



City of Franklin, Tennessee
**Comprehensive Annual
Financial Report**

For the Fiscal Year Ended June 30, 2011



Top Ten Great Neighborhood-American Planning Association

CITY OF FRANKLIN, TENNESSEE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Prepared by:
City of Franklin
Department of Finance

CITY OF FRANKLIN, TENNESSEE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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INTRODUCTORY SECTION



 HISTORIC
FRANKLIN
 TENNESSEE

December 8, 2011

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 U.S. generally accepted accounting principles (GAAP). 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, 2011.

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 Crosslin & Associates, P.C., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the basic financial statements of the City of Franklin for the fiscal year ended June 30, 2011, 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, 2011 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 62,487 according to the 2010 census. The City is one of the fastest growing municipalities in the State of Tennessee, with the population increasing by 49% 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 eight 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 63.

Local Economy

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

Since the 1991 opening of the Cool Springs Galleria, one of Tennessee's largest retail shopping facilities with over one million square feet, the mall area has continued to develop with restaurants, service and retail stores. Sufficient vacant property, zoned for retail use, is available for further development. Several "Class A" office buildings have also been built in the Cool Springs area. The surrounding road network has been vastly improved, with many of the upgrades at developer cost. The current economy has caused a slowdown of filling available space (with a vacancy rate of 6% commercial and 2% retail) in the area but new "Class A" office space continues to be developed with the expectation of a rebound in the near future.

Recently, several well known corporations have elected to relocate their national headquarters in Franklin; among them are Healthways, Big Ideas, LLC, Clarcor, Inc., Community Health Systems, and Nissan North America, with 1,300 employees. Verizon Wireless has its state headquarters in Franklin with employment of over 1,300, and Jackson National Life Insurance Company established a regional headquarters in Franklin.

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. Underway in 2011 were streetscape projects and major road projects on Hillsboro Road, McEwen Drive, and Columbia Pike.

Relevant Financial Policies

Recently, the City has adopted both a General Fund Reserve policy and a Debt Management policy. The reserve policy establishes an emergency and cash flow reserve of a minimum of 33% of budgeted General Fund operating expenditures. For fiscal year 2011, this represents slightly over \$17 million. The debt policy provides written guidance and restrictions for the amount and type of debt the City will issue, the issuance process, and the management of the debt portfolio.

Major Initiatives

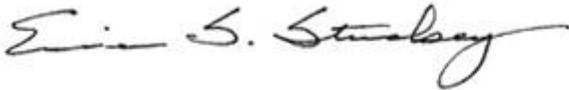
In its 5-year Capital Improvement Plan (CIP) for 2011-2015, the City is exploring plans for a new City Hall, acquisition of a replacement facility for fleet maintenance and water distribution/sewer collection operations, 2 new fire stations, additional tornado sirens, and continued development of its parks, including Harlinsdale Farm, Eastern Flank Battlefield, and Bicentennial. The City continues to make improvements in its streets with anticipated improvements to McEwen Drive, widening of Hillsboro Road and I-65, extension of Goose Creek bypass, Columbia Avenue improvements, extension of Mack Hatcher parkway, and streetscaping and gateway enhancement projects.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Finance Reporting to the City of Franklin for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2010. This was the twentieth (20th) consecutive year that the government received this prestigious award. In order to be awarded a Certificate of Achievement, the government is required to publish an easily readable and efficiently organized CAFR. This report satisfies both GAAP and applicable legal requirements. The Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

In closing, the preparation of this report would not have been possible 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.

Respectively submitted,



Eric S. Stuckey
City Administrator

CITY OF FRANKLIN, TENNESSEE
GFOA CERTIFICATE OF ACHIEVEMENT

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, 2010

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.



Linda C. Davison

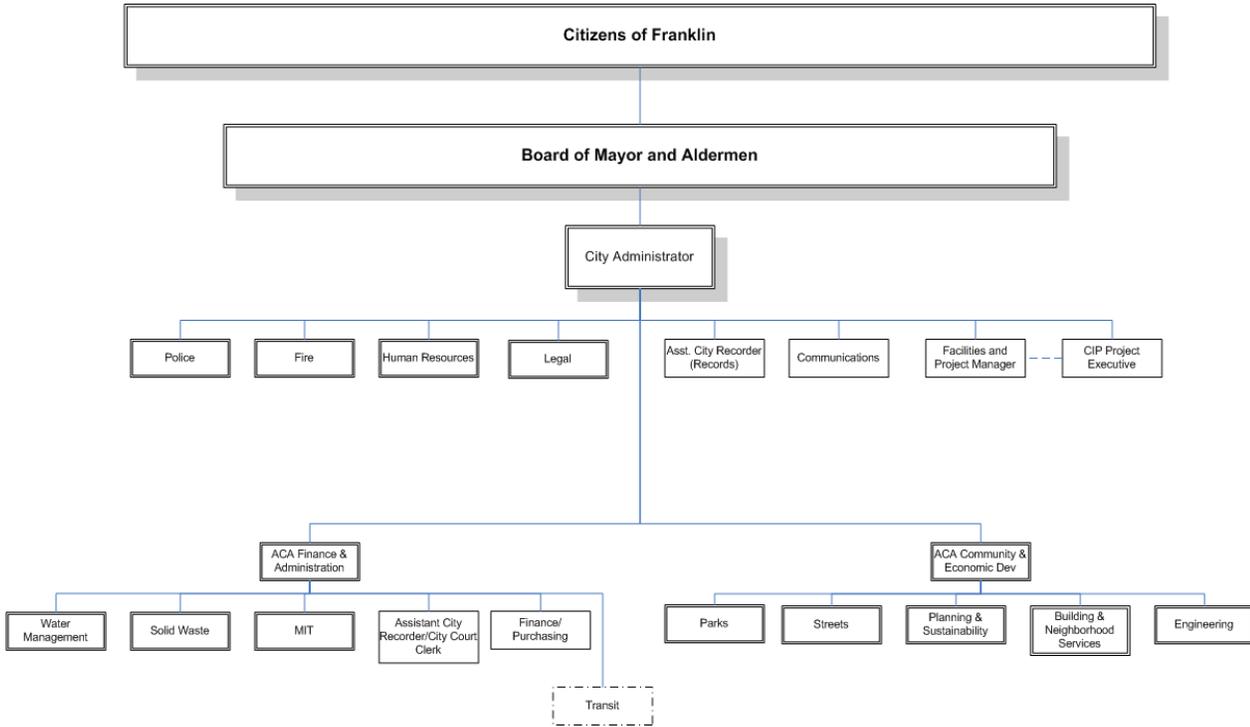
President

Jeffrey R. Emer

Executive Director

CITY OF FRANKLIN, TENNESSEE ORGANIZATIONAL CHART

FOR THE FISCAL YEAR ENDED JUNE 30, 2011



**CITY OF FRANKLIN, TENNESSEE
OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Elected Officials:

Mayor	Ken Moore
Alderman-Vice Mayor	Clyde Barnhill
Alderman	Pearl Bransford
Alderman	Beverly Burger
Alderman	Margaret Martin
Alderman	Dana McLendon
Alderman	Ann Petersen
Alderman	Michael Skinner
Alderman	Vacant

City Officials:

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

FINANCIAL SECTION



Independent Auditors' Report

To the 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, 2011 (except for the Fiduciary Pension Fund, which is as of December 31, 2010 and for the year then ended), 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 the 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, 2011 (except for the Fiduciary Pension Fund, which is as of December 31, 2010), and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the general fund for the year then ended (except for the Fiduciary Pension Fund, which is as of December 31, 2010), 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 8, 2011, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

As discussed in Note 1 (D) to the financial statements, the Government adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, effective July 1, 2010.

To the Board of Mayor and Aldermen
City of Franklin, Tennessee

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 11 and the schedules of funding progress-employee retirement system on page 59 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, statistical section and the information listed as supplementary schedules in the Table of Contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements, the supplementary schedules not marked "unaudited" and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole. The introductory section, the supplementary schedules marked "unaudited," and the statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Crosslin & Associates, P.C.

Nashville, Tennessee
December 8, 2011

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, 2011. 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 \$554,782,565, compared to \$547,108,334 in the previous fiscal year. Of this amount, \$44,360,526 (unrestricted net assets) may be used to meet government's ongoing obligations to citizens and creditors.
- **Fund Balances.** At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$45,361,894. In the prior year, this amount was \$43,086,002. The increase of \$2,275,892 is due primarily to increases in road impact fees and facilities taxes during 2011. Also, the City's debt service fund ended the year with an accumulated balance towards future debt service of slightly over \$1 million.
- **General Fund – Fund Balance.** At the end of the current fiscal year, fund balance in the General Fund is \$24,961,766, or 48% of General Fund expenditures (including transfers to other funds) of \$51,654,307. The fund balance decreased \$952,607 from the prior year. The primary impacts on the fund balance in 2011 are the effect of the current economy and a budgeted draw from fund balance to cover the \$980,000 of capital equipment expenditures.
- **Capital Assets.** The City has undertaken several infrastructure projects (including improvements to Carothers Parkway and McEwen Drive).
- **Debt.** The City's total debt increased by the amount of \$7,651,718 (from \$174,594,516 to \$182,246,234) during the current fiscal year. New general obligation debt of \$32,315,000 was issued during the year, with \$16,970,000 of previous debt refunded. The Water and Sewer Fund increased its debt by \$1,066,323 of loans provided under the provisions of the American Recovery and Reinvestment Act (ARRA). A total of \$8,731,000 (\$5,823,000 general obligation and \$2,908,000 Water and Sewer) bonds were repaid during the year.
- **Budget.** The City's 2011 General Fund amended budget had anticipated up to a \$2.0 million draw from fund balance. The General Fund had an actual draw of approximately \$1.0 million during fiscal year 2011, primarily due to carryovers from 2010. These carryovers were primarily police vehicles ordered in 2010 but received in 2011 and a transfer to Street Aid for paving delayed due to the May 2010 flood.

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 2011. 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, Debt Service 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 61 and 62 of this report.

The City of Franklin, Tennessee adopts an annual appropriated budget for its General Fund, Debt Service Fund, and Special Revenue funds. A budgetary comparison has been provided for the General Fund on pages 20 through 26, the Debt Service Fund on page 63, and for the special revenue funds on pages 64 through 72 to demonstrate compliance with this budget.

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

Proprietary Funds. The City of Franklin maintains one (1) proprietary fund. A proprietary 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 27 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 58 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 \$554,782,565 at the close of the most recent fiscal year.

Financial Analysis of the Financial Statements (Continued):

City of Franklin's Net Assets

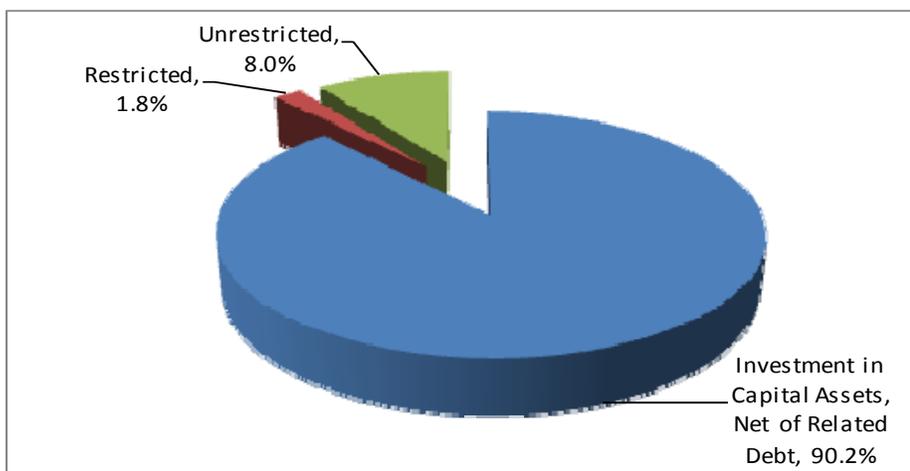
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Current and other assets	\$82,008,099	\$80,495,676	\$20,672,009	\$22,734,642
Capital assets, net of accumulated depreciation	515,283,390	502,552,924	156,590,854	154,873,263
Total Assets	597,291,489	583,048,600	177,262,863	177,607,905
Long-term liabilities outstanding	141,400,533	133,053,954	51,358,529	53,061,104
Other liabilities	24,533,127	24,274,063	2,479,598	3,159,050
Total Liabilities	165,933,660	157,328,017	53,838,127	56,220,154
Net Assets:				
Invested in capital assets, net of related debt	394,013,988	391,931,838	106,143,869	102,780,253
Restricted	288,957	272,367	9,975,225	13,376,540
Unrestricted	37,054,884	33,516,378	7,305,642	5,230,958
Total Net Assets	\$431,357,829	\$425,720,583	\$123,424,736	\$121,387,751

The government's net assets increased by \$7,674,231. A portion of the increase is attributed to the acquisition of capital assets (less depreciation and new debt). A significant portion of the remaining increase is from reduced spending through efforts by the City's Board and departments to contain expenses without reducing service levels.

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

By far, the largest portion of the City's net assets, \$500,157,857, or 90.2%, reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less the portion of 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, \$10,264,182, or 1.8%, represents resources that are subject to external restriction on how they may be used. The remaining balance of \$44,360,526, or 8.0%, is unrestricted net assets that may be used to meet the government's ongoing obligations to citizens and creditors.

Percent of Net Assets – 2011



Financial Analysis of the Financial Statement (Continued):

Governmental and Business-type activities increased the City's net assets by \$5,637,246 and \$2,036,985, respectively. Key elements of this increase are as follows:

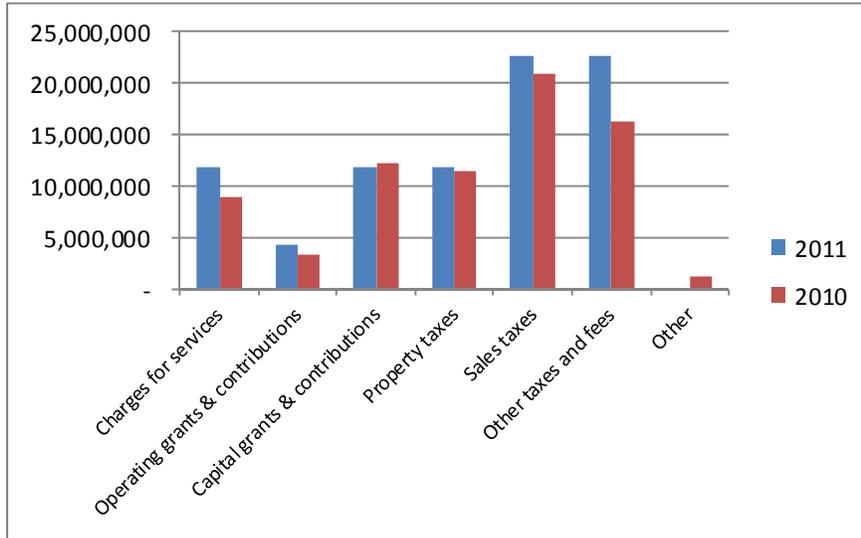
	<u>City of Franklin's Changes in Net Assets</u>			
	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Revenues:				
Program revenues:				
Charges for services	11,743,717	8,982,189	19,411,483	16,260,341
Operating grants & contributions	4,217,716	3,358,092	-	-
Capital grants & contributions	11,893,536	12,129,244	3,841,390	3,881,605
General revenues:				
Property taxes	11,728,305	11,415,775	-	-
Sales taxes	22,720,666	20,969,821	-	-
Other taxes and fees	22,723,385	16,182,779	-	-
Other	(173,794)	1,188,770	180,868	68,934
Total Revenues	<u>84,853,531</u>	<u>74,226,670</u>	<u>23,433,741</u>	<u>20,210,880</u>
Expenses:				
General government:				
General	1,294,801	3,464,483	-	-
Capital investment planning	233,651	193,505	-	-
Administration	507,073	390,182	-	-
Revenue management	1,295,430	395,054	-	-
Police	15,461,749	14,744,499	-	-
Fire	13,197,463	13,044,366	-	-
Highways and streets	16,734,751	15,873,886	-	-
Fleet management	523,234	662,683	-	-
Engineering	1,007,478	797,691	-	-
Storm water	1,319,328	1,126,529	-	-
Sanitation	8,180,396	6,344,279	-	-
Transit	1,257,352	1,030,107	-	-
Parks	3,801,959	3,306,523	-	-
Project & facilities management	747,101	523,339	-	-
Elected officials	133,300	193,640	-	-
Planning	1,408,303	1,372,885	-	-
Building & neighborhood services	1,852,075	2,005,803	-	-
Court	249,454	265,380	-	-
Human resources	952,403	689,024	-	-
Communications	315,291	261,568	-	-
Finance	865,832	793,781	-	-
Legal	344,610	239,619	-	-
Purchasing	145,891	131,633	-	-
Management info & technology	3,468,124	3,354,101	-	-
Interest expense on long-term debt:	3,919,236	1,702,780	-	-
Water & sewer:	-	-	21,396,756	19,531,608
Total Expenses	<u>79,216,285</u>	<u>72,907,340</u>	<u>21,396,756</u>	<u>19,531,608</u>
Transfers	-	(45,000)	-	45,000
Changes in Net Assets	5,637,246	1,274,330	2,036,985	724,272
Prior period adjustment	1,941,338	(377,716)	-	-
Net Assets, Beginning of year	<u>423,779,245</u>	<u>422,882,631</u>	<u>121,387,751</u>	<u>120,663,479</u>
Net Assets, End of Year	<u><u>431,357,829</u></u>	<u><u>423,779,245</u></u>	<u><u>123,424,736</u></u>	<u><u>121,387,751</u></u>

Financial Analysis of the Financial Statements (Continued):

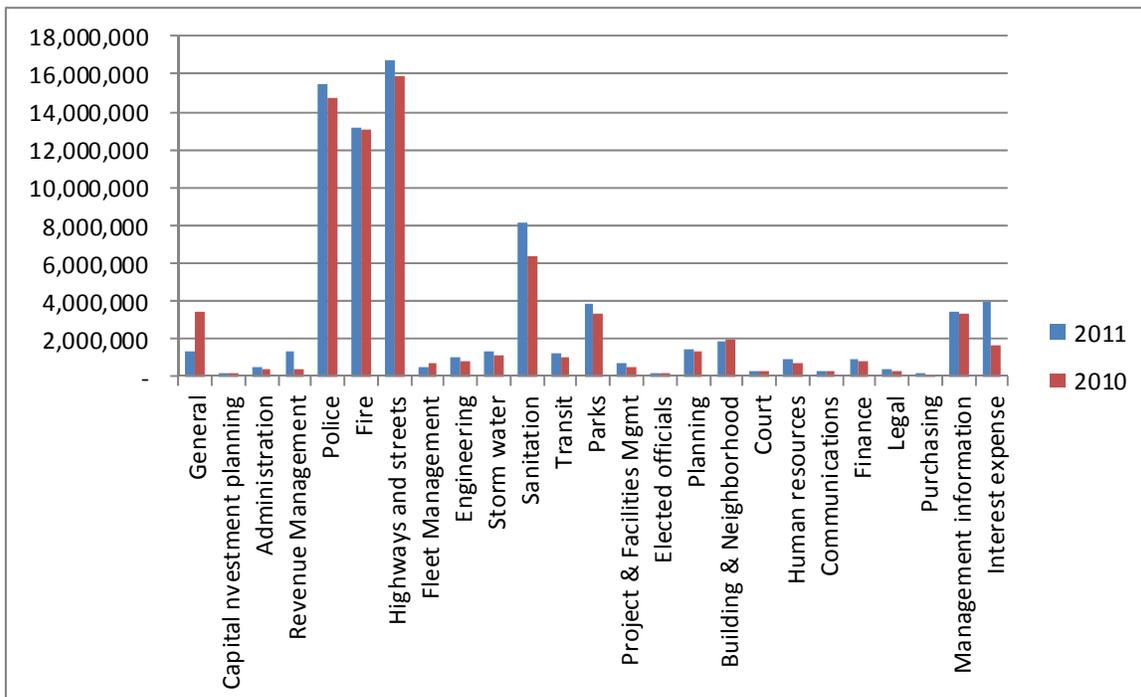
Governmental Activities

Revenues for governmental activities increased approximately 14.3% due primarily to increased road impact fees, facilities taxes, and local sales tax collections. The overall increase in current expenses of governmental activities amounted to approximately 8.7%.

Revenues – Governmental Activities



Expenses – Governmental Activities

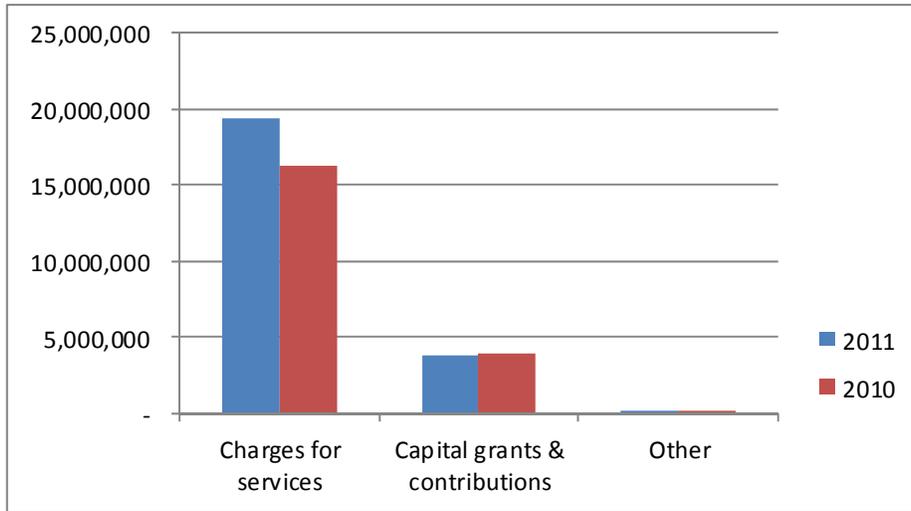


Financial Analysis of the Financial Statements (Continued):

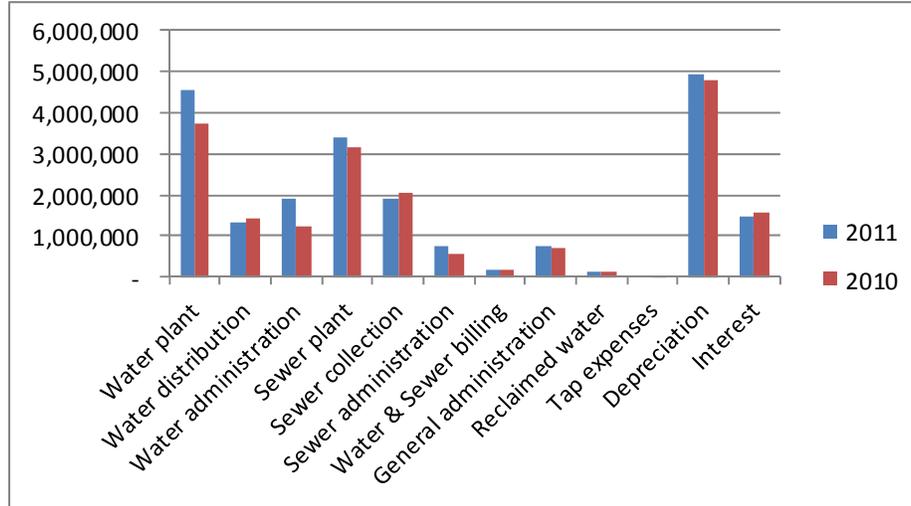
Business-Type Activities

Revenues for business-type activities increased 15.9%. The primary factor underlying the increase were rate increases effective January 1, 2011. Expenses of the business type-activities increased approximately 9.5%.

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.

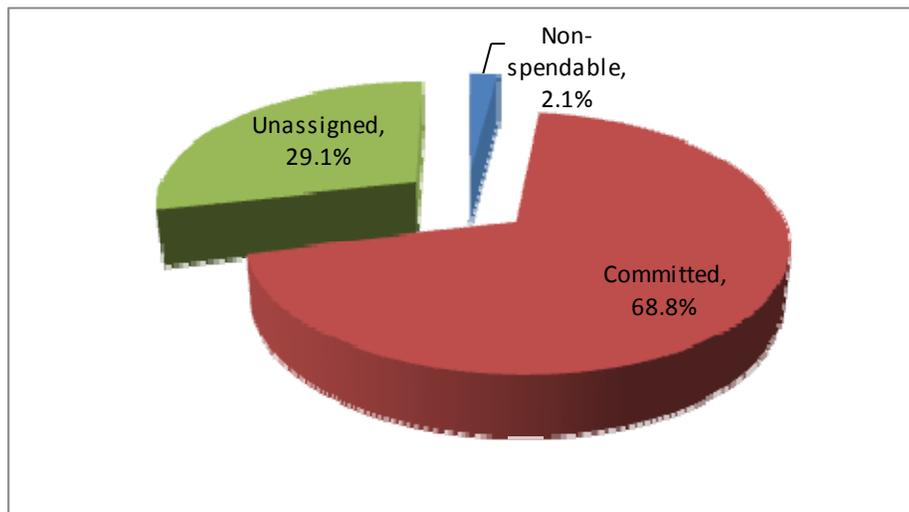
Governmental Funds

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 \$45,361,894, an increase of \$2,275,892 in comparison with the prior year of \$43,086,002. The increase is due primarily to a general obligation bond issue in the amount of \$15.725 million in the Multi-Purpose Capital Projects Fund, used for infrastructure projects on Columbia Avenue streetscape, Hillsboro Road widening, and 3rd Avenue North extension.

