

City of Franklin, Tennessee

Excellence • Innovation • Teamwork • Integrity • Action-Oriented



Carnton Plantation by Andrew Orr

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2013



HISTORIC
FRANKLIN
TENNESSEE

CITY OF FRANKLIN, TENNESSEE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Prepared by:
City of Franklin
Department of Finance

**CITY OF FRANKLIN, TENNESSEE
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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INTRODUCTORY SECTION



 HISTORIC
FRANKLIN
 TENNESSEE

December 10, 2013

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, 2013.

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 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 costs of internal controls should not outweigh their benefits, the City of Franklin's comprehensive framework of internal controls is 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.

Crosslin & Associates, P.C., a firm of licensed certified public accountants, have audited the City of Franklin's financial statements. 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, 2013, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City of Franklin's financial statements for the year ended June 30, 2013 are fairly presented in all material respects 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. In addition, 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 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 transit system, and a citywide park system. The City also has its own water, sanitary 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 and Comptroller, 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. Although the legal level of budgetary control is at the fund level, the budget is prepared by fund, function, and department. Additional appropriations in a fund require two readings by the Board, one of which is 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 66.

Local 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 lowest rate of unemployment (of cities with a population of 25,000 or more). 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 over 150 stores and restaurants. Recently, plans have been announced to expand the mall in 3 phases: 3,000 additional square feet to begin in February 2014; 53,000 square feet (to be named the District) to begin summer of 2014, and a final stage of 10,000 square feet soon thereafter.

Sufficient vacant property, zoned for retail use, is available for further development. The area has a low vacancy rate of available space (3.8% office and 5.0% retail) with new "Class A" office space continuing to be developed. The surrounding road network has been vastly improved with many of the upgrades at developer cost.

Several well-known corporations have their headquarters in Franklin; among them are: Community Health Systems, Nissan Americas, Healthways, Mars Petcare, Medsolutions, Passport Health Communications, Franklin American Mortgage, Medquist, Walgreens Take Care Health, and PureSafety.

Long-term financial planning and major initiatives

The governing body has developed its top priority capital investment projects to be accomplished within the next several years. The priorities being considered in the 5-year Capital Investment Program (CIP) for 2014-2018 are:

- Fire Station # 8 to be located in the Westhaven Development,
- Columbia Avenue Improvements from Downs Boulevard to Mack Hatcher Parkway,
- Streetscape - Franklin Road (Harpeth Bridge to Harpeth Industrial Court),
- Fire Station # 7 to be located in the Berry Farms Development,
- Mack Hatcher Parkway Widening - Southeast Quadrant (Murfreesboro Road to Columbia Avenue),
- New City Hall,
- Lewisburg Pike Widening - Mack Hatcher Parkway to Donelson Creek Parkway,
- McEwen Drive, Phase IV from Cool Springs Boulevard to Wilson Pike,
- Public Restrooms at the Park at Harlinsdale Farm,
- Del Rio Pike Improvements - Poplar Grove School Entrance to Carlisle Lane,
- Carothers Parkway South Extension - Ladd Park Development
- Harpeth River Walk, and
- Long Lane/ Old Peytonsville Road Connection Access Across I-65

Relevant financial policies

The City has adopted financial policies related to investments, General Fund reserves, debt management, and utilization of reserve funds. The investment policy, updated in December 2011, provides for the primary objectives, in order of priority, of investment activities of non-pension funds shall be safety, liquidity, and return. The reserve policy establishes an emergency and cash flow reserve of a minimum of 33% of budgeted General Fund expenditures. For fiscal year 2013, this represents slightly more than \$17.5 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. In August 2012, the City adopted a policy for the utilization and replacement of committed funds.

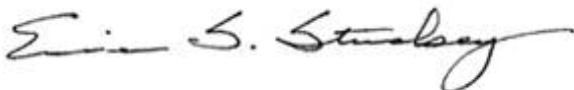
The City continues to explore adopting additional best practice financial policies including internal controls, budgeting, revenues, economic development, enterprise risk management, capital improvements, and reserves for funds other than the General Fund.

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, 2012. This was the twenty-second (22nd) 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



