

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

**Prepared by:**

**Department of Finance**

**Russell Truell**  
**Chief Financial Officer**

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

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**CITY OF FRANKLIN, TENNESSEE**  
**FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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## **INTRODUCTORY SECTION**

ADMINISTRATION



**John C. Schroer**  
Mayor of Franklin

**Eric S. Stuckey**  
City Administrator

HISTORIC  
FRANKLIN  
TENNESSEE

December 11, 2009

To the Honorable Mayor & Aldermen and Citizens of Franklin, Tennessee:

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Franklin, Tennessee for the fiscal year ended June 30, 2009.

This report consists of management's representations concerning the finances of the City of Franklin. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Franklin has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Franklin's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Franklin's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Franklin's financial statements have been audited by Alexander Thompson Arnold PLLC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Franklin for the fiscal year ended June 30, 2009, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Franklin's financial statements for the year ended June 30, 2009 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Franklin's MD&A can be found immediately following the report of the independent auditor.

### **Profile of the Government**

The City of Franklin, incorporated in 1799, is located in Middle Tennessee. The local economy is a well-balanced blend of financial, agricultural, wholesale, retail, manufacturing, and service industries. No single industry is critical to the region's economy. The City covers an area of 41 square miles, and serves a population of 56,219 according to the City's 2008 special census. The City is one of the fastest growing municipalities in the State of Tennessee, with the population increasing by 34% since the 2000 census. The City is empowered to levy both real and personal properties located within its boundaries. Also, it is empowered by State statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the governing board.

The City has operated under a Mayor/Board of Aldermen form of government under state charter since 1903. Policy-making and legislative authority are vested in a governing board consisting of the Mayor and 8 other members (Aldermen). The Board is responsible for, among other things, passing ordinances, adopting the budget, appointing committees, and hiring the government's Administrator. The Administrator's responsibilities include carrying out the policies and ordinances of the governing board, preparing an annual budget, and overseeing the day-to-day operations of the government. The Board is elected on a non-partisan basis. Board members serve four year staggered terms, with four Aldermen elected at large and the remaining four elected by ward two years later. The Aldermen elected by wards must live within the ward in which they represent. The Mayor also serves a term of four years.

The City provides a full range of services, including police and fire protection; the construction and maintenance of highways, streets, and other infrastructure; pickup and disposal of solid waste; planning and codes; operation of a city court; implementation of storm water regulations and remedies; an inner-city trolley system, and a city-wide park system. The City also has its own water, sewer, and reclaimed water system.

The annual budget serves as the foundation for the City's financial planning and control. All departments of the City are required to submit requests for budget appropriations to the Administrator in the first quarter of the calendar year. The Administrator, in concert with the Chief Financial Officer, uses these requests as a starting point for developing a proposed budget. After numerous meetings with department heads, the Administrator presents the budget to the Board of Mayor and Aldermen for approval.

Three meetings of the full board and a public hearing are necessary for approving the budget. The appropriated budget is prepared by fund, function, and department. At any time during the year, the Mayor may make transfers of appropriations within a department. A transfer of appropriations between departments however requires three more readings by the Board and a public hearing. Budget-to-actual comparisons are provided within this report for each individual governmental fund for which a budget has been adopted. For the General Fund, this comparison is presented beginning on page 20 as part of the basic financial statements. For the other governmental funds with appropriated annual budgets, the comparisons are presented beginning on page 59.

### **Factors Affecting Financial Condition**

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

**Local Economy.** Although impacted like most governments under the current economy, the City of Franklin enjoys a favorable economic environment and local indicators point to continued stability. The region has a varied commercial and industrial base, which adds to employment stability with the State's second lowest rate of unemployment. The local economy is a well-balanced blend of financial, agricultural, wholesale, retail, manufacturing and service industries. Residential and commercial development in the area has spurred continuing growth.

Since the 1991 opening of the Cool Springs Galleria, one of Tennessee's largest retail shopping facilities with over one million square feet, the mall area has continued to develop with restaurants, service and retail stores. In July 2008, the mall's owner announced an upcoming expansion of 200,000 square feet of an open-air shopping center to open in 2011. Sufficient vacant property, zoned for retail use, is available for further development. Several "Class A" office buildings have also been built in the Cool Springs area. The surrounding road network has been vastly improved, with many of the upgrades at developer cost. The current economy has caused a slowdown of filling available space (with a vacancy rate of 13% commercial and 4% retail) in the area but new "Class A" office space continues to be developed with the expectation of a rebound in the near future.

Recently, several well known corporations have elected to relocate their national headquarters in Franklin; among them are Healthways, Big Ideas, LLC, Clarcor, Inc., Community Health Systems, and Mars Petcare. Nissan North America, with 1,300 employees, moved into its new headquarters in Franklin in July 2008. Also, Verizon Wireless completed construction of its state headquarters in September 2008 with projected employment of over 1,300.

**Long-Term Financial Planning.** The governing body is considering the expansion and renovation of the existing Water Treatment Plant, doubling the capacity of the present facility. Several projects were completed during the year including the extension of Carothers Parkway, from the new Nissan North America headquarters to McEwen Drive and from McEwen to Liberty Pike and the construction of a new police headquarters is scheduled to be completed by March 2010.

These projects were funded with a combination of federal, state, and local monies. Also underway are a major streetscape project, development of two additional parks, and major road projects on Hillsboro Road, McEwen Drive, and Columbia Pike. Some borrowing is anticipated in fiscal year 2010 and may reach as high as \$78 million. It is anticipated that other capital projects will be financed through available local funds.

**Cash Management Policies and Practices.** Cash temporarily idle during the year was invested in certificates of deposit, obligations of the U.S. Treasury and interest bearing checking accounts. The maturities of the investments range from 30 days up to four years. Interest earnings on investments for the year averaged 3.75%. This compares with an average of approximately 1.61% that the LGIP (Local Government Investment Pool) earned for the same period.

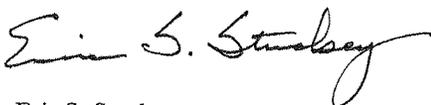
**Risk Management.** The City of Franklin participates in the Tennessee Municipal League's (TML's) Workers' Compensation, General Liability, & Property Pools. The Tennessee Municipal League is a pool of self-insured cities authorized under Tennessee law. The City has, through cooperation with the TML staff, a vigorous safety and risk management program. We also minimize accident-related losses with our liability insurance by paying a \$25,000 deductible on buildings, \$10,000 on vehicles, and \$2,500 on workers compensation.

**Pension and other post-employment benefits.** The City of Franklin sponsors a single-employer hybrid defined benefit pension plan. Employees hired after July 1, 1995 are required to contribute to either a cash balance account or a money purchase plan with ICMA-RC. Each year an independent actuary calculates the amount of the annual contribution that the City must make to the pension plan to ensure that the plan will be able to meet its obligation to retired employees on a timely basis. In prior years, as a matter of policy, the City fully funded each year's annual required contribution to the pension plan as determined by the actuary. During 2003, major changes were made to the plan regarding the vesting schedule, service requirements, and benefit formula. Due to the significant cost of these changes, the City increased its contribution rate substantially since 2004 in order to fully fund the actuarially determined amount. The unfunded liability that resulted from the changes will be funded over the next decade as part of the annual required contribution calculated by the actuary. Modifications to the Plan during 2007 offset some of the 2003 changes and apply to all employees hired after July 1, 2007. During 2010, additional changes are expected to be considered including a freeze in new enrollees in the current plan. This plan is available to employees who work a minimum of 30 hours per week, are 21 years of age, and have been employed by the City for one year. Additional information on the City of Franklin's Pension Plan can be found in the notes beginning on page 51. Also, the City offers limited health insurance benefits to employees who retire before they reach age 65. An actuarial study of this other post-employment benefit (OPEB) has been conducted identifying a liability at June 30, 2009 of \$527,600. The City has established a reserve of \$1,146,421 towards satisfying the OPEB liability. The Board of Mayor and Aldermen has approved by resolution for the establishment of a trust to hold funds for this purpose.

**Awards and Acknowledgements.** The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Finance Reporting to the City of Franklin for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2008. This was the eighteenth (18<sup>th</sup>) consecutive year that the government received this prestigious award. In order to be awarded a Certificate of Achievement, the government is required to publish an easily readable and efficiently organized CAFR. This report satisfies both GAAP and applicable legal requirements. The Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

In closing, the preparation of this report would not have been possible with first, the leadership and support of the Mayor and Board of Aldermen, and second, the efficient and dedicated services of the entire staff of the Finance Department.

Respectively submitted,



Eric S. Stuckey  
City Administrator

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

## City of Franklin Tennessee

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2008

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



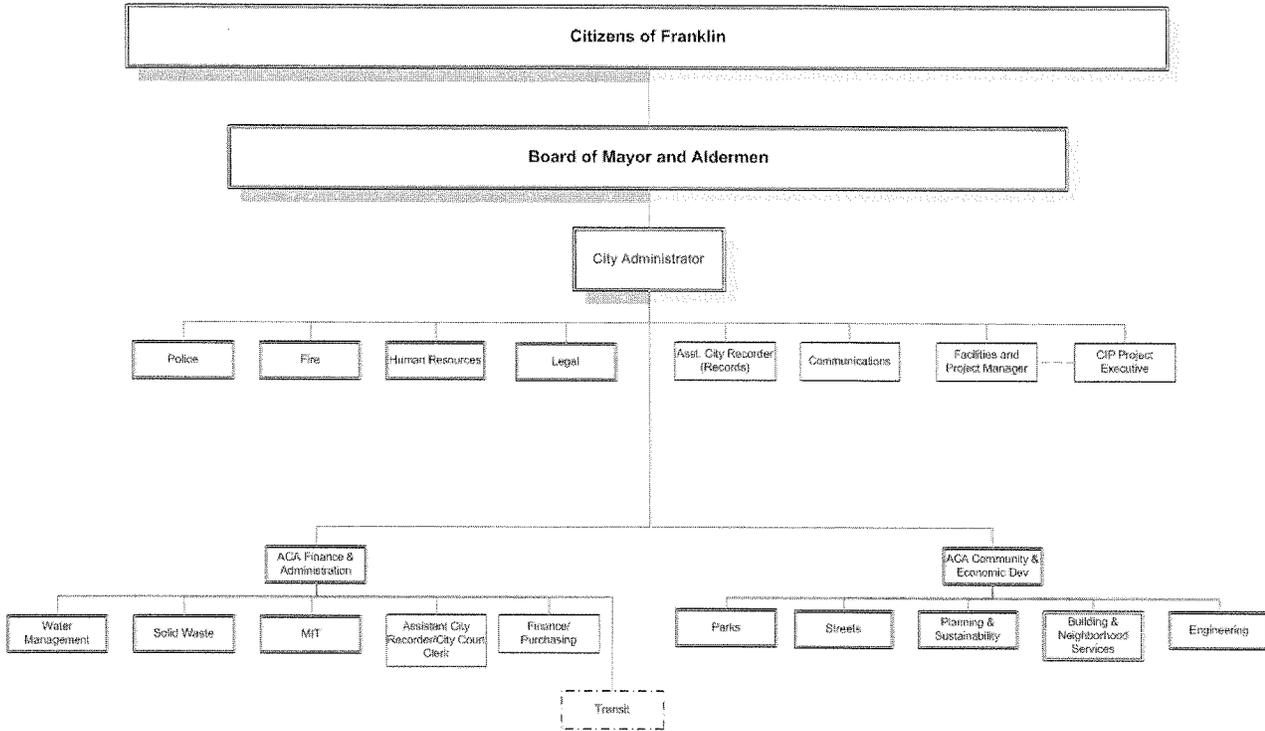
A stylized handwritten signature in black ink.

President

A handwritten signature in black ink that reads "Jeffrey R. Emer".

Executive Director

**ORGANIZATIONAL CHART OF THE  
CITY OF FRANKLIN, TENNESSEE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**



**OFFICIALS OF THE  
CITY OF FRANKLIN, TENNESSEE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

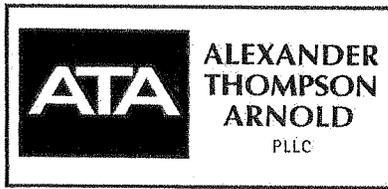
Elected Officials:

Mayor	John Schroer
Alderman	Clyde Barnhill
Alderman	Pearl Bransford
Alderman	Beverly Burger
Alderman	Dan Klatt
Alderman	Dana McLendon
Alderman–Vice Mayor	Ken Moore
Alderman	Ann Petersen
Alderman	Michael Skinner

City Officials:

City Administrator	Eric Stuckey
Assistant City Administrator / Finance / Chief Financial Officer	Russell Truell
Assistant City Administrator / Community & Economic Development	Vernon Gerth

**FINANCIAL SECTION**



Certified Public Accountants

[www.atacpa.net](http://www.atacpa.net)

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Jackson, TN 38305

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Kentucky Society of Certified Public Accountants

1

Independent Auditor's Report

Board of Mayor and Aldermen  
City of Franklin, Tennessee

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, Tennessee (the City), as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, 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, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison statements for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2009, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 11 and the required supplementary information on page 56 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Dyersburg, TN  
Fulton, KY  
Henderson, TN  
Jackson, TN  
Martin, TN

McKenzie, TN  
Milan, TN  
Murray, KY  
Paris, TN  
Trenton, TN  
Union City, TN

Board of Mayor and Aldermen  
City of Franklin, Tennessee

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 supplemental information listed in the Table of Contents as the introductory section, the supplementary information, and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and the statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



Certified Public Accountants  
Jackson, Tennessee  
December 11, 2009

## Management's Discussion and Analysis

As management of the City of Franklin, Tennessee (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2009. Management's Discussion and Analysis (MD&A) focuses on current year activities and resulting changes. Readers are encouraged to consider the information presented here in conjunction with the Letter of Transmittal, which can be found on pages i through iii of this report.

### Financial Highlights:

- **Net Assets.** The assets of the City of Franklin exceeded its liabilities at the close of the most recent fiscal year by \$543,546,110, compared to \$537,846,915 in the previous fiscal year. Of this amount, \$37,221,818 (unrestricted net assets) may be used to meet government's ongoing obligations to citizens and creditors.
- **Fund Balances.** At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$21,448,705. In the prior year, this amount was \$29,509,461. The decrease of \$8,060,756 is due primarily to spending for the new police headquarters in the Facilities Tax fund, a decline in revenues due to the economy, and a budgeted draw from fund balance within the General fund.
- **General Fund – Fund Balance.** At the end of the current fiscal year, fund balance in the General Fund is \$28,762,793, or 55% of General Fund expenditures (including transfers to other funds) of \$52,062,910. The fund balance decreased \$2,000,988 from the prior year.
- **Capital Assets.** The City is undertaking several building projects (including the construction of a 90,000 square feet police headquarters) and infrastructure projects (including improvements to Carothers Parkway and McEwen Drive).
- **Debt.** The City's total debt increased by the amount of \$33,675,423 (from \$95,317,258 to \$128,992,681) during the current fiscal year. New debt of \$39,483,423 was issued during the year.
- **Budget.** The City's 2009 General Fund amended budget had anticipated up to a \$3.4 million draw from fund balance to fund capital projects. At year end, the General Fund had a draw of approximately \$2 million.

### Overview of the Financial Statements:

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

*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 similar to a private-sector business. The Statement of Net Assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over periods of time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Franklin include general government, public safety, highways and streets, sanitation, economic development, and cultural and recreation. The *government-wide financial statements* can be found on pages 12 through 14 of this report.

## Overview of the Financial Statements (Continued):

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

*Governmental Funds.* Governmental funds are funds used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, government fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintained eleven (11) individual governmental funds during 2009. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Multi-Purpose Capital Project Fund, which are considered to be major funds. Data from the other nonmajor governmental funds is combined into a single, aggregated presentation in the form of combining statements on pages 57 and 58 of this report.

The City of Franklin, Tennessee adopts an annual appropriated budget for its General fund and special revenue funds. A budgetary comparison has been provided for the General fund on pages 20 through 27 and for the special revenue funds on pages 58 through 66 to demonstrate compliance with this budget.

The *basic governmental fund financial statements* can be found on pages 15 through 19 of this report.

*Proprietary Funds.* The City of Franklin maintains one (1) proprietary fund. An enterprise fund is used to report the same functions presented in the business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its water, sewer, and reclaimed water operations. No internal service funds were used during the year covered by this report.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the Water and Sewer Fund, which is considered to be a major fund. The *basic proprietary fund financial statements* can be found on pages 28 through 31 of this report.

*Fiduciary Funds.* A fiduciary fund is used to account for resources held for the benefit of parties outside the government. The City uses a fiduciary fund to account for its pension plan. The fiduciary fund is not reflected in the government-wide financial statements because the resources of these funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used in proprietary funds. The *basic fiduciary fund financial statements* can be found on pages 32 through 33 of this report.

*Notes to the financial statements.* The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 34 through 55 of this report.

## Financial Analysis of the Financial Statements:

### Government-wide Financial Analysis

Over time, as noted earlier, net assets may serve as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$543,546,110 at the close of the most recent fiscal year.

## Financial Analysis of the Financial Statements (Continued):

### City of Franklin's Net Assets

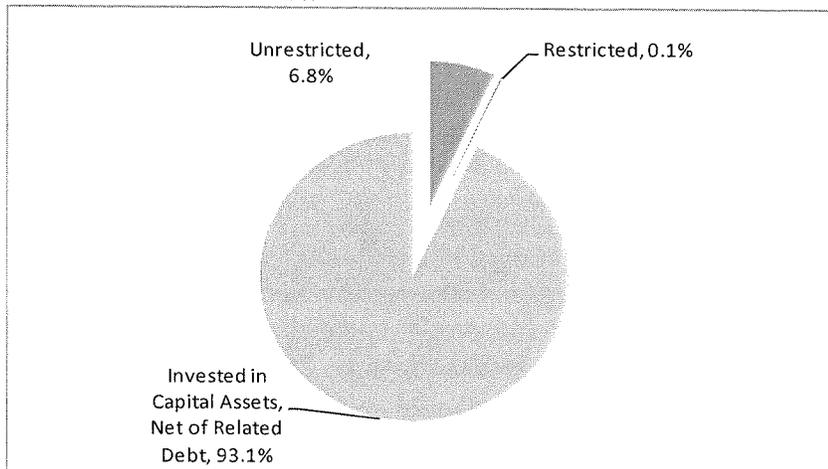
	Governmental Activities		Business-Type Activities	
	2009	2008	2009	2008
Current and other assets	\$66,308,414	\$ 57,835,619	\$10,774,316	\$15,138,183
Capital assets, net of accumulated depreciation	481,412,343	453,815,275	151,683,031	138,278,403
Total Assets	547,720,757	511,650,894	162,457,347	153,416,586
Long-term liabilities outstanding	87,184,793	64,435,348	46,614,988	35,570,643
Other liabilities	37,653,333	24,454,248	(4,821,120)	2,760,326
Total Liabilities	124,838,126	88,889,596	41,793,868	38,330,969
Net Assets:				
Invested in capital assets, net of related debt	398,721,876	387,399,795	107,235,256	105,088,556
Restricted	367,160	1,306,348	-	-
Unrestricted	23,793,595	34,055,155	13,428,223	9,997,061
Total Net Assets	\$422,882,631	\$422,761,298	\$120,663,479	\$115,085,617

The government's net assets increased by \$5,699,195, which includes a current year increase of \$9,294,738 and a prior period adjustment of (\$3,595,543) from a review of the City's street miles using GIS. Most of the current year increase is attributed to the acquisition of capital assets (less depreciation and new debt). A significant portion of the remaining increase is from reduced spending through efforts by the City's Board and departments to contain expenses without reducing service levels.

Governmental policy continues to recognize that local revenue sources must be the foundation for providing basic public services rather than depending on uncertain Federal and State sources. To this end, it is vitally important to continue efforts to seek balanced diversity, equity, and efficiency in local revenue systems to better accommodate future change.

By far the largest portion of the City's net assets, \$505,957,132, or 93.1%, reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt outstanding used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. A portion of the City's net assets, \$367,160, or .1%, represents resources that are subject to external restriction on how they may be used. The remaining balance of \$37,221,818, or 6.8%, is unrestricted net assets that may be used to meet the government's ongoing obligations to citizens and creditors.

#### Percent of Net Assets – 2009



**Financial Analysis of the Financial Statements (Continued):**

Governmental Activities

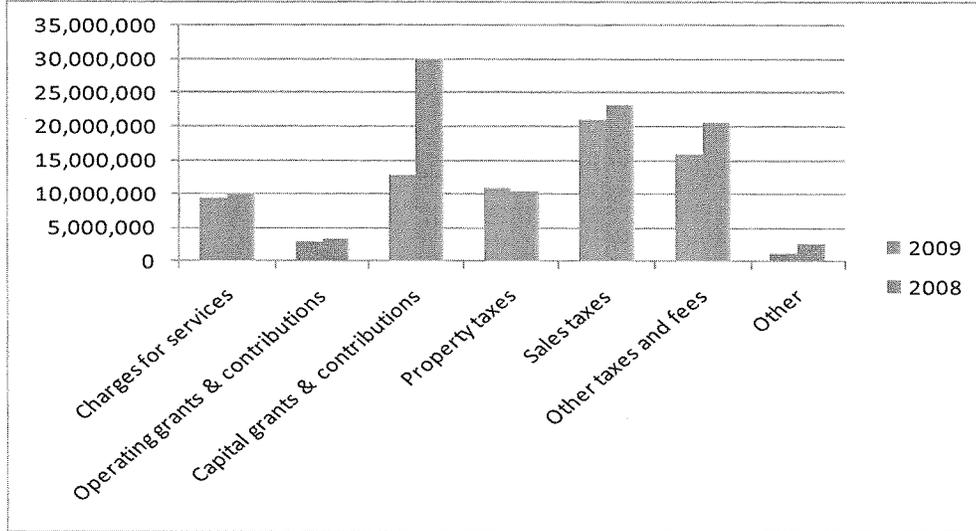
Governmental activities increased the City's net assets by \$121,333. Key elements of this increase are as follows:

	City of Franklin's Changes in Net Assets			
	Governmental Activities		Business-type Activities	
Revenues:	2009	2008	2009	2008
Program revenues:				
Charges for services	9,412,058	10,012,696	16,635,455	14,148,119
Operating grants & contributions	2,836,769	3,334,814	-	-
Capital grants & contributions	12,760,014	29,769,464	8,613,893	9,909,838
General revenues:				
Property taxes	10,936,742	10,409,885	-	-
Sales taxes	21,152,554	23,185,434	-	-
Other taxes and fees	16,019,862	20,510,224	-	-
Other	1,327,007	2,568,298	38,719	535,059
Total Revenues	<u>74,445,006</u>	<u>99,790,815</u>	<u>25,288,067</u>	<u>24,593,016</u>
Expenses:				
General government:				
General	1,729,144	5,669,270	-	-
Administration	882,070	1,146,961	-	-
City recorder	1,177,821	1,154,396	-	-
Police	13,737,798	11,800,152	-	-
Fire	13,072,914	12,168,985	-	-
Highways and streets	15,346,785	12,950,825	-	-
Engineering	1,239,061	1,088,120	-	-
Storm water	744,156	693,434	-	-
Sanitation	6,906,679	6,832,313	-	-
Transit	1,210,274	1,203,579	-	-
Parks	3,068,887	1,616,753	-	-
Maintenance	595,609	583,917	-	-
Elected officials	161,495	176,746	-	-
Planning	1,436,862	1,373,042	-	-
Codes	1,941,663	1,855,258	-	-
Court	242,314	245,205	-	-
Human resources	845,231	644,672	-	-
Channel 10	151,468	127,036	-	-
Finance	1,032,382	950,729	-	-
Legal	217,008	358,431	-	-
Purchasing	123,527	188,179	-	-
Management information & technology	3,509,093	2,974,551	-	-
Interest expense on long-term debt:	2,505,069	2,368,353	-	-
Water & sewer:	-	-	18,561,025	18,425,249
Total Expenses	<u>71,877,310</u>	<u>68,170,907</u>	<u>18,561,025</u>	<u>18,425,249</u>
Transfers	1,149,180	(225,000)	(1,149,180)	225,000
Changes in Net Assets	3,716,876	31,394,908	5,577,862	6,392,767
Prior period adjustment	(3,595,543)	(17,616,201)	-	-
Net Assets, Beginning of year	<u>422,761,298</u>	<u>408,982,591</u>	<u>115,085,617</u>	<u>108,692,850</u>
Net Assets, End of Year	<u><u>422,882,631</u></u>	<u><u>422,761,298</u></u>	<u><u>120,663,479</u></u>	<u><u>115,085,617</u></u>

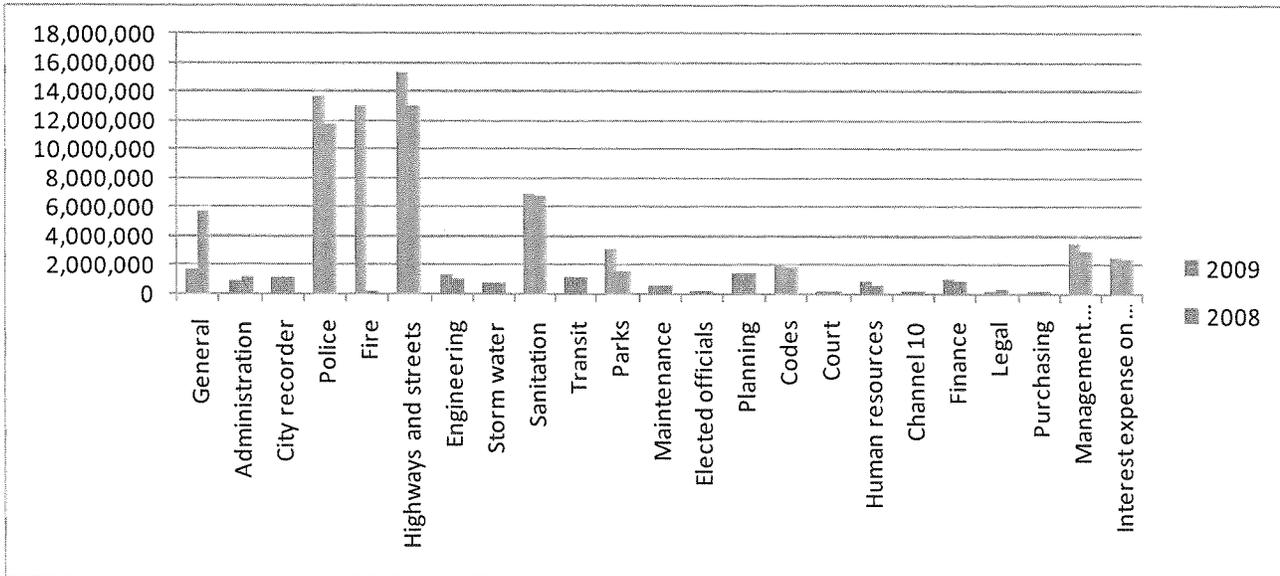
**Financial Analysis of the Financial Statements (Continued):**

For the most part, increases in costs paralleled inflation and growth in the demand for services. Revenues for governmental activities decreased approximately 25.4% due primarily to less capital contributions from developers and local sales tax collections. The overall increase in current expenses of governmental activities amounted to approximately 5.4%.