The General Fund is the chief operating fund of the City of Franklin, Tennessee. The 2011 ending fund balance of \$24,961,766 had the following composition: An amount of \$522,733, or 2.1%, is non-spendable for inventory. An amount of \$17,180,294, or 68.8% is committed for financial stabilization purposes such as contingency, emergency, cash flow, debt service, property/liability/health insurance, and retiree health benefits. The remainder of \$7,258,739, or 29.1%, is unassigned.

General Fund - Fund Balance Composition – 2011



The most significant continuing revenue sources in the General Fund are derived from taxes. Of total General Fund revenues, \$32,901,377, or 64.9%, was from taxes. Local option sales tax increased by \$1,750,845 (from \$20,969,821 to \$22,720,666). Property taxes decreased \$1,623,829 (from \$8,055,942 to \$6,432,113), or 20.2%, due primarily to an allocation in 2011 of 19.3 cents of the 43.4 cents property tax levy to the City's Debt Service Fund versus 11.4 cents in 2010. (The allocation resulted in \$4.95 million in property tax revenue to the Debt Service fund).

The increase in local option sales tax is a positive sign that a recovery in the current economy may be occurring. 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 and regional headquarters in the area.

Financial Analysis of the Financial Statements (Continued):

Budgetary Highlights

The original budget included an allocation of \$669,550 from accumulated fund balance for capital equipment acquisitions. It was amended during the year increasing this amount to \$1,959,841, with the primary reasons being paving expenditures that crossed into 2011 that were delayed in 2010 due to the May 1-2, 2010 flood, and 2010 purchases of police cars that did not arrive until 2011. Actual results ended with an allocation of \$952,607, for an ending fund balance of \$24,961,766. The primary reason for this lower allocation than the final budget was actual expenditures (including transfer to other funds) of \$51,654,307 compared to the final budget of \$52,061,496. A review of General Fund expenditures shows: several departments instituted cost containment measures, including temporary assignments in lieu of filling full-time positions. Some governmental funds (State Street Aid, Sanitation, and Transit) are budgeted to be at break-even at fiscal year-end as an operational subsidy from General Fund is received by these funds. Two governmental funds (Road Impact and Facilities Tax), that have had budgeted expenditures reduced to allow both funds to recover from deficits, had increased collections during 2011.

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, 2011, is \$671,874,244 (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 \$9,804,196 in developer-contributed road and drainage assets.
- The City celebrated the completion of the streetscape project on Columbia Avenue in 2011.
- Received ARRA funding to assist with energy efficient lighting upgrades to Jim Warren Park, improvements to the City's water reservoir and sewer, and reclaimed projects, and expansion of the Intelligent Traffic System (ITS). The rehabilitation of the reservoir was completed during 2011.
- Continued progress on the Mack Hatcher extension (northwest segment) and the Goose Creek interchange.
- The police department received 14 patrol cars during 2011.

City of Franklin's Capital Assets

	Governmental	Business-Type	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
Land	\$ 48,088,481	\$ 5,238,945	\$ 53,327,426
Buildings and Improvements	63,347,553	11,291,016	74,638,569
Improvements other than Buildings	21,028,982	-	21,028,982
Machinery & Equipment	49,526,524	5,167,312	54,693,836
Utility Plant in Service	-	179,486,269	179,486,269
Construction in Progress	27,468,954	10,767,908	38,236,862
Infrastructure	<u>443,470,678</u>	<u>-</u>	<u>443,470,678</u>
Total Capital Assets	652,931,172	211,951,450	864,882,622
Less Accumulated Depreciation	<u>(137,647,782)</u>	<u>(55,360,596)</u>	<u>(193,008,378)</u>
Net Capital Assets	<u>\$ 515,283,390</u>	<u>\$ 156,590,854</u>	<u>\$ 671,874,244</u>

Capital Asset and Debt Administration (Continued):

Additional information on the City of Franklin's capital assets can be found in the notes to the financial statements section of this report beginning on page 42.

City of Franklin's Outstanding Debt

At the end of the current year, the City of Franklin had bonded debt outstanding of \$182,246,234. Of this amount, \$131,817,000 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.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
General Obligation Bonds/Capital Outlay Notes	\$131,817,000	\$ -	\$131,817,000
Revenue and Tax Bonds and Other Notes	-	50,429,234	50,429,234
Total Outstanding Debt	\$131,817,000	\$50,429,234	\$182,246,234

The City of Franklin's total debt increased by \$7,651,718 during the current fiscal year. The primary reason for the increase is borrowing of \$32,315,000 of general obligation debt and \$1,066,323 of ARRA recovery loans in revenue & tax debt. Decreases in debt included \$16,970,000 in general obligation refunding and scheduled repayment of debt of \$8,731,000 during the year.

The City of Franklin maintains an "Aaa" Rating for general obligation debt. This rating was first received by Moody's in 2000 and last affirmed in June 2011 by both Moody's and Standard & Poor's. State statutes impose no debt limit on the amount of general obligation debt a governmental entity may issue. Additional information on the City of Franklin's debt can be found in the notes to the financial statements section of this report beginning on page 46.

Economic Factors and Next Year's Budget and Rates:

The unemployment rate (not seasonally adjusted) for June 2011 for the City of Franklin was 7.5%, compared to the State of Tennessee's rate of 10.0% and a national average of 9.6%.

All of these factors were considered in preparing the City's budget for the 2011-2012 fiscal year. The City appropriated \$568,856 of accumulated fund balance in the General Fund for capital projects in the 2011-2012 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 City'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, 2011

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 19,063,942	\$ 5,757,053	\$ 24,820,995
Investments	23,361,922	-	23,361,922
Receivables:			
Accounts, net of uncollectibles	2,231,991	4,159,464	6,391,455
Property taxes, net of uncollectibles	12,399,878	-	12,399,878
Grants	2,186,806	293,385	2,480,191
Special assessments	53,762	-	53,762
Intergovernmental	2,901,281	-	2,901,281
Fines, net of uncollectibles	225,242	-	225,242
Local option sales tax	3,931,939	-	3,931,939
Other	3,126,115	-	3,126,115
Inventory	522,733	253,767	776,500
Restricted assets:			
Cash and cash equivalents	-	7,219,225	7,219,225
Investments	-	2,756,000	2,756,000
Deferred outflow of resources	1,763,843		1,763,843
Net investment in joint venture - Conference Center	6,172,334	-	6,172,334
Unamortized bond issue costs	922,127	233,115	1,155,242
Other assets	3,144,184	-	3,144,184
Capital assets, not being depreciated:			
Land	48,088,481	5,238,945	53,327,426
Construction in progress	27,468,954	10,767,908	38,236,862
Capital assets, net of accumulated depreciation:			
Buildings and improvements	55,547,079	3,255,820	58,802,899
Improvements other than buildings	16,794,719	-	16,794,719
Utility plant in service	-	136,013,284	136,013,284
Infrastructure	347,074,501	-	347,074,501
Machinery and equipment	20,309,656	1,314,897	21,624,553
Total assets	<u>\$ 597,291,489</u>	<u>\$ 177,262,863</u>	<u>\$ 774,554,352</u>

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

(Continued)

CITY OF FRANKLIN, TENNESSEE
STATEMENT OF NET ASSETS (Cont.)
 JUNE 30, 2011

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
LIABILITIES			
Accounts payable	\$ 9,238,721	\$ 1,679,109	\$ 10,917,830
Accrued expenses	2,916,249	-	2,916,249
Accrued interest	910,442	348,964	1,259,406
Unearned revenue	11,467,715	451,525	11,919,240
Long-term liabilities:			
Derivative instrument - interest rate swaps	1,763,843	-	1,763,843
Due within one year	9,571,017	3,401,887	12,972,904
Due in more than one year	130,065,673	47,956,642	178,022,315
Total liabilities	<u>165,933,660</u>	<u>53,838,127</u>	<u>219,771,787</u>
NET ASSETS			
Investments in capital assets, net of related debt	394,013,988	106,143,869	500,157,857
Restricted for:			
CDBG use	19,266	-	19,266
Drug fund use	269,691	-	269,691
Water and sewer	-	9,975,225	9,975,225
Unrestricted	37,054,884	7,305,642	44,360,526
Total net assets	<u>\$ 431,357,829</u>	<u>\$ 123,424,736</u>	<u>\$ 554,782,565</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, 2011

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government							
Governmental activities:							
Elected officials	\$ 133,300	\$ -	\$ -	\$ -	(133,300)	\$ -	(133,300)
Administration	507,073	-	-	-	(507,073)	-	(507,073)
Human resources	952,403	-	-	-	(952,403)	-	(952,403)
Legal	344,610	-	-	-	(344,610)	-	(344,610)
Communications	315,291	-	-	-	(315,291)	-	(315,291)
Capital investment planning	233,651	-	-	-	(233,651)	-	(233,651)
Project & facilities management	747,101	-	-	-	(747,101)	-	(747,101)
Revenue management	1,295,430	-	-	-	(1,295,430)	-	(1,295,430)
Public safety:							
Police	15,461,749	990,092	(144,283)	-	(14,615,940)	-	(14,615,940)
Fire	13,197,463	-	28,684	-	(13,168,779)	-	(13,168,779)
Finance	865,832	-	-	-	(865,832)	-	(865,832)
Municipal information and technology	3,468,124	-	-	-	(3,468,124)	-	(3,468,124)
Purchasing	145,891	-	-	-	(145,891)	-	(145,891)
Court	249,454	-	-	-	(249,454)	-	(249,454)
Building & neighborhood services	1,852,075	1,521,266	34,674	-	(296,135)	-	(296,135)
Planning	1,408,303	182,908	-	45,616	(1,179,779)	-	(1,179,779)
Engineering	612,030	-	-	932,947	320,917	-	320,917
Traffic Operations Center	395,448	-	-	-	(395,448)	-	(395,448)
Parks	3,801,959	-	693,713	2,855	(3,105,391)	-	(3,105,391)
Streets-maintenance	15,731,936	940	2,044,524	10,912,118	(2,774,354)	-	(2,774,354)
Streets-traffic	1,002,815	-	-	-	(1,002,815)	-	(1,002,815)
Streets-fleet	523,234	-	-	-	(523,234)	-	(523,234)
General government	1,294,801	202,650	771,754	-	(320,397)	-	(320,397)
Sanitation	8,180,396	6,673,158	-	-	(1,507,238)	-	(1,507,238)
Storm water	1,319,328	2,108,109	-	-	788,781	-	788,781
Transit	1,257,352	64,594	788,650	-	(404,108)	-	(404,108)
Interest and amortization on long-term debt	3,919,236	-	-	-	(3,919,236)	-	(3,919,236)
	79,216,285	11,743,717	4,217,716	11,893,536	(51,361,316)	-	(51,361,316)
Business-type activities:							
Water and sewer	21,396,756	19,411,483	-	3,841,390	1,856,117	-	1,856,117
Total primary government	100,613,041	31,155,200	4,217,716	15,734,926	(51,361,316)	1,856,117	(49,505,199)
General revenues:							
Property taxes						11,728,305	11,728,305
Sales taxes						22,720,666	22,720,666
Other locally assessed taxes						4,293,358	4,293,358
Other state shared taxes						8,687,733	8,687,733
Access fees and taxes						7,712,485	7,712,485
Franchise taxes						2,029,809	2,029,809
Unrestricted investment earnings						658,584	658,584
Other						(832,378)	(832,378)
Total general revenues						56,998,562	56,998,562
Transfers						180,868	180,868
Total general revenues and transfers						57,179,430	57,179,430
Change in net assets						2,036,985	2,036,985
Net assets - beginning of year						423,779,245	423,779,245
Prior period adjustment						1,941,338	1,941,338
Net assets - beginning of year, as restated						425,720,583	425,720,583
Net assets - end of year						431,357,829	431,357,829
						123,424,736	123,424,736
						\$ 554,782,565	\$ 554,782,565

CITY OF FRANKLIN, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	<u>General</u>	<u>Multi-Purpose Capital Project Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 6,415,864	\$ 8,813,610	\$ 1,099,568	\$ 4,050,857	\$ 20,379,899
Investments	15,661,922	4,000,000	-	3,700,000	23,361,922
Receivables:					
Accounts	985,450	-	-	791,210	1,776,660
Property taxes, net of uncollectibles (\$101,639)	7,453,149	-	4,946,729	-	12,399,878
Grants	501,882	1,150,819	-	534,105	2,186,806
Special assessments	53,762	-	-	-	53,762
Intergovernmental	2,409,544	-	-	491,737	2,901,281
Fines, net of uncollectibles (\$430,684)	225,242	-	-	-	225,242
Local option sales tax	3,931,939	-	-	-	3,931,939
Other	3,019,746	40,239	-	521,460	3,581,445
Due from other funds	1,757,380	-	-	1,563,445	3,320,825
Inventory	522,733	-	-	-	522,733
Prepaid items	11,102	-	-	-	11,102
Total assets	<u>\$ 42,949,715</u>	<u>\$ 14,004,668</u>	<u>\$ 6,046,297</u>	<u>\$ 11,652,814</u>	<u>\$ 74,653,494</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 7,207,084	\$ 1,006,737	\$ -	\$ 1,035,914	\$ 9,249,735
Accrued expenses	2,916,249	-	-	-	2,916,249
Due to other funds	-	-	-	3,320,825	3,320,825
Deferred revenue	7,864,616	939,122	4,946,729	54,324	13,804,791
Total liabilities	<u>17,987,949</u>	<u>1,945,859</u>	<u>4,946,729</u>	<u>4,411,063</u>	<u>29,291,600</u>
Fund balances:					
Non-Spendable	522,733	-	-	-	522,733
Restricted	-	-	-	288,957	288,957
Committed	17,180,294	12,058,809	1,099,568	8,040,949	38,379,620
Assigned	-	-	-	-	-
Unassigned	7,258,739	-	-	(1,088,155)	6,170,584
Total fund balances	<u>24,961,766</u>	<u>12,058,809</u>	<u>1,099,568</u>	<u>7,241,751</u>	<u>45,361,894</u>
Total liabilities and fund balances	<u>\$ 42,949,715</u>	<u>\$ 14,004,668</u>	<u>\$ 6,046,297</u>	<u>\$ 11,652,814</u>	<u>\$ 74,653,494</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, 2011

Amounts reported for the governmental activities in the Statement of Net Assets (Pages 12 and 13) are different because:

Fund balance - total governmental funds (Page 15)		\$ 45,361,894
Capital and other assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds		
Net investment in joint venture - Conference Center	\$ 6,172,334	
Other	127,699	
Capital assets, at cost	652,931,172	
Less related accumulated depreciation	<u>(137,647,782)</u>	521,583,423
Receivables not available to pay for current expenditures and, therefore, are deferred in the funds		2,337,076
Net pension and OPEB assets are not financial resources and, therefore, are not reported in the governmental funds		1,700,441
Deferred charges, such as bond issue costs and gains on refunding, are expensed in the period in which the bonds are drawn in the governmental funds		922,127
Long-term liabilities, including notes, bonds and leases payable, are not due in the current period and, therefore, are not reported in the governmental funds		
Bonds outstanding	(131,817,000)	
Leases outstanding	(1,366,034)	
Bond premiums and deferred loss on refunding	(815,368)	
Compensated absences	<u>(5,638,288)</u>	(139,636,690)
Payables, such as accrued interest payable, are not due and payable in the current period, and therefore are not reported in the funds		<u>(910,442)</u>
Net assets - governmental activities (Page 13)		<u><u>\$ 431,357,829</u></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, 2011

	<u>General Fund</u>	<u>Multi-Purpose Capital Project Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Taxes	\$ 32,901,377	\$ -	\$ 4,952,567	\$ 4,665,248	\$ 42,519,192
Licenses and permits	3,731,553	-	-	2,466,846	6,198,399
Fines and fees	807,544	-	-	137,501	945,045
Charge for services	62,779	-	-	8,845,861	8,908,640
Intergovernmental	12,443,477	211,697	872,753	3,170,391	16,698,318
Use of money and property	541,660	145,859	3,847	703,455	1,394,821
Miscellaneous and other	213,310	1,800	-	-	215,110
Total revenues	<u>50,701,700</u>	<u>359,356</u>	<u>5,829,167</u>	<u>19,989,302</u>	<u>76,879,525</u>
Expenditures:					
Current:					
Elected officials	136,692	-	-	-	136,692
Administration	495,904	-	-	-	495,904
Human resources	889,713	-	-	-	889,713
Legal	334,594	-	-	-	334,594
Communications	305,346	-	-	-	305,346
Capital investment planning	236,110	-	-	-	236,110
Project & facilities management	738,229	-	-	-	738,229
Revenue management	1,283,643	-	-	-	1,283,643
Public safety:					
Police	14,297,451	77,057	-	124,515	14,499,023
Fire	12,450,359	-	-	-	12,450,359
Finance	836,972	-	-	-	836,972
Municipal information and technology	2,030,532	-	-	-	2,030,532
Purchasing	140,776	-	-	-	140,776
Court	247,575	-	-	-	247,575
Building & neighborhood services	1,869,310	-	-	-	1,869,310
Planning	1,362,339	-	-	-	1,362,339
Engineering	588,560	-	-	-	588,560
Traffic operations center	1,100,104	-	-	-	1,100,104
Parks	3,162,220	-	-	-	3,162,220
Streets-maintenance	3,781,100	-	-	2,285,842	6,066,942
Streets-traffic	913,788	-	-	-	913,788
Streets-fleet	512,126	337,822	-	-	849,948
General government	96,658	-	-	846,539	943,197
Sanitation	-	-	-	7,366,610	7,366,610
Storm water	-	48	-	1,246,214	1,246,262
Transit	-	-	-	1,195,802	1,195,802
Debt service	-	276,425	10,329,141	-	10,605,566
Capital outlay	983,233	16,507,352	-	1,105,365	18,595,950
Total expenditures	<u>\$ 48,793,334</u>	<u>\$ 17,198,704</u>	<u>\$ 10,329,141</u>	<u>\$ 14,170,887</u>	<u>\$ 90,492,066</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, 2011

	<u>General Fund</u>	<u>Multi-Purpose Capital Project Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Excess (deficiency) of revenues over (under) expenditures	\$ 1,908,366	\$ (16,839,348)	\$ (4,499,974)	\$ 5,818,415	\$ (13,612,541)
Other financing sources (uses):					
Issuance of debt, including premium	-	15,725,000	17,481,236	-	33,206,236
Refunding of debt	-	-	(17,317,803)	-	(17,317,803)
Transfers from other funds	-	481,504	4,970,918	2,379,469	7,831,891
Transfers to other funds	(2,860,973)	-	-	(4,970,918)	(7,831,891)
Total other financing sources (uses)	<u>(2,860,973)</u>	<u>16,206,504</u>	<u>5,134,351</u>	<u>(2,591,449)</u>	<u>15,888,433</u>
Net changes in fund balances	(952,607)	(632,844)	634,377	3,226,966	2,275,892
Fund balances - beginning	<u>25,914,373</u>	<u>12,691,653</u>	<u>465,191</u>	<u>4,014,785</u>	<u>43,086,002</u>
Fund balances - ending	<u>\$ 24,961,766</u>	<u>\$ 12,058,809</u>	<u>\$ 1,099,568</u>	<u>\$ 7,241,751</u>	<u>\$ 45,361,894</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, 2011

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) \$ 2,275,892

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	20,003,028	
Loss on disposal of capital assets	(1,349,307)	
Depreciation expense	<u>(15,727,453)</u>	2,926,268

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	(49,735)	
Franchise fees	(720)	
Court fines	(6,665)	
Grant revenues	517,319	
Contributed capital assets	<u>9,804,196</u>	10,264,395

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:

Lease issuance	(92,743)	
Debt issuance	(32,315,000)	
Bonds premiums and deferred refunding amounts	(513,095)	
Lease payments	608,062	
Lease payments-accrued interest	3,392	
Debt payments	<u>22,793,000</u>	(9,516,384)

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

Bond issue costs on new debt issuance	348,135	
Amortization of bond issue costs	<u>(64,692)</u>	283,443

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:

Employee benefits	(371,809)	
Accrued interest	<u>(224,559)</u>	(596,368)

Change in net assets of governmental activities (Page 14) \$ 5,637,246

CITY OF FRANKLIN, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Revenues:	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
Taxes:				
Real and personal property taxes	\$ 6,667,531	\$ 6,667,531	\$ 6,432,113	\$ (235,418)
Penalty and interest	40,000	40,000	51,707	11,707
In lieu of tax	351,000	351,000	341,652	(9,348)
Sales tax	22,383,900	22,568,466	22,720,666	152,200
Beer tax	1,326,000	1,326,000	1,421,683	95,683
Beer privilege tax	18,500	18,500	19,918	1,418
Wholesale liquor tax	826,200	826,200	854,254	28,054
Liquor privilege tax	66,300	66,300	72,005	5,705
Mixed drink tax	453,900	453,900	497,573	43,673
Business tax	5,000	5,000	8,302	3,302
Facilities tax	-	481,504	481,504	-
Total Taxes	<u>32,138,331</u>	<u>32,804,401</u>	<u>32,901,377</u>	<u>96,976</u>
Licenses and permits:				
Mechanical licenses	7,200	7,200	5,200	(2,000)
Mechanical permits	76,500	76,500	105,506	29,006
Building permits	408,000	454,330	820,111	365,781
Plumbing licenses	6,216	6,216	4,169	(2,047)
Plumbing permits	56,100	56,100	102,788	46,688
Electric permits	138,700	138,700	186,224	47,524
Inspection Fees	61,050	61,050	94,727	33,677
Site review, rezoning and submittal fees	45,500	45,500	73,705	28,205
Beer permits and licenses	14,300	14,300	14,500	200
Yard sale permits	9,200	9,200	8,800	(400)
Business license	250,000	250,000	261,720	11,720
Alarm permits	20,400	20,400	21,874	1,474
Miscellaneous permits	5,475	5,475	1,700	(3,775)
Franchise taxes	<u>2,100,000</u>	<u>2,100,000</u>	<u>2,030,529</u>	<u>(69,471)</u>
Total Licenses and permits	<u>3,198,641</u>	<u>3,244,971</u>	<u>3,731,553</u>	<u>486,582</u>
Fines and fees:				
Fines - city court	950,000	950,000	714,013	(235,987)
Fines - general sessions	79,000	79,000	67,107	(11,893)
Parking tickets	51,500	51,500	17,295	(34,205)
Building & street standards board of appeals fees	-	-	250	250
Business tax fees	-	-	3,149	3,149
Tree bank fees	-	-	5,730	5,730
Beer board violations	<u>1,500</u>	<u>1,500</u>	<u>-</u>	<u>(1,500)</u>
Total Fines and fees	<u>1,082,000</u>	<u>1,082,000</u>	<u>807,544</u>	<u>(274,456)</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 BALANCE - BUDGET (GAAP BASIS) AND ACTUAL (Cont.)