Government Finance Officers Association

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

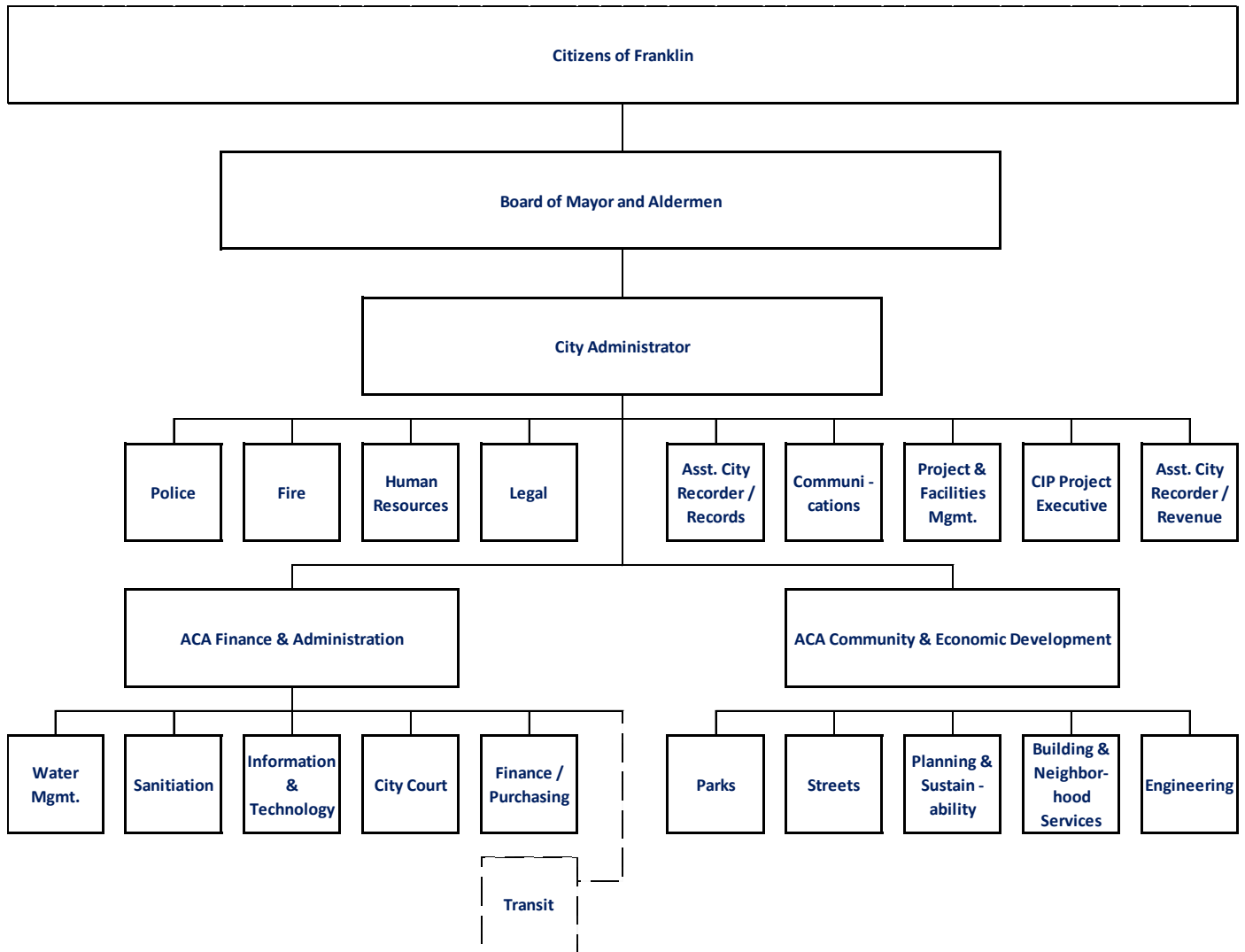
June 30, 2012

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

Executive Director/CEO

CITY OF FRANKLIN, TENNESSEE ORGANIZATIONAL CHART

FOR THE FISCAL YEAR ENDED JUNE 30, 2013



CITY OF FRANKLIN, TENNESSEE
LIST OF ELECTED AND APPOINTED OFFICIALS
 JUNE 30, 2013

Elected Officials

Mayor	Ken Moore
Alderman - 1 st Ward	Beverly Burger
Alderman - 2 nd Ward (Vice-Mayor)	Dana McLendon
Alderman - 3 rd Ward	Michael Skinner
Alderman - 4 th Ward	Margaret Martin
Alderman - At Large	Clyde Barnhill
Alderman - At Large	Brandy Blanton
Alderman - At Large	Pearl Bransford
Alderman - At Large	Ann Petersen

Appointed Officials

City Administrator	Eric Stuckey
Assistant City Administrator / Chief Financial Officer	Russell Truell
Assistant City Administrator / Community & Economic Development	Vernon Gerth
Building & Neighborhood Services (BNS) Director	Chris Bridgewater
Capital Investment Planning (CIP) Executive / City Engineer	David Parker
City Attorney	Shauna Billingsley
Engineering Director	Paul Holzen
Fire Chief	Rocky Garzarek
Human Resources Director	Shirley Harmon
Information Technology (IT) Director	Fred Banner
Parks Director	Lisa Clayton
Planning & Sustainability Director	Catherine Powers
Police Chief	David Rahinsky
Solid Waste Director	Rebecca Caldwell
Streets Director	Joe York
Water Management	Mark Hilty

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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, 2013, (except for the Fiduciary Pension Fund, which is as of December 31, 2012 and for the year then ended) and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 of Franklin, Tennessee, as of June 30, 2013 (except for the Fiduciary Pension Fund which is as of December 31, 2012), and the respective changes in financial position, and, where applicable, cash flows thereof and the budgetary comparison for the general fund for the year then ended (except for the Fiduciary Pension Fund, which is for the year ended December 31, 2012), in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1I, in fiscal year 2013, the City adopted Governmental Accounting Standards Board ("GASB") Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.



Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 11, the schedules of funding progress – employee retirement system on page 61, and the schedules of employer contributions – employee retirement system on page 62 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Franklin, Tennessee's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, the information listed as supplementary schedules in the table of contents, and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedules of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State of Tennessee and are also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules, the supplementary schedules not marked "unaudited," and the schedules of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules, the supplementary schedules not marked "unaudited," and the schedules of expenditures of federal awards and state financial assistance are fairly stated in all material respects in relation to the basic financial statements 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2013, on our consideration of the City of Franklin, Tennessee'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Crosslin & Associates, P.C.

Nashville, Tennessee
December 10, 2013

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, 2013. 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, and in conjunction with the basic financial statements, starting on page 12 of this report.

Financial Highlights:

- **Net Position.** The assets and deferred outflows of resources of the City of Franklin exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$604,978,194, compared to \$569,022,751 in the previous fiscal year. Of this amount, \$58,000,874 (unrestricted net position) 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 \$38,535,195. In the prior year, this amount was \$44,034,646. The decrease of \$5,499,451 is due primarily to spend-down of prior year bond proceeds.
- **General Fund – Fund Balance.** At the end of the current fiscal year, fund balance in the General Fund is \$28,890,118, or 58% of General Fund expenditures (including transfers to other funds) of \$49,798,582. The fund balance increased \$2,878,787 from the prior year. The primary impacts on the fund balance in 2013 are cost containment measures implemented by the City to stay within current revenues, personnel vacancies, a budgeted additional pension contribution not used, and budgeted capital costs in the Traffic Operations Center department that were not incurred.
- **Capital Assets.** The City has undertaken several infrastructure projects including improvements to Hillsboro Road, McEwen Drive, and 3rd Avenue.
- **Debt.** The City's debt (bonds, notes, and capital leases) decreased by \$8,453,525 (from \$174,363,120 to \$165,909,595) during the current fiscal year. Governmental activities issued \$22,500,000 of fixed rate and shorter-term debt to refund \$22,500,000 of previous variable rate debt. Governmental activities had \$1,733,225 in new capital leases. Business-type activities incurred \$821,158 of new state revolving loan debt. A total of \$11,007,908 (\$7,259,029 governmental and \$3,748,879 business-type) debt was repaid during the year.
- **Budget.** The City's 2013 General Fund budget, both original and final, had no draw from accumulated fund balance. Actual results exceeded break-even as the General Fund increased its fund balance by more than \$2.8 million.

Overview of the Financial Statements:

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

Government-wide financial statements. The Government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. The Statement of Net Position presents information on all of the City's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Over periods of time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., 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 2013. 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 64 and 65 of this report.

The City of Franklin, Tennessee adopts an annual appropriated budget for its General Fund, Special Revenue Funds, and Debt Service Fund. A budgetary comparison has been provided for the General Fund on pages 20 through 28, the Special Revenue Funds on pages 66 through 74, and the Debt Service Fund on page 75 to demonstrate compliance.

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 29 through 32 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 33 through 34 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 35 through 60 of this report.

