

CITY OF FRANKLIN, TENNESSEE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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, 2008**

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**CITY OF FRANKLIN, TENNESSEE
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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INTRODUCTORY SECTION



CITY OF FRANKLIN
DEPARTMENT OF FINANCE AND ADMINISTRATION
 109 THIRD AVENUE SOUTH, SUITE 111
 FRANKLIN, TENNESSEE 37064-2518
 PHONE (615) 791-1457
 FAX (615) 550-1955

December 19, 2008

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, 2008.

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, 2008, 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, 2008 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 58.

Factors Affecting Financial Condition

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

Local Economy. The City of Franklin 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 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 vastly improved, nearly all at developer cost. The current economy has caused a slowdown of filling available space (with a vacancy rate of 10%) 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. Most recently, 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 road projects were underway during the year, including the McEwen Drive Interchange at I-65 which opened in September 2007 and the extension of Carothers Parkway, from the new Nissan North America headquarters to McEwen Drive, completed in July 2008. 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 a 90,000 square foot public safety building. Some borrowing is anticipated in fiscal year 2009 and may reach as high as \$45 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 4.94%. This compares with an average of approximately 4.08% 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 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.

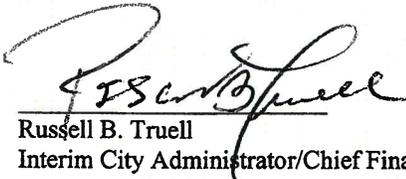
Pension and other post-employment benefits. The City of Franklin sponsors a single-employer hybrid defined benefit pension plan plus a cash balance account for all employees. Employees hired after July 1, 1995 are required to contribute to either a cash balance account or a money purchase plan with ICMA (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 obligations 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, however 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 made to the Plan during fiscal year 2007 offset some of the 2003 changes and apply to all employees hired after July 1, 2007. 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 notes beginning on page 51. Also, the City offers limited health insurance benefits to employees who retire before they reach the age of 65. An actuarial study of this other post-employment benefit (OPEB) has been conducted identifying a liability at July 1, 2008 of approximately \$2.8 million. The City has established a reserve of \$731,749, or over 25%, towards satisfying this OPEB liability. The Board of Mayor and Aldermen has approved by resolution the establishment of a trust to hold funds for this purpose.

Governance and Management. In October 2007, the citizens of the City of Franklin elected a new Mayor and four (4) new Aldermen to its nine-member governing body, the Board of Mayor and Aldermen. In February 2008, the position of City Administrator was vacant for the first time since 1993. After a nationwide search for a new Administrator, the Board has approved the selection of Eric Stuckey, Assistant Administrator for Hamilton County, Ohio, who will begin in January 2009.

Awards and Acknowledgements. The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Franklin for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2007. This was the seventeenth (17th) 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 satisfied 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 the GFOA to determine its eligibility for another certificate.

In closing, the preparation of this report would not have been possible without 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.

Respectfully submitted,



Russell B. Truell
Interim City Administrator/Chief Financial Officer

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, 2007

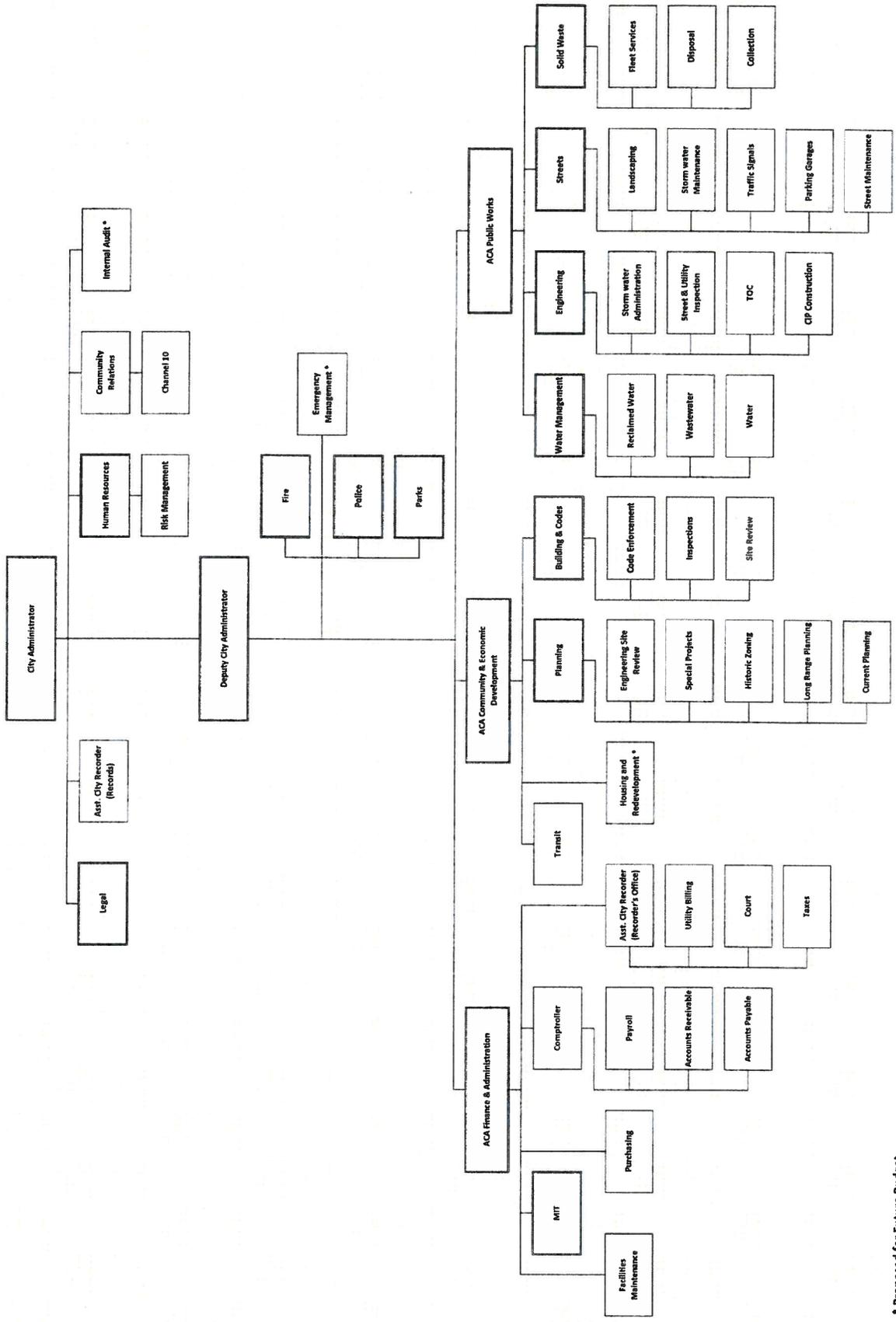
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

Executive Director

City of Franklin Organizational Chart Fiscal Year 2008



* Proposed for Future Budget

**OFFICIALS OF THE
CITY OF FRANKLIN, TENNESSEE
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

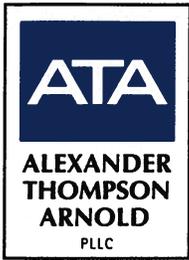
Elected Officials:

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

City Officials:

| | |
|--|----------------|
| Interim City Administrator (Assistant City Administrator / Finance / Chief Financial Officer) | Russell Truell |
| Assistant City Administrator / Community & Economic Development | Vernon Gerth |
| Assistant City Administrator / Public Works | David Parker |

FINANCIAL SECTION



Certified Public Accountants

227 Oil Well Road
Jackson, TN 38305

Telephone: (731) 427-8571
Fax: (731) 424-5701

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Members of:
American Institute of Certified Public Accountants
Governmental Audit Quality Center – AICPA
Tennessee Society of Certified Public Accountants
Center for Public Company Audit Firms
Employee Benefit Plan Audit Quality Center – AICPA

www.atacpa.net

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, 2008, 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, 2008, 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 19, 2008, 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 is important for assessing the results of our audit.

The management's discussion and analysis on pages 3 through 11 and the required supplementary information on page 55 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

Milan, TN
McKenzie, TN
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 19, 2008

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, 2008. 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 \$537,846,915, compared to \$517,675,441 in the previous fiscal year. Of this amount, \$44,052,216 (unrestricted net assets) may be used to meet government's ongoing obligations to citizens and creditors.
- **Fund Balances.** As the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$29,509,461. In the prior year, this amount was \$52,911,864. The decrease of \$23,402,403 is due primarily to spending in the Multi-Purpose Capital Projects Fund preceding issuance of up to \$45 million of bonds authorized but not issued due to the current bond market. (The fund had a surplus of over \$9 million at the end of the prior year and is at a deficit of approximately \$14 million in 2008).
- **General Fund – Fund Balance.** At the end of the current fiscal year, fund balance in the General Fund is \$30,763,781, or 63% of General Fund expenditures of \$48,947,618. The fund balance increased almost \$380,000 from the prior year.
- **Capital Assets.** The City is undertaking several building projects (including the City's sixth (6th) fire station and the beginning of construction on a 90,000 square feet police headquarters) and infrastructure projects (the improvements to Carothers Parkway and McEwen Drive in conjunction with the arrival of Nissan North America).
- **Debt.** The City's total debt decreased by the amount of \$5,573,000 (from \$100,890,258 to \$95,317,258) during the current fiscal year. No new debt was issued due to the current bond market.
- **Budget.** The City's 2008 General Fund original budget had anticipated up to a \$2.8 million draw from fund balance to fund capital projects. At year end, the General Fund had a surplus of almost \$380,000.

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 twelve (12) individual governmental funds during 2008. 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 56 and 57 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 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 30 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 31 through 32 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 33 through 54 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 \$537,846,915 at the close of the most recent fiscal year.

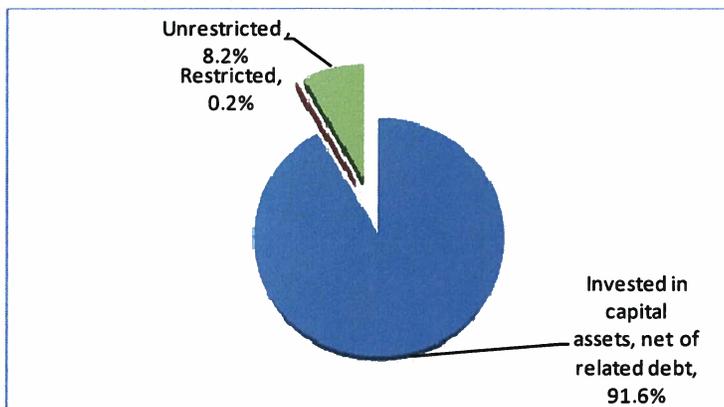
Financial Analysis of the Financial Statements (Continued):

| | City of Franklin's Net Assets | | | |
|---|--------------------------------------|----------------------|---------------------------------|----------------------|
| | Governmental Activities | | Business-Type Activities | |
| | <u>2008</u> | <u>2007</u> | <u>2008</u> | <u>2007</u> |
| Current and other assets | \$ 57,835,619 | \$70,739,692 | \$15,138,183 | \$21,188,379 |
| Capital assets, net of accumulated depreciation | 453,815,275 | 423,503,555 | 138,278,403 | 128,003,431 |
| Total Assets | 511,650,894 | 494,243,247 | 153,416,586 | 149,191,810 |
| Long-term liabilities outstanding | 64,435,348 | 67,432,513 | 35,570,643 | 37,540,631 |
| Other liabilities | 24,454,248 | 17,828,143 | 2,760,326 | 2,958,329 |
| Total Liabilities | 88,889,596 | 85,260,656 | 38,330,969 | 40,498,960 |
| Net Assets: | | | | |
| Invested in capital assets, net of related debt | 387,399,795 | 360,565,368 | 105,088,556 | 92,918,459 |
| Restricted | 1,306,348 | 1,450,906 | - | - |
| Unrestricted | 34,055,155 | 46,966,317 | 9,997,061 | 15,774,391 |
| Total Net Assets | \$422,761,298 | \$408,982,591 | \$115,085,617 | \$108,692,850 |

The government's net assets increased by \$20,171,474, which includes a current year increase of 37,787,675 and a prior period adjustment of (\$17,616,201) primarily from a review of the City's streets listing to remove alleys, private streets, and unaccepted assets. Approximately 49.8% of this current year increase is attributed to capital assets contributed by developers for governmental activities in the aggregate amount of \$18,818,855. 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, \$492,488,351, or 91.6%, 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, \$1,306,348, or .2%, represents resources that are subject to external restriction on how they may be used. The remaining balance of \$44,052,216, or 8.2%, is unrestricted net assets that may be used to meet the government's ongoing obligations to citizens and creditors.

Percent of Net Assets – 2008

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

Governmental activities increased the City's net assets by \$14,886,662. Key elements of this increase are as follows:

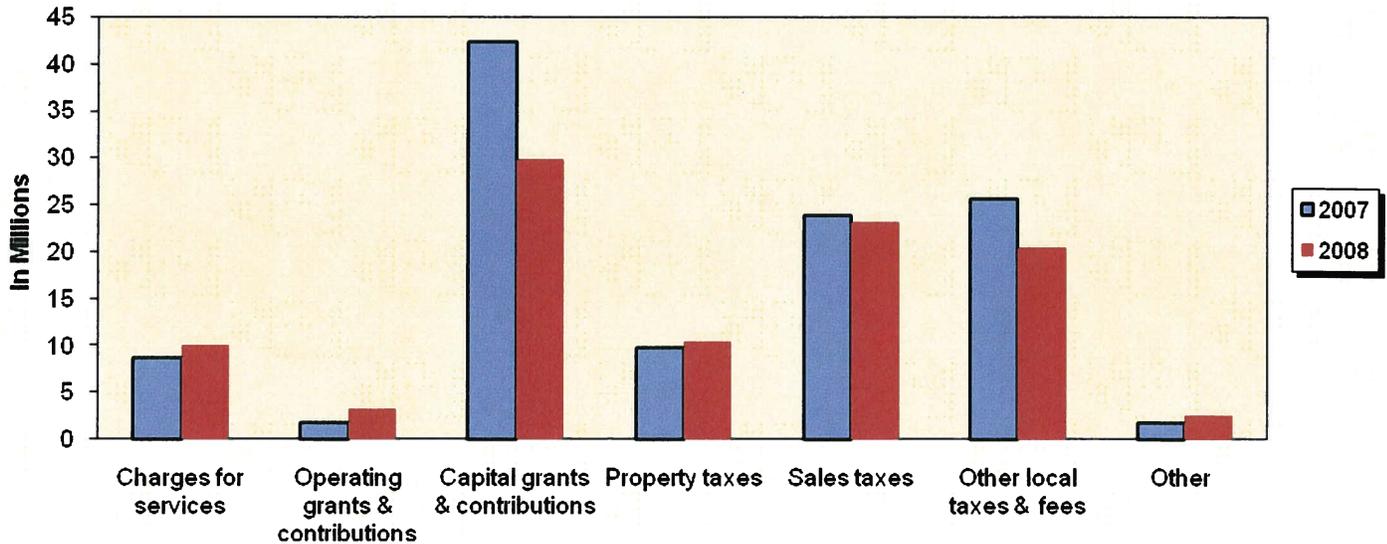
City of Franklin's Changes in Net Assets

| | <u>Governmental Activities</u> | | <u>Business-type Activities</u> | |
|-------------------------------------|--------------------------------|---------------------------|---------------------------------|---------------------------|
| | <u>2008</u> | <u>2007</u> | <u>2008</u> | <u>2007</u> |
| Revenues: | | | | |
| Program revenues: | | | | |
| Charges for services | 10,012,696 | 8,674,808 | 14,148,119 | 13,651,464 |
| Operating grants & contributions | 3,334,814 | 1,768,421 | - | - |
| Capital grants & contributions | 29,769,464 | 42,284,692 | 9,909,838 | 6,477,369 |
| General revenues: | | | | |
| Property taxes | 10,409,885 | 9,832,508 | - | - |
| Sales taxes | 23,185,434 | 23,885,264 | - | - |
| Other taxes and fees | 20,510,224 | 25,589,305 | - | - |
| Other | <u>2,568,298</u> | <u>1,663,403</u> | <u>535,059</u> | <u>820,123</u> |
| Total Revenues | <u>99,790,815</u> | <u>113,698,401</u> | <u>24,593,016</u> | <u>20,948,956</u> |
| Expenses: | | | | |
| General government: | | | | |
| General | 5,669,270 | 4,976,177 | - | - |
| Administration | 1,146,961 | 1,250,834 | - | - |
| City recorder | 1,154,396 | 984,697 | - | - |
| Police | 11,800,152 | 12,704,967 | - | - |
| Fire | 12,168,985 | 10,065,274 | - | - |
| Highways and streets | 12,950,825 | 12,825,296 | - | - |
| Engineering | 1,088,120 | 1,033,507 | - | - |
| Storm water | 693,434 | 1,160,588 | - | - |
| Sanitation | 6,832,313 | 5,909,657 | - | - |
| Transit | 1,203,579 | 1,112,289 | - | - |
| Parks | 1,616,753 | 744,627 | - | - |
| Maintenance | 583,917 | 381,635 | - | - |
| Elected officials | 176,746 | - | - | - |
| Planning | 1,373,042 | 1,079,229 | - | - |
| Codes | 1,855,258 | 1,735,274 | - | - |
| Court | 245,205 | 241,389 | - | - |
| Human resources | 644,672 | 653,686 | - | - |
| Channel 10 | 127,036 | 119,458 | - | - |
| Finance | 950,729 | 986,677 | - | - |
| Legal | 358,431 | 134,768 | - | - |
| Purchasing | 188,179 | 172,489 | - | - |
| Management information & technology | 2,974,551 | 2,808,228 | - | - |
| Interest expense on long-term debt: | 2,368,353 | 2,116,737 | - | - |
| Water & sewer: | - | - | 18,425,249 | 17,378,465 |
| Total Expenses | <u>68,170,907</u> | <u>63,197,483</u> | <u>18,425,249</u> | <u>17,378,465</u> |
| Transfers | (225,000) | - | 225,000 | - |
| Changes in Net Assets | 31,394,908 | 50,500,918 | 6,392,767 | 3,570,491 |
| Prior period adjustment | <u>(17,616,201)</u> | <u>8,296,116</u> | - | <u>8,145,473</u> |
| Net Assets, Beginning of year | <u>408,982,591</u> | <u>350,185,557</u> | <u>108,692,850</u> | <u>96,976,886</u> |
| Net Assets, End of Year | <u><u>422,761,298</u></u> | <u><u>408,982,591</u></u> | <u><u>115,085,617</u></u> | <u><u>108,692,850</u></u> |

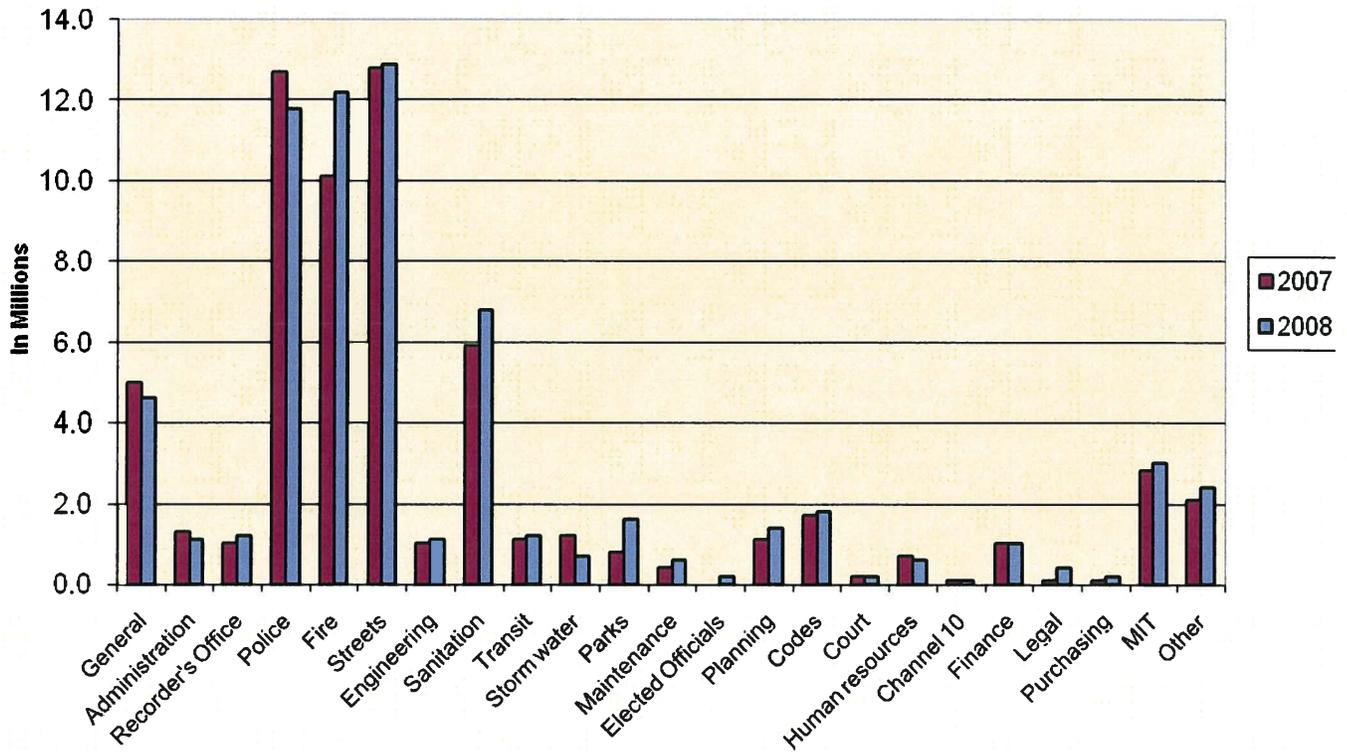
Financial Analysis of the Financial Statements (Continued):

For the most part, increases in costs paralleled inflation and growth in the demand for services. Revenues for governmental activities decreased approximately 12% due primarily to capital contributions from developers. The overall increase in current expenses of governmental activities amounted to approximately 8%.