**Revenues – Governmental Activities**



**Expenses – Governmental Activities**

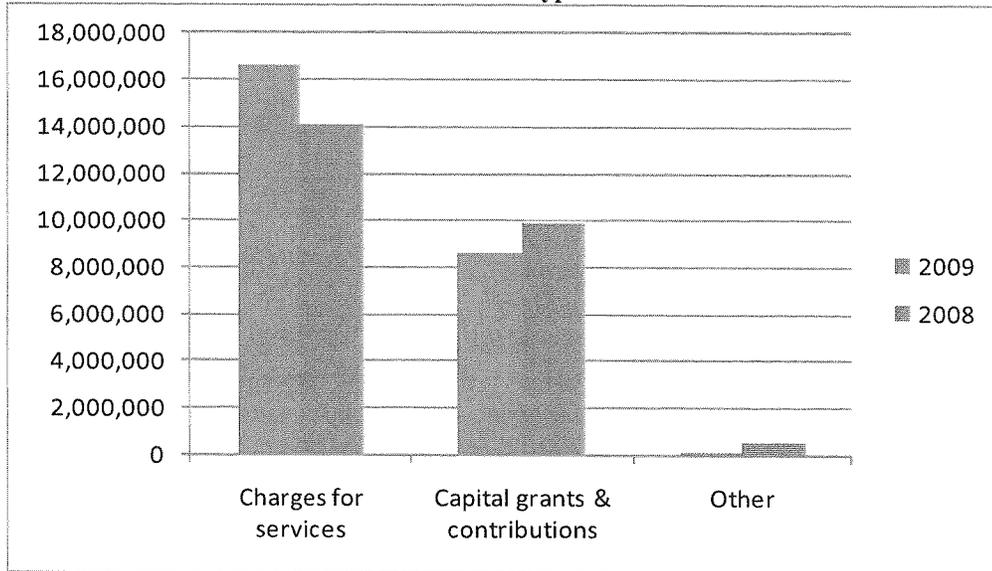


**Financial Analysis of the Financial Statements (Continued):**

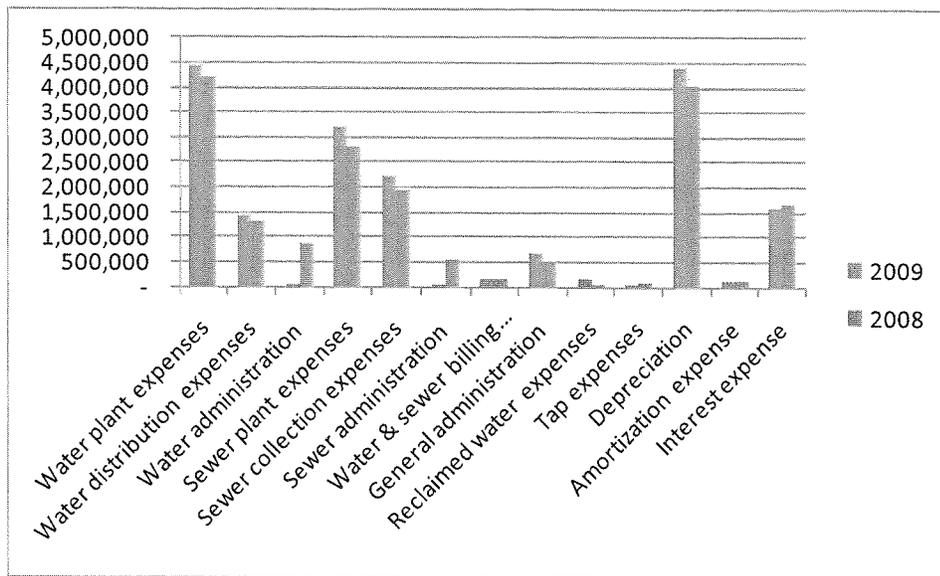
Business –Type Activities

Business-type activities increased the City’s net assets by \$5,577,862. The primary factors underlying the increase were contributed assets from developers of \$3,924,460 and various tap and access fees of \$4,689,433. Expenses of the business type-activities (Water & Sewer) increased approximately .7%.

**Revenues – Business-type Activities**



**Expenses – Business-type Activities**



**Financial Analysis of the Financial Statements (Continued):**

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

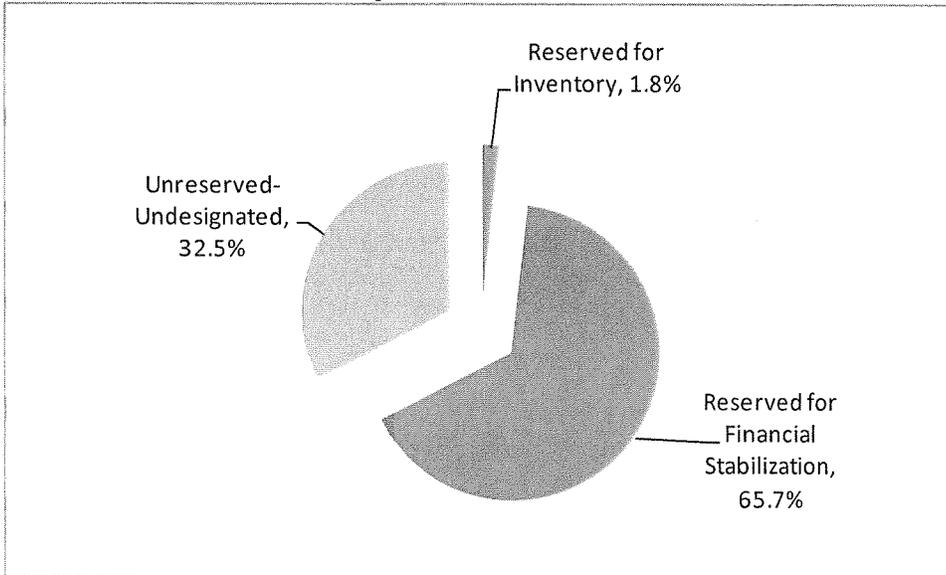
**Governmental Funds**

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

As of the end of the current fiscal year, the City’s governmental funds reported combined ending fund balances of \$21,448,705, a decrease of \$8,060,756 in comparison with the prior year of \$29,509,461. The decrease is due primarily to spending in the Multi-Purpose Capital Projects Fund, used for several infrastructure projects preceding issuance of bonds authorized but not issued until 2010 and use of Facilities Taxes toward construction of the new Police Headquarters.

The General Fund is the chief operating fund of the City of Franklin, Tennessee. The 2009 ending fund balance of \$28,762,793 had the following composition: An amount of \$513,119, or 1.8%, is reserved for inventory. The remaining amount of \$28,249,674 is unreserved, which is available for spending at the government’s discretion. Of the unreserved portion, \$18,915,941, or 65.7% of total fund balance, is designated by management for financial stabilization purposes such as contingency, emergency, cash flow, debt service, property/liability/health insurance, and retiree health benefits. The remainder is unreserved and undesignated fund balance of \$9,333,732, or 32.5%.

General Fund - Fund Balance Composition – 2009



As a measure of the General Fund’s liquidity, it may be useful to compare both unreserved and undesignated fund balance and total fund balance to total fund expenditures (including transfers to other funds) of \$52,062,910. Unreserved and undesignated fund balance represents 17.9% of total General Fund expenditures (including transfers to other funds). Total General Fund balance represents 55.2% of that same amount.

The most significant continuing revenue sources in the General Fund are derived from taxes. Property taxes increased \$260,759 (from \$10,337,833 to \$10,598,592), or 2.5%, with local option sales tax showing a decrease of \$2,032,880 (from \$23,185,434 to \$21,152,554), or 8.8%. The decrease in local option sales tax is attributable largely to fewer sales in the current economy. This revenue has been the City’s most significant due to the retail success in the Cool Springs area and continued growth of commercial properties, including new corporate headquarters, in the area. Also, because of the slowdown in commercial growth, business taxes were equivalent to last year increasing approximately \$12,194 (from \$2,927,635 to \$2,939,829).

## Financial Analysis of the Financial Statements (Continued):

### Budgetary Highlights:

The original budget included an allocation of \$2,001,159 from accumulated fund balance for capital acquisitions. It was amended during the year increasing this amount to \$3,383,419. Actual results ended with an allocation of \$2,000,988, for an ending fund balance of \$28,762,793. The primary reason for this reduced allocation was actual expenditures (including transfer to other funds) of \$52,062,910 compared to the final budget of \$57,307,516. A review of General Fund expenditures shows: (a) the Police department had several vacancies during the year resulting in less personnel costs in its final budget than in its original budget, (b) the Engineering department had its Traffic Operations Center project underway at year end and was under budget in its capital, and (c) a legal judgment in favor of a former employee of approximately \$1.2 million is included in general expenses. Some governmental funds (State Street Aid, Facilities Tax, and Road Impact Fees) had decreases in their fund balances at year end, but in each the use of fund balances was budgeted to allow various capital projects to proceed.

### Capital Asset and Debt Administration:

#### Capital Assets

The City of Franklin's investment in capital assets from its governmental and business-type activities as of June 30, 2009, is \$633,095,374 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery and equipment, park facilities, roads, highways and bridges.

Major capital asset events during the current fiscal year included the following:

- The City received approximately \$10,461,000 in developer-contributed road and drainage assets.
- The City opened the extension of Carothers Parkway, from the Nissan North America headquarters to McEwen Drive, in July 2008.
- The City has construction underway on the new police headquarters building. It is anticipated to open in fiscal year 2010.
- Received the green light from TDOT on Mack Hatcher extension.
- Streetscape on Third & Fifth Avenue North completed.
- Completed improvements, including signalization at Cool Springs & McEwen near Gateway Tire, to complement opening of McEwen between Cool springs & the new intersection.
- Approved design of Goose Creek interchange, with upgrade to SPUI.
- On the water/sewer side, completed sewer through Five Mile Creek and a host of small projects related to water distribution & storage.
- FY09 was mostly a year of austerity, including postponement of most capital projects not already underway.

#### City of Franklin's Capital Assets

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
Land	46,583,213	5,196,266	51,779,479
Buildings and Improvements	35,208,862	-	35,208,862
Improvement other than Buildings	18,230,755	-	18,230,755
Machinery & Equipment	44,194,122	4,761,914	48,956,036
Utility Plant in Service	-	174,117,092	174,117,092
Construction in Progress	35,950,533	13,693,680	49,644,213
Infrastructure	<u>410,623,480</u>	<u>-</u>	<u>410,623,480</u>
Total Capital Assets	590,790,965	197,768,952	788,559,917
Less Accumulated Depreciation	(109,378,622)	(46,085,921)	(155,464,543)
Net Capital Assets	<u>481,412,343</u>	<u>151,683,031</u>	<u>633,095,374</u>

**City of Franklin's Outstanding Debt (Continued):**

Additional information on the City of Franklin's capital assets can be found in the notes to the financial statements section of this report beginning on page 41.

**Long-Term Debt**

At the end of the current year, the City of Franklin had bonded debt outstanding of \$128,992,681. Of this amount, \$82,749,628 comprises debt backed by the full faith and credit of the government, with the remainder of the debt secured by both the taxing power of the City and specific revenue sources (i.e., revenue and tax bonds) of the Water & Sewer fund.

**City of Franklin's Outstanding Debt**

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
General Obligation Bonds/Capital Outlay Notes	\$82,749,628	-	82,749,628
Revenue and Tax Bonds	\$ -	46,243,053	46,243,053
Total Outstanding Bonds	<u>\$82,749,628</u>	<u>46,243,053</u>	<u>128,992,681</u>

The City of Franklin's total debt increased by \$33,675,423 during the current fiscal year. The primary reason for the increase is borrowing of \$26,260,370 of general obligation debt and \$13,223,053 of revenue and tax debt. Also, scheduled repayment of debt of \$5,808,000 occurred during the year.

The City of Franklin maintains an "Aaa" Rating for general obligation debt. This rating was first received by Moody's in 2000 and last affirmed in December 2009 by both Moody's and Standard & Poor's. State statutes impose no debt limit on the amount of general obligation debt a governmental entity may issue. Additional information on the City of Franklin's debt can be found in the notes to the financial statements section of this report beginning on page 45.

**Economic Factors and Next Year's Budget and Rates:**

The unemployment rate (not seasonally adjusted) for June 2009 for the City of Franklin was 8.3%, compared to the State of Tennessee's rate of 10.8% and a national average of 9.5%.

All of these factors were considered in preparing the City's budget for the 2009-2010 fiscal year. The City appropriated approximately \$980,000 of accumulated fund balance in the General Fund for capital projects in the 2009-2010 fiscal year budget.

**Requests for Information:**

This financial report is designed to provide a general overview of the City of Franklin Tennessee's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Department of Finance  
City of Franklin  
P O Box 305  
Franklin, TN 37065-0305

## **BASIC FINANCIAL STATEMENTS**

**CITY OF FRANKLIN, TENNESSEE**  
**STATEMENT OF NET ASSETS**  
 JUNE 30, 2009

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 22,119,644	\$ 4,677,394	\$ 26,797,038
Investments	13,857,755	-	13,857,755
Receivables:			
Accounts, net of uncollectibles	1,606,571	2,557,357	4,163,928
Property taxes, net of uncollectibles	11,997,860	-	11,997,860
Grants	1,725,022	-	1,725,022
Special assessments	53,762	-	53,762
Intergovernmental	2,414,705	-	2,414,705
Fines	219,559	-	219,559
Local option sales tax	3,442,751	-	3,442,751
Other	1,826,240	-	1,826,240
Inventory	607,182	223,139	830,321
Prepaid expenses	17,110	-	17,110
Restricted assets:			
Cash and cash equivalents	-	3,316,426	3,316,426
Net investment in joint venture - Conference Center	6,420,253	-	6,420,253
Capital assets not being depreciated:			
Land	46,583,213	5,196,266	51,779,479
Construction in progress	35,950,533	13,693,680	49,644,213
Capital assets net of accumulated depreciation			
Buildings and improvements	29,749,713	3,889,368	33,639,081
Improvements other than buildings	15,910,432	-	15,910,432
Utility plant in service	-	127,648,766	127,648,766
Infrastructure	331,668,561	-	331,668,561
Machinery and equipment	21,549,891	1,254,951	22,804,842
<b>Total assets</b>	<u>\$ 547,720,757</u>	<u>\$ 162,457,347</u>	<u>\$ 710,178,104</u>

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

(Continued)

**CITY OF FRANKLIN, TENNESSEE**  
**STATEMENT OF NET ASSETS (Cont.)**  
 JUNE 30, 2009

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 15,160,516	\$ 2,088,763	\$ 17,249,279
Accrued expenses	2,135,138	115,682	2,250,820
Accrued interest	239,540	409,236	648,776
Internal balances	8,165,087	(8,165,087)	-
Unearned revenue	11,953,052	730,286	12,683,338
Long-term liabilities:			
Due within one year	6,474,051	2,448,031	8,922,082
Due in more than one year	80,710,742	44,166,957	124,877,699
<b>Total liabilities</b>	<u>124,838,126</u>	<u>41,793,868</u>	<u>166,631,994</u>
<b>NET ASSETS</b>			
Investments in capital assets, net of related debt	398,721,876	107,235,256	505,957,132
Restricted for:			
Street maintenance and improvements	31,817	-	31,817
Drug fund use	335,343	-	335,343
Unrestricted	23,793,595	13,428,223	37,221,818
<b>Total net assets</b>	<u>\$ 422,882,631</u>	<u>\$ 120,663,479</u>	<u>\$ 543,546,110</u>

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

**CITY OF FRANKLIN, TENNESSEE**  
**STATEMENT OF ACTIVITIES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities
<b>Primary government</b>					
<b>Governmental activities:</b>					
General government	\$ 1,729,144	\$ 317,821	\$ 210,319	\$ (1,201,004)	\$ (1,201,004)
Administration	882,070	-	-	(882,070)	(882,070)
City recorder	1,177,821	-	-	(1,177,821)	(1,177,821)
Public safety:					
Police	13,737,798	1,267,107	32,899	(12,397,807)	(12,397,807)
Fire	13,072,914	-	-	(13,072,914)	(13,072,914)
Highways and streets	15,346,785	-	-	(6,905,418)	(6,905,418)
Engineering	1,239,061	-	1,602,938	(1,231,461)	(1,231,461)
Storm water	744,156	2,009,142	-	7,138,986	7,138,986
Sanitation	6,906,679	4,554,150	-	(2,352,529)	(2,352,529)
Transit	1,210,274	64,492	925,598	(220,184)	(220,184)
Parks	3,068,887	-	14,519	(3,054,368)	(3,054,368)
Maintenance	595,609	-	-	(595,609)	(595,609)
Elected officials	161,495	-	-	(161,495)	(161,495)
Planning	1,436,862	172,889	18,400	(1,245,573)	(1,245,573)
Codes	1,941,663	1,026,457	32,096	(883,110)	(883,110)
Courts	242,314	-	-	(242,314)	(242,314)
Human resources	845,231	-	-	(845,231)	(845,231)
Channel 10	151,468	-	-	(151,468)	(151,468)
Finance	1,032,382	-	-	(1,032,382)	(1,032,382)
Legal	217,008	-	-	(217,008)	(217,008)
Purchasing	123,527	-	-	(123,527)	(123,527)
Municipal information and technology	3,509,093	-	-	(3,509,093)	(3,509,093)
Interest and amortization on long-term debt	2,505,069	-	-	(2,505,069)	(2,505,069)
	<u>71,877,310</u>	<u>9,412,058</u>	<u>2,836,769</u>	<u>(46,868,469)</u>	<u>(46,868,469)</u>
<b>Business-type activities:</b>					
Water and sewer	19,755,205	16,635,455	-	-	5,494,143
	<u>\$ 91,632,515</u>	<u>\$ 26,047,513</u>	<u>\$ 8,613,893</u>	<u>\$ (46,868,469)</u>	<u>\$ (41,374,326)</u>
<b>Total primary government</b>					
Property taxes				10,936,742	10,936,742
Sales taxes				21,152,554	21,152,554
Other locally assessed taxes				6,608,394	6,608,394
Other state shared taxes				7,133,382	7,133,382
Access fees and taxes				1,542,830	1,542,830
Franchise taxes				1,929,436	1,929,436
Unrestricted investment earnings				1,116,747	1,155,466
Other				210,260	210,260
Total general revenues				50,630,345	50,669,064
Transfers				(45,000)	-
Total general revenues and transfers				50,585,345	50,669,064
Change in net assets				3,716,876	9,294,738
Net assets - beginning of year				422,761,298	537,846,915
Prior period adjustment				(3,595,543)	(3,595,543)
Net assets - beginning of year, as restated				419,165,755	534,251,372
Net assets - end of year				422,882,631	543,546,110

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

**CITY OF FRANKLIN, TENNESSEE**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
JUNE 30, 2009

	<u>General</u>	<u>Multi-Purpose Capital Project Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 10,798,369	\$ 6,309,732	\$ 5,011,543	\$ 22,119,644
Investments	13,855,562	2,193	-	13,857,755
Receivables:				
Accounts	735,794	-	870,777	1,606,571
Property taxes, net of uncollectibles (\$82,041)	11,997,860	-	-	11,997,860
Grants	144,952	1,415,853	164,217	1,725,022
Special assessments	53,762	-	-	53,762
Intergovernmental	1,983,074	-	431,631	2,414,705
Fines, net of uncollectibles (\$407,752)	219,559	-	-	219,559
Local option sales tax	3,442,751	-	-	3,442,751
Other	1,826,240	-	-	1,826,240
Unadvanced bond proceeds	-	110,372	-	110,372
Due from other funds	6,665,937	-	4,381,807	11,047,744
Inventory	513,119	-	94,063	607,182
Prepaid items	110	-	17,000	17,110
<b>Total assets</b>	<u>\$ 52,237,089</u>	<u>\$ 7,838,150</u>	<u>\$ 10,971,038</u>	<u>\$ 71,046,277</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 8,375,010	\$ 4,830,323	\$ 1,955,183	\$ 15,160,516
Accrued expenses	2,038,954	-	96,184	2,135,138
Due to other funds	-	14,999,996	4,212,835	19,212,831
Deferred revenue	13,060,332	-	28,755	13,089,087
<b>Total liabilities</b>	<u>23,474,296</u>	<u>19,830,319</u>	<u>6,292,957</u>	<u>49,597,572</u>
<b>Fund balances:</b>				
Reserved for:				
Inventory	513,119	-	-	513,119
Unreserved reported in:				
Special revenue funds	-	-	4,678,081	4,678,081
Capital projects	-	(11,992,169)	-	(11,992,169)
Unreserved - designated:				
Designated for contingency	2,866,052	-	-	2,866,052
Designated for emergency	2,866,052	-	-	2,866,052
Designated for cash flow	8,024,945	-	-	8,024,945
Designated for debt service	1,719,631	-	-	1,719,631
Designated for property/liability/health insurance	2,292,841	-	-	2,292,841
Designated for retiree health benefits	1,146,421	-	-	1,146,421
Unreserved - undesignated	9,333,732	-	-	9,333,732
<b>Total fund balances</b>	<u>28,762,793</u>	<u>(11,992,169)</u>	<u>4,678,081</u>	<u>21,448,705</u>
<b>Total liabilities and fund balances</b>	<u>\$ 52,237,089</u>	<u>\$ 7,838,150</u>	<u>\$ 10,971,038</u>	<u>\$ 71,046,277</u>

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

**CITY OF FRANKLIN, TENNESSEE**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET ASSETS**  
 JUNE 30, 2009

Amounts reported for the governmental activities in the Statement of Net Assets (Page 13) are different because:

<b>Fund balance - total governmental funds (Page 15)</b>	\$ 21,448,705
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds	
Capital assets, at cost	\$ 597,211,218
Less related accumulated depreciation	<u>(109,378,622)</u> 487,832,596
Receivables not available to pay for current expenditures and, therefore, are deferred in the funds	1,136,035
Unadvanced bond proceeds are not owed by the City and, therefore are not recorded on the government wide statements	(110,372)
Current assets, such as bond issue costs and gains on refunding, are expensed in the period in which the bonds are drawn in the governmental funds	686,414
Long-term liabilities, including notes, bonds and leases payable, are not due in the current period and, therefore, are not reported in the funds	
Bonds outstanding	(82,749,628)
Compensated absences	<u>(5,121,579)</u> (87,871,207)
Payables, such as accrued interest payable, are not due and payable in the current period, and therefore are not reported in the funds	<u>(239,540)</u>
<b>Net assets - governmental activities (Page 13)</b>	<u>\$ 422,882,631</u>

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

**CITY OF FRANKLIN, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	<u>General Fund</u>	<u>Multi-Purpose Capital Project Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
Taxes	\$ 37,451,780	\$ -	\$ 2,634,902	\$ 40,086,682
Licenses and permits	3,338,753	-	426,916	3,765,669
Fines and fees	1,092,481	-	120,846	1,213,327
Charge for services	48,766	-	6,627,784	6,676,550
Intergovernmental	6,854,410	5,395,515	2,850,968	15,100,893
Use of money and property	1,148,087	13,645	431,648	1,593,380
Miscellaneous and other	127,645	260,274	-	387,919
<b>Total revenues</b>	<u>50,061,922</u>	<u>5,669,434</u>	<u>13,093,064</u>	<u>68,824,420</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	434,740	-	278,282	713,022
Administration	861,498	-	-	861,498
City recorder	1,167,045	-	-	1,167,045
Public safety:				
Police	12,748,687	156,561	55,813	12,961,061
Fire	12,144,030	-	-	12,144,030
Highways and streets	4,380,701	222,394	2,259,926	6,863,021
Engineering	1,277,226	-	-	1,277,226
Storm water	-	1,891	642,871	644,762
Sanitation	-	-	6,129,249	6,129,249
Transit	-	-	1,026,204	1,026,204
Parks	2,140,591	9,000	6,300	2,155,891
Maintenance	581,352	-	-	581,352
Elected officials	161,435	-	-	161,435
Planning	1,388,681	-	-	1,388,681
Codes	1,952,948	-	-	1,952,948
Courts	243,246	-	-	243,246
Human resources	802,800	-	-	802,800
Channel 10	110,511	-	-	110,511
Finance	959,004	-	-	959,004
Legal	218,523	-	-	218,523
Purchasing	119,616	-	-	119,616
Municipal information and technology	1,812,511	4,700	-	1,817,211
Debt service	2,389,821	-	3,705,865	6,095,686
Capital outlay	2,889,108	29,048,494	10,139,050	42,076,652
<b>Total expenditures</b>	<u>\$ 48,784,074</u>	<u>\$ 29,443,040</u>	<u>\$ 24,243,560</u>	<u>\$ 102,470,674</u>

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

(Continued)

**CITY OF FRANKLIN, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (Cont.)**  
**GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	<u>General Fund</u>	<u>Multi-Purpose Capital Project Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Excess (deficiency) of revenues over (under) expenditures	\$ 1,277,848	\$ (23,773,606)	\$ (11,150,496)	\$ (33,646,254)
<b>Other financing sources (uses):</b>				
Issuance of debt	-	25,630,498	-	25,630,498
Transfers from other funds	1,149,180	-	3,233,836	4,383,016
Transfers to other funds	(4,428,016)	-	-	(4,428,016)
<b>Total other financing sources (uses)</b>	<u>(3,278,836)</u>	<u>25,630,498</u>	<u>3,233,836</u>	<u>25,585,498</u>
Net changes in fund balances	(2,000,988)	1,856,892	(7,916,660)	(8,060,756)
<b>Fund balances - beginning</b>	<u>30,763,781</u>	<u>(13,849,061)</u>	<u>12,594,741</u>	<u>29,509,461</u>
<b>Fund balances - ending</b>	<u>\$ 28,762,793</u>	<u>\$ (11,992,169)</u>	<u>\$ 4,678,081</u>	<u>\$ 21,448,705</u>

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

**CITY OF FRANKLIN, TENNESSEE**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Amounts reported for the governmental activities in the Statement of Net Assets (Page 14) are different because:

**Net changes in fund balances - total governmental funds (Page 18)** **\$ (8,060,756)**

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 in the current period.