Financial Analysis of the Financial Statements:

Government-wide Financial Analysis

Over time, as noted earlier, net position may serve as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows exceeded liabilities and deferred inflows by \$604,978,194 at the close of the most recent fiscal year.

Financial Analysis of the Financial Statements (Continued):

City of Franklin's Net Position

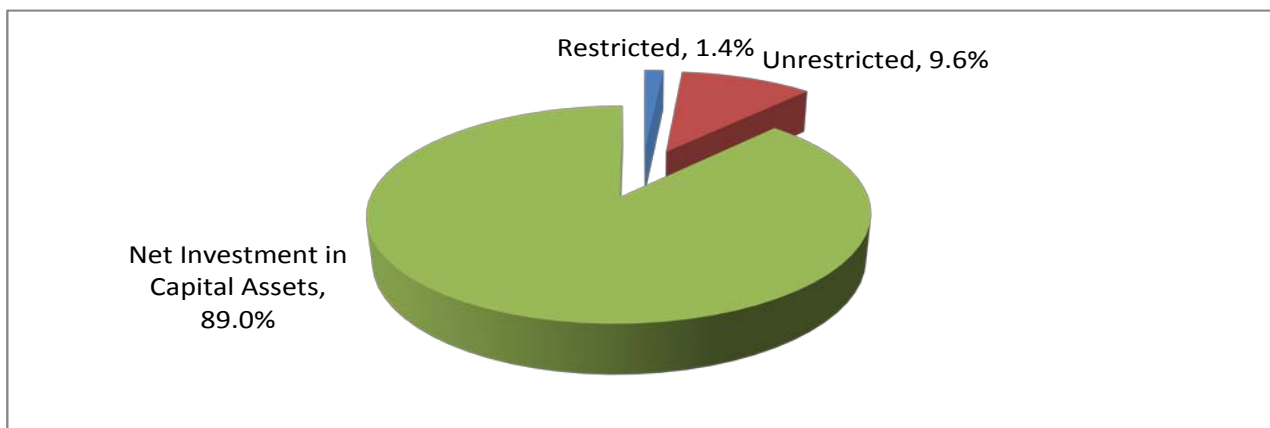
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Current and other assets	\$ 76,023,557	\$ 76,156,041	\$ 26,419,301	\$ 22,673,944
Capital assets, net of accumulated depreciation	553,336,286	528,445,594	155,290,540	154,530,321
Total assets	<u>629,359,843</u>	<u>604,601,635</u>	<u>181,709,841</u>	<u>177,204,265</u>
Deferred outflows of resources	437,949	518,211	1,314,582	1,440,527
Long-term liabilities outstanding	131,827,700	139,931,454	46,577,912	49,666,678
Other liabilities	16,180,594	12,677,946	1,648,315	1,192,441
Total liabilities	<u>148,008,294</u>	<u>152,609,400</u>	<u>48,226,227</u>	<u>50,859,119</u>
Deferred inflows of resources	11,609,500	11,273,368	-	-
Net position:				
Net investment in capital assets	427,956,937	394,771,670	110,724,957	106,880,291
Restricted	145,326	161,351	8,150,100	6,684,374
Unrestricted	42,077,735	46,304,057	15,923,139	14,221,008
Total net position	<u>\$ 470,179,998</u>	<u>\$ 441,237,078</u>	<u>\$ 134,798,196</u>	<u>\$ 127,785,673</u>

The government's net position increased by \$35,955,443. 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 position, \$538,681,894, or 89.0%, 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 liquidated to repay these liabilities. A portion of the City's net position, \$8,295,426, or 1.4%, represents resources that are subject to external restriction on how they may be used. The remaining balance of \$58,000,874, or 9.6%, is unrestricted net position that may be used to meet the government's ongoing obligations to citizens and creditors.

Percent of Net Position – 2013



**CITY OF FRANKLIN, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS**

6

Financial Analysis of the Financial Statement (Continued):

Governmental and business-type activities increased the City's net position by \$28,942,920 and \$7,012,523, respectively. Key elements of this increase are as follows:

City of Franklin's Changes in Net Position

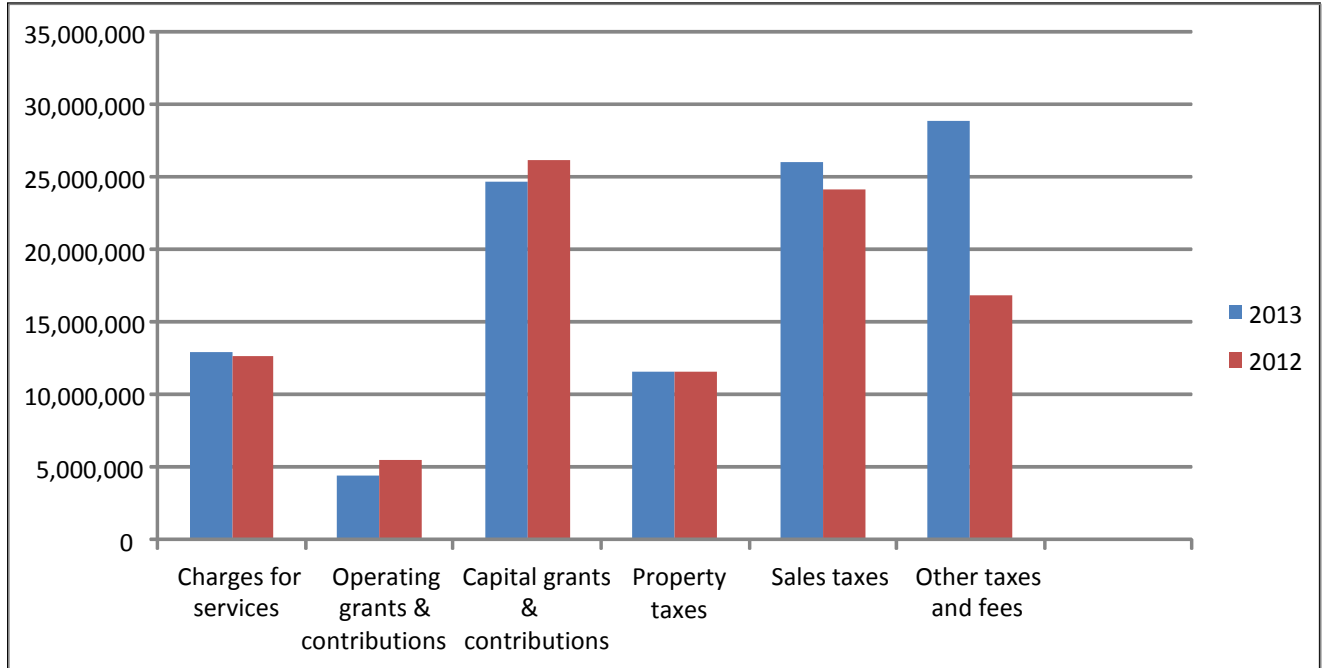
	Governmental Activities		Business-Type Activities	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Revenues:				
Program revenues:				
Charges for services	\$ 12,918,523	\$ 12,666,501	\$ 22,116,747	\$ 21,253,689
Operating grants & contributions	4,489,556	5,572,231	-	-
Capital grants & contributions	24,640,622	26,221,640	6,728,662	5,307,632
General revenues:				
Property taxes	11,659,973	11,550,562	-	-
Sales taxes	25,995,733	24,197,413	-	-
Other taxes and fees	24,254,006	21,811,094	-	-
Other	4,630,117	(4,881,649)	140,371	(7,153)
Total Revenues	<u>108,588,530</u>	<u>97,137,792</u>	<u>28,985,780</u>	<u>26,554,168</u>
Expenses:				
General government:				
Elected officials	183,406	202,515	-	-
Administration	492,554	595,811	-	-
Human resources	787,765	1,049,741	-	-
Legal	293,197	387,283	-	-
Communications	304,243	324,603	-	-
Capital investment planning	162,049	208,446	-	-
Project & facilities management	710,947	863,314	-	-
Revenue management	176,518	1,361,604	-	-
Finance	700,548	893,037	-	-
Information & technology	4,756,627	3,993,526	-	-
Purchasing	141,705	159,188	-	-
Court	220,481	284,907	-	-
Building & neighborhood services	2,164,831	1,900,692	-	-
Planning	1,235,714	1,223,706	-	-
Engineering	648,601	768,730	-	-
Traffic operations center	658,063	460,102	-	-
General	2,442,032	3,205,578	-	-
Police	14,363,457	15,154,496	-	-
Fire	13,540,246	13,197,477	-	-
Parks	3,866,135	3,688,466	-	-
Streets-maintenance	15,571,631	20,196,838	-	-
Streets-traffic	860,044	1,024,936	-	-
Streets-fleet	601,240	592,074	-	-
Sanitation	7,837,722	7,961,729	-	-
Storm water	1,622,743	1,508,125	-	-
Transit	1,623,600	1,398,956	-	-
Interest expense on long-term debt:	3,679,511	3,730,536	-	-
Water & sewer:	-	-	21,973,257	21,960,116
Total expenses	<u>79,645,610</u>	<u>86,336,416</u>	<u>21,973,257</u>	<u>21,960,116</u>
Changes in net position	28,942,920	10,801,376	7,012,523	4,594,052
Net position, beginning of year, as restated	441,237,078	430,435,702	127,785,673	123,191,621
Net position, end of year	<u>\$ 470,179,998</u>	<u>\$ 441,237,078</u>	<u>\$ 134,798,196</u>	<u>\$ 127,785,673</u>

Financial Analysis of the Financial Statements (Continued):

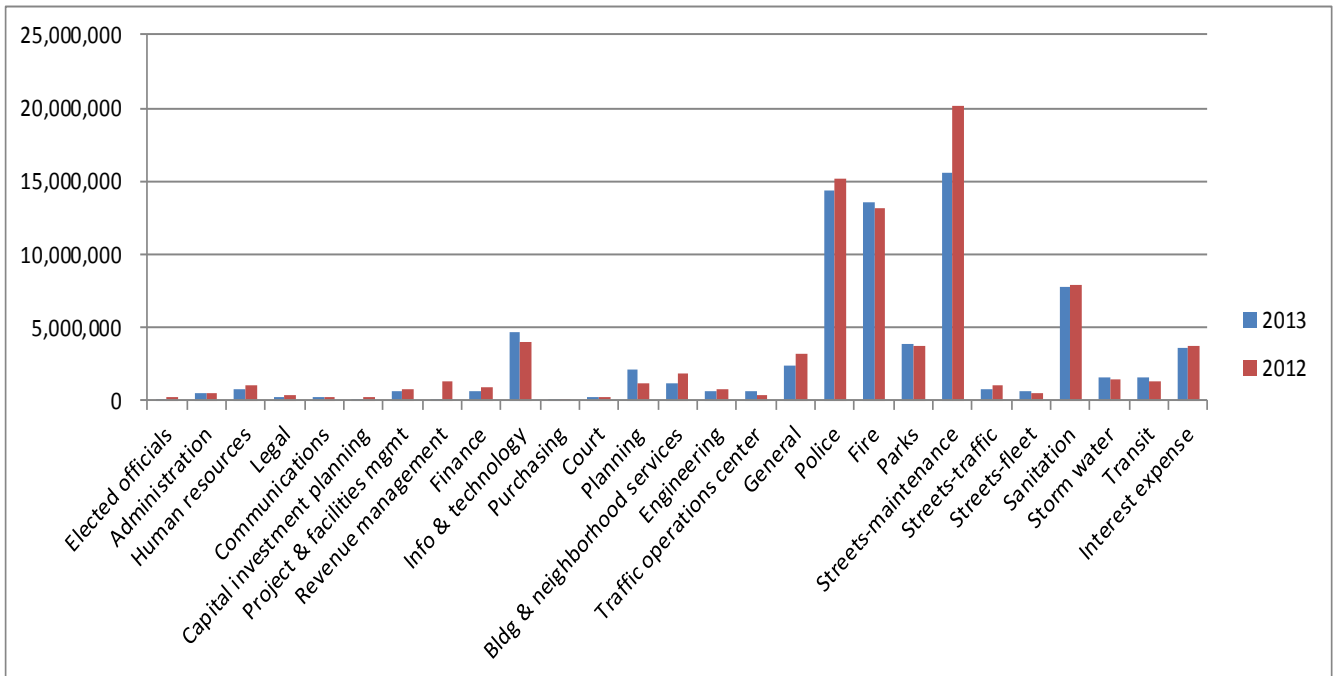
Governmental Activities

Revenues for governmental activities increased approximately 11.8% due primarily to increased road impact fees, facilities tax and local sales tax collections. The overall decrease in current expenses of governmental activities amounted to approximately 7.7%.