Revenues – Governmental Activities



Expenses – Governmental Activities

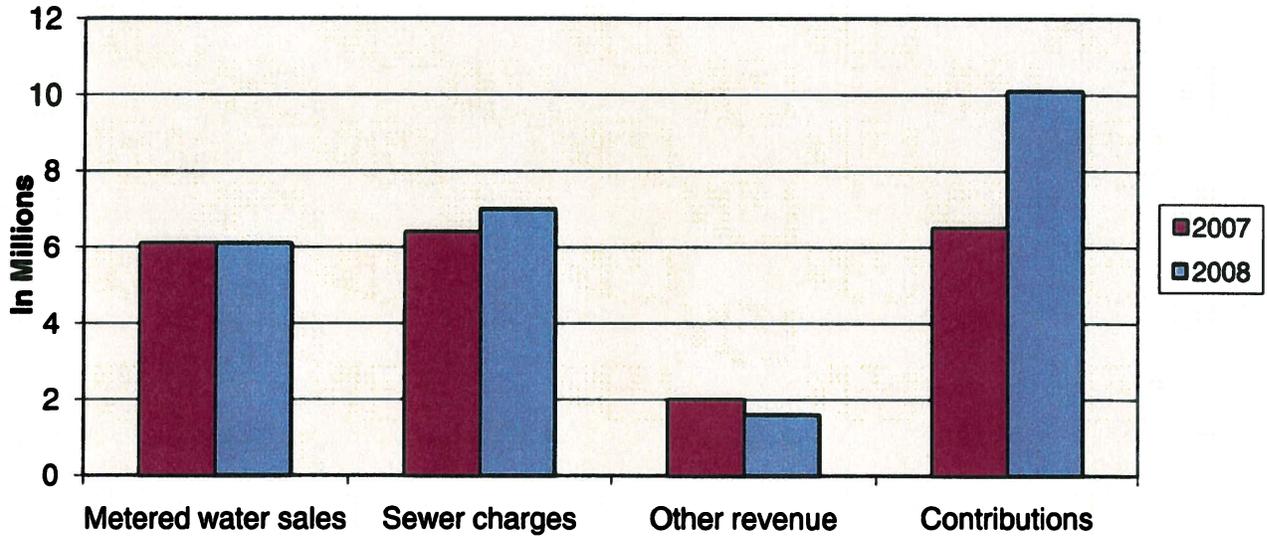


Financial Analysis of the Financial Statements (Continued):

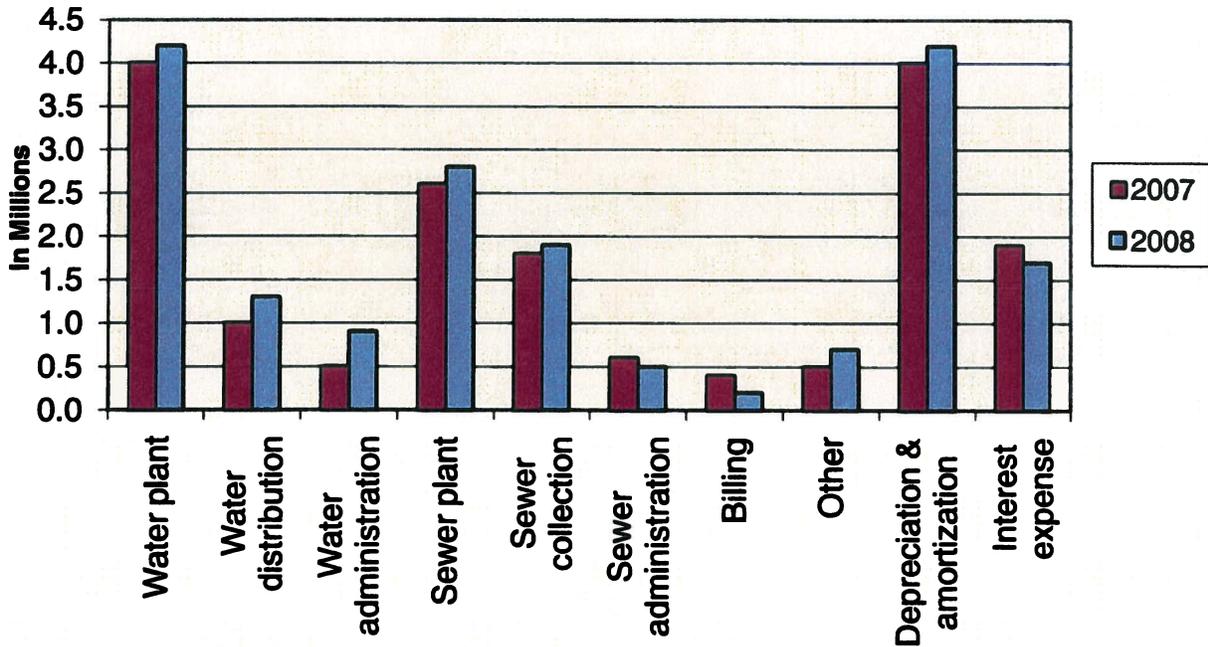
Business –Type Activities

Business-type activities increased the City’s net assets by approximately \$6,392,767. The primary factors underlying the increase were contributed assets from developers of \$6,099,766 and various tap and access fees of \$3,810,072. Expenses of the business type-activities (Water & Sewer) increased approximately 6%.

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.

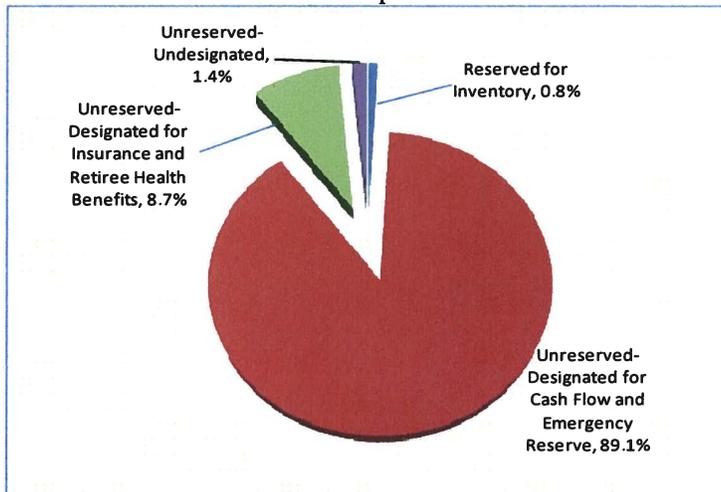
Governmental Funds

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 \$29,509,461, a decrease of \$23,402,403 in comparison with the prior year of \$52,911,864. The decrease is due primarily to spending in the Multi-Purpose Capital Projects Fund, used for several infrastructure projects and the new police headquarters, preceding issuance of up to \$45 million of bonds authorized but not issued due to the current bond market. (The fund had a surplus of over \$9 million at the end of the prior year and is at a deficit of approximately \$14 million in 2008).

The General Fund is the chief operating fund of the City of Franklin, Tennessee. The 2008 ending fund balance of \$30,763,781 had the following composition: An amount of \$236,942, or .8%, is reserved for inventory. The remaining amount of \$30,526,839 is unreserved, which is available for spending at the government's discretion. Of the unreserved portion, \$27,398,782, or 89.1% of total fund balance, is designated by management for cash flow and emergency purchase purposes. \$2,681,749, or 8.7%, is designated for insurance and retiree health benefits. The remainder is unreserved and undesignated fund balance of \$446,308, or 1.4%.

General Fund - Fund Balance Composition – 2008



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 of \$48,947,618. Unreserved and undesignated fund balance represents .91% of total General Fund expenditures. Total General Fund balance represents 63% of that same amount.

The most significant continuing revenue sources in the General Fund are derived from taxes. Property taxes increased \$611,733 (from \$9,726,100 to \$10,337,833), or 6.3%, with local option sales tax showing a decrease of \$699,830 (from \$23,885,264 to \$23,185,434), or 2.9%. 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 commercial growth, business taxes increased approximately \$150,072 (from \$2,777,563 to \$2,927,635).

General Fund Budgetary Highlights:

The original budget included an allocation of \$2,823,589 from accumulated fund balance for capital acquisitions. Actual results ended with a surplus of \$379,770, for an ending fund balance of \$30,763,781. The primary reason for this surplus was actual expenditures of \$48,947,618 compared to the final amended budget of \$53,860,520. A review of General Fund expenditures shows: (a) the Police department had several vacancies during the year resulting in \$1 million dollars less in personnel costs in its final budget than in its original budget, (b) the Engineering department had its Traffic Operations Center project underway at year

Financial Analysis of the Financial Statements (Continued):

end and was under budget in its capital, and (c) a legal judgment, pertaining to construction delays in building the City's Municipal Services Center (completed in 2004), of approximately \$1.1 million is included in general expenses. Some governmental funds (State Street Aid, Facilities Tax, Road Impact Fees, and Drug Fund) 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, 2008, is \$592,093,678 (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 \$18,818,855 in developer-contributed road and drainage assets.
- The City and Williamson County completed a property swap. The City traded property, commonly referred to as the Springs property, to the County with the City receiving in return four properties.
- The City opened the extension of Carothers Parkway, from the Nissan North America headquarters to McEwen Drive, shortly after year end in July 2008.
- The City completed the McEwen Interchange at I-65 in September 2007.
- The City's sixth (6th) fire station opened in July 2007.
- The City began construction on the new police headquarters building. It is anticipated to open in 2009.
- The City purchased land for a new sewer plant in the Goose Creek area in the southern part of the city.

City of Franklin's Capital Assets

| | Governmental <u>Activities</u> | Business-Type <u>Activities</u> | <u>Total</u> |
|--------------------------------------|-----------------------------------|------------------------------------|--------------------|
| Land | 44,508,112 | 5,011,231 | 49,519,343 |
| Buildings and Utility Plant | 35,095,960 | 167,623,921 | 202,719,881 |
| Improvements other than buildings | 15,946,500 | - | 15,946,500 |
| Equipment and Furniture | 41,522,119 | 4,570,617 | 46,092,736 |
| Construction in Progress | 33,368,918 | 2,783,413 | 36,152,331 |
| Conference Center –City's ½ interest | 6,474,458 | - | 6,474,458 |
| Infrastructure | <u>375,112,757</u> | - | <u>375,112,757</u> |
| Total Capital Assets | 552,028,824 | 179,989,182 | 732,018,006 |
| Less Accumulated Depreciation | (98,213,549) | (41,710,779) | (139,924,328) |
| Net Capital Assets | <u>453,815,275</u> | <u>138,278,403</u> | <u>592,093,678</u> |

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 \$95,317,258. Of this amount, \$60,117,258 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 | \$60,117,258 | - | 60,117,258 |
| Revenue and Tax Bonds | - | 35,200,000 | 35,200,000 |
| Total Outstanding Bonds | <u>\$60,117,258</u> | <u>35,200,000</u> | <u>95,317,258</u> |

City of Franklin's Outstanding Debt (Continued):

The City of Franklin's total debt decreased by \$5,573,000 during the current fiscal year. The decrease is due to scheduled repayment of existing debt.

The City of Franklin maintains an "Aaa" Rating from Moody's for general obligation debt. This rating was last affirmed on January 2007. 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 2008 for the City of Franklin was 5.5%, compared to the State of Tennessee's rate of 6.8% and a national average of 5.7%. This lower rate for the City shows the resilience of the local economy even as a local manufacturer (Plastech) closes its plant with 200 jobs.

All of these factors were considered in preparing the City's budget for the 2008-2009 fiscal year. The City appropriated approximately \$2.0 million of accumulated fund balance in the General Fund for capital projects in the 2009 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, 2008

| | <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Total</u> |
|---|------------------------------------|-------------------------------------|-----------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 5,684,721 | \$ 3,041,292 | \$ 8,726,013 |
| Investments | 21,267,254 | - | 21,267,254 |
| Receivables: | | | |
| Accounts, net of uncollectibles | 1,496,397 | 2,050,917 | 3,547,314 |
| Property taxes, net of uncollectibles | 11,116,480 | - | 11,116,480 |
| Grants | 9,670,295 | - | 9,670,295 |
| Special assessments | 53,762 | - | 53,762 |
| Intergovernmental | 3,303,641 | - | 3,303,641 |
| Fines | 189,458 | - | 189,458 |
| Local option sales tax | 3,786,481 | - | 3,786,481 |
| Other | 916,751 | - | 916,751 |
| Inventory | 322,389 | 327,222 | 649,611 |
| Prepaid expenses | 27,990 | - | 27,990 |
| Restricted assets: | | | |
| Cash and cash equivalents | - | 9,718,752 | 9,718,752 |
| Capital assets (net of accumulated depreciation): | | | |
| Net investment in joint venture - Conference Center | 6,474,458 | - | 6,474,458 |
| Land | 44,508,112 | 5,011,231 | 49,519,343 |
| Buildings and improvements | 30,375,908 | 4,215,679 | 34,591,587 |
| Improvements other than buildings | 14,377,948 | - | 14,377,948 |
| Utility plant in service | - | 124,850,684 | 124,850,684 |
| Infrastructure | 302,659,557 | - | 302,659,557 |
| Machinery and equipment | 22,050,374 | 1,417,396 | 23,467,770 |
| Construction in progress | 33,368,918 | 2,783,413 | 36,152,331 |
| Total assets | <u>\$ 511,650,894</u> | <u>\$ 153,416,586</u> | <u>\$ 665,067,480</u> |

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

(Continued)

CITY OF FRANKLIN, TENNESSEE
STATEMENT OF NET ASSETS (Cont.)
 JUNE 30, 2008

| | <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Total</u> |
|--|------------------------------------|-------------------------------------|-----------------------|
| LIABILITIES | | | |
| Accounts payable | \$ 10,497,015 | \$ 1,183,586 | \$ 11,680,601 |
| Accrued expenses | 1,768,699 | 249,163 | 2,017,862 |
| Deposits | - | 15,000 | 15,000 |
| Accrued interest | 268,919 | 457,787 | 726,706 |
| Due to other funds | 139,952 | (139,952) | - |
| Unearned revenue | 11,779,663 | 994,742 | 12,774,405 |
| Long-term liabilities: | | | |
| Due within one year | 5,739,244 | 2,304,029 | 8,043,273 |
| Due in more than one year | 58,696,104 | 33,266,614 | 91,962,718 |
| Total liabilities | <u>88,889,596</u> | <u>38,330,969</u> | <u>127,220,565</u> |
| NET ASSETS | | | |
| Investments in capital assets, net of related debt | 387,399,795 | 105,088,556 | 492,488,351 |
| Restricted for: | | | |
| Street maintenance and improvements | 1,048,827 | - | 1,048,827 |
| Drug fund use | 257,521 | - | 257,521 |
| Unrestricted | 34,055,155 | 9,997,061 | 44,052,216 |
| Total net assets | <u>\$ 422,761,298</u> | <u>\$ 115,085,617</u> | <u>\$ 537,846,915</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, 2008

| Functions/Programs | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Assets | | |
|---|------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|-----------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-type Activities | Total |
| Primary government | | | | | | | |
| Governmental activities: | | | | | | | |
| General government | \$ 5,669,270 | \$ 346,983 | \$ 151,484 | \$ - | \$ (5,170,803) | \$ - | \$ (5,170,803) |
| Administration | 1,146,961 | - | - | - | (1,146,961) | - | (1,146,961) |
| City recorder | 1,154,396 | - | - | - | (1,154,396) | - | (1,154,396) |
| Public safety: | | | | | | | |
| Police | 11,800,152 | 983,845 | 4,000 | 1,424 | (10,810,883) | - | (10,810,883) |
| Fire | 12,168,985 | - | - | - | (12,168,985) | - | (12,168,985) |
| Highways and streets | 12,950,825 | - | 1,509,963 | 29,768,040 | 18,327,178 | - | 18,327,178 |
| Engineering | 1,088,120 | - | - | - | (1,088,120) | - | (1,088,120) |
| Storm water | 693,434 | 1,959,658 | - | - | 1,266,224 | - | 1,266,224 |
| Sanitation | 6,832,313 | 3,201,109 | - | - | (3,631,204) | - | (3,631,204) |
| Transit | 1,203,579 | 65,429 | 1,669,367 | - | 531,217 | - | 531,217 |
| Parks | 1,616,753 | - | - | - | (1,616,753) | - | (1,616,753) |
| Maintenance | 583,917 | - | - | - | (583,917) | - | (583,917) |
| Elected officials | 176,746 | - | - | - | (176,746) | - | (176,746) |
| Planning | 1,373,042 | 262,340 | - | - | (1,110,702) | - | (1,110,702) |
| Codes | 1,855,258 | 3,193,332 | - | - | 1,338,074 | - | 1,338,074 |
| Courts | 245,205 | - | - | - | (245,205) | - | (245,205) |
| Human resources | 644,672 | - | - | - | (644,672) | - | (644,672) |
| Channel 10 | 127,036 | - | - | - | (127,036) | - | (127,036) |
| Finance | 950,729 | - | - | - | (950,729) | - | (950,729) |
| Legal | 358,431 | - | - | - | (358,431) | - | (358,431) |
| Purchasing | 188,179 | - | - | - | (188,179) | - | (188,179) |
| Municipal information and technology | 2,974,551 | - | - | - | (2,974,551) | - | (2,974,551) |
| Interest and amortization on long-term debt | 2,368,353 | - | - | - | (2,368,353) | - | (2,368,353) |
| | 68,170,907 | 10,012,696 | 3,334,814 | 29,769,464 | (25,053,933) | - | (25,053,933) |
| Business-type activities: | | | | | | | |
| Water and sewer | 18,425,249 | 14,148,119 | - | 9,909,838 | - | 5,632,708 | 5,632,708 |
| Total primary government | \$ 86,596,156 | \$ 24,160,815 | \$ 3,334,814 | \$ 39,679,302 | \$ (25,053,933) | \$ 5,632,708 | \$ (19,421,225) |
| General revenues: | | | | | | | |
| Property taxes | | | | | | | |
| Sales taxes | | | | | 10,409,885 | - | 10,409,885 |
| Other locally assessed taxes | | | | | 23,185,434 | - | 23,185,434 |
| Other state shared taxes | | | | | 6,615,163 | - | 6,615,163 |
| Access fees and taxes | | | | | 7,867,514 | - | 7,867,514 |
| Franchise taxes | | | | | 4,665,218 | - | 4,665,218 |
| Unrestricted investment earnings | | | | | 1,362,329 | - | 1,362,329 |
| Other | | | | | 2,610,187 | 535,059 | 3,145,246 |
| Transfers | | | | | (41,889) | - | (41,889) |
| Total general revenues | | | | | 56,448,841 | 225,000 | 57,208,900 |
| Change in net assets | | | | | 31,394,908 | 6,392,767 | 37,787,675 |
| Net assets - beginning of year | | | | | 408,982,591 | 108,692,850 | 517,675,441 |
| Prior period adjustment | | | | | (17,616,201) | - | (17,616,201) |
| Net assets - beginning of year, as restated | | | | | 391,366,390 | 108,692,850 | 500,059,240 |
| Net assets - end of year | | | | | \$ 422,761,298 | \$ 115,085,617 | \$ 537,846,915 |

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

CITY OF FRANKLIN, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

| | <u>General</u> | <u>Multi-Purpose Capital Project Fund</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|----------------------|---|---|---|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 1,211,038 | \$ 534,517 | \$ 3,939,166 | \$ 5,684,721 |
| Investments | 21,243,014 | 24,240 | - | 21,267,254 |
| Receivables: | | | | |
| Accounts | 869,996 | - | 626,401 | 1,496,397 |
| Property taxes, net of uncollectibles (\$79,912) | 11,116,480 | - | - | 11,116,480 |
| Grants | 339,070 | 8,811,035 | 520,190 | 9,670,295 |
| Special assessments | 53,762 | - | - | 53,762 |
| Intergovernmental | 2,875,834 | - | 427,807 | 3,303,641 |
| Fines | 189,458 | - | - | 189,458 |
| Local option sales tax | 3,786,481 | - | - | 3,786,481 |
| Other | 916,751 | - | - | 916,751 |
| Unadvanced bond proceeds | - | 565,244 | - | 565,244 |
| Due from other funds | 8,150,287 | - | 8,881,731 | 17,032,018 |
| Inventory | 236,942 | - | 85,447 | 322,389 |
| Prepaid expenses | 140 | - | 27,850 | 27,990 |
| Total assets | <u>\$ 50,989,253</u> | <u>\$ 9,935,036</u> | <u>\$ 14,508,592</u> | <u>\$ 75,432,881</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 5,532,620 | \$ 4,129,037 | \$ 835,358 | \$ 10,497,015 |
| Accrued expenses | 1,673,162 | - | 95,537 | 1,768,699 |
| Due to other funds | 203,951 | 16,124,292 | 843,727 | 17,171,970 |
| Deferred revenue | 12,815,739 | 3,530,768 | 139,229 | 16,485,736 |
| Total liabilities | <u>20,225,472</u> | <u>23,784,097</u> | <u>1,913,851</u> | <u>45,923,420</u> |
| Fund balances: | | | | |
| Reserved for: | | | | |
| Inventory | 236,942 | - | - | 236,942 |
| Unreserved reported in: | | | | |
| Special revenue funds | - | - | 12,594,741 | 12,594,741 |
| Capital projects | - | (13,849,061) | - | (13,849,061) |
| Unreserved - designated: | | | | |
| Designated for cash flow and emergency reserve | 27,398,782 | - | - | 27,398,782 |
| Designated for insurance and retiree health benefits | 2,681,749 | - | - | 2,681,749 |
| Unreserved - undesignated | 446,308 | - | - | 446,308 |
| Total fund balances | <u>30,763,781</u> | <u>(13,849,061)</u> | <u>12,594,741</u> | <u>29,509,461</u> |
| Total liabilities and fund balances | <u>\$ 50,989,253</u> | <u>\$ 9,935,036</u> | <u>\$ 14,508,592</u> | <u>\$ 75,432,881</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, 2008