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Revenues (Cont.):	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Charges for services:				
Regional fire training	300	300	1,000	700
Maps sold	2,000	2,000	1,717	(283)
Plans sold	-	-	3,775	3,775
Accident reports	40,000	40,000	35,470	(4,530)
Fingerprinting fees	1,500	1,500	1,480	(20)
Offender registry	1,500	1,500	2,100	600
License seizure fees	2,000	2,000	865	(1,135)
Citizens Academies	2,000	2,000	-	(2,000)
3rd party billable overtime	15,000	15,000	15,432	432
Compost vouchers	-	-	940	940
Total Charges for services	64,300	64,300	62,779	(1,521)
Intergovernmental:				
Admin charges to other funds	2,016,083	2,016,083	2,016,083	-
Reimbursement from other local governments	-	25,500	-	(25,500)
State income tax	1,200,000	1,200,000	1,228,236	28,236
Sales tax	3,765,000	3,765,000	3,767,317	2,317
State beer tax	30,600	30,600	29,329	(1,271)
State excise tax	55,000	55,000	13,498	(41,502)
In lieu of tax - TVA	650,000	650,000	632,821	(17,179)
Business tax from state	2,450,000	2,450,000	2,518,958	68,958
Federal and state financial assistance programs	1,672,300	1,672,300	2,237,235	564,935
Total Intergovernmental	11,838,983	11,864,483	12,443,477	578,994
Use of money and property:				
Interest income	772,500	772,500	415,422	(357,078)
Rebates on purchases	25,000	25,000	29,572	4,572
Rent - mall and other	20,000	20,000	2,116	(17,884)
Park concessions and rentals	24,000	24,000	27,769	3,769
Sale of surplus assets	100,000	100,000	66,781	(33,219)
Total Use of money and property	941,500	941,500	541,660	(399,840)
Miscellaneous:				
Miscellaneous income	100,000	100,000	101,292	1,292
In-kind grant contributions	-	-	1,614	1,614
Insurance reimbursements	-	-	110,404	110,404
Total Miscellaneous	100,000	100,000	213,310	113,310
Total revenues	\$ 49,363,755	\$ 50,101,655	\$ 50,701,700	\$ 600,045

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

(Continued)

CITY OF FRANKLIN, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL (Cont.)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures:				
Elected officials:				
Current				
Personnel	\$ 127,737	\$ 122,737	\$ 120,230	\$ (2,507)
Operations	25,972	15,972	16,462	490
Total Elected officials	<u>153,709</u>	<u>138,709</u>	<u>136,692</u>	<u>(2,017)</u>
Administration:				
Current				
Personnel	387,388	389,945	402,619	12,674
Operations	174,957	109,957	93,285	(16,672)
Total General government administration	<u>562,345</u>	<u>499,902</u>	<u>495,904</u>	<u>(3,998)</u>
Human resources:				
Current				
Personnel	627,944	677,157	713,814	36,657
Operations	191,653	214,028	175,899	(38,129)
Total Human resources	<u>819,597</u>	<u>891,185</u>	<u>889,713</u>	<u>(1,472)</u>
Legal:				
Current				
Personnel	244,221	245,879	266,626	20,747
Operations	125,477	89,977	67,968	(22,009)
Total Legal	<u>369,698</u>	<u>335,856</u>	<u>334,594</u>	<u>(1,262)</u>
Communications:				
Current				
Personnel	265,042	265,042	275,539	10,497
Operations	49,692	41,692	29,807	(11,885)
Total Communications	<u>314,734</u>	<u>306,734</u>	<u>305,346</u>	<u>(1,388)</u>
Capital investment planning:				
Current				
Personnel	209,089	210,456	216,541	6,085
Operations	28,332	28,332	19,569	(8,763)
Total Capital investment planning	<u>237,421</u>	<u>238,788</u>	<u>236,110</u>	<u>(2,678)</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 BALANCE - BUDGET (GAAP BASIS) AND ACTUAL (Cont.)
GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Expenditures (Cont.):	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Project & facilities management:				
Current				
Personnel	354,871	358,212	360,106	1,894
Operations	330,538	330,538	378,123	47,585
Total current	685,409	688,750	738,229	49,479
Capital outlay	50,000	50,000	-	(50,000)
Total Project and facilities management	735,409	738,750	738,229	(521)
Revenue management				
Current				
Personnel	754,115	841,433	912,964	71,531
Operations	442,657	442,657	370,679	(71,978)
Total Revenue management	1,196,772	1,284,090	1,283,643	(447)
Police department				
Current				
Personnel	10,589,368	10,663,190	11,131,086	467,896
Operations	3,012,585	3,606,091	3,166,365	(439,726)
Total current	13,601,953	14,269,281	14,297,451	28,170
Capital outlay	-	406,510	375,054	(31,456)
Total Police department	13,601,953	14,675,791	14,672,505	(3,286)
Fire department:				
Current				
Personnel	10,990,792	11,068,246	11,201,685	133,439
Operations	1,255,643	1,357,404	1,248,674	(108,730)
Total current	12,246,435	12,425,650	12,450,359	24,709
Capital outlay	50,000	50,000	24,853	(25,147)
Total Fire department	12,296,435	12,475,650	12,475,212	(438)
Finance:				
Current				
Personnel	723,855	744,003	737,566	(6,437)
Operations	83,813	83,813	99,406	15,593
Total current	807,668	827,816	836,972	9,156
Capital outlay	10,000	10,000	-	(10,000)
Total Finance	817,668	837,816	836,972	(844)
Municipal information and technology:				
Current				
Personnel	1,167,961	1,174,612	1,113,801	(60,811)
Operations	827,812	861,812	916,731	54,919
Total current	1,995,773	2,036,424	2,030,532	(5,892)
Capital outlay	28,000	28,000	32,493	4,493
Total Municipal information and technology	2,023,773	2,064,424	2,063,025	(1,399)

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

(Continued)

CITY OF FRANKLIN, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL (Cont.)

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Expenditures (Cont.):	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Purchasing:				
Current				
Personnel	138,798	134,507	134,371	(136)
Operations	6,830	6,830	6,405	(425)
Total Purchasing	<u>145,628</u>	<u>141,337</u>	<u>140,776</u>	<u>(561)</u>
Court:				
Current				
Personnel	192,696	193,568	197,209	3,641
Operations	92,743	56,743	50,366	(6,377)
Total Court	<u>285,439</u>	<u>250,311</u>	<u>247,575</u>	<u>(2,736)</u>
Building & neighborhood services (Codes):				
Current				
Personnel	1,667,471	1,705,976	1,707,540	1,564
Operations	124,690	164,690	161,770	(2,920)
Total Building of neighborhood services	<u>1,792,161</u>	<u>1,870,666</u>	<u>1,869,310</u>	<u>(1,356)</u>
Planning:				
Current				
Personnel	1,244,656	1,252,349	1,235,983	(16,366)
Operations	146,318	111,318	126,356	15,038
Total Planning	<u>1,390,974</u>	<u>1,363,667</u>	<u>1,362,339</u>	<u>(1,328)</u>
Engineering:				
Current				
Personnel	545,638	549,385	559,277	9,892
Operations	54,950	39,950	29,283	(10,667)
Total Engineering	<u>600,588</u>	<u>589,335</u>	<u>588,560</u>	<u>(775)</u>
Traffic operations center:				
Current				
Personnel	218,614	219,999	231,182	11,183
Operations	1,207,282	871,282	868,922	(2,360)
Total current	<u>1,425,896</u>	<u>1,091,281</u>	<u>1,100,104</u>	<u>8,823</u>
Capital outlay	830,000	314,000	304,701	(9,299)
Total Traffic operations center	<u>2,255,896</u>	<u>1,405,281</u>	<u>1,404,805</u>	<u>(476)</u>

(Continued)

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

CITY OF FRANKLIN, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL (Cont.)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Expenditures (Cont.):	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
Parks:				
Current				
Personnel	1,680,403	1,689,549	1,716,932	27,383
Operations	664,531	1,444,531	1,445,288	757
Total current	2,344,934	3,134,080	3,162,220	28,140
Capital outlay	97,500	230,070	201,497	(28,573)
Total Parks	2,442,434	3,364,150	3,363,717	(433)
Streets-Maintenance:				
Current				
Personnel	2,057,095	2,110,455	2,250,536	140,081
Operations	1,436,495	1,521,495	1,530,564	9,069
Total current	3,493,590	3,631,950	3,781,100	149,150
Capital outlay	175,000	175,000	21,079	(153,921)
Total Streets-maintenance	3,668,590	3,806,950	3,802,179	(4,771)
Streets-Traffic:				
Current				
Personnel	537,580	540,526	525,837	(14,689)
Operations	364,215	364,215	387,951	23,736
Total current	901,795	904,741	913,788	9,047
Capital outlay	239,000	33,000	23,556	(9,444)
Total Streets-traffic	1,140,795	937,741	937,344	(397)
Streets - Fleet				
Current				
Personnel	423,211	425,543	415,527	(10,016)
Operations	(35,294)	87,706	96,599	8,893
Total Streets-fleet	387,917	513,249	512,126	(1,123)
General government:				
Current				
Personnel	633,510	510	(984,655)	(985,165)
Operations	(318,609)	(358,870)	624,135	983,005
Total General expenditures	314,901	(358,360)	(360,520)	(2,160)
Contributions:				
Current				
Appropriations to non profit organizations	441,002	459,146	457,178	(1,968)
Total Contributions	441,002	459,146	457,178	(1,968)
Total expenditures	\$ 47,995,839	\$ 48,831,168	\$ 48,793,334	\$ (37,834)

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

(Continued)

CITY OF FRANKLIN, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL (Cont.)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures (Cont.):				
Excess of revenues over expenditures	\$ 1,367,916	\$ 1,270,487	\$ 1,908,366	\$ 637,879
Other financing sources (uses):				
Transfer to other funds	(2,037,466)	(3,230,328)	(2,860,973)	(369,355)
Total other financing sources (uses)	<u>(2,037,466)</u>	<u>(3,230,328)</u>	<u>(2,860,973)</u>	<u>(369,355)</u>
Net changes in fund balances	<u>\$ (669,550)</u>	<u>\$ (1,959,841)</u>	(952,607)	<u>\$ 1,007,234</u>
Fund balance - beginning of year			<u>25,914,373</u>	
Fund balance - end of year			<u>\$ 24,961,766</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, 2011

ASSETS

Current assets:

Cash and cash equivalents	\$ 5,757,053
Accounts receivable, net of allowance for doubtful accounts (\$9,000)	4,159,464
Grants receivable	293,385
Inventory	<u>253,767</u>
Total current assets	<u>10,463,669</u>

Restricted assets:

Cash and cash equivalents	7,219,225
Investments	<u>2,756,000</u>
Total restricted assets	<u>9,975,225</u>

Noncurrent assets:

Unamortized bond issue costs	<u>233,115</u>
Capital assets (net of accumulated depreciation):	
Land	5,238,945
Buildings and improvements	3,255,820
Utility plant in service	136,013,284
Machinery and equipment	1,314,897
Construction in progress	<u>10,767,908</u>
Total capital assets (net of accumulated depreciation):	<u>156,590,854</u>
Total noncurrent assets	<u>156,823,969</u>
Total assets	<u>177,262,863</u>

LIABILITIES

Current liabilities:

Accounts payable	1,679,109
Accrued interest	348,964
Deferred revenue - unearned	451,525
Compensated absences payable	294,051
Current maturities of leases	100,225
Current maturities of long-term debt	<u>3,007,611</u>
Total current liabilities	<u>5,881,485</u>

Noncurrent liabilities:

Compensated absences payable	384,378
Long-term leases, net of current maturities	77,315
Long-term debt, net of current maturities	<u>47,494,949</u>
Total noncurrent liabilities	<u>47,956,642</u>
Total liabilities	<u>53,838,127</u>

NET ASSETS

Invested in capital assets, net of related debt	106,143,869
Restricted	9,975,225
Unrestricted	<u>7,305,642</u>
Total net assets	<u>\$ 123,424,736</u>

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, 2011

Operating revenues:	
Metered water sales	\$ 8,234,455
Sewer service charges	10,338,401
Reclaimed water sales	145,994
Other revenues from operations	692,633
Total operating revenues	<u>19,411,483</u>
Operating expenses:	
Water & sewer billing expenses	186,587
Water distribution expenses	1,332,472
Water plant expenses	4,569,591
Water administration	1,912,772
Sewer administration	747,130
General administration	737,973
Sewer collection expenses	1,911,174
Sewer plant expenses	3,419,476
Reclaimed water expenses	144,193
Depreciation	4,895,605
Total operating expenses	<u>19,856,973</u>
Operating loss	<u>(445,490)</u>
Nonoperating revenues (expenses):	
Interest income	169,072
Gain (loss) on sale of assets	11,796
Amortization expense	(46,717)
Interest expense	(1,493,066)
Total nonoperating revenues (expenses)	<u>(1,358,915)</u>
Net loss before contributions and transfers	<u>(1,804,405)</u>
Contributions and transfers:	
Tap and access fees	1,531,644
Capital contributions	2,124,156
Developer contributions	185,590
Total contributions and transfers	<u>3,841,390</u>
Change in net assets	2,036,985
Net assets, beginning of year	<u>121,387,751</u>
Net assets, end of year	<u>\$ 123,424,736</u>

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, 2011

	<u>Water and Sewer Fund</u>
Cash flows from operating activities:	
Cash received from consumers	\$ 15,252,019
Cash paid to employees for services	(3,130,845)
Cash paid to suppliers of goods and services	(6,922,894)
Transfers from other funds	-
Net cash provided by operating activities	<u>5,198,280</u>
Cash flows from capital and related financing activities:	
Purchase of property, plant and equipment	(6,197,212)
Contributions from tap fees and grant funds	3,655,800
Sale of fixed assets	54,755
Interest paid on bonds	(1,522,357)
Issuance of long-term debt	1,066,323
Bond costs related to new debt	-
Payments on long-term debt and capital lease obligations	<u>(3,032,418)</u>
Net cash used in capital and related financing activities	<u>(5,975,109)</u>
Cash flows from investing activities:	
Purchases of investments	(506,000)
Interest received and gains on investments	<u>169,072</u>
Net cash used in investing activities	<u>(336,928)</u>
Net decrease in cash and restricted cash	(1,113,757)
Cash and restricted cash - Beginning of year	<u>14,090,035</u>
Cash and restricted cash - End of year	<u>\$ 12,976,278</u>
Cash and cash equivalents	
Unrestricted cash and cash equivalents	\$ 5,757,053
Restricted cash and cash equivalents	<u>7,219,225</u>
Total cash and cash equivalents	<u>\$ 12,976,278</u>

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

CITY OF FRANKLIN, TENNESSEE
STATEMENT OF CASH FLOWS (Cont.)
PROPRIETARY FUND - WATER AND SEWER FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Water and Sewer Fund</u>
Reconciliation of operating income (loss) to net cash provided (used) by operations:	
Operating (loss)	\$ (445,490)
Adjustments to reconcile operating (loss) to net cash provided by operating activities:	
Depreciation	4,895,605
Change in:	
Accounts receivable	(1,005,749)
Grants receivable	2,495,886
Inventory	(63,513)
Accounts payable	(521,611)
Deferred revenue	(128,550)
Compensated absences	(28,298)
Net cash provided by operating activities	<u>\$ 5,198,280</u>
Supplemental schedule of non-cash capital financing activities:	
Capital assets added as developer contributions	<u>\$ 185,590</u>
Capital assets added financed through capital leases	<u>\$ 273,353</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, 2010

ASSETS

Investments at fair value:

Short-term investments	\$ 839,904
Equity securities and mutual funds	<u>51,649,179</u>
Total investments	<u>52,489,083</u>

Total assets	<u>52,489,083</u>
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Net assets held in trust for pension benefits	<u><u>\$ 52,489,083</u></u>
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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, 2010

Additions:

Contributions:

Employer contributions	\$ 5,297,661
Employee contributions	<u>275,363</u>
Total contributions	<u>5,573,024</u>

Investment income:

Net appreciation in investments	6,713,652
Investment earnings	<u>359,046</u>
Total investment income	<u>7,072,698</u>

Total additions	<u>12,645,722</u>
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Deductions:

Pension benefits	1,823,332
Administration expense	<u>314,946</u>

Total deductions	<u>2,138,278</u>
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Net increase	10,507,444
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Net assets held in trust for pension benefits - beginning	<u>41,981,639</u>
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Net assets held in trust for pension benefits - ending	<u><u>\$ 52,489,083</u></u>
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The accompanying notes are an integral part of the financial statements.

CITY OF FRANKLIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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 U.S. 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, 2011, 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. The effect of all significant 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 Net Assets presents the City's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation and reduced by outstanding debt that is attributable to the acquisition, construction and improvement of those assets. Debt that was issued for capital purposes is not a part of the calculation of net assets invested in capital assets, net of related debt, until the proceeds have been used to acquire capital assets.

Restricted net assets result from restriction placed on net assets by external sources such as creditors, grantors and contributors, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets which do not meet the definition of the two preceding categories.

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. Non major funds are combined and reported in a single column.

CITY OF FRANKLIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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

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 City considers revenues to be available if they are collected within sixty days (60) of the end of the current fiscal period. Generally, expenditures 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.

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 Debt Service Fund was established to service the general obligation debt of the City through interfund transfers and property tax collections.

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 fiduciary 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 U.S. 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 issued after November 30, 1989.

CITY OF FRANKLIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2011

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

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

Generally, 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 to customers for sales and 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 the Conference Center at Cool Springs (Conference Center), which operates a conference center facility. The Conference Center was 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 totaled \$6,172,334 at June 30, 2011, and is accounted for as a joint venture asset of the City. The City's one-half interest in Conference Center operations 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. Pension Fund investments also include various domestic and international equities and mutual funds.

Investments for the City are reported at fair value; securities traded on a national or international exchange are valued primarily at quoted market prices.

CITY OF FRANKLIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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

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

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.

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 \$10,000 and an estimated useful life in excess of three years. Donated capital assets are recorded at estimated fair 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.

CITY OF FRANKLIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2011

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

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

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

Infrastructure	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 and 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.

Bond premiums, discounts and issuance costs

In the governmental funds, bond premiums, discounts and issuance costs are treated as other financing sources or uses or expenditures in the year of issue. In the government-wide and proprietary fund statements, bond premiums, discounts and issuance costs are deferred and amortized over the term of the related bonds.

Derivative financial instruments

Derivative financial instruments consist of interest rate swap agreements and are accounted for at fair value in accordance with GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments."

Property Tax

The City's property tax is due 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%

For fiscal year 2011, taxes were 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 \$11,507,981 for the fiscal year ended June 30, 2011 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.

CITY OF FRANKLIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2011

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

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

At June 30, 2011, property taxes receivable amounted to \$12,501,517, of this amount, property taxes assessed January 1, 2011 and levied October 1, 2011 amounted to \$11,232,926. 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 \$451,525 at June 30, 2011 and is presented as deferred revenue until such time as it is earned under terms of the agreement.

Fund Balance

In accordance with GASB 54, which was implemented during fiscal year 2011, the governmental funds report fund balances in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The categories of fund balance are as follows:

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either: (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed - Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Board of Mayor and Alderman level of decision-making authority are reported as committed fund balance. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed, are reported as assigned fund balance.

CITY OF FRANKLIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2011

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

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

Unassigned – Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. In other governmental funds, if expenditures incurred for specific purposes have exceeded the amounts restricted, committed, or assigned to those purposes, those amounts are reported as a negative unassigned fund balance.

The City's practice is to expend any available restricted, committed or assigned resources, in that order, prior to expending unassigned resources.

Estimates

Estimates used in the preparation of financial statements require management to make assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with U.S. generally accepted accounting principles for the General Fund and the Special Revenue Funds. The Board of Mayor and 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 Mayor and 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.

B. Deficit Fund Balances and Excess Expenditures

The following funds have deficit fund balances at June 30, 2011: Road Impact Fee Fund (\$796,990) and Facilities Tax Fund (\$291,165). The City expects to fund these deficits with revenues from licenses and permits and facilities tax, respectively.

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 2011, 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, 2011, all bank deposits were fully collateralized or insured.

CITY OF FRANKLIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2011

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

A. Deposits and Investments (Cont.)

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, 2011, investments of the City had average weighted maturities as noted below.

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.

As of June 30, 2011, 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	\$ 14,067,259	0.54
Money Market Accounts	8,797,432	-
Treasury Securities	1,411,612	1.75
Municipal Bonds	596,647	2.16
Federal Farm Credit	200,910	3.38
Federal Home Loan Bank	682,393	3.28
Federal National Mortgage Assn	<u>361,669</u>	3.69
Total Investments at Fair Value	<u>\$ 26,117,922</u>	
Portfolio Weighted Avg. Maturity		0.60

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

As of June 30, 2011, the investments that constituted a concentration risk due to the investments exceeding 5% of the portfolio balance were the CD's, the money market accounts, and treasury securities.

As of December 31, 2010 the City of Franklin's Pension Fund had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Investments Available for Sale	<u>\$ 52,489,083</u>	
Total Investments at Fair Value	<u>\$ 52,489,083</u>	
Portfolio Weighted Avg. Maturity		n/a

Investments available for sale include short term investments, domestic corporate stock, mutual funds, and other investments.

CITY OF FRANKLIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2011

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

B. Receivables

Receivables as of June 30, 2011, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Multi-Purpose Capital Project Fund	Debt Service Fund	Water & Sewer Fund	Other Governmental Funds	Total
Receivables:						
Accounts	\$ 985,450	\$ -	\$ -	\$ 4,168,464	\$ 791,210	\$ 5,945,124
Property taxes	7,554,788	-	4,946,729	-	-	12,501,517
Grants	501,882	1,150,819	-	293,385	534,105	2,480,191
Special assessments	53,762	-	-	-	-	53,762
Intergovernmental	2,409,544	-	-	-	491,737	2,901,281
Fines	643,548	-	-	-	-	643,548
Local option sales tax	3,931,939	-	-	-	-	3,931,939
Other	3,019,746	40,239	-	-	521,460	3,581,445
Gross receivables	19,100,659	1,191,058	4,946,729	4,461,849	2,338,512	32,038,807
Less: Allowance for uncollectibles	(519,945)	-	-	(9,000)	-	(528,945)
Net total receivables	<u>\$ 18,580,714</u>	<u>\$ 1,191,058</u>	<u>\$ 4,946,729</u>	<u>\$ 4,452,849</u>	<u>\$ 2,338,512</u>	<u>\$ 31,509,862</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	\$ 266,345	\$ -
Property tax penalties and interest receivable	110,385	-
2010 property tax assessment	-	11,232,926
Special assessments	-	210,678
Confiscated funds	-	24,111
Franchise fees	431,745	-
Court fines receivable	225,242	-
Unrequested grant proceeds	1,303,359	-
Total deferred revenue for fund financial statements	<u>\$ 2,337,076</u>	<u>\$ 11,467,715</u>

CITY OF FRANKLIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2011

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

C. Capital Assets

Capital asset activity for the year ended June 30, 2011 was as follows:

	Balance June 30, 2010	Reclassifications	Additions	Disposals	Balance June 30, 2011
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 47,241,564	\$ -	\$ 846,917	\$ -	\$ 48,088,481
Construction in process	<u>14,639,918</u>	<u>(4,459,509)</u>	<u>17,288,545</u>	<u>-</u>	<u>27,468,954</u>
Total capital assets, not being depreciated	<u>61,881,482</u>	<u>(4,459,509)</u>	<u>18,135,462</u>	<u>-</u>	<u>75,557,435</u>
Capital assets, being depreciated:					
Buildings and improvements	63,316,410	-	31,143	-	63,347,553
Improvements other than buildings	21,028,982	-	-	-	21,028,982
Equipment	50,005,424	-	1,437,283	1,916,183	49,526,524
Infrastructure	<u>429,876,014</u>	<u>4,459,509</u>	<u>10,203,336</u>	<u>1,068,181</u>	<u>443,470,678</u>
Total capital assets, being depreciated	<u>564,226,830</u>	<u>4,459,509</u>	<u>11,671,762</u>	<u>2,984,364</u>	<u>577,373,737</u>
Accumulated depreciation					
Buildings and improvements	6,487,458	-	1,313,016	-	7,800,474
Improvements other than buildings	3,197,738	-	1,036,525	-	4,234,263
Equipment	26,368,562	-	4,461,251	1,612,945	29,216,868
Infrastructure	<u>87,501,630</u>	<u>-</u>	<u>8,916,659</u>	<u>22,112</u>	<u>96,396,177</u>
Total accumulated depreciation	<u>123,555,388</u>	<u>-</u>	<u>15,727,451</u>	<u>1,635,057</u>	<u>137,647,782</u>
Total capital assets being depreciated, net	<u>440,671,442</u>	<u>4,459,509</u>	<u>(4,055,689)</u>	<u>1,349,307</u>	<u>439,725,955</u>
Total governmental activities capital assets, net	<u>502,552,924</u>	<u>-</u>	<u>14,079,773</u>	<u>1,349,307</u>	<u>515,283,390</u>
Business-type activities:					
Capital assets, not being depreciated:					
Land	5,216,746	-	22,199	-	5,238,945
Construction in process	<u>8,455,983</u>	<u>(3,586,899)</u>	<u>5,898,824</u>	<u>-</u>	<u>10,767,908</u>
Total capital assets, not being depreciated	<u>13,672,729</u>	<u>(3,586,899)</u>	<u>5,921,023</u>	<u>-</u>	<u>16,006,853</u>
Capital assets, being depreciated:					
Buildings and improvements	11,291,016	-	-	-	11,291,016
Utility plant in service	175,725,779	3,586,899	173,591	-	179,486,269
Machinery and equipment	<u>4,771,367</u>	<u>-</u>	<u>561,541</u>	<u>165,596</u>	<u>5,167,312</u>
Total capital assets, being depreciated	<u>191,788,162</u>	<u>3,586,899</u>	<u>735,132</u>	<u>165,596</u>	<u>195,944,597</u>
Accumulated depreciation					
Buildings and improvements	7,725,427	-	309,769	-	8,035,196
Utility plant in service	39,176,378	-	4,296,607	-	43,472,985
Machinery and equipment	<u>3,685,823</u>	<u>-</u>	<u>289,229</u>	<u>122,637</u>	<u>3,852,415</u>
Total accumulated depreciation	<u>50,587,628</u>	<u>-</u>	<u>4,895,605</u>	<u>122,637</u>	<u>55,360,596</u>
Total capital assets being depreciated, net	<u>141,200,534</u>	<u>3,586,899</u>	<u>(4,160,473)</u>	<u>42,959</u>	<u>140,584,001</u>
Business-type activities capital assets, net	<u>154,873,263</u>	<u>-</u>	<u>1,760,550</u>	<u>42,959</u>	<u>156,590,854</u>
Total capital assets, net	<u>\$ 657,426,187</u>	<u>\$ -</u>	<u>\$ 15,840,323</u>	<u>\$ 1,392,266</u>	<u>\$ 671,874,244</u>

CITY OF FRANKLIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2011

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	\$ 297,229
Administration	2,570
Capital improvement planning	6,205
Police department	1,366,372
Fire department	792,311
Highways and streets	9,239,764
Engineering	66,307
Stormwater	82,730
Sanitation	912,021
Transit	185,276
Parks	1,159,442
Maintenance	3,155
Planning	6,210
Building and neighborhood services	28,253
Human resources	7,412
Communications	4,634
Finance	26,078
Municipal information and technology	<u>1,541,482</u>
Total depreciation expense – governmental activities	<u>\$ 15,727,451</u>
Business-type activities:	
Water and sewer	<u>\$ 4,895,605</u>
Total depreciation expense – business-type activities	<u>\$ 4,895,605</u>

D. Interfund Receivables, Payables and Transfers

The following is a summary of transfers during the year ended June 30, 2011:

Transfer from	Transfer to	Amount
General	Street Aid	\$ 578,450
General	Sanitation	1,508,605
General	Transit Authority	292,414
General	Capital Project	481,504
Sanitation	Debt Service	532,022
Road Impact Fee	Debt Service	2,730,648
Hotel/Motel Tax	Debt Service	<u>1,708,248</u>
Total		<u>\$ 7,831,891</u>

CITY OF FRANKLIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2011

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 from the General Fund to the Sanitation, Transit Authority, and State Street Aid funds are for the purpose of providing the annual operating subsidy.
- The transfers from the Sanitation, Road Impact, and Hotel/Motel funds to the Debt Service Fund are for the purpose of transferring funds to cover annual debt service requirements.