Specifically these items are as follows:

Acquisition of capital assets	\$ 41,358,605	
Loss on disposal of capital assets	(798,242)	
Depreciation expense	<u>(13,408,498)</u>	27,151,865

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds for:

Property tax	151,392	
Franchise fees	(235,058)	
Court fines	30,101	
Grant revenues	(3,516,473)	
Contributed capital assets	<u>10,461,000</u>	6,890,962

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Specifically, these items are as follows:

Debt issuance	(25,805,497)	
Debt payments	<u>3,628,000</u>	(22,177,497)

Governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities for:

Bond issue costs on new debt issuance	175,000	
Amortization of bond issue costs	<u>(66,761)</u>	108,239

Expenses reported in the statement of activities that do not require the use of current financial resources are not reported as expenditures in the governmental funds for:

Compensated absences	(225,313)	
Accrued interest	<u>29,376</u>	(195,937)

**Change in net assets of governmental activities (Page 14)** **\$ 3,716,876**

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

**CITY OF FRANKLIN, TENNESSEE**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Revenues:	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Taxes:				
Real and personal property taxes	\$ 10,850,000	\$ 10,850,000	\$ 10,598,592	\$ (251,408)
Penalty and interest	40,000	40,000	38,237	(1,763)
In lieu of tax	63,000	63,000	148,520	85,520
Sales tax	24,092,400	22,092,400	21,152,554	(939,846)
Beer tax	1,418,400	1,418,400	1,315,666	(102,734)
Wholesale liquor tax	755,000	755,000	753,282	(1,718)
Business tax	2,728,500	2,728,500	2,939,829	211,329
Mixed drink tax	957,000	957,000	424,471	(532,529)
Liquor privilege tax	57,200	57,200	63,480	6,280
Beer privilege tax	18,000	18,000	17,149	(851)
Total Taxes	<u>40,979,500</u>	<u>38,979,500</u>	<u>37,451,780</u>	<u>(1,527,720)</u>
Licenses and permits:				
Franchise taxes	1,515,000	1,515,000	2,164,494	649,494
Mechanical licenses	6,250	6,250	6,736	486
Mechanical permits	245,000	245,000	117,989	(127,011)
Beer permits and licenses	6,250	6,250	11,950	5,700
Building permits	2,500,000	1,294,922	559,112	(735,810)
Plumbing permits	182,000	182,000	70,866	(111,134)
Plumbing licenses	6,125	6,125	5,307	(818)
Electric permits	286,600	286,600	187,423	(99,177)
Yard sale permits	10,000	10,000	9,810	(190)
Miscellaneous permits	9,370	9,370	12,737	3,367
Alarm permits	22,000	22,000	19,440	(2,560)
Site review, rezoning and submittal fees	238,750	238,750	172,889	(65,861)
Total Licenses and permits	<u>5,027,345</u>	<u>3,822,267</u>	<u>3,338,753</u>	<u>(483,514)</u>
Fines and fees:				
Fines - city court	679,600	679,600	969,187	289,587
Fines - general sessions	70,000	70,000	52,187	(17,813)
Confiscated goods	5,000	5,000	(639)	(5,639)
Business tax fees	23,625	23,625	24,837	1,212
Beer board violations	1,500	1,500	250	(1,250)
Parking tickets	57,800	57,800	46,659	(11,141)
Total Fines and fees	<u>\$ 837,525</u>	<u>\$ 837,525</u>	<u>\$ 1,092,481</u>	<u>\$ 254,956</u>

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

CITY OF FRANKLIN, TENNESSEE  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (Cont.)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues (Cont.):</b>				
Charges for services:				
Offender registry	\$ 1,500	\$ 1,500	\$ 1,575	\$ 75
Fingerprinting fees	1,500	1,500	1,070	(430)
Maps sold	3,000	3,000	1,759	(1,241)
Plans sold	-	-	6,148	6,148
License seizure fees	1,875	1,875	1,360	(515)
Accident reports	35,000	35,000	36,854	1,854
Total Charges for services	<u>42,875</u>	<u>42,875</u>	<u>48,766</u>	<u>5,891</u>
Intergovernmental:				
State excise tax	150,000	150,000	155,745	5,745
State beer tax	29,900	29,900	29,324	(576)
Sales tax	3,723,000	3,723,000	3,687,950	(35,050)
State income tax	1,125,000	1,125,000	1,102,450	(22,550)
In lieu of tax - TVA	503,500	503,500	539,262	35,762
Water and sewer - administrative services	1,194,180	1,194,180	1,194,180	-
Federal and state financial assistance programs	1,715,900	1,740,800	145,499	(1,595,301)
Total Intergovernmental	<u>8,441,480</u>	<u>8,466,380</u>	<u>6,854,410</u>	<u>(1,611,970)</u>
Use of money and property:				
Interest income	1,400,000	1,400,000	1,002,920	(397,080)
Rebates on purchases	25,000	25,000	27,112	2,112
Park concessions and rentals	24,150	24,150	23,857	(293)
Rent - mall and other	26,400	26,400	18,001	(8,399)
Sale of fixed assets	200,000	200,000	76,197	(123,803)
Total Use of money and property	<u>1,675,550</u>	<u>1,675,550</u>	<u>1,148,087</u>	<u>(527,463)</u>
Miscellaneous:				
Miscellaneous income	100,000	100,000	97,286	(2,714)
Tree bank fees	-	-	30,359	30,359
Total Miscellaneous	<u>100,000</u>	<u>100,000</u>	<u>127,645</u>	<u>27,645</u>
<b>Total revenues</b>	<u>\$ 57,104,275</u>	<u>\$ 53,924,097</u>	<u>\$ 50,061,922</u>	<u>\$ (3,862,175)</u>

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

(Continued)

**CITY OF FRANKLIN, TENNESSEE**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL (Cont.)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Expenditures:	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
General government administration:				
Current:				
Personnel	\$ 564,342	\$ 615,342	718,534	\$ 103,192
Operations	251,497	217,979	142,964	(75,015)
Total current	815,839	833,321	861,498	28,177
Capital outlay:	24,000	24,000	8,831	(15,169)
Total General government administration	839,839	857,321	870,329	13,008
City recorder:				
Current:				
Personnel	788,874	788,874	775,225	(13,649)
Operations	387,451	374,901	391,820	16,919
Total current	1,176,325	1,163,775	1,167,045	3,270
Capital outlay	20,000	25,550	252	(25,298)
Total City recorder	1,196,325	1,189,325	1,167,297	(22,028)
Police department				
Current				
Personnel	11,926,574	11,420,574	10,924,050	(496,524)
Operations	2,639,815	1,457,802	1,824,637	366,835
Total current	14,566,389	12,878,376	12,748,687	(129,689)
Capital outlay	985,300	1,116,050	931,477	(184,573)
Total Police department	15,551,689	13,994,426	13,680,164	(314,262)
Fire department:				
Current				
Personnel	11,080,232	11,080,232	11,077,810	(2,422)
Operations	1,505,312	1,137,645	1,066,220	(71,425)
Total current	12,585,544	12,217,877	12,144,030	(73,847)
Capital outlay	581,519	1,082,801	837,079	(245,722)
Total Fire department	\$ 13,167,063	\$ 13,300,678	\$ 12,981,109	\$ (319,569)

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

(Continued)

**CITY OF FRANKLIN, TENNESSEE**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL (Cont.)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Expenditures (Cont.):	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Highway and streets:				
Current				
Personnel	\$ 2,683,507	\$ 2,683,507	\$ 2,803,596	\$ 120,089
Operations	1,834,187	1,467,445	1,577,105	109,660
Total current	4,517,694	4,150,952	4,380,701	229,749
Capital outlay	789,000	856,000	332,673	(523,327)
Total Highway and streets	5,306,694	5,006,952	4,713,374	(293,578)
Engineering:				
Current				
Personnel	1,324,747	1,324,747	982,186	(342,561)
Operations	300,915	(16,985)	295,040	312,025
Total current	1,625,662	1,307,762	1,277,226	(30,536)
Capital outlay	1,045,000	1,064,850	168,925	(895,925)
Total Engineering	2,670,662	2,372,612	1,446,151	(926,461)
Parks:				
Current				
Personnel	1,714,913	1,714,913	1,578,155	(136,758)
Operations	661,401	593,061	562,436	(30,625)
Total current	2,376,314	2,307,974	2,140,591	(167,383)
Capital outlay	118,500	146,840	155,025	8,185
Total Parks	2,494,814	2,454,814	2,295,616	(159,198)
Maintenance department:				
Current				
Personnel	379,512	379,512	253,196	(126,316)
Operations	264,536	192,736	254,279	61,543
Rental property operations	63,555	63,555	73,877	10,322
Total Current	707,603	635,803	581,352	(54,451)
Capital outlay	146,279	148,579	11,925	(136,654)
Total Maintenance department	\$ 853,882	\$ 784,382	\$ 593,277	\$ (191,105)

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

(Continued)

**CITY OF FRANKLIN, TENNESSEE**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL (Cont.)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

<b>Expenditures (Cont.):</b>	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Over (Under)</b>
	<b>Original</b>	<b>Final</b>		
Planning:				
Current				
Personnel	\$ 1,197,805	\$ 1,197,805	\$ 1,126,947	\$ (70,858)
Operations	402,223	377,223	261,734	(115,489)
Total current	1,600,028	1,575,028	1,388,681	(186,347)
Capital outlay	-	-	14,946	14,946
Total Planning	1,600,028	1,575,028	1,403,627	(171,401)
Codes:				
Current				
Personnel	1,841,270	1,841,270	1,755,780	(85,490)
Operations	214,181	178,281	197,168	18,887
Total current	2,055,451	2,019,551	1,952,948	(66,603)
Capital outlay	-	13,400	4,010	(9,390)
Total Codes	2,055,451	2,032,951	1,956,958	(75,993)
Court:				
Current				
Personnel	198,903	198,903	196,625	(2,278)
Operations	53,050	46,800	46,621	(179)
Total current	251,953	245,703	243,246	(2,457)
Capital outlay	-	1,250	200	(1,050)
Total Court	251,953	246,953	243,446	(3,507)
Human resources:				
Current				
Personnel	619,011	619,011	569,006	(50,005)
Operations	312,313	281,313	233,794	(47,519)
Total current	931,324	900,324	802,800	(97,524)
Capital outlay	22,000	33,000	4,399	(28,601)
Total Human resources	\$ 953,324	\$ 933,324	\$ 807,199	\$ (126,125)

(Continued)

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

**CITY OF FRANKLIN, TENNESSEE**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL (Cont.)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

<b>Expenditures (Cont.):</b>	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Over (Under)</b>
	<b>Original</b>	<b>Final</b>		
Channel 10:				
Current				
Personnel	\$ 101,634	\$ 101,634	\$ 93,173	\$ (8,461)
Operations	36,242	16,101	17,338	1,237
Total current	137,876	117,735	110,511	(7,224)
Capital outlay	-	15,641	10,441	(5,200)
Total Channel 10	137,876	133,376	120,952	(12,424)
Finance:				
Current				
Personnel	820,453	839,453	823,659	(15,794)
Operations	149,127	137,627	135,345	(2,282)
Total current	969,580	977,080	959,004	(18,076)
Capital outlay	-	8,500	26,377	17,877
Total Finance	969,580	985,580	985,381	(199)
Legal:				
Current				
Personnel	223,696	223,696	194,113	(29,583)
Operations	97,398	75,898	24,410	(51,488)
Total Legal	321,094	299,594	218,523	(81,071)
Purchasing:				
Current				
Personnel	145,296	145,296	113,686	(31,610)
Operations	9,167	(833)	5,930	6,763
Total current	154,463	144,463	119,616	(24,847)
Capital outlay	-	-	1,379	1,379
Total Purchasing	\$ 154,463	\$ 144,463	\$ 120,995	\$ (23,468)

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

(Continued)

**CITY OF FRANKLIN, TENNESSEE**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL (Cont.)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

<b>Expenditures (Cont.):</b>	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Over (Under)</b>
	<b>Original</b>	<b>Final</b>		
Municipal information and technology:				
Current				
Personnel	\$ 1,295,510	\$ 1,295,510	\$ 1,062,986	\$ (232,524)
Operations	680,449	680,449	749,525	69,076
Total current	1,975,959	1,975,959	1,812,511	(163,448)
Capital outlay	130,000	130,000	289,611	159,611
Total Municipal information and technology	2,105,959	2,105,959	2,102,122	(3,837)
Elected officials				
Current				
Personnel	145,840	145,840	144,765	(1,075)
Operations	27,387	21,887	16,670	(5,217)
Total current	173,227	167,727	161,435	(6,292)
Capital outlay	-	500	60	(440)
Total Elected officials	173,227	168,227	161,495	(6,732)
General expenditures:				
Current				
Personnel	23,510	23,510	(1,248,743)	(1,272,253)
Operations	789,658	1,363,942	1,300,267	(63,675)
Total current	813,168	1,387,452	51,524	(1,335,928)
Capital outlay	-	-	91,498	91,498
Total General expenditures	813,168	1,387,452	143,022	(1,244,430)
Contributions:				
Current				
Appropriations to non profit organizations	496,084	556,084	383,216	(172,868)
Total Contributions	496,084	556,084	383,216	(172,868)
Debt service:				
Principal	1,261,750	1,261,750	1,236,750	(25,000)
Interest	1,566,254	1,566,254	1,059,566	(506,688)
Fees and selling expenses	120,000	95,000	93,505	(1,495)
Total Debt service	2,948,004	2,923,004	2,389,821	(533,183)
<b>Total expenditures</b>	<b>\$ 55,061,179</b>	<b>\$ 53,452,505</b>	<b>\$ 48,784,074</b>	<b>\$ (4,668,431)</b>

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

(Continued)

**CITY OF FRANKLIN, TENNESSEE**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL (Cont.)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

<b>Expenditures (Cont.):</b>	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Over (Under)</b>
	<b>Original</b>	<b>Final</b>		
Excess (deficiency) of revenues over expenditures	\$ 2,043,096	\$ 471,592	\$ 1,277,848	\$ 806,256
<b>Other financing sources (uses):</b>				
Transfer to Sanitation Fund	(3,181,935)	(3,182,062)	(3,012,034)	(170,028)
Transfer to Street Aid Fund	(257,500)	(43,129)	-	(43,129)
Transfer to Capital Projects Fund	-	(25,000)	-	(25,000)
Transfer to Water Operating Fund	(45,000)	(45,000)	(45,000)	-
Transfer to Transit Authority Fund	(559,820)	(559,820)	(221,802)	(338,018)
<b>Total other financing sources (uses)</b>	<b>(4,044,255)</b>	<b>(3,855,011)</b>	<b>(3,278,836)</b>	<b>(576,175)</b>
<b>Net changes in fund balances</b>	<b>\$ (2,001,159)</b>	<b>\$ (3,383,419)</b>	<b>(2,000,988)</b>	<b>\$ 1,382,431</b>
<b>Fund balance - beginning of year</b>			<b>30,763,781</b>	
<b>Fund balance - end of year</b>			<b>\$ 28,762,793</b>	

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

**CITY OF FRANKLIN, TENNESSEE**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUND - WATER AND SEWER FUND**  
JUNE 30, 2009

**ASSETS**

## Current assets:

Cash and cash equivalents - unrestricted	\$	4,677,394
Accounts receivable, net of allowance for doubtful accounts		2,557,357
Due from other funds		8,165,087
Inventory		223,139
Total current assets		15,622,977

## Restricted assets:

Cash and cash equivalents		3,316,426
Total restricted assets		3,316,426

## Noncurrent assets:

## Capital assets (net of accumulated depreciation):

Land		5,196,266
Buildings and improvements		3,889,368
Utility plant in service		127,648,766
Machinery and equipment		1,254,951
Construction in progress		13,693,680
Total capital assets (net of accumulated depreciation):		151,683,031

## Total noncurrent assets

151,683,031

**Total assets****\$ 170,622,434****LIABILITIES**

## Current liabilities:

Accounts payable	\$	2,088,763
Accrued expenses		115,682
Accrued interest		409,236
Deferred revenue - unearned		730,286
Compensated absences payable		350,410
Bond issue cost and discount, net of amortization		1,498,971
Current maturities of long-term debt		2,040,217
Total current liabilities		7,233,565

## Noncurrent liabilities:

Compensated absences payable		317,832
Long-term debt, net of current maturities		42,407,558
Total noncurrent liabilities		42,725,390

**Total liabilities****49,958,955****NET ASSETS**

Invested in capital assets, net of related debt		107,235,256
Unrestricted		13,428,223
Total net assets		120,663,479

**Total liabilities and net assets****\$ 170,622,434**

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

**CITY OF FRANKLIN, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUND - WATER AND SEWER FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	<b>Water and Sewer Fund</b>
<b>Operating revenues:</b>	
Metered water sales	\$ 6,970,631
Sewer service charges	8,731,870
Reclaimed water sales	252,892
Other revenues from operations	680,062
<b>Total operating revenues</b>	<b>16,635,455</b>
<b>Operating expenses:</b>	
Water plant expenses	4,438,830
Water distribution expenses	1,412,562
Water administration	832,535
Sewer plant expenses	3,212,174
Sewer collection expenses	2,232,996
Sewer administration	450,995
Water & sewer billing expenses	150,495
General administration	661,353
Reclaimed water expenses	150,590
Tap expenses	41,505
Depreciation	4,395,327
<b>Total operating expenses</b>	<b>17,979,362</b>
<b>Operating income (loss)</b>	<b>(1,343,907)</b>
<b>Nonoperating revenues (expenses):</b>	
Interest income	38,719
Gain (loss) on sale of assets	(36,808)
Amortization expense	(133,590)
Interest expense	(1,605,445)
<b>Total nonoperating revenues (expenses)</b>	<b>(1,737,124)</b>
<b>Net income (loss) before contributions and transfers</b>	<b>(3,081,031)</b>
<b>Contributions and transfers:</b>	
Tap and access fees	4,689,433
Transfer from general fund	45,000
Developer contributions	3,924,460
<b>Total contributions and transfers</b>	<b>8,658,893</b>
<b>Change in net assets</b>	5,577,862
<b>Net assets, beginning of year</b>	<b>115,085,617</b>
<b>Net assets, end of year</b>	<b>\$ 120,663,479</b>

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

**CITY OF FRANKLIN, TENNESSEE**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND - WATER AND SEWER FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	<u><b>Water and Sewer Fund</b></u>
<b>Cash flows from operating activities:</b>	
Cash received from consumers	\$ 16,129,015
Cash paid to employees for services	(4,317,143)
Cash paid to suppliers of goods and services	(16,673,001)
Deposits paid	(15,000)
Transfers from other funds	45,000
Net cash provided (used) by operating activities	<u>(4,831,129)</u>
<b>Cash flows from capital and related financing activities:</b>	
Purchase of property, plant and equipment	(13,875,496)
Sale of fixed assets	(36,808)
Interest paid on bonds	(1,653,996)
Issuance of long-term debt	13,223,053
Bond costs related to new debt	(140,000)
Payments on long-term debt	(2,180,000)
Net cash provided (used) by non-capital financing activities	<u>(4,663,247)</u>
<b>Cash flows from non-capital financing activities:</b>	
Contributions from tap fees and grant funds	4,689,433
Net cash provided (used) by non-capital financing activities	<u>4,689,433</u>
<b>Cash flows from investing activities:</b>	
Interest received and gains on investments	38,719
Net cash provided (used) by investing activities	<u>38,719</u>
Net increase (decrease) in cash and restricted cash	<u>(4,766,224)</u>
<b>Cash and restricted cash - Beginning of year</b>	<u>12,760,044</u>
<b>Cash and restricted cash - End of year</b>	<u>\$ 7,993,820</u>
<b>Cash and cash equivalents</b>	
Unrestricted cash and cash equivalents	\$ 4,677,394
Restricted cash and cash equivalents	3,316,426
<b>Total cash and cash equivalents</b>	<u>\$ 7,993,820</u>

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

**CITY OF FRANKLIN, TENNESSEE**  
**STATEMENT OF CASH FLOWS (Cont.)**  
**PROPRIETARY FUND - WATER AND SEWER FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	<u>Water and Sewer Fund</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operations:</b>	
Operating income (loss)	\$ (1,343,907)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	4,395,327
Transfers from other funds	45,000
Change in:	
Accounts receivable	(506,440)
Due from other funds	(8,025,135)
Inventory	104,083
Accounts payable	905,177
Accrued expenses	(133,481)
Deposits	(15,000)
Deferred revenue	(264,456)
Compensated absences	7,703
Net cash provided (used) by operating activities	<u>\$ (4,831,129)</u>
<b>Supplemental schedule of non-cash capital financing activities:</b>	
Capital assets added as developer contributions	<u>\$ 3,924,460</u>

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

**CITY OF FRANKLIN, TENNESSEE**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUND - PENSION FUND**  
**DECEMBER 31, 2008**

**ASSETS**

## Investments at fair value:

Short - term investments	\$ 3,202,117
Mutual fund	<u>25,658,839</u>
Total investments	<u>28,860,956</u>

**Total assets** **\$ 28,860,956**

**Net assets held in trust for pension benefits** **\$ 28,860,956**

**CITY OF FRANKLIN, TENNESSEE**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**FIDUCIARY FUND - PENSION FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

**Additions:**

## Contributions:

Employer contributions	\$ 3,343,164
Employee contributions	<u>294,929</u>
Total contributions	<u>3,638,093</u>

## Investment income:

Net appreciation in investments	(9,289,565)
Investment earnings	<u>448,592</u>
Total investment income	<u>(8,840,973)</u>

<b>Total additions</b>	<b><u>(5,202,880)</u></b>
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**Deductions:**

Pension benefits	1,603,461
Administration expense	<u>236,878</u>

<b>Total deductions</b>	<b><u>1,840,339</u></b>
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<b>Net increase</b>	<b>(7,043,219)</b>
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<b>Net assets held in trust for pension benefits - beginning</b>	<b><u>35,904,175</u></b>
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<b>Net assets held in trust for pension benefits - ending</b>	<b><u>\$ 28,860,956</u></b>
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**CITY OF FRANKLIN, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
JUNE 30, 2009

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The City of Franklin was incorporated in 1799. The City operates under a mayor-alderman form of government. The City provides the following services; public safety, streets, sanitation, parks, planning, codes, and water and sewer services. As required by generally accepted accounting principles, these financial statements present all funds, which comprise the City.

The accompanying financial statements present the government and component units, if any. Component units are entities for which the government is considered to be financially accountable. Component units, although legally separate entities, are required to be presented in the government's financial statements using either a "blended" or "discrete" presentation.

As of June 30, 2008 the City had no component units which were required to be included in these financial statements.

*Related Organization:* The City's officials are also responsible for appointing the members of the board of the Franklin Housing Authority; however, the City does not provide funding, has no obligation for the debt issued by the Authority, and cannot impose its will upon the operations of the Authority.

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of the interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of the given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and the proprietary fund. Major individual governmental funds and the major individual enterprise fund are reported as separate columns in the fund financial statements.

**C. Measurement Focus, Basis of Accounting, and Financial Statements Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are proprietary fund financial statements. Revenues are recorded when earned and expenses recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days (60) of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

**CITY OF FRANKLIN, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
JUNE 30, 2009

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

**C. Measurement Focus, Basis of Accounting, and Financial Statements Presentation (Cont.)**

Property taxes, state shared revenue, grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Multi-Purpose Capital Project Fund was established to account for the various capital projects of the City.

The City reports the following major proprietary fund:

The Water and Sewer Fund accounts for the water, sewer, and reclaimed water services provided to customers of the system.

Additionally, the City reports the following fund type:

The Pension Fund accounts for the activities of the pension plan maintained for employees of the City, which accumulates resources for pension payments to qualified employees.

The financial statements of the City are prepared in accordance with generally accepted accounting principles. The City's reporting entity applies all relevant *Governmental Accounting Standards Board* (GASB) pronouncements and applicable *Financial Accounting Standards Board* (FASB) pronouncements and *Accounting Principle Board* (APB) opinions issued on or before November 30, 1989 unless they conflict with GASB pronouncements. The City's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

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

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the various utility funds are charges for sales to customers for sales and

**CITY OF FRANKLIN, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
JUNE 30, 2009

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

**C. Measurement Focus, Basis of Accounting, and Financial Statements Presentation (Cont.)**

services. The Water and Sewer Fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. 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.

***Joint Operation of the Conference Center***

In June 1999, the City completed construction of a conference center facility funded jointly by the City and Williamson County (the County) through issuance of a combined total of \$12,000,000 in general obligation debt (one-half each by City and County). An Interlocal Agreement executed between the City and County (the Parties) provides for equal ownership by each of the Parties of a one-half undivided interest in the conference center and further specifies that each of the Parties shall be entitled to one-half of the net revenue and shall be responsible for one-half of all costs and expenses of the operation and maintenance of the Conference Center. The City's undivided interest in the investment in the Conference Center facility which has total net assets of \$12,948,915 at June 30, 2009 is accounted for as a joint venture asset of the City. The City's one-half interest in Conference Center operations, which in 2009 is a \$54,205 decrease, is presented with governmental activities in the statements of net assets and activities. Complete financial statements for the Conference Center may be obtained from the Department of Finance at City Hall.

**D. Assets, Liabilities, and Net Assets or Equity**

***Deposits and Investments***

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with maturities of three months or less from the date of acquisition. State statutes authorize the City to invest in certificates of deposit, obligations of the U.S. Treasury, agencies and instrumentalities, obligations guaranteed by the U.S. government or its agencies, repurchase agreements and the State's investment pool.

Investments for the City are reported at fair value, securities traded on a national or international exchange are valued at the last reported sales price.

***Receivables and Payables***

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

Property tax receivables are shown net of an allowance for uncollectibles. The allowance is recorded based on the past history of collections. Court fines receivable are also shown net of an allowance for uncollectibles. The allowance is recorded based on management's estimate of what portion of the outstanding receivable will be collected in the future.

The allowances for uncollectible customer accounts recorded in the proprietary funds are based on past history of uncollectible accounts and management's analysis of current accounts. Bad debts in the proprietary fund are recorded by the direct write-off method.

**CITY OF FRANKLIN, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
 JUNE 30, 2009

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

**D. Assets, Liabilities, and Net Assets or Equity (Cont.)**

Property taxes are levied annually on January 1. The taxes are due and payable from the following October through February in the year succeeding the tax levy. An unperfected lien attaches by statute to property on March 1 for unpaid taxes from the prior year's levy. Taxes uncollected by April 1, the year after due may be submitted to the Chancery Court for collection. Tax liens become perfected at the time the court enters judgment.

***Inventories and Prepaid Items***

Inventories are valued at cost in the governmental activities and the lower of cost or market in the business-type activities using the FIFO method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased (consumption method).

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***

The City elects to use restricted assets before unrestricted assets when the situation arises where either can be used. Certain assets of the Water & Sewer Fund are classified as restricted assets because their use is limited by applicable debt or other agreement.

***Capital Assets***

Capital assets, including property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of three years. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value or materially extend the useful life of the asset are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. 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.

Capital assets of the City are depreciated using the straight line method over the following useful lives:

Infrastructure (roads, bridges)	50 years
Buildings and improvements	25 - 50 years
Distribution systems	10 - 50 years
Equipment	3-10 years
Furniture and fixtures	3-10 years

***Compensated Absences***

City policy provides for the accumulation of unused vacation days equal to those earned in the current year. It also provides for the accumulation of sick days. No amounts of sick leave are vested in the event of employee termination; however, the employee is entitled to payment for unused sick leave upon retirement up to a maximum of 120 days.

All annual leave is accrued when incurred in the government-wide and proprietary fund (Water & Sewer) financial statements. A liability for these amounts is reported in the governmental funds (specifically General, Sanitation, and Storm Water) only if amounts are actually due employees as a result of termination and / or retirement.

**CITY OF FRANKLIN, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
 JUNE 30, 2009

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

**D. Assets, Liabilities, and Net Assets or Equity (Cont.)**

***Property Tax***

The City's property tax is levied each October 1 on the assessed valued listed as of the prior January 1 for all real and personal property located in the City's legal boundaries. All City taxes on real estate are declared to be a lien on such realty from January 1 of the year the assessments are made.

Assessed values are established by the State of Tennessee at the following rates of assessed market value:

Public Utility Property	55%
Industrial and Commercial Property	
Real	40%
Personal	30%
Farm and Residential Property	25%

Taxes are levied at a rate of \$.434 per \$100 of assessed valuation.

Payments may be made during the period from October 1 through February 28. Current tax collections of \$10,429,879 for the fiscal year ended June 30, 2009 were approximately 97% of the tax levy.

Taxes become delinquent in March of the year subsequent to the levy date; at that time delinquent taxes are turned over to the County Clerk and Master for collection proceedings.

At June 30, 2009, property taxes receivable amounted to \$12,079,901, of this amount, property taxes assessed January 1, 2009 and levied October 1, 2009 amounted to \$11,657,816. Property taxes are recognized as revenue if available, if not available, amounts are presented as deferred in the governmental fund financial statements.

***Long-term Obligations***

In the government-wide financial statements, and the proprietary fund in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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 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.

***Offset Fee Agreement – Water and Sewer Fund***

The City, under an agreement with the developer of a local residential complex, had agreed to credit the water customers monthly for reclaimed water over a period of time until the original offset was reduced to zero in return for the developer's installation of specified reclaimed water infrastructure contributed to the City. A credit will be applied against revenues from the sale of water under the agreement. The remaining balance on the agreement amounted to \$730,286 at June 30, 2009 and is presented as deferred revenue until such time as it is earned under terms of the agreement.

**CITY OF FRANKLIN, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
JUNE 30, 2009

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

**D. Assets, Liabilities, and Net Assets or Equity (Cont.)**

***Fund Equity***

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

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and the special revenue funds. The Board of Aldermen approves and appropriates the budgets for these funds annually. All annual appropriations lapse at fiscal year end.