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

| | | |
|--|---------------------|------------------------------|
| Fund balance - total governmental funds (Page 15) | | \$ 29,509,461 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds | | |
| Capital assets, at cost | \$ 552,028,824 | |
| Less related accumulated depreciation | <u>(98,213,549)</u> | 453,815,275 |
| Receivables not available to pay for current expenditures and, therefore, are deferred in the funds | | 4,706,073 |
| Unadvanced bond proceeds are not owed by the City and, therefore are not recorded on the government wide statements | | (565,244) |
| 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 | | 578,176 |
| 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 | (60,117,258) | |
| Compensated absences | <u>(4,896,266)</u> | (65,013,524) |
| Payables, such as accrued interest payable, are not due and payable in the current period, and therefore are not reported in the funds | | <u>(268,919)</u> |
| Net assets - governmental activities (Page 13) | | <u>\$ 422,761,298</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, 2008

| | <u>General Fund</u> | <u>Multi-Purpose Capital Project Fund</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--------------------------------------|-------------------------|---|---|---|
| Revenues: | | | | |
| Taxes | \$ 39,095,168 | \$ - | \$ 4,527,941 | \$ 43,623,109 |
| Licenses and permits | 4,793,850 | - | 1,708,934 | 6,502,784 |
| Fines and fees | 904,588 | - | 46,726 | 951,314 |
| Charge for services | 50,630 | - | 5,226,196 | 5,276,826 |
| Intergovernmental | 7,801,620 | 7,056,810 | 3,122,473 | 17,980,903 |
| Use of money and property | 2,047,861 | (134,582) | 914,491 | 2,827,770 |
| Miscellaneous and other | 103,847 | 14,275 | - | 118,122 |
| Total revenues | <u>54,797,564</u> | <u>6,936,503</u> | <u>15,546,761</u> | <u>77,280,828</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 676,241 | 249,139 | 133,767 | 1,059,147 |
| Administration | 1,151,644 | - | - | 1,151,644 |
| City recorder | 1,112,775 | - | - | 1,112,775 |
| Public safety: | | | | |
| Police | 12,662,692 | - | 155,734 | 12,818,426 |
| Fire | 12,864,924 | - | - | 12,864,924 |
| Highways and streets | 4,504,907 | - | 356,401 | 4,861,308 |
| Engineering | 1,050,935 | - | - | 1,050,935 |
| Storm water | - | - | 573,359 | 573,359 |
| Sanitation | - | - | 6,438,933 | 6,438,933 |
| Transit | - | - | 1,014,582 | 1,014,582 |
| Parks | 1,947,593 | - | - | 1,947,593 |
| Maintenance | 522,552 | - | - | 522,552 |
| Elected officials | 176,746 | - | - | 176,746 |
| Planning | 1,320,076 | - | - | 1,320,076 |
| Codes | 1,827,452 | - | - | 1,827,452 |
| Courts | 239,482 | - | - | 239,482 |
| Human resources | 645,386 | - | - | 645,386 |
| Channel 10 | 116,387 | - | - | 116,387 |
| Finance | 905,888 | - | - | 905,888 |
| Legal | 355,360 | - | - | 355,360 |
| Purchasing | 184,052 | - | - | 184,052 |
| Municipal information and technology | 1,585,448 | - | - | 1,585,448 |
| Debt service | 2,198,282 | - | 3,582,951 | 5,781,233 |
| Capital outlay | 2,898,796 | 30,176,768 | 9,163,091 | 42,238,655 |
| Total expenditures | <u>\$ 48,947,618</u> | <u>\$ 30,425,907</u> | <u>\$ 21,418,818</u> | <u>\$ 100,792,343</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, 2008

| | <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 | \$ 5,849,946 | \$ (23,489,404) | \$ (5,872,057) | \$ (23,511,515) |
| Other financing sources (uses): | | | | |
| Issuance of debt | - | 520,183 | - | 520,183 |
| Transfers from other funds | - | - | 5,245,176 | 5,245,176 |
| Transfers to other funds | (5,470,176) | - | - | (5,470,176) |
| Total other financing sources (uses) | <u>(5,470,176)</u> | <u>520,183</u> | <u>5,245,176</u> | <u>295,183</u> |
| Net changes in fund balances | 379,770 | (22,969,221) | (626,881) | (23,216,332) |
| Fund balances - beginning | <u>30,384,011</u> | <u>9,120,160</u> | <u>13,407,692</u> | <u>52,911,863</u> |
| Prior period adjustment | <u>-</u> | <u>-</u> | <u>(186,070)</u> | <u>(186,070)</u> |
| Fund balances - beginning - restated | <u>30,384,011</u> | <u>9,120,160</u> | <u>13,221,622</u> | <u>52,725,793</u> |
| Fund balances - ending | <u>\$ 30,763,781</u> | <u>\$ (13,849,061)</u> | <u>\$ 12,594,741</u> | <u>\$ 29,509,461</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, 2008

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) **\$(23,216,332)**

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 | \$ 41,685,682 | |
| Loss on disposal of capital assets | (11,297) | |
| Depreciation expense | <u>(12,070,224)</u> | 29,604,161 |

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 | 21,418 | |
| Court fines | 6,052 | |
| Grant revenues | 3,669,997 | |
| Contributed capital assets | <u>18,818,855</u> | 22,516,322 |

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 | (520,183) | |
| Debt payments | <u>3,463,000</u> | 2,942,817 |

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:

| | | |
|----------------------------------|--|----------|
| Amortization of bond issue costs | | (63,895) |
|----------------------------------|--|----------|

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 | (401,940) | |
| Accrued interest | <u>13,775</u> | <u>(388,165)</u> |

Change in net assets of governmental activities (Page 14) **\$ 31,394,908**

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, 2008

| Revenues: | Budgeted Amounts | | Actual | Variance with Final Budget Over (Under) |
|--|-------------------|-------------------|-------------------|---|
| | Original | Final | | |
| Taxes: | | | | |
| Real and personal property taxes | \$ 10,400,000 | \$ 10,400,000 | \$ 10,337,833 | \$ (62,167) |
| Penalty and interest | 40,000 | 40,000 | 8,584 | (31,416) |
| In lieu of tax | 225,000 | 225,000 | 42,050 | (182,950) |
| Sales tax | 25,746,250 | 25,746,250 | 23,185,434 | (2,560,816) |
| Beer tax | 1,325,000 | 1,325,000 | 1,312,792 | (12,208) |
| Wholesale liquor tax | 755,000 | 755,000 | 726,802 | (28,198) |
| Business tax | 2,675,000 | 2,675,000 | 2,927,635 | 252,635 |
| Mixed drink tax | 855,000 | 855,000 | 477,761 | (377,239) |
| Liquor privilege tax | 55,000 | 55,000 | 59,245 | 4,245 |
| Beer privilege tax | 18,000 | 18,000 | 17,032 | (968) |
| Total Taxes | 42,094,250 | 42,094,250 | 39,095,168 | (2,999,082) |
| Licenses and permits: | | | | |
| Franchise taxes | 1,485,000 | 1,485,000 | 1,362,329 | (122,671) |
| Mechanical licenses | 8,500 | 8,500 | 6,188 | (2,312) |
| Mechanical permits | 170,000 | 170,000 | 244,490 | 74,490 |
| Beer permits and licenses | 7,000 | 7,000 | 8,500 | 1,500 |
| Building permits | 1,385,000 | 1,385,000 | 2,395,129 | 1,010,129 |
| Plumbing permits | 180,000 | 180,000 | 147,836 | (32,164) |
| Plumbing licenses | 6,000 | 6,000 | 5,030 | (970) |
| Electric permits | 285,000 | 285,000 | 329,502 | 44,502 |
| Yard sale permits | 9,000 | 9,000 | 9,075 | 75 |
| Miscellaneous permits | 5,000 | 5,000 | 5,785 | 785 |
| Alarm permits | 25,000 | 25,000 | 17,646 | (7,354) |
| Site review, rezoning and submittal fees | 206,500 | 206,500 | 262,340 | 55,840 |
| Total Licenses and permits | 3,772,000 | 3,772,000 | 4,793,850 | 1,021,850 |
| Fines and fees: | | | | |
| Fines - city court | 690,000 | 690,000 | 718,809 | 28,809 |
| Fines - general sessions | 75,000 | 75,000 | 46,054 | (28,946) |
| Confiscated goods | 5,000 | 5,000 | - | (5,000) |
| Business tax fees | 21,000 | 21,000 | 24,151 | 3,151 |
| Beer board violations | 9,000 | 9,000 | - | (9,000) |
| Drug fines | 80,000 | 80,000 | 65,538 | (14,462) |
| Parking tickets | 40,000 | 40,000 | 50,036 | 10,036 |
| Total Fines and fees | \$ 920,000 | \$ 920,000 | \$ 904,588 | \$ (15,412) |

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, 2008

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with</u> |
|---|-------------------------|----------------------|----------------------|----------------------|
| | <u>Original</u> | <u>Final</u> | | <u>Final Budget</u> |
| Revenues (Cont.): | | | | Over (Under) |
| Charges for services: | | | | |
| Offender registry | \$ 2,000 | \$ 2,000 | \$ 1,300 | \$ (700) |
| Fingerprinting fees | 2,000 | 2,000 | 980 | (1,020) |
| Maps sold | - | - | 4,525 | 4,525 |
| Plans sold | - | - | 3,200 | 3,200 |
| License seizure fees | 2,000 | 2,000 | 990 | (1,010) |
| City sponsored training | 400 | 400 | - | (400) |
| Accident reports | 38,500 | 38,500 | 39,635 | 1,135 |
| Total Charges for services | <u>44,900</u> | <u>44,900</u> | <u>50,630</u> | <u>5,730</u> |
| Intergovernmental: | | | | |
| State excise tax | 75,000 | 75,000 | 169,142 | 94,142 |
| State beer tax | 19,816 | 19,816 | 27,027 | 7,211 |
| Sales tax | 3,638,342 | 3,638,342 | 3,588,358 | (49,984) |
| State income tax | 909,340 | 909,340 | 1,952,187 | 1,042,847 |
| In lieu of tax - TVA | 354,445 | 354,445 | 458,859 | 104,414 |
| Water and sewer - administrative services | 1,194,180 | 1,194,180 | 1,194,180 | - |
| Federal and state financial assistance programs | 901,587 | 924,587 | 411,867 | (512,720) |
| Total Intergovernmental | <u>7,092,710</u> | <u>7,115,710</u> | <u>7,801,620</u> | <u>685,910</u> |
| Use of money and property: | | | | |
| Interest income | 1,400,000 | 1,400,000 | 1,695,696 | 295,696 |
| Rebates on purchases | - | - | 51,721 | 51,721 |
| Park concessions and rentals | 15,000 | 15,000 | 22,158 | 7,158 |
| Rent - mall and other | 4,000 | 4,000 | 14,801 | 10,801 |
| Sale of fixed assets | 218,100 | 218,100 | 263,485 | 45,385 |
| Total Use of money and property | <u>1,637,100</u> | <u>1,637,100</u> | <u>2,047,861</u> | <u>410,761</u> |
| Miscellaneous: | | | | |
| Miscellaneous income | 100,000 | 100,000 | 93,847 | (6,153) |
| Other Contributions | - | - | 10,000 | 10,000 |
| Total Miscellaneous | <u>100,000</u> | <u>100,000</u> | <u>103,847</u> | <u>3,847</u> |
| Total revenues | <u>\$ 55,660,960</u> | <u>\$ 55,683,960</u> | <u>\$ 54,797,564</u> | <u>\$ (886,396)</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, 2008

| Expenditures: | Budgeted Amounts | | Actual | Variance with Final Budget Over (Under) |
|---|-------------------------|---------------|---------------|--|
| | Original | Final | | |
| General government administration: | | | | |
| Current: | | | | |
| Personnel | \$ 755,880 | \$ 755,880 | 771,993 | \$ 16,113 |
| Operations | 421,175 | 421,175 | 379,651 | (41,524) |
| Total current | 1,177,055 | 1,177,055 | 1,151,644 | (25,411) |
| Capital outlay: | 41,500 | 50,227 | 42,382 | (7,845) |
| Total General government administration | 1,218,555 | 1,227,282 | 1,194,026 | (33,256) |
| City recorder: | | | | |
| Current: | | | | |
| Personnel | 740,765 | 740,765 | 743,043 | 2,278 |
| Operations | 428,835 | 428,835 | 369,732 | (59,103) |
| Total current | 1,169,600 | 1,169,600 | 1,112,775 | (56,825) |
| Capital outlay | 15,000 | 15,000 | 6,413 | (8,587) |
| Total City recorder | 1,184,600 | 1,184,600 | 1,119,188 | (65,412) |
| Police department | | | | |
| Current | | | | |
| Personnel | 11,812,700 | 10,829,892 | 10,589,154 | (240,738) |
| Operations | 2,077,303 | 2,093,801 | 2,073,538 | (20,263) |
| Total current | 13,890,003 | 12,923,693 | 12,662,692 | (261,001) |
| Capital outlay | 1,047,600 | 1,076,278 | 517,830 | (558,448) |
| Total Police department | 14,937,603 | 13,999,971 | 13,180,522 | (819,449) |
| Fire department: | | | | |
| Current | | | | |
| Personnel | 10,838,100 | 10,838,100 | 10,649,852 | (188,248) |
| Operations | 1,484,585 | 2,258,585 | 2,215,072 | (43,513) |
| Total current | 12,322,685 | 13,096,685 | 12,864,924 | (231,761) |
| Capital outlay | 191,000 | 197,980 | 192,469 | (5,511) |
| Total Fire department | \$ 12,513,685 | \$ 13,294,665 | \$ 13,057,393 | \$ (237,272) |

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, 2008

| Expenditures (Cont.): | Budgeted Amounts | | Actual | Variance with Final Budget Over (Under) |
|------------------------------|-------------------------|-------------------|-------------------|--|
| | Original | Final | | |
| Highway and streets: | | | | |
| Current | | | | |
| Personnel | \$ 2,286,177 | \$ 2,797,402 | \$ 2,618,082 | \$ (179,320) |
| Operations | 853,284 | 862,528 | 1,886,825 | 1,024,297 |
| Total current | <u>3,139,461</u> | <u>3,659,930</u> | <u>4,504,907</u> | <u>844,977</u> |
| Capital outlay | <u>2,168,000</u> | <u>2,087,500</u> | <u>779,934</u> | <u>(1,307,566)</u> |
| Total Highway and streets | <u>5,307,461</u> | <u>5,747,430</u> | <u>5,284,841</u> | <u>(462,589)</u> |
| Engineering: | | | | |
| Current | | | | |
| Personnel | 1,440,047 | 928,822 | 914,071 | (14,751) |
| Operations | <u>266,153</u> | <u>276,909</u> | <u>136,864</u> | <u>(140,045)</u> |
| Total current | <u>1,706,200</u> | <u>1,205,731</u> | <u>1,050,935</u> | <u>(154,796)</u> |
| Capital outlay | <u>811,600</u> | <u>931,258</u> | <u>293,129</u> | <u>(638,129)</u> |
| Total Engineering | <u>2,517,800</u> | <u>2,136,989</u> | <u>1,344,064</u> | <u>(792,925)</u> |
| Parks: | | | | |
| Current | | | | |
| Personnel | 1,413,264 | 1,413,264 | 1,320,792 | (92,472) |
| Operations | <u>626,751</u> | <u>641,265</u> | <u>626,801</u> | <u>(14,464)</u> |
| Total current | <u>2,040,015</u> | <u>2,054,529</u> | <u>1,947,593</u> | <u>(106,936)</u> |
| Capital outlay | <u>344,408</u> | <u>431,391</u> | <u>422,688</u> | <u>(8,703)</u> |
| Total Parks | <u>2,384,423</u> | <u>2,485,920</u> | <u>2,370,281</u> | <u>(115,639)</u> |
| Maintenance department: | | | | |
| Current | | | | |
| Personnel | 269,829 | 269,829 | 254,350 | (15,479) |
| Operations | 290,856 | 262,606 | 240,160 | (22,446) |
| Rental property operations | <u>-</u> | <u>28,250</u> | <u>28,042</u> | <u>(208)</u> |
| Total Current | <u>560,685</u> | <u>560,685</u> | <u>522,552</u> | <u>(38,133)</u> |
| Capital outlay | <u>32,000</u> | <u>44,550</u> | <u>36,561</u> | <u>(7,989)</u> |
| Total Maintenance department | <u>\$ 592,685</u> | <u>\$ 605,235</u> | <u>\$ 559,113</u> | <u>\$ (46,122)</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, 2008

| Expenditures (Cont.): | Budgeted Amounts | | Actual | Variance with Final Budget Over (Under) |
|------------------------------|-------------------------|-------------------|-------------------|--|
| | Original | Final | | |
| Planning: | | | | |
| Current | | | | |
| Personnel | \$ 1,079,106 | \$ 1,079,106 | \$ 991,315 | \$ (87,791) |
| Operations | 456,879 | 513,414 | 328,761 | (184,653) |
| Total current | <u>1,535,985</u> | <u>1,592,520</u> | <u>1,320,076</u> | <u>(272,444)</u> |
| Capital outlay | - | - | 126 | 126 |
| Total Planning | <u>1,535,985</u> | <u>1,592,520</u> | <u>1,320,202</u> | <u>(272,318)</u> |
| Codes: | | | | |
| Current | | | | |
| Personnel | 1,732,645 | 1,732,645 | 1,658,541 | (74,104) |
| Operations | 181,669 | 181,669 | 168,911 | (12,758) |
| Total current | <u>1,914,314</u> | <u>1,914,314</u> | <u>1,827,452</u> | <u>(86,862)</u> |
| Capital outlay | 64,000 | 64,000 | 47,489 | (16,511) |
| Total Codes | <u>1,978,314</u> | <u>1,978,314</u> | <u>1,874,941</u> | <u>(103,373)</u> |
| Court: | | | | |
| Current | | | | |
| Personnel | 200,935 | 200,935 | 201,140 | 205 |
| Operations | 44,625 | 44,625 | 38,342 | (6,283) |
| Total current | <u>245,560</u> | <u>245,560</u> | <u>239,482</u> | <u>(6,078)</u> |
| Capital outlay | 50,000 | 50,000 | - | (50,000) |
| Total Court | <u>295,560</u> | <u>295,560</u> | <u>239,482</u> | <u>(56,078)</u> |
| Human resources: | | | | |
| Current | | | | |
| Personnel | 484,988 | 484,988 | 461,556 | (23,432) |
| Operations | 235,478 | 235,478 | 183,830 | (51,648) |
| Total current | <u>720,466</u> | <u>720,466</u> | <u>645,386</u> | <u>(75,080)</u> |
| Capital outlay | 16,000 | 16,000 | 13,701 | (2,299) |
| Total Human resources | <u>\$ 736,466</u> | <u>\$ 736,466</u> | <u>\$ 659,087</u> | <u>\$ (77,379)</u> |

(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, 2008

| Expenditures (Cont.): | Budgeted Amounts | | Actual | Variance with Final Budget Over (Under) |
|------------------------------|-------------------------|-------------------|-------------------|--|
| | Original | Final | | |
| Channel 10: | | | | |
| Current | | | | |
| Personnel | \$ 181,880 | \$ 181,880 | \$ 93,092 | \$ (88,788) |
| Operations | 16,984 | 16,984 | 23,295 | 6,311 |
| Total current | 198,864 | 198,864 | 116,387 | (82,477) |
| Capital outlay | 10,000 | 10,000 | 9,295 | (705) |
| Total Channel 10 | 208,864 | 208,864 | 125,682 | (83,182) |
| Finance: | | | | |
| Current | | | | |
| Personnel | 824,711 | 824,711 | 760,948 | (63,763) |
| Operations | 124,085 | 124,085 | 144,940 | 20,855 |
| Total current | 948,796 | 948,796 | 905,888 | (42,908) |
| Capital outlay | 63,000 | 63,000 | 29,134 | (33,866) |
| Total Finance | 1,011,796 | 1,011,796 | 935,022 | (76,774) |
| Legal: | | | | |
| Current | | | | |
| Personnel | 277,239 | 277,239 | 234,706 | (42,533) |
| Operations | 122,645 | 122,645 | 120,654 | (1,991) |
| Total current | 399,884 | 399,884 | 355,360 | (44,524) |
| Capital outlay | - | - | - | - |
| Total Legal | 399,884 | 399,884 | 355,360 | (44,524) |
| Purchasing: | | | | |
| Current | | | | |
| Personnel | 132,616 | 132,616 | 139,442 | 6,826 |
| Operations | 54,808 | 54,808 | 44,610 | (10,198) |
| Total current | 187,424 | 187,424 | 184,052 | (3,372) |
| Capital outlay | - | - | - | - |
| Total Purchasing | \$ 187,424 | \$ 187,424 | \$ 184,052 | \$ (3,372) |

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, 2008

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget Over (Under)</u> |
|--|-----------------------------|-----------------------------|-----------------------------|--|
| | <u>Original</u> | <u>Final</u> | | |
| Expenditures (Cont.): | | | | |
| Municipal information and technology: | | | | |
| Current | | | | |
| Personnel | \$ 1,160,928 | \$ 1,160,927 | \$ 1,038,946 | \$ (121,981) |
| Operations | 601,958 | 601,958 | 546,502 | (55,456) |
| Total current | <u>1,762,886</u> | <u>1,762,885</u> | <u>1,585,448</u> | <u>(177,437)</u> |
| Capital outlay | 405,400 | 530,262 | 476,284 | (53,978) |
| Total Municipal information and technology | <u>2,168,286</u> | <u>2,293,147</u> | <u>2,061,732</u> | <u>(231,415)</u> |
| Elected officials | | | | |
| Current | | | | |
| Personnel | 141,668 | 141,668 | 143,177 | 1,509 |
| Operations | 32,830 | 35,130 | 33,569 | (1,561) |
| Total current | <u>174,498</u> | <u>176,798</u> | <u>176,746</u> | <u>(52)</u> |
| Capital outlay | - | - | - | - |
| Total Elected officials | <u>174,498</u> | <u>176,798</u> | <u>176,746</u> | <u>(52)</u> |
| General expenditures: | | | | |
| Current | | | | |
| Personnel | 91,200 | 91,200 | (2,120,252) | (2,211,452) |
| Operations | 1,211,265 | 1,257,448 | 2,276,863 | 1,019,415 |
| Total current | <u>1,302,465</u> | <u>1,348,648</u> | <u>156,611</u> | <u>(1,192,037)</u> |
| Capital outlay | 22,500 | 22,500 | 31,361 | 8,861 |
| Total General expenditures | <u>1,324,965</u> | <u>1,371,148</u> | <u>187,972</u> | <u>(1,183,176)</u> |
| Contributions: | | | | |
| Current | | | | |
| Appropriations to non profit organizations | 468,028 | 522,629 | 519,630 | (2,999) |
| Total Contributions | <u>468,028</u> | <u>522,629</u> | <u>519,630</u> | <u>(2,999)</u> |
| Debt service: | | | | |
| Principal | 1,205,500 | 1,205,500 | 1,170,500 | (35,000) |
| Interest | 2,032,664 | 1,178,378 | 929,548 | (248,830) |
| Fees and selling expenses | 120,000 | 20,000 | 98,234 | 78,234 |
| Total Debt service | <u>3,358,164</u> | <u>2,403,878</u> | <u>2,198,282</u> | <u>(205,596)</u> |
| Total expenditures | <u>\$ 54,505,046</u> | <u>\$ 53,860,520</u> | <u>\$ 48,947,618</u> | <u>\$ (4,912,902)</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, 2008

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget Over (Under)</u> |
|---|-------------------------|-----------------------|----------------------|--|
| | <u>Original</u> | <u>Final</u> | | |
| Expenditures (Cont.): | | | | |
| Excess (deficiency) of revenues over expenditures | \$ 1,155,914 | \$ 1,823,440 | \$ 5,849,946 | \$ 4,026,506 |
| Other financing sources (uses): | | | | |
| Transfer to Sanitation Fund | (3,694,793) | (4,469,880) | (4,469,880) | - |
| Transfer to Water Operating Fund | | (225,000) | (225,000) | - |
| Transfer to Drug Fund | - | (75,000) | (65,538) | 9,462 |
| Transfer to Transit Authority Fund | (284,710) | (709,758) | (709,758) | - |
| Total other financing sources (uses) | <u>(3,979,503)</u> | <u>(5,479,638)</u> | <u>(5,470,176)</u> | <u>9,462</u> |
| Net changes in fund balances | <u>\$ (2,823,589)</u> | <u>\$ (3,656,198)</u> | 379,770 | <u>\$ 4,035,968</u> |
| Fund balance - beginning of year | | | <u>30,384,011</u> | |
| Fund balance - end of year | | | <u>\$ 30,763,781</u> | |