Revenues – Governmental Activities



Expenses – Governmental Activities

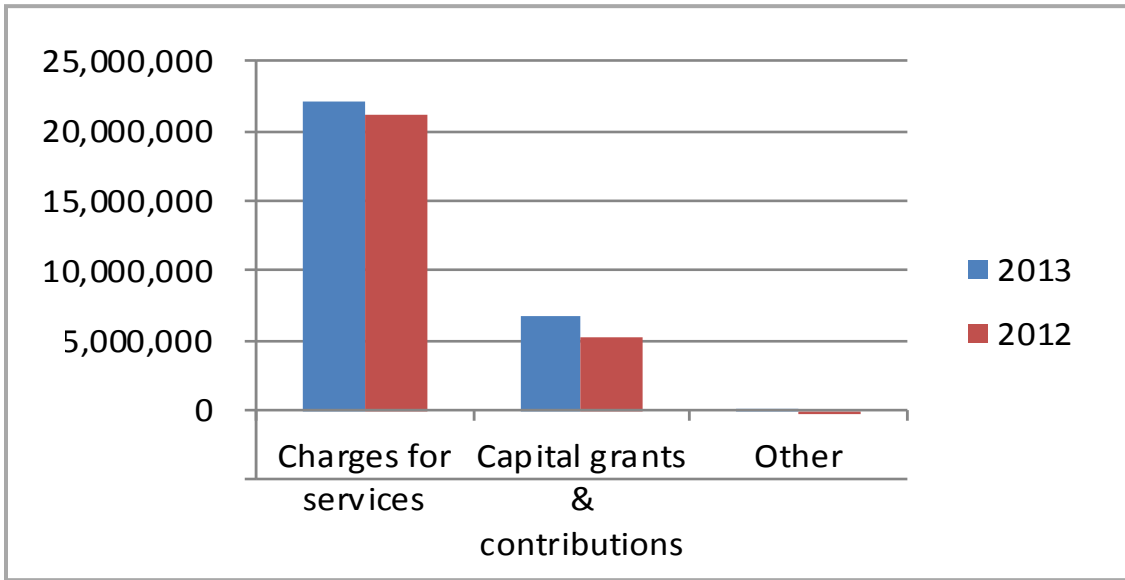


Financial Analysis of the Financial Statements (Continued):

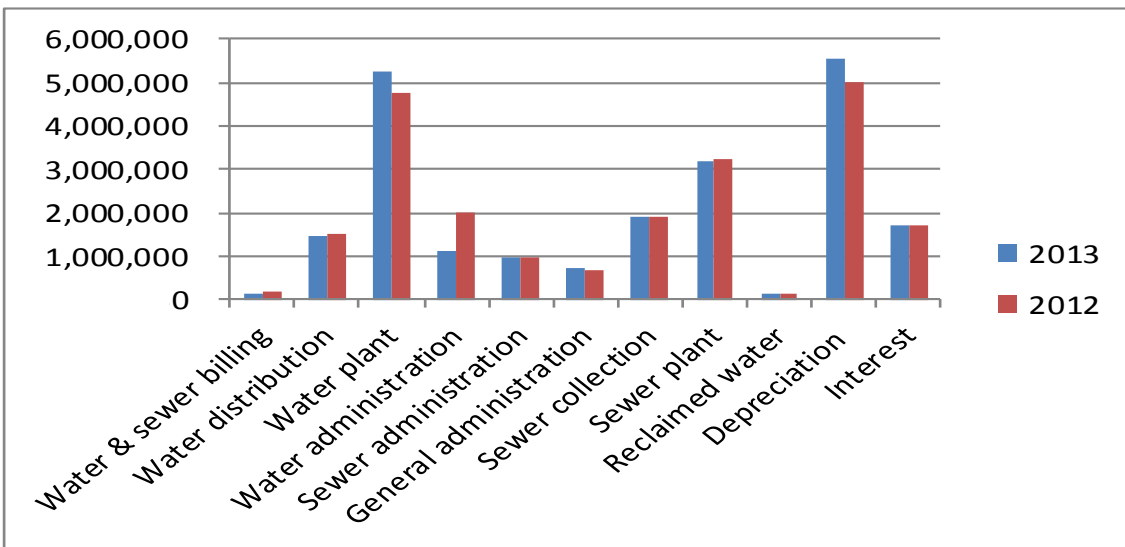
Business-Type Activities

Revenues for business-type activities increased 9.2%. The primary factor underlying the increase was rate increases effective January 1, 2013. Expenses of the business type-activities increased approximately 0.06%.

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.

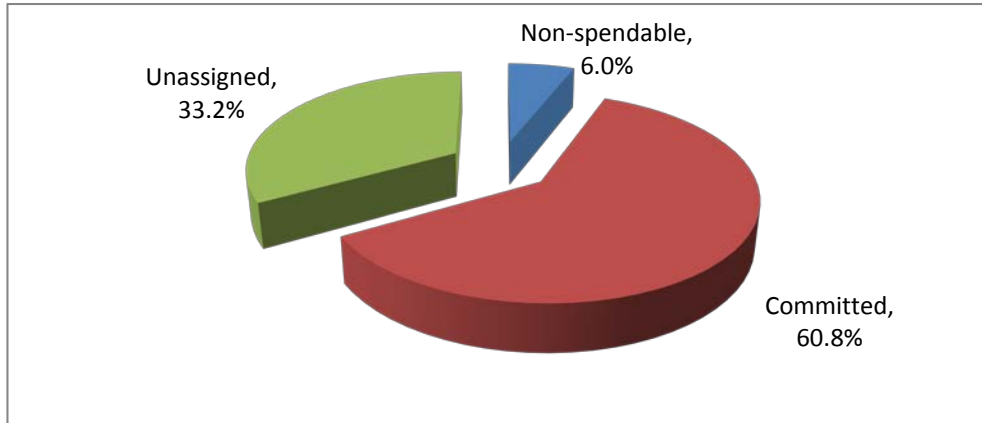
Governmental Funds

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, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$38,535,195, a decrease of \$5,499,451 in comparison with the prior year of \$44,034,646. The decrease is due primarily to spending on approved capital projects in the Multi-Purpose Capital Projects Fund, including infrastructure projects on McEwen Drive, Hillsboro Road widening, and 3rd Avenue North extension.

The General Fund is the chief operating fund of the City of Franklin, Tennessee. The 2013 ending fund balance of \$28,890,118 had the following composition: An amount of \$1,741,675, or 6.0%, is non-spendable for inventory and prepaid items. An amount of \$17,555,029, or 60.8%, 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 \$9,593,414, or 33.2%, is unassigned.