As an extension of the formal budgetary process, the Board of Aldermen may transfer or appropriate additional funds for expenditures not anticipated at the time of budget adoption. The City's policy is to not allow expenditures to exceed budgetary amounts at the total fund expenditure level without obtaining additional appropriation approval from the Board.

**NOTE 3 - DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

The City is authorized to invest funds in, among other things, financial institutions and direct obligations of the Federal Government. During 2009, the City, except for the Pension Fund, invested in certificates of deposit, interest-bearing checking accounts, and government sponsored agency securities.

***Deposits:***

*Custodial Credit Risk:* The City's policies limit deposits to those instruments allowed by applicable state laws and described above. State statutes require that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the value of uninsured deposits. The deposits must be collateralized by federal depository insurance, by the Tennessee Bank Collateral Pool, by collateral held by the City's agent in the City's name, or by the Federal Reserve Banks acting as third party agents. As of June 30, 2009, all bank deposits were fully collateralized or insured.

***Investments:***

*Interest Rate Risk:* Investments held for longer periods are subject to increased risk for adverse interest rate changes. City policy provides that to the extent practicable, investments are matched with anticipated cash flows. Typically certificates of deposit are issued for periods less than one year and investments in the Local Government Investment Pool are available daily. At June 30, 2009, investments of the City had average weighted maturities as noted on following page.

*Credit Risk:* The City's general investment policy is derived from the model investment policy created by the Government Finance Officers Association. Its general objectives are safety, liquidity, and yield and its standard of care to be used by investment officials is formulated around the prudent-person rule: investments are made as a prudent person should be expected to make, with discretion and intelligence, to produce reasonable income, preserve capital and, in general, avoid speculative investments.

**CITY OF FRANKLIN, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
 JUNE 30, 2009

**NOTE 3 - DETAILED NOTES ON ALL FUNDS (Cont.)**

**A. Deposits and Investments (Cont.)**

As of June 30, 2009, the City, exclusive of the Pension Fund, had the following investments with the noted weighted average maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Certificates of Deposit	\$ 13,429,144	.79
Federal National Mortgage Assn	428,611	2.70
Total Investments at Fair Value	<u>\$ 13,857,755</u>	
Portfolio Weighted Avg. Maturity		1.60

All investments are rated Aaa by Moody's and the certificates of deposit are in banks covered by the State collateral pool.

As of June 30, 2009, all the investments, other than the investment in the Federal National Mortgage Assn, constituted a concentration risk due to the investments exceeding 5% of the portfolio balance.

As of December 31, 2008 the City of Franklin's Pension Fund had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Investments Available for Sale	\$ 28,860,956	
Total Investments at Fair Value	<u>\$ 28,860,956</u>	
Portfolio Weighted Avg. Maturity		n/a

Investments available for sale are made up of short term investments, domestic and foreign corporate stocks, mutual funds, and other investments.

**B. Receivables**

Receivables as of the year end for the government's individual major, nonmajor, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General Fund</u>	<u>Multi-Purpose Capital Project Fund</u>	<u>Water &amp; Sewer Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Receivables:					
Accounts	\$ 735,794	\$ -	\$ 2,566,357	\$ 870,777	\$ 4,172,928
Property taxes	12,079,901	-	-	-	12,079,901
Grants	144,952	1,415,853	-	164,217	1,725,022
Special assessments	53,762	-	-	-	53,762
Intergovernmental	1,983,074	-	-	431,631	2,414,705
Fines	627,311	-	-	-	627,311
Local option sales tax	3,442,751	-	-	-	3,442,751
Other	1,826,240	-	-	-	1,826,240
Gross receivables	20,893,785	1,415,853	2,566,357	1,466,625	26,342,620
Less: Allowance for uncollectibles	(489,793)	-	(9,000)	-	(498,793)
Net total receivables	<u>\$ 20,403,992</u>	<u>\$ 1,415,853</u>	<u>\$ 2,557,357</u>	<u>\$ 1,466,625</u>	<u>\$ 25,843,827</u>

**CITY OF FRANKLIN, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
 JUNE 30, 2009

**NOTE 3 - DETAILED NOTES ON ALL FUNDS (Cont.)**

**B. Receivables (Cont.)**

Governmental funds report deferred revenue in connection with receivables for revenues that are available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned
Delinquent property taxes receivable	\$ 235,300	\$ -
2009 property tax assessment	-	11,657,816
Special assessments	-	262,640
Confiscated funds	-	23,258
Franchise fees	446,107	-
Court fines receivable	219,559	-
Other receivables	81,545	9,338
Unrequested grant proceeds	153,524	-
Total deferred revenue for fund financial statements	<u>\$ 1,136,035</u>	<u>\$ 11,953,052</u>

**C. Capital Assets**

Capital asset activity for the year ended June 30, 2009 was as follows:

	Balance June 30, 2008	Adjustments	Additions	Disposals	Balance June 30, 2009
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 44,508,112	\$ -	\$ 2,075,101	\$ -	\$ 46,583,213
Construction in process	33,368,918	(23,119,163)	25,710,728	9,950	35,950,533
Total capital assets, not being depreciated	<u>77,877,030</u>	<u>(23,119,163)</u>	<u>27,785,829</u>	<u>9,950</u>	<u>82,533,746</u>
Capital assets, being depreciated:					
Buildings and improvements	35,095,960	-	112,902	-	35,208,862
Improvements other than buildings	15,946,500	802,014	1,482,241	-	18,230,755
Equipment	41,522,119	241,899	3,390,867	960,763	44,194,122
Infrastructure	375,112,757	16,902,872	19,047,765	439,914	410,623,480
Total capital assets, being depreciated	<u>467,677,336</u>	<u>17,946,785</u>	<u>24,033,775</u>	<u>1,400,677</u>	<u>508,257,219</u>
Accumulated depreciation					
Buildings and improvements	4,720,052	-	739,097	-	5,459,149
Improvements other than buildings	1,568,552	-	751,771	-	2,320,323
Equipment	19,471,745	-	3,834,677	662,191	22,644,231
Infrastructure	72,453,200	(1,576,835)	8,082,953	4,399	78,954,919
Total accumulated depreciation	<u>98,213,549</u>	<u>(1,576,835)</u>	<u>13,408,498</u>	<u>666,590</u>	<u>109,378,622</u>
Total capital assets being depreciated, net	<u>369,463,787</u>	<u>19,523,620</u>	<u>10,625,277</u>	<u>734,087</u>	<u>398,878,597</u>
Total governmental activities assets, net	<u>\$ 447,340,817</u>	<u>\$ (3,595,543)</u>	<u>\$ 38,411,106</u>	<u>\$ 744,037</u>	<u>\$ 481,412,343</u>

**CITY OF FRANKLIN, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
 JUNE 30, 2009

**NOTE 4 - DETAILED NOTES ON ALL FUNDS (Cont.)**

**C. Capital Assets (Cont.)**

	Balance June 30, 2008	Adjustments	Additions	Disposals	Balance June 30, 2009
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 5,011,231	\$ -	\$ 185,035	\$ -	\$ 5,196,266
Construction in process	2,783,413	(2,589,938)	13,500,205	-	13,693,680
Total capital assets, not being depreciated	<u>7,794,644</u>	<u>(2,589,938)</u>	<u>13,685,240</u>	<u>-</u>	<u>18,889,946</u>
Capital assets, being depreciated:					
Buildings and improvements	11,291,016	-	-	-	11,291,016
Utility plant in service	156,332,905	2,589,938	3,903,233	-	162,826,076
Machinery and equipment	4,570,617	-	248,290	56,993	4,761,914
Total capital assets, being depreciated	<u>172,194,538</u>	<u>2,589,938</u>	<u>4,151,523</u>	<u>56,993</u>	<u>178,879,006</u>
Accumulated depreciation					
Buildings and improvements	7,075,337	-	326,311	-	7,401,648
Utility plant in service	31,482,221	-	3,695,089	-	35,177,310
Machinery and equipment	3,153,221	-	373,927	20,185	3,506,963
Total accumulated depreciation	<u>41,710,779</u>	<u>-</u>	<u>4,395,327</u>	<u>20,185</u>	<u>46,085,921</u>
Total capital assets being depreciated, net	<u>130,483,759</u>	<u>2,589,938</u>	<u>(243,804)</u>	<u>36,808</u>	<u>132,793,085</u>
Business-type activities capital assets, net	<u>138,278,403</u>	<u>-</u>	<u>13,441,436</u>	<u>36,808</u>	<u>151,683,031</u>
Total capital assets, net	<u>\$ 592,093,678</u>	<u>\$ (3,595,543)</u>	<u>\$ 51,852,542</u>	<u>\$ 835,050</u>	<u>\$ 639,515,627</u>

**CITY OF FRANKLIN, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
 JUNE 30, 2009

**NOTE 3 - DETAILED NOTES ON ALL FUNDS (Cont.)**

**C. Capital Assets (Cont.)**

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

Governmental activities:	
General government	\$ 283,717
Administration	11,741
Police department	510,869
Fire department	816,931
Highways and streets	8,414,353
Engineering	14,761
Stormwater	67,486
Sanitation	678,220
Transit	184,070
Parks	853,662
Maintenance	7,039
Planning	11,492
Codes	25,618
Human resources	1,973
Channel 10	4,634
Finance	62,447
Municipal information and technology	1,459,485
Total depreciation expense – governmental activities	<u>\$ 13,408,498</u>
Business-type activities:	
Water and sewer	<u>\$ 4,395,327</u>
Total depreciation expense – business-type activities	<u>\$ 4,395,327</u>

**D. Interfund Receivables, Payables and Transfers**

The following is a summary of transfers during the year ended June 30, 2009:

Transfer from	Transfer to	Amount
General	Sanitation	\$ 3,012,034
General	Transit Authority	221,802
General	Water/Sewer	45,000
Total		3,278,836
Governmental fund activities - eliminated		3,233,836
Total government-wide		<u>\$ 45,000</u>

**CITY OF FRANKLIN, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
 JUNE 30, 2009

**NOTE 3 - DETAILED NOTES ON ALL FUNDS (Cont.)**

**D. Interfund Receivables, Payables and Transfers (Cont.)**

The purposes of the transfers are noted below:

- The transfers between the General Fund and the Sanitation Fund are for the purpose of providing the annual operating subsidy.
- The transfers between the General Fund and the Transit Authority Fund are for the purpose of providing the annual operating subsidy.
- The transfers between the General Fund and the Water/Sewer Fund are for the purpose repaying the Water and Sewer Fund for property transferred in the prior year.

All interfund balances are expected to be repaid within the next fiscal year and are considered ordinary in nature. The composition of interfund balances as of June 30, 2009, is as follows:

Due from	Due to	Amount
Sanitation	General	\$ 261,689
Transit Authority	General	90,827
Facilities Tax	Stormwater	700,000
Facilities Tax	Water/Sewer	3,058,438
Multi-purpose Capital Projects	General	118,189
Multi-purpose Capital Projects	Water/Sewer	11,200,000
CDBG	General	88,208
Multi-purpose Capital Projects	Stormwater	3,681,807
Drug	General	13,673
Water/Sewer	General	6,093,351
Total		25,306,182
Governmental fund activities - eliminated		17,141,095
Total government-wide		<u>\$ 8,165,087</u>

The purposes of the interfund balances are noted below:

- The balance between the General Fund and the Sanitation Fund is due to a negative cash balance in the Sanitation Fund at year end due to outstanding receivables.
- The balance between the General Fund and the Transit Authority Fund is due to a negative cash balance in the Transit Fund at year end because of outstanding grants receivable.
- The balance between the Stormwater Fund and the Facilities Tax Fund is due to capital outlay expenses taking place on behalf of the Stormwater Fund.
- The balance between the Water/Sewer Fund and the Facilities Tax Fund is due to capital outlay expenses taking place on behalf of the Water/Sewer Fund.
- The balance between the General Fund and the Multi-Purpose Capital Project Fund is due to capital outlay expenses taking place on behalf of the General Fund.
- The balance between the Water/Sewer Fund and the Multi-Purpose Capital Project Fund is due to capital outlay expenses taking place on behalf of the Water/Sewer Fund.
- The balance between the General Fund and the CDBG Fund is due to a negative cash balance in the CDBG Fund at year end because of outstanding grants receivable.
- The balance between the Stormwater Fund and the Multi-Purpose Capital Project Fund is due to capital outlay expenses taking place on behalf of the Stormwater Fund.
- The balance between the General Fund and the Drug Fund is due to the General Fund paying expenses on behalf of the Drug Fund.
- The balance between the General Fund and the Water/Sewer Fund is due to the General Fund paying expenses on behalf of the Water/Sewer Fund.

**CITY OF FRANKLIN, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
 JUNE 30, 2009

**NOTE 3 - DETAILED NOTES ON ALL FUNDS (Cont.)**

**E. Long-term Debt**

Long-term debt at June 30, 2009, is comprised of the following:

Governmental Activities:	
General obligation bonds:	
City of Clarkville, Pooled Loan Program - 2001 variable rate of interest; final maturity May 25, 2017	\$ 3,137,000
Tennessee Municipal Variable Rate Pooled Loan Program - 2001; variable rate of interest, final maturity May 25, 2018.	1,383,000
Series 2002 - General Improvement Refunding Bonds, 2.00% to 3.625% interest, final maturity October 1, 2014.	4,875,000
Series 2004 - General Public Improvement Bonds, 2.00% to 4.5% interest, final maturity, March 1, 2024	7,110,000
Local Government Public Improvement Bonds - VI-B-1, variable rate of interest, final maturity June 30, 2024	11,380,000
Local Government Public Improvement Bonds - 101-A-1, variable rate of interest, final maturity January 2035	20,000,000
General Obligation Public Improvement Refunding Bonds 3% rate of interest, final maturity April 1, 2010	525,000
Tennessee Municipal Bond Fund Variable Rate Pooled Loan Program, variable rate of interest, final maturity May 25, 2017	3,519,628
General Purpose Public Works Bonds - 2005, variable rate of interest, final maturity July 1, 2020	3,795,000
Tennessee Municipal Bond Fund Variable Rate Pooled Loan Program, variable rate of interest, final maturity May 25, 2029	25,000,000
Series 2000 - General Obligation Public Improvement Bonds, 4.25% to 4.85% interest, final maturity April 1, 2015	<u>2,025,000</u>
Total Governmental Activities Long-Term Debt	<u>\$ 82,749,628</u>

The aforementioned bonds are secured by the full faith and credit of the City. During 2009, debt service for the aforementioned debt was provided by the General Fund, Sanitation Fund, Road Impact Fund and the Hotel/Motel Tax Fund.

**CITY OF FRANKLIN, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
 JUNE 30, 2009

**NOTE 3 - DETAILED NOTES ON ALL FUNDS (Cont.)**

**E. Long-term Debt (Cont.)**

Business Type Activities:

Revenue and tax bonds:

Series 2001 - Sewer and Water Revenue and Tax Bonds; 3.75% to 4.95% interest; final maturity November 1, 2021	\$ 315,000
Series 2002 - Water and Sewer Revenue and Tax Refunding Bonds; 3.00% to 4.00% interest; final maturity November 1, 2009	190,000
Series 1999 - Water and Sewer Revenue and Tax Refunding Bonds: 3.5% to 4.2% interest; final maturity July 1, 2010	765,000
Series 2002A - Sewer and Water Revenue and Tax Refunding Bonds 3% to 4% interest; final maturity June 30, 2013	2,965,000
Series 2002 - Sewer and Water Revenue and Tax Refunding Notes; 3% to 4% interest; final maturity June 30, 2011	340,000
Series 2002B - Sewer and Water Revenue and Tax Bonds: 3% to 5.00% interest; final maturity April 1, 2025	3,775,000
Series 2008 - Tennessee Municipal Bond Fund Variable Rate Pooled Loan Program, variable rate of interest, final maturity May 25, 2030	13,223,053
Series 2005 - Sewer and Water Revenue and Tax Refunding Bonds: 3.0% to 5% interest; final maturity April 1, 2025	<u>24,670,000</u>
Total Business-Type Activities Long-Term Debt	<u>\$ 46,243,053</u>

The aforementioned bonds are secured by the full faith and credit of the City and backed by the revenues of the Water and Sewer Fund. During 2009, debt service for the aforementioned debt was provided solely by the Water and Sewer Fund.

The annual requirements, by type of issue, to amortize all long-term debt outstanding except accrued annual leave at June 30, 2009, are as follows:

Year Ending June 30,	Revenue and Tax Bonds		General Obligation Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 2,220,000	\$ 1,568,933	\$ 4,585,000	\$ 2,028,648	\$ 6,805,000	\$ 3,597,581
2011	2,908,000	1,489,485	4,258,000	1,918,846	7,166,000	3,408,331
2012	2,961,000	1,409,307	4,426,000	1,819,804	7,387,000	3,229,111
2013	3,126,000	1,312,634	4,638,000	1,714,509	7,764,000	3,027,143
2014	2,738,000	1,223,145	4,290,000	1,612,663	7,028,000	2,835,808
2015 - 2019	14,724,000	4,535,524	17,135,000	6,944,236	31,859,000	11,479,760
2020 - 2024	14,963,000	1,746,033	15,091,000	5,199,959	30,054,000	6,945,992
2025 - 2029	2,603,053	66,122	14,887,000	3,599,839	17,490,053	3,665,961
2030 - 2034	-	-	7,925,000	2,097,743	7,925,000	2,097,743
2035 - 2037	-	-	5,625,000	454,860	5,625,000	454,860
Totals	46,243,053	13,351,183	82,860,000	27,391,107	129,103,053	40,742,290
Less: Amount Not Drawn Down	-	-	(110,372)	-	(110,372)	-
Debt Outstanding	<u>\$ 46,243,053</u>	<u>\$ 13,351,183</u>	<u>\$ 82,749,628</u>	<u>\$ 27,391,107</u>	<u>\$ 128,992,681</u>	<u>\$ 40,742,290</u>

**CITY OF FRANKLIN, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
 JUNE 30, 2009

**NOTE 3 - DETAILED NOTES ON ALL FUNDS (Cont.)**

**E. Long-term Debt (Cont.)**

Debt expense associated with the bond issues was recorded as other assets and is being amortized on a straight-line basis over the life of the issue.

All significant debt covenants and restrictions as set forth in the bond agreements were complied with.

Long-term liability activity for the year ended June 30, 2009, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
General obligation bonds	\$ 60,117,258	\$ 26,260,370	\$ 3,628,000	\$ 82,749,628	\$ 4,585,000
Compensated absences	4,896,266	2,185,054	1,959,741	5,121,579	1,959,741
Total	<u>65,013,524</u>	<u>28,445,424</u>	<u>5,587,741</u>	<u>87,871,207</u>	<u>6,544,741</u>
Add bond issue costs	(279,455)	(175,000)	14,976	(439,479)	(20,548)
Less deferred amount arising from refunding	(298,721)	-	51,786	(246,935)	(50,142)
Total - net	<u>\$ 64,435,348</u>	<u>\$ 28,270,424</u>	<u>\$ 5,654,503</u>	<u>\$ 87,184,793</u>	<u>\$ 6,474,051</u>
<b>Business-type activities:</b>					
Revenue and tax bonds	\$ 35,200,000	\$ 13,223,053	\$ 2,180,000	\$ 46,243,053	\$ 2,220,000
Compensated absences	660,539	325,536	317,833	668,242	317,833
Total	<u>35,860,539</u>	<u>13,548,589</u>	<u>2,497,833</u>	<u>46,911,295</u>	<u>2,537,833</u>
Add bond issue costs	1,720,257	(140,000)	81,286	1,498,971	89,981
Less deferred amount arising from refunding	(2,010,153)	-	214,875	(1,795,278)	(179,783)
Total - net	<u>\$ 35,570,643</u>	<u>\$ 13,408,589</u>	<u>\$ 2,793,994</u>	<u>\$ 46,614,988</u>	<u>\$ 2,448,031</u>

*Advance Refunding of Debt*

In prior years, the City defeased certain bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service requirements on the retired bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. As of June 30, 2009, outstanding bonds considered as defeased were as follows:

Sewer and Water Revenue and Tax Bonds - 2001	<u>\$ 5,000,000</u>
Sewer and Water Revenue and Tax Bonds - 2002B	<u>\$ 20,380,000</u>
General Obligation Refunding and Improvement Bonds - 1998	<u>\$ 6,450,000</u>
Sewer and Water Revenue and Tax Bonds - Series 1997	<u>\$ 4,195,000</u>
General Obligation Public Improvement Bonds - 2000	<u>\$ 3,385,000</u>

*Bonds Authorized – Unissued*

At June 30, 2009, the City of Franklin had \$20,000,000 in General Obligation Bonds authorized and unissued.

**CITY OF FRANKLIN, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
JUNE 30, 2009

**NOTE 3 - DETAILED NOTES ON ALL FUNDS (Cont.)**

**E. Long-term Debt (Cont.)**

*Contingent Liability*

The City of Franklin entered a standby loan agreement with the City of Franklin Industrial Board in December, 2005, subsequent to an Industrial Board bond issue for \$15 million. The bond issue provided funds to purchase land for the future site of the Nissan North America Headquarters project, a 500,000 square feet building on a 50 acre campus in the McEwen Economic Development District of Franklin. The Development District is a tax-increment financing district, created under Tennessee Law, which is designed to provide funds which will retire the bond issue from property taxes on future development.

At the inception of the project, the Industrial Board had approximately two years of debt service escrowed. As of January 2008, this escrow was fully spent and the City of Franklin began, as agreed, to make available short-term loans while the proceeds from the Development District were insufficient to cover the debt service. These loans apply only to project years three through seven (2009 through 2013), and cannot exceed \$5 million at any time during that period. At present, expected development in the area is proceeding as projected in the debt repayment plan.

*Industrial Development Bonds*

The City, through its Industrial Development Board, has in the past authorized issuance of various Industrial Revenue Bonds to provide financial assistance to private sector entities for the acquisition of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and payable solely from payments received on the underlying mortgage loans. Neither the City, State, nor any political subdivision thereof is obligated in any manner for repayment of bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

*Swap Agreements*

The City has entered into 2 swap agreements on its variable rate debt. The purposes of both are to (1) reduce the net cost of borrowing, and (2) swap its variable rate exposure to a fixed rate.

2007 Swap Agreement

Effective March 1, 2007, the City entered into an interest rate swap agreement with Depfa Bank in connection with its \$20,000,000 Local Government Public Improvement Bonds, Series 101-A-1 variable rate revenue bonds. Under the swap, the City pays a fixed rate of 3.59% and receives a variable payment of 59% of the London Interbank Offering Rate (LIBOR) plus 35 basis points through November 30, 2008. At December 1, 2008, the City has elected to receive 63% of the 5-year LIBOR (commonly referred to as a constant maturity swap). The swap has an original notional amount of \$20,000,000 equal to the outstanding principal balance on the bonds issued. The notional value of the swap decreases on the same schedule as the bond principal payments until termination on June 1, 2037. As of June 30, 2009, none of the original notional amount has been retired.

2005 Swap Agreement

In 2005, the City entered into an interest rate swap agreement with SunTrust Bank in connection with its \$4,500,000 variable rate loan from the City of Lawrenceburg Public Building Authority. Under the swap the City makes monthly payments based on a fixed rate of 3.65% and receives monthly payments based on 75% of the London Interbank Offering Rate (LIBOR). The swap has a notional amount of \$4,500,000 and expires on July 1, 2020. Of the original notional amount, \$705,000 has been retired as of June 30, 2009. SunTrust may terminate the agreement at any time in the event of a default and the City may terminate the agreement at any time by paying a termination payment in an amount equal to the market value at the date of termination.

**CITY OF FRANKLIN, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
 JUNE 30, 2009

**NOTE 3 - DETAILED NOTES ON ALL FUNDS (Cont.)**

**E. Long-term Debt (Cont.)**

Swap Agreement	2007 Swap Agreement with <u>Depfa Bank *</u>	2005 Swap Agreement with <u>SunTrust Bank</u>
Original Notional Amount	\$ 20,000,000	\$ 4,500,000
Less Amount Retired	<u>\$ (0)</u>	<u>\$ (705,000)</u>
Current Notional Amount	\$20,000,000	\$ 3,795,000
Effective Date	3/1/2007	9/1/2005
Termination Date	6/1/2037	7/1/2020
Final Bond Maturity	6/1/2037	7/1/2020
City pays	3.59% Fixed	3.65% Fixed
Payments made by the City	\$ 718,000*	\$ 151,243
City Receives	LIBOR x 59% + 35 basis points	LIBOR x 75%
Payments received by the City	\$ 351,875*	\$ 130,299
Net receipts/(disbursements)	\$ (366,125)*	\$ (20,944)
Fair Value of Swap Agreement	\$ (1,935,823)	\$ (222,280)

\* Based on the period June 1, 2008 to May 31, 2009. There were no significant changes between June 1, 2009 and June 30, 2009 that would cause an additional receivable/payable to be recorded.

The valuation of derivatives transactions provided are indicative values based on mid-market levels as of the close of business on the date they are provided. The valuation provided is derived from proprietary models based upon well-recognized financial principles and reasonable estimates about relevant future market conditions. The valuation is for disclosure purposes only and does not represent the actual terms of the agreement.

Below is a list of risks inherent in the type of swaps the City entered into:

Tax Risk

The risk that changes or proposed changes in tax laws or events relating to the tax-exempt status of the City's obligations or of tax-exempt obligations generally will cause interest rates on the debt of the City to increase.

Basis Risk

The risk that the interest rate payable by the City on floating rate debt may not exactly coincide with payment made to the City pursuant to an interest rate swap based upon a floating rate index.

**CITY OF FRANKLIN, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
JUNE 30, 2009

**NOTE 3 - DETAILED NOTES ON ALL FUNDS (Cont.)**

**E. Long-term Debt (Cont.)**

Termination Risk

The risk that the City may have to pay a substantial sum of money if either the City or the counterparty chooses to terminate an Interest Rate Agreement prior to its otherwise stated termination date or if the Agreement terminates for some other reason, including the occurrence of an event of default or a termination event in respect of either party to the Agreement.

Credit Risk

The City at June 30, 2009 had no credit risk since the swaps had negative values. If the value were a positive amount then the City would be exposed to risk with Depfa Bank, with a rating by Moody's at December 11, 2009 of A3, or SunTrust, with a rating by Moody's of Baa1.

**NOTE 4 - OTHER INFORMATION**

**A. Risk Management**

The City is exposed to various risks of losses related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City decided it was more economically feasible to join a public entity risk pool as opposed to purchasing commercial insurance for certain general liability, auto liability, errors and omissions, worker's compensation, and physical damage coverage. The City joined the Tennessee Municipal League Risk Pool, which is a public entity risk pool established in 1979 by the Tennessee Municipal League. The City pays an annual premium to the TML for its general liability and casualty insurance coverage. The City continues to carry commercial insurance for all other risks of loss, including employees' health and accident and environmental.

**B. Commitments and Contingencies**

*Grants*

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantors cannot be determined at this time although the City's management expects such amounts, if any, to be immaterial.

*Litigation*

The City is a defendant in various lawsuits; however, the outcome of these lawsuits is not presently determinable (except as noted below) although legal counsel does not expect any possible liability (except as noted below) to exceed the City's limits of insurance.

Williamson County Circuit Court ruled the City is liable for \$1,107,955 in damages and legal fees to 2 contractors that worked on the City's Municipal Services Complex, completed in 2004. The judgment was for monies owed due to delays during construction. The City is appealing the ruling to the State Court of Appeals. The amount for the damages has been recorded as a liability at fiscal year end 2008 and is still outstanding.