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, 2008

ASSETS

Current assets:

| | |
|---|-------------------------|
| Cash and cash equivalents - unrestricted | \$ 3,041,292 |
| Accounts receivable, net of allowance for doubtful accounts | 2,050,917 |
| Due from other funds | 139,952 |
| Inventory | <u>327,222</u> |
| Total current assets | <u>5,559,383</u> |

Restricted assets:

| | |
|--------------------------------|-------------------------|
| Cash and cash equivalents | <u>9,718,752</u> |
| Total restricted assets | <u>9,718,752</u> |

Noncurrent assets:

Capital assets (net of accumulated depreciation):

| | |
|----------------------------|------------------|
| Land | 5,011,231 |
| Buildings and improvements | 4,215,679 |
| Utility plant in service | 124,850,684 |
| Machinery and equipment | 1,417,396 |
| Construction in progress | <u>2,783,413</u> |

Total capital assets (net of accumulated depreciation): 138,278,403

Total noncurrent assets 138,278,403

Total assets \$ 153,556,538

LIABILITIES

Current liabilities:

| | |
|---|------------------|
| Accounts payable | \$ 1,183,586 |
| Accrued expenses | 249,163 |
| Accrued interest | 457,787 |
| Deposits | 15,000 |
| Deferred revenue - unearned | 994,742 |
| Compensated absences payable | 660,540 |
| Bond issue cost and discount, net of amortization | 1,720,256 |
| Current maturities of long-term debt | <u>1,965,125</u> |
| Total current liabilities | <u>7,246,199</u> |

Long-term debt, net of current maturities 31,224,722

Total liabilities 38,470,921

NET ASSETS

| | |
|---|--------------------|
| Invested in capital assets, net of related debt | 105,088,556 |
| Unrestricted | <u>9,997,061</u> |
| Total net assets | <u>115,085,617</u> |

Total liabilities and net assets \$ 153,556,538

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, 2008

| | Water and Sewer Fund |
|---|---------------------------------|
| Operating revenues: | |
| Metered water sales | \$ 6,101,227 |
| Sewer service charges | 6,970,092 |
| Reclaimed water sales | 201,956 |
| Other revenues from operations | 874,844 |
| Total operating revenues | 14,148,119 |
| Operating expenses: | |
| Water plant expenses | 4,213,840 |
| Water distribution expenses | 1,325,386 |
| Water administration | 881,388 |
| Sewer plant expenses | 2,827,196 |
| Sewer collection expenses | 1,936,354 |
| Sewer administration | 549,775 |
| Water & sewer billing expenses | 180,082 |
| General administration | 523,755 |
| Reclaimed water expenses | 58,413 |
| Tap expenses | 90,639 |
| Depreciation | 4,058,662 |
| Total operating expenses | 16,645,490 |
| Operating income (loss) | (2,497,371) |
| Nonoperating revenues (expenses): | |
| Interest income | 502,814 |
| Gain (loss) on sale of assets | 32,245 |
| Amortization expense | (127,711) |
| Interest expense | (1,652,048) |
| Total nonoperating revenues (expenses) | (1,244,700) |
| Net income (loss) before contributions and transfers | (3,742,071) |
| Contributions: | |
| Tap and access fees | 3,810,072 |
| Transfer from general fund | 225,000 |
| Developer contributions | 6,099,766 |
| Total contributions | 10,134,838 |
| Change in net assets | 6,392,767 |
| Net assets, beginning of year | 108,692,850 |
| Net assets, end of year | \$ 115,085,617 |

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, 2008

| | <u>Water and Sewer Fund</u> |
|---|---------------------------------|
| Cash flows from operating activities: | |
| Cash received from consumers | \$ 14,124,955 |
| Cash paid to employees for services | (4,317,143) |
| Cash paid to suppliers of goods and services | (8,536,084) |
| Deposits received | 15,000 |
| Transfers from other funds | 225,000 |
| Net cash provided (used) by operating activities | <u>1,511,728</u> |
| Cash flows from capital and related financing activities: | |
| Purchase of property, plant and equipment | (8,233,868) |
| Sale of fixed assets | 32,245 |
| Interest paid on bonds | (1,677,056) |
| Payments on long-term debt | (2,110,000) |
| Net cash provided (used) by non-capital financing activities | <u>(11,988,679)</u> |
| Cash flows from non-capital financing activities: | |
| Contributions from tap fees and grant funds | 3,810,072 |
| Net cash provided (used) by non-capital financing activities | <u>3,810,072</u> |
| Cash flows from investing activities: | |
| Proceeds from the sale of investments | 6,471,040 |
| Interest received and gains on investments | 548,791 |
| Net cash provided (used) by investing activities | <u>7,019,831</u> |
| Net increase (decrease) in cash and restricted cash | <u>352,952</u> |
| Cash and restricted cash - Beginning of year | <u>12,407,092</u> |
| Cash and restricted cash - End of year | <u>\$ 12,760,044</u> |
| Reconciliation of operating income (loss) to net cash provided (used) by operations: | |
| Operating income (loss) | \$ (2,497,371) |
| Adjustments to reconcile operating income (loss) to net cash provided (used) | |
| by operating activities: | |
| Depreciation | 4,058,662 |
| Transfers from other funds | 225,000 |
| Change in: | |
| Accounts receivable | (23,164) |
| Due from other funds | (139,952) |
| Inventory | (90,705) |
| Accounts payable | 211,944 |
| Accrued expenses | (13,419) |
| Deposits | 15,000 |
| Deferred revenue | (246,568) |
| Compensated absences | 12,301 |
| Net cash provided (used) by operating activities | <u>\$ 1,511,728</u> |
| Supplemental schedule of non-cash capital financing activities: | |
| Capital assets added as developer contributions | <u>\$ 6,099,766</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, 2007

ASSETS

Investments at fair value:

| | |
|--------------------------|-------------------|
| Short - term investments | \$ 1,691,358 |
| Mutual fund | <u>34,212,817</u> |
| Total investments | <u>35,904,175</u> |

Total assets **\$ 35,904,175**

Net assets held in trust for pension benefits **\$ 35,904,175**

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

CITY OF FRANKLIN, TENNESSEE
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND - PENSION FUND
FOR THE YEAR ENDED DECEMBER 31, 2007

Additions:

Contributions:

| | |
|------------------------|------------------|
| Employer contributions | \$ 4,492,776 |
| Employee contributions | <u>305,738</u> |
| Total contributions | <u>4,798,514</u> |

Investment income:

| | |
|---------------------------------|------------------|
| Net appreciation in investments | 1,398,632 |
| Investment earnings | <u>1,311,374</u> |
| Total investment income | <u>2,710,006</u> |

Total additions7,508,520**Deductions:**

| | |
|------------------------|----------------|
| Pension benefits | 1,686,503 |
| Administration expense | <u>225,194</u> |

Total deductions1,911,697**Net increase**

5,596,823

Net assets held in trust for pension benefits - beginning30,307,352**Net assets held in trust for pension benefits - ending**\$ 35,904,175

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

CITY OF FRANKLIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

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, 2008

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, 2008

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, 2008 is accounted for as a capital asset of the City. The City's one-half interest in Conference Center operations, which in 2008 is a \$4,691 increase, 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, 2008

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, 2008

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 \$10,042,817 for the fiscal year ended June 30, 2008 were approximately 98% 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, 2008, property taxes receivable amounted to \$11,196,392, of this amount, property taxes assessed January 1, 2008 and levied October 1, 2008 amounted to \$10,934,219. 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 \$994,742 at June 30, 2008 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, 2008

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 2008, 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, 2008, 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, 2008, 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, 2008

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

A. Deposits and Investments (Cont.)

As of June 30, 2008, 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 | \$ 18,000,000 | .30 |
| Federal Home Loan Bank | 500,000 | 3.31 |
| Federal National Mortgage Assn | <u>2,000,000</u> | 1.80 |
| Total Investments at Fair Value | <u>\$ 20,500,000</u> | |
| Portfolio Weighted Avg. Maturity | | .45 |

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, 2008, all the investments, other than the investment in Federal Home Loan Bank, constituted a concentration risk due to the investments exceeding 5% of the portfolio balance.

As of December 31, 2007 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> |
|----------------------------------|----------------------|--|
| Federal Home Loan Bank | 700,125 | 1.31 |
| Investments Available for Sale | <u>35,204,050</u> | |
| Total Investments at Fair Value | <u>\$ 35,904,175</u> | |
| Portfolio Weighted Avg. Maturity | | 1.31 |

All investments in federal securities are rated Aaa by Moody's. Investments available for sale are made up of short term investments, domestic and foreign corporate stocks, mutual funds, and other investments.

As of December 31, 2007, the investments of the Pension Fund in mutual funds totaling \$13,696,946 constituted a concentration risk due to the investments exceeding 5% of the portfolio balance.

CITY OF FRANKLIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2008

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

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:

| | General Fund | Multi- Purpose Capital Project Fund | Water & Sewer Fund | Other Governmental Funds | Total |
|------------------------------------|----------------------|--|--------------------------|--------------------------------|----------------------|
| Receivables: | | | | | |
| Accounts | \$ 869,996 | \$ - | \$ 2,059,917 | \$ 626,401 | \$ 3,556,314 |
| Property taxes | 11,196,392 | - | - | - | 11,196,392 |
| Grants | 339,070 | 8,811,035 | - | 520,190 | 9,670,295 |
| Special assessments | 53,762 | - | - | - | 53,762 |
| Intergovernmental | 2,875,834 | - | - | 427,807 | 3,303,641 |
| Fines | 540,458 | - | - | - | 540,458 |
| Local option sales tax | 3,786,481 | - | - | - | 3,786,481 |
| Other | 916,751 | - | - | - | 916,751 |
| Gross receivables | 20,578,744 | 8,811,035 | 2,059,917 | 1,574,398 | 33,024,094 |
| Less: Allowance for uncollectibles | (430,912) | - | (9,000) | - | (439,912) |
| Net total receivables | <u>\$ 20,147,832</u> | <u>\$ 8,811,035</u> | <u>\$ 2,050,917</u> | <u>\$ 1,574,398</u> | <u>\$ 32,584,182</u> |

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 | \$ 165,453 | \$ - |
| 2008 property tax assessment | - | 10,934,219 |
| Special assessments | - | 258,425 |
| Confiscated funds | - | 25,036 |
| Franchise fees | 681,165 | - |
| Court fines receivable | 189,458 | - |
| School facilities tax | - | 437,458 |
| Other receivables | - | 124,525 |
| Unrequested grant proceeds | 3,669,997 | - |
| Total deferred revenue for fund financial statements | <u>\$ 4,706,073</u> | <u>\$ 11,779,663</u> |

CITY OF FRANKLIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

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

C. Capital Assets

Capital asset activity for the year ended June 30, 2008 was as follows:

| | Balance June 30, 2007 | Adjustments | Additions | Disposals | Balance June 30, 2008 |
|---|--------------------------|------------------------|----------------------|------------------|--------------------------|
| Governmental activities: | | | | | |
| Capital assets, not being depreciated: | | | | | |
| Land | \$ 37,988,638 | \$ - | \$ 6,519,474 | \$ - | \$ 44,508,112 |
| Construction in process | 8,639,713 | (2,996,624) | 27,725,829 | - | 33,368,918 |
| Net investment in joint venture - Conference Center - 1/2 interest | 6,469,497 | - | 4,961 | - | 6,474,458 |
| Total capital assets, not being depreciated | <u>53,097,848</u> | <u>(2,996,624)</u> | <u>34,250,264</u> | <u>-</u> | <u>84,351,488</u> |
| Capital assets, being depreciated: | | | | | |
| Buildings and improvements | 32,634,960 | 1,680,577 | 780,423 | - | 35,095,960 |
| Improvements other than buildings | 14,347,668 | 1,316,047 | 282,785 | - | 15,946,500 |
| Equipment | 36,029,537 | - | 6,151,054 | 658,472 | 41,522,119 |
| Infrastructure | 361,735,516 | (5,662,770) | 19,040,011 | - | 375,112,757 |
| Total capital assets, being depreciated | <u>444,747,681</u> | <u>(2,666,146)</u> | <u>26,254,273</u> | <u>658,472</u> | <u>467,677,336</u> |
| Accumulated depreciation | | | | | |
| Buildings and improvements | 4,295,731 | - | 424,321 | - | 4,720,052 |
| Improvements other than buildings | 903,631 | - | 664,921 | - | 1,568,552 |
| Equipment | 16,661,283 | - | 3,457,637 | 647,175 | 19,471,745 |
| Infrastructure | 52,481,329 | 12,448,526 | 7,523,345 | - | 72,453,200 |
| Total accumulated depreciation | <u>74,341,974</u> | <u>12,448,526</u> | <u>12,070,224</u> | <u>647,175</u> | <u>98,213,549</u> |
| Total capital assets being depreciated, net | <u>370,405,707</u> | <u>(15,114,672)</u> | <u>14,184,049</u> | <u>11,297</u> | <u>369,463,787</u> |
| Total governmental activities assets, net | <u>\$ 423,503,555</u> | <u>\$ (18,111,296)</u> | <u>\$ 48,434,313</u> | <u>\$ 11,297</u> | <u>\$ 453,815,275</u> |

CITY OF FRANKLIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

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

C. Capital Assets (Cont.)

| | Balance June 30, 2007 | Adjustments | Additions | Disposals | Balance June 30, 2008 |
|---|--------------------------|-----------------------|----------------------|------------------|--------------------------|
| Business-type activities: | | | | | |
| Capital assets, not being depreciated: | | | | | |
| Land | \$ 1,469,743 | \$ - | \$ 3,541,488 | \$ - | \$ 5,011,231 |
| Construction in process | 8,732,033 | (10,199,273) | 4,250,653 | - | 2,783,413 |
| Total capital assets, not being depreciated | <u>10,201,776</u> | <u>(10,199,273)</u> | <u>7,792,141</u> | <u>-</u> | <u>7,794,644</u> |
| Capital assets, being depreciated: | | | | | |
| Buildings and improvements | 11,291,016 | - | - | - | 11,291,016 |
| Utility plant in service | 140,002,405 | 10,199,273 | 6,131,227 | - | 156,332,905 |
| Machinery and equipment | 4,176,191 | - | 410,266 | 15,840 | 4,570,617 |
| Total capital assets, being depreciated | <u>155,469,612</u> | <u>10,199,273</u> | <u>6,541,493</u> | <u>15,840</u> | <u>172,194,538</u> |
| Accumulated depreciation | | | | | |
| Buildings and improvements | 6,743,098 | - | 332,239 | - | 7,075,337 |
| Utility plant in service | 28,112,872 | - | 3,369,349 | - | 31,482,221 |
| Machinery and equipment | 2,811,987 | - | 357,074 | 15,840 | 3,153,221 |
| Total accumulated depreciation | <u>37,667,957</u> | <u>-</u> | <u>4,058,662</u> | <u>15,840</u> | <u>41,710,779</u> |
| Total capital assets being depreciated, net | <u>117,801,655</u> | <u>10,199,273</u> | <u>2,482,831</u> | <u>-</u> | <u>130,483,759</u> |
| Business-type activities capital assets, net | <u>128,003,431</u> | <u>-</u> | <u>10,274,972</u> | <u>-</u> | <u>138,278,403</u> |
| Total capital assets, net | <u>\$ 551,506,986</u> | <u>\$(18,111,296)</u> | <u>\$ 58,709,285</u> | <u>\$ 11,297</u> | <u>\$ 592,093,678</u> |

CITY OF FRANKLIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

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 | \$ | (204,029) * |
| Administration | | 12,030 |
| Police department | | 475,884 |
| Fire department | | 692,161 |
| Highways and streets | | 7,993,449 |
| Engineering | | 18,098 |
| Stormwater | | 67,377 |
| Sanitation | | 567,439 |
| Transit | | 188,997 |
| Parks | | 759,806 |
| Maintenance | | 44,401 |
| Planning | | 12,150 |
| Codes | | 27,356 |
| Human resources | | 1,890 |
| Channel 10 | | 4,861 |
| Finance | | 62,168 |
| Municipal information and technology | | 1,346,186 |
| Total depreciation expense – governmental activities | \$ | <u>12,070,224</u> |
| Business-type activities: | | |
| Water and sewer | \$ | <u>4,058,662</u> |
| Total depreciation expense – business-type activities | \$ | <u>4,058,662</u> |

* Correction of depreciation charged to General government for Transit building included in Transit.

D. Interfund Receivables, Payables and Transfers

The following is a summary of transfers during the year ended June 30, 2008:

| Transfer from | Transfer To | Amount |
|---|-------------------|--------------------|
| General | Sanitation | \$ 4,469,880 |
| General | Drug | 65,538 |
| General | Transit Authority | 709,758 |
| General | Water | <u>225,000</u> |
| Total | | 5,470,176 |
| Governmental fund activities eliminated | | <u>(5,245,176)</u> |
| Total government-wide | | <u>\$ 225,000</u> |

CITY OF FRANKLIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2008

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 Drug Fund are for the purpose of transferring drug-related revenues received in General Fund to the Drug Fund.
- 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 and Sewer Fund are for the purpose of acquiring property (commonly referred to as the Springs property) owned by the Water and Sewer Fund (valued at \$2.5 million) over 36 monthly payments beginning in April 2008. The property was given to Williamson County in a property swap.

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, 2008, is as follows:

| Receivable Fund | Payable Fund | Amount |
|---|-------------------------------|-------------------|
| General | Sanitation | \$ 52,477 |
| General | Transit Authority | 705,700 |
| General | Multi-Purpose Capital Project | 7,306,560 |
| General | TIIP Grant | 108,884 |
| General | CDBG | 29,143 |
| Road Impact Fee | Multi-Purpose Capital Project | 2,600,000 |
| Facilities Tax | General | 11,522 |
| Facilities Tax | Multi-Purpose Capital Project | 3,200,000 |
| Storm Water | Multi-Purpose Capital Project | 3,017,732 |
| Water and Sewer | General | 139,952 |
| Total | | 17,171,970 |
| Governmental fund activities eliminated | | (17,032,018) |
| Total government-wide | | <u>\$ 139,952</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 General Fund and the Multi-Purpose Capital Project Fund is due to a negative cash balance in the fund at year end awaiting bond issuance.
- The balance between the General Fund and the TIIP Grant Fund is due to a negative cash balance in the fund at year end because of an outstanding developer receivable.
- 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.

CITY OF FRANKLIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

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

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

- The balance between the Road Impact Fee Fund and the Multi-Purpose Capital Project Fund is due to a negative cash balance in the Capital Project Fund at year end awaiting bond issuance.
- The balance between the Facilities Tax Fund and the General Fund is due to a correction of a duplicate accrued liability expensed to Facilities Tax with the cash transferred for payment to the General Fund.
- The balance between the Facilities Tax Fund and the Multi-Purpose Capital Project Fund is due to a negative cash balance in the Capital Project Fund at year end awaiting bond issuance.
- The balance between the Storm Water Fund and the Multi-Purpose Capital Project Fund is due to a negative cash balance in the Capital Project Fund at year end awaiting bond issuance.
- The balance between the Water and Sewer Fund and the General Fund is due to a correction of a duplicate accrued liability expensed to Water and Sewer with the cash transferred for payment to the General Fund.

E. Long-term Debt

Long-term debt at June 30, 2008, 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 | \$ 3,474,000 |
| Tennessee Municipal Variable Rate Pooled Loan Program - 2001; variable rate of interest, final maturity May 25, 2018. | 1,514,000 |
| Series 2002 - General Improvement Refunding Bonds, 2.00% to 3.625% interest, final maturity October 1, 2014. | 5,690,000 |
| Series 2004 - General Public Improvement Bonds, 2.00% to 4.5% interest, final maturity, March 1, 2024 | 7,370,000 |
| Local Government Public Improvement Bonds - VI-B-1, variable rate of interest, final maturity June 30, 2024 | 11,930,000 |
| 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 | 1,035,000 |
| Tennessee Municipal Bond Fund Variable Rate Pooled Loan Program, variable rate of interest, final maturity May 25, 2017 | 2,579,258 |
| General Purpose Public Works Bonds - 2005, variable rate of interest, final maturity July 1, 2020 | 4,045,000 |
| Series 2000 - General Obligation Public Improvement Bonds, 4.25% to 4.85% interest, final maturity April 1, 2015 | <u>2,480,000</u> |
| Total Governmental Activities Long-Term Debt | <u>\$ 60,117,258</u> |

The aforementioned bonds are secured by the full faith and credit of the City. During 2008, 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, 2008

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 | \$ 615,000 |
| Series 2002 - Water and Sewer Revenue and Tax Refunding Bonds; 3.00% to 4.00% interest; final maturity November 1, 2009 | 435,000 |
| Series 1999 - Water and Sewer Revenue and Tax Refunding Bonds: 3.5% to 4.2% interest; final maturity July 1, 2010 | 1,120,000 |
| Series 2002A - Sewer and Water Revenue and Tax Refunding Bonds 3% to 4% interest; final maturity June 30, 2013 | 3,635,000 |
| Series 2002 - Sewer and Water Revenue and Tax Refunding Notes; 3% to 4% interest; final maturity June 30, 2011 | 500,000 |
| Series 2002B - Sewer and Water Revenue and Tax Bonds: 3% to 5.00% interest; final maturity April 1, 2025 | 4,225,000 |
| 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>\$ 35,200,000</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 2008, 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, 2008, are as follows:

| Year Ending June 30, | Revenue and Tax Bonds | | General Obligation Bonds | | Total | |
|--------------------------------|-----------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2009 | \$ 2,180,000 | \$ 1,601,034 | \$ 3,653,000 | \$ 2,297,772 | \$ 5,833,000 | \$ 3,898,806 |
| 2010 | 2,220,000 | 1,517,363 | 3,808,000 | 2,172,884 | 6,028,000 | 3,690,247 |
| 2011 | 2,270,000 | 1,437,915 | 3,440,000 | 2,041,626 | 5,710,000 | 3,479,541 |
| 2012 | 2,295,000 | 1,360,225 | 3,591,000 | 1,919,856 | 5,886,000 | 3,280,081 |
| 2013 | 2,430,000 | 1,266,150 | 3,759,000 | 1,790,587 | 6,189,000 | 3,056,737 |
| 2014 - 2018 | 10,355,000 | 4,879,625 | 13,437,000 | 7,280,389 | 23,792,000 | 12,160,014 |
| 2019 - 2023 | 10,550,000 | 2,188,625 | 8,175,000 | 5,277,490 | 18,725,000 | 7,466,115 |
| 2024 - 2028 | 2,900,000 | 195,750 | 6,675,000 | 3,765,927 | 9,575,000 | 3,961,677 |
| 2029 - 2033 | - | - | 7,600,000 | 2,400,983 | 7,600,000 | 2,400,983 |
| 2034 - 2037 | - | - | 7,350,000 | 748,125 | 7,350,000 | 748,125 |
| Totals | 35,200,000 | 14,446,687 | 61,488,000 | 29,695,639 | 96,688,000 | 44,142,326 |
| Less: Amount Not Drawn Down | - | - | (1,370,742) | - | (1,370,742) | - |
| Debt Outstanding | <u>\$ 35,200,000</u> | <u>\$ 14,446,687</u> | <u>\$ 60,117,258</u> | <u>\$ 29,695,639</u> | <u>\$ 95,317,258</u> | <u>\$ 44,142,326</u> |

CITY OF FRANKLIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2008

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, 2008, was as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|--|----------------------|---------------------|---------------------|----------------------|------------------------|
| Governmental activities: | | | | | |
| General obligation bonds | \$ 63,580,258 | \$ - | \$ 3,463,000 | \$ 60,117,258 | \$ 3,653,000 |
| Compensated absences | 4,494,326 | 2,150,138 | 1,748,198 | 4,896,266 | 2,150,138 |
| Total | <u>68,074,584</u> | <u>2,150,138</u> | <u>5,211,198</u> | <u>65,013,524</u> | <u>5,803,138</u> |
| Add bond issue costs | (291,550) | - | 12,095 | (279,455) | (12,095) |
| Less deferred amount arising from refunding | <u>(350,520)</u> | <u>-</u> | <u>51,799</u> | <u>(298,721)</u> | <u>(51,799)</u> |
| Total - net | <u>\$ 67,432,514</u> | <u>\$ 2,150,138</u> | <u>\$ 5,275,092</u> | <u>\$ 64,435,348</u> | <u>\$ 5,739,244</u> |
| Business-type activities: | | | | | |
| Revenue and tax bonds | \$ 37,310,000 | \$ - | \$ 2,110,000 | \$ 35,200,000 | \$ 2,180,000 |
| Compensated absences | 648,239 | 251,741 | 239,441 | 660,539 | 251,741 |
| Total | <u>37,958,239</u> | <u>251,741</u> | <u>2,349,441</u> | <u>35,860,539</u> | <u>2,431,741</u> |
| Add bond issue costs | 1,807,420 | - | 87,163 | 1,720,257 | 87,163 |
| Less deferred amount arising from refunding | <u>(2,225,028)</u> | <u>-</u> | <u>214,875</u> | <u>(2,010,153)</u> | <u>(214,875)</u> |
| Total - net | <u>\$ 37,540,631</u> | <u>\$ 251,741</u> | <u>\$ 2,651,479</u> | <u>\$ 35,570,643</u> | <u>\$ 2,304,029</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, 2008, 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, 2008, the City of Franklin had \$45,000,000 in General Obligation Bonds authorized and unissued.