General Fund - Fund Balance Composition – 2013



The most significant continuing revenue sources in the General Fund are derived from taxes. Of total General Fund revenues, \$36,168,769, or 68.7%, was from taxes. Local option sales tax increased by \$1,798,320 (from \$24,197,413 to \$25,995,733). Property taxes increased slightly \$29,161 (from \$6,420,171 to \$6,449,332), or 0.5%, in the second year after a reappraisal. The increase in local option sales tax is a positive sign of economic recovery. 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.

The Debt Service Fund, which receives property taxes for debt previously paid by the General Fund, and transfers from the Sanitation Fund, Road Impact Fund, and Hotel/Motel Tax Fund for their portion of debt, had a balance of slightly over \$84,000. This amount is consistent with the City's goal for a minimal year-end balance after paying annual debt service.

Due to stronger collections in 2013, as anticipated, the Road Impact Fee Fund has reduced its deficit from \$1.2 million to approximately \$850,000 at fiscal year-end. Additional collections in future years, originally anticipated in 2012 and 2013 from new development, are expected to remove the deficit balance.

Due to strong collections, the Facilities Tax Fund saw its fund balance increase from \$1.5 million to \$3.1 million. More than \$1 million was spent from the fund for growth-related expenditures in the fire (\$750,000) and sanitation (\$290,000) departments.

Financial Analysis of the Financial Statements (Continued):

Although collections exceeded budget, in the Hotel/Motel Tax Fund, budgeted tourism/parks project expenditures reduced the fund balance from approximately \$2.1 million to \$1.1 million. In fiscal year 2014, the fund balance will increase by \$500,000 for grant receivables that were not received in time to be available as revenue in 2013.

Budgetary Highlights

In accordance with state law, the City's governing body approves a budget for the General Fund, Special Revenue funds, and Debt Service fund.

The budgetary highlights in the General Fund during 2013 are as follows: The original budget of \$55,078,612 included no allocation from accumulated fund balance. It was amended during the year for \$416,186 for expenditures in the human resources, information & technology, and building & neighborhood services department, and an increase in the operating subsidy to the Street Aid Fund. The final budget includes a reduction of \$2,297,740 (and an equivalent amount in revenues) to show interfund services provided to other funds as a reduction of expenditures instead of revenues.

With these amendments, the final General Fund budget equaled \$53,197,058. Due primarily to the combination of (a) cost containment measures, (b) personnel vacancies, (c) an unused additional pension contribution and (d) unused capital budgeted in the Traffic Operations Center department, actual results ended with a surplus for the year of \$2,878,787 increasing the fund balance to \$28,890,118.

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, 2013, is \$708,626,826 (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 \$23,483,813 in developer-contributed road and drainage assets.
- \$1,733,225 in leases permitted acquisition of vehicles for the police and sanitation departments, a wood chipper in the parks department, and technology equipment.
- Progress continued toward the opening of its new consolidated public works facility during 2014. An access road to the facility began construction during April 2013 and was recently completed.
- Progress continued to finish construction documents on Mack Hatcher Parkway Northwest Extension to ensure project is ready for construction when State funds the project.
- Construction began February 2013 on Hillsboro Road Improvements (from State Route 96W to Independence Square). Estimated completion is May 2014.
- Construction began January 2013 on McEwen Drive, Temporary Connector. Estimated completion is October 2013.
- Construction beginning September 2012 on 3rd Avenue Extension is anticipated to be complete by December 2013.
- A contract was awarded in June 2013 for construction of the Carothers Parkway South Extension.
- Construction began on the Carlisle Lane/Boyd Mill at State Route 96 West Signalization in March 2013.
- Construction was estimated to begin July 2013 on the McEwen Drive at Wilson Pike Intersection Improvements. Construction is estimated to be complete by July 2014.
- The Eastern Flank Battlefield Park Access Road began construction during 2013 and was recently completed.
- The 7th Avenue to Hillsboro Road Sewer Rehabilitation Project began construction in May 2013.

Capital Asset and Debt Administration (Continued):

City of Franklin's Capital Assets

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
Land	\$ 52,352,452	\$ 5,288,148	\$ 57,640,600
Construction in Progress	19,923,942	1,208,318	21,132,260
Buildings and Improvements	66,115,840	11,291,016	77,406,856
Improvements other than Buildings	21,844,186	-	21,844,186
Utility Plant in Service	-	197,884,524	197,884,524
Infrastructure	506,272,687	-	506,272,687
Machinery & Equipment	47,905,759	4,110,334	52,016,093
Total Capital Assets	<u>714,414,866</u>	<u>219,782,340</u>	<u>934,197,206</u>
Less Accumulated Depreciation	<u>(161,078,580)</u>	<u>(64,491,800)</u>	<u>(225,570,380)</u>
Net Capital Assets	<u>\$ 553,336,286</u>	<u>\$ 155,290,540</u>	<u>\$ 708,626,826</u>

Additional information on the City of Franklin's capital assets can be found in the notes to the financial statements section of this report beginning on page 44.

City of Franklin's Outstanding Debt

At the end of the current year, the City of Franklin had bonded debt and capital leases outstanding of \$165,909,595. Of this amount, \$118,987,000 comprises general obligation bonds backed by the full faith and credit of the government, and \$44,565,583 of Revenue and Tax Bonds secured by both the taxing power of the City and specific revenue sources (i.e., revenue and tax bonds) of the Water & Sewer fund.

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
General Obligation Bonds	\$ 118,987,000	\$ -	\$ 118,987,000
Governmental-Activities Capital Leases	2,357,012	-	2,357,012
Revenue and Tax Bonds	-	44,565,583	44,565,583
Total Outstanding Debt	<u>\$ 121,344,012</u>	<u>\$ 44,565,583</u>	<u>\$ 165,909,595</u>

The City's debt (bonds, notes, and capital leases) decreased by \$8,453,525 (from \$174,363,120 to \$165,909,595) during the current fiscal year. Governmental activities issued \$22,500,000 fixed rate and shorter term debt to refund \$22,500,000 of previous variable rate debt. Governmental activities had \$1,733,225 in new capital leases. Business-type activities incurred \$821,158 of new state revolving loan debt. A total of \$10,140,566 (\$6,469,000 governmental and \$3,671,566 business-type) debt was repaid during the year. A total of \$867,342 (\$790,029 governmental and \$77,313 business-type) of leases was repaid 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 47.