**CITY OF FRANKLIN, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
 JUNE 30, 2009

**NOTE 4 - OTHER INFORMATION (Cont.)**

**B. Commitments and Contingencies (Cont.)**

*Water Purchase Contract*

The Water and Sewer Fund is committed under a long-term contract for the purchase of water. Minimum payments under the contract in future years are as follows

<u>Year</u>	<u>Amount</u>
2010	\$ 46,325
2011	46,325
2012	46,325
2013	46,325
2014	46,325
2015-2028	<u>486,408</u>
Total	<u>\$ 718,033</u>

*Construction Contracts*

As of June 30, 2009, construction funds of \$3,316,426 are restricted assets of the Water and Sewer Fund and designated for future capital projects.

During 2009, various street, public works and park improvement projects were in process. At June 30, 2009, there was approximately \$24,725,387 in uncompleted construction projects. These projects are being currently funded by the General, State Street Aid, Solid Waste, Road Impact, Facilities Tax, Storm Water, and Multi-Purpose Capital Project.

**C. Employee Retirement Systems and Pension Plans**

The City of Franklin administers the City of Franklin Employees' Pension Plan and Trust (the "Plan"), a single employer defined benefit pension plan. The assets of the Plan are held for investment and may be used only for the payment of benefits to members of the plan. The Plan's fiscal year ends on December 31. It was deemed impractical to report the financial activity of the Plan as of and for the year ended June 30, 2009. Accordingly, all financial statement information regarding the Plan is as of December 31, 2008 and the year then ended.

Plan Description:

Membership of the Plan consisted of the following at January 1, 2009, the date of the latest actuarial valuation:

Retirees participants and beneficiaries	96
Disabled participants	5
Vested terminated participants	100
Active plan members	<u>557</u>
Total	<u>758</u>

The Plan is a single-employer defined benefit pension plan that covers the full time employees (who work 30 hours or more per week and are employed for 1 year) of the City including all departments, except for certain department heads who may opt out of the Plan. Currently, the Police Chief, Parks Director, and MIT Director have opted out of the Plan. The Plan provides retirement, termination and death benefits to plan members and beneficiaries. Cost-of-living adjustments (COLA) to plan members and beneficiaries in receipt of monthly benefits are provided at the discretion of the Board of Alderman. Section 4-204(3)(p) of the City's Charter assigns the Human Resources Director the responsibility to administer the pension program under the direction of the City Administrator. All the benefits and provisions of the Plan are at the discretion of the Board of Aldermen consistent with the laws of Tennessee and the Federal government.

**CITY OF FRANKLIN, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
 JUNE 30, 2009

**NOTE 4 - OTHER INFORMATION (Cont.)**

**C. Employee Retirement Systems and Pension Plans (Cont.)**

Benefits and refunds of the defined benefit plan are recognized when due and payable in accordance with the terms of the plan. The financial statements of the Plan are presented solely in the Comprehensive Annual Financial Report of the City; there are no separate financial statements of the Plan issued. Administrative costs are paid from the pension fund as shown on page 32.

Contributions and Reserves (Funding Policy)

Plan members hired after July 1, 1995 are required to contribute between 3% and 10% of their annual covered salary. Any plan member may voluntarily contribute between 1% and 10% of their annual covered salary. The City has no regulatory amount to contribute but has established an informal policy to annually contribute an actuarial determined amount in four (4) quarterly installments on approximately the first day of each quarter during the fiscal year based on the previous January 1 actuarial valuation. The actuarial valuation at January 1, 2009 includes the following assumptions: (a) Interest: (Funding rates) Pre-retirement: 7.5% per year, compounded annually, net of expenses; Post-retirement: 7.5% per year, compounded annually, net of expenses, (b) Projected salary increases: Salaries are assumed to increase at 3.5% per year, and (c) Cost of living increase: Post-retirement benefit is assumed to increase at 2.0% per year.

The Plan has no long-term contracts for contributions to the Plan and no legally required reserves.

Annual Pension Cost and Net Pension Obligation

The City's annual pension cost and net pension obligation (NPO) to the Plan are as follows:

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Annual Pension Cost	\$3,460,272	\$3,601,512	\$3,822,506	\$4,534,899	\$4,435,383	\$4,497,443
Contribution made	<u>(3,461,371)</u>	<u>(3,602,700)</u>	<u>(3,823,788)</u>	<u>(4,536,240)</u>	<u>(4,436,828)</u>	<u>(4,499,000)</u>
Increase in net pension asset *	( 1,099)	( 1,188)	( 1,282)	( 1,341)	( 1,445)	( 1,557)
NPO (Asset) at beginning of year	<u>( 13,734)</u>	<u>( 14,833)</u>	<u>( 16,021)</u>	<u>( 17,303)</u>	<u>( 18,644)</u>	<u>( 20,089)</u>
NPO (Asset) at end of year	<u>(\$ 14,833)</u>	<u>(\$ 16,021)</u>	<u>(\$ 17,303)</u>	<u>(\$ 18,644)</u>	<u>(\$ 20,089)</u>	<u>(\$ 21,646)</u>

\* This amount equals the interest on the net pension obligation (NPO).

Trend Information

Fiscal Year Ending	Salary Assumption	Actuarial Method*	Market Value Assets	Annual Required Contribution	Actual Contribution	PBO/Asset	Percentage of ARC Contributed
6/30/2009	4.50%	Aggregate	\$ 38,122,589	\$ 4,497,443	\$ 4,499,000	\$(21,646)	100%
6/30/2008	4.75%	Aggregate	32,581,714	4,435,383	4,436,828	(20,089)	100%
6/30/2007	4.75%	Aggregate	26,171,954	4,534,899	4,536,240	(18,644)	100%
6/30/2006	5.00%	Aggregate	21,955,160	3,822,506	3,823,788	(17,303)	100%
6/30/2005	5.00%	Aggregate	17,285,876	3,601,094	3,602,700	(16,021)	100%
6/30/2004	5.00%	Aggregate	12,239,750	3,459,885	3,461,371	(14,833)	100%

\* The aggregate cost method does not identify or separately amortize unfunded actuarial accrued liabilities.

**CITY OF FRANKLIN, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
 JUNE 30, 2009

**NOTE 4 - OTHER INFORMATION (Cont.)**

**D. Self-Insured Employee Health Insurance**

The City provides medical and dental insurance to its employees and retains the risk of loss to a limit of \$105,000 per year, per employee. The City has obtained stop/loss commercial insurance policy to cover claims beyond this liability.

All full-time employees of the City are eligible to participate. Claim payments are paid by the Fund of the employee/claimant. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

Claim liabilities are based on estimates of the ultimate cost of claims that have been reported but not settled, and of claims that have been incurred but not reported. The process used to compute claims liabilities does not necessarily result in an exact amount. Changes in the balance of claims liabilities during the past two fiscal years as follows:

Fiscal Year Ending	Claims Liability, July 1	Current Year Claims and Changes in Estimates	Claims Paid	Claims Liability, June 30
6/30/2009	\$ 704,972	\$ 5,506,921	\$ (5,385,402)	\$ 826,491
6/30/2008	583,453	4,003,779	(3,882,260)	704,972
6/30/2007	461,934	4,548,224	(4,426,705)	583,453
6/30/2006	750,652	4,278,359	(4,567,077)	461,934

**E. Reserved Fund Balance – General Fund**

The City has a “Fund Balance Policy Statement” specifying the following designations of unreserved fund balance of the General Fund:

Financial Stabilization Reserve – an amount of unreserved fund balance equal to 33% of General Fund budgeted expenditures. The reserve is for covering contingencies, emergencies such as natural and man-made disaster expenditures, cash flow stabilization, debt service, property/casualty/health insurance loss reserves, and other post employment benefits (OPEB).

Contingency	\$2,866,052
Emergency	2,866,052
Cash Flow	8,024,945
Debt Service	1,719,631
Property/Casualty/Health Insurance	2,292,841
Retiree Health Benefits	<u>1,146,420</u>
	<u>\$18,915,941</u>

**CITY OF FRANKLIN, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
 JUNE 30, 2009

**NOTE 4 - OTHER INFORMATION (Cont.)**

**F. Post Employment Benefits**

Plan Description

The City of Franklin self insures its employees for healthcare benefits. Benefits are established and amended by an insurance committee. The City provides health insurance from the date the employee retires up until the age of 65. No health insurance is available to retirees with less than 20 years of service. For retirees after 20 years of service and at least age 62, retirees pay only the employees' rate at the time of retirement. For retirees after 30 years and at least age 55, retirees pay Cobra rates less \$535.50/month for family coverage or less \$207.75/month for single coverage. (The City pays either the \$535.50 or \$207.75). Retirees age 61 and under with at least 25 years of service are eligible for insurance under Option II (high deductible plan) at the full rate less \$125 per month for single coverage or \$275 per month for family coverage.

Funding Policy

The premium requirements of plan members are established and may be amended by the insurance committee. Claims liabilities of the plan are periodically computed using the actuarial and statistical techniques to establish premiums.

Annual OPEB Cost and Net Pension Obligation

The City's annual OPEB cost and net OPEB obligation to the Plan are as follows:

	<u>2008</u>	<u>2009</u>
Annual Required Contribution	\$ 285,800	\$ 257,800
Interest on the obligation	15,700	16,000
Contribution made	<u>( 898,100)</u>	<u>( 204,800)</u>
Increase in net OPEB asset *	<u>( 596,600)</u>	69,000
NOPEBO (Asset) at beginning of year	<u>( -)</u>	<u>( 596,600)</u>
NOPEBO (Asset) at end of year	<u>(\$ 596,600)</u>	<u>(\$ 527,600)</u>

<u>Fiscal Year</u>	<u>Annual Required</u>	<u>Actual</u>	<u>PBO/</u>	<u>Percentage of</u>
<u>Ending</u>	<u>Contribution</u>	<u>Contribution</u>	<u>Asset</u>	<u>ARC Contributed</u>
6/30/2009	\$ 273,800	\$ 204,800	\$ (527,600)	75%
6/30/2008	301,500	898,100	(596,600)	298%

Funded Status and Funding Progress

	<u>2008</u>	<u>2009</u>
Actuarial valuation date	7/1/2007	7/1/2008
Actuarial Accrued Liability (AAL)	\$ 2,556,400	\$ 2,820,700
Actuarial value of assets	<u>-</u>	<u>731,700</u>
Unfunded actuarial accrued liability	2,556,400	2,089,000
Net OPEB obligation (asset) - end of year	<u>(\$ 596,600)</u>	<u>(\$ 527,600)</u>

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

CITY OF FRANKLIN, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009

**NOTE 4 - OTHER INFORMATION (Cont.)**

**F. Post Employment Benefits (Cont.)**

Actuarial Methods and Assumptions

Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

In the July 1, 2008, actuarial valuation, the entry age normal cost funding method was used. The actuarial assumptions included a 5.5 percent investment rate of return (net of administrative costs) and an annual healthcare cost trend of 9.5 percent initially, reduced by decrements of .25% annually until 3 percent is reached. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30 year period beginning with June 30, 2008.

**G. Prior Period Adjustments**

During 2009, the following prior period adjustment was made to the financials:

- In the governmental activities section of the financial statements, it was determined that infrastructure had been overstated by \$3,595,543 due to the City recording alleys, private streets, and unaccepted assets in prior years.

**CITY OF FRANKLIN, TENNESSEE**  
**SCHEDULE OF FUNDING PROGRESS - EMPLOYEE RETIREMENT SYSTEM**

<b>City of Franklin Employees' Pension Plan</b>						
<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets ( a )</b>	<b>Actuarial Accrued Liability (AAL) ( b )</b>	<b>Unfunded AAL (UAAL) ( b ) - ( a )</b>	<b>Funded Ratio ( a/b )</b>	<b>Covered Payroll ( c )</b>	<b>UAAL as a Percentage of Covered Payroll ((b-a)/c)</b>
1/1/2009	\$ 38,122,589	\$ 43,299,578	\$ 5,176,989	88.0%	\$ 23,660,124	21.9%
1/1/2008	32,581,714	39,456,058	6,874,344	82.6%	22,014,626	31.2%
1/1/2007	26,171,954	35,045,973	8,874,019	74.7%	20,858,286	42.6%
1/1/2006	21,955,160	28,928,380	6,973,220	75.9%	19,437,814	35.9%
1/1/2005	17,285,876	24,830,756	7,544,880	69.6%	17,560,911	43.0%
1/1/2004	12,239,750	21,983,456	9,743,706	55.7%	15,860,506	61.4%

The above schedule is designed to show the extent to which a pension plan has been successful over time in setting aside assets sufficient to cover its actuarial accrued liability.

<b>City of Franklin Retiree Health Insurance</b>						
<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets ( a )</b>	<b>Actuarial Accrued Liability (AAL) ( b )</b>	<b>Unfunded AAL (UAAL) ( b ) - ( a )</b>	<b>Funded Ratio ( a/b )</b>	<b>Covered Payroll ( c )</b>	<b>UAAL as a Percentage of Covered Payroll ((b-a)/c)</b>
7/1/2008	\$ 731,700	\$ 2,820,700	\$ 2,089,000	25.9%	\$ 23,660,124	8.8%
7/1/2007	-	2,556,400	2,556,400	0.0%	22,014,626	11.6%

The above schedule is designed to show the extent to which a post employment healthcare plan has been successful over time in setting aside assets sufficient to cover its actuarial accrued liability.

**CITY OF FRANKLIN TENNESSEE  
NONMAJOR GOVERNMENTAL FUNDS**

**SPECIAL REVENUE FUNDS:**

**State Street Aid Fund** – To account for the receipt and usage of the City's share of State gasoline taxes. State law requires these gasoline taxes to be used to maintain streets.

**Sanitation Fund** – To account for the City's solid waste collection, fleet maintenance, and disposal operations.

**Facilities Tax Fund** – To account for the proceeds of a tax on the privilege of engaging in the business of development and the expenditures of such monies as required by City Ordinance 88-12.

**Road Impact Fee Fund** – To account for the proceeds of road impact fees on new development and the expenditures of such monies as required by City Ordinance 88-13.

**Drug Fund** – To account for drug fines received and usage of those monies to further drug investigations.

**Hotel / Motel Tax Fund** – To account for the receipt of Hotel / Motel tax which has been designated for use in retiring debt related to the Conference Center which is jointly owned by the City and County, and property acquired for park purposes.

**Storm Water Fund** – To account for the City's storm water operations.

**Transit Authority Fund** – To account for the financial activities of the City's mass transit operations.

**TIIP Grant Fund** – To account for TIIP grant revenues and expenditures. (There are no revenues or expenditures for this fund in fiscal year 2008).

**CDBG Fund** – To account for CDBG grant revenues and expenditures.

CITY OF FRANKLIN, TENNESSEE  
 COMBINING BALANCE SHEET  
 OTHER GOVERNMENTAL FUNDS  
 JUNE 30, 2009

	Special Revenue Funds									
	State Street Aid Fund	Sanitation Fund	Facilities Tax Fund	Road Impact Fee Fund	Drug Fund	Hotel / Motel Tax Fund	Storm Water Fund	Transit Authority Fund	CDBG Fund	Other Governmental Funds Totals
<b>ASSETS</b>										
Cash and cash equivalents	\$ 606,016	\$ -	\$ -	\$ 1,837,669	\$ 328,808	\$ 2,012,298	\$ 226,752	\$ -	\$ -	\$ 5,011,543
Receivables:										
Accounts (net of allowance for uncollectible accounts)	-	583,980	-	-	3,208	-	191,895	91,107	587	870,777
Intergovernmental	289,101	-	-	-	-	142,530	-	-	-	431,631
Grants	-	-	-	-	-	-	-	28,672	135,545	164,217
Due from other funds	-	-	-	-	-	-	4,381,807	-	-	4,381,807
Inventory	-	94,063	-	-	-	-	-	-	-	94,063
Prepaid expenses	-	-	-	-	17,000	-	-	-	-	17,000
<b>Total assets</b>	<b>\$ 895,117</b>	<b>\$ 678,043</b>	<b>\$ -</b>	<b>\$ 1,837,669</b>	<b>\$ 349,016</b>	<b>\$ 2,154,828</b>	<b>\$ 4,800,454</b>	<b>\$ 119,779</b>	<b>\$ 136,132</b>	<b>\$ 10,971,038</b>

**LIABILITIES AND FUND BALANCES**

<b>Liabilities:</b>	
Accounts payable	\$ 863,300
Accrued expenses	84,888
Due to other funds	261,689
Deferred revenue	-
<b>Total liabilities</b>	<b>863,300</b>
<b>Fund balances</b>	
Unreserved, undesignated	31,817
<b>Total fund balances</b>	<b>31,817</b>
<b>Total liabilities and fund balances</b>	<b>\$ 895,117</b>

**CITY OF FRANKLIN, TENNESSEE**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES**  
**OTHER GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	Special Revenue Funds										Other Governmental Funds Totals
	State Street Aid Fund	Sanitation Fund	Facilities Tax Fund	Road Impact Fee Fund	Drug Fund	Hotel / Motel Tax Fund	Storm Water Fund	Transit Authority Fund	CDBG Fund		
<b>Revenues:</b>											
Taxes											
Hotel / Motel tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,518,988	\$ -	\$ -	\$ -	\$ -	\$ 1,518,988
Facilities tax	-	-	1,115,914	-	-	-	-	-	-	-	1,115,914
Licenses and permits	-	-	-	426,916	-	-	-	-	-	-	426,916
Fines and fees	-	-	-	-	120,846	-	-	-	-	-	120,846
Charges for services	-	4,554,150	-	-	-	-	2,009,142	64,492	-	-	6,627,784
Intergovernmental	1,602,938	-	-	-	-	-	-	1,056,842	191,188	-	2,850,968
Use of money and property	710	21,610	3,453	3,702	12,789	320,506	5,610	63,268	-	-	431,648
<b>Total revenues</b>	<b>1,603,648</b>	<b>4,575,760</b>	<b>1,119,367</b>	<b>430,618</b>	<b>133,635</b>	<b>1,839,494</b>	<b>2,014,752</b>	<b>1,184,602</b>	<b>191,188</b>	<b>191,188</b>	<b>13,093,064</b>
<b>Expenditures:</b>											
Current:											
General government	-	-	-	-	-	67,963	-	-	210,319	-	278,282
Police	-	-	-	-	55,813	-	-	-	-	-	55,813
Highways and streets	2,254,228	-	-	5,698	-	-	-	-	-	-	2,259,926
Storm water	-	-	-	-	-	-	642,871	-	-	-	642,871
Sanitation	-	6,129,249	-	-	-	-	-	-	-	-	6,129,249
Transit	-	-	-	-	-	-	-	1,026,204	-	-	1,026,204
Parks	-	-	6,300	-	-	-	-	-	-	-	6,300
Capital outlay	366,430	909,475	8,302,144	-	-	370,509	190,492	-	-	-	10,139,050
Debt service	-	549,070	-	1,836,605	-	1,320,190	-	-	-	-	3,705,865
<b>Total expenditures</b>	<b>2,620,658</b>	<b>7,587,794</b>	<b>8,308,444</b>	<b>1,842,303</b>	<b>55,813</b>	<b>1,758,662</b>	<b>833,363</b>	<b>1,026,204</b>	<b>210,319</b>	<b>210,319</b>	<b>24,243,560</b>
Excess (deficiency) of revenues over (under) expenditures	(1,017,010)	(3,012,034)	(7,189,077)	(1,411,685)	77,822	80,832	1,181,389	158,398	(19,131)	(19,131)	(11,150,496)
<b>Other financing sources (uses)</b>											
Operating transfers to	-	3,012,034	-	-	-	-	-	221,802	-	-	3,233,836
<b>Net changes in fund balances</b>	<b>(1,017,010)</b>	<b>-</b>	<b>(7,189,077)</b>	<b>(1,411,685)</b>	<b>77,822</b>	<b>80,832</b>	<b>1,181,389</b>	<b>380,200</b>	<b>(19,131)</b>	<b>(19,131)</b>	<b>(7,916,660)</b>
<b>Fund balances - beginning</b>	<b>1,048,827</b>	<b>-</b>	<b>3,430,639</b>	<b>2,693,639</b>	<b>257,521</b>	<b>2,031,596</b>	<b>3,573,362</b>	<b>(440,843)</b>	<b>-</b>	<b>-</b>	<b>12,594,741</b>
<b>Fund balances - ending</b>	<b>\$ 31,817</b>	<b>\$ -</b>	<b>\$ (3,758,438)</b>	<b>\$ 1,281,954</b>	<b>\$ 335,343</b>	<b>\$ 2,112,428</b>	<b>\$ 4,754,751</b>	<b>\$ (60,643)</b>	<b>\$ (19,131)</b>	<b>\$ (19,131)</b>	<b>\$ 4,678,081</b>

**CITY OF FRANKLIN, TENNESSEE**  
**STATE STREET AID FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Intergovernmental:				
Gasoline tax, State of Tennessee	\$ 1,586,600	\$ 1,586,600	\$ 1,602,938	\$ 16,338
Use of money and property:				
Interest earned	10,000	10,000	710	(9,290)
<b>Total revenues</b>	<u>1,596,600</u>	<u>1,596,600</u>	<u>1,603,648</u>	<u>7,048</u>
<b>Expenditures:</b>				
Current:				
Highways and streets:				
Street maintenance and improvement	2,470,000	2,220,000	2,254,228	34,228
Capital outlay	916,226	468,556	366,430	(102,126)
<b>Total expenditures</b>	<u>3,386,226</u>	<u>2,688,556</u>	<u>2,620,658</u>	<u>(67,898)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,789,626)</u>	<u>(1,091,956)</u>	<u>(1,017,010)</u>	<u>74,946</u>
<b>Other financing sources (uses)</b>				
Operating transfers from other funds	<u>257,500</u>	<u>43,129</u>	<u>-</u>	<u>(43,129)</u>
Net changes in fund balances	<u>\$ (1,532,126)</u>	<u>\$ (1,048,827)</u>	<u>(1,017,010)</u>	<u>\$ 31,817</u>
<b>Fund balance - beginning</b>			<u>1,048,827</u>	
<b>Fund balance - ending</b>			<u>\$ 31,817</u>	

See independent auditor's report.

CITY OF FRANKLIN, TENNESSEE  
SANITATION FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Charges for services:				
Garbage fees	\$ 4,631,515	\$ 4,331,515	\$ 4,265,176	\$ (66,339)
Other revenues	565,236	565,236	229,410	(335,826)
Sale of waste containers	203,750	77,750	59,564	(18,186)
Uses of money and property:				
Sale of assets	20,000	20,000	21,610	1,610
<b>Total revenues</b>	<u>5,420,501</u>	<u>4,994,501</u>	<u>4,575,760</u>	<u>(418,741)</u>
<b>Expenditures:</b>				
Current:				
Personnel	3,779,541	3,779,541	3,462,412	(317,129)
Operations	2,952,614	2,587,615	2,666,837	79,222
Debt service	435,819	435,819	549,070	113,251
Capital outlay	1,434,462	1,373,588	909,475	(464,113)
<b>Total expenditures</b>	<u>8,602,436</u>	<u>8,176,563</u>	<u>7,587,794</u>	<u>(588,769)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,181,935)</u>	<u>(3,182,062)</u>	<u>(3,012,034)</u>	<u>170,028</u>
<b>Other financing sources (uses)</b>				
Operating transfers from other funds	<u>3,181,935</u>	<u>3,182,062</u>	<u>3,012,034</u>	<u>170,028</u>
Net changes in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
<b>Fund balance - beginning</b>			<u>-</u>	
<b>Fund balance - ending</b>			<u>\$ -</u>	

See independent auditor's report.

CITY OF FRANKLIN, TENNESSEE  
 FACILITIES TAX FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
 FUND BALANCE - BUDGET AND ACTUAL  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Licenses and permits				
Facilities tax	\$ 3,500,000	\$ 3,500,000	\$ 1,115,914	\$ (2,384,086)
Use of money and property				
Contributions from developers	25,000	25,000	-	(25,000)
Interest earned	120,000	120,000	3,453	(116,547)
<b>Total revenues</b>	<u>3,645,000</u>	<u>3,645,000</u>	<u>1,119,367</u>	<u>(2,525,633)</u>
<b>Expenditures:</b>				
Capital outlay	8,223,308	8,268,746	8,302,144	33,398
Other costs	40,000	40,000	6,300	(33,700)
<b>Total expenditures</b>	<u>8,263,308</u>	<u>8,308,746</u>	<u>8,308,444</u>	<u>(302)</u>
Net changes in fund balances	<u>\$ (4,618,308)</u>	<u>\$ (4,663,746)</u>	(7,189,077)	<u>\$ (2,525,331)</u>
<b>Fund balance - beginning</b>			<u>3,430,639</u>	
<b>Fund balance - ending</b>			<u>\$ (3,758,438)</u>	

See independent auditor's report.

CITY OF FRANKLIN, TENNESSEE  
ROAD IMPACT FEE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Licenses and permits:				
Road impact fee	\$ 3,000,000	\$ 3,000,000	\$ 426,916	\$ (2,573,084)
Use of money and property:				
Interest earned	30,000	30,000	3,702	(26,298)
<b>Total revenues</b>	<u>3,030,000</u>	<u>3,030,000</u>	<u>430,618</u>	<u>(2,599,382)</u>
<b>Expenditures:</b>				
Other costs	-	-	5,698	5,698
Debt service	2,193,421	2,193,421	1,836,605	(356,816)
<b>Total expenditures</b>	<u>2,193,421</u>	<u>2,193,421</u>	<u>1,842,303</u>	<u>(351,118)</u>
Net changes in fund balances	<u>\$ 836,579</u>	<u>\$ 836,579</u>	(1,411,685)	<u>\$ (2,248,264)</u>
<b>Fund balance - beginning</b>			<u>2,693,639</u>	
<b>Fund balance - ending</b>			<u>\$ 1,281,954</u>	

See independent auditor's report.

**CITY OF FRANKLIN, TENNESSEE**  
**DRUG FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Use of money and property:				
Interest earned	\$ 3,000	\$ 3,000	\$ 12,789	\$ 9,789
Fines and fees:				
Seized assets/unclaimed evidence	205,000	205,000	120,846	(84,154)
<b>Total revenues</b>	<u>208,000</u>	<u>208,000</u>	<u>133,635</u>	<u>(74,365)</u>
<b>Expenditures:</b>				
Current:				
Public safety:				
Drug-related	73,600	73,600	55,813	(17,787)
<b>Total expenditures</b>	<u>73,600</u>	<u>73,600</u>	<u>55,813</u>	<u>(17,787)</u>
Net changes in fund balances	<u>\$ 134,400</u>	<u>\$ 134,400</u>	77,822	<u>\$ (56,578)</u>
<b>Fund balance - beginning</b>			<u>257,521</u>	
<b>Fund balance - ending</b>			<u>\$ 335,343</u>	

See independent auditor's report.

**CITY OF FRANKLIN, TENNESSEE**  
**HOTEL / MOTEL TAX FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Taxes:				
Hotel / Motel tax	\$ 1,620,000	\$ 1,620,000	\$ 1,518,988	\$ (101,012)
Use of money and property:				
Distributions from conference center	-	-	317,821	317,821
Interest earned	25,000	25,000	2,685	(22,315)
<b>Total Revenues</b>	<u>1,645,000</u>	<u>1,645,000</u>	<u>1,839,494</u>	<u>194,494</u>
<b>Expenditures:</b>				
Current:				
Miscellaneous	6,579	6,579	67,963	61,384
Capital outlay	370,000	370,000	370,509	509
Debt service	1,475,571	1,475,571	1,320,190	(155,381)
<b>Total expenditures</b>	<u>1,852,150</u>	<u>1,852,150</u>	<u>1,758,662</u>	<u>(93,488)</u>
Net changes in fund balances	<u>\$ (207,150)</u>	<u>\$ (207,150)</u>	80,832	<u>\$ 287,982</u>
<b>Fund balance - beginning</b>			<u>2,031,596</u>	
<b>Fund balance - ending</b>			<u>\$ 2,112,428</u>	

See independent auditor's report.