CITY OF FRANKLIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

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 100,000 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, 2008, 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, \$455,000 has been retired as of June 30, 2008. 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, 2008

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 | \$ (0) | \$ (455,000) |
| Current Notional Amount | \$20,000,000 | \$ 4,045,000 |
| 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 | \$ 593,570* | \$ 130,299 |
| Net receipts/(disbursements) | \$ (124,430)* | \$ (20,944) |
| Fair Value of Swap Agreement | \$ (795,260) | \$ (47,142) |

* Based on the period June 1, 2007 to May 31, 2008. There were no significant changes between June 1, 2008 and June 30, 2008 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, 2008

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, 2008 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 or Depfa Bank, with a rating by Moody's at September 30, 2008 of A2, or SunTrust, with a rating by Moody's at September 3, 2008 of Aa3,

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 year end.

CITY OF FRANKLIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2008

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> |
|-------------|-------------------|
| 2009 | \$ 46,325 |
| 2010 | 46,325 |
| 2011 | 46,325 |
| 2012 | 46,325 |
| 2013 | 46,325 |
| 2014-2028 | <u>532,733</u> |
| Total | <u>\$ 764,358</u> |

Construction Contracts

As of June 30, 2008, construction funds of \$9,718,752 are restricted assets of the Water and Sewer Fund and designated for future capital projects.

During 2008, various street, public works and park improvement projects were in process. At June 30, 2008, there was approximately \$38,721,701 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, 2008. Accordingly, all financial statement information regarding the Plan is as of December 31, 2007 and the year then ended.

Plan Description:

Membership of the Plan consisted of the following at January 1, 2008, the date of the latest actuarial valuation:

| | |
|---|------------|
| Retirees participants and beneficiaries | 95 |
| Disabled participants | 5 |
| Vested terminated participants | 88 |
| Active plan members | <u>508</u> |
| Total | <u>696</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, 2008

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, 2008 includes the following assumptions: (a) Interest: (Funding rates) Pre-retirement: 7.75% per year, compounded annually, net of expenses; Post-retirement: 7.75 per year, compounded annually, net of expenses, (b) Projected salary increases: Salaries are assumed to increase at 4.75% 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>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> |
|----------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Annual Pension Cost | \$1,012,719 | \$3,460,272 | \$3,601,512 | \$3,822,506 | \$4,534,899 | \$4,435,383 |
| Contribution made | <u>(1,013,736)</u> | <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> |
| Increase in net pension asset * | (1,017) | (1,099) | (1,188) | (1,282) | (1,341) | (1,445) |
| NPO (Asset) at beginning of year | <u>(12,717)</u> | <u>(13,734)</u> | <u>(14,833)</u> | <u>(16,021)</u> | <u>(17,303)</u> | <u>(18,644)</u> |
| NPO (Asset) at end 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> |

* 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 |
|--------------------|-------------------|-------------------|---------------------|------------------------------|---------------------|-------------|-------------------------------|
| 6/30/2008 | 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% |
| 6/30/2003 | 5.00% | Aggregate | 13,325,856 | 1,012,560 | 1,013,736 | (13,734) | 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, 2008

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 |
|--------------------------|--------------------------------|--|----------------|---------------------------------|
| 6/30/2008 | \$ 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:

Emergency Reserve and Cash Flow Reserve – an amount of unreserved fund balance approximately equal to, but not less than 50% of annual operating revenue of the General Fund. The reserve is for covering catastrophic loss, including natural and man-made disaster expenditures, insurance loss reserves, and limited operating expenses in a period of severe economic uncertainty.

Property/Casualty Insurance, Health Insurance, and Retiree Health Benefits Reserve – an amount of the unreserved fund balance approximately equal to, but not less than the following reserves for:

| | |
|--------------------------|---------------------|
| Property Casualty Losses | \$ 950,000 |
| Health Insurance Claims | 1,000,000 |
| Retiree Health Benefits | <u>731,749</u> |
| | <u>\$ 2,681,749</u> |

CITY OF FRANKLIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 4 - OTHER INFORMATION (Cont.)

F. Post Employment Benefits

The City provides a health insurance benefit to retirees. The cost of the benefit to the retiree depends on length of service and retirement age. In all cases, the benefit ends at age 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 rate 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). Most retirees also have a high-deductible insurance option. For fiscal year 2008, the post employment benefit cost the City \$8,312 for administrative fees and \$295,220 for claims.

G. Prior Period Adjustments

During 2008, the following prior period adjustments were made to the financials:

- In the governmental activities section of the financial statements, it was determined that infrastructure had been overstated by \$18,111,296 due to the City recording alleys, private streets, and unaccepted assets in prior years.
- It was determined franchise fees receivable had not been recorded on prior financials in the governmental activities which amounted to an adjustment of \$681,165.
- In the Transit Fund, it was determined that a prior year receivable was overstated by \$186,070 due to the City recording receivables for grants that were not in effect at year end.

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

City of Franklin Employees' Pension Plan

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b) - (a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|---|--|--|--|-------------------------------------|--------------------------------------|--|
| 1/1/2007 | \$ 32,581,714 | \$ 39,456,058 | \$ 6,874,344 | 82.6% | \$ 22,014,626 | 31.2% |
| 1/1/2006 | 26,171,954 | 35,045,973 | 8,874,019 | 74.7% | 20,858,286 | 42.6% |
| 1/1/2005 | 21,955,160 | 28,928,380 | 6,973,220 | 75.9% | 19,437,814 | 35.9% |
| 1/1/2004 | 17,285,876 | 24,830,756 | 7,544,880 | 69.6% | 17,560,911 | 43.0% |
| 1/1/2003 | 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.

See independent auditor's report.

**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.

TIIIP Grant Fund – To account for TIIIP 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, 2008**

| | 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 | TIIP Grant Fund | CDBG Fund | | |
| ASSETS | | | | | | | | | | | | |
| Cash and cash equivalents | \$ 981,634 | \$ - | \$ 228,789 | \$ 198,649 | \$ 226,655 | \$ 1,869,979 | \$ 433,460 | \$ - | \$ - | \$ - | \$ - | \$ 3,939,166 |
| Receivables: | | | | | | | | | | | | |
| Accounts (net of allowance for uncollectible accounts) | | 322,145 | - | - | 3,255 | 1,889 | 167,962 | 22,266 | 108,884 | - | - | 626,401 |
| Intergovernmental | 266,689 | - | - | - | - | 161,118 | - | - | - | - | - | 427,807 |
| Grants | - | - | - | - | - | - | - | 475,317 | - | 44,873 | - | 520,190 |
| Due from other funds | - | 52,477 | 3,211,522 | 2,600,000 | - | - | 3,017,732 | - | - | - | - | 8,881,731 |
| Inventory | - | 85,447 | - | - | - | - | - | - | - | - | - | 85,447 |
| Prepaid expenses | - | - | - | - | 27,850 | - | - | - | - | - | - | 27,850 |
| Total assets | \$ 1,248,323 | \$ 460,069 | \$ 3,440,311 | \$ 2,798,649 | \$ 257,760 | \$ 2,032,986 | \$ 3,619,154 | \$ 497,583 | \$ 108,884 | \$ 44,873 | \$ 14,508,592 | |

LIABILITIES AND FUND BALANCES

| | | | | | | | | | | | | |
|--|---------------------|-------------------|---------------------|---------------------|-------------------|---------------------|---------------------|-------------------|-------------------|------------------|----------------------|--|
| Liabilities: | | | | | | | | | | | | |
| Accounts payable | \$ 199,496 | \$ 375,839 | \$ 9,672 | \$ 105,010 | \$ 239 | \$ 1,390 | \$ 34,485 | \$ 93,497 | \$ - | \$ 15,730 | \$ 835,358 | |
| Accrued expenses | - | 84,230 | - | - | - | - | 11,307 | - | - | - | 95,537 | |
| Due to other funds | - | - | - | - | - | - | - | 705,700 | 108,884 | 29,143 | 843,727 | |
| Deferred revenue | - | - | - | - | - | - | - | 139,229 | - | - | 139,229 | |
| Total liabilities | 199,496 | 460,069 | 9,672 | 105,010 | 239 | 1,390 | 45,792 | 938,426 | 108,884 | 44,873 | 1,913,851 | |
| Fund balances | | | | | | | | | | | | |
| Unreserved, undesignated | 1,048,827 | - | 3,430,639 | 2,693,639 | 257,521 | 2,031,596 | 3,573,362 | (440,843) | - | - | 12,594,741 | |
| Total fund balances | 1,048,827 | - | 3,430,639 | 2,693,639 | 257,521 | 2,031,596 | 3,573,362 | (440,843) | - | - | 12,594,741 | |
| Total liabilities and fund balances | \$ 1,248,323 | \$ 460,069 | \$ 3,440,311 | \$ 2,798,649 | \$ 257,760 | \$ 2,032,986 | \$ 3,619,154 | \$ 497,583 | \$ 108,884 | \$ 44,873 | \$ 14,508,592 | |

CITY OF FRANKLIN, TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES
OTHER GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

| | 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 | TIP Grant Fund | CDBG Fund | | |
| Revenues: | | | | | | | | | | | | |
| Taxes | | | | | | | | | | | | |
| Hotel / Motel tax | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,571,657 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,571,657 |
| Facilities tax | - | - | 2,956,284 | - | - | - | - | - | - | - | - | 2,956,284 |
| Licenses and permits | - | - | - | 1,708,934 | - | - | - | - | - | - | - | 1,708,934 |
| Fines and fees | - | - | - | - | 46,726 | - | - | - | - | - | - | 46,726 |
| Charges for services | - | 3,201,109 | - | - | - | - | 1,959,658 | 65,429 | - | - | - | 5,226,196 |
| Intergovernmental | 1,509,963 | - | 109,550 | - | - | - | - | 1,530,137 | - | - | 82,373 | 3,122,473 |
| Use of money and property | 40,109 | 60,453 | 109,550 | 271,263 | 5,203 | 370,717 | 39,917 | 17,279 | - | - | - | 914,491 |
| Total revenues | 1,550,072 | 3,261,562 | 3,065,834 | 1,980,197 | 51,929 | 1,942,374 | 1,999,575 | 1,612,845 | - | 82,373 | - | 15,546,761 |
| Expenditures: | | | | | | | | | | | | |
| Current: | | | | | | | | | | | | |
| General government | - | - | 33,594 | - | - | 17,800 | - | - | - | 82,373 | - | 133,767 |
| Police | - | - | - | - | 155,734 | - | - | - | - | - | - | 155,734 |
| Highways and streets | 356,401 | - | - | - | - | - | - | - | - | - | - | 356,401 |
| Storm water | - | - | - | - | - | - | 573,359 | - | - | - | - | 573,359 |
| Sanitation | - | 6,438,933 | - | - | - | - | - | - | - | - | - | 6,438,933 |
| Transit | - | - | - | - | - | - | - | 1,014,582 | - | - | - | 1,014,582 |
| Capital outlay | 1,214,258 | 665,433 | 4,473,822 | 1,503,609 | 85,703 | 342,000 | 108,803 | 769,463 | - | - | - | 9,163,091 |
| Debt service | - | 627,076 | - | 1,647,080 | - | 1,308,795 | - | - | - | - | - | 3,582,951 |
| Total expenditures | 1,570,659 | 7,731,442 | 4,507,416 | 3,150,689 | 241,437 | 1,668,595 | 682,162 | 1,784,045 | - | 82,373 | - | 21,418,818 |
| Excess (deficiency) of revenues over (under) expenditures | (20,587) | (4,469,880) | (1,441,582) | (1,170,492) | (189,508) | 273,779 | 1,317,413 | (171,200) | - | - | - | (5,872,057) |
| Other financing sources (uses) | | | | | | | | | | | | |
| Operating transfers to | - | 4,469,880 | - | - | 65,538 | - | - | 709,758 | - | - | - | 5,245,176 |
| Net changes in fund balances | (20,587) | - | (1,441,582) | (1,170,492) | (123,970) | 273,779 | 1,317,413 | 538,558 | - | - | - | (626,881) |
| Fund balances - beginning | 1,069,414 | - | 4,872,221 | 3,864,131 | 381,491 | 1,757,817 | 2,255,949 | (793,331) | - | - | - | 13,407,692 |
| Prior period adjustment | - | - | - | - | - | - | - | (186,070) | - | - | - | (186,070) |
| Fund balances - beginning - restated | 1,069,414 | - | 4,872,221 | 3,864,131 | 381,491 | 1,757,817 | 2,255,949 | (979,401) | - | - | - | 13,221,622 |
| Fund balances - ending | \$ 1,048,827 | \$ - | \$ 3,430,639 | \$ 2,693,639 | \$ 257,521 | \$ 2,031,596 | \$ 3,573,362 | \$ (440,843) | \$ - | \$ - | \$ - | \$ 12,594,741 |

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, 2008

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget Over (Under)</u> |
|------------------------------------|-------------------------|-----------------------|---------------------|--|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Intergovernmental: | | | | |
| Gasoline tax, State of Tennessee | \$ 1,575,000 | \$ 1,575,000 | \$ 1,509,963 | \$ (65,037) |
| Use of money and property: | | | | |
| Contributions from developers | - | 140,000 | 25,000 | (115,000) |
| Interest earned | 10,000 | 10,000 | 15,109 | 5,109 |
| Total revenues | <u>1,585,000</u> | <u>1,725,000</u> | <u>1,550,072</u> | <u>(174,928)</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Highways and streets: | | | | |
| Street maintenance and improvement | 80,000 | 151,133 | 356,401 | 205,268 |
| Capital outlay | <u>2,011,100</u> | <u>2,583,322</u> | <u>1,214,258</u> | <u>(1,369,064)</u> |
| Total expenditures | <u>2,091,100</u> | <u>2,734,455</u> | <u>1,570,659</u> | <u>(1,163,796)</u> |
| Net changes in fund balances | <u>\$ (506,100)</u> | <u>\$ (1,009,455)</u> | (20,587) | <u>\$ 988,868</u> |
| Fund balance - beginning | | | <u>1,069,414</u> | |
| Fund balance - ending | | | <u>\$ 1,048,827</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, 2008

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget Over (Under)</u> |
|--|-------------------------|--------------------|--------------------|--|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Charges for services: | | | | |
| Garbage fees | \$ 3,358,987 | \$ 3,358,987 | \$ 3,150,710 | \$ (208,277) |
| Sale of waste containers | 56,250 | 56,250 | 50,399 | (5,851) |
| Uses of money and property: | | | | |
| Sale of assets | 20,000 | 20,000 | 60,453 | 40,453 |
| Total revenues | <u>3,435,237</u> | <u>3,435,237</u> | <u>3,261,562</u> | <u>(173,675)</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Personnel | 3,353,921 | 3,436,208 | 3,346,240 | (89,968) |
| Operations | 2,677,201 | 3,173,001 | 3,092,693 | (80,308) |
| Debt service | 645,008 | 660,008 | 627,076 | (32,932) |
| Capital outlay | 453,900 | 635,900 | 665,433 | 29,533 |
| Total expenditures | <u>7,130,030</u> | <u>7,905,117</u> | <u>7,731,442</u> | <u>(173,675)</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(3,694,793)</u> | <u>(4,469,880)</u> | <u>(4,469,880)</u> | <u>-</u> |
| Other financing sources (uses) | | | | |
| Operating transfers from other funds | <u>3,694,793</u> | <u>4,469,880</u> | <u>4,469,880</u> | <u>-</u> |
| Net changes in fund balances | <u>\$ -</u> | <u>\$ -</u> | <u>-</u> | <u>\$ -</u> |
| Fund balance - beginning | | | <u>-</u> | |
| Fund balance - ending | | | <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, 2008

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget Over (Under)</u> |
|---------------------------------|-------------------------|-----------------------|---------------------|--|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Licenses and permits | | | | |
| Facilities tax | \$ 3,315,000 | \$ 3,315,000 | \$ 2,956,284 | \$ (358,716) |
| Use of money and property | | | | |
| Contributions from developers | 25,000 | 25,000 | - | (25,000) |
| Interest earned | <u>100,000</u> | <u>100,000</u> | <u>109,550</u> | <u>9,550</u> |
| Total revenues | <u>3,440,000</u> | <u>3,440,000</u> | <u>3,065,834</u> | <u>(374,166)</u> |
| Expenditures: | | | | |
| Capital outlay | 6,862,000 | 8,171,090 | 4,473,822 | (3,697,268) |
| Other costs | <u>48,250</u> | <u>123,561</u> | <u>33,594</u> | <u>(89,967)</u> |
| Total expenditures | <u>6,910,250</u> | <u>8,294,651</u> | <u>4,507,416</u> | <u>(3,787,235)</u> |
| Net changes in fund balances | <u>\$ (3,470,250)</u> | <u>\$ (4,854,651)</u> | (1,441,582) | <u>\$ 3,413,069</u> |
| Fund balance - beginning | | | <u>4,872,221</u> | |
| Fund balance - ending | | | <u>\$ 3,430,639</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, 2008

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget Over (Under)</u> |
|---------------------------------|-------------------------|-----------------------|---------------------|--|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Licenses and permits: | | | | |
| Road impact fee | \$ 3,500,000 | \$ 3,500,000 | \$ 1,708,934 | \$ (1,791,066) |
| Use of money and property: | | | | |
| Interest earned | <u>20,000</u> | <u>20,000</u> | <u>271,263</u> | <u>251,263</u> |
| Total revenues | <u>3,520,000</u> | <u>3,520,000</u> | <u>1,980,197</u> | <u>(1,539,803)</u> |
| Expenditures: | | | | |
| Capital outlay - streets | 1,914,000 | 4,414,361 | 1,503,609 | (2,910,752) |
| Debt service | <u>2,491,953</u> | <u>2,491,953</u> | <u>1,647,080</u> | <u>(844,873)</u> |
| Total expenditures | <u>4,405,953</u> | <u>6,906,314</u> | <u>3,150,689</u> | <u>(3,755,625)</u> |
| Net changes in fund balances | <u>\$ (885,953)</u> | <u>\$ (3,386,314)</u> | (1,170,492) | <u>\$ 2,215,822</u> |
| Fund balance - beginning | | | <u>3,864,131</u> | |
| Fund balance - ending | | | <u>\$ 2,693,639</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, 2008

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget Over (Under)</u> |
|--|-------------------------|--------------------|-------------------|--|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Use of money and property: | | | | |
| Interest earned | \$ 3,000 | \$ 3,000 | \$ 5,203 | \$ 2,203 |
| Fines and fees: | | | | |
| Seized assets/unclaimed evidence | <u>125,000</u> | <u>125,000</u> | <u>46,726</u> | <u>(78,274)</u> |
| Total revenues | <u>128,000</u> | <u>128,000</u> | <u>51,929</u> | <u>(76,071)</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Public safety: | | | | |
| Drug-related | 156,550 | 194,769 | 155,734 | (39,035) |
| Capital outlay | <u>35,150</u> | <u>87,150</u> | <u>85,703</u> | <u>(1,447)</u> |
| Total expenditures | <u>191,700</u> | <u>281,919</u> | <u>241,437</u> | <u>(40,482)</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(63,700)</u> | <u>(153,919)</u> | <u>(189,508)</u> | <u>(35,589)</u> |
| Other financing sources (uses) | | | | |
| Operating transfers from other funds | <u>75,000</u> | <u>75,000</u> | <u>65,538</u> | <u>(9,462)</u> |
| Net changes in fund balances | <u>\$ 11,300</u> | <u>\$ (78,919)</u> | <u>(123,970)</u> | <u>\$ (45,051)</u> |
| Fund balance - beginning | | | <u>381,491</u> | |
| Fund balance - ending | | | <u>\$ 257,521</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, 2008