Economic Factors and Next Year's Budget and Rates:

The unemployment rate (not seasonally adjusted) for June 2013 for the City of Franklin was 5.8%, compared to the State of Tennessee's rate of 8.8% and a national average of 7.8%. All of these factors were considered in preparing the City's budget for fiscal year 2014. Similar to 2013, budgeted current revenues equal expenditures for the General Fund in the 2014 approved 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 POSITION
 JUNE 30, 2013

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 20,460,041	\$ 14,103,231	\$ 34,563,272
Cash and cash equivalents-restricted	145,326	6,599,054	6,744,380
Investments	17,053,842	-	17,053,842
Investments-restricted	-	1,551,046	1,551,046
Receivables:			
Accounts, net of uncollectibles	3,115,009	3,959,401	7,074,410
Property taxes, net of uncollectibles	12,700,265	-	12,700,265
Grants	1,607,160	1,615	1,608,775
Special assessments	53,762	-	53,762
Intergovernmental	3,237,318	-	3,237,318
Fines, net of uncollectibles	593,488	-	593,488
Local option sales tax	4,370,220	-	4,370,220
Other	2,986,532	-	2,986,532
Inventory	1,173,302	204,954	1,378,256
Prepaid items	619,844	-	619,844
Net investment in joint venture - Conference Center	6,172,334	-	6,172,334
Other assets	1,735,114	-	1,735,114
Capital assets, not being depreciated:			
Land	52,352,452	5,288,148	57,640,600
Construction in progress	19,923,942	1,208,318	21,132,260
Capital assets, net of accumulated depreciation:			
Buildings and improvements	55,469,435	2,641,390	58,110,825
Improvements other than buildings	15,512,101	-	15,512,101
Utility plant in service	-	145,217,013	145,217,013
Infrastructure	391,725,714	-	391,725,714
Machinery and equipment	18,352,642	935,671	19,288,313
Total assets	<u>629,359,843</u>	<u>181,709,841</u>	<u>811,069,684</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refundings	437,949	1,314,582	1,752,531
Total deferred outflows of resources	<u>437,949</u>	<u>1,314,582</u>	<u>1,752,531</u>

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

(Continued)

CITY OF FRANKLIN, TENNESSEE
STATEMENT OF NET POSITION (Cont.)
 JUNE 30, 2013

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
LIABILITIES			
Accounts payable	\$ 11,326,711	\$ 1,209,156	\$ 12,535,867
Accrued expenses	2,300,160	-	2,300,160
Accrued interest	1,289,615	300,894	1,590,509
Unearned revenue	1,264,108	138,265	1,402,373
Long-term liabilities:			
Derivative instruments - interest rate swaps	3,323,751	-	3,323,751
Due within one year	10,264,199	3,746,020	14,010,219
Due in more than one year	118,239,750	42,831,892	161,071,642
Total liabilities	<u>148,008,294</u>	<u>48,226,227</u>	<u>196,234,521</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	11,609,500	-	11,609,500
Total deferred inflows of resources	<u>11,609,500</u>	<u>-</u>	<u>11,609,500</u>
NET POSITION			
Net investment in capital assets	427,956,937	110,724,957	538,681,894
Restricted for:			
Grant program use	23,545	-	23,545
Drug fund use	121,781	-	121,781
Water and sewer	-	8,150,100	8,150,100
Unrestricted	42,077,735	15,923,139	58,000,874
Total net position	<u>\$ 470,179,998</u>	<u>\$ 134,798,196</u>	<u>\$ 604,978,194</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, 2013

Functions/Programs	Expenses	Net (Expense) Revenue and Changes in Net Assets			Total
		Charges for Services	Program Revenues and Contributions	Business-type Activities	
Primary government					
Governmental activities:					
Elected officials	\$ 183,406	\$ -	\$ -	\$ (183,406)	\$ (183,406)
Administration	492,554	-	-	(492,554)	(492,554)
Human resources	787,765	-	-	(787,765)	(787,765)
Legal	293,197	-	-	(293,197)	(293,197)
Communications	304,243	-	-	(304,243)	(304,243)
Capital investment planning	162,049	-	-	(162,049)	(162,049)
Project & facilities management	710,947	-	-	(710,947)	(710,947)
Revenue management	176,518	-	-	(176,518)	(176,518)
Finance	700,548	-	-	(700,548)	(700,548)
Information & technology	4,756,627	-	-	(4,756,627)	(4,756,627)
Purchasing	141,705	-	-	(141,705)	(141,705)
Court	220,481	-	-	(220,481)	(220,481)
Building & neighborhood services	2,164,831	1,878,490	635,725	373,996	373,996
Planning	1,235,714	246,980	950	(987,784)	(987,784)
Engineering	648,601	-	408,791	(239,810)	(239,810)
Traffic Operations Center	658,063	-	-	(658,063)	(658,063)
General government	2,442,032	246,675	383,029	(1,812,328)	(1,812,328)
Public safety:					
Police	14,363,457	1,233,320	80,688	(13,049,449)	(13,049,449)
Fire	13,540,246	-	-	(13,540,246)	(13,540,246)
Parks	3,866,135	-	505,260	(3,360,875)	(3,360,875)
Streets-maintenance	15,571,631	7,160	23,595,156	10,612,477	10,612,477
Streets-traffic	860,044	-	-	(860,044)	(860,044)
Streets-fleet	601,240	-	-	(601,240)	(601,240)
Sanitation	7,837,722	6,855,652	-	(982,070)	(982,070)
Storm water	1,622,743	2,363,177	-	740,434	740,434
Transit	1,623,600	87,069	914,175	(622,356)	(622,356)
Interest and amortization on long-term debt	3,679,511	-	-	(3,679,511)	(3,679,511)
	79,645,610	12,918,523	24,640,622	(37,596,909)	(37,596,909)
Business-type activities:					
Water and sewer	21,973,257	22,116,747	6,728,662	6,872,152	6,872,152
	101,618,867	35,035,270	31,369,284	(37,596,909)	(30,724,757)
Total primary government					
	\$ 101,618,867	\$ 4,489,556	\$ 31,369,284	\$ 6,872,152	\$ (30,724,757)
General revenues:					
Property taxes					
Sales taxes					
Wholesale privilege tax					
Beer privilege tax					
Wholesale liquor tax					
Liquor privilege tax					
Business tax					
Hotel/motel tax					
Other state shared taxes					
Access fees and taxes					
Franchise taxes					
Investment earnings					
Other					
Total general revenues					
Transfers					
Total general revenues and transfers					
Change in net position					
Net position - beginning of year, as restated					
Net position - end of year					