CITY OF FRANKLIN, TENNESSEE  
 STORM WATER FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
 FUND BALANCE - BUDGET AND ACTUAL  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Charges for services:				
Customer services	\$ 2,063,680	\$ 2,063,680	\$ 2,009,142	\$ (54,538)
Uses of money and property:				
Interest earnings	20,000	20,000	5,610	(14,390)
<b>Total revenues</b>	<u>2,083,680</u>	<u>2,083,680</u>	<u>2,014,752</u>	<u>(68,928)</u>
<b>Expenditures:</b>				
Current:				
Storm water costs:				
Personnel	621,561	621,561	472,903	(148,658)
Operations	320,735	320,735	169,968	(150,767)
Capital outlay	330,635	400,035	190,492	(209,543)
<b>Total expenditures</b>	<u>1,272,931</u>	<u>1,342,331</u>	<u>833,363</u>	<u>(508,968)</u>
Net changes in fund balances	<u>\$ 810,749</u>	<u>\$ 741,349</u>	1,181,389	<u>\$ 440,040</u>
<b>Fund balance - beginning</b>			<u>3,573,362</u>	
<b>Fund balance - ending</b>			<u>\$ 4,754,751</u>	

See independent auditor's report.

**CITY OF FRANKLIN, TENNESSEE**  
**TRANSIT AUTHORITY FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Intergovernmental:				
Grants	\$ 375,900	\$ 816,743	\$ 1,056,842	\$ 240,099
Charges for services:				
Transit fares	137,295	137,295	64,492	(72,803)
Uses of money and property:				
Sale of assets	-	-	49,497	49,497
Rental income	9,600	9,600	9,800	200
Interest earnings	-	-	3,971	3,971
<b>Total revenues</b>	<u>522,795</u>	<u>963,638</u>	<u>1,184,602</u>	<u>220,964</u>
 <b>Expenditures:</b>				
Current:				
Operations	<u>1,082,615</u>	<u>1,082,615</u>	<u>1,026,204</u>	<u>(56,411)</u>
<b>Total expenditures</b>	<u>1,082,615</u>	<u>1,082,615</u>	<u>1,026,204</u>	<u>(56,411)</u>
 Excess (deficiency) of revenues over (under) expenditures	<u>(559,820)</u>	<u>(118,977)</u>	<u>158,398</u>	<u>277,375</u>
 <b>Other financing sources (uses):</b>				
Transfer from other funds	<u>559,820</u>	<u>559,820</u>	<u>221,802</u>	<u>(338,018)</u>
 Net changes in fund balances	<u>\$ -</u>	<u>\$ 440,843</u>	380,200	<u>\$ (60,643)</u>
 <b>Fund balance - beginning</b>			<u>(440,843)</u>	
<b>Fund balance - ending</b>			<u>\$ (60,643)</u>	

See independent auditor's report.

CITY OF FRANKLIN, TENNESSEE  
COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Intergovernmental:				
Grants	\$ 270,070	\$ 270,070	\$ 191,188	\$ (78,882)
<b>Total revenues</b>	<u>270,070</u>	<u>270,070</u>	<u>191,188</u>	<u>(78,882)</u>
 <b>Expenditures:</b>				
Current:				
Operations	270,070	270,070	210,319	(59,751)
<b>Total expenditures</b>	<u>270,070</u>	<u>270,070</u>	<u>210,319</u>	<u>(59,751)</u>
 Net changes in fund balances	<u>\$ -</u>	<u>\$ -</u>	(19,131)	<u>\$ (19,131)</u>
 <b>Fund balance - beginning</b>			<u>-</u>	
<b>Fund balance - ending</b>			<u>\$ (19,131)</u>	

See independent auditor's report.

CITY OF FRANKLIN, TENNESSEE  
**CAPITAL ASSETS USED IN THE OPERATIONS OF THE GOVERNMENTAL FUNDS**  
**SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY**  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Function and Activity	Balance June 30, 2008	Additions	Disposals	Transfers	Balance June 30, 2009
General government:					
General	\$ 13,060,319	-	-	-	\$ 13,060,319
Telephone system	105,184	-	-	-	105,184
Traffic	481,170	110,420	-	-	591,590
Parking garage	9,377,160	-	-	-	9,377,160
Fleet management	65,275	-	-	-	65,275
Traffic operation center	1,771,543	159,239	(9,240)	-	1,921,542
Transit operations	2,388,896	-	(247,640)	-	2,141,256
Administration	214,087	-	-	-	214,087
Codes	340,626	-	-	-	340,626
Engineering	392,798	-	-	-	392,798
Finance	345,429	9,295	-	-	354,724
Fire department	17,908,341	1,031,714	-	-	18,940,055
Management information & technology	14,358,211	954,937	-	-	15,313,148
Parks	38,073,916	3,485,506	-	-	41,559,422
Human resources	57,012	-	-	-	57,012
Police department	14,188,658	17,000,978	(311,344)	-	30,878,292
Sanitation	15,866,954	843,006	(359,996)	-	16,349,964
Maintenance	60,287	10,597	-	-	70,884
Channel 10	51,224	-	-	-	51,224
Storm water	1,440,138	-	-	-	1,440,138
Streets	13,546,191	1,528,237	(42,493)	-	15,031,935
Infrastructure - highways, streets and bridges	401,360,513	48,760,926	(27,687,543)	-	422,433,896
Planning	100,434	-	-	-	100,434
Total	<u>\$ 545,554,366</u>	<u>\$ 73,894,855</u>	<u>\$ (28,658,256)</u>	<u>\$ -</u>	<u>\$ 590,790,965</u>

See independent auditor's report.

CITY OF FRANKLIN, TENNESSEE  
**CAPITAL ASSETS USED IN THE OPERATIONS OF THE GOVERNMENTAL FUNDS**  
**SCHEDULE BY FUNCTION AND ACTIVITY**  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Function and Activity	Land	Buildings and Structures	Improvements Other than Buildings	Equipment	Infrastructure	Construction in Process	Total
General government:							
General	\$ 8,893,782	\$ 3,753,388	\$ -	\$ 413,149	\$ -	\$ -	\$ 13,060,319
Telephone system	-	-	-	105,184	-	-	105,184
Traffic	-	-	-	591,590	-	-	591,590
Parking garage	223,879	9,153,281	-	-	-	-	9,377,160
Fleet management	-	-	-	48,425	-	16,850	65,275
Traffic operation center	-	-	-	1,726,281	-	195,261	1,921,542
Transit operations	35,626	918,553	-	1,187,077	-	-	2,141,256
Administration	-	-	-	214,087	-	-	214,087
Codes	-	-	-	340,626	-	-	340,626
Engineering	-	-	-	392,798	-	-	392,798
Finance	-	-	-	354,724	-	-	354,724
Fire department	870,123	9,972,598	-	7,997,768	-	99,566	18,940,055
Management information & technology	-	-	-	14,451,070	-	862,078	15,313,148
Parks	17,627,758	477,162	18,230,755	976,154	-	4,247,593	41,559,422
Human resources	-	-	-	57,012	-	-	57,012
Police department	5,688,623	913,176	-	5,557,724	-	18,718,769	30,878,292
Sanitation	795,014	9,738,328	-	5,816,622	-	-	16,349,964
Maintenance	-	21,514	-	49,370	-	-	70,884
Channel 10	-	-	-	51,224	-	-	51,224
Storm water	650,886	-	-	789,252	-	-	1,440,138
Streets	11,797,522	260,862	-	2,973,551	-	-	15,031,935
Infrastructure - highways, streets and bridges	-	-	-	-	410,623,480	11,810,416	422,433,896
Planning	-	-	-	100,434	-	-	100,434
<b>Total</b>	<b>\$ 46,583,213</b>	<b>\$ 35,208,862</b>	<b>\$ 18,230,755</b>	<b>\$ 44,194,122</b>	<b>\$ 410,623,480</b>	<b>\$ 35,950,533</b>	<b>\$ 590,790,965</b>

**CITY OF FRANKLIN, TENNESSEE**  
**SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

<u>Year of Levy</u>	<u>Balance June 30, 2008</u>	<u>Taxes Levied</u>	<u>Adjustments and Collections</u>	<u>Balance June 30, 2009</u>
2008	\$ -	\$ 10,739,928	\$ (10,429,879)	\$ 310,049
2007	169,999	-	(112,362)	57,637
2006	34,333	-	(27,328)	7,005
2005	5,613	-	(2,612)	3,001
2004	2,999	-	(474)	2,525
2003	3,870	-	(146)	3,724
2002	12,735	-	(8)	12,727
2001	13,768	-	(367)	13,401
2000	6,217	-	(88)	6,129
1999	6,029	-	(142)	5,887
1998	3,724	-	(3,724)	-
	<u>\$ 259,287</u>	<u>\$ 10,739,928</u>	<u>\$ (10,577,130)</u>	<u>422,085</u>

Above balances represented as follows:

Considered current revenue	104,744
Allowance for uncollectible accounts	82,041
Deferred revenue	<u>235,300</u>
	422,085
2009 tax levy due October 1, 2009 considered as deferred revenue	<u>11,657,816</u>
Total taxes receivable	<u>\$ 12,079,901</u>

Note: Taxes become delinquent in March of the year following the tax year of levy. Delinquent taxes are turned over to the County Clerk and Master for collection proceedings.

See independent auditor's report.

CITY OF FRANKLIN, TENNESSEE  
 SCHEDULE OF PRINCIPAL AND INTEREST REQUIREMENTS  
 GENERAL OBLIGATION DEBT  
 JUNE 30, 2009

	City of Clarksville Pooled Loan Program Series 2001		Tennessee Municipal Variable Rate Pooled Loan Program - Series 2001		General Refunding Bonds Series 2002		General Refunding Bonds Series 2004		General Improvement Bonds Series 2004		General Improvement Bonds Series 2004		Local Government Public Improvement Bonds Series VI-B-1 2004	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 348,000	\$ 12,234	\$ 135,000	\$ 5,394	\$ 475,000	\$ 76,725	\$ 835,000	\$ 143,425	\$ 290,000	\$ 278,269	\$ 575,000	\$ 452,200		
2011	360,000	10,877	140,000	4,867	495,000	56,706	865,000	117,925	320,000	269,569	600,000	428,400		
2012	372,000	9,473	144,000	4,321	515,000	35,244	885,000	91,675	355,000	259,569	600,000	403,800		
2013	385,000	8,022	149,000	3,760	540,000	12,150	915,000	63,531	390,000	248,031	625,000	378,400		
2014	397,000	6,521	153,000	3,179	-	-	945,000	32,125	430,000	234,381	650,000	352,200		
2015	411,000	4,973	158,000	2,582	-	-	430,000	7,794	445,000	219,331	675,000	325,200		
2016	425,000	3,370	163,000	1,966	-	-	-	-	460,000	203,200	700,000	297,200		
2017	439,000	1,712	168,000	1,330	-	-	-	-	480,000	185,950	750,000	268,200		
2018	-	-	173,000	675	-	-	-	-	495,000	167,350	775,000	238,400		
2019	-	-	-	-	-	-	-	-	515,000	147,550	800,000	207,600		
2020	-	-	-	-	-	-	-	-	535,000	126,950	850,000	175,800		
2021	-	-	-	-	-	-	-	-	560,000	104,881	875,000	142,800		
2022	-	-	-	-	-	-	-	-	585,000	81,081	925,000	108,800		
2023	-	-	-	-	-	-	-	-	610,000	55,488	975,000	73,600		
2024	-	-	-	-	-	-	-	-	640,000	28,800	1,005,000	37,400		
2025	-	-	-	-	-	-	-	-	-	-	-	-		
2026	-	-	-	-	-	-	-	-	-	-	-	-		
2027	-	-	-	-	-	-	-	-	-	-	-	-		
2028	-	-	-	-	-	-	-	-	-	-	-	-		
2029	-	-	-	-	-	-	-	-	-	-	-	-		
2030	-	-	-	-	-	-	-	-	-	-	-	-		
2031	-	-	-	-	-	-	-	-	-	-	-	-		
2032	-	-	-	-	-	-	-	-	-	-	-	-		
2033	-	-	-	-	-	-	-	-	-	-	-	-		
2034	-	-	-	-	-	-	-	-	-	-	-	-		
2035	-	-	-	-	-	-	-	-	-	-	-	-		
2036	-	-	-	-	-	-	-	-	-	-	-	-		
2037	-	-	-	-	-	-	-	-	-	-	-	-		
	<u>\$ 3,137,000</u>	<u>\$ 57,182</u>	<u>\$ 1,383,000</u>	<u>\$ 28,074</u>	<u>\$ 2,025,000</u>	<u>\$ 180,825</u>	<u>\$ 4,875,000</u>	<u>\$ 456,475</u>	<u>\$ 7,110,000</u>	<u>\$ 2,610,400</u>	<u>\$ 11,380,000</u>	<u>\$ 3,890,000</u>		

CITY OF FRANKLIN, TENNESSEE  
 SCHEDULE OF PRINCIPAL AND INTEREST REQUIREMENTS (Cont.)  
 GENERAL OBLIGATION DEBT  
 JUNE 30, 2009

	Tennessee Municipal Bond Fund Variable Rate		Public Building Authority of the City of Lawrenceburg, TN Loan Agreement 2004		General Obligation Public Improvement Refunding Bonds - Series 2005		Capital Improvement Bonds Series 2007 (2)		Capital Improvement Bonds Series 2009		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 350,000	\$ 12,909	\$ 255,000	\$ 136,242	\$ 525,000	\$ 15,750	\$ -	\$ 798,000	\$ 797,000	\$ 97,500	\$ 4,585,000	\$ 2,028,648
2011	380,000	11,544	265,000	126,566	-	-	-	798,000	833,000	94,392	4,258,000	1,918,846
2012	410,000	10,062	275,000	116,517	-	-	-	798,000	870,000	91,143	4,426,000	1,819,804
2013	440,000	8,463	285,000	106,402	-	-	-	798,000	909,000	87,750	4,638,000	1,714,509
2014	470,000	6,747	295,000	95,305	-	-	-	798,000	950,000	84,205	4,290,000	1,612,663
2015	500,000	4,914	310,000	84,047	-	-	-	798,000	993,000	80,500	3,922,000	1,527,341
2016	530,000	2,964	320,000	72,324	-	-	-	798,000	1,038,000	76,627	3,636,000	1,455,651
2017	550,000	897	330,000	60,411	-	-	-	798,000	1,085,000	72,579	3,802,000	1,389,079
2018	-	-	345,000	47,669	-	-	-	798,000	1,133,000	68,348	2,921,000	1,320,442
2019	-	-	355,000	34,644	-	-	-	798,000	1,184,000	63,929	2,854,000	1,251,723
2020	-	-	370,000	21,153	-	-	-	798,000	1,238,000	59,311	2,993,000	1,181,214
2021	-	-	390,000	7,143	-	-	-	798,000	1,293,000	54,483	3,118,000	1,107,307
2022	-	-	-	-	-	-	-	798,000	1,352,000	49,440	2,862,000	1,037,321
2023	-	-	-	-	-	-	-	798,000	1,412,000	44,168	2,997,000	971,256
2024	-	-	-	-	-	-	-	798,000	1,476,000	38,661	3,121,000	902,861
2025	-	-	-	-	-	-	1,175,000	798,000	1,542,000	32,904	2,717,000	830,904
2026	-	-	-	-	-	-	1,225,000	751,117	1,612,000	26,891	2,837,000	778,008
2027	-	-	-	-	-	-	1,300,000	702,240	1,684,000	20,604	2,984,000	722,844
2028	-	-	-	-	-	-	1,350,000	650,370	1,760,000	14,036	3,110,000	664,406
2029	-	-	-	-	-	-	1,400,000	596,505	1,839,000	7,172	3,239,000	603,677
2030	-	-	-	-	-	-	1,450,000	540,645	-	-	1,450,000	540,645
2031	-	-	-	-	-	-	1,525,000	482,790	-	-	1,525,000	482,790
2032	-	-	-	-	-	-	1,575,000	421,943	-	-	1,575,000	421,943
2033	-	-	-	-	-	-	1,650,000	359,100	-	-	1,650,000	359,100
2034	-	-	-	-	-	-	1,725,000	293,265	-	-	1,725,000	293,265
2035	-	-	-	-	-	-	1,800,000	224,437	-	-	1,800,000	224,437
2036	-	-	-	-	-	-	1,875,000	152,618	-	-	1,875,000	152,618
2037	-	-	-	-	-	-	1,950,000	77,805	-	-	1,950,000	77,805
	<u>3,630,000</u>	<u>\$ 58,500</u>	<u>\$ 3,795,000</u>	<u>\$ 908,423</u>	<u>\$ 525,000</u>	<u>\$ 15,750</u>	<u>\$ 20,000,000</u>	<u>\$ 18,020,835</u>	<u>\$ 25,000,000</u>	<u>\$ 1,164,643</u>	<u>\$ 82,860,000</u>	<u>\$ 27,391,107</u>
	<u>(110,372)</u>	<u>Amount not draw down</u>									<u>(110,372)</u>	
	<u>\$ 3,519,628</u>	<u>Debt outstanding at year end</u>									<u>\$ 82,749,628</u>	

Notes:

- (1) The City has an interest rate swap (variable to fixed) agreement with SunTrust Bank
- (2) The City has an interest rate swap (variable to fixed) agreement with Depifa Bank

See independent auditor's report.

**CITY OF FRANKLIN, TENNESSEE**  
**SCHEDULE OF PRINCIPAL AND INTEREST REQUIREMENTS**  
**PROPRIETARY FUND DEBT**

JUNE 30, 2009

	Water & Sewer Revenue & Tax Refunding Bonds-Series 1999		Sewer & Water Revenue & Tax Bonds-2001		Sewer & Water Revenue & Tax Refunding Bonds-Series 2002		Water & Sewer Revenue & Tax Refunding Bonds-Series 2002		Sewer & Water System Revenue & Tax Refunding Capital Outlay Notes Series 2002A	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 375,000	\$ 24,161	\$ 315,000	\$ 6,458	\$ 190,000	\$ 3,800	\$ 475,000	\$ 160,875	\$ 165,000	\$ 10,094
2011	390,000	8,190	-	-	-	-	700,000	141,875	175,000	3,500
2012	-	-	-	-	-	-	1,250,000	113,875	-	-
2013	-	-	-	-	-	-	1,350,000	60,750	-	-
2014	-	-	-	-	-	-	-	-	-	-
2015	-	-	-	-	-	-	-	-	-	-
2016	-	-	-	-	-	-	-	-	-	-
2017	-	-	-	-	-	-	-	-	-	-
2018	-	-	-	-	-	-	-	-	-	-
2019	-	-	-	-	-	-	-	-	-	-
2020	-	-	-	-	-	-	-	-	-	-
2021	-	-	-	-	-	-	-	-	-	-
2022	-	-	-	-	-	-	-	-	-	-
2023	-	-	-	-	-	-	-	-	-	-
2024	-	-	-	-	-	-	-	-	-	-
2025	-	-	-	-	-	-	-	-	-	-
	<u>\$ 765,000</u>	<u>\$ 32,351</u>	<u>\$ 315,000</u>	<u>\$ 6,458</u>	<u>\$ 190,000</u>	<u>\$ 3,800</u>	<u>\$ 3,775,000</u>	<u>\$ 477,375</u>	<u>\$ 340,000</u>	<u>\$ 13,594</u>

CITY OF FRANKLIN, TENNESSEE  
 SCHEDULE OF PRINCIPAL AND INTEREST REQUIREMENTS (Cont.)  
 PROPRIETARY FUND DEBT

JUNE 30, 2009

	Sewer & Water System		Sewer & Water		Sewer & Water		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 700,000	\$ 103,725	\$ -	\$ 1,208,250	\$ -	\$ 51,570	\$ 2,220,000	\$ 1,568,933
2011	725,000	76,100	280,000	1,208,250	638,000	51,570	2,908,000	1,489,485
2012	755,000	46,500	290,000	1,199,850	666,000	49,082	2,961,000	1,409,307
2013	785,000	15,700	295,000	1,189,700	696,000	46,484	3,126,000	1,312,634
2014	-	-	2,010,000	1,179,375	728,000	43,770	2,738,000	1,223,145
2015	-	-	2,030,000	1,078,875	760,000	40,931	2,790,000	1,119,806
2016	-	-	2,050,000	977,375	794,000	37,967	2,844,000	1,015,342
2017	-	-	2,115,000	874,875	830,000	34,870	2,945,000	909,745
2018	-	-	2,150,000	769,125	868,000	31,633	3,018,000	800,758
2019	-	-	2,220,000	661,625	907,000	28,248	3,127,000	689,873
2020	-	-	2,240,000	550,625	947,000	24,711	3,187,000	575,336
2021	-	-	2,255,000	438,625	990,000	21,017	3,245,000	459,642
2022	-	-	2,280,000	325,875	1,035,000	17,156	3,315,000	343,031
2023	-	-	1,555,000	211,875	1,081,000	13,120	2,636,000	224,995
2024	-	-	1,450,000	134,125	1,130,000	8,904	2,580,000	143,029
2025	-	-	1,450,000	61,625	1,153,053	4,497	2,603,053	66,122
	\$ 2,965,000	\$ 242,025	\$ 24,670,000	\$ 12,070,050	\$ 13,223,053	\$ 505,530	\$ 46,243,053	\$ 13,351,183

See independent auditor's report.

**CITY OF FRANKLIN, TENNESSEE**  
**SCHEDULE OF INSURANCE COVERAGE**  
June 30, 2009

<u>Subject of Insurance</u>	<u>Type of Coverage</u>	<u>Amount of Coverage</u>
Buildings and contents	Property damage (replacement cost, with \$25,000 deductible per occurrence)	\$ 162,167,491
Crime Policy	Employee dishonesty	150,000
	Forgery or alteration	150,000
	Theft, disappearance or destruction	150,000
	Computer fraud	150,000
Worker's Compensation		Statutory Limits
Employers Liability Coverage	Bodily injury - by accident - each accident	300,000
	Bodily injury - by disease - policy limit	700,000
	Bodily injury - by disease - each employee	300,000
Automobile Liability - Automobile coverage for all owned vehicles	Per tort liability in policy - deductible per occurrence	10,000
	Comprehensive deductible - per occurrence	10,000
	Collision deductible - per occurrence	10,000
	Limit of liability	2,000,000
Law Enforcement Liability	Limit of liability	2,000,000
	Deductible	10,000
Errors & Omissions	Limit of liability	2,000,000
	Deductible	10,000
Mobile Equipment Coverage	Property damage (replacement cost, with \$250 deductible per occurrence)	4,152,285
Computer Coverage	Blanket - all locations (replacement cost, with \$250 deductible per occurrence)	5,464,225

See independent auditor's report.

**CITY OF FRANKLIN, TENNESSEE**  
**SCHEDULE OF PRINCIPAL OFFICIALS' SALARIES AND SURETY BONDS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

<u>Official Title</u>	<u>Monthly Salary</u>	<u>Surety Bond</u>
Mayor	\$ 800 (1)	(3)
City Administrator	\$ 12,500	(3)
Aldermen	\$ 400 (2)	(3)

Notes:

- (1) This amount plus \$20 for each special board meeting attended. No compensation for attending committee meetings.
- (2) This amount plus \$20 for each committee and special board meeting attended.
- (3) Public officials liability policy with aggregate coverage of \$1,000,000.

**CITY OF FRANKLIN, TENNESSEE**  
**SCHEDULE OF UTILITY RATES, FEES AND OTHER INFORMATION**  
**FOR THE YEAR ENDED JUNE 30, 2009**

**Utility Services**

<u>Service:</u>	<u>Number of Customers</u>	<u>Fees</u>
Water	16,756	\$ 6,970,631
Sewer	18,291	8,731,870
Reclaimed	37	252,892

**Utility Rates**

**Water Residential Rates:**

<u>Gallons</u>	<u>Inside City Limits</u>	<u>Outside City Limits</u>
First 1,000 Gallons	\$ 5.22	\$ 8.22
Next 9,000 Gallons	3.54	5.52
Next 15,000 Gallons	4.43	6.07
All Additional Usage	5.31	6.62

**Water Commercial Rates:**

<u>Gallons</u>	<u>Inside City Limits</u>	<u>Outside City Limits</u>
First 1,000 Gallons	\$ 8.01	\$ 9.81
Next 9,000 Gallons	3.60	5.60
Next 15,000 Gallons	3.60	5.60
All Additional Usage	3.60	5.60

**Sewer Residential Rates:**

<u>Gallons</u>	<u>Inside City Limits</u>	<u>Outside City Limits</u>
First 1,000 Gallons	\$ 7.05	\$ 8.21
Next 14,000 Gallons	3.36	5.47
Over 15,000 Gallons	2.52	4.22

**Sewer Commercial Rates:**

<u>Gallons</u>	<u>Inside City Limits</u>	<u>Outside City Limits</u>
First 1,000 Gallons	\$ 10.00	\$ 12.00
Next 14,000 Gallons	4.17	6.76
Over 15,000 Gallons	3.13	4.77

Rates above were effective March 1, 2008. A minimum bill of 1,000 gallons per customer is levied.

**Other Utility Fees**

**Tap Fees:**

<u>Meter Size</u>	<u>Water Tap Fee</u>	<u>Sewer Tap Fee</u>
3/4"	\$ 903	\$ 1,444
1"	3,612	5,775
1-1/2"	8,619	13,860
2"	11,558	18,480
3"	25,284	40,425
4"	36,120	57,750
6"	86,688	138,600
8"	108,360	173,250

See independent auditor's report.

CITY OF FRANKLIN, TENNESSEE  
 SCHEDULE OF UTILITY RATES, FEES AND OTHER INFORMATION (Cont.)  
 FOR THE YEAR ENDED JUNE 30, 2009

**Other Utility Fees (continued)**

**Installation Charges:**

Water Meter Size	Tap Already Made	Tap Not Made
3/4"	\$ 315	\$ 756
1"	374	897
1-1/2"	656	1,444
2"	1,362	2,223
3"	1,581	3,654
4"	2,668	5,492
6"	4,723	7,387
8"	10,293	14,110

Sewer Meter Size	Tap Already Made	Tap Not Made
3/4"	\$ 263	\$ 1,240
1"	263	1,240
1-1/2"	263	1,240
2"	263	1,240
3"	263	1,240
4"	263	1,240
6"	263	1,240
8"	263	1,240

**Access Fees:**

Meter Size	Water Access Fee	Sewer Access Fee
3/4"	\$ 1,186	\$ 2,100
1"	4,746	8,400
1-1/2"	11,390	20,160
2"	15,187	26,880
3"	33,222	58,800
4"	47,460	84,000
6"	113,904	201,600
8"	142,380	252,000

**Irrigation:**

Meter Size	Irrigation Meter	Reclaimed Disposal Fee
3/4"	\$ 3,150	\$ 450
1"	4,725	1,800
1-1/2"	6,300	4,320
2"	7,875	5,760
3"	9,450	12,600
4"	11,025	18,000
6"	12,600	43,200
8"	14,175	54,000

**CITY OF FRANKLIN, TENNESSEE**  
**SCHEDULE OF UNACCOUNTED FOR WATER - UNAUDITED**  
 JUNE 30, 2009

*(All amounts in gallons)*

<b>A</b>	<b>Water Treated and Purchased:</b>		
<b>B</b>	Water pumped (potable)	489,423,000	
<b>C</b>	Water purchased	<u>1,728,356,810</u>	
<b>D</b>	<b>Total Water Treated and Purchased</b> (Sum Lines B and C)		2,217,779,810
<b>E</b>	<b>Accounted for Water:</b>		
<b>F</b>	Water Sold	1,644,083,802	
<b>G</b>	Metered for Consumption (in house usage)	0	
<b>H</b>	Fire Department(s) Usage	2,000,000	
<b>I</b>	Flushing	11,736,905	
<b>J</b>	Tank Cleaning/Filling	100,000	
<b>K</b>	Street Cleaning	600,000	
<b>L</b>	Bulk Sales	0	
<b>M</b>	Water Bill Adjustments / plus or (minus)	<u>1,911,700</u>	
<b>N</b>	<b>Total Accounted for Water</b> (Sum Lines F thru M)		<u>1,660,432,407</u>
<b>O</b>	<b>Unaccounted for Water</b> (Lines D minus Line N)		<u>557,347,403</u>
<b>P</b>	<b>Percent Unaccounted for Water</b> (Line O divided by Line D times 100)		25.13%
<b>Q</b>	Other (explain)	See Below	

Explain Other:	Water Leaks	26,819,640
	Sewer Vac Trucks	407,000

All amounts included in this schedule are supported by documentation on file at the water system. If no support is on file for a line item or if line item is not applicable, a "0" is shown.