Interfund balances below 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, 2011, are as follows:

Due from	Due to	Amount
Sanitation	General	\$ 417,322
Street Aid	General	49,269
Transit Authority	Storm Water	1,563,445
Road Impact Fee	General	792,527
Facilities Tax	General	291,165
Drug Fund	General	137,997
CDBG	General	69,100
Total		<u>\$ 3,320,825</u>

The purposes of the interfund balances are:

- 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 Street Aid Fund is due to a negative cash balance in the Street Aid Fund at year end due to outstanding receivables.
- The balance between the Storm Water 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 Road Impact Fee Fund is due to a negative cash balance in the Road Impact Fee Fund at year end because of a deficit fund balance.
- The balance between the General Fund and the Facilities Tax Fund is due to a negative cash balance in the Facilities Tax Fund at year end because of a deficit fund balance.
- 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, 2011

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

E. Capital Leases

The City has entered into three (3) lease agreements as lessee for financing the acquisition of equipment:

1. SunTrust Leasing for \$2,500,000,
2. DeLage Leasing for \$360,791, and
3. PNC Leasing for \$341,691.

These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. The assets acquired through capital leases are as follows:

Assets:

911 Dispatch Equipment	\$ 1,202,017
3 Recycling Trucks	230,400
Compost Screener	112,550
Disaster Recovery Equipment	360,791
Utility billing software	<u>341,691</u>
	2,247,449
Less: Accumulated Depreciation	<u>(364,731)</u>
Total	<u>\$ 1,882,718</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2011 were as follows:

Year Ending June 30,

2012	\$ 811,281
2013	778,726
2014	551,980
2015	<u>551,980</u>
Total minimum lease payments	2,693,967 *
Less: Amount representing interest	<u>(191,967)*</u>
Present value of minimum lease payments	<u>\$ 2,502,000</u>

* The minimum lease payments and interest schedule assumes the entire SunTrust lease is used. Of the \$2,500,000 original amount, \$1,544,967 has been used with \$955,033 remaining. (Both the DeLage lease of \$360,791 and PNC lease of \$341,691 have been used).

CITY OF FRANKLIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2011

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

F. Long-term Debt

Long-term debt at June 30, 2011, is comprised of the following:

Governmental Activities:

General obligation bonds:

City of Clarksville, Pooled Loan Program - 2001 variable rate of interest; final maturity May 25, 2017	\$ 2,429,000
Tennessee Municipal Variable Rate Pooled Loan Program - 2001; variable rate of interest, final maturity May 25, 2018	1,108,000
Series 2002 - General Obligation Refunding Bonds, 3.00% to 4.50% interest, final maturity November 1, 2012.	1,055,000
Series 2004 - General Obligation Refunding Bonds, 2.00% to 3.625% interest, final maturity, October 1, 2014	3,175,000
Series 2004 - General Obligation Public Improvement Bonds, 2.00% to 4.50% interest, final maturity March 1, 2024	355,000
City of Clarksville, Pooled Loan Program - 2004 variable rate of interest, final maturity May 25, 2017	2,900,000
City of Lawrenceburg, TN Loan Agreement 2005 variable rate of interest, final maturity July 1, 2020	3,275,000
Series 2009B - General Obligation Build America Bonds (BAB) 4.45% to 5.70% interest, final maturity, March 1, 2029	30,625,000
Series 2009A - General Obligation Public Improvement Bonds 2.50% interest, final maturity, March 1, 2017	11,800,000
Series 2007 - General Obligation Public Improvement Bonds - 101-A-1, variable rate of interest, final maturity June 1, 2037	20,000,000
Montgomery County, Pooled Loan Program - 2009 variable rate of interest, final maturity May 25, 2029	23,370,000
Series 2010 - General Obligation Recovery Zone Economic Development Bonds (RZEDB), 4.625% to 5.375% interest, final maturity March 1, 2030	15,725,000
Series 2010 - General Obligation Refunding Bonds, 2.00% to 3.00% interest, final maturity March 1, 2024	<u>16,000,000</u>
 Total Governmental Activities Long-Term Debt	 <u>\$ 131,817,000</u>

The aforementioned bonds are secured by the full faith and credit of the City. During 2011, debt service for the aforementioned debt was provided by the Debt Service Fund through property tax collections as well as transfers from the Sanitation Fund, Road Impact Fund and the Hotel/Motel Tax Fund.

CITY OF FRANKLIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2011

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

F. Long-term Debt (Cont.)

Business - Type Activities:

Revenue and tax bonds:

Series 2002B - Sewer and Water Revenue and Tax Bonds: 3.00% to 5.00% interest; final maturity April 1, 2025	\$ 2,600,000
Series 2002A - Sewer and Water Revenue and Tax Refunding Bonds 3% to 4% interest; final maturity June 30, 2013	1,540,000
Series 2005 - Sewer and Water Revenue and Tax Refunding Bonds: 3% to 5% interest; final maturity April 1, 2025	24,390,000
Series 2008 - Tennessee Municipal Bond Fund Variable Rate Pooled Loan Program, variable rate of interest; final maturity May 25, 2030	19,362,000

Notes payable:

Drinking Water SRF Loan provided through ARRA funding, 2.82% interest; final maturity December 20, 2030	1,471,395
Clean Water SRF Loan provided through ARRA funding, 2.69% interest; final maturity estimated to be December 2031	<u>1,065,839</u>

Total Business-Type Activities Long-Term Debt	<u>\$ 50,429,234</u>
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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 2011, 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 compensated absences, at June 30, 2011, are as follows:

Year Ending June 30,	Revenue and Tax Bonds		General Obligation Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	3,038,801	1,481,277	6,361,000	4,274,969	9,399,801	5,756,246
2013	3,226,344	1,383,881	6,588,000	4,137,305	9,814,344	5,521,186
2014	2,841,143	1,292,428	6,265,000	4,008,793	9,106,143	5,301,221
2015	2,896,017	1,187,087	5,927,000	3,899,872	8,823,017	5,086,959
2016	2,952,974	1,080,579	5,691,000	3,790,988	8,643,974	4,871,567
2017 - 2021	16,114,181	3,729,413	26,503,000	17,085,501	42,617,181	20,814,914
2022 - 2026	13,075,487	1,013,638	33,379,000	12,578,110	46,454,487	13,591,748
2027 - 2031	6,244,794	96,630	30,528,000	5,274,195	36,772,794	5,370,825
2032 - 2036	39,493	465	8,625,000	1,451,363	8,664,493	1,451,828
2037	-	-	1,950,000	77,805	1,950,000	77,805
Totals	<u>\$ 50,429,234</u>	<u>\$ 11,265,398</u>	<u>\$ 131,817,000</u>	<u>\$ 56,578,901</u>	<u>\$ 182,246,234</u>	<u>\$ 67,844,299</u>

CITY OF FRANKLIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2011

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

F. 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, 2011, was as follows:

	Beginning Balance	Additions	Reductions/ Amortization	Ending Balance	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 122,295,000	\$ 32,315,000	\$ 22,793,000	\$ 131,817,000	\$ 6,361,000
Unamortized bond premiums	499,047	891,236	(23,558)	1,413,841	122,609
Deferred amounts from refunding	(196,774)	(470,277)	(68,578)	(598,473)	(80,262)
Total bonds payable	122,597,273	32,735,959	22,700,864	132,632,368	6,403,347
Capital lease obligations	1,881,353	92,743	608,062	1,366,034	629,463
Compensated absences	5,507,375	2,669,120	2,538,207	5,638,288	2,538,207
Total long-term liabilities	<u>\$ 129,986,001</u>	<u>\$ 35,497,822</u>	<u>\$ 25,847,133</u>	<u>\$ 139,636,690</u>	<u>\$ 9,571,017</u>
Business-type activities:					
Bonds and notes payable	\$ 52,299,516	\$ 1,066,323	\$ 2,936,605	\$ 50,429,234	\$ 3,038,801
Deferred amounts from refunding	(1,615,495)	-	(145,453)	(1,470,042)	(144,610)
Unamortized bond premiums	1,670,356	-	126,988	1,543,368	113,420
Total bonds and notes payable	52,354,377	1,066,323	2,918,140	50,502,560	3,007,611
Capital lease obligations	-	273,353	95,813	177,540	100,225
Compensated absences	706,727	265,753	294,051	678,429	294,051
Total long-term liabilities	<u>\$ 53,061,104</u>	<u>\$ 1,605,429</u>	<u>\$ 3,308,004</u>	<u>\$ 51,358,529</u>	<u>\$ 3,401,887</u>

Issuance of Bonds

On July 7, 2010, the City issued \$15,725,000 General Obligation Public Improvement Bonds, Series 2010 (Federally Taxable - Recovery Zone Economic Development Bonds), maturing on March 1, 2030, with interest rates ranging from 4.625% to 5.375%. The bonds were issued to provide monies to make public improvements throughout the City.

On October 5, 2010, the City issued \$16,590,000 General Obligation Refunding Bonds, Series 2010, maturing on March 1, 2024, with interest rates ranging from 1.75% to 4.00%. The bonds refunded outstanding General Obligation Public Improvement Refunding Bonds, Series 2004, and prepay the City's Series VI-B-1 Loan Agreement with the Public Building Authority of Sevier County, Tennessee. There was no significant economic gain.

Advance Refunding of Debt

During fiscal year 2011, and 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, 2011, outstanding bonds considered as defeased were as follows:

Sewer and Water Revenue and Tax Bonds - 2002B	\$20,380,000
General Obligation Public Improvement Bonds - 2004	6,145,000
General Obligation VI-B-1 - 2004	<u>10,225,000</u>
Total	<u>\$36,750,000</u>

During September 2011, the City refunded its Business-Type Activities Series 2008 - Tennessee Municipal Bond Fund Variable Rate debt, as described in Note 4-H.

CITY OF FRANKLIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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

F. Long-term Debt (Cont.)

Contingent Liability

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

At the inception of the project, the Industrial Development 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. Through June 30, 2011, the City has lent \$2,833,900 to the Industrial Development Board under standby loan agreement. This amount will be repaid through future property taxes on the development.

Industrial Development Bonds

The City, through the 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 two interest rate swap agreements which are considered to be derivative financial instruments under GASB Statement 53, “Accounting and Financial Reporting for Derivative Instruments.” Accordingly, the derivatives are reported on the statement of net assets at fair value, and are tested for effectiveness to qualify for hedge accounting.

Both pay-fixed interest rate swap transactions are associated with variable debt. Combining a pay-fixed receive-variable rate swap with variable debt results in “synthetic” fixed rate debt: The economics are similar to fixed rate debt, but another instrument is involved unlike regular fixed rate debt. Each time the City created synthetic fixed rate debt, a comparison and determination was made that the fixed rate on regular debt would have been higher than the fixed rate on the swap.

For both swaps, there are two main strategies the City pursued with respect to each transaction. Each swap can achieve one or more of these strategies. Then as a result of execution of the derivative, its value will change with respect to how prevailing rates on each reporting period compare to when the derivative was put in place. The accumulated changes in fair value, or total fair value of the derivatives are a function of how prevailing interest rates and other market factors affect each transaction at each reporting period. Pursuant to GASB 53, each swap transaction is then evaluated to determine what type of accounting treatment to apply.

CITY OF FRANKLIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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

F. Long-term Debt (Cont.)

(i) Mitigate the effect of fluctuations in variable interest rates. This is the primary function of both swaps where the City pays a fixed rate, and receives a variable rate. In an interest rate environment whose level is generally higher than the rate at which the City is fixed, the swap would result in a positive value to the City. Correspondingly, a lower rate environment than the fixed rate would result in a negative value to the City. The value primarily depends on the overall level of interest rates on the reporting date compared to what the City pays. The overall level of long term interest rates from period to period is the primary driver of changes in value recorded from the investment derivatives where the City pays fixed and receives a variable rate. Interest rates have trended lower since inception of the pay fixed swaps, therefore, the mark-to-market value is generally more negative to the City.

(ii) Reduce interest expense from expected benefit resulting from the difference between short and long term rates. This is the function of the swap where the City receives floating amounts based on a longer term index with the expectation of receiving an ongoing net benefit compared to short term rates paid on the variable bonds being hedged. Longer term interest rates, such as the 5 Year Constant Maturity Swap (CMS) Index, are generally higher than shorter term interest rates, such as a weekly rate, which the City pays on the variable bonds. Therefore, when shorter term interest rates came close to, or exceeded longer term rates, the City entered into a swap whose receipts on the receive floating leg are based on a longer term index that is expected to outperform the payments on the City's variable debt. Part of the fair value of this swap is determined by the prevailing level of short term versus long term rates, that is, the steepness of the yield curve. The higher the level of long term rates compared to shorter term rates, the higher the expected benefit to the City, therefore, the higher the mark-to-market value of the swap. The City pays a fixed rate on this swap transaction, therefore the other part of the value of this swap is determined by the prevailing level of interest rates compared to when the City entered into the swap transaction. Since interest rates have trended lower since inception, the mark-to-market value will be more negative to the City, even though the City may be receiving a net benefit from the receipts based on the 5 Year CMS Index.

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 63% of the 5-year London Interbank Offering Rate (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, 2011, 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 one-month LIBOR plus 18 basis points. The swap has a notional amount of \$4,500,000 and expires on July 1, 2020. Of the original notional amount, \$1,225,000 has been retired as of June 30, 2011. 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.

Pursuant to GASB 53, the swap transactions were evaluated for hedge effectiveness and the cumulative change in fair value of the transactions is offset by a corresponding deferred outflow on the statement of net assets.

CITY OF FRANKLIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2011

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

F. Long-term Debt (Cont.)

Swap Agreement	2007 Swap Agreement with <u>Depfa Bank</u>	2005 Swap Agreement with <u>SunTrust Bank</u>
Original Notional Amount	\$ 20,000,000	\$ 4,500,000
Less Amount Retired	<u>-</u>	<u>(1,225,000)</u>
Current Notional Amount	<u>\$20,000,000</u>	<u>\$ 3,275,000</u>
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	\$ 122,004
City Receives*	63% of 5 Year LIBOR CMS	LIBOR x 75% + 0.18%
Payments received by the City*	\$ 254,331	\$ 12,256
Net receipts/(disbursements)*	\$ (463,669)	\$ (109,748)
Fair Value of Swap Agreement	\$ (1,492,155)	\$ (271,688)

* Based on the period July 1, 2010 to June 30, 2011.

The valuations provided are derived from proprietary models based upon well-recognized principles and estimates about relevant future market conditions. The fair values take into consideration the prevailing interest rate environment and the specific terms and conditions of each swap. All fair values were estimated using the zero-coupon discounting method. This method calculates the future payments required by the swap, assuming that the current forward rates implied by the yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement payment on the swaps.

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.

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 a swap 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, 2011 had no credit risk since the swaps had negative values. If the value were a positive amount, then the City would be exposed to risk with Depfa Bank, with a rating by Moody's/, Standard & Poors/Fitch as of June 30, 2011 of A3/BBB/A-, or SunTrust, with ratings of A2/BBB+/BBB+.

CITY OF FRANKLIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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

G. Fund Balances

Fund balances:	General	Multi-Purpose Capital Project Fund	Debt Service Fund	State Street Aid Fund	Sanitation Fund	Road Impact Fee Fund	Facilities Tax Fund	Storm Water Fund	Drug Fund	Hotel / Motel Tax Fund	Transit Authority Fund	CDBG Fund	Totals
Non-Spendable	\$ 522,733	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 522,733
Restricted	-	-	-	-	-	-	-	-	269,691	-	-	19,266	288,957
Committed	17,180,294	12,058,809	1,099,568	-	-	-	-	6,095,953	-	1,944,996	-	-	38,379,620
Assigned	-	-	-	-	-	-	-	-	-	-	-	-	-
Unassigned	7,258,739	-	-	-	-	(796,990)	(291,165)	-	-	-	-	-	6,170,584
Total fund balances	\$ 24,961,766	\$ 12,058,809	\$ 1,099,568	\$ -	\$ -	\$ (796,990)	\$ (291,165)	\$ 6,095,953	\$ 2,69,691	\$ 1,944,996	\$ -	\$ 19,266	\$ 45,361,894
Reason for Restriction/Commitment:													
Inventory	\$ 522,733	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 522,733
Stability funds	17,180,294	-	-	-	-	-	-	-	-	-	-	-	17,180,294
Board action limits use of funds	-	12,058,809	1,099,568	-	-	-	-	6,095,953	-	1,944,996	-	-	21,199,326
Restricted by State government	-	-	-	-	-	-	-	-	-	-	-	-	269,691
Restricted by Federal government	-	-	-	-	-	-	-	-	-	-	-	-	19,266
Unassigned	7,258,739	-	-	-	-	-	-	-	-	-	-	-	7,258,739
Unassigned - negative fund balance	-	-	-	-	-	(796,990)	(291,165)	-	-	-	-	-	(1,088,155)
Total fund balances	\$ 24,961,766	\$ 12,058,809	\$ 1,099,568	\$ -	\$ -	\$ (796,990)	\$ (291,165)	\$ 6,095,953	\$ 2,69,691	\$ 1,944,996	\$ -	\$ 19,266	\$ 45,361,894

Fund Balance Policy – General Fund

The City has a "Fund Balance Policy Statement" specifying the following commitments of fund balance of the General Fund:

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

Contingency Commitment	\$ 2,603,075
Emergency Commitment	2,603,075
Cash Flow Commitment	7,288,609
Debt Service Commitment	1,561,845
Property/Casualty/Health Insurance Commitment	2,082,460
Health Benefits Commitment	<u>1,041,230</u>
	<u>\$17,180,294</u>

CITY OF FRANKLIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2011

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 (TML), 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. City Management, in consultation with legal counsel, does not expect any possible liability to materially exceed the City's limits of insurance.

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 Ending June 30,</u>	<u>Amount</u>
2012	\$ 46,325
2013	46,325
2014	46,325
2015	46,325
2016-2028	<u>440,083</u>
Total	<u>\$ 625,383</u>

Construction Contracts

As of June 30, 2011, construction funds of \$9,975,225 are restricted assets of the Water and Sewer Fund. These funds are restricted for future capital projects.

During 2011, various street, public works and park improvement projects were in process. At June 30, 2011, there was approximately \$7,981,000 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 Funds.

CITY OF FRANKLIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2011

NOTE 4 - OTHER INFORMATION (Cont.)

B. Commitments and Contingencies (Cont.)

Fuel-Hedging Program

The City participates in a fuel hedging program with the Metropolitan Government of Nashville and Davidson County. The City's objective is to hedge the changes in cash flows due to market price fluctuations related to a portion of expected purchases of fuel. Through its participation in the program, the City is committed to its portion of the fuel hedge contracts through June 30, 2012. Renewals of the contracts are expected in the normal course of operations. At June 30, 2011, the contracts are in an asset position. The City's portion of the contracts is approximately 6%, which is immaterial to the financial statements.

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, 2011. Accordingly, all financial statement information regarding the Plan is as of December 31, 2010 and the year then ended.

Plan Description

Membership of the Plan consisted of the following at January 1, 2011, the date of the latest actuarial valuation:

Retirees participants and beneficiaries	111
Disabled participants	3
Vested terminated participants	109
Active plan members	<u>586</u>
Total	<u>809</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. 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 Mayor and Aldermen. 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 Mayor and Aldermen consistent with the laws of Tennessee and the Federal government.

The Plan uses the aggregate actuarial cost method to determine the required annual contributions. Because this method does not identify or separately amortize unfunded actuarial accrued liabilities, the information about unfunded status and funding progress is presented using the entry age actuarial cost method. The information presented is intended to serve as a surrogate for the funded status and funding progress of the plan.

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)

For employees hired before February 15, 2010, the City of Franklin Employees' Pension Plan is funded entirely by the City of Franklin; employees are not required to contribute to the Plan. Additionally, Plan members hired after July 1, 1995 through February 14, 2010 are required to contribute between 3% and 10% of their annual covered salary to a cash balance plan or 401(a) defined contribution plan. Any plan member may also voluntarily contribute between 1% and 10% of their annual covered salary. For these Plan employees, there is also an optional 457 plan available.

CITY OF FRANKLIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2011

NOTE 4 - OTHER INFORMATION (Cont.)

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

Plan members hired on or after February 15, 2010 are required to contribute 5% of their compensation to participate in the Plan. (These employees hired on or after February 15, 2010, may select the City of Franklin 2010 Defined Contribution which also requires a 5% contribution but includes a 5% employer match. An additional 3% may be contributed that would be matched by the City). The Plan changes for employees hired on or after February 15, 2010 was due to a freeze on admittance to the prior non-contributory Pension Plan approved in January 2010. This approval was due to actuarial reports that showed the plan was underfunded and would require substantial increases in annual contributions for many years in order to bring the Plan to a fully-funded level.

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, 2011 includes the following assumptions: (a) Interest: (Funding rates) Pre-retirement: 7.5% per year, compounded annually, net of expenses; Post-retirement: 7.5% per year, compounded annually, net of expenses, (b) Projected salary increases: Salaries are assumed to increase at 3.5% per year, (c) Cost of living increase: Post-retirement benefit is assumed to increase at 2.0% per year, (d) RP 2000 Mortality Table, and (e) Retirement dates ranging from 10% at age 55 to 10% at age 70. The Plan has no long-term contracts for contributions to the Plan and no legally required reserves.