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget Over (Under)</u> |
|--------------------------------------|-------------------------|---------------------|---------------------|--|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Taxes: | | | | |
| Hotel / Motel tax | \$ 1,400,000 | \$ 1,400,000 | \$ 1,571,657 | \$ 171,657 |
| Use of money and property: | | | | |
| Distributions from conference center | - | - | 346,983 | 346,983 |
| Interest earned | <u>20,000</u> | <u>20,000</u> | <u>23,734</u> | <u>3,734</u> |
| Total Revenues | <u>1,420,000</u> | <u>1,420,000</u> | <u>1,942,374</u> | <u>522,374</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Miscellaneous | - | - | 17,800 | 17,800 |
| Capital outlay | 262,000 | 279,500 | 342,000 | 62,500 |
| Debt service | <u>1,313,331</u> | <u>1,313,331</u> | <u>1,308,795</u> | <u>(4,536)</u> |
| Total expenditures | <u>1,575,331</u> | <u>1,592,831</u> | <u>1,668,595</u> | <u>75,764</u> |
| Net changes in fund balances | <u>\$ (155,331)</u> | <u>\$ (172,831)</u> | 273,779 | <u>\$ 446,610</u> |
| Fund balance - beginning | | | <u>1,757,817</u> | |
| Fund balance - ending | | | <u>\$ 2,031,596</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, 2008

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget Over (Under)</u> |
|---------------------------------|-------------------------|------------------|---------------------|--|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Charges for services: | | | | |
| Customer services | \$ 2,046,000 | \$ 2,046,000 | \$ 1,959,658 | \$ (86,342) |
| Uses of money and property: | | | | |
| Interest earnings | <u>125,000</u> | <u>125,000</u> | <u>39,917</u> | <u>(85,083)</u> |
| Total revenues | <u>2,171,000</u> | <u>2,171,000</u> | <u>1,999,575</u> | <u>(171,425)</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Storm water costs: | | | | |
| Personnel | 503,973 | 503,973 | 449,041 | (54,932) |
| Operations | 186,250 | 205,895 | 124,318 | (81,577) |
| Capital outlay | <u>1,316,000</u> | <u>1,390,286</u> | <u>108,803</u> | <u>(1,281,483)</u> |
| Total expenditures | <u>2,006,223</u> | <u>2,100,154</u> | <u>682,162</u> | <u>(1,417,992)</u> |
| Net changes in fund balances | <u>\$ 164,777</u> | <u>\$ 70,846</u> | 1,317,413 | <u>\$ 1,246,567</u> |
| Fund balance - beginning | | | <u>2,255,949</u> | |
| Fund balance - ending | | | <u>\$ 3,573,362</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, 2008

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget Over (Under)</u> |
|--|-------------------------|-------------------|---------------------|--|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Intergovernmental: | | | | |
| Grants | \$ 146,052 | \$ 1,913,895 | \$ 1,530,137 | \$ (383,758) |
| Charges for services: | | | | |
| Transit fares | 68,273 | 68,273 | 65,429 | (2,844) |
| Uses of money and property: | | | | |
| Sale of assets | - | - | 1,754 | 1,754 |
| Rental income | - | - | 9,800 | 9,800 |
| Interest earnings | - | - | 5,725 | 5,725 |
| Total revenues | <u>214,325</u> | <u>1,982,168</u> | <u>1,612,845</u> | <u>(369,323)</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Operations | 499,035 | 938,016 | 1,014,582 | 76,566 |
| Other | - | - | - | - |
| Capital outlay | - | 960,578 | 769,463 | (191,115) |
| Total expenditures | <u>499,035</u> | <u>1,898,594</u> | <u>1,784,045</u> | <u>(114,549)</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(284,710)</u> | <u>83,574</u> | <u>(171,200)</u> | <u>(254,774)</u> |
| Other financing sources (uses): | | | | |
| Transfer from other funds | <u>284,710</u> | <u>709,758</u> | <u>709,758</u> | <u>-</u> |
| Net changes in fund balances | <u>\$ -</u> | <u>\$ 793,332</u> | <u>538,558</u> | <u>\$ (254,774)</u> |
| Fund balance - beginning | | | (793,331) | |
| Prior period adjustment | | | <u>(186,070)</u> | |
| Fund balance - beginning - restated | | | <u>(979,401)</u> | |
| Fund balance - ending | | | <u>\$ (440,843)</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, 2008

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget Over (Under)</u> |
|-------------------------------------|-------------------------|----------------|---------------|--|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Intergovernmental: | | | | |
| Grants | \$ 275,000 | \$ 300,000 | \$ 82,373 | \$ (217,627) |
| Total revenues | <u>275,000</u> | <u>300,000</u> | <u>82,373</u> | <u>(217,627)</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Operations | <u>275,000</u> | <u>300,000</u> | <u>82,373</u> | <u>(217,627)</u> |
| Total expenditures | <u>275,000</u> | <u>300,000</u> | <u>82,373</u> | <u>(217,627)</u> |
| Net changes in fund balances | <u>\$ -</u> | <u>\$ -</u> | <u>-</u> | <u>\$ -</u> |
| Fund balance - beginning | | | <u>-</u> | |
| Fund balance - ending | | | <u>\$ -</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, 2008

| <u>Function and Activity</u> | <u>Balance June 30, 2007</u> | <u>Prior Period Adjustments</u> | <u>Additions</u> | <u>Disposals</u> | <u>Transfers</u> | <u>Balance June 30, 2008</u> |
|--|----------------------------------|-------------------------------------|----------------------|---------------------|------------------|----------------------------------|
| General government: | | | | | | |
| General | \$ 13,026,928 | \$ - | \$ 33,391 | \$ - | \$ - | \$ 13,060,319 |
| Telephone system | 105,184 | - | - | - | - | 105,184 |
| Traffic | 198,632 | - | 282,538 | - | - | 481,170 |
| Parking garage | 9,377,160 | - | - | - | - | 9,377,160 |
| Fleet management | 45,682 | - | 19,593 | - | - | 65,275 |
| Traffic operation center | 1,537,439 | - | 234,104 | - | - | 1,771,543 |
| Transit operations | 1,642,398 | - | 769,463 | (22,965) | - | 2,388,896 |
| Administration | 191,360 | - | 22,727 | - | - | 214,087 |
| Codes | 293,137 | - | 47,489 | - | - | 340,626 |
| Engineering | 333,713 | - | 59,085 | - | - | 392,798 |
| Finance | 318,347 | - | 27,082 | - | - | 345,429 |
| Fire department | 16,516,421 | - | 1,649,090 | (257,170) | - | 17,908,341 |
| Management information & technology | 11,818,111 | - | 2,540,100 | - | - | 14,358,211 |
| Parks | 35,264,898 | - | 2,825,990 | (16,972) | - | 38,073,916 |
| Human resources | 43,311 | - | 13,701 | - | - | 57,012 |
| Police department | 11,221,642 | - | 3,129,922 | (162,906) | - | 14,188,658 |
| Sanitation | 15,252,956 | - | 812,458 | (198,460) | - | 15,866,954 |
| Maintenance | 38,773 | - | 21,514 | - | - | 60,287 |
| Channel 10 | 42,336 | - | 8,888 | - | - | 51,224 |
| Storm water | 808,753 | - | 631,385 | - | - | 1,440,138 |
| Streets | 7,763,905 | - | 5,782,286 | - | - | 13,546,191 |
| Infrastructure - highways, streets and bridges | 365,434,512 | (5,662,770) | 41,588,771 | - | - | 401,360,513 |
| Conference Center - 1/2 interest | 6,469,497 | - | 4,961 | - | - | 6,474,458 |
| Planning | 100,434 | - | - | - | - | 100,434 |
| Total | \$ 497,845,529 | \$ (5,662,770) | \$ 60,504,538 | \$ (658,473) | \$ - | \$ 552,028,824 |

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, 2008

| Function and Activity | Land | Buildings and Structures | Conference Center | 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 | - | - | - | - | 481,170 | - | - | 481,170 |
| Parking garage | 223,879 | 9,153,281 | - | - | - | - | - | 9,377,160 |
| Fleet management | - | - | - | - | 48,425 | - | 16,850 | 65,275 |
| Traffic operation center | - | - | - | - | 1,662,028 | - | 109,515 | 1,771,543 |
| Transit operations | 35,626 | 918,553 | - | - | 1,434,717 | - | - | 2,388,896 |
| Administration | - | - | - | - | 214,087 | - | - | 214,087 |
| Codes | - | - | - | - | 340,626 | - | - | 340,626 |
| Engineering | - | - | - | - | 392,798 | - | - | 392,798 |
| Finance | - | - | - | - | 345,429 | - | - | 345,429 |
| Fire department | 870,124 | 9,875,000 | - | - | 7,063,651 | - | 99,566 | 17,908,341 |
| Management information & technology | - | - | - | - | 13,803,074 | - | 555,137 | 14,358,211 |
| Parks | 17,627,756 | 477,160 | - | 15,946,501 | 886,376 | - | 3,136,123 | 38,073,916 |
| Human resources | - | - | - | - | 57,012 | - | - | 57,012 |
| Police department | 4,977,567 | 913,177 | - | - | 5,094,653 | - | 3,203,261 | 14,188,658 |
| Sanitation | 795,014 | 9,738,328 | - | - | 5,332,902 | - | 710 | 15,866,954 |
| Maintenance | - | 21,514 | - | - | 38,773 | - | - | 60,287 |
| Channel 10 | - | - | - | - | 51,224 | - | - | 51,224 |
| Storm water | 650,886 | - | - | - | 789,252 | - | - | 1,440,138 |
| Streets | 10,433,478 | 245,559 | - | - | 2,867,154 | - | - | 13,546,191 |
| Infrastructure - highways, streets and bridges | - | - | - | - | - | 375,112,757 | 26,247,756 | 401,360,513 |
| Conference Center - 1/2 interest | - | - | 6,474,458 | - | - | - | - | 6,474,458 |
| Planning | - | - | - | - | 100,434 | - | - | 100,434 |
| Total | \$ 44,508,112 | \$ 35,095,960 | \$ 6,474,458 | \$ 15,946,501 | \$ 41,522,118 | \$ 375,112,757 | \$ 33,368,918 | \$ 552,028,824 |

CITY OF FRANKLIN, TENNESSEE
SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

| <u>Year of Levy</u> | <u>Balance June 30, 2007</u> | <u>Taxes Levied</u> | <u>Adjustments and Collections</u> | <u>Balance June 30, 2008</u> |
|-------------------------|----------------------------------|-------------------------|--|----------------------------------|
| 2007 | \$ - | \$ 10,214,031 | \$ (10,044,032) | \$ 169,999 |
| 2006 | 176,340 | - | (142,007) | 34,333 |
| 2005 | 36,547 | - | (30,934) | 5,613 |
| 2004 | 6,663 | - | (3,664) | 2,999 |
| 2003 | 6,126 | - | (2,256) | 3,870 |
| 2002 | 13,772 | - | (1,037) | 12,735 |
| 2001 | 13,775 | - | (7) | 13,768 |
| 2000 | 5,590 | - | 627 | 6,217 |
| 1999 | 6,725 | - | (696) | 6,029 |
| 1998 | 3,834 | - | (110) | 3,724 |
| 1997 | 3,518 | - | (632) | 2,886 |
| | <u>\$ 272,890</u> | <u>\$ 10,214,031</u> | <u>\$ (10,224,748)</u> | <u>262,173</u> |

Above balances represented as follows:

| | |
|--|----------------------|
| Considered current revenue | 16,808 |
| Allowance for uncollectible accounts | 79,912 |
| Deferred revenue | <u>165,453</u> |
| | 262,173 |
| 2008 tax levy due October 1, 2008 considered as deferred revenue | <u>10,934,219</u> |
| Total taxes receivable | <u>\$ 11,196,392</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, 2008

| | City of Clarksville Pooled Loan Program Series 2001 | | Tennessee Municipal Variable Rate Pooled Loan Program - Series 2001 | | General Improvement Refunding Bonds Series 2002 | | General Improvement Refunding Bonds Series 2004 | | General Obligation Public Improvement Bonds Series 2004 | |
|------|---|-------------------|---|-------------------|---|-------------------|---|-------------------|---|---------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest |
| 2009 | \$ 337,000 | \$ 115,337 | \$ 131,000 | \$ 44,966 | \$ 455,000 | \$ 95,325 | \$ 815,000 | \$ 168,175 | \$ 260,000 | \$ 285,419 |
| 2010 | 348,000 | 104,148 | 135,000 | 41,075 | 475,000 | 76,725 | 835,000 | 143,425 | 290,000 | 278,269 |
| 2011 | 360,000 | 92,594 | 140,000 | 37,066 | 495,000 | 56,706 | 865,000 | 117,925 | 320,000 | 269,569 |
| 2012 | 372,000 | 80,643 | 144,000 | 32,908 | 515,000 | 35,244 | 885,000 | 91,675 | 355,000 | 259,569 |
| 2013 | 385,000 | 68,292 | 149,000 | 28,631 | 540,000 | 12,150 | 915,000 | 63,531 | 390,000 | 248,031 |
| 2014 | 397,000 | 55,510 | 153,000 | 24,206 | - | - | 945,000 | 32,125 | 430,000 | 234,381 |
| 2015 | 411,000 | 42,330 | 158,000 | 19,661 | - | - | 430,000 | 7,794 | 445,000 | 219,331 |
| 2016 | 425,000 | 28,685 | 163,000 | 14,969 | - | - | - | - | 460,000 | 203,200 |
| 2017 | 439,000 | 14,575 | 168,000 | 10,128 | - | - | - | - | 480,000 | 185,950 |
| 2018 | - | - | 173,000 | 5,138 | - | - | - | - | 495,000 | 167,350 |
| 2019 | - | - | - | - | - | - | - | - | 515,000 | 147,550 |
| 2020 | - | - | - | - | - | - | - | - | 535,000 | 126,950 |
| 2021 | - | - | - | - | - | - | - | - | 560,000 | 104,881 |
| 2022 | - | - | - | - | - | - | - | - | 585,000 | 81,081 |
| 2023 | - | - | - | - | - | - | - | - | 610,000 | 55,488 |
| 2024 | - | - | - | - | - | - | - | - | 640,000 | 28,800 |
| 2025 | - | - | - | - | - | - | - | - | - | - |
| 2026 | - | - | - | - | - | - | - | - | - | - |
| 2027 | - | - | - | - | - | - | - | - | - | - |
| 2028 | - | - | - | - | - | - | - | - | - | - |
| 2029 | - | - | - | - | - | - | - | - | - | - |
| 2030 | - | - | - | - | - | - | - | - | - | - |
| 2031 | - | - | - | - | - | - | - | - | - | - |
| 2032 | - | - | - | - | - | - | - | - | - | - |
| 2033 | - | - | - | - | - | - | - | - | - | - |
| 2034 | - | - | - | - | - | - | - | - | - | - |
| 2035 | - | - | - | - | - | - | - | - | - | - |
| 2036 | - | - | - | - | - | - | - | - | - | - |
| 2037 | - | - | - | - | - | - | - | - | - | - |
| | \$ 3,474,000 | \$ 602,114 | \$ 1,514,000 | \$ 258,748 | \$ 2,480,000 | \$ 276,150 | \$ 5,690,000 | \$ 624,650 | \$ 7,370,000 | \$ 2,895,819 |

CITY OF FRANKLIN, TENNESSEE
SCHEDULE OF PRINCIPAL AND INTEREST REQUIREMENTS (Cont.)
GENERAL OBLIGATION DEBT
 JUNE 30, 2008

| | Local Government Public Improvement Bonds | | Tennessee Municipal Bond Fund Variable Rate | | Public Building Authority of the City of Lawrenceburg, TN Loan Agreement 2005 (1) | | General Obligation Public Improvement Refunding Bonds - Series 2005 | | Capital Improvement Bonds Series 2007 (2) | | Total | |
|------|---|---------------------|---|-------------------|---|---------------------|---|------------------|---|----------------------|----------------------|----------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest |
| 2009 | \$ 575,000 | \$ 475,200 | \$ 320,000 | \$ 138,250 | \$ 250,000 | \$ 146,050 | \$ 510,000 | \$ 31,050 | \$ - | \$ 798,000 | \$ 3,653,000 | \$ 2,297,772 |
| 2010 | 595,000 | 452,200 | 350,000 | 127,050 | 255,000 | 136,242 | 525,000 | 15,750 | - | 798,000 | 3,808,000 | 2,172,884 |
| 2011 | 615,000 | 428,400 | 380,000 | 114,800 | 265,000 | 126,566 | - | - | - | 798,000 | 3,440,000 | 2,041,626 |
| 2012 | 635,000 | 403,800 | 410,000 | 101,500 | 275,000 | 116,517 | - | - | - | 798,000 | 3,591,000 | 1,919,856 |
| 2013 | 655,000 | 378,400 | 440,000 | 87,150 | 285,000 | 106,402 | - | - | - | 798,000 | 3,759,000 | 1,790,587 |
| 2014 | 675,000 | 352,200 | 470,000 | 71,750 | 295,000 | 95,305 | - | - | - | 798,000 | 3,365,000 | 1,663,477 |
| 2015 | 700,000 | 325,200 | 500,000 | 55,300 | 310,000 | 84,047 | - | - | - | 798,000 | 2,954,000 | 1,551,663 |
| 2016 | 725,000 | 297,200 | 530,000 | 37,800 | 320,000 | 72,324 | - | - | - | 798,000 | 2,623,000 | 1,452,178 |
| 2017 | 745,000 | 268,200 | 550,000 | 19,250 | 330,000 | 60,411 | - | - | - | 798,000 | 2,712,000 | 1,356,514 |
| 2018 | 770,000 | 238,400 | - | - | 345,000 | 47,669 | - | - | - | 798,000 | 1,783,000 | 1,256,557 |
| 2019 | 795,000 | 207,600 | - | - | 355,000 | 34,644 | - | - | - | 798,000 | 1,665,000 | 1,187,794 |
| 2020 | 825,000 | 175,800 | - | - | 370,000 | 21,153 | - | - | - | 798,000 | 1,730,000 | 1,121,903 |
| 2021 | 850,000 | 142,800 | - | - | 390,000 | 7,143 | - | - | - | 798,000 | 1,800,000 | 1,052,824 |
| 2022 | 880,000 | 108,800 | - | - | - | - | - | - | - | 798,000 | 1,465,000 | 987,881 |
| 2023 | 905,000 | 73,600 | - | - | - | - | - | - | - | 798,000 | 1,515,000 | 927,088 |
| 2024 | 985,000 | 37,400 | - | - | - | - | - | - | - | 798,000 | 1,625,000 | 864,200 |
| 2025 | - | - | - | - | - | - | - | - | - | 1,175,000 | 1,175,000 | 798,000 |
| 2026 | - | - | - | - | - | - | - | - | - | 1,225,000 | 1,225,000 | 751,117 |
| 2027 | - | - | - | - | - | - | - | - | - | 1,300,000 | 1,300,000 | 702,240 |
| 2028 | - | - | - | - | - | - | - | - | - | 1,350,000 | 1,350,000 | 650,370 |
| 2029 | - | - | - | - | - | - | - | - | - | 1,400,000 | 1,400,000 | 596,505 |
| 2030 | - | - | - | - | - | - | - | - | - | 1,450,000 | 1,450,000 | 540,645 |
| 2031 | - | - | - | - | - | - | - | - | - | 1,525,000 | 1,525,000 | 482,790 |
| 2032 | - | - | - | - | - | - | - | - | - | 1,575,000 | 1,575,000 | 421,943 |
| 2033 | - | - | - | - | - | - | - | - | - | 1,650,000 | 1,650,000 | 359,100 |
| 2034 | - | - | - | - | - | - | - | - | - | 1,725,000 | 1,725,000 | 293,265 |
| 2035 | - | - | - | - | - | - | - | - | - | 1,800,000 | 1,800,000 | 224,437 |
| 2036 | - | - | - | - | - | - | - | - | - | 1,875,000 | 1,875,000 | 152,618 |
| 2037 | - | - | - | - | - | - | - | - | - | 1,950,000 | 1,950,000 | 77,805 |
| | <u>\$ 11,930,000</u> | <u>\$ 4,365,200</u> | <u>\$ 3,950,000</u> | <u>\$ 752,850</u> | <u>\$ 4,045,000</u> | <u>\$ 1,054,473</u> | <u>\$ 1,035,000</u> | <u>\$ 46,800</u> | <u>\$ 20,000,000</u> | <u>\$ 18,818,835</u> | <u>\$ 61,488,000</u> | <u>\$ 29,695,639</u> |
| | | | | | | | | | | | <u>(1,370,742)</u> | |
| | | | | | | | | | | | | <u>60,117,258</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 Depfa Bank.

