compensating controls to mitigate the risk that internal control objectives will not be achieved.

CITY OF FRANKLIN, KENTUCKY

**SINGLE AUDIT REPORTS
AND SCHEDULES UNDER
UNIFORM GUIDANCE**

YEAR ENDED JUNE 30, 2022



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

The Honorable Mayor, Commissioners and City Manager
City of Franklin, Kentucky

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Franklin Kentucky's (the "City") 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 the City's major federal programs for the year ended June 30, 2022. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City of Franklin, Kentucky 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, 2022.

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; and 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City 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 the City'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 the City's federal programs.

Auditors' 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 the City'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 the City'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 the City'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 the City'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 the City'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.

The Honorable Mayor, Commissioners and City Manager
City of Franklin, Kentucky
Page Three

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' 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 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.

Kibby & Moore, LLP

Bowling Green, Kentucky
February 11, 2023

CITY OF FRANKLIN, KENTUCKY

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2022**

<u>Federal Grantor/Pass-through Grantor/ Program Title</u>	<u>Federal Assistance Listing Number</u>	<u>Agency Or Pass-Through Number</u>	<u>Passed Through To Sub-Recipients</u>	<u>Total Federal Expenditures</u>
U.S. Department of the Treasury				
Coronavirus State and Local				
Fiscal Recovery Funds	21.019	ARPA001	—	\$ <u>921,919</u>
 Total U.S. Department of the Treasury				 \$ <u>921,919</u>
 Total Expenditures of Federal Awards				 \$ <u>921,919</u>

See Independent Auditor's Report and Notes to Schedule of Expenditures of Federal Awards

CITY OF FRANKLIN, KENTUCKY

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2022**

NOTE A. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the City of Franklin, Kentucky (the "City"), under programs of the federal government for the year ended June 30, 2022. 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 the City, it is not intended to and does not present the financial position, changes in financial position, or cash flows of the City.

NOTE B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified 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.

NOTE C. INDIRECT COST RATE

The City has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

CITY OF FRANKLIN, KENTUCKY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS Year Ended June 30, 2022

Section I – Summary of Auditors’ Results

1. The auditors’ report expresses an unmodified opinion on the financial statements of the City of Franklin, Kentucky.
2. One significant deficiency disclosed during the audit of the financial statements is reported in the 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. No material weaknesses are reported.
3. No instances of noncompliance material to the financial statements of the City of Franklin, Kentucky, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies or material weaknesses in internal control over major federal award programs were disclosed during the audit.
5. The auditors’ report on compliance for the major federal award programs for the City of Franklin, Kentucky expresses an unmodified opinion on all major federal programs.
6. There were no audit findings that are required to be reported in accordance with 2 CFR section 200.516(a).
7. The programs tested as major programs were:

Federal Assistance Listing Number

Name of Federal Program or Cluster

21.019

Coronavirus State and Local
Fiscal Recovery Funds

8. The threshold used for distinguishing between Type A and B programs was \$750,000.
9. The City of Franklin, Kentucky did not qualify as a low-risk auditee.

Section II – Financial Statement Findings

No matters were reported.

Section III – Major Federal Award Findings and Questioned Costs

No matters were reported.

CITY OF FRANKLIN, KENTUCKY
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
Year Ended June 30, 2022

No matters were reported.