Annual Pension Cost and Funded Status and Funding Progress

The City's annual pension cost and net pension obligation (asset) relating to the plan for the year ended June 30, 2011 were as follows:

Annual required contribution	\$ 5,077,499
Interest on the net pension obligation (asset)	(145,600)
Adjustment to the annual required contributions	<u>204,585</u>
Annual pension cost	5,136,484
Contributions made	<u>5,282,084</u>
Increase in net pension obligation (asset)	(145,600)
Net pension obligation (asset)	
Beginning of year	<u>(1,941,338)</u>
End of year	<u><u>\$(2,086,938)</u></u>

The following table presents three-year trend information for the pension plan:

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost</u>	<u>Percentage of Annual Pension Cost Contributed</u>	<u>Net Pension Obligation (Asset)</u>
June 30, 2009	\$4,497,443	131.7%	\$(1,446,026)
June 30, 2010	\$5,589,068	108.9%	\$(1,941,338)
June 30, 2011	\$5,136,484	102.8%	\$(2,086,938)

CITY OF FRANKLIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2011

NOTE 4 - OTHER INFORMATION (Cont.)

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

The funded status of the pension plan as of the valuation date January 1, 2010, the valuation used for June 30, 2011 reporting, is detailed below:

Actuarial accrued liability (a)	\$51,465,753
Actuarial value of plan assets (b)	<u>43,406,019</u>
Unfunded actuarial accrued liability (a) - (b)	<u>\$ 8,059,734</u>
Funded ratio (b) / (a)	84.34%
Covered payroll (c)	\$29,389,625
Unfunded actuarial accrued liability as a percentage of covered payroll [(a) - (b)] / (c)	27.42%

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

The schedule of funding progress, presented as required supplementary information immediately following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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 were as follows:

Year Ending	Liability, July 1	Claims and Changes in Estimates	Claims Paid	Liability, June 30
6/30/2011	\$ 1,101,323	\$ 6,468,654	\$ (6,476,488)	\$ 1,093,489
6/30/2010	\$ 826,491	\$ 6,364,356	\$ (6,089,524)	\$ 1,101,323

CITY OF FRANKLIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2011

NOTE 4 - OTHER INFORMATION (Cont.)

F. Post Employment Benefits

Plan Description

The City of Franklin self-insures its employees for healthcare benefits. Benefits are established and amended by an insurance committee. The City provides health insurance from the date the employee retires up until the age of 65. No health insurance is available to retirees with less than 20 years of service. For retirees after 20 years of service and at least age 62, retirees pay only the employees' rate at the time of retirement. For retirees after 30 years and at least age 55, retirees pay Cobra rates less \$705.04/month for family coverage or less \$333.25/month for single coverage. (The City pays either the \$705.04 or \$333.25). Retirees age 61 and under with at least 25 years of service are eligible for insurance under Option II (high deductible plan) at the full rate less \$125 per month for single coverage or \$275 per month for family coverage.

Funding Policy

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

Annual OPEB Cost and Funding Status and Funding Progress

The City's annual OPEB cost and net OPEB obligation (asset) for the year ended June 30, 2011 were as follows:

Annual required contribution	\$ 328,500
Interest on the net OPEB obligation (asset)	(37,000)
Adjustment to the annual required contribution	<u> -</u>
Annual OPEB cost	291,500
Contributions made	<u>259,300</u>
Decrease in net pension obligation (asset)	32,200
Net OPEB obligation (asset)	
Beginning of year	<u>(672,700)</u>
End of year	<u><u>\$(640,500)</u></u>

The Government's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 and the two preceding years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation (Asset)</u>
June 30, 2009	\$273,800	74.8%	\$(527,600)
June 30, 2010	277,600	152.3%	(672,700)
June 30, 2011	291,500	89.0%	(640,500)

CITY OF FRANKLIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2011

NOTE 4 - OTHER INFORMATION (Cont.)

F. Post Employment Benefits

The funded status of the OPEB plans as of the valuation date June 30, 2011, was as follows:

Actuarial accrued liability (a)	\$3,679,200
Actuarial value of plan assets (b)	<u>1,027,000</u>
Unfunded actuarial accrued liability (a) - (b)	<u>\$2,652,200</u>
Funded ratio (b)/(a)	27.9%
Covered payroll (c)	27,958,552
Unfunded actuarial accrued liability as a percentage of covered payroll [(a)-(b)]/(c)	9.5%

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

Actuarial Methods and Assumptions

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

In the June 30, 2011, actuarial valuation, the entry age normal cost funding method was used. The information presented is intended to approximate the funded status and funding progress of the plan. The actuarial assumptions included a 3% investment rate of return (net of administrative costs) and an annual healthcare cost trend of 9.5% initially, reduced by decrements of .25% annually until 3% is reached. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30 year period beginning with June 30, 2008.

G. Prior Period Adjustment

During fiscal year 2011, the following prior period adjustment was made to the financial statements:

In the statement of net assets, it was determined that the City had not recorded the net pension asset. The City's contributions in excess of the annual required contributions had previously been recorded in the statement of activities. An adjustment of \$1,941,338 was made to record the net pension asset at June 30, 2010.

H. Subsequent Event

During September 2011, the City issued \$19,430,000 Sewer and Water Revenue and Tax Refunding Bonds, Series 2011 (Series 2011 Bonds). The Series 2011 bonds were issued to provide the funds necessary to refund the aggregate outstanding principal of the City's Series 2008 Tennessee Municipal Bond Fund Variable Rate debt and pay for the costs of issuance. The refunding transaction was completed in order to reduce the City's variable rate exposure in the Water and Sewer Fund. The Series 2011 bonds bear interest at 2.480% and mature in various amounts through May, 2026.

REQUIRED SUPPLEMENTARY INFORMATION

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

City of Franklin Employees' Pension Plan

Year Ended	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)
6/30/2008	1/1/2007	\$ 32,581,714	\$ 39,456,058	\$ 6,874,344	82.6%	\$ 22,014,626	31.2%
6/30/2009	1/1/2008	38,122,589	43,299,578	5,176,989	88.0%	23,660,124	21.9%
6/30/2010	1/1/2009	32,235,206	45,852,365	13,617,159	70.3%	26,815,255	50.8%
6/30/2011	1/1/2010	43,406,019	51,465,753	8,059,734	84.3%	29,389,625	27.4%

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.

City of Franklin Retiree Health Insurance

Year Ended	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)
6/30/2008	7/1/2007	\$ -	\$ 2,566,400	\$ 2,566,400	0.0%	\$ 22,014,626	11.7%
6/30/2009	7/1/2008	731,700	2,820,700	2,089,000	25.9%	23,660,124	8.8%
6/30/2010	6/30/2010	980,600	3,324,000	2,343,400	29.5%	29,389,625	8.0%
6/30/2011	6/30/2011	1,027,000	3,679,200	2,652,200	27.9%	27,958,552	9.5%

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

**CITY OF FRANKLIN, TENNESSEE
NON MAJOR 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.

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

CITY OF FRANKLIN, TENNESSEE
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
JUNE 30, 2011

	Special Revenue Funds										Other Governmental Funds Totals	
	State Street Aid Fund	Sanitation Fund	Road Impact Fee Fund	Facilities Tax Fund	Storm Water Fund	Drug Fund	Hotel / Motel Tax Fund	Transit Authority Fund	CDBG Fund			
ASSETS												
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ 2,194,667	\$ 402,421	\$ 237,791	\$ 1,215,978	\$ -	\$ -	\$ 4,050,857	
Investments	-	-	-	-	2,200,000	-	1,500,000	-	-	-	3,700,000	
Receivables:												
Accounts (net of allowance for uncollectible accounts)	-	570,378	-	-	213,472	5,267	1,394	-	699	-	791,210	
Intergovernmental	299,334	-	-	-	-	-	192,403	-	-	-	491,737	
Grants	-	39,309	-	-	3,691	-	-	356,268	134,837	-	534,105	
Other	-	445,579	-	-	42,867	-	33,014	-	-	-	521,460	
Due from other funds	-	-	-	-	1,563,445	-	-	-	-	-	1,563,445	
Total assets	\$ 299,334	\$ 1,055,266	\$ -	\$ -	\$ 6,218,142	\$ 407,688	\$ 1,964,602	\$ 1,572,246	\$ 135,536	\$ -	\$ 11,652,814	

LIABILITIES AND FUND BALANCES

Accounts payable	\$ 250,065	\$ 598,635	\$ 4,463	\$ -	\$ 118,498	\$ -	\$ 19,606	\$ 8,801	\$ 35,846	\$ 1,035,914	
Due to other funds	49,269	417,322	792,527	291,165	-	137,997	-	1,563,445	69,100	3,320,825	
Deferred revenue	-	39,309	-	-	3,691	-	-	-	11,324	54,324	
Total liabilities	299,334	1,055,266	796,990	291,165	122,189	137,997	19,606	1,572,246	116,270	4,411,063	
Fund balances:											
Non-Spendable	-	-	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	269,691	-	-	19,266	-	288,957
Committed	-	-	-	-	6,095,953	-	1,944,996	-	-	-	8,040,949
Assigned	-	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	(796,990)	(291,165)	-	-	-	-	-	-	(1,088,155)
Total fund balances	-	-	(796,990)	(291,165)	6,095,953	269,691	1,944,996	-	19,266	-	7,241,751
Total liabilities and fund balances	\$ 299,334	\$ 1,055,266	\$ -	\$ -	\$ 6,218,142	\$ 407,688	\$ 1,964,602	\$ 1,572,246	\$ 135,536	\$ -	\$ 11,652,814

CITY OF FRANKLIN, TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES
OTHER GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Special Revenue Funds											Other Governmental Funds Totals
	State	Sanitation	Road	Facilities	Storm Water	Drug	Hotel / Motel	Transit	CDBG			
	Fund	Fund	Impact Fee Fund	Tax Fund	Fund	Fund	Tax Fund	Authority Fund	Fund	Fund	Fund	
Revenues:												
Taxes												
Hotel / Motel tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,917,196	\$ -	\$ -	\$ -	\$ -	\$ 1,917,196
Facilities tax	-	-	-	2,748,052	-	-	-	-	-	-	-	2,748,052
Licenses and permits	-	-	2,466,846	-	-	-	-	-	-	-	-	2,466,846
Fines and fees	-	-	-	-	-	137,501	-	-	-	-	-	137,501
Charges for services	-	6,673,158	-	-	2,108,109	-	-	64,594	-	-	-	8,845,861
Intergovernmental	1,662,300	101,184	-	-	66,444	-	-	876,903	463,560	-	-	3,170,391
Use of money and property	167,000	194,969	-	-	96,469	3,476	224,032	17,381	128	-	-	703,455
Total revenues	<u>1,829,300</u>	<u>6,969,311</u>	<u>2,466,846</u>	<u>2,748,052</u>	<u>2,271,022</u>	<u>140,977</u>	<u>2,141,228</u>	<u>958,878</u>	<u>463,688</u>	<u>463,688</u>	<u>463,688</u>	<u>19,989,302</u>
Expenditures:												
Current:												
General government	-	-	-	-	-	-	382,979	-	463,560	-	-	846,539
Police	-	-	-	-	-	124,515	-	-	-	-	-	124,515
Highways and streets	2,274,764	-	11,078	-	-	-	-	-	-	-	-	2,285,842
Storm water	-	-	-	-	1,246,214	-	-	-	-	-	-	1,246,214
Sanitation	-	7,366,610	-	-	-	-	-	-	-	-	-	7,366,610
Transit	-	-	-	-	-	-	-	1,195,802	-	-	-	1,195,802
Capital outlay	132,986	579,284	-	-	336,605	-	1,000	55,490	-	-	-	1,105,365
Total expenditures	<u>2,407,750</u>	<u>7,945,894</u>	<u>11,078</u>	<u>-</u>	<u>1,582,819</u>	<u>124,515</u>	<u>383,979</u>	<u>1,251,292</u>	<u>463,560</u>	<u>463,560</u>	<u>463,560</u>	<u>14,170,887</u>
Excess (deficiency) of revenues over (under) expenditures	(578,450)	(976,583)	2,455,768	2,748,052	688,203	16,462	1,757,249	(292,414)	128	128	128	5,818,415
Other financing sources (uses)												
Transfers in	578,450	1,508,605	-	-	-	-	-	292,414	-	-	-	2,379,469
Transfers out	-	(532,022)	(2,730,648)	-	-	-	(1,708,248)	-	-	-	-	(4,970,918)
	<u>578,450</u>	<u>976,583</u>	<u>(2,730,648)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,708,248)</u>	<u>292,414</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,591,449)</u>
Net changes in fund balances	-	-	(274,880)	2,748,052	688,203	16,462	49,001	-	128	128	128	3,226,966
Fund balances - beginning	-	-	(522,110)	(3,039,217)	5,407,750	253,229	1,895,995	-	19,138	19,138	19,138	4,014,785
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (796,990)</u>	<u>\$ (291,165)</u>	<u>\$ 6,095,953</u>	<u>\$ 269,691</u>	<u>\$ 1,944,996</u>	<u>\$ -</u>	<u>\$ 19,266</u>	<u>\$ 19,266</u>	<u>\$ 19,266</u>	<u>\$ 7,241,751</u>

See independent auditors' report.

CITY OF FRANKLIN, TENNESSEE
DEBT SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes:				
Property tax apportionment	\$ 5,298,681	\$ 5,298,681	\$ 4,952,567	\$ (346,114)
Intergovernmental:				
Rebates on BAB / RZEDB Bonds	-	800,000	872,753	72,753
Use of money and property:				
Interest earned	5,000	5,000	3,847	(1,153)
Bond proceeds	-	-	16,590,000	16,590,000
Premiums on bonds	-	-	891,236	891,236
Total revenues	<u>5,303,681</u>	<u>6,103,681</u>	<u>23,310,403</u>	<u>17,206,722</u>
Expenditures:				
Principal	5,833,000	5,833,000	5,823,000	(10,000)
Interest	4,030,111	4,830,111	4,199,034	(631,077)
Current:				
Debt service fees	161,000	161,000	140,096	(20,904)
Bond issuance costs	100,000	100,000	167,011	67,011
Total expenditures	<u>10,124,111</u>	<u>10,924,111</u>	<u>10,329,141</u>	<u>(594,970)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,820,430)</u>	<u>(4,820,430)</u>	<u>12,981,262</u>	<u>17,801,692</u>
Other financing sources (uses)				
Refunding of bonds	-	-	(17,317,803)	(17,317,803)
Operating transfers from other funds				
From Solid Waste	593,500	593,500	532,022	(61,478)
From Road Impact	2,869,911	2,869,911	2,730,648	(139,263)
From Hotel/Motel	1,467,678	1,467,678	1,708,248	240,570
	<u>4,931,089</u>	<u>4,931,089</u>	<u>(12,346,885)</u>	<u>(17,277,974)</u>
Net changes in fund balances	<u>\$ 110,659</u>	<u>\$ 110,659</u>	634,377	<u>\$ 523,718</u>
Fund balance - beginning			<u>465,191</u>	
Fund balance - ending			<u>\$ 1,099,568</u>	

See independent auditors' report.

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, 2011

	<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	\$ 1,618,332	\$ 1,628,332	\$ 1,662,300	\$ 33,968
Use of money and property:				
Contributions from developers	-	167,000	167,000	-
Interest earned	10,000	10,000	-	(10,000)
Total revenues	<u>1,628,332</u>	<u>1,805,332</u>	<u>1,829,300</u>	<u>23,968</u>
Expenditures:				
Current:				
Highways and streets:				
Street maintenance and improvement	1,628,332	2,294,514	2,274,764	(19,750)
Capital outlay	-	137,000	132,986	(4,014)
Total expenditures	<u>1,628,332</u>	<u>2,431,514</u>	<u>2,407,750</u>	<u>(23,764)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(626,182)</u>	<u>(578,450)</u>	<u>47,732</u>
Other financing sources (uses)				
Operating transfers from other funds	<u>-</u>	<u>626,182</u>	<u>578,450</u>	<u>(47,732)</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 auditors' 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, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental:				
Grants	\$ -	\$ 140,000	\$ 101,184	\$ (38,816)
Charges for services:				
Garbage fees	5,405,100	6,445,100	6,612,617	167,517
Other revenues	145,000	145,000	8,209	(136,791)
Sale of waste containers	95,000	95,000	52,332	(42,668)
Uses of money and property:				
Lease proceeds	-	-	34,168	34,168
Sale of assets	-	160,000	160,801	801
Total revenues	<u>5,645,100</u>	<u>6,985,100</u>	<u>6,969,311</u>	<u>(15,789)</u>
Expenditures:				
Current:				
Personnel	2,899,105	2,915,398	3,055,368	139,970
Operations	2,925,703	4,265,703	4,311,242	45,539
Capital outlay	685,800	799,683	579,284	(220,399)
Total expenditures	<u>6,510,608</u>	<u>7,980,784</u>	<u>7,945,894</u>	<u>(34,890)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(865,508)</u>	<u>(995,684)</u>	<u>(976,583)</u>	<u>19,101</u>
Other financing sources (uses)				
Operating transfers from other funds	1,459,008	1,589,184	1,508,605	80,579
Operating transfers to other funds	(593,500)	(593,500)	(532,022)	(61,478)
Total other financing sources (uses)	<u>865,508</u>	<u>995,684</u>	<u>976,583</u>	<u>19,101</u>
Net changes in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance - beginning			-	
Fund balance - ending			<u>\$ -</u>	

See independent auditors' 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, 2011

	<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	\$ 2,179,214	\$ 2,179,214	\$ 2,466,846	\$ 287,632
Use of money and property:				
Interest earned	<u>9,809</u>	<u>9,809</u>	-	<u>(9,809)</u>
Total revenues	<u>2,189,023</u>	<u>2,189,023</u>	<u>2,466,846</u>	<u>277,823</u>
Expenditures:				
Other costs	<u>-</u>	<u>-</u>	<u>11,078</u>	<u>11,078</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>11,078</u>	<u>11,078</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,189,023</u>	<u>2,189,023</u>	<u>2,455,768</u>	<u>266,745</u>
Other financing sources (uses):				
Transfer to other funds	<u>(2,869,911)</u>	<u>(2,869,911)</u>	<u>(2,730,648)</u>	<u>(139,263)</u>
Net changes in fund balances	<u>\$ (680,888)</u>	<u>\$ (680,888)</u>	<u>(274,880)</u>	<u>\$ 406,008</u>
Fund balance - beginning			<u>(522,110)</u>	
Fund balance - ending			<u>\$ (796,990)</u>	

See independent auditors' 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, 2011

	<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	\$ 1,705,176	\$ 1,705,176	\$ 2,748,052	\$ 1,042,876
Total revenues	<u>1,705,176</u>	<u>1,705,176</u>	<u>2,748,052</u>	<u>1,042,876</u>
Expenditures:				
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	<u>\$ 1,705,176</u>	<u>\$ 1,705,176</u>	2,748,052	<u>\$ 1,042,876</u>
Fund balance - beginning			<u>(3,039,217)</u>	
Fund balance - ending			<u>\$ (291,165)</u>	

See independent auditors' 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, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental:				
Grants	\$ -	\$ 70,000	\$ 66,444	\$ (3,556)
Charges for services:				
Customer services	2,110,900	2,110,900	2,108,109	(2,791)
Uses of money and property:				
Lease proceeds	-	-	34,169	34,169
Interest earnings	20,000	20,000	62,300	42,300
Total revenues	<u>2,130,900</u>	<u>2,200,900</u>	<u>2,271,022</u>	<u>70,122</u>
Expenditures:				
Current:				
Storm water costs:				
Personnel	634,672	634,672	676,390	41,718
Operations	574,833	575,733	569,824	(5,909)
Capital outlay	85,000	385,000	336,605	(48,395)
Total expenditures	<u>1,294,505</u>	<u>1,595,405</u>	<u>1,582,819</u>	<u>(12,586)</u>
Net changes in fund balances	<u>\$ 836,395</u>	<u>\$ 605,495</u>	688,203	<u>\$ 82,708</u>
Fund balance - beginning			<u>5,407,750</u>	
Fund balance - ending			<u>\$ 6,095,953</u>	

See independent auditors' 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, 2011

	<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	\$ 500	\$ 500	\$ 3,476	\$ 2,976
Fines and fees:				
Seized assets/unclaimed evidence	102,000	102,000	137,501	35,501
Total revenues	<u>102,500</u>	<u>102,500</u>	<u>140,977</u>	<u>38,477</u>
Expenditures:				
Current:				
Public safety:				
Drug-related	108,460	108,460	124,515	16,055
Capital outlay	70,000	70,000	-	(70,000)
Total expenditures	<u>178,460</u>	<u>178,460</u>	<u>124,515</u>	<u>(53,945)</u>
Net changes in fund balances	<u>\$ (75,960)</u>	<u>\$ (75,960)</u>	16,462	<u>\$ 92,422</u>
Fund balance - beginning			<u>253,229</u>	
Fund balance - ending			<u>\$ 269,691</u>	

See independent auditors' 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, 2011

	<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	\$ 1,652,400	\$ 1,752,400	\$ 1,917,196	\$ 164,796
Use of money and property:				
Distributions from conference center	-	-	202,650	202,650
Interest earned	5,000	5,000	21,382	16,382
Total revenues	<u>1,657,400</u>	<u>1,757,400</u>	<u>2,141,228</u>	<u>383,828</u>
Expenditures:				
Current:				
Miscellaneous	373,048	373,048	382,979	9,931
Capital outlay	-	-	1,000	1,000
Total expenditures	<u>373,048</u>	<u>373,048</u>	<u>383,979</u>	<u>10,931</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,284,352</u>	<u>1,384,352</u>	<u>1,757,249</u>	<u>372,897</u>
Other financing sources (uses):				
Transfer to other funds	<u>(1,467,676)</u>	<u>(1,567,676)</u>	<u>(1,708,248)</u>	<u>140,572</u>
Net changes in fund balances	<u>\$ (183,324)</u>	<u>\$ (183,324)</u>	49,001	<u>\$ 232,325</u>
Fund balance - beginning			<u>1,895,995</u>	
Fund balance - ending			<u>\$ 1,944,996</u>	

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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, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental:				
Grants	\$ 768,045	\$ 768,045	\$ 876,903	\$ 108,858
Charges for services:				
Transit fares	63,657	63,657	64,594	937
Uses of money and property:				
Sale of assets	34,497	34,497	1,718	(32,779)
Rental income	-	-	9,733	9,733
Interest earnings	-	-	5,930	5,930
Total revenues	<u>866,199</u>	<u>866,199</u>	<u>958,878</u>	<u>92,679</u>
 Expenditures:				
Current:				
Operations	1,063,657	1,063,657	1,195,802	132,145
Capital outlay	370,050	370,050	55,490	(314,560)
Total expenditures	<u>1,433,707</u>	<u>1,433,707</u>	<u>1,251,292</u>	<u>(182,415)</u>
 Excess (deficiency) of revenues over (under) expenditures	<u>(567,508)</u>	<u>(567,508)</u>	<u>(292,414)</u>	<u>275,094</u>
 Other financing sources (uses):				
Transfer from other funds	<u>533,458</u>	<u>533,458</u>	<u>292,414</u>	<u>(241,044)</u>
 Net changes in fund balances	<u>\$ (34,050)</u>	<u>\$ (34,050)</u>	-	<u>\$ 34,050</u>
 Fund balance - beginning			<u>-</u>	
Fund balance - ending			<u>\$ -</u>	

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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, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental:				
Grants	\$ 299,406	\$ 464,406	\$ 463,560	\$ (846)
Contributions	-	-	10	10
Uses of money and property:				
Interest	-	-	118	118
Total revenues	<u>299,406</u>	<u>464,406</u>	<u>463,688</u>	<u>(718)</u>
 Expenditures:				
Current:				
Operations	<u>299,406</u>	<u>464,406</u>	<u>463,560</u>	<u>(846)</u>
Total expenditures	<u>299,406</u>	<u>464,406</u>	<u>463,560</u>	<u>(846)</u>
 Net changes in fund balances	<u>\$ -</u>	<u>\$ -</u>	128	<u>\$ 128</u>
 Fund balance - beginning			<u>19,138</u>	
 Fund balance - ending			<u>\$ 19,266</u>	

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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, 2011

Function and Activity	Balance June 30, 2010	Additions	Disposals	Transfers	Balance June 30, 2011
General government:					
General	\$ 13,060,319	\$ -	\$ -	-	\$ 13,060,319
Telephone system	105,184	-	-	-	105,184
Traffic	591,590	23,556	(11,927)	-	603,219
Parking garage	9,377,160	-	-	-	9,377,160
Fleet management	65,275	-	-	-	65,275
Traffic operation center	2,454,083	304,701	(71,832)	118,787	2,805,739
Transit operations	2,468,905	179,216	(64,248)	-	2,583,873
Administration	214,087	-	(123,332)	(31,169)	59,586
Capital investments planning	-	-	-	37,241	37,241
Building & neighborhood services	340,626	-	(61,958)	(14,051)	264,617
Engineering	392,798	768,851	(115,814)	(201,238)	844,597
Finance	374,724	-	(53,784)	11,023	331,963
Fire department	18,981,721	24,853	(92,515)	13,931	18,927,990
Management information & technology	15,820,194	57,476	(185,765)	22,231	15,714,136
Parks	41,753,656	723,094	(264,121)	70,814	42,283,443
Human resources	57,012	-	(8,436)	1,375	49,951
Police department	42,653,874	426,276	(44,658)	15,700	43,051,192
Sanitation	17,389,229	579,284	(576,125)	(72,247)	17,320,141
Project & facilities management	70,884	-	(8,000)	33,306	96,190
Channel 10	51,224	-	(19,716)	-	31,508
Storm water	1,545,778	78,433	-	10,401	1,634,612
Streets	15,975,500	846,917	(184,755)	-	16,637,662
Infrastructure - highways, streets and bridges	442,264,055	25,794,568	(1,068,183)	-	466,990,440
Planning	100,434	-	(29,196)	(16,104)	55,134
Total	\$ 626,108,312	\$ 29,807,225	\$ (2,984,365)	\$ -	\$ 652,931,172

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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, 2011

Function and Activity	Land	Buildings and Structures	Improvements Other than Buildings	Equipment	Infrastructure	Construction in Process	Total
General government:							
General	\$ 8,893,782	\$ 3,753,388	\$ -	\$ 413,149	\$ -	\$ -	\$ 13,060,319
Telephone system	-	-	-	105,184	-	-	105,184
Traffic	-	-	-	603,219	-	-	603,219
Parking garage	223,879	9,153,281	-	-	-	-	9,377,160
Fleet management	-	-	-	48,425	-	16,850	65,275
Traffic operation center	-	-	-	2,100,228	-	705,511	2,805,739
Transit operations	35,626	918,553	-	1,330,504	-	299,190	2,583,873
Administration	-	-	-	59,586	-	-	59,586
Capital investment planning	-	-	-	37,241	-	-	37,241
Building & neighborhood services	-	-	-	264,617	-	-	264,617
Engineering	-	-	-	75,746	-	768,851	844,597
Finance	-	-	-	331,963	-	-	331,963
Fire department	870,123	9,972,598	-	8,085,269	-	-	18,927,990
Management information & technology	-	-	-	15,665,916	-	48,220	15,714,136
Parks	17,627,758	478,161	21,028,982	1,037,972	-	2,110,570	42,283,443
Human resources	-	-	-	49,951	-	-	49,951
Police department	5,688,623	29,032,408	-	8,330,161	-	-	43,051,192
Sanitation	795,014	9,739,128	-	6,785,999	-	-	17,320,141
Project & facilities management	-	27,889	-	68,301	-	-	96,190
Communications	-	-	-	31,508	-	-	31,508
Storm water	650,886	-	-	983,726	-	-	1,634,612
Streets	13,302,790	272,147	-	3,062,725	-	-	16,637,662
Infrastructure - highways, streets and bridges	-	-	-	-	443,470,678	23,519,762	466,990,440
Planning	-	-	-	55,134	-	-	55,134
Total	\$ 48,088,481	\$ 63,347,553	\$ 21,028,982	\$ 49,526,524	\$ 443,470,678	\$ 27,468,954	\$ 652,931,172

See independent auditors' report.