See independent auditor's report.

**CITY OF FRANKLIN, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Source/Grant Name	CFDA Number	Grant Number	Balance		Adjustment	Cash Receipts	Expenditures	Balance	
			6/30/2008 (Receivable) Unearned	\$				6/30/2009 (Receivable) Unearned	\$
U.S. DEPARTMENT OF JUSTICE Bulletproof Vest Program	16.707	N/A	-	-	-	-	(4,985)	(4,985)	
U.S. DEPARTMENT OF TRANSPORTATION									
Ride Share Program**	20.205	STP-M-9305	(214,880)	-	214,880	-	-	-	
CMAQ Grant**	20.205	STP-M-9305	(13,385)	4,685	8,700	-	-	-	
Federal Transit - Formula Grants	20.507*	FTA 5307	(319,428)	-	847,421	(527,993)	-	-	
Passed through the TN Department of Transportation									
Job Access Reverse Commute	20.516	Z-09-215690-00	-	-	43,921	(47,251)	(3,330)		
Job Access Reverse Commute	20.516	GG-08-23732-00	(22,500)	-	22,500	-	-		
New Freedom Funds	20.521	Z-09-214607-00	-	-	28,342	(32,959)	(4,617)		
ITS Initiative	20.205		(44,000)	-	46,800	(2,800)	-		
ATIS Phase II	20.205		(78,250)	-	78,250	-	-		
TOC Phase III, Infrastructure Upgrades	20.205		-	-	4,800	(111,208)	(106,408)		
Fighting Impaired Drivers	20.607	Z-09-214607.00	-	-	20,745	(26,398)	(5,653)		
Total U.S. Department of Transportation			(692,443)	4,685	1,316,359	(748,609)	(120,008)		
U.S. DEPARTMENT OF THE INTERIOR									
Passed through the TN Dep of Env and Conservation	15.904	GG-07-12857-00	-	-	-	(20,000)	(20,000)		
Preservation Education and Resource Guide									
U.S. DEPARTMENT OF HOUSING AND URBAN DEV									
Community Development Block Grant	14.218		(44,874)	-	119,648	(210,319)	(135,545)		
Passed through the TN Housing Development Agency	14.231		-	-	24,190	(32,096)	(7,906)		
Emergency Shelter Grant			(44,874)	-	143,838	(242,415)	(143,451)		
Total U.S. Department of Housing and Urban Dev									
NATIONAL ENDOWMENT FOR THE ARTS	15.904	GG-09-26204-00	-	-	14,400	(14,400)	-		
Passed through the TN Historical Commission									
Preservation Grant									
NATIONAL ENDOWMENT FOR THE ARTS	97.078		(1,940)	-	1,940	-	-		
Promotion of the Arts Grant, The Big Read									
U.S. DEPARTMENT OF ENVIRONMENTAL PROTECTION	66.606	XP96408105	(142,889)	-	142,889	-	-		
Drainage grant									
Total Federal Assistance			(882,146)	4,685	1,619,426	(1,030,409)	(288,444)		

\* Major program  
\*\* Passed through to The Transportation Management Association Group

Note: All Federal financial assistance programs utilize the accrual basis of accounting.

See independent auditor's report.

**CITY OF FRANKLIN, TENNESSEE**  
**SCHEDULE OF STATE FINANCIAL ASSISTANCE**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Source/Grant Name	State Grant Number	Balance		Adjustments	Cash Receipts	Expenditures	Balance	
		6/30/2008 (Receivable) Unearned	6/30/2009 (Receivable) Unearned				6/30/2008 (Receivable) Unearned	6/30/2009 (Receivable) Unearned
<b>TENNESSEE DEPARTMENT OF TRANSPORTATION</b>								
Mass Transit Grant	GG-09-27112-00	\$ -	\$ -	\$ -	30,021	\$ (37,550)	\$ (7,529)	
Mass Transit Grant	GG-09-27591-00	-	(1,640)	-	-	(7,582)	(9,222)	
Mass Transit Grant	GG-09-27124-00	(87,431)	1,640	-	103,188	(17,397)	-	
Multimodal Transportation Resources	Z-09-213794-00	-	-	-	208,276	(208,276)	-	
Transit Maintenance Grant		(32,573)	-	-	32,573	-	-	
Industrial Road Access Program		(6,697,724)	(703,825)	-	7,532,534	(130,985)	-	
New Freedom Funds	Z-09-214607-00	-	-	-	14,171	(16,480)	(2,309)	
Job Access Reverse Commute	Z-09-215690-00	-	-	-	21,961	(23,626)	(1,665)	
Total Tennessee Department of Transportation		<u>(6,817,728)</u>	<u>(703,825)</u>	<u>(703,825)</u>	<u>7,942,724</u>	<u>(441,896)</u>	<u>(20,725)</u>	
<b>TENNESSEE DEPARTMENT OF ECONOMIC &amp; COMMUNITY DEVELOPMENT</b>								
FastTrack Infrastructure Development Program	GG-08-23897-00	(1,544,688)	(1,008,451)	-	1,158,775	(21,489)	(1,415,853)	
FastTrack Infrastructure Development Program	GG-08-23898-00	(425,733)	-	-	425,733	-	-	
Total Tennessee Department of Economic and Community Development		<u>(1,970,421)</u>	<u>(1,008,451)</u>	<u>(1,008,451)</u>	<u>1,584,508</u>	<u>(21,489)</u>	<u>(1,415,853)</u>	
<b>TENNESSEE DEPARTMENT OF AGRICULTURE</b>								
Tree Preservation Grant	Z-08-201171-00	-	-	-	3,721	(3,721)	-	
Tree Preservation Grant	Z-08-201142-00	-	-	-	9,298	(9,298)	-	
Total Tennessee Department of Agriculture		<u>-</u>	<u>-</u>	<u>-</u>	<u>13,019</u>	<u>(13,019)</u>	<u>-</u>	
<b>TENNESSEE HISTORICAL COMMISSION</b>								
Certified Local Government Training Grant		-	-	-	4,000	(4,000)	-	
Total State Financial Assistance		<u>\$ (8,788,149)</u>	<u>\$ (1,712,276)</u>	<u>\$ (1,712,276)</u>	<u>\$ 9,544,251</u>	<u>\$ (480,404)</u>	<u>\$ (1,436,578)</u>	

\*\* Passed through to The Transportation Management Association Group

**STATISTICAL SECTION**

**CITY OF FRANKLIN, TENNESSEE  
STATISTICAL SECTION DIVIDER PAGE**

This part of the City of Franklin, Tennessee's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, the note disclosures, and the required supplementary information says about the City's overall financial health.

**Contents:**

**Financial Trends**

These schedules contain trend information to help readers understand how the City's financial performance and well-being have changed over time. 83

**Revenue Capacity**

These schedules contain information to help readers assess the City's revenue sources, including its most significant local tax sources, local sales tax and its property tax. 89

**Debt Capacity**

These schedules present information to help readers assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future. 93

**Demographic and Economic Information**

These schedules offer demographic and economic indicators to help readers understand the environment within which the City's financial activities take place. 98

**Operating Information**

These schedules contain service and infrastructure data to help readers understand how the information in the City's financial report relates to the services the City provides and the activities it performs. 100

Except where noted, the information in these schedules is derived from the City of Franklin, Tennessee's, comprehensive annual financial reports for the relevant years. The City implemented GASB Statement 34 in 2003: Schedules presenting government-wide information include information beginning that year.

**CITY OF FRANKLIN, TENNESSEE**

**Financial Trends Information -  
Net Assets By Component - Last Ten Fiscal Years\***

(Prepared using the accrual basis of accounting)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<b>Governmental activities:</b>							
Investments in capital assets, net of related debt	\$ 227,460,958	\$ 254,632,992	\$ 274,575,227	\$ 314,309,351	\$ 354,087,255	\$ 387,399,795	\$ 398,721,876
Restricted for:							
Street maintenance and improvements	2,127,190	2,533,649	983,107	900,412	1,069,415	1,048,827	31,817
Other projects	3,619,122	1,690,759	233,836	295,536	381,491	257,521	335,343
Capital projects	4,313,516	4,881,853	9,041,671	-	-	-	-
Unrestricted	33,778,923	27,146,454	28,382,567	34,680,258	53,444,430	34,055,155	23,793,595
<b>Total net assets</b>	<u>\$ 271,299,709</u>	<u>\$ 290,885,707</u>	<u>\$ 313,216,408</u>	<u>\$ 350,185,557</u>	<u>\$ 408,982,591</u>	<u>\$ 422,761,298</u>	<u>\$ 422,882,631</u>
<b>Business-type activities:</b>							
Investments in capital assets, net of related debt	\$ 73,729,319	\$ 88,725,684	\$ 85,142,612	\$ 83,019,594	\$ 92,918,459	\$ 105,088,556	\$ 107,235,256
Unrestricted	14,742,384	2,844,501	11,962,212	13,957,292	15,774,391	9,997,061	13,428,223
<b>Total net assets</b>	<u>\$ 88,471,703</u>	<u>\$ 91,570,185</u>	<u>\$ 97,104,824</u>	<u>\$ 96,976,886</u>	<u>\$ 108,692,850</u>	<u>\$ 115,085,617</u>	<u>\$ 120,663,479</u>
<b>Primary government:</b>							
Investments in capital assets, net of related debt	\$ 301,190,277	\$ 343,358,676	\$ 359,717,839	\$ 397,328,945	\$ 453,483,827	\$ 492,488,351	\$ 505,957,132
Restricted for:							
Street maintenance and improvements	2,127,190	2,533,649	983,107	900,412	1,069,415	1,048,827	31,817
Other projects	3,619,122	1,690,759	233,836	295,536	381,491	257,521	335,343
Capital projects	4,313,516	4,881,853	9,041,671	-	-	-	-
Unrestricted	48,521,307	29,990,955	40,344,779	48,637,550	62,740,708	44,052,216	37,221,818
<b>Total net assets</b>	<u>\$ 359,771,412</u>	<u>\$ 382,455,892</u>	<u>\$ 410,321,232</u>	<u>\$ 447,162,443</u>	<u>\$ 517,675,441</u>	<u>\$ 537,846,915</u>	<u>\$ 543,546,110</u>

\* As additional information becomes available it will be added to the above schedule until such time as ten years are presented.

**CITY OF FRANKLIN, TENNESSEE**  
**Financial Trends Information -**  
**Changes in Net Assets - Last Ten Fiscal Years\***

(Prepared using the accrual basis of accounting)

<b>Governmental activities:</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
<b>Revenues:</b>							
Program revenues:							
Charges for services-Codes	\$ 791,927	\$ 1,234,952	\$ 1,580,815	\$ 1,887,000	\$ 2,700,796	\$ 3,193,332	\$ 1,026,457
Charges for services-Sanitation	992,792	925,187	1,433,575	2,472,557	2,666,408	3,201,109	4,554,150
Charges for services-Storm water	712,720	761,867	1,728,455	1,868,164	1,913,537	1,959,658	2,009,142
Charges for services-Police	921,088	811,377	813,651	1,108,503	998,848	983,845	1,267,107
Charges for services-Streets	1,339,527	1,283,574	-	-	-	-	-
Other charges for services	305,256	353,495	380,282	453,708	395,219	674,752	555,202
Operating grants & contributions	336,746	626,335	2,572,276	2,095,578	1,768,421	3,334,814	2,836,769
Capital grants & contributions	6,887,969	20,848,604	24,204,441	32,471,262	42,284,692	29,769,464	12,760,014
General revenues:							
Property taxes	9,028,390	8,649,772	9,059,834	9,880,639	9,832,508	10,409,885	10,936,742
Sales taxes	16,318,730	18,296,971	19,785,941	22,005,703	23,885,264	23,185,434	21,152,554
Other taxes and fees	9,498,782	11,371,386	12,928,838	19,154,473	25,589,305	20,510,224	17,214,042
Other	793,220	987,175	1,684,572	2,203,517	1,663,403	2,568,298	1,327,007
Transfers	-	-	-	-	-	(225,000)	(45,000)
<b>Total revenues</b>	<b>47,927,147</b>	<b>66,150,695</b>	<b>76,172,680</b>	<b>95,601,104</b>	<b>113,698,401</b>	<b>99,565,815</b>	<b>75,594,186</b>
<b>Expenses:</b>							
General government:							
General government	2,939,314	7,057,964	8,716,441	12,312,610	4,976,177	4,561,315	1,729,144
Administration	1,257,132	1,400,291	944,626	1,195,689	1,250,834	1,146,961	882,070
City recorder	-	-	359,575	305,395	984,697	1,154,396	1,177,821
Public safety:							
Police	8,373,121	8,993,401	9,184,543	9,891,449	12,704,967	11,800,152	13,737,798
Fire	7,320,439	7,705,307	8,807,357	9,693,129	10,065,274	12,168,985	13,072,914
Highways and streets	8,927,633	9,364,145	12,218,546	8,846,698	12,825,296	12,950,825	15,346,785
Engineering	602,394	652,481	572,720	731,762	1,033,507	1,088,120	1,239,061
Storm water	435,724	550,338	574,611	682,426	1,160,588	693,434	744,156
Sanitation	3,442,603	3,975,139	5,285,255	6,068,689	5,909,657	6,832,313	6,906,679
Transit	-	-	-	-	1,112,289	1,203,579	1,210,274
Parks	814,733	981,303	1,132,484	1,370,912	744,627	1,616,753	3,068,887
Maintenance	707,600	-	302,014	278,848	381,635	583,917	595,609
Elected officials	-	-	-	-	-	176,746	161,495
Planning	894,430	815,881	908,806	1,009,100	1,079,229	1,373,042	1,436,862
Codes	243,031	1,036,270	1,188,400	1,340,976	1,735,274	1,855,258	1,941,663
Courts	523,293	162,170	182,322	197,477	241,389	245,205	242,314
Human resources	645,226	474,376	467,804	655,974	653,686	644,672	845,231
Channel 10	-	-	97,582	87,641	119,458	127,036	151,468
Finance	565,574	649,904	798,925	787,936	986,677	950,729	1,032,382
Legal	-	-	-	-	134,768	358,431	217,008
Purchasing	-	-	-	-	172,489	188,179	123,527
Municipal information and tech	733,372	884,066	995,098	1,569,736	2,808,228	2,974,551	3,509,093
Interest expense on long-term debt	-	732,798	967,929	1,605,208	2,116,737	2,368,353	2,505,069
<b>Total expenses</b>	<b>38,425,619</b>	<b>45,435,834</b>	<b>53,705,038</b>	<b>58,631,655</b>	<b>63,197,483</b>	<b>67,062,952</b>	<b>71,877,310</b>
<b>Change in net assets</b>	<b>\$ 9,501,528</b>	<b>\$ 20,714,861</b>	<b>\$ 22,467,642</b>	<b>\$ 36,969,449</b>	<b>\$ 50,500,918</b>	<b>\$ 32,502,863</b>	<b>\$ 3,716,876</b>
<b>Business-Type activities:</b>							
<b>Revenues:</b>							
Program revenues:							
Charges for services	\$ 11,823,949	\$ 11,801,510	\$ 12,506,189	\$ 13,183,105	\$ 13,651,464	\$ 14,148,119	\$ 16,635,455
Capital grants & contributions	2,124,976	4,705,522	6,530,477	3,371,583	6,477,369	9,909,838	8,613,893
General revenues:							
Other sources	248,211	(416,561)	410,630	868,311	820,123	535,059	38,719
Transfers	-	-	-	-	-	225,000	45,000
<b>Total revenues</b>	<b>14,197,136</b>	<b>16,090,471</b>	<b>19,447,296</b>	<b>17,422,999</b>	<b>20,948,956</b>	<b>24,818,016</b>	<b>25,333,067</b>
<b>Expenses:</b>							
Water & sewer	12,484,641	12,991,989	13,912,657	17,173,845	17,378,465	18,425,249	19,755,205
<b>Change in net assets</b>	<b>\$ 1,712,495</b>	<b>\$ 3,098,482</b>	<b>\$ 5,534,639</b>	<b>\$ 249,154</b>	<b>\$ 3,570,491</b>	<b>\$ 6,392,767</b>	<b>\$ 5,577,862</b>

\* As additional information becomes available it will be added to the above schedule until such time as ten years are presented.

**CITY OF FRANKLIN, TENNESSEE**

**Financial Trends Information -  
Governmental Activities Tax Revenues by Source - Last Ten Fiscal Years \***

(Prepared using the accrual basis of accounting)

<b>FISCAL YEAR</b>	<b>PROPERTY TAX</b>	<b>SALES TAX**</b>	<b>OTHER LOCALLY ASSESSED TAXES</b>	<b>OTHER STATE SHARED TAXES</b>	<b>ACCESS FEES AND TAXES</b>	<b>FRANCHISE TAXES</b>	<b>TOTAL</b>
2003	\$ 9,028,390	\$ 16,318,730	\$ 3,935,582	\$ 2,928,772	\$ 1,980,805	\$ 653,623	\$ 34,845,902
2004	9,179,871	18,296,971	4,174,461	2,964,207	2,869,683	832,936	38,318,129
2005	9,059,834	19,785,941	4,688,680	3,516,481	3,738,116	985,561	41,774,613
2006	9,880,639	22,005,703	5,967,635	4,009,498	7,880,884	1,296,456	51,040,815
2007	9,832,508	23,885,264	6,214,878	6,933,602	11,029,975	1,410,850	59,307,077
2008	10,409,885	23,185,434	6,615,163	7,867,514	4,665,218	1,362,329	54,105,543
2009	10,936,742	21,152,554	6,608,394	7,133,382	1,542,830	1,929,436	49,303,338

\* As additional information becomes available it will be added to the above schedule until such time as ten years are presented.

\*\* Local sales tax is the City's most significant revenue source. The local sales tax rate is 2.25%. The City receives half of the tax amount if the sale occurs inside the City. Local sales tax applies only to the first \$1,600 of a single article purchase of tangible personal property.

CITY OF FRANKLIN, TENNESSEE

Financial Trends Information -  
Fund Balances, Governmental Funds - Last Ten Fiscal Years

(Prepared using the modified accrual basis of accounting)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
<b>General Fund</b>										
Reserved	\$ 73,310	\$ 93,068	\$ 191,674	\$ 307,213	\$ 215,797	\$ 345,620	\$ 308,850	\$ 294,580	\$ 236,942	\$ 513,119
Unreserved	22,963,003	26,662,814	27,799,872	33,443,498	26,834,707	24,598,448	27,114,706	30,089,431	30,526,839	28,249,674
Total General Fund	\$23,036,313	\$26,755,882	\$27,991,546	\$33,750,711	\$27,050,504	\$24,944,068	\$27,423,556	\$30,384,011	\$30,763,781	\$28,762,793
<b>All Other Governmental Funds</b>										
Unreserved, reported in:										
Special Revenue Funds	6,619,513	8,939,589	7,807,918	6,440,706	7,415,502	8,098,682	13,712,834	13,407,693	12,594,741	4,678,081
Capital Project Fund	1,298,928	3,955,407	835,974	3,619,122	1,690,759	9,041,671	(1,216,204)	9,120,160	(13,849,061)	(11,992,169)
Permanent Fund	20,319	20,487	20,517	20,581	-	-	-	-	-	-
Total All Other Governmental Funds	\$ 7,938,760	\$12,915,483	\$ 8,664,409	\$10,080,409	\$ 9,106,261	\$17,140,353	\$12,496,630	\$22,527,853	\$ (1,254,320)	\$ (7,314,088)
Total Governmental Funds	\$30,975,073	\$39,671,365	\$36,655,955	\$43,831,120	\$36,156,765	\$42,084,421	\$39,920,186	\$52,911,864	\$29,509,461	\$21,448,705

**CITY OF FRANKLIN, TENNESSEE**  
**Financial Trends Information -**  
**Changes in Fund Balances, Governmental Funds - Last Ten Fiscal Years**

(Prepared using the modified accrual basis of accounting)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
<b>Revenues</b>										
Taxes	\$ 24,490,539	\$ 26,478,027	\$ 27,999,376	\$ 30,305,997	\$ 32,989,084	\$ 35,475,678	\$ 40,358,863	\$ 43,954,432	\$ 43,623,109	\$ 40,086,682
Licenses and permits	2,565,049	3,031,534	2,367,557	2,382,078	3,743,087	4,619,746	6,908,558	6,532,260	6,502,784	3,765,669
Fines and fees	580,917	754,332	908,886	907,080	796,601	753,717	1,022,408	985,180	951,314	1,213,327
Charges for services	2,949,839	3,117,258	3,326,682	1,719,520	1,701,830	3,066,290	4,327,217	4,664,553	5,276,826	6,676,550
Intergovernmental	4,520,025	5,435,866	6,670,464	5,410,386	5,154,507	6,268,757	7,039,176	10,246,007	17,980,903	15,100,893
Uses of money and property	1,393,390	1,769,808	965,987	823,467	649,789	1,282,596	4,022,396	2,045,124	2,827,770	1,593,380
Miscellaneous	130,955	102,616	113,468	110,648	511,386	1,750,000	352,038	512,774	118,122	387,919
<b>Total revenues</b>	<b>36,630,714</b>	<b>40,689,441</b>	<b>42,352,420</b>	<b>41,659,176</b>	<b>45,546,284</b>	<b>53,216,257</b>	<b>64,030,656</b>	<b>68,940,330</b>	<b>77,280,828</b>	<b>68,824,420</b>
<b>Expenditures</b>										
General government	7,490,603	7,533,844	6,012,328	2,687,220	6,292,394	4,850,503	5,087,787	(215,294)	1,059,147	713,022
Administration	723,362	822,988	961,943	1,204,420	1,336,029	970,733	1,165,433	1,209,609	1,151,644	861,498
City recorder	-	-	-	-	-	338,697	302,844	969,927	1,112,775	1,167,045
Public safety:										
Police	4,493,884	5,060,189	6,500,586	7,910,616	8,382,149	8,804,570	9,435,821	11,979,814	12,818,426	12,961,061
Fire	4,045,442	4,654,125	5,779,931	7,249,441	7,546,098	8,418,860	8,897,622	11,109,551	12,864,924	12,144,050
Highways and streets	2,414,216	2,180,934	2,740,989	3,607,302	3,230,016	6,173,264	2,441,732	3,175,789	4,861,308	6,863,021
Engineering	454,186	710,164	885,480	549,049	554,525	567,196	688,975	852,251	1,050,935	1,277,226
Storm water	-	-	-	-	529,347	594,935	633,195	1,012,728	573,359	644,762
Sanitation	2,682,120	2,839,967	3,042,271	3,667,979	4,714,880	5,548,426	6,438,933	6,438,933	6,129,249	6,129,249
Transit	336,148	404,306	508,346	635,659	883,254	1,030,481	1,240,277	973,234	1,014,582	1,026,204
Parks	-	-	-	-	-	296,571	276,082	1,947,657	1,947,593	2,155,891
Maintenance	341,032	387,508	467,477	664,632	796,193	877,707	987,339	373,350	522,552	581,352
Elected officials	-	-	-	-	-	-	-	-	176,746	161,435
Planning	515,268	577,270	706,474	865,683	986,856	1,165,193	1,296,516	1,093,682	1,320,076	1,388,681
Codes	93,494	106,415	131,623	167,095	177,932	177,932	194,797	1,709,602	1,827,452	1,952,948
Courts	267,688	305,182	402,840	490,641	454,124	481,601	645,668	239,496	239,482	243,246
Human resources	429,111	477,450	553,807	635,514	724,989	86,550	84,048	640,239	645,386	802,800
Channel 10	-	-	-	-	-	746,855	737,586	105,768	116,387	110,511
Finance	-	-	-	-	-	-	-	845,587	905,888	959,004
Legal	-	-	-	-	-	-	-	123,775	355,360	218,523
Purchasing	-	-	-	-	-	-	-	164,113	184,052	119,616
Municipal information and technology	-	-	-	-	-	-	-	1,326,674	1,585,448	1,817,211
Debt service	-	-	-	482,897	565,054	646,097	803,731	-	-	-
Principal	1,140,000	1,510,000	1,220,000	1,355,000	1,716,946	1,946,000	2,725,000	3,318,000	3,463,000	3,628,000
Interest	530,813	698,723	836,401	588,289	539,767	887,477	1,520,878	1,877,869	2,161,712	2,309,437
Other charges	1,679	1,541	265	541	147,236	122,055	74,417	243,294	156,521	158,249
Capital outlay - noncapital	-	-	-	552,022	441,368	3,562,508	6,859,583	3,011,051	552,973	718,047
Capital outlay - capital	10,480,596	9,484,552	14,568,878	8,450,490	15,855,200	24,183,869	18,862,605	22,554,777	41,685,682	41,358,605
<b>Total expenditures</b>	<b>36,439,642</b>	<b>37,735,158</b>	<b>45,319,639</b>	<b>41,842,186</b>	<b>54,667,183</b>	<b>71,614,534</b>	<b>70,510,362</b>	<b>76,358,294</b>	<b>100,792,343</b>	<b>102,470,674</b>
Excess (deficiency) of revenues over (under) expenditures	191,072	2,934,283	(2,967,219)	(183,010)	(9,120,899)	(18,398,277)	(6,479,706)	(7,417,964)	(23,511,515)	(33,646,254)
<b>Other financing sources (uses):</b>										
Proceeds of long-term debt	-	4,500,000	4,557,476	5,000,000	9,770,000	26,967,194	4,315,468	20,356,658	520,183	25,650,498
Transfer to bond escrow agent	-	-	(4,612,476)	-	(7,836,391)	(2,504,317)	-	-	-	-
Operating transfers in	3,506,969	2,983,316	3,238,996	3,989,881	7,015,766	4,923,254	9,673,897	5,040,755	5,245,176	4,383,016
Operating transfers out	(3,506,969)	(2,983,316)	(3,238,996)	(3,093,959)	(7,015,766)	(4,923,254)	(9,673,897)	(5,040,755)	(5,470,176)	(4,428,016)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>4,500,000</b>	<b>(55,000)</b>	<b>5,895,922</b>	<b>1,933,609</b>	<b>24,462,877</b>	<b>4,315,468</b>	<b>20,356,658</b>	<b>295,183</b>	<b>25,585,498</b>
<b>Net changes in fund balances</b>	<b>\$ 191,072</b>	<b>\$ 7,434,283</b>	<b>\$ (3,022,219)</b>	<b>\$ 5,712,912</b>	<b>\$ (7,187,290)</b>	<b>\$ 6,064,600</b>	<b>\$ (2,164,238)</b>	<b>\$ 12,938,694</b>	<b>\$ (23,216,332)</b>	<b>\$ (8,060,756)</b>
Debt service as a % of noncapital expenditures	6.44%	7.82%	6.69%	5.82%	6.19%	6.23%	8.36%	10.11%	9.78%	9.97%

CITY OF FRANKLIN, TENNESSEE

Financial Trends Information -  
General Governmental Tax Revenues by Source - Last Ten Fiscal Years

(Prepared using the modified accrual basis of accounting)

FISCAL YEAR	PROPERTY TAX	SALES TAX*	BUSINESS TAX	ALCOHOLIC BEVERAGE TAXES **		FACILITIES TAX	HOTEL/MOTEL TAX	OTHER ***	TOTAL
2000	\$ 6,575,952	\$ 12,595,463	\$ 1,275,015	\$ 1,371,277	\$ 1,947,467	\$ 380,470	\$ 344,895	\$ 24,490,539	
2001	7,104,574	13,962,912	1,341,386	1,528,846	1,706,713	437,678	395,918	26,478,027	
2002	7,584,062	15,037,556	1,525,414	1,729,646	1,164,425	478,683	479,590	27,999,376	
2003	7,861,996	16,318,730	2,011,630	1,923,952	1,169,533	504,278	515,878	30,305,997	
2004	8,099,274	18,296,971	2,142,900	2,031,561	1,367,979	530,099	520,300	32,989,084	
2005	8,571,710	19,785,941	1,697,570	2,108,144	1,857,164	878,988	576,161	35,475,678	
2006	9,395,723	22,005,703	2,363,300	2,310,739	2,415,678	1,293,596	574,125	40,358,863	
2007	9,726,100	23,885,264	2,777,563	2,465,375	3,616,202	1,424,754	59,174	43,954,432	
2008	10,337,833	23,185,434	2,927,635	2,593,632	2,956,284	1,571,657	50,634	43,623,109	
2009	10,598,592	21,152,554	2,939,829	2,574,048	1,115,914	1,518,988	186,757	40,086,682	

\* Local sales tax is the City's most significant revenue source. The local sales tax rate is 2.25%. The City receives half of the tax amount if the sale occurs inside the City. Local sales tax applies only to the first \$1,600 of a single article purchase of tangible personal property.