CITY OF FRANKLIN, TENNESSEE
 SCHEDULE OF PRINCIPAL AND INTEREST REQUIREMENTS
 PROPRIETARY FUND DEBT
 JUNE 30, 2008

| Fiscal Year | Water & Sewer | | Sewer & Water | | Sewer & Water | | Sewer & Water | | Sewer & Water | | Sewer & Water | | Sewer & Water | | Totals | |
|-------------|---------------------|------------------|-------------------|------------------|-------------------|------------------|---------------------|-------------------|-------------------|------------------|---------------------|-------------------|----------------------|----------------------|----------------------|----------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest |
| 2009 | \$ 355,000 | \$ 39,131 | \$ 300,000 | \$ 18,840 | \$ 245,000 | \$ 12,500 | \$ 450,000 | \$ 177,750 | \$ 160,000 | \$ 15,988 | \$ 670,000 | \$ 128,575 | \$ - | \$ 1,208,250 | \$ 2,180,000 | \$ 1,601,034 |
| 2010 | 375,000 | 24,161 | 315,000 | 6,458 | 190,000 | 3,800 | 475,000 | 160,875 | 165,000 | 10,094 | 700,000 | 103,725 | - | 1,208,250 | 2,220,000 | 1,517,363 |
| 2011 | 390,000 | 8,190 | - | - | - | - | 700,000 | 141,875 | 175,000 | 3,500 | 725,000 | 76,100 | 280,000 | 1,208,250 | 2,270,000 | 1,437,915 |
| 2012 | - | - | - | - | - | - | 1,250,000 | 113,875 | - | - | 755,000 | 46,500 | 290,000 | 1,199,850 | 2,295,000 | 1,360,225 |
| 2013 | - | - | - | - | - | - | 1,350,000 | 60,750 | - | - | 785,000 | 15,700 | 295,000 | 1,189,700 | 2,430,000 | 1,266,150 |
| 2014 | - | - | - | - | - | - | - | - | - | - | - | - | 2,010,000 | 1,179,375 | 2,010,000 | 1,179,375 |
| 2015 | - | - | - | - | - | - | - | - | - | - | - | - | 2,030,000 | 1,078,875 | 2,030,000 | 1,078,875 |
| 2016 | - | - | - | - | - | - | - | - | - | - | - | - | 2,050,000 | 977,375 | 2,050,000 | 977,375 |
| 2017 | - | - | - | - | - | - | - | - | - | - | - | - | 2,115,000 | 874,875 | 2,115,000 | 874,875 |
| 2018 | - | - | - | - | - | - | - | - | - | - | - | - | 2,150,000 | 769,125 | 2,150,000 | 769,125 |
| 2019 | - | - | - | - | - | - | - | - | - | - | - | - | 2,220,000 | 661,625 | 2,220,000 | 661,625 |
| 2020 | - | - | - | - | - | - | - | - | - | - | - | - | 2,240,000 | 550,625 | 2,240,000 | 550,625 |
| 2021 | - | - | - | - | - | - | - | - | - | - | - | - | 2,255,000 | 438,625 | 2,255,000 | 438,625 |
| 2022 | - | - | - | - | - | - | - | - | - | - | - | - | 2,280,000 | 325,875 | 2,280,000 | 325,875 |
| 2023 | - | - | - | - | - | - | - | - | - | - | - | - | 1,555,000 | 211,875 | 1,555,000 | 211,875 |
| 2024 | - | - | - | - | - | - | - | - | - | - | - | - | 1,450,000 | 134,125 | 1,450,000 | 134,125 |
| 2025 | - | - | - | - | - | - | - | - | - | - | - | - | 1,450,000 | 61,625 | 1,450,000 | 61,625 |
| | \$ 1,120,000 | \$ 71,482 | \$ 615,000 | \$ 25,298 | \$ 435,000 | \$ 16,300 | \$ 4,225,000 | \$ 655,125 | \$ 500,000 | \$ 29,582 | \$ 3,635,000 | \$ 370,600 | \$ 24,670,000 | \$ 13,278,300 | \$ 35,200,000 | \$ 14,446,687 |

CITY OF FRANKLIN, TENNESSEE
SCHEDULE OF INSURANCE COVERAGE
 June 30, 2008

| <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) | \$ 132,099,163 |
| 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 | 1,000,000 |
| Law Enforcement Liability | Limit of liability | 1,000,000 |
| | Deductible | 10,000 |
| Errors & Omissions | Limit of liability | 1,000,000 |
| | Deductible | 10,000 |
| Mobile Equipment Coverage | Property damage (replacement cost, with \$250 deductible per occurrence) | 3,629,227 |
| Computer Coverage | Blanket - all locations (replacement cost, with \$250 deductible per occurrence) | 4,709,777 |

CITY OF FRANKLIN, TENNESSEE
SCHEDULE OF PRINCIPAL OFFICIALS' SALARIES AND SURETY BONDS
FOR THE YEAR ENDED JUNE 30, 2008

| <u>Official Title</u> | <u>Monthly Salary</u> | <u>Surety Bond</u> |
|------------------------------|------------------------------|---------------------------|
| Mayor | \$ 800 (1) | (3) |
| Interim City Administrator | \$ 10,939 | (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, 2008

Utility Services

| <u>Service:</u> | <u>Number of Customers</u> | <u>Fees</u> |
|-----------------|--------------------------------|--------------|
| Water | 16,363 | \$ 6,101,227 |
| Sewer | 14,499 | 6,970,092 |
| Reclaimed | 28 | 201,956 |

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 |

(Continued)

CITY OF FRANKLIN, TENNESSEE
SCHEDULE OF UTILITY RATES, FEES AND OTHER INFORMATION (Cont.)
FOR THE YEAR ENDED JUNE 30, 2008

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
JUNE 30, 2008

| | |
|---------------------------------------|----------------------|
| Water Treated: | |
| Water Produced | 580,106,000 |
| Water Pumped (potable) | <u>1,650,717,000</u> |
| Total Water Treated and Purchased | <u>2,230,823,000</u> |
| | |
| Accounted for Water: | |
| Water Sold | 1,690,158,646 |
| Fire Department Usage (Estimated) | 4,527,000 |
| Tank Cleaning/Maintenance (Estimated) | 100,000 |
| Flushing - Zone 1 | 918,573 |
| Flushing - Zone 2 | 1,915,190 |
| Flushing - New Development | 1,955,034 |
| Flushing - City Projects | 198,594 |
| Street Cleaning | 600,000 |
| Water Leaks | 2,953,000 |
| Water Bill Adjustments | 11,901,000 |
| Sewer Vac Trucks (Estimated) | <u>1,040,000</u> |
| Total Accounted for Water | <u>1,716,267,037</u> |
| Unaccounted for Water | 514,555,963 |
| Percent Unaccounted for Water | 23.07% |
| Cost per 1,000 Gallons Water | \$ 1.71 |
| Cost of Unaccounted for Water | \$ 879,891 |

All amounts are in gallons.

CITY OF FRANKLIN, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

| Source/Grant Name | CFDA Number | Grant Number | Balance | | Adjustment | Cash Receipts | Expenditures | Balance 6/30/2008 (Receivable) Unearned |
|--|-------------|-----------------|---------------------------------|------------|------------|---------------|--------------|---|
| | | | 6/30/2007 (Receivable) Unearned | | | | | |
| U.S. DEPARTMENT OF JUSTICE | | | | | | | | |
| Ballistic Vests | 16.607 | N/A | \$ (5,134) | \$ - | \$ 5,389 | \$ (255) | \$ - | |
| Law enforcement Block Grant #8 | 16.738 | 2005-DJ-BX-1239 | 1,169 | - | - | (1,169) | - | |
| Total U.S. Department of Justice | | | (3,965) | - | 5,389 | (1,424) | - | |
| U.S. DEPARTMENT OF TRANSPORTATION | | | | | | | | |
| Ride Share Program** | 20.205 | STP-M-9305 | (111,215) | - | 49,812 | (153,477) | (214,880) | |
| CMAQ Grant** | 20.205 | STP-M-9305 | (13,385) | - | - | - | (13,385) | |
| Transit Facilities Purchase Grant** | 20.507* | FTA 5309 | (693,285) | 186,070 | 450,000 | (262,213) | (319,428) | |
| Passed through the TN Department of Transportation | | | | | | | | |
| Job Access Reverse Commute | 20.516 | TN-37-4067-00 | - | - | 22,500 | (45,000) | (22,500) | |
| Transit Capital Grants | 20.500* | TN-03-0089-00 | - | - | 96,938 | (96,938) | - | |
| ITS Initiative | 20.205 | | - | - | - | (44,000) | (44,000) | |
| ATIS Phase II | 20.205 | | - | - | - | (78,250) | (78,250) | |
| Enforcing Driver Safety | 20.605 | Z-07-036101-00 | (12,562) | - | 53,331 | (40,769) | - | |
| High Visibility Law Enforcement Campaigns | 20.601 | Z-07-035801-00 | (150) | - | 1,667 | (1,517) | - | |
| Total U.S. Department of Transportation | | | (830,597) | 186,070 | 674,248 | (722,164) | (692,443) | |
| U.S. DEPARTMENT OF THE INTERIOR | | | | | | | | |
| Passed through the TN Dep of Env and Conservation | | | | | | | | |
| Preservation Education and Resource Guide | 15.904 | GG-07-12857-00 | - | - | 5,353 | (5,353) | - | |
| U.S. DEPARTMENT OF HOUSING AND URBAN DEV | | | | | | | | |
| Community Development Block Grant | 97.036 | B-07MC-47-0014 | - | - | 37,499 | (82,373) | (44,874) | |
| FEDERAL EMERGENCY MANAGEMENT AGENCY | | | | | | | | |
| FEMA Grant | 97.036 | FEMA-3217-EM-TN | (19,965) | - | 19,965 | - | - | |
| NATIONAL ENDOWMENT FOR THE ARTS | | | | | | | | |
| Promotion of the Arts Grant, The Big Read | 97.078 | Z-05-031030 00 | - | - | 7,760 | (9,700) | (1,940) | |
| U.S. DEPARTMENT OF ENVIRONMENTAL PROTECTION | | | | | | | | |
| Drainage grant | 66.606 | XP96408105 | (142,889) | - | - | - | (142,889) | |
| Total Federal Assistance | | | (997,416) | \$ 186,070 | \$ 750,214 | \$ (821,014) | \$ (882,146) | |

* 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 EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

| Source/Grant Name | State Grant Number | Balance 6/30/2007 (Receivable) Unearned | Adjustments | Cash Receipts | Expenditures | Balance 6/30/2008 (Receivable) Unearned |
|---|-----------------------|--|-------------|------------------|----------------|--|
| TENNESSEE DEPARTMENT OF TRANSPORTATION | | | | | | |
| Mass Transit Grant | GG-07-20754-00** | \$ (196,394) | - | \$ 196,394 | - | \$ - |
| Mass Transit Grant | Z-08-21337-00 | - | - | 206,214 | (206,214) | - |
| Mass Transit Grant | FTA 5309** | (86,661) | - | - | (770) | (87,431) |
| Transit Capital Grant | GG-06-12975-00 | - | - | 9,927 | (9,927) | - |
| Transit Maintenance Grant | | - | - | - | (32,573) | (32,573) |
| Industrial Road Access Program | | - | - | 1,776,544 | (8,474,268) | (6,697,724) |
| Job Access Reverse Commute | GG-08-23732-00 | - | - | 22,500 | (22,500) | - |
| Total Tennessee Department of Transportation | | (283,055) | - | 2,211,579 | (8,746,252) | (6,817,728) |
| TENNESSEE DEPARTMENT OF ECONOMIC & COMMUNITY DEVELOPMENT | | | | | | |
| TIIP Grant-Community Health Systems | GG-06-12246-00 | - | - | 49,415 | (49,415) | - |
| FastTrack Infrastructure Development Program | GG-08-23898-00 | - | - | - | (425,733) | (425,733) |
| Heavy Duty Hybrid Vehicle Grant | GG-06-12308-00 | - | - | 199,900 | (199,900) | - |
| Total Tennessee Department of Economic and Community Development | | - | - | 249,315 | (675,048) | (425,733) |
| TENNESSEE DEPARTMENT OF STATE | | | | | | |
| Community Enhancement Grant | | - | - | 4,000 | (4,000) | - |
| Total State Financial Assistance | | \$ (283,055) | - | \$ 2,464,894 | \$ (9,425,300) | \$ (7,243,461) |

** 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. 81

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. 87

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. 91

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. 96

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. 98

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> |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Governmental activities: | | | | | | |
| 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 |
| Restricted for: | | | | | | |
| Street maintenance and improvements | 2,127,190 | 2,533,649 | 983,107 | 900,412 | 1,069,415 | 1,048,827 |
| Other projects | 3,619,122 | 1,690,759 | 233,836 | 295,536 | 381,491 | 257,521 |
| Capital projects | 4,313,516 | 4,881,853 | 9,041,671 | - | - | - |
| Unrestricted | <u>33,778,923</u> | <u>27,146,454</u> | <u>28,382,567</u> | <u>34,680,258</u> | <u>53,444,430</u> | <u>34,055,155</u> |
| Total net assets | <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> |
| Business-type activities: | | | | | | |
| 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 |
| Unrestricted | <u>14,742,384</u> | <u>2,844,501</u> | <u>11,962,212</u> | <u>13,957,292</u> | <u>15,774,391</u> | <u>9,997,061</u> |
| Total net assets | <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> |
| Primary government: | | | | | | |
| 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 |
| Restricted for: | | | | | | |
| Street maintenance and improvements | 2,127,190 | 2,533,649 | 983,107 | 900,412 | 1,069,415 | 1,048,827 |
| Other projects | 3,619,122 | 1,690,759 | 233,836 | 295,536 | 381,491 | 257,521 |
| Capital projects | 4,313,516 | 4,881,853 | 9,041,671 | - | - | - |
| Unrestricted | <u>48,521,307</u> | <u>29,990,955</u> | <u>40,344,779</u> | <u>48,637,550</u> | <u>62,740,708</u> | <u>44,052,216</u> |
| Total net assets | <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> |

* 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)

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

(Prepared using the accrual basis of accounting)

| FISCAL YEAR | PROPERTY TAX | SALES TAX** | OTHER LOCALLY ASSESSED TAXES | OTHER STATE SHARED TAXES | ACCESS FEES AND TAXES | FRANCHISE TAXES | TOTAL |
|--------------------|---------------------|--------------------|-------------------------------------|---------------------------------|------------------------------|------------------------|--------------|
| | 2003 | \$ 9,028,390 | \$ 16,318,730 | \$ 3,935,582 | \$ 2,928,772 | \$ 1,980,805 | \$ 653,623 |
| 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 |

* 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)

| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|-------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|----------------|
| General Fund | | | | | | | | | | |
| Reserved | \$ 129,445 | \$ 73,310 | \$ 93,068 | \$ 191,674 | \$ 307,213 | \$ 215,797 | \$ 345,620 | \$ 308,850 | \$ 294,580 | \$ 236,942 |
| Unreserved | 19,404,509 | 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 |
| Total General Fund | \$ 19,533,954 | \$ 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 |
| All Other Governmental Funds | | | | | | | | | | |
| Unreserved, reported in: | | | | | | | | | | |
| Special Revenue Funds | 5,887,820 | 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 |
| Capital Project Fund | 5,291,030 | 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) |
| Permanent Fund | 20,042 | 20,319 | 20,487 | 20,517 | 20,581 | - | - | - | - | - |
| Total All Other Governmental Funds | \$ 11,198,892 | \$ 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) |
| Total Governmental Funds | \$ 30,732,846 | \$ 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 |

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)

| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|---|---------------------|-------------------|---------------------|-----------------------|---------------------|-----------------------|---------------------|-----------------------|----------------------|------------------------|
| Revenues | | | | | | | | | | |
| Taxes | \$ 22,034,053 | \$ 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 |
| Licenses and permits | 3,275,342 | 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 |
| Fines and fees | 481,034 | 580,917 | 754,332 | 908,886 | 907,080 | 796,601 | 753,717 | 1,022,408 | 985,180 | 951,314 |
| Charges for services | 613,801 | 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 |
| Intergovernmental | 9,980,274 | 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 |
| Uses of money and property | 2,910,707 | 1,393,390 | 1,769,808 | 965,987 | 823,467 | 649,789 | 1,282,069 | 4,022,396 | 2,045,124 | 2,827,770 |
| Miscellaneous | - | 130,955 | 102,616 | 113,488 | 110,648 | 511,386 | 1,750,000 | 352,038 | 512,774 | 118,122 |
| Total revenues | 39,295,211 | 36,630,714 | 40,689,441 | 42,352,420 | 41,659,176 | 45,546,284 | 53,216,257 | 64,030,656 | 68,940,330 | 77,280,828 |
| Expenditures | | | | | | | | | | |
| General government | 5,046,420 | 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 |
| Administration | 1,021,943 | 723,362 | 822,988 | 961,943 | 1,204,420 | 1,336,029 | 970,733 | 1,165,433 | 1,209,609 | 1,151,644 |
| City recorder | - | - | - | - | - | - | 338,697 | 302,844 | 969,927 | 1,112,775 |
| Public safety: | | | | | | | | | | |
| Police | 7,585,342 | 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 |
| 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 |
| Highways and streets | 1,811,605 | 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 |
| Engineering | 280,921 | 454,186 | 710,164 | 885,480 | 549,049 | 554,525 | 567,196 | 688,975 | 852,251 | 1,050,935 |
| Storm water | - | - | - | - | - | 529,347 | 534,935 | 633,195 | 1,012,728 | 573,359 |
| Sanitation | 2,174,110 | 2,682,120 | 2,839,967 | 3,042,271 | 3,667,979 | 3,518,543 | 4,744,880 | 5,548,426 | 5,954,751 | 6,438,933 |
| Transit | 316,076 | 336,148 | 404,306 | 508,346 | 635,659 | 883,254 | 1,030,481 | 1,240,277 | 973,234 | 1,014,582 |
| Parks | - | - | - | - | - | - | 296,571 | 276,082 | 1,708,657 | 1,947,593 |
| Maintenance | 367,157 | 341,032 | 387,508 | 467,477 | 664,632 | 796,193 | 877,707 | 987,339 | 373,350 | 522,552 |
| Elected officials | - | - | - | - | - | - | - | - | - | 176,746 |
| Planning | 432,948 | 515,268 | 577,270 | 706,474 | 865,683 | 986,856 | 1,165,193 | 1,296,516 | 1,093,682 | 1,320,076 |
| Codes | 85,253 | 93,494 | 106,415 | 131,623 | 244,792 | 167,095 | 177,932 | 194,797 | 1,709,602 | 1,827,452 |
| Courts | 274,780 | 267,688 | 305,182 | 402,840 | 490,641 | 454,124 | 481,601 | 643,668 | 239,496 | 239,482 |
| Human resources | - | 429,111 | 477,450 | - | - | - | 86,550 | 84,048 | 640,239 | 645,386 |
| Channel 10 | - | - | - | 553,807 | 635,514 | 724,989 | 746,855 | 737,586 | 105,768 | 116,387 |
| Finance | - | - | - | - | - | - | - | - | 845,888 | 905,888 |
| Legal | - | - | - | - | - | - | - | - | 123,775 | 355,360 |
| Purchasing | - | - | - | - | - | - | - | - | 164,113 | 184,052 |
| Municipal information and technology | - | - | - | - | - | - | - | - | 1,326,674 | 1,585,448 |
| Debt service | - | - | - | 482,897 | 482,897 | 565,054 | 646,097 | 803,731 | - | - |
| Principal | 1,230,000 | 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 |
| Interest | 577,658 | 530,813 | 698,723 | 836,401 | 588,289 | 539,767 | 887,477 | 1,520,878 | 1,877,869 | 2,161,712 |
| Other charges | 227,622 | 1,679 | 1,541 | 265 | 541 | 147,236 | 122,055 | 74,417 | 243,294 | 156,521 |
| Capital outlay - noncapital | - | - | - | 552,022 | - | 441,368 | 3,562,508 | 6,859,583 | 3,011,051 | 552,973 |
| Capital outlay - capital | 16,370,143 | 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 |
| Total expenditures | 37,801,978 | 36,439,642 | 37,755,158 | 45,319,639 | 41,842,186 | 54,667,183 | 71,614,534 | 70,510,362 | 76,358,294 | 100,792,343 |
| Excess (deficiency) of revenues over (under) expenditures | 1,493,233 | 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) |
| Other financing sources (uses): | | | | | | | | | | |
| Proceeds of long-term debt | 4,315,468 | - | 4,500,000 | 4,557,476 | 5,000,000 | 9,770,000 | 26,967,194 | 4,315,468 | 20,356,658 | 520,183 |
| Transfer to bond escrow agent | - | - | - | (4,612,476) | - | (7,836,391) | (2,504,317) | - | - | - |
| Operating transfers in | 9,673,897 | 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 |
| Operating transfers out | (9,673,897) | (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) |
| Total other financing sources (uses) | 4,315,468 | - | 4,500,000 | (55,000) | 5,895,922 | 1,933,609 | 24,462,877 | 4,315,468 | 20,356,658 | 295,183 |
| Net changes in fund balances | \$ 5,808,701 | \$ 191,072 | \$ 7,434,283 | \$ (3,022,219) | \$ 5,712,912 | \$ (7,187,290) | \$ 6,064,600 | \$ (2,164,238) | \$ 12,938,694 | \$ (23,216,332) |
| Debt service as a % of noncapital expenditures | 9.50% | 6.44% | 7.82% | 6.69% | 5.82% | 6.19% | 6.23% | 8.36% | 10.11% | 9.78% |

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 |
|-------------|--------------|---------------|--------------|-----------------------------|--------------|----------------|-----------------|---------------|-------|
| | | | | BEVERAGE TAXES ** | TAXES ** | | | | |
| 1999 | \$ 5,747,924 | \$ 11,129,822 | \$ 1,155,804 | \$ 1,208,658 | \$ 2,266,019 | \$ 241,885 | \$ 283,941 | \$ 22,034,053 | |
| 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 | |

* 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**

| TAX YEAR | APPRAISED VALUE | | | TOTAL DIRECT TAX RATE* |
|-----------------|---|-----------------------------|--------------------------------------|---------------------------------------|
| | REAL AND PERSONAL PROPERTY | PUBLIC UTILITIES | TOTAL APPRAISED VALUE | |
| 1998 | \$ 2,576,530,483 | \$ 44,890,624 | \$ 2,621,421,107 | \$ 0.69 |
| 1999 | 2,996,974,813 | 43,381,296 | 3,040,356,109 | 0.69 |
| 2000 | 3,323,606,101 | 52,996,184 | 3,376,602,285 | 0.69 |
| 2001 | 4,313,677,179 | 70,761,193 | 4,384,438,372 | 0.55 |
| 2002 | 4,508,807,480 | 71,250,342 | 4,580,057,822 | 0.55 |
| 2003 | 4,704,994,349 | 66,414,458 | 4,771,408,807 | 0.55 |
| 2004 | 4,970,397,793 | 69,467,343 | 5,039,865,136 | 0.55 |
| 2005 | 5,514,330,572 | 69,464,614 | 5,583,795,186 | 0.55 |
| 2006 | 7,329,617,163 | 82,197,509 | 7,411,814,672 | 0.43 |
| 2007 | 7,829,612,977 | 83,877,787 | 7,913,490,764 | 0.43 |

* 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> | |
| 1999 | \$ | 0.69 | \$ | 3.47 | \$ 4.16 |
| 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 |

* 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. Rates for property not in the special school district are as follows:

| | | |
|------|----|------|
| 1999 | \$ | 2.82 |
| 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 |

CITY OF FRANKLIN, TENNESSEE

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

| <u>Taxpayer</u> | <u>1999</u> | | <u>2008</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 | \$ 8,837,396 | 1.08% | \$ 17,932,474 | 0.75% |
| Middle TN Electric Membership Corp | 4,019,990 | 0.49% | 10,632,632 | 0.44% |
| Bell South Telecommunications | \$ 7,858,932 | 0.96% | | |
| <u>Real and Personal Property Tax</u> | | | | |
| Galleria Associates | 28,780,080 | 3.52% | 47,035,400 | 1.96% |
| Carothers Office | | | 26,064,120 | 1.09% |
| Wyndchase at Aspen Grove | 13,855,200 | 1.70% | 20,000,000 | 0.83% |
| Landings F C LP | 13,745,922 | 1.68% | 19,022,465 | 0.79% |
| Williams W. Fred Trust | | | 18,519,400 | 0.77% |
| Williamson Farms Corp | | | 16,843,295 | 0.70% |
| Alara Franklin Corp | | | 13,862,320 | 0.58% |
| Franklin Cool Springs Corp | | | 13,689,435 | 0.57% |
| Crescent Resources | 7,315,454 | 0.90% | 13,607,440 | 0.57% |
| Lightman Cool Springs | | | 12,992,320 | 0.54% |
| Jefferson at Cool Springs LP | 9,220,373 | 1.13% | | |
| Crown Brook Ltd | 8,840,840 | 1.08% | | |
| Ambassador VIII LP | 8,840,200 | 1.08% | | |
| NWI Warehouse Group | 7,493,840 | 0.92% | | |
| Cap-Tenn Associates | 6,564,920 | 0.80% | | |
| Totals | <u>\$ 125,373,147</u> | <u>15.35%</u> | <u>\$ 230,201,301</u> | <u>9.59%</u> |

* Total assessed valuation in 1999 (tax year 1998) is \$816,853,998.