CITY OF FRANKLIN, TENNESSEE
SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Year of Levy	Balance June 30, 2010	Taxes Levied	Adjustments and Collections	Balance June 30, 2011
2010	\$ -	\$ 11,785,700	\$ (11,507,981)	\$ 277,719
2009	309,062	-	(222,651)	86,411
2008	73,781	-	(50,665)	23,116
2007	29,364	-	(3,516)	25,848
2006	5,337	-	(2,139)	3,198
2005	2,671	-	(271)	2,400
2004	2,269	-	(53)	2,216
2003	3,659	-	(230)	3,429
2002	12,650	-	(35)	12,615
2001	13,236	-	(3)	13,233
2000	6,129	-	(6,129)	-
1999	5,887	-	(5,887)	-
	<u>\$ 464,045</u>	<u>\$ 11,785,700</u>	<u>\$ (11,799,560)</u>	<u>\$ 450,185</u>

Above balances represented as follows:

Considered current revenue	91,842
Allowance for uncollectible accounts	91,998
Deferred revenue	<u>266,345</u>
	450,185

2011 tax levy due October 1, 2011 considered as deferred revenue and amounts payable to others	<u>12,051,332</u>
Total taxes receivable	<u>\$ 12,501,517</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.

CITY OF FRANKLIN, TENNESSEE
SCHEDULE OF PRINCIPAL AND INTEREST REQUIREMENTS
GENERAL OBLIGATION DEBT
 JUNE 30, 2011

	Tennessee Municipal Bond Fund Variable Rate Pool Loan Program 2001		Tennessee Municipal Bond Fund Variable Rate Pool Loan Program 2001		General Obligation Refunding Bonds Series 2002		General Obligation Refunding Bonds Series 2004		General Obligation Public Improvement Bonds Series 2004		Tennessee Municipal Bond Fund Variable Rate Pool Loan Program 2004		Public Building Authority of the City of Lawrenceburg, TN Loan Agreement 2005 (1)	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 372,000	\$ 6,558	\$ 144,000	\$ 2,992	\$ 515,000	\$ 35,244	\$ 885,000	\$ 91,675	\$ 355,000	\$ 11,538	\$ 410,000	\$ 7,830	\$ 275,000	\$ 116,517
2013	385,000	5,554	149,000	2,603	540,000	12,150	915,000	63,531	-	-	440,000	6,723	285,000	106,402
2014	397,000	4,514	153,000	2,201	-	-	945,000	32,125	-	-	470,000	5,535	295,000	95,305
2015	411,000	3,443	158,000	1,787	-	-	430,000	7,794	-	-	500,000	4,266	310,000	84,047
2016	425,000	2,333	163,000	1,361	-	-	-	-	-	-	530,000	2,916	320,000	72,324
2017	439,000	1,185	168,000	921	-	-	-	-	-	-	550,000	1,485	330,000	60,411
2018	-	-	173,000	465	-	-	-	-	-	-	-	-	345,000	47,669
2019	-	-	-	-	-	-	-	-	-	-	-	-	355,000	34,644
2020	-	-	-	-	-	-	-	-	-	-	-	-	370,000	21,153
2021	-	-	-	-	-	-	-	-	-	-	-	-	390,000	7,143
2022	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2023	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2024	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2025	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2026	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2027	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2028	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2029	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2030	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2031	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2032	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2033	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2034	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2035	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2036	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2037	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<u>\$ 2,429,000</u>	<u>\$ 23,587</u>	<u>\$ 1,108,000</u>	<u>\$ 12,330</u>	<u>\$ 1,055,000</u>	<u>\$ 47,394</u>	<u>\$ 3,175,000</u>	<u>\$ 195,125</u>	<u>\$ 355,000</u>	<u>\$ 11,538</u>	<u>\$ 2,900,000</u>	<u>\$ 28,755</u>	<u>\$ 3,275,000</u>	<u>\$ 645,615</u>

CITY OF FRANKLIN, TENNESSEE
SCHEDULE OF PRINCIPAL AND INTEREST REQUIREMENTS (Cont.)
GENERAL OBLIGATION DEBT
 JUNE 30, 2011

	Public Building Authority of the City of Franklin, TN Loan Agreement 2007 (2)		Tennessee Municipal Bond Fund Variable Rate Pool Loan Program 2008		Federally Taxable Build America Bonds Series 2009 (3)		Capital Improvement Bonds Series 2009		Federally Taxable Recovery Zone Bonds Series 2010 (4)		General Improvement Refunding Bonds Series 2010		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ -	\$ 798,000	\$ 870,000	\$ -	\$ 1,559,925	\$ 1,845,000	\$ 295,000	\$ -	\$ 795,729	\$ 690,000	\$ 490,862	\$ 6,361,000	\$ 4,274,969	
2013	-	798,000	909,000	60,750	1,559,925	1,895,000	248,875	-	795,729	1,070,000	477,063	6,588,000	4,137,305	
2014	-	798,000	950,000	58,296	1,559,925	1,940,000	201,500	-	795,729	1,115,000	455,663	6,265,000	4,008,793	
2015	-	798,000	993,000	55,731	1,559,925	1,990,000	153,000	-	795,729	1,135,000	436,150	5,927,000	3,899,872	
2016	-	798,000	1,038,000	53,050	1,559,925	2,040,000	103,250	-	795,729	1,175,000	402,100	5,691,000	3,790,988	
2017	-	798,000	1,085,000	50,247	1,559,925	2,090,000	52,250	-	795,729	1,210,000	366,850	5,872,000	3,687,003	
2018	-	798,000	1,133,000	47,318	1,559,925	2,140,000	-	-	795,729	1,240,000	330,550	5,031,000	3,579,656	
2019	-	798,000	1,184,000	44,258	1,464,695	2,205,000	-	-	795,729	1,280,000	293,350	5,024,000	3,430,676	
2020	-	798,000	1,238,000	41,062	1,364,368	2,270,000	-	-	795,729	1,315,000	254,950	5,193,000	3,275,262	
2021	-	798,000	1,293,000	37,719	1,258,813	2,340,000	-	-	795,729	1,360,000	215,500	5,383,000	3,112,904	
2022	-	798,000	1,352,000	34,228	1,146,493	2,410,000	-	-	795,729	1,410,000	161,100	5,172,000	2,935,550	
2023	-	798,000	1,412,000	30,578	1,027,198	2,490,000	-	-	795,729	1,470,000	104,700	5,372,000	2,750,205	
2024	-	798,000	1,476,000	26,765	905,188	2,565,000	-	-	795,729	1,530,000	45,900	7,556,000	2,571,582	
2025	1,175,000	798,000	1,542,000	22,780	776,938	2,650,000	-	-	703,923	-	-	7,507,000	2,301,641	
2026	1,225,000	751,117	1,612,000	18,617	641,125	2,740,000	-	-	2,140,000	-	-	7,772,000	2,013,132	
2027	1,300,000	702,240	1,684,000	14,264	493,850	2,835,000	-	-	2,195,000	-	-	8,074,000	1,705,620	
2028	1,350,000	650,370	1,760,000	9,717	337,925	2,935,000	-	-	2,255,000	-	-	8,360,000	1,378,273	
2029	1,400,000	596,505	1,839,000	4,963	173,562	3,045,000	-	-	2,315,000	-	-	8,664,000	1,034,911	
2030	1,450,000	540,645	-	-	-	-	-	-	2,380,000	-	-	8,905,000	672,601	
2031	1,525,000	482,790	-	-	-	-	-	-	2,455,000	-	-	9,152,000	482,790	
2032	1,575,000	421,943	-	-	-	-	-	-	-	-	-	9,407,000	421,943	
2033	1,650,000	359,100	-	-	-	-	-	-	-	-	-	9,650,000	359,100	
2034	1,725,000	293,265	-	-	-	-	-	-	-	-	-	9,900,000	293,265	
2035	1,800,000	224,437	-	-	-	-	-	-	-	-	-	10,150,000	224,437	
2036	1,875,000	152,618	-	-	-	-	-	-	-	-	-	10,400,000	152,618	
2037	1,950,000	77,805	-	-	-	-	-	-	-	-	-	10,650,000	77,805	
	\$ 20,000,000	\$ 16,424,835	\$ 23,370,000	\$ 673,442	\$ 30,625,000	\$ 11,800,000	\$ 1,053,875	\$ 15,725,000	\$ 12,918,037	\$ 16,000,000	\$ 4,034,738	\$ 131,817,000	\$ 56,578,901	

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.
- (3) The City receives a 35% direct payment interest rebate on this issue. (The interest amounts above are not netted by the rebate).
- (4) The City receives a 45% direct payment interest rebate on this issue. (The interest amounts above are not netted by the rebate).

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

JUNE 30, 2011

	Water & Sewer Revenue & Tax Refunding Bonds-Series 2002		Water & Sewer Revenue & Tax Refunding Bonds-Series 2002A		Sewer & Water Revenue & Tax refunding Bonds-Series 2005		Tennessee Municipal Bond Fund Variable Rate Pool Loan Program 2008	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 1,250,000	\$ 113,875	\$ 755,000	\$ 46,500	\$ 290,000	\$ 1,199,850	\$ 666,000	\$ 52,277
2013	1,350,000	60,750	785,000	15,700	295,000	1,189,700	696,000	50,479
2014	-	-	-	-	2,010,000	1,179,375	728,000	48,600
2015	-	-	-	-	2,030,000	1,078,875	760,000	46,634
2016	-	-	-	-	2,050,000	977,375	794,000	44,582
2017	-	-	-	-	2,115,000	874,875	830,000	42,439
2018	-	-	-	-	2,150,000	769,125	868,000	40,198
2019	-	-	-	-	2,220,000	661,625	907,000	37,854
2020	-	-	-	-	2,240,000	550,625	947,000	35,405
2021	-	-	-	-	2,255,000	438,625	990,000	32,848
2022	-	-	-	-	2,280,000	325,875	1,035,000	30,175
2023	-	-	-	-	1,555,000	211,875	1,081,000	27,381
2024	-	-	-	-	1,450,000	134,125	1,130,000	24,462
2025	-	-	-	-	1,450,000	61,625	1,181,000	21,411
2026	-	-	-	-	-	-	1,234,000	18,222
2027	-	-	-	-	-	-	1,289,000	14,891
2028	-	-	-	-	-	-	1,347,000	11,410
2029	-	-	-	-	-	-	1,408,000	7,773
2030	-	-	-	-	-	-	1,471,000	3,972
2031	-	-	-	-	-	-	-	-
2032	-	-	-	-	-	-	-	-
	<u>\$ 2,600,000</u>	<u>\$ 174,625</u>	<u>\$ 1,540,000</u>	<u>\$ 62,200</u>	<u>\$ 24,390,000</u>	<u>\$ 9,653,550</u>	<u>\$ 19,362,000</u>	<u>\$ 591,013</u>

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

JUNE 30, 2011

	Drinking Water SRF & ARRA Loan		Clean Water SRF & ARRA Loan		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 57,446	\$ 40,768	\$ 20,355	\$ 28,007	\$ 3,038,801	\$ 1,481,277
2013	59,086	39,128	41,258	28,124	3,226,344	1,383,881
2014	60,775	37,439	42,368	27,014	2,841,143	1,292,428
2015	62,510	35,703	43,507	25,874	2,896,017	1,187,087
2016	64,296	33,918	44,678	24,704	2,952,974	1,080,579
2017	66,133	32,080	45,880	23,502	3,057,013	972,896
2018	68,023	30,191	47,114	22,268	3,133,137	861,782
2019	69,965	28,248	48,381	21,000	3,245,346	748,727
2020	71,964	26,250	49,682	19,699	3,308,646	631,979
2021	74,020	24,193	51,019	18,362	3,370,039	514,029
2022	76,134	22,080	52,391	16,990	3,443,525	395,120
2023	78,310	19,904	53,801	15,581	2,768,111	274,740
2024	80,546	17,667	55,248	14,133	2,715,794	190,387
2025	82,848	15,366	56,734	12,647	2,770,582	111,049
2026	85,215	12,999	58,260	11,121	1,377,475	42,342
2027	87,648	10,565	59,827	9,554	1,436,475	35,010
2028	90,153	8,061	61,437	7,945	1,498,590	27,416
2029	92,729	5,485	63,090	6,292	1,563,819	19,550
2030	95,377	2,837	64,787	4,595	1,631,164	11,404
2031	48,217	399	66,529	2,852	114,746	3,251
2032	-	-	39,493	465	39,493	465
	<u>\$ 1,471,396</u>	<u>\$ 443,281</u>	<u>\$ 1,065,839</u>	<u>\$ 340,729</u>	<u>\$ 50,429,235</u>	<u>\$ 11,265,398</u>

See independent auditors' report.

CITY OF FRANKLIN, TENNESSEE
SCHEDULE OF INSURANCE COVERAGE
 FOR THE YEAR ENDED JUNE 30, 2011
 UNAUDITED

<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)	\$ 196,556,527
Crime Policy	Employee dishonesty	500,000
	Forgery or alteration	500,000
	Theft, disappearance or destruction	500,000
	Computer fraud	500,000
Worker's Compensation		Self Insured Retention
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	25,000
	Limit of liability	2,000,000
Law Enforcement Liability	Limit of liability	2,000,000
	Deductible	10,000
Errors & Omissions	Limit of liability	2,000,000
	Deductible	10,000
Mobile Equipment Coverage	Property damage (replacement cost, with \$250 deductible per occurrence)	3,337,801
Computer Coverage	Blanket - all locations (replacement cost, with \$250 deductible per occurrence)	8,532,625

See independent auditors' report.

CITY OF FRANKLIN, TENNESSEE
SCHEDULE OF PRINCIPAL OFFICIALS' SALARIES AND SURETY BONDS
 FOR THE YEAR ENDED JUNE 30, 2011
 UNAUDITED

<u>Official Title</u>	<u>Monthly Salary</u>	<u>Surety Bond</u>
Mayor	\$ 800 (1)	(3)
City Administrator	\$ 12,750	(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, 2011
 UNAUDITED

Utility Services

<u>Service:</u>	<u>Number of Customers</u>	<u>Fees</u>
Water	16,735	\$ 8,234,455
Sewer	18,353	10,338,401
Reclaimed	40	145,994

Utility Rates

Water Residential Rates:

<u>Gallons</u>	<u>Inside City Limits</u>	<u>Outside City Limits</u>
First 1,000 Gallons	\$ 8.82	\$ 10.82
Next 9,000 Gallons	3.72	5.80
Next 15,000 Gallons	4.65	6.38
All Additional Usage	5.58	6.96

Water Commercial Rates:

<u>Gallons</u>	<u>Inside City Limits</u>	<u>Outside City Limits</u>
First 1,000 Gallons	\$ 11.61	\$ 12.41
Next 9,000 Gallons	3.72	5.80
Next 15,000 Gallons	4.65	6.38
All Additional Usage	5.58	6.96

Sewer Residential Rates:

<u>Gallons</u>	<u>Inside City Limits</u>	<u>Outside City Limits</u>
First 1,000 Gallons	\$ 12.30	\$ 15.21
Next 14,000 Gallons	3.61	5.62
Over 15,000 Gallons	2.82	4.47

Sewer Commercial Rates:

<u>Gallons</u>	<u>Inside City Limits</u>	<u>Outside City Limits</u>
First 1,000 Gallons	\$ 21.00	\$ 23.00
Next 14,000 Gallons	4.42	6.91
Over 15,000 Gallons	3.43	5.02

Rates above were effective January 1, 2011. A minimum bill of 1,000 gallons per customer is levied.

Other Utility Fees

Tap Fees:

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

See independent auditors' report.

CITY OF FRANKLIN, TENNESSEE
SCHEDULE OF UTILITY RATES, FEES AND OTHER INFORMATION (Cont.)
 FOR THE YEAR ENDED JUNE 30, 2011
 UNAUDITED

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

Tap, Installation, and Access rates were effective March 1, 2008.

CITY OF FRANKLIN, TENNESSEE
SCHEDULE OF UNACCOUNTED FOR WATER
 JUNE 30, 2011
 UNAUDITED

(All amounts in gallons)

A	Water Treated and Purchased:		
B	Water pumped (potable)	415,838,000	
C	Water purchased	<u>1,788,333,000</u>	
D	Total Water Treated and Purchased (Sum Lines B and C)		2,204,171,000
E	Accounted for Water:		
F	Water Sold	1,607,416,713	
G	Metered for Consumption (in house usage)	0	
H	Fire Department(s) Usage	1,400,000	
I	Flushing	5,283,612	
J	Tank Cleaning/Filling	100,000	
K	Street Cleaning	600,000	
L	Bulk Sales	0	
M	Water Bill Adjustments / plus or (minus)	<u>7,228,566</u>	
N	Total Accounted for Water (Sum Lines F thru M)		<u>1,622,028,891</u>
O	Unaccounted for Water (Lines D minus Line N)		<u>582,142,109</u>
P	Percent Unaccounted for Water (Line O divided by Line D times 100)		26.41%
Q	Other (explain)	See Below	

Explain Other:	Water Leaks	17,480,000
	Sewer Vac Trucks	500,000

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

CITY OF FRANKLIN, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Source/Grant Name	CFDA Number	Grant Number	Balance 6/30/2010 (Receivable)		Adjustments	Cash Receipts	Expenditures	Balance 6/30/2011 (Receivable)	
			Unearned	Unearned				Unearned	Unearned
U.S. DEPARTMENT OF JUSTICE									
Justice Assistance (ARRA)	16.808	2009-SB-B9-2260	\$ -	\$ -	\$ -	\$ -	\$ (33,723)	\$ (33,723)	-
Justice Assistance	16.808	2009-DJ-BX-0881	-	-	-	11,271	(11,271)	-	-
Justice Assistance	16.543	22504	-	-	-	-	(24,680)	(24,680)	-
Bulletproof Vest Program	16.607	N/A	(5,518)	-	-	5,518	(5,549)	(5,549)	-
Total U.S. Department of Justice			(5,518)	-	-	16,789	(75,223)	(63,952)	-
U.S. DEPARTMENT OF TRANSPORTATION									
Capital Grant (ARRA)	20.500*	TN-96-0006	(3,725)	-	-	127,451	(123,726)	-	-
Transit Operating Assistance Grant (ARRA)	20.500*	TN-04-0038	-	-	-	78,840	(78,840)	-	-
Capital Grant-Maintenance	20.507*	TN-90-0281	-	-	-	28,990	(28,990)	-	-
Capital Grant-Maintenance	20.507*	TN-90-0288	-	-	-	-	(5,860)	(5,860)	-
Transit Capital Grant	20.507*	TN-90-0224	-	-	-	2,935	(2,935)	-	-
Transit Capital Grant	20.507*	TN-90-0303	-	-	-	-	(253,125)	(253,125)	-
Passed through the TN Department of Transportation									
Job Access Reverse Commute	20.516	Z-09-215690-00	(56,770)	(3,068)	-	72,575	(12,737)	-	-
New Freedom Funds	20.521	Z-09-214607-00	(11,099)	-	-	38,436	(35,279)	(7,942)	-
ITS Initiative (ARRA)	20.205*	90203	(23,082)	4,800	-	392,440	(768,851)	(394,693)	-
TOC Phase III, Infrastructure Upgrades	20.205*	103487.00	(144,880)	2,400	-	288,234	(166,496)	(20,742)	-
High Visibility Law Enforcement Campaigns	20.601	K8-11-74	-	-	-	2,208	(2,208)	-	-
Total U.S. Department of Transportation			(239,556)	4,132	-	1,032,109	(1,479,047)	(682,362)	-
U.S. DEPARTMENT OF THE INTERIOR									
Battlefield Acquisition	15.928*	47-10-CW-1811	-	-	-	101,000	(101,000)	-	-
Battlefield Acquisition	15.928*	47-10-CW-1819	-	-	-	416,000	(416,000)	-	-
Passed through the TN Dep of Env and Conservation									
Preservation Education and Resource Guide	15.904	GG-07-12857-00	(20,000)	-	-	20,000	-	-	-
Capitalization Grants for Drinking Water State RLF	66.468	DWA 2009-097	(978,562)	-	-	1,000,000	(21,438)	-	-
Loan (ARRA)	66.468	DWA 2009-097	(234,856)	-	-	250,000	(15,144)	-	-
Principal Forgiveness	66.468	DWA 2009-097	(939,423)	-	-	1,000,000	(60,577)	-	-
Capitalization Grants for Clean Water State RLF	66.458*	CGA 2009-250	(148,023)	148,023	-	-	-	-	-
Loan (ARRA)	66.458*	CGA 2009-250	(35,526)	-	-	314,700	(279,174)	-	-
Principal Forgiveness	66.458*	CGA 2009-250	(142,103)	-	-	1,258,800	(1,116,697)	-	-
Total U.S. Department of the Interior			(2,498,493)	148,023	-	4,360,500	(2,010,030)	-	-
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT									
Community Development Block Grant	14.218*	B-MC-47-0014	(44,123)	-	-	353,920	(444,634)	(134,837)	-
Community Development Block Grant (ARRA)	14.218*	B-MY-47-0014	(26,145)	-	-	45,071	(18,926)	-	-
Passed through the TN Housing Development Agency									
Emergency Shelter Grant	14.231	ESG-09-25	(82)	82	-	34,756	(34,756)	-	-
Total U.S. Department of Housing and Urban Development			(70,350)	82	-	433,747	(498,316)	(134,837)	-
U.S. DEPARTMENT OF ENERGY									
Energy Efficiency and Conservation Block Grant	81.128*	DE-SC0002088	(22,062)	-	-	582,178	(560,116)	-	-
Total U.S. Department of Energy			(22,062)	-	-	582,178	(560,116)	-	-
FEDERAL EMERGENCY MANAGEMENT AGENCY									
RAD 57-Fire Department	97.004	EMW-2010-FO-02308	-	-	-	27,744	(27,744)	-	-
Passed through the Tennessee Emergency Management Agency									
FEMA-May 2010 Flood	97.056*	FEMA-1909-DR-TN	-	(387,518)	-	550,204	(194,601)	(31,915)	-
Total Federal Emergency Management Agency			-	(387,518)	-	577,948	(222,345)	(31,915)	-
Total Federal Assistance			\$ (2,835,979)	\$ (235,281)	\$ 7,003,271	\$ (4,845,077)	\$ (913,066)		

* Major program

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

See independent auditors' report.