\*\* Includes beer tax, beer privilege tax, wholesale liquor tax, liquor privilege tax, and mixed drink tax

\*\*\* Includes penalty and interest on property taxes, in lieu of taxes, and special assessments

## CITY OF FRANKLIN, TENNESSEE

**Revenue Capacity Information -  
Assessed Value and Estimated Actual Value of Taxable Property, Last Ten Years**

<u>TAX YEAR</u>	<u>TOTAL TAXABLE ASSESSED VALUE*</u>	<u>TOTAL DIRECT TAX RATE**</u>	<u>APPRAISED VALUE* ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY</u>	<u>ASSESSED VALUE AS A PERCENTAGE OF ACTUAL VALUE</u>
1999	\$ 940,825,800	\$ 0.69	\$ 3,040,356,109	30.94%
2000	1,037,036,295	0.55	3,376,602,286	30.71%
2001	1,381,145,006	0.55	4,384,438,372	31.50%
2002	1,433,680,138	0.55	4,580,057,822	31.30%
2003	1,478,940,190	0.55	4,771,408,807	31.00%
2004	1,551,200,437	0.55	5,039,865,136	30.78%
2005	1,696,054,165	0.43	5,583,795,186	30.37%
2006	2,259,868,426	0.43	7,411,814,672	30.49%
2007	2,399,581,643	0.43	7,913,490,764	30.32%
2008	2,516,989,203	0.43	9,637,668,952	26.12%

\* Appraised and assessed information from the 2008 Tax Aggregate Report of Tennessee

\*\* Per \$100 of assessed valuation

Note: Property of the City is reappraised periodically. For this reason appraised value is considered equal to actual value.

CITY OF FRANKLIN, TENNESSEE

Revenue Capacity Information -  
Direct and Overlapping Property Tax Rates \*, Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Direct Rate</u>		<u>Overlapping Rate</u>		<u>Total</u>
		<u>City</u>		<u>County **</u>	
2000	\$	0.69	\$	3.50	\$ 4.19
2001		0.69		3.55	4.24
2002		0.55		3.29	3.84
2003		0.55		3.03	3.58
2004		0.55		3.66	4.21
2005		0.55		3.48	4.03
2006		0.55		3.59	4.14
2007		0.43		3.03	3.46
2008		0.43		3.07	3.50
2009		0.43		3.17	3.60

\* Per \$100 of assessed valuation

\*\* Levied on County property within the City. Rate is applicable to City property located in the special school district; substantially all of the City's assessed property is in the special school district. County rates for City of Franklin property not in the special school district are as follows:

2000	\$	2.82
2001		2.82
2002		2.50
2003		2.50
2004		2.72
2005		2.72
2006		2.72
2007		2.20
2008		2.20
2009		2.20

## CITY OF FRANKLIN, TENNESSEE

**Revenue Capacity Information -  
Principal Property Taxpayers, Current Year and Nine Years Ago**

<u>Taxpayer</u>	<u>2000</u>		<u>2009</u>	
	<u>ASSESSED VALUATION</u>	<u>PERCENT OF TOTAL VALUATION *</u>	<u>ASSESSED VALUATION</u>	<u>PERCENT OF TOTAL VALUATION **</u>
<u>Ad Valorem Tax</u>				
Atmos Energy Corp	\$ 8,802,478	0.94%	\$ 17,932,474	0.71%
Middle TN Electric Membership Corp	4,186,049	0.44%	10,632,632	0.42%
Bell South Telecommunications	\$ 8,580,591	0.91%		
<u>Real and Personal Property Tax</u>				
Galleria Associates	28,780,080	3.06%	47,035,400	1.87%
Carothers Office			26,064,120	1.04%
Wyndchase at Aspen Grove	12,600,000	1.34%	20,000,000	0.79%
Landings F C LP	13,745,920	1.46%	19,022,465	0.76%
Williams W. Fred Trust			18,519,400	0.74%
Williamson Farms Corp			16,843,295	0.67%
Alara Franklin Corp			13,862,320	0.55%
Franklin Cool Springs Corp			13,689,435	0.54%
Crescent Resources	10,041,160	1.07%	13,607,440	0.54%
Lightman Cool Springs			12,992,320	0.52%
JPI/Gillespie Apt LP	11,913,120	1.27%		
Jefferson at Cool Springs LP	9,116,960	0.97%		
Ambassador VIII LP	8,840,200	0.94%		
Crown Brook Ltd	8,190,000	0.87%		
NWI Warehouse Group	7,493,840	0.80%		
Totals	<u>\$ 132,290,398</u>	<u>14.06%</u>	<u>\$ 230,201,301</u>	<u>9.15%</u>

\* Total assessed valuation in 2000 (tax year 1999) was \$940,825,800.

\*\* Total assessed valuation in 2009 (tax year 2008) is \$2,516,989,203.

CITY OF FRANKLIN, TENNESSEE

Revenue Capacity Information -  
Property Taxes Levies and Collections, Last Ten Fiscal Years

FISCAL YEAR	TOTAL TAX LEVY	COLLECTED WITHIN TAX YEAR OF LEVY	PERCENT COLLECTED	COLLECTIONS IN SUBSEQUENT YEARS	TOTAL COLLECTIONS	TOTAL COLLECTIONS AS PERCENT OF TOTAL LEVY	OUTSTANDING DELINQUENT TAXES	OUTSTANDING DELINQUENT TAXES AS PERCENT OF CURRENT LEVY
2000	\$ 6,520,819	\$ 6,393,394	98.05%	\$ 121,538	\$ 6,514,932	99.91%	\$ 216,898	3.33%
2001	7,161,095	6,944,372	96.97%	210,594	7,154,966	99.91%	278,161	3.88%
2002	7,596,518	7,398,178	97.39%	184,939	7,583,117	99.82%	283,314	3.73%
2003	7,874,904	7,660,107	97.27%	202,070	7,862,177	99.84%	311,709	3.96%
2004	8,134,453	7,970,209	97.98%	160,520	8,130,729	99.95%	269,270	3.31%
2005	8,619,512	8,468,288	98.25%	148,699	8,616,987	99.97%	261,835	3.04%
2006	9,328,587	9,152,371	98.11%	173,215	9,325,586	99.97%	271,362	2.91%
2007	9,611,622	9,435,282	98.17%	169,335	9,604,617	99.93%	276,072	2.87%
2008	10,212,816	10,042,817	98.34%	112,362	10,155,179	99.44%	262,173	2.57%
2009	10,739,928	10,429,879	97.11%	-	10,429,879	97.11%	422,085	3.93%

**CITY OF FRANKLIN, TENNESSEE**

**Debt Capacity Information -  
Ratios of Outstanding Debt by Type, Last Ten Fiscal Years**

FISCAL YEAR	POPULATION*	PERSONAL INCOME**	GENERAL OBLIGATION BONDS	PAYABLE		TOTAL PRIMARY GOVERNMENT	DEBT PER CAPITA	PERCENT OF PERSONAL INCOME
				FROM WATER & SEWER REVENUE & TAX BONDS				
2000	41,842	40,671	\$ 16,250,000	\$ 15,331,931	\$	31,581,931	\$ 754.79	1.86%
2001	41,842	41,440	19,240,000	15,459,057		34,699,057	829.29	2.00%
2002	41,842	41,580	18,115,000	20,957,005		39,072,005	933.80	2.25%
2003	41,842	42,468	21,760,000	45,856,640		67,616,640	1,616.00	3.78%
2004	46,416	45,583	22,450,000	44,195,000		66,645,000	1,435.82	3.15%
2005	46,416	48,767	45,016,194	41,315,000		86,331,194	1,859.94	3.90%
2006	49,412	51,841	46,586,662	39,350,000		85,936,662	1,739.19	3.65%
2007	49,412	54,755	63,580,258	37,310,000		100,890,258	2,041.82	3.94%
2008	56,219	54,755	60,117,258	35,200,000		95,317,258	1,695.46	3.27%
2009	56,219	54,755	82,749,628	46,243,053		128,992,681	2,294.47	4.19%

\* Prior to 2000; City Estimates; 2000 and forward: Tennessee Certified Populations  
 \*\* U.S. Bureau of Economic Analysis Statistics for Williamson County. 2006 is most current figure available.

CITY OF FRANKLIN, TENNESSEE

Debt Capacity Information -  
Ratios of General Bonded Debt Outstanding, Last Ten Fiscal Years

FISCAL YEAR	POPULATION*	APPRAISED VALUE**	GENERAL OBLIGATION BONDS***	RATIO OF GENERAL OBLIGATION DEBT TO APPRAISED	NET GENERAL OBLIGATION DEBT PER CAPITA
2000	41,842	\$ 3,040,356,109	\$ 16,250,000	0.53%	\$ 388.37
2001	41,842	3,376,602,285	19,240,000	0.57%	459.83
2002	41,842	4,384,438,372	18,115,000	0.41%	432.94
2003	41,842	4,580,057,822	21,760,000	0.48%	520.05
2004	46,416	4,771,408,807	22,450,000	0.47%	483.67
2005	46,416	5,039,865,136	45,016,194	0.89%	969.84
2006	49,412	5,583,795,186	46,586,662	0.83%	942.82
2007	49,412	7,411,814,672	63,580,258	0.86%	1,286.74
2008	56,219	7,913,490,764	60,117,258	0.76%	1,069.34
2009	56,219	9,637,668,952	82,749,628	0.86%	1,471.92

\* 2000 and forward: Tennessee Certified Populations  
 \*\* State of TN Comptroller Division of Property Assessment  
 \*\*\* Excludes compensated absences.

**CITY OF FRANKLIN, TENNESSEE**

**Debt Capacity Information -  
Direct and Overlapping Governmental Activities Debt  
As of June 30, 2009**

<u>Jurisdiction</u>	<u>Net Bonded Debt Outstanding</u>	<u>Percentage Applicable to City</u>	<u>Estimated Share of Overlapping Debt</u>
City of Franklin	\$ 82,749,628	100.00%	\$ 82,749,628
Williamson County	430,307,000	36.15% *	155,540,585
Franklin Special School District	<u>58,102,877</u>	100.00% **	<u>58,102,877</u>
Total	<u>\$ 571,159,505</u>		<u>\$ 296,393,090</u>

\* Based upon Assessed Value of Property in:

County           \$ 6,963,314,917  
City               \$ 2,516,989,203

\*\* All of the Special School District is located within the City of Franklin

CITY OF FRANKLIN, TENNESSEE

Debt Capacity Information -  
Legal Debt Margin, Last Ten Years

Tax Year	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Assessed Value	\$940,825,800	\$1,037,036,295	\$1,381,145,006	\$1,433,680,138	\$1,478,940,190	\$1,551,200,437	\$1,696,054,165	\$2,259,868,426	\$2,399,581,643	\$2,516,989,203
General Obligation Debt	\$ 16,250,000	\$ 19,240,000	\$ 18,115,000	\$ 21,760,000	\$ 22,450,000	\$ 45,016,194	\$ 46,586,662	\$ 63,580,258	\$ 60,117,258	\$ 82,749,628
Debt as % of Assessed Value	1.73%	1.86%	1.31%	1.52%	1.52%	2.90%	2.75%	2.81%	2.51%	3.29%

Note - The City has no legal debt limit.

CITY OF FRANKLIN, TENNESSEE

Debt Capacity Information -  
Pledged-Revenue Coverage, Last Ten Fiscal Years

Fiscal Year	Gross Revenues*	Contributions, Taps, & Access Fees	Direct Operating Expense**	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
					Principal	Interest	Total	
2000	\$ 9,163,715	\$ 2,004,640	\$ 6,995,232	\$ 4,173,123	\$ 1,285,815	\$ 700,986	\$ 1,986,801	2.10
2001	11,384,314	1,727,362	7,304,724	5,806,952	1,500,000	746,095	2,246,095	2.59
2002	11,611,321	1,631,634	8,088,177	5,154,778	1,500,000	746,095	2,246,095	2.29
2003	12,202,987	1,972,391	9,072,951	5,102,427	1,370,000	822,734	2,192,734	2.33
2004	12,010,756	3,367,954	9,470,639	5,908,071	1,585,000	851,025	2,436,025	2.43
2005	12,964,822	5,617,974	9,738,762	8,844,034	2,201,850	1,302,931	3,504,781	2.52
2006	14,051,415	3,371,583	11,146,363	6,276,635	1,965,000	1,900,607	3,865,607	1.62
2007	14,549,921	6,477,369	11,370,863	9,656,427	2,040,000	1,757,609	3,797,609	2.54
2008	14,683,178	9,909,838	12,586,828	12,006,188	2,110,000	1,652,048	3,762,048	3.19
2009	16,637,366	8,613,893	13,584,035	11,667,224	2,180,000	1,605,445	3,785,445	3.08

\* Includes nonoperating revenues  
\*\* Net of depreciation and amortization

CITY OF FRANKLIN, TENNESSEE

Demographic and Economic Information -  
Demographic and Economic Statistics, Last Ten Fiscal Years

Year	Population *	Personal Income **	Per Capita Personal Income ***	Education Level in		Unemployment Rate *****
				Years of Schooling****	School Enrollment	
2000	41,842	1,701,755,982	40,671	13.9	8,082	2.50%
2001	41,842	1,733,932,480	41,440	13.9	8,269	2.90%
2002	41,842	1,739,790,360	41,580	13.9	8,094	3.50%
2003	41,842	1,776,946,056	42,468	13.9	7,816	3.70%
2004	46,416	2,115,780,528	45,583	13.9	8,961	3.70%
2005	46,416	2,272,852,272	48,967	13.9	9,150	2.80%
2006	49,412	2,561,567,492	51,841	13.9	9,667	3.50%
2007	49,412	2,705,554,060	54,755	14.4	10,136	3.80%
2008	56,219	3,078,271,345	54,755	14.4	10,998	4.40%
2009	56,219	3,078,271,345	54,755	14.4	11,696	8.30%

\* Tennessee Certified Populations

\*\* Personal Income is calculation of Population times Per Capita Personal Income

\*\*\* U.S. Bureau of Economic Analysis (BEA) for Williamson County: 2007 is most recent year available

\*\*\*\* Williamson County Office of Economic Development, for Adults Age 25 or Older

\*\*\*\*\* Department of Labor and Workforce Development

CITY OF FRANKLIN, TENNESSEE

Demographic and Economic Information -  
Principal Employers, Current Year and Nine Years Ago

Employer	2000			2009		
	Employees *	Rank	Percentage of Total City Employment	Employees **	Rank	Percentage of Total City Employment
Cool Springs Galleria Mall	3,500	1	8.57%	3,500	1	6.59%
Williamson Medical Center	330	6	0.81%	1,300	2	2.45%
Nissan North America				1,300	3	2.45%
Verizon				1,300	4	2.45%
Healthways				1,000	5	1.88%
AIM Healthcare				815	6	1.53%
Community Health Systems				801	7	1.51%
Progeny Marketing Innovations				550	8	1.04%
Lee Co.				520	9	0.98%
Vanderbilt Medical Group				500	10	0.94%
Civil Constructors				500	10	0.94%
Primus/Ford Motor Credit	1,700	2	4.16%			
CPS Corporation	650	3	1.59%			
Lasko Metal Products, Inc.	430	4	1.05%			
LDM Technologies	400	5	0.98%			
Telco	330	7	0.81%			
Apcom, Inc.	330	8	0.81%			
Georgia Boots	300	9	0.73%			
Precision Tubular	275	10	0.67%			
Total	8,245		20.19%	12,086		22.75%

\* City's 2000 Comprehensive Annual Financial Report

\*\* Williamson County Office of Economic Development

CITY OF FRANKLIN, TENNESSEE

Operating Information -  
Full-Time Equivalent City Government Employees by Function / Program, Last Ten Fiscal Years

Function/Program	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Administration	14	16	17	17	18	10	11	9	9	9
Channel 10	*	*	*	*	*	1	1	1	1	1
Codes	17	15	16	17	18	20	23	25	27	27
Court	3	2	2	3	3	3	3	3	3	3
Engineering	10	7	9	7	7	8	9	12	14	12
Facilities Maintenance	*	*	*	*	*	5	5	5	5	5
Finance	11	11	10	10	11	11	11	11	11	11
Fire	106	113	116	119	131	138	142	156	158	158
HR	4	5	5	5	5	5	6	6	6	8
Law	*	*	*	*	*	*	*	3	3	3
MIT	*	*	*	9	9	9	10	14	17	17
Parks	11	10	9	11	14	15	18	20	25	29
Planning	7	7	8	9	9	9	11	12	13	17
Police	123	122	130	136	141	151	160	169	176	176
Purchasing	*	*	*	*	*	*	*	2	2	2
Recorder	*	*	*	*	*	7	7	11	14	14
Sanitation	36	41	42	42	46	49	51	53	56	59
Stormwater	*	*	*	5	5	9	9	11	11	11
Streets	29	33	35	34	35	37	37	41	41	43
Water & Sewer	62	64	70	75	75	74	83	79	81	80
TOTAL	433	446	469	499	527	561	597	643	673	685

Note 1: The City's 9 elected officials (Mayor and 8 Aldermen) and City Judge are not included in the numbers above.

Note 2: An asterisk (\*) indicates the department had not been created in the year shown.

CITY OF FRANKLIN, TENNESSEE

Operating Information -  
Operating Indicators by Function / Program, Last Ten Fiscal Years

Function/Program	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Police										
Calls for service	47,465	51,050	57,460	52,539	52,640	54,560	62,600	55,400	68,758	74,127
Fire										
Number of alarms	3,048	3,512	3,621	3,897	4,245	4,876	4,952	5,200	5,410	5,540
Sanitation										
Landfill usage	29,200	29,700	30,000	32,223	33,437	52,395	76,319	79,121	81,535	70,525
Recycling (tons)	*	*	*	*	*	*	*	*	*	5,957
Codes										
Single family permits	494	590	682	726	846	903	850	780	668	618
Water										
Average daily usage	6,072,292	6,502,092	5,619,549	6,100,548	5,797,010	4,529,169	6,035,953	6,066,378	5,860,000	5,675,000
Water storage capacity (gallons)	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	11,000,000	11,000,000

Source: City of Franklin departments

\* An asterisk (\*) indicates the department had not previously recorded or performed the Function/Program.

CITY OF FRANKLIN, TENNESSEE

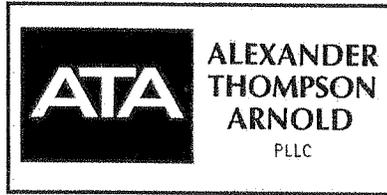
Operating Information -  
Capital Asset Statistics by Function / Program, Last Ten Fiscal Years

Function/Program	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Police										
Police stations	1	1	1	1	1	1	1	1	1	1
Police vehicles (radio equipped)	86	95	95	113	119	127	139	131	133	149
Fire										
Fire stations	5	5	5	5	5	5	5	5	6	6
Fire trucks	12	12	12	12	12	14	15	17	17	19
Fire hydrants	1,750	1,826	1,950	1,953	1,975	1,981	1915 *	1916 *	1954*	2045*
Street										
Streets (miles)	201	207	211	212	235	250	275	290	287 *	283*
Parks										
Number of parks (Two additional parks are under development: Bicentennial Park and Eastern Flank Battlefield Park.)	4	4	6	6	6	6	6	9	10	16
Water										
Water lines (miles)	231	295	298	298	300	301	275 *	285 *	274 *	272 *
Sewer lines (miles)	205	214	218	219	223	227	311 *	328 *	337 *	347 *

Source: City of Franklin departments

\* Methodology changed to obtain this information from City's GIS system. For streets (miles) in 2008 and 2009, alleys, private streets, and unaccepted assets were identified and removed.

**INTERNAL CONTROL AND COMPLIANCE SECTION**



Certified Public Accountants

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Report on Internal Control over  
Financial Reporting and on Compliance  
and Other Matters Based on an Audit of  
Financial Statements Performed in Accordance  
with *Government Auditing Standards*

Board of Mayor and Aldermen  
City of Franklin, Tennessee

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, Tennessee (the City), as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 11, 2009. 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.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 09-01 and 09-02 to be significant deficiencies in internal control over financial reporting.

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

Dyersburg, TN  
Fulton, KY  
Henderson, TN  
Jackson, TN  
Martin, TN

McKenzie, TN  
Milan, TN  
Murray, KY  
Paris, TN  
Trenton, TN  
Union City, TN

Board of Mayor and Aldermen  
City of Franklin, Tennessee

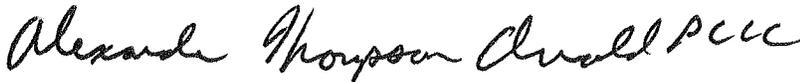
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 09-01 and 09-02 to be material weaknesses.

**Compliance and Other Matters**

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

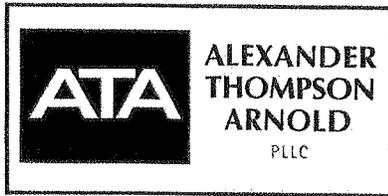
The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's responses and, accordingly, we express no opinion on them.

This report is intended for the information of the Board of Mayor and Aldermen, management, federal awarding agencies and pass-through entities and the Comptroller of the Treasury, State of Tennessee and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Certified Public Accountants  
Jackson, Tennessee  
December 11, 2009





Certified Public Accountants

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

Board of Mayor and Aldermen  
City of Franklin, Tennessee

**Compliance**

We have audited the compliance of the City of Franklin, Tennessee (City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009. The results of our auditing procedures disclosed no instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133.

**Internal Control Over Compliance**

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

Dyersburg, TN  
Fulton, KY  
Henderson, TN  
Jackson, TN  
Martin, TN

McKenzie, TN  
Milan, TN  
Murray, KY  
Paris, TN  
Trenton, TN  
Union City, TN

Board of Mayor and Aldermen  
City of Franklin, Tennessee

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider any of the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

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

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended for the information of the Board of Mayor and Aldermen, management, federal awarding agencies and pass-through entities and the Comptroller of the Treasury, State of Tennessee and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Certified Public Accountants  
Jackson, TN  
December 11, 2009

**CITY OF FRANKLIN TENNESSEE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
JUNE 30, 2009

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

Financial Statements

Type of auditors' report issued:	Unqualified	
Internal control over financial reporting:		
Material weakness identified?	<u>  X  </u> yes	<u>      </u> no
Significant deficiencies identified not considered to be material weaknesses?	<u>      </u> yes	<u>  X  </u> none reported
Noncompliance material to financial statements noted?	<u>      </u> yes	<u>  X  </u> no

Federal Awards

Internal control over major programs:		
Material weakness identified?	<u>      </u> yes	<u>  X  </u> no
Significant deficiencies identified not considered to be material weaknesses?	<u>      </u> yes	<u>  X  </u> none reported

Type of auditors' report issued on compliance: for major programs:	Unqualified	
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Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a)	<u>      </u> yes	<u>  X  </u> no
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Identification of major programs:

<u>CFDA Number</u> 20.507	<u>Name of Federal Program or Cluster</u> Federal Transit - Formula Grant
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Dollar threshold used to distinguish between Type A and Type B programs:	<u>      </u> \$ <u>  300,000  </u>
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Auditee qualified as low-risk auditee?	<u>  X  </u> yes	<u>      </u> no
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**CITY OF FRANKLIN, TENNESSEE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Cont.)**  
 JUNE 30, 2009

**SECTION II - FINDINGS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

**Prior Year Findings – City of Franklin, Tennessee**

All prior year findings have been satisfactorily resolved.

**Current Year Findings – City of Franklin, Tennessee**

**09-01 Failure to Record Accounts Payable (Material Weakness)**

Condition: Accounts payable totaling \$359,906 were not recorded at year end.

Criteria: All payables of the City should be booked at year end, so that expenses are recorded in the proper fiscal year.

Effect: The failure to record the accounts payables resulted in liabilities and expenses of the City being understated at year end.

Recommendation: The City of Franklin should ensure that all payables are recorded at year end. This will ensure that all expenses are recorded in the proper fiscal year.

**09-02 Failure to Record Grant Receivables (Material Weakness)**

Condition: Grants receivable totaling \$153,914 related to various grants were not recorded at year end.

Criteria: All receivables of the City should be booked at year end, so that revenues are recorded in the proper fiscal year.

Effect: The failure to record the grants receivable resulted in assets, deferred revenue, and revenues of the City being understated at year end.

Recommendation: The City of Franklin should ensure that all grant receivables are recorded at year end. This will ensure that all revenues are recorded in the proper fiscal year.

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**Prior Year Findings – City of Franklin, Tennessee**

All prior year findings have been satisfactorily resolved.

**Current Year Findings – City of Franklin, Tennessee**

There were no current year findings related to federal awards.

## CORRECTIVE ACTION PLAN

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The City of Franklin, Tennessee respectfully submits the following corrective action plan for the year ended June 30, 2009.

Name and address of independent public accounting firm:

Alexander Thompson Arnold PLLC  
227 Oil Well Road  
Jackson, TN 38305

Audit period:

June 30, 2009

The findings from the June 30, 2009, schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

**09-01                    Failure to Record Accounts Payable (Material Weakness)**

Recommendation: The City of Franklin should ensure that all payables are recorded at year end. This will ensure that all expenses are recorded in the proper fiscal year.

Action taken: The management of the City of Franklin concurs. Additional training and information will be provided before next fiscal year end to ensure personnel involved with vendor payments properly specify the year in which goods or services were received.

**09-02                    Failure to Record Grant Receivables (Material Weakness)**

Recommendation: The City of Franklin should ensure that all grant receivables are recorded at year end. This will ensure that all revenues are recorded in the proper fiscal year.

Action taken: The management of the City of Franklin concurs. A new system for tracking grant activities throughout the year and at year-end has been implemented. Also, the City has hired a grant coordinator to work with City departments and Finance to oversee the City's grants management.

### **SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

There were no findings related to federal awards.