** Total assessed valuation in 2008 (tax year 2007) is \$2,399,581,643.

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 |
|--------------------|-----------------------|--|--------------------------|--|--------------------------|---|-------------------------------------|--|
| 1999 | \$ 6,520,819 | \$ 5,555,003 | 85.19% | \$ 962,092 | \$ 6,517,095 | 99.94% | \$ 204,611 | 3.14% |
| 2000 | 6,520,819 | 6,393,394 | 98.05% | 121,396 | 6,514,790 | 99.91% | 216,898 | 3.33% |
| 2001 | 7,161,095 | 6,944,372 | 96.97% | 210,506 | 7,154,878 | 99.91% | 278,161 | 3.88% |
| 2002 | 7,596,518 | 7,398,178 | 97.39% | 184,572 | 7,582,750 | 99.82% | 283,314 | 3.73% |
| 2003 | 7,874,904 | 7,660,107 | 97.27% | 202,062 | 7,862,169 | 99.84% | 311,709 | 3.96% |
| 2004 | 8,134,453 | 7,970,209 | 97.98% | 160,374 | 8,130,583 | 99.95% | 269,270 | 3.31% |
| 2005 | 8,619,512 | 8,468,288 | 98.25% | 148,225 | 8,616,513 | 99.97% | 261,835 | 3.04% |
| 2006 | 9,328,587 | 9,152,371 | 98.11% | 170,603 | 9,322,974 | 99.94% | 271,362 | 2.91% |
| 2007 | 9,611,622 | 9,435,282 | 98.17% | 142,007 | 9,577,289 | 99.64% | 276,072 | 2.87% |
| 2008 | 10,212,816 | 10,042,817 | 98.34% | - | 10,042,817 | 98.34% | 262,173 | 2.57% |

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 | REVENUE & TAX BONDS | | | |
| 1999 | 34,105 | 39,094 | \$ 17,685,000 | \$ 16,617,746 | \$ | \$ 34,302,746 | \$ 1,005.80 | 2.57% |
| 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 | 51,841 | 63,580,258 | 37,310,000 | | 100,890,258 | 2,041.82 | 3.94% |
| 2008 | 56,219 | 51,841 | 60,117,258 | 35,200,000 | | 95,317,258 | 1,695.46 | 3.27% |

* 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 |
|--------------------|--------------------|----------------------------|---|--|---|
| 1999 | 34,105 | \$ 2,621,421,107 | \$ 17,685,000 | 0.67% | \$ 518.55 |
| 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 |

* Prior to 2000; City Estimates; 2000 and forward: Tennessee Certified Populations
 ** Excludes compensated absences

CITY OF FRANKLIN, TENNESSEE

**Debt Capacity Information -
Direct and Overlapping Governmental Activities Debt
As of June 30, 2008**

| <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 | \$ 60,117,258 | 100.00% | \$ 60,117,258 |
| Williamson County | 440,104,000 | 36.29% * | 159,728,703 |
| Franklin Special School District | <u>54,924,930</u> | 100.00% ** | <u>54,924,930</u> |
| Total | <u>\$ 555,146,188</u> | | <u>\$ 274,770,891</u> |

* Based upon Assessed Value of Property in:

| | |
|--------|------------------|
| County | \$ 6,611,619,945 |
| City | \$ 2,399,581,643 |

** 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 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|-----------------------------|----------------|----------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Assessed Value | \$ 816,853,998 | \$ 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 |
| General Obligation Debt | \$ 17,685,000 | \$ 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 |
| Debt as % of Assessed Value | 2.17% | 1.73% | 1.86% | 1.31% | 1.52% | 1.52% | 2.90% | 2.75% | 2.81% | 2.51% |

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 | | | | |
|--------------------|------------------------|---|-----------------------------------|---|----------------------------------|-----------------|--------------|----|------|
| | | | | | Principal | Interest | Total | | |
| 1999 | \$ 8,728,654 | \$ 4,630,760 | \$ 6,278,475 | \$ 7,080,939 | \$ 785,000 | \$ 698,841 | \$ 1,483,841 | \$ | 4.77 |
| 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 |

* 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 Years of | | School Enrollment | Unemployment Rate ***** |
|------|--------------|--------------------|--------------------------------|-----------------------------|------------------------|-------------------|-------------------------|
| | | | | Schooling**** | Years of Schooling**** | | |
| 1999 | 34,105 | 1,333,300,870 | 39,094 | N/A | N/A | 1.90% | |
| 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 | 2.80% | |
| 2002 | 41,842 | 1,739,790,360 | 41,580 | 13.9 | 8,094 | 3.30% | |
| 2003 | 41,842 | 1,776,946,056 | 42,468 | 13.9 | 7,816 | 3.40% | |
| 2004 | 46,416 | 2,115,780,528 | 45,583 | 13.9 | 8,961 | 3.30% | |
| 2005 | 46,416 | 2,272,852,272 | 48,967 | 13.9 | 9,150 | 3.50% | |
| 2006 | 49,412 | 2,561,567,492 | 51,841 | 13.9 | 9,667 | 2.60% | |
| 2007 | 49,412 | 2,561,567,492 | 51,841 | 14.4 | 10,136 | 3.80% | |
| 2008 | 56,219 | 2,914,449,179 | 51,841 | 14.4 | 10,998 | 5.50% | |

* Prior to 2000; City Estimates; 2000 and forward: Tennessee Certified Populations
 ** Personal Income is calculation of Population times Per Capita Personal Income
 *** U.S. Bureau of Economic Analysis (BEA) for Williamson County: 2006 is most recent year available
 **** Williamson County Office of Economic Development, for Adults Age 25 or Older
 ***** State of Tennessee for Williamson County
 N/A Not available

CITY OF FRANKLIN, TENNESSEE

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

| <u>Employer</u> | 1999 | | | 2008 | | |
|--------------------------------------|--------------------|-------------|--|---------------------|-------------|--|
| | <u>Employees *</u> | <u>Rank</u> | <u>Percentage of Total City Employment</u> | <u>Employees **</u> | <u>Rank</u> | <u>Percentage of Total City Employment</u> |
| Cool Springs Galleria Mall | 3,500 | 1 | 10.51% | 3,500 | 1 | 6.59% |
| Williamson Medical Center Healthways | 600 | 4 | 1.80% | 1,300 | 2 | 2.45% |
| AIM Healthcare | | | | 1,000 | 3 | 1.88% |
| Community Health Systems | | | | 815 | 4 | 1.53% |
| Progeny Marketing Innovations | | | | 801 | 5 | 1.51% |
| Lee Co. | | | | 550 | 6 | 1.04% |
| Vanderbilt Medical Group | | | | 520 | 7 | 0.98% |
| Civil Constructors | | | | 500 | 8 | 0.94% |
| Mars Petcare | | | | 500 | 9 | 0.94% |
| Primus/Ford Motor Credit | 1,700 | 2 | 5.11% | | 10 | 0.94% |
| CPS Corporation | 650 | 3 | 1.95% | | | |
| Lasko Metal Products, Inc. | 430 | 5 | 1.29% | | | |
| LDM Technologies | 400 | 6 | 1.20% | | | |
| Telco | 330 | 7 | 0.99% | | | |
| Apcom, Inc. | 330 | 8 | 0.99% | | | |
| Georgia Boots | 300 | 9 | 0.90% | | | |
| Precision Tubular | 275 | 10 | 0.83% | | | |
| Total | 8,515 | | 25.58% | 9,986 | | 18.80% |

* City's 1999 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 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|------------------|------|------|------|------|------|------|------|------|------|------|
| Court | 3 | 3 | 3 | 3 | 4 | 4 | 4 | 4 | 4 | 4 |
| Administration | 14 | 15 | 16 | 17 | 17 | 18 | 10 | 11 | 9 | 9 |
| Law | * | * | * | * | * | * | * | * | 3 | 3 |
| Recorder | * | * | * | * | * | * | 7 | 7 | 11 | 14 |
| Maintenance | * | * | * | * | * | * | 5 | 5 | 5 | 5 |
| Channel 10 | * | * | * | * | * | * | 1 | 1 | 1 | 1 |
| MIT | * | * | * | * | 9 | 9 | 9 | 10 | 14 | 17 |
| Finance | 10 | 11 | 11 | 10 | 10 | 11 | 11 | 11 | 11 | 11 |
| Purchasing | * | * | * | * | * | * | * | * | 2 | 2 |
| Engineering | 5 | 7 | 7 | 9 | 7 | 7 | 8 | 9 | 12 | 14 |
| HR | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 6 | 6 | 6 |
| Planning | 7 | 7 | 7 | 8 | 9 | 9 | 9 | 11 | 12 | 13 |
| Codes | 13 | 15 | 15 | 16 | 17 | 18 | 20 | 23 | 25 | 27 |
| Police | 109 | 117 | 122 | 130 | 136 | 141 | 151 | 160 | 169 | 176 |
| Fire | 88 | 108 | 113 | 116 | 119 | 131 | 138 | 142 | 156 | 158 |
| Streets | 28 | 32 | 33 | 35 | 39 | 41 | 46 | 46 | 52 | 53 |
| Parks | 10 | 10 | 10 | 9 | 11 | 14 | 15 | 18 | 20 | 25 |
| Sanitation | 36 | 39 | 41 | 42 | 42 | 46 | 49 | 51 | 53 | 56 |
| Water & Sewer | 64 | 64 | 64 | 70 | 75 | 75 | 74 | 83 | 79 | 81 |
| TOTAL | 392 | 433 | 447 | 470 | 500 | 529 | 562 | 598 | 644 | 675 |

* Function/Program did not exist during the year noted.

CITY OF FRANKLIN, TENNESSEE

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

| <u>Function/Program</u> | <u>1999</u> | <u>2000</u> | <u>2001</u> | <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> |
|----------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Police | | | | | | | | | | |
| Calls for service | 50,364 | 47,465 | 51,050 | 57,460 | 52,539 | 52,640 | 54,560 | 62,600 | 55,400 | 68,758 |
| Fire | | | | | | | | | | |
| Number of alarms | 2,993 | 3,048 | 3,512 | 3,621 | 3,897 | 4,245 | 4,876 | 4,952 | 5,200 | 5,410 |
| Sanitation | | | | | | | | | | |
| Landfill usage | 27,800 | 29,200 | 29,700 | 30,000 | 32,223 | 33,437 | 52,395 | 76,319 | 79,121 | 81,535 |
| Codes | | | | | | | | | | |
| Single family permits | 910 | 494 | 590 | 682 | 726 | 846 | 903 | 850 | 780 | 668 |
| Water | | | | | | | | | | |
| Average daily usage | 5,678,847 | 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 |
| 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 | 10,000,000 | 11,000,000 |

Source: City of Franklin departments

CITY OF FRANKLIN, TENNESSEE

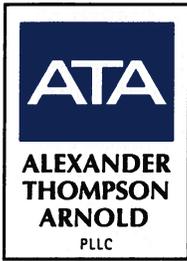
Operating Information -
Capital Asset Statistics by Function / Program, Last Ten Fiscal Years

| <u>Function/Program</u> | <u>1999</u> | <u>2000</u> | <u>2001</u> | <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Police | | | | | | | | | | |
| Police stations | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Police vehicles (radio equipped) | 88 | 86 | 95 | 95 | 113 | 119 | 127 | 139 | 131 | 133 |
| Fire | | | | | | | | | | |
| Fire stations | 4 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 6 |
| Fire trucks | 11 | 12 | 12 | 12 | 12 | 12 | 14 | 15 | 17 | 17 |
| Fire hydrants | 1,537 | 1,750 | 1,826 | 1,950 | 1,953 | 1,975 | 1,981 | 1915 * | 1916 * | 1954* |
| Street | | | | | | | | | | |
| Streets (miles) | 199 | 201 | 207 | 211 | 212 | 235 | 250 | 275 | 290 | 287 * |
| Parks | | | | | | | | | | |
| Number of parks (Two additional parks are under development: Bicentennial Park and Eastern Flank Battlefield Park.) | 4 | 4 | 4 | 6 | 6 | 6 | 6 | 6 | 9 | 10 |
| Water | | | | | | | | | | |
| Water lines (miles) | 221 | 231 | 295 | 298 | 298 | 300 | 301 | 275 * | 285 * | 274 * |
| Sewer lines (miles) | 197 | 205 | 214 | 218 | 219 | 223 | 227 | 311 * | 328 * | 337 * |

Source: City of Franklin departments

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

INTERNAL CONTROL AND COMPLIANCE SECTION



Certified Public Accountants

227 Oil Well Road
Jackson, TN 38305

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Governmental Audit Quality Center – AICPA
Tennessee Society of Certified Public Accountants
Center for Public Company Audit Firms
Employee Benefit Plan Audit Quality Center – AICPA

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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, 2008, which collectively comprise the City’s basic financial statements and have issued our report thereon dated December 19, 2008. 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 07-08, 08-01, 08-02, 08-03, 08-04, 08-05, and 08-06 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

Milan, TN
McKenzie, TN
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 08-04, 08-05, and 08-06 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 07-08.

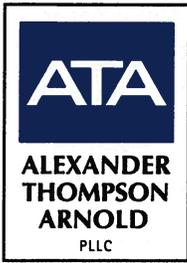
We also noted certain matters that we reported to management of the City in a separate letter dated December 19, 2008.

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 19, 2008



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, 2008. 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, 2008. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 07-08.

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

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

Board of Mayor and Aldermen
City of Franklin, Tennessee

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

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 07-08 to be a significant deficiency.

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.

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 19, 2008

**CITY OF FRANKLIN TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2008**

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 | _____ no |
| Significant deficiencies identified not considered to be material weaknesses? | <u> X </u> yes | _____ none reported |
| Noncompliance material to financial statements noted? | _____ yes | <u> X </u> no |

Federal Awards

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

Type of auditors' report issued on compliance:
for major programs: Unqualified

| | | |
|---|------------------|----------|
| Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a) | <u> X </u> yes | _____ no |
|---|------------------|----------|

Identification of major programs:

| <u>CFDA Number</u> | <u>Name of Federal Program or Cluster</u> |
|--------------------|---|
| 20.500 | Transit Facilities Grant |
| 20.507 | Transit Facilities Grant |

| | |
|--|------------------------------|
| Dollar threshold used to distinguish between Type A and Type B programs: | <u> \$ 300,000 </u> |
|--|------------------------------|

| | | |
|--|------------------|----------|
| Auditee qualified as low-risk auditee? | <u> X </u> yes | _____ no |
|--|------------------|----------|

**CITY OF FRANKLIN, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Cont.)
JUNE 30, 2008**

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

08-01 Failure to Update Building Permit Rates (Significant Deficiency)

Condition: While testing building permits it was noted that the rate on building permits was changed by the Board effective January 1, 2008, and the rate was not updated in the system until February 15, 2008.

Criteria: When rates are changed by the Board, they should be updated at the time the Board puts the new rate into effect.

Effect: There were approximately 80 building permits issued during the time period that were not charged the proper rates resulting in reduced collections by the City of approximately \$46,000.

Recommendation: We recommend that a designated official be responsible for updating and checking rates when the Board votes to change rates.

08-02 Duplicate Expenses Recorded in the Accounts Payable System (Significant Deficiency)

Condition: While testing capital asset expenditures it was noted that \$255,441 in duplicate expenses were recorded in the accounts payable system due to the use of purchase orders. The error was discovered in September 2008 more than two months after year end by the accounting staff.

Criteria: The City’s internal control procedures should not allow for the entry of duplicate entries. When it does occur it should be corrected within a reasonable time.

Effect: Accounts payable and expenses were overstated by \$255,441 at year end.

Recommendation: We recommend that someone review the accrued purchases account on a regular basis to determine what makes up the account and whether there is any duplication of payables.

08-03 Cash Account not Recorded on the Books (Significant Deficiency)

Condition: While testing cash and debt it was noted that the escrow account related to the 2007 Swap Agreement was not recorded on the books.

Criteria: All bank accounts of the City should be recorded on the books and reconciled on a monthly basis.

Effect: The City loses control over an account when it is not recorded on the books of the City which can result in misappropriation of funds.

Recommendation: We recommend that the account be recorded on the books and that all income and expense related to the account be recorded on the books monthly.

08-04 Accounts Receivable not Recorded on the Books (Material Weakness)

- Condition:** While testing revenues it was noted that receivables related to cable franchise fees and beer and liquor tax were not recorded on the books.
- Criteria:** All receivables due at June 30 should be recorded by the City on its books.
- Effect:** The City's accounts receivable were understated by \$869,996 due to the receivables not being recorded on the books.
- Recommendation:** We recommend that the City record all amounts due at June 30 as receivables on an annual basis.

08-05 Requests for Reimbursements (Material Weakness)

- Condition:** Requests for reimbursement were not submitted in a timely manner on the grants related to the Carothers Parkway projects. At the time of the audit the City had \$3,387,879 in outstanding unrequested receivables on the grant with some of the related expenditures taking place as far back as Spring of 2007.
- Criteria:** Uniform administrative requirements for federal grants require adequate controls over grant accounting and period of availability. These general requirements mandate that grant projects be conducted in a timely manner and reimbursement requests be made in a timely fashion.
- Effect:** The failure to request grant funds in a timely manner resulted in the City temporarily financing a large portion of the project. Failure to perform grant administration in a timely manner could result in loss of funds in some cases.
- Recommendation:** The City of Franklin should work further to centralize the oversight of federal grant projects. Personnel given this responsibility should be knowledgeable of various federal cost circulars and provide communication between the departments receiving the grants and the finance department. This person should maintain all grant files and be able to make determinations as to what receivables and payables should be recorded on the books.

08-06 Failure to Record Accounts Payable Related to Grants (Material Weakness)

- Condition:** Accounts payable totaling \$1,421,971 related to the Carothers Parkway project were not recorded at year end due to the finance department not being made aware that outstanding bills remained on the project.
- Criteria:** All grant related payables of the City should be booked at year end, so that proper determination can be made as to the amount of related receivables that should be booked.
- Effect:** The failure to notify the finance department of the outstanding payables resulted in assets and liabilities of the City being understated at year end.
- Recommendation:** The City of Franklin should work further to centralize the oversight of federal grant projects. Personnel given this responsibility should be knowledgeable of various federal cost circulars and provide communication between the departments receiving the grants and the finance department. This person should maintain all grant files and be able to make determinations as to what receivables and payables should be recorded on the books.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Prior Year Findings – City of Franklin, Tennessee

07-08 Compliance with Davis Bacon Act (Prevailing Wages) (Significant Deficiency)

- Condition:** The City nor the consultant hired by the City obtained and reviewed certified payroll reports from the contractor on the Transit Authority building project to ensure compliance with the Davis Bacon Act as required by federal grant regulations.
- Criteria:** Office of Management (OMB) Circular A-102 and other applicable grant regulations require that contractors on certain federally funded grant projects pay construction workers a minimum wage rate for the job classification and the geographic location of the project as determined by the United States Department of Labor. Recipients of affected federal grants are required to monitor contractor certified payrolls, DOL wage rates, and other requirements throughout the grant project.
- Effect:** Failure to ensure that contractors pay the minimum prevailing wages could result in the City incurring additional expenses to become grant compliant.
- Recommendation:** The City of Franklin should ensure that applicable grant requirements related to prevailing wages is being monitored on federally funded construction projects. This could be performed by City personnel or included as a requirement in the contract with the project consultant. Centralization of federal grant oversight would also assist in Davis Bacon compliance.

Current Year Findings – City of Franklin, Tennessee

There were no current year findings related to federal awards.

CORRECTIVE ACTION PLAN

The City of Franklin, Tennessee respectfully submits the following corrective action plan for the year ended June 30, 2008.

Name and address of independent public accounting firm:

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

Audit period:

June 30, 2008

The findings from the June 30, 2008, schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

08-01 Failure to Update Building Permit Rates (Significant Deficiency)

Recommendation: We recommend that a designated official be responsible for updating and checking rates when the Board votes to change rates.

Action taken: The management of the City of Franklin concurs. A designated official will be assigned this duty.

08-02 Duplicate Expenses Recorded in the Accounts Payable System (Significant Deficiency)

Recommendation: We recommend that someone review the accrued purchases account on a regular basis to determine what makes up the account and whether there is any duplication of payables.

Action taken: The management of the City of Franklin concurs. The accrued purchases account is being reconciled on a monthly basis in fiscal year 2009.

08-03 Cash Account not Recorded on the Books (Significant Deficiency)

Recommendation: We recommend that the account be recorded on the books and that all income and expense related to the account be recorded on the books monthly.

Action taken: The management of the City of Franklin concurs. This amount, \$24,240.37, held at Regions Bank was thought to have been used with a zero balance at fiscal year end. The amount has now been used in 2009 and has a zero balance.

08-04 Accounts Receivable not Recorded on the Books (Material Weakness)

Recommendation: We recommend that the City record all amounts due at June 30 as receivables on an annual basis.

Action taken: The management of the City of Franklin concurs. This is included on the monthly reconciliations in fiscal year 2009.

08-05 Requests for Reimbursements (Material Weakness)

Recommendation: The City of Franklin should work further to centralize the oversight of federal grant projects. Personnel given this responsibility should be knowledgeable of various federal cost circulars and provide communication between the departments receiving the grants and the finance department. This person should maintain all grant files and be able to make determinations as to what receivables and payables should be recorded on the books.

Action taken: In the past grants administration had been decentralized to take advantage of departmental expertise in the areas in which the grants pertain. With the arrival of a new administrator, centralizing grants administration in one department may be implemented. Currently, the Finance Department has designated a financial analyst as a grant liaison to the departments to assist in documenting grant expenditures, requesting reimbursements, reporting, and close-out compliance.

08-06 Recording of Accounts Payable Related to Grants (Material Weakness)

Recommendation: The City of Franklin should work further to centralize the oversight of federal grant projects. Personnel given this responsibility should be knowledgeable of various federal cost circulars and provide communication between the departments receiving the grants and the finance department. This person should maintain all grant files and be able to make determinations as to what receivables and payables should be recorded on the books.

Action taken: In the past grants administration had been decentralized to take advantage of departmental expertise in the areas in which the grants pertain. With the arrival of a new administrator, centralizing grants administration in one department may be implemented. Currently, the Finance Department has designated a financial analyst as a grant liaison to the departments to assist in documenting grant expenditures, requesting reimbursements, reporting, and close-out compliance.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**07-08 Compliance with Davis Bacon Act (Prevailing Wages) (Significant Deficiency)**

Recommendation: The City of Franklin should ensure that applicable grant requirements related to prevailing wages is being monitored on federally funded construction projects. This could be performed by City personnel or included as a requirement in the contract with the project consultant. Centralization of federal grant oversight would also assist in Davis Bacon compliance.

Action taken: In the past grants administration had been decentralized to take advantage of departmental expertise in the areas in which the grants pertain. With the arrival of a new administrator, centralizing grants administration in one department may be implemented. Currently, the Finance Department has designated a financial analyst as a grant liaison to the departments to assist in documenting grant expenditures, requesting reimbursements, reporting, and close-out compliance.