CITY OF FRANKLIN, TENNESSEE
SCHEDULE OF STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Source/Grant Name	State Grant Number	Balance 6/30/2010 (Receivable) Unearned	Adjustments	Cash Receipts	Expenditures	Balance 6/30/2011 (Receivable) Unearned
TENNESSEE DEPARTMENT OF TRANSPORTATION						
Local Interstate Connecting	10752.00	\$ -	\$ -	-	\$ (1,150,819)	\$(1,150,819)
Transit Capital Grant	TN 04-0031	-	-	30,675	(30,675)	-
Transit Capital Grant	TN 90-0228	(3,988)	164	3,824	-	-
Mass Transit Grant	TN-90-0281	(2,048)	(106)	2,154	-	-
Transit Operating Assistance Grant	TN-04-0038	(2,784)	437	141,357	(224,379)	(85,369)
New Freedom Funds	Z-09-215662-00	(5,549)	-	18,442	(16,865)	(3,972)
Job Access Reverse Commute	Z-09-215690-00	(45,350)	(1,534)	53,252	(6,368)	-
Total Tennessee Department of Transportation		(59,719)	(1,039)	249,704	(1,429,106)	(1,240,160)
TENNESSEE DEPARTMENT OF ENVIRONMENT & CONSERVATION						
Capitalization Grants for Drinking Water RLF	DWA 2009-097	(195,717)	-	250,000	(54,283)	-
Capitalization Grants for Clean Water RLF	CGA 2009-250	(29,605)	(148,023)	459,369	(573,510)	(291,769)
Total Tennessee Department of Economic and Community Development		(225,322)	(148,023)	709,369	(627,793)	(291,769)
TENNESSEE EMERGENCY MANAGEMENT AGENCY						
TEMA-May 2010 Flood		-	(21,529)	-	(10,811)	(32,340)
		-	(21,529)	-	(10,811)	(32,340)
TENNESSEE DEPARTMENT OF AGRICULTURE						
Tennessee Agricultural Enhancement Program (TAEP)	32506-32811	-	-	-	(2,855)	(2,855)
		-	-	-	(2,855)	(2,855)
Total State Financial Assistance		\$ (285,041)	\$ (170,591)	\$ 959,073	\$ (2,070,565)	\$ (1,567,124)

STATISTICAL SECTION

**CITY OF FRANKLIN, TENNESSEE
STATISTICAL SECTION SUMMARY 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 financial position have changed over time. 88

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. 94

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. 99

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. 104

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. 106

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)

	2003	2004	2005	2006	2007	2008	2009	2010	2011
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	\$ 398,721,876	\$ 391,931,838	\$ 394,013,988
Restricted for:									
Street maintenance and improvements	2,127,190	2,533,649	983,107	900,412	1,069,415	1,048,827	31,817	-	-
Other projects	3,619,122	1,690,759	233,836	295,536	381,491	257,521	335,343	2,168,363	2,233,953
Capital projects	4,313,516	4,881,853	9,041,671	-	-	-	-	-	-
Unrestricted	33,778,923	27,146,454	28,382,567	34,680,258	53,444,430	34,055,155	23,793,595	31,620,382	37,054,884
Total net assets	\$ 271,299,709	\$ 290,885,707	\$ 313,216,408	\$ 350,185,557	\$ 408,982,591	\$ 422,761,298	\$ 422,882,631	\$ 425,720,583	\$ 433,302,825
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	\$ 107,235,256	\$ 102,780,253	\$ 106,143,869
Restricted for:									
Water & Sewer	-	-	-	-	-	-	-	13,376,540	9,975,225
Unrestricted	14,742,384	2,844,501	11,962,212	13,957,292	15,774,391	9,997,061	13,428,223	5,230,958	7,305,642
Total net assets	\$ 88,471,703	\$ 91,570,185	\$ 97,104,824	\$ 96,976,886	\$ 108,692,850	\$ 115,085,617	\$ 120,663,479	\$ 121,387,751	\$ 123,424,736
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	\$ 505,957,132	\$ 494,712,091	\$ 500,157,857
Restricted for:									
Street maintenance and improvements	2,127,190	2,533,649	983,107	900,412	1,069,415	1,048,827	31,817	-	-
Other projects	3,619,122	1,690,759	233,836	295,536	381,491	257,521	335,343	272,367	288,957
Capital projects	4,313,516	4,881,853	9,041,671	-	-	-	-	-	-
Water & Sewer	-	-	-	-	-	-	-	13,376,540	9,975,225
Unrestricted	48,521,307	29,990,955	40,344,779	48,637,550	62,740,708	44,052,216	37,221,818	38,747,336	44,360,526
Total net assets	\$ 359,771,412	\$ 382,455,892	\$ 410,321,232	\$ 447,162,443	\$ 517,675,441	\$ 537,846,915	\$ 543,546,110	\$ 547,108,334	\$ 554,782,565

* 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:	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues:									
Program revenues:									
Charges for services-Codes	\$ 791,927	\$ 1,234,952	\$ 1,580,815	\$ 1,887,000	\$ 2,700,796	\$ 3,193,332	\$ 1,026,457	\$ 767,764	\$ 1,521,266
Charges for services-Sanitation	992,792	925,187	1,433,575	2,472,557	2,666,408	3,201,109	4,554,150	4,753,448	6,673,158
Charges for services-Storm water	712,720	761,867	1,728,455	1,868,164	1,913,537	1,959,658	2,009,142	2,088,080	2,108,109
Charges for services-Police	921,088	811,377	813,651	1,108,503	998,848	983,845	1,267,107	1,245,405	990,092
Charges for services-Streets	1,339,527	1,283,574	-	-	-	-	-	-	940
Other charges for services	305,256	353,495	380,282	453,708	395,219	674,752	555,202	127,492	450,152
Operating grants & contributions	336,746	626,335	2,572,276	2,095,578	1,768,421	3,334,814	2,836,769	3,358,092	4,217,716
Capital grants & contributions	6,887,969	20,848,604	24,204,441	32,471,262	42,284,692	29,769,464	12,760,014	12,129,244	11,893,536
General revenues:									
Property taxes	9,028,390	8,649,772	9,059,834	9,880,639	9,832,508	10,409,885	10,936,742	11,415,775	11,728,305
Sales taxes	16,318,730	18,296,971	19,785,941	22,005,703	23,885,264	23,185,434	21,152,554	20,969,821	22,720,666
Other taxes and fees	9,498,782	11,371,386	12,928,838	19,154,473	25,589,305	20,510,224	17,214,042	16,182,779	22,723,385
Other	793,220	987,175	1,684,572	2,203,517	1,663,403	2,568,298	1,327,007	1,188,770	(173,794)
Transfers	-	-	-	-	-	(225,000)	(45,000)	(45,000)	-
Total revenues	47,927,147	66,150,695	76,172,680	95,601,104	113,698,401	99,565,815	75,594,186	74,181,670	84,853,531
Expenses:									
General government:									
General government	2,939,314	7,057,964	8,716,441	12,312,610	4,976,177	4,561,315	1,729,144	3,464,483	1,294,801
Capital investment planning	-	-	-	-	-	-	-	193,505	233,651
Administration	1,257,132	1,400,291	944,626	1,195,689	1,250,834	1,146,961	882,070	390,182	507,073
City recorder	-	-	359,575	305,395	984,697	1,154,396	1,177,821	395,054	1,295,430
Public safety:									
Police	8,373,121	8,993,401	9,184,543	9,891,449	12,704,967	11,800,152	13,737,798	14,744,499	15,461,749
Fire	7,320,439	7,705,307	8,807,357	9,693,129	10,065,274	12,168,985	13,072,914	13,044,366	13,197,463
Highways and streets	8,927,633	9,364,145	12,218,546	8,846,698	12,825,296	12,950,825	15,346,785	15,873,886	16,734,751
Street-Fleet	-	-	-	-	-	-	-	662,683	523,234
Engineering	602,394	652,481	572,720	731,762	1,033,507	1,088,120	1,239,061	797,691	1,007,478
Storm water	435,724	550,338	574,611	682,426	1,160,588	693,434	744,156	1,126,529	1,319,328
Sanitation	3,442,603	3,975,139	5,285,255	6,068,689	5,909,657	6,832,313	6,906,679	6,344,279	8,180,396
Transit	-	-	-	-	1,112,289	1,203,579	1,210,274	1,030,107	1,257,352
Parks	814,733	981,303	1,132,484	1,370,912	744,627	1,616,753	3,068,887	3,306,523	3,801,959
Maintenance	707,600	-	302,014	278,848	381,635	583,917	595,609	523,339	747,101
Elected officials	-	-	-	-	-	176,746	161,495	193,640	133,300
Planning	894,430	815,881	908,806	1,009,100	1,079,229	1,373,042	1,436,862	1,372,885	1,408,303
Building & neighborhood services	243,031	1,036,270	1,188,400	1,340,976	1,735,274	1,855,258	1,941,663	2,005,803	1,852,075
Courts	523,293	162,170	182,322	197,477	241,389	245,205	242,314	265,380	249,454
Human resources	645,226	474,376	467,804	655,974	653,686	644,672	845,231	689,024	952,403
Channel 10	-	-	97,582	87,641	119,458	127,036	151,468	261,568	315,291
Finance	565,574	649,904	798,925	787,936	986,677	950,729	1,032,382	793,781	865,832
Legal	-	-	-	-	134,768	358,431	217,008	239,619	344,610
Purchasing	-	-	-	-	172,489	188,179	123,527	131,633	145,891
Municipal information and tech	733,372	884,066	995,098	1,569,736	2,808,228	2,974,551	3,509,093	3,354,101	3,468,124
Interest expense on long-term debt	-	732,798	967,929	1,605,208	2,116,737	2,368,353	2,505,069	1,702,780	3,919,236
Total expenses	38,425,619	45,435,834	53,705,038	58,631,655	63,197,483	67,062,952	71,877,310	72,907,340	79,216,285
Change in net assets	\$ 9,501,528	\$ 20,714,861	\$ 22,467,642	\$ 36,969,449	\$ 50,500,918	\$ 32,502,863	\$ 3,716,876	\$ 1,274,330	\$ 5,637,246
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	\$ 16,635,455	\$ 16,260,341	\$ 19,411,483
Capital grants & contributions	2,124,976	4,705,522	6,530,477	3,371,583	6,477,369	9,909,838	8,613,893	3,881,605	3,841,390
General revenues:									
Other sources	248,211	(416,561)	410,630	868,311	820,123	535,059	38,719	68,934	180,868
Transfers	-	-	-	-	-	225,000	45,000	45,000	-
Total revenues	14,197,136	16,090,471	19,447,296	17,422,999	20,948,956	24,818,016	25,333,067	20,255,880	23,433,741
Expenses:									
Water & sewer	12,484,641	12,991,989	13,912,657	17,173,845	17,378,465	18,425,249	19,755,205	19,531,608	21,396,756
Change in net assets	\$ 1,712,495	\$ 3,098,482	\$ 5,534,639	\$ 249,154	\$ 3,570,491	\$ 6,392,767	\$ 5,577,862	\$ 724,272	\$ 2,036,985

* 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		ACCESS FEES AND TAXES	FRANCHISE TAXES	TOTAL
			LOCALLY ASSESSED TAXES	OTHER STATE SHARED TAXES			
2003	\$ 9,028,390	\$ 16,318,730	\$ 3,935,582	\$ 2,928,772	\$ 1,980,805	\$ 653,623	\$ 34,845,902
2004	9,179,871	18,296,971	4,174,461	2,964,207	2,869,683	832,936	38,318,129
2005	9,059,834	19,785,941	4,688,680	3,516,481	3,738,116	985,561	41,774,613
2006	9,880,639	22,005,703	5,967,635	4,009,498	7,880,884	1,296,456	51,040,815
2007	9,832,508	23,885,264	6,214,878	6,933,602	11,029,975	1,410,850	59,307,077
2008	10,409,885	23,185,434	6,615,163	7,867,514	4,665,218	1,362,329	54,105,543
2009	10,936,742	21,152,554	6,608,394	7,133,382	1,542,830	1,929,436	49,303,338
2010	11,415,775	20,969,821	6,516,955	5,310,994	2,294,439	2,060,391	48,568,375
2011	11,728,305	22,720,666	4,293,358	8,687,733	7,712,485	2,029,809	57,172,356

* 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)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Fund										
Non-Spendable	\$ 191,674	\$ 231,915	\$ 215,797	\$ 345,620	\$ 308,850	\$ 294,580	\$ 236,942	\$ 513,119	\$ 489,453	\$ 522,733
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	18,987,312	23,137,729	18,328,102	23,994,718	24,924,130	29,140,144	30,080,531	18,915,942	16,180,105	17,180,294
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	<u>8,812,560</u>	<u>10,381,067</u>	<u>8,506,605</u>	<u>603,730</u>	<u>2,190,576</u>	<u>949,287</u>	<u>446,308</u>	<u>9,333,732</u>	<u>9,244,815</u>	<u>7,258,739</u>
Total General Fund	<u>\$27,991,546</u>	<u>\$33,750,711</u>	<u>\$27,050,504</u>	<u>\$24,944,068</u>	<u>\$27,423,556</u>	<u>\$30,384,011</u>	<u>\$30,763,781</u>	<u>\$28,762,793</u>	<u>\$25,914,373</u>	<u>\$24,961,766</u>
All Other Governmental Funds										
Special Revenue Funds										
Non-Spendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	7,069,133	5,472,909	7,138,367	7,044,680	12,071,932	11,945,075	9,462,222	3,761,542	272,367	288,957
Committed	738,785	967,797	277,135	1,054,002	1,640,902	2,255,949	3,573,362	4,754,751	7,303,746	8,040,949
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	(793,331)	(440,843)	(3,838,212)	(3,561,327)	(1,088,155)
Total Special Revenue Funds	<u>7,807,918</u>	<u>6,440,706</u>	<u>7,415,502</u>	<u>8,098,682</u>	<u>13,712,834</u>	<u>13,407,693</u>	<u>12,594,741</u>	<u>4,678,081</u>	<u>4,014,786</u>	<u>7,241,751</u>
Debt Service Fund										
Non-Spendable	-	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	465,190	1,099,568
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-
Total Debt Service Fund	<u>-</u>	<u>465,190</u>	<u>1,099,568</u>							
Capital Project Fund										
Non-Spendable	-	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	835,974	3,619,122	1,690,759	9,041,671	-	9,120,160	-	-	12,691,653	12,058,809
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	(1,216,204)	-	(13,849,061)	(11,992,169)	-	-
Total Capital Projects Fund	<u>835,974</u>	<u>3,619,122</u>	<u>1,690,759</u>	<u>9,041,671</u>	<u>(1,216,204)</u>	<u>9,120,160</u>	<u>(13,849,061)</u>	<u>(11,992,169)</u>	<u>12,691,653</u>	<u>12,058,809</u>
Permanent Fund										
Non-Spendable	-	-	-	-	-	-	-	-	-	-
Restricted	20,517	20,581	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-
Total Permanent Fund	<u>20,517</u>	<u>20,581</u>	<u>-</u>							
Total All Other Governmental Funds	<u>8,664,409</u>	<u>10,080,409</u>	<u>9,106,261</u>	<u>17,140,353</u>	<u>12,496,630</u>	<u>22,527,853</u>	<u>(1,254,320)</u>	<u>(7,314,088)</u>	<u>17,171,629</u>	<u>20,400,128</u>
Total Governmental Funds	<u>\$36,655,955</u>	<u>\$43,831,120</u>	<u>\$36,156,765</u>	<u>\$42,084,421</u>	<u>\$39,920,186</u>	<u>\$52,911,864</u>	<u>\$29,509,461</u>	<u>\$21,448,705</u>	<u>\$43,086,002</u>	<u>\$45,361,894</u>

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)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues	\$ 27,999,376	\$ 30,305,997	\$ 32,989,084	\$ 35,475,678	\$ 40,358,863	\$ 43,954,432	\$ 43,623,109	\$ 40,086,682	\$ 41,242,751	\$ 42,519,192
Taxes	2,367,557	2,382,078	3,743,087	4,619,746	6,908,558	6,532,260	6,502,784	3,765,669	3,266,126	6,198,399
Licenses and permits	908,886	907,080	796,601	753,717	1,022,408	985,180	951,314	1,213,327	1,213,643	945,045
Fines and fees	3,326,682	1,719,520	1,701,830	3,066,290	4,327,127	4,664,553	5,276,826	6,676,550	6,941,540	8,908,640
Charges for services	6,670,464	5,410,386	5,154,507	6,268,757	7,039,176	10,246,007	17,980,903	15,100,893	8,155,250	16,698,318
Uses of money and property	965,987	823,467	649,789	1,282,069	4,022,396	2,045,124	2,827,770	1,593,380	1,313,866	1,394,821
Miscellaneous	113,468	110,648	511,386	1,750,000	352,038	512,774	118,122	387,919	331,740	215,110
Total revenues	42,352,420	41,659,176	45,546,284	53,216,257	64,030,656	68,940,330	77,280,828	68,824,420	62,464,916	76,879,525
Expenditures										
Elected officials	-	-	-	-	-	-	176,746	161,435	193,640	136,692
Administration	961,943	1,204,420	1,336,029	970,733	1,165,433	1,209,609	1,151,644	861,498	379,780	495,904
Human resources	-	-	-	86,550	84,048	640,239	645,386	802,800	689,703	889,713
Legal	-	-	-	-	-	123,775	355,360	218,523	234,653	334,594
Communications	553,807	635,514	724,989	746,855	737,586	105,768	116,387	110,511	250,304	305,346
Capital investment planning	-	-	-	-	-	-	-	-	-	-
Project & Facilities Management	467,477	664,632	796,193	877,707	987,339	373,350	522,552	581,352	511,567	738,229
Revenue Management	-	-	-	338,697	302,844	969,927	1,112,775	1,167,045	385,355	1,283,643
Public safety:										
Police	6,500,586	7,910,616	8,382,149	8,804,570	9,435,821	11,979,814	12,818,426	12,961,061	13,704,946	14,499,023
Fire	5,779,931	7,249,441	7,546,098	8,418,860	8,897,622	11,109,551	12,864,924	12,144,030	12,155,554	12,450,359
Finance	-	482,897	565,054	646,097	803,731	1,326,674	1,585,448	1,817,211	1,875,688	2,030,532
Municipal information and technology	-	-	-	-	-	164,113	184,052	119,616	129,065	140,776
Purchasing	402,840	490,641	454,124	481,601	645,668	239,496	239,482	243,246	268,352	247,575
Court	131,623	244,792	167,095	177,932	194,797	1,709,602	1,827,452	1,952,948	1,857,185	1,869,310
Building & Neighborhood Services	706,474	865,683	986,856	1,165,193	1,296,516	1,095,682	1,320,076	1,388,681	1,400,790	1,362,339
Planning	885,480	549,049	554,525	567,196	688,975	852,251	1,050,935	1,277,226	727,311	588,560
Engineering	-	-	-	-	-	-	-	-	-	-
Traffic Operations Center	-	-	-	296,571	276,082	1,708,657	1,947,593	2,155,891	2,318,156	1,100,104
Parks	2,740,989	3,607,302	3,230,016	6,173,264	2,441,732	3,175,789	4,861,308	6,863,021	6,641,212	6,066,942
Streets-Maintenance	-	-	-	-	-	-	-	-	-	-
Streets-Traffic	-	-	-	-	-	-	-	-	-	913,788
Streets-fleet	-	-	-	-	-	-	-	-	-	662,683
General government	6,012,328	2,687,220	6,292,394	4,850,503	5,087,787	(215,294)	1,059,147	713,022	3,227,691	943,197
Sanitation	3,042,271	3,667,979	3,518,543	4,744,880	5,548,426	5,954,751	6,438,933	6,129,249	5,636,808	7,366,610
Storm water	-	-	529,347	534,935	633,195	1,012,728	573,359	644,762	1,048,680	1,246,262
Transit	508,346	635,659	883,254	1,030,481	1,240,277	973,234	1,014,582	1,026,204	858,064	1,195,802
Debt service										
Principal	1,220,000	1,355,000	1,716,946	1,946,000	2,725,000	3,318,000	3,463,000	3,628,000	4,584,980	5,823,000
Interest	836,401	588,289	539,767	887,477	1,520,878	1,877,869	2,161,712	2,309,437	1,350,478	4,199,034
Other charges	265	541	147,236	122,055	74,417	243,294	156,521	158,249	109,485	583,532
Capital outlay - noncapital	-	552,022	441,368	3,562,508	6,859,583	3,011,051	552,973	718,047	-	-
Capital outlay - capital	14,568,878	8,450,490	15,855,200	24,183,869	18,862,605	22,554,777	41,685,682	41,358,605	25,089,968	18,595,950
Total expenditures	45,319,639	41,842,186	54,667,183	71,614,534	70,510,362	76,358,294	100,792,343	102,470,674	87,240,874	90,492,066
Excess (deficiency) of revenues over (under) expenditures	(2,967,219)	(183,010)	(9,120,899)	(18,398,277)	(6,479,706)	(7,417,964)	(23,511,515)	(33,646,254)	(24,775,958)	(13,612,541)
Other financing sources (uses):										
Proceeds from Issuance of Long-term Debt	4,557,476	5,000,000	9,770,000	26,967,194	4,315,468	20,356,658	520,183	25,630,498	45,881,353	33,206,236
Transfer to bond escrow agent	(4,612,476)	-	(7,836,391)	(2,504,317)	-	-	-	-	-	(17,317,803)
Operating transfers in	3,238,996	3,989,881	7,015,766	4,923,254	9,673,897	5,040,755	5,245,176	4,383,016	6,955,030	7,831,891
Operating transfers out	(3,238,996)	(3,093,959)	(7,015,766)	(4,923,254)	(9,673,897)	(5,040,755)	(5,470,176)	(4,428,016)	(7,000,030)	(7,831,891)
Total other financing sources (uses)	(55,000)	5,895,922	1,933,609	24,462,877	4,315,468	20,356,658	295,183	25,585,498	45,836,353	15,888,433
Net changes in fund balances	(3,022,219)	5,712,912	(7,187,290)	6,064,600	(2,164,238)	\$ 12,938,694	(23,216,332)	(8,060,756)	\$ 21,060,395	\$ 2,275,892
Debt service as a % of noncapital expenditures	6.69%	5.82%	6.19%	6.23%	8.36%	10.11%	9.78%	9.97%	9.73%	14.75%

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	SALES TAX*	PROPERTY TAX	FACILITIES TAX	ALCOHOLIC BEVERAGE TAXES **		HOTEL/MOTEL TAX	BUSINESS TAX	OTHER ***	TOTAL
				BEVERAGE TAXES **	HOTEL/MOTEL TAX				
2002	\$ 15,037,556	\$ 7,584,062	\$ 1,164,425	\$ 1,729,646	\$ 478,683	\$ 1,525,414	\$ 479,590	\$ 27,999,376	
2003	16,318,730	7,861,996	1,169,533	1,923,952	504,278	2,011,630	515,878	30,305,997	
2004	18,296,971	8,099,274	1,367,979	2,031,561	530,099	2,142,900	520,300	32,989,084	
2005	19,785,941	8,571,710	1,857,164	2,108,144	878,988	1,697,570	576,161	35,475,678	
2006	22,005,703	9,395,723	2,415,678	2,310,739	1,293,596	2,363,300	574,125	40,358,864	
2007	23,885,264	9,726,100	3,616,202	2,465,375	1,424,754	2,777,563	59,174	43,954,432	
2008	23,185,434	10,337,833	2,956,284	2,593,632	1,571,657	2,927,635	50,634	43,623,109	
2009	21,152,554	10,598,592	1,115,914	2,574,048	1,518,988	2,939,829	186,757	40,086,682	
2010	20,969,821	10,907,423	1,965,245	2,683,492	1,663,304	2,619,428	434,038	41,242,751	
2011	22,720,666	11,384,680	3,229,556	2,865,433	1,917,196	2,527,260	393,359	45,038,150	

* 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 -
Local Sales Tax Collections

FISCAL YEAR	ESTIMATE OF TAXABLE SALES SUBJECT TO LOCAL SALES TAX	LOCAL SALES TAX RATE (CITY & WILLIAMSON COUNTY)	TOTAL LOCAL SALES TAX COLLECTED	LESS: COUNTY PORTION (1/2 OF TAX)	LESS:		PERCENT OF GENERAL FUND REVENUE
					COUNTY ADMIN FEE (1% of City's 1/2 of tax)	LOCAL SALES TAX RECEIVED BY CITY	
2002	\$ 1,350,173,378	2.25%	\$ 30,378,901	\$ (15,189,451)	\$ (151,895)	\$15,037,556	43.17%
2003	1,465,205,836	2.25%	32,967,131	(16,483,566)	(164,836)	16,318,730	45.93%
2004	1,642,825,679	2.25%	36,963,578	(18,481,789)	(184,818)	18,296,971	47.43%
2005	1,776,515,466	2.25%	39,971,598	(19,985,799)	(199,858)	19,785,941	48.07%
2006	1,975,820,696	2.25%	44,455,966	(22,227,983)	(222,280)	22,005,703	46.65%
2007	2,144,580,382	2.25%	48,253,059	(24,126,529)	(241,265)	23,885,264	45.08%
2008	2,081,744,916	2.25%	46,839,261	(23,419,630)	(234,196)	23,185,434	42.31%
2009	1,899,219,214	2.25%	42,732,432	(21,366,216)	(213,662)	21,152,554	42.25%
2010	1,882,812,211	2.25%	42,363,275	(21,181,637)	(211,816)	20,969,821	45.41%
2011	2,040,014,905	2.25%	45,900,335	(22,950,168)	(229,502)	22,720,666	44.81%

Tennessee Code Annotated Section 67-6-702 authorizes the levy of a local option sales tax. The maximum rate authorized is 2.75%. The current rate is 2.25%. The tax is applied only to the first \$1,600 of any single article of personal property.

The City receives 1/2 of the 2.25% rate collected within the City. Williamson County receives the other 1/2, plus an administrative fee of 1% of the City's 1/2 of the tax.

CITY OF FRANKLIN, TENNESSEE

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

<u>TAX YEAR</u>	<u>TOTAL TAXABLE ASSESSED VALUE*</u>	<u>TOTAL DIRECT TAX RATE**</u>	<u>APPRAISED VALUE*</u> <u>ACTUAL VALUE OF TAXABLE PROPERTY</u>	<u>ASSESSED VALUE AS A PERCENTAGE OF ACTUAL VALUE</u>
2001	\$ 1,381,145,006	0.55	\$ 4,404,186,187	31.36%
2002	1,433,680,138	0.55	4,598,585,034	31.18%
2003	1,478,940,190	0.55	5,010,082,404	29.52%
2004	1,551,200,437	0.55	5,292,203,841	29.31%
2005	1,696,054,165	0.55	6,162,312,297	27.52%
2006	2,259,868,386	0.43	7,433,188,531	30.40%
2007	2,399,581,643	0.43	7,948,798,841	30.19%
2008	2,516,989,208	0.43	9,637,668,952	26.12%
2009	2,689,334,028	0.43	10,225,661,696	26.30%
2010	2,769,192,347	0.43	9,601,438,372	28.84%

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

** Per \$100 of assessed valuation

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

CITY OF FRANKLIN, TENNESSEE

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

<u>Fiscal Year</u>	<u>Direct Rate</u> <u>City</u>	<u>Overlapping Rate</u> <u>County **</u>	<u>Total</u>
2002	\$0.550	\$3.290	\$3.840
2003	0.550	3.030	3.580
2004	0.550	3.660	4.210
2005	0.550	3.480	4.030
2006	0.550	3.590	4.140
2007	0.434	3.030	3.464
2008	0.434	3.070	3.504
2009	0.434	3.170	3.604
2010	0.434	3.170	3.604
2011	0.434	3.170	3.604

* Per \$100 of assessed valuation

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

2002	\$2.500
2003	2.500
2004	2.720
2005	2.720
2006	2.720
2007	2.200
2008	2.200
2009	2.200
2010	2.200
2011	2.200

CITY OF FRANKLIN, TENNESSEE

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

<u>Taxpayer</u>	<u>2002</u>		<u>2011</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	\$ 15,547,494	1.13%	\$ 18,826,644	0.68%
Middle TN Electric Membership Corp	6,652,561	0.48%	12,826,063	0.46%
Bell South Telecommunications	9,665,103	0.70%		
<u>Real and Personal Property Tax</u>				
Galleria Associates	36,411,360	2.64%	50,087,120	1.81%
HRLP Cool Springs LLC			27,141,960	0.98%
Carothers Office ACQ LLC			26,064,120	0.94%
Wyndchase LLC	14,999,496	1.09%	20,000,000	0.72%
Williams W. Fred Trust	14,751,700	1.07%		
Landings F C LP	11,272,172	0.82%	19,022,465	0.69%
Williamson Farmers Co-Op	13,205,498	0.96%	16,581,002	0.60%
Crescent Resources			18,614,722	0.67%
Boyle Cool Springs Joint Venture			15,194,640	0.55%
Alara Franklin Corp			13,862,320	0.50%
Franklin Cool Springs Corp	10,480,942	0.76%	13,711,402	0.50%
Lightman Cool Springs			12,992,320	0.47%
AGL/SLC McEwen No 1 LLC			11,753,440	0.42%
Weeks Realty			10,790,480	0.39%
NHC Healthcare Cool Springs			10,200,000	0.37%
Cool Springs Market LP	9,620,360	0.70%		
Crown Brook Ltd	9,600,000	0.70%		
United Dominion Realty	9,101,980	0.66%		
Totals	<u>\$ 161,308,666</u>	<u>11.71%</u>	<u>\$ 297,668,698</u>	<u>10.75%</u>

* Total assessed valuation in 2002 (tax year 2001) was \$1,381,145,006.

** Total assessed valuation in 2011 (tax year 2010) is \$2,769,192,347.

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
2002	7,596,518	7,398,178	97.39%	185,107	7,583,285	99.82%	13,233
2003	7,874,904	7,660,107	97.27%	202,182	7,862,289	99.84%	12,615
2004	8,134,453	7,970,209	97.98%	160,815	8,131,024	99.95%	3,429
2005	8,619,512	8,468,288	98.25%	149,008	8,617,296	99.97%	2,216
2006	9,328,587	9,152,371	98.11%	173,816	9,326,187	99.97%	2,400
2007	9,611,622	9,435,282	98.17%	173,142	9,608,424	99.97%	3,198
2008	10,212,816	10,042,817	98.34%	144,151	10,186,968	99.75%	25,848
2009	10,739,928	10,429,879	97.11%	286,933	10,716,812	99.78%	23,116
2010	11,468,281	11,159,219	97.31%	222,651	11,381,870	99.25%	86,411
2011	\$ 11,785,700	\$ 11,507,981	97.87%	\$ -	\$ 11,507,981	97.64%	\$ 277,719

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 FROM WATER & SEWER REVENUE & TAX BONDS	CAPITAL LEASES	TOTAL PRIMARY GOVERNMENT	DEBT PER CAPITA	PERCENT OF PERSONAL INCOME
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	3.81%
2004	46,416	45,583	22,450,000	44,195,000	-	66,645,000	1,435.82	3.15%
2005	46,416	48,967	45,016,194	41,315,000	-	86,331,194	1,859.94	3.80%
2006	49,412	51,841	46,586,662	39,350,000	-	85,936,662	1,739.19	3.35%
2007	49,412	54,755	63,580,258	37,310,000	-	100,890,258	2,041.82	3.73%
2008	56,219	55,717	60,117,258	35,200,000	-	95,317,258	1,695.46	3.04%
2009	56,219	55,717	82,749,628	46,243,053	-	128,992,681	2,294.47	4.12%
2010	56,219	55,717	122,295,000	52,299,516	1,881,353	176,475,869	3,139.08	5.63%
2011	62,487	53,392	131,817,000	50,429,235	1,543,574	183,789,808	2,941.24	5.51%

* Tennessee Certified Populations
 ** U.S. Bureau of Economic Analysis Statistics for Williamson County.

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
2002	41,842	\$ 4,384,438,372	\$ 18,115,000	0.41%	\$ 432.94
2003	41,842	4,580,057,822	21,760,000	0.48%	520.05
2004	46,416	4,771,408,807	22,450,000	0.47%	483.67
2005	46,416	5,039,865,136	45,016,194	0.89%	969.84
2006	49,412	5,583,795,186	46,586,662	0.83%	942.82
2007	49,412	7,411,814,672	63,580,258	0.86%	1,286.74
2008	56,219	7,913,490,764	60,117,258	0.76%	1,069.34
2009	56,219	9,637,668,952	82,749,628	0.86%	1,471.92
2010	56,219	10,225,661,696	122,295,000	1.20%	2,175.33
2011	62,487	10,225,661,696	131,817,000	1.29%	2,109.51

* 2001 and forward: Tennessee Certified Populations
 ** State of TN Comptroller Division of Property Assessment
 *** Excludes compensated absences.

CITY OF FRANKLIN, TENNESSEE

**Debt Capacity Information -
Direct and Overlapping Governmental Activities Debt
As of June 30, 2011**

<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	\$ 131,817,000	100.00%	\$ 131,817,000
Williamson County	470,934,000	36.81% *	173,350,805
Franklin Special School District	<u>55,703,386</u>	100.00% **	<u>55,703,386</u>
Total	<u>\$ 658,454,386</u>		<u>\$ 360,871,191</u>

* Based upon Assessed Value of Property in:

County	\$ 7,306,748,239
City	\$ 2,689,334,028

** 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**

Fiscal Year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Assessed Value	\$1,381,145,006	\$1,433,680,138	\$1,478,940,190	\$1,551,200,437	\$1,696,054,165	\$2,259,868,386	\$2,399,581,643	\$2,516,989,208	\$2,689,334,028	\$2,769,192,347
General Obligation Debt	\$ 18,115,000	\$ 21,760,000	\$ 22,450,000	\$ 45,016,194	\$ 46,586,662	\$ 63,580,258	\$ 60,117,258	\$ 82,749,628	\$ 122,295,000	\$ 131,817,000
Debt as % of Assessed Value	1.31%	1.52%	1.52%	2.90%	2.75%	2.81%	2.51%	3.29%	4.55%	4.76%

Note - The City has no legal debt limit.

CITY OF FRANKLIN, TENNESSEE

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

Fiscal Year	Gross Revenues*	Contributions, Taps, & Access Fees	Direct Operating Expense**	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
					Principal	Interest	Total	
2002	\$ 11,611,321	\$ 1,631,634	\$ 8,088,177	\$ 5,154,778	\$ 1,500,000	\$ 746,095	\$ 2,246,095	2.29
2003	12,202,987	1,972,391	9,072,951	5,102,427	1,370,000	822,734	2,192,734	2.33
2004	12,010,756	3,367,954	9,470,639	5,908,071	1,585,000	851,025	2,436,025	2.43
2005	12,964,822	5,617,974	9,738,762	8,844,034	2,201,850	1,302,931	3,504,781	2.52
2006	14,051,415	3,371,583	11,146,363	6,276,635	1,965,000	1,900,607	3,865,607	1.62
2007	14,549,921	6,477,369	11,370,863	9,656,427	2,040,000	1,757,609	3,797,609	2.54
2008	14,683,178	9,909,838	12,586,828	12,006,188	2,110,000	1,652,048	3,762,048	3.19
2009	16,637,366	8,613,893	13,584,035	11,667,224	2,180,000	1,605,445	3,785,445	3.08
2010	16,329,275	3,881,605	13,206,129	7,004,751	3,032,418	1,553,890	4,586,308	1.53
2011	19,592,351	3,841,390	14,961,368	8,472,373	3,032,418	1,493,066	4,525,484	1.87

* 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		School Enrollment *****	Unemployment Rate *****
				Years of Schooling *****	Years of Schooling *****		
2002	41,842	\$1,739,790,360	\$41,580	13.9	7,344	3.50%	
2003	41,842	1,776,946,056	42,468	13.9	7,753	3.70%	
2004	46,416	2,115,780,528	45,583	13.9	8,144	3.70%	
2005	46,416	2,272,852,272	48,967	13.9	8,355	2.80%	
2006	49,412	2,561,567,492	51,841	13.9	9,057	3.50%	
2007	49,412	2,705,554,060	54,755	14.4	9,138	3.80%	
2008	56,219	3,132,354,023	55,717	14.4	10,489	4.40%	
2009	56,219	3,132,354,023	55,717	14.4	10,950	8.30%	
2010	56,219	3,132,354,023	55,717	14.5	11,193	7.50%	
2011	62,487	3,336,305,904	53,392	14.5	12,229	7.20%	

* Tennessee Certified Population reports
 ** Personal Income is calculation of Population times Per Capita Personal Income
 *** U.S. Bureau of Economic Analysis (BEA) for Williamson County: 2009 is most recent year available
 **** Williamson County Office of Economic Development, for Adults Age 25 or Older
 ***** Tennessee Department of Education Annual Reports. Population of Franklin is compared to County's to estimate from total county students the enrollment from Franklin.
 ***** Tennessee Department of Labor and Workforce Development

CITY OF FRANKLIN, TENNESSEE

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

Employer	2002			2011		
	Employees *	Rank	Percentage of Total City Employment	Employees **	Rank	Percentage of Total City Employment
Cool Springs Galleria Mall	3,500	1	8.44%	3,500	1	6.73%
Community Health Systems				1,800	2	3.46%
Williamson Medical Center	987	4	2.38%	1,300	3	2.50%
Nissan North America				1,300	4	2.50%
Verizon				1,000	5	1.92%
AIM Healthcare	375	8	0.70%	815	6	1.57%
Healthways				800	7	1.54%
Mars Petcare US				680	8	1.31%
Progeny Marketing Innovations				550	9	1.06%
Lee Co.	647	5	1.20%	520	10	1.00%
Primus/Ford Motor Credit	2,500	2	6.03%			
FISI-Madison	1,000	3	1.87%			
Plus Mark	600	6	1.45%			
United Cities Gas	462	7	0.86%			
Apcom, Inc.	350	9	0.84%			
LDM Technologies	333	10	0.80%			
Lasko Metal Products, Inc.	275	11	0.66%			
Total	11,029		25.23%	12,265		23.59%

* City's 2002 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	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Administration	17	17	18	10	11	9	9	9	5	5
Building and Neighborhood Administration	16	17	18	20	23	25	27	27	28	28
Capital Investment Planning	*	*	*	*	*	*	*	*	2	2
Communications	*	*	*	1	1	1	1	1	3	3
Court	2	3	3	3	3	3	3	3	3	2
Engineering	9	7	7	8	9	12	14	9	8	8
Finance	10	10	11	11	11	11	11	11	11	11
Fire	116	119	131	138	142	156	158	158	158	158
HR	5	5	5	5	6	6	6	8	8	9
Law	*	*	*	*	*	3	3	3	3	4
MIT	*	9	9	9	10	14	17	17	17	17
Parks	9	11	14	15	18	20	25	29	29	30
Planning and Sustainability	8	9	9	9	11	12	13	17	18	18
Police	130	136	141	151	160	169	176	176	176	175
Projects and Facilities										
Maintenance	*	*	*	5	5	5	5	5	7	6
Purchasing	*	*	*	*	*	2	2	2	2	2
Revenue Management	*	*	*	7	7	11	14	14	14	13
Solid Waste	42	42	46	49	51	53	56	59	51	51
Stormwater	*	5	5	9	9	11	11	11	11	11
Streets	35	34	35	37	37	41	41	43	52	52
TOC	*	*	*	*	3	3	3	3	3	3
Water & Sewer	70	75	75	74	83	79	81	80	81	82
TOTAL	469	499	527	561	600	646	676	685	690	690

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

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

CITY OF FRANKLIN, TENNESSEE

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

Function/Program	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Police										
Calls for service	57,460	52,539	52,640	54,560	62,600	55,400	68,758	74,127	76,545	64,719
Fire										
Number of alarms	3,621	3,897	4,245	4,876	4,952	5,200	5,410	5,540	5,878	5,746
Sanitation										
Landfill usage	30,000	32,223	33,437	52,395	76,319	79,121	81,535	70,525	71,589	64,619
Recycling (tons)	*	*	*	*	*	*	*	5,957	5,233	5,556
Codes										
Single family permits	682	726	846	903	850	780	668	618	170	309
Water										
Average daily usage	5,619,549	6,100,548	5,797,010	4,529,169	6,035,953	6,066,378	5,860,000	5,675,000	5,300,000	5,704,268
Water storage capacity (gallons)	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	11,000,000	11,000,000	11,500,000	12,000,000

Source: City of Franklin departments

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

CITY OF FRANKLIN, TENNESSEE

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

Function/Program	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Police										
Police stations	1	1	1	1	1	1	1	1	1	1
Police vehicles (radio equipped)	95	113	119	127	139	131	133	149	136	133
Fire										
Fire stations	5	5	5	5	5	5	6	6	6	6
Fire trucks	12	12	12	14	15	17	17	19	19	19
Fire hydrants	1,950	1,953	1,975	1,981	1,915 *	1,916 *	1,954 *	2,045 *	2,074 *	1,957 *
Street										
Streets (miles)	211	212	235	250	275	290	287 *	283 *	283 *	285 *
Parks										
Number of parks	6	6	6	6	6	9	10	16	16	16
Water										
Water lines (miles)	298	298	300	301	275 *	285 *	274 *	272 *	276 *	284 *
Sewer lines (miles)	218	219	223	227	311 *	328 *	337 *	347 *	350 *	355 *

Source: City of Franklin departments

* Methodology changed to obtain this information from City's GIS system.

INTERNAL CONTROL AND COMPLIANCE SECTION



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

To the Board of Mayor and Aldermen
City of Franklin, Tennessee

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Franklin, Tennessee (the "City"), as of and for the year ended June 30, 2011 (except for the Pension Fiduciary Fund, which was as of and for the year ended December 31, 2010), which collectively comprise the City's basic financial statements and have issued our report thereon dated December 8, 2011. 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as IC-11-1 and IC-11-2 to be material weaknesses.

Compliance and Other Matters

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

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

This report is intended solely for the information and use of management, the Board of Mayor and Aldermen, others within the City, 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.

Crosslin & Associates, P.C.

Nashville, Tennessee
December 8, 2011



Independent Auditors' Report on Compliance with Requirements
That Could Have a Direct and Material Effect on Each
Major Program and on Internal Control over Compliance in
Accordance with OMB Circular A-133

To the Board of Mayor and Aldermen
City of Franklin, Tennessee

Compliance

We have audited the City of Franklin, Tennessee's (the "City") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget ("OMB") Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2011. The City's major federal programs are identified in the summary of auditors' 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is 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 CF-11-3.

Internal Control Over Compliance

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 to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as item CF-11-3. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The City's response to the finding 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 solely for the information and use of management, the Board of Mayor and Aldermen, others within the City, 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.

Crosslin & Associates, P.C.

Nashville, Tennessee
December 8, 2011

CITY OF FRANKLIN, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 JUNE 30, 2011

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Federal Awards

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

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

- Federal Transit Cluster:
- 20.500 ARRA - Federal Transit Administration Capital Grants
 - 20.507 Federal Transit Administration Capital Grants
 - 20.205 ARRA - Transportation Planning and Construction
 - 66.458 ARRA - Clean Water State Revolving Funds
 - 15.928 Battlefield Acquisition
 - 14.218 ARRA - Community Development Block Grant
 - 81.128 ARRA - Energy Efficiency and Conservation Block Grant
 - 97.036 Public Assistance

Dollar threshold used to distinguish between Type A and Type B programs:	<u> \$ 300,000 </u>
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Auditee qualified as low-risk auditee?	<u> </u> yes	<u> X </u> no
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CITY OF FRANKLIN, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2011

SECTION II - FINANCIAL STATEMENT FINDINGS

Item # IC-11-1 - Net Pension Asset

Criteria, Condition, Context, Cause and Effect

The City administers the City of Franklin Employees' Pension Plan and Trust (the Plan), a single employer defined benefit pension plan. The City has no regulatory amount to contribute to the Plan, but has established an informal policy to annually contribute an actuarially determined amount in four quarterly installments. The amount contributed by the City is based on the annual actuarial valuation as well as budgetary and other considerations.

As of June 30, 2011 and 2010, the City's cumulative contributions to the Plan had exceeded the amounts determined in the actuarial valuations. In accordance with requirements of Governmental Accounting Standards Board Statement No. 27, the cumulative differences between the City's actual contributions and the contributions determined by the actuarial valuations is recorded as an asset or liability in the statement of net assets. As the City's cumulative contributions have exceeded those calculated in the actuarial valuations, the City should have a net pension asset recorded in the financial statements. The City has not recorded the net pension asset, which totaled \$2,086,928 and \$1,941,338 as of June 30, 2011 and 2010, respectively.

Recommendation

We recommend that management review the actuarial valuation performed each year to determine if there is a net pension obligation or asset as a result of differences between actual and calculated contributions. Such differences should be recorded within the statement of net assets to ensure that the City's financial statements are presented in accordance with U.S. generally accepted accounting principles.

Management Response

The management of the City of Franklin concurs. Additional excess contributions to the Pension Plan are not anticipated at this time. Thorough review of the expected GASB 27 update will be taken and management will follow that guidance.

Item # IC-11-2 - Governmental Activities Infrastructure

Criteria, Condition, Context, Cause and Effect

Street infrastructure assets are recorded within the City's financial records and in the statement of net assets when a street has been formally accepted by the City. Acceptance is made under the City's acceptance policy, which includes a bond inspection on the street.

Out of eleven street additions selected for audit testing, seven streets totaling \$5,920,000 were determined not to be assets of the City. The City had not formally accepted them as of June 30, 2011 under the street acceptance policy. The streets were included in a computer tracking system, and were therefore incorrectly added to the streets addition listing prior to formal acceptance.

The City's financial records for governmental activities infrastructure assets and corresponding infrastructure stated in the statement of net assets were overstated. The City subsequently reviewed and removed all unaccepted streets at June 30, 2011.

CITY OF FRANKLIN, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 JUNE 30, 2011

SECTION II - FINANCIAL STATEMENT FINDINGS

Item # IC-11-2 - Governmental Activities Infrastructure (Cont.)

Recommendation

We recommend that management review and update the City's street acceptance policy. The policies and procedures should ensure that streets are recorded within the financial records only after all acceptance procedures have been performed and appropriately documented. This will help to ensure that street infrastructure assets are reflected appropriately in the financial statements.

Management Response

The management of the City of Franklin concurs. Review of the process of street acceptance and surety/bond releases is underway. Additional coordination of departmental interaction on street identification is underway in 2012.

Item # CF-11-3

SECTION III - FEDERAL AUDIT FINDINGS AND QUESTIONS COSTS

Grant Compliance
TOC Phase III, Infrastructure Upgrades
CFDA 20.205
U.S. Department of Transportation

Criteria

In connection with its grant agreements, the City should code only allowable expenditures to each grant's financial record. Grant expenditures should be made in accordance with the budgets or other allowable costs sections specified in the agreements.

Condition and Context

For one out of twelve selections during grant testing, it was determined that the cost should not have been coded to the grant.

Questioned Cost

The item selected for testing was an invoice for \$495. Through further review performed by City management, it was determined that expenditures totaling \$77,265 were included in the grant expenditures on the City's records but should not have been coded to the grant.

Cause

The invoices were not properly labeled and were charged to the TOC Phase III Grant.

Effect

The City has subsequently adjusted its schedule of expenditures of federal awards to remove the expenditures. The City had not requested reimbursement for the amounts; therefore, there is no liability to the grantor agency.

CITY OF FRANKLIN, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2011

SECTION III - FEDERAL AUDIT FINDINGS AND QUESTIONS COSTS (Cont.)

Recommendation

We recommend that the City establish policies and procedures that ensure all grant expenditures are charged to grants that are eligible and allowable under program guidelines. The policies and procedures should be in-place and operating effectively to ensure that invoices are properly coded and reviewed before they are charged to grants.

Management Response

The management of the City of Franklin concurs the grants receivable for this grant was estimated higher than actual with the associated grant schedules matching the estimate. When TOC equipment expenditures and reimbursements were reviewed, only eligible expenditures were claimed. After the review, the estimated grant expenditures, receivable, and grant schedules were reduced to actual. In 2012, expenditures to this grant are being coded to separate accounts to identify those eligible for reimbursement: equipment (not grant eligible) and equipment (grant eligible). The grant receivable in 2012 will be set up using the expenditures coded to the equipment (grant eligible) account.

SECTION IV - SUMMARY OF PRIOR AUDIT FINDINGS

All prior year audit findings have been resolved.