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

CITY OF FRANKLIN, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	<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	\$ 4,994,961	\$ 3,070,684	\$ 84,729	\$ 12,454,993	\$ 20,605,367
Investments	16,839,248	-	-	214,594	17,053,842
Receivables:					
Accounts	977,150	531,810	-	1,606,049	3,115,009
Property taxes, net of uncollectibles (\$84,649)	7,241,457	-	5,458,808	-	12,700,265
Grants	942,681	-	-	664,479	1,607,160
Special assessments	53,762	-	-	-	53,762
Intergovernmental	2,910,633	-	-	326,685	3,237,318
Fines, net of uncollectibles (\$190,159)	593,488	-	-	-	593,488
Local option sales tax	4,370,220	-	-	-	4,370,220
Other	2,728,601	257,531	-	400	2,986,532
Due from other funds	4,281,687	-	-	-	4,281,687
Inventory	1,121,831	-	-	51,471	1,173,302
Prepaid items	619,844	-	-	-	619,844
Total assets	<u>\$ 47,675,563</u>	<u>\$ 3,860,025</u>	<u>\$ 5,543,537</u>	<u>\$ 15,318,671</u>	<u>\$ 72,397,796</u>
LIABILITIES					
Accounts payable	\$ 7,441,185	\$ 2,688,265	\$ -	\$ 1,197,261	\$ 11,326,711
Accrued expenses	2,300,160	-	-	-	2,300,160
Due to other funds	-	-	-	4,281,687	4,281,687
Unearned revenue	1,150,575	-	-	113,534	1,264,109
Total liabilities	<u>10,891,920</u>	<u>2,688,265</u>	<u>-</u>	<u>5,592,482</u>	<u>19,172,667</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue-property taxes	178,900	-	-	-	178,900
Unavailable revenue-property tax penalties and interest	73,964	-	-	-	73,964
Unavailable revenue-property tax-Jan. 1, 2013 levy	6,150,692	-	5,458,808	-	11,609,500
Unavailable revenue-assessments	53,762	-	-	-	53,762
Unavailable revenue-franchise fees	440,718	-	-	-	440,718
Unavailable revenue-court fines	593,488	-	-	-	593,488
Unavailable revenue-grant proceeds	402,001	-	-	548,260	950,261
Unavailable revenue-reimbursements	-	531,810	-	-	531,810
Unavailable revenue-lease proceeds	-	257,531	-	-	257,531
Total deferred inflows of resources	<u>7,893,525</u>	<u>789,341</u>	<u>5,458,808</u>	<u>548,260</u>	<u>14,689,934</u>
FUND BALANCES (DEFICITS)					
Non-Spendable	1,741,675	-	-	-	1,741,675
Restricted	-	-	-	145,326	145,326
Committed	17,555,029	382,419	84,729	8,762,925	26,785,102
Assigned	-	-	-	1,124,507	1,124,507
Unassigned	9,593,414	-	-	(854,829)	8,738,585
Total fund balances	<u>28,890,118</u>	<u>382,419</u>	<u>84,729</u>	<u>9,177,929</u>	<u>38,535,195</u>
Total liabilities, deferred inflows of resources, and fund balances (deficits)	<u>\$ 47,675,563</u>	<u>\$ 3,860,025</u>	<u>\$ 5,543,537</u>	<u>\$ 15,318,671</u>	<u>\$ 72,397,796</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 POSITION
 JUNE 30, 2013

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

Fund balance - total governmental funds (Page 15)		\$ 38,535,195
Capital and other assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds		
Capital assets, at cost	\$ 714,414,866	
Less related accumulated depreciation	(161,078,580)	
Other assets	<u>5,236,032</u>	
		558,572,318
Receivables not available to pay for current expenditures and, therefore, are unavailable in the funds		3,080,435
Net pension and OPEB assets are not financial resources and, therefore, are not reported in the governmental funds		2,671,416
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	(118,987,000)	
Leases outstanding	(2,357,012)	
Bond premiums and deferred loss on refunding	(711,586)	
Derivative instruments	(3,323,751)	
Compensated absences	<u>(6,010,402)</u>	
		(131,389,751)
Payables, such as accrued interest payable, are not due and payable in the current period, and therefore are not reported in the funds		<u>(1,289,615)</u>
Net position - governmental activities (Page 13)		<u>\$ 470,179,998</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, 2013

	<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	\$ 36,168,769	\$ -	\$ 4,779,633	\$ 5,021,114	\$ 45,969,516
Licenses and permits	4,297,040	-	-	3,306,075	7,603,115
Fines and fees	742,519	-	-	81,761	824,280
Charges for services	68,492	-	-	9,195,898	9,264,390
Intergovernmental	10,941,479	1,224,679	904,052	2,902,901	15,973,111
Use of money and property	340,308	19,894	4,328	452,420	816,950
Miscellaneous and other	118,762	1,394,463	-	-	1,513,225
Total revenues	<u>52,677,369</u>	<u>2,639,036</u>	<u>5,688,013</u>	<u>20,960,169</u>	<u>81,964,587</u>
Expenditures:					
Current:					
Elected officials	183,406	-	-	-	183,406
Administration	478,456	-	-	-	478,456
Human resources	823,598	-	-	-	823,598
Legal	283,786	-	-	-	283,786
Communications	300,211	-	-	-	300,211
Capital investment planning	159,152	-	-	-	159,152
Project & facilities management	634,151	-	-	-	634,151
Revenue management	166,427	-	-	-	166,427
Public safety:					
Police	13,589,016	4,719	-	109,365	13,703,100
Fire	12,764,085	49,338	-	4,432	12,817,855
Finance	687,679	-	-	-	687,679
Municipal information and technology	3,348,911	604,377	-	-	3,953,288
Purchasing	134,412	-	-	-	134,412
Court	217,568	-	-	-	217,568
Building & neighborhood services	2,101,158	-	-	-	2,101,158
Planning	1,216,935	-	-	-	1,216,935
Engineering	631,300	-	-	-	631,300
Traffic operations center	459,315	-	-	-	459,315
Parks	2,680,421	2,376	-	-	2,682,797
Streets-maintenance	3,408,306	617,898	-	2,341,463	6,367,667
Streets-traffic	790,995	-	-	-	790,995
Streets-fleet	596,448	-	-	-	596,448
General government	940,840	70,746	-	723,571	1,735,157
Sanitation	-	-	-	7,025,547	7,025,547
Storm water	-	291	-	1,517,412	1,517,703
Transit	-	-	-	1,381,776	1,381,776
Debt service	-	-	10,945,780	-	10,945,780
Capital outlay	1,486,041	11,649,051	-	3,808,973	16,944,065
Total expenditures	<u>\$ 48,082,617</u>	<u>\$ 12,998,796</u>	<u>\$ 10,945,780</u>	<u>\$ 16,912,539</u>	<u>\$ 88,939,732</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, 2013

	<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	\$ 4,594,752	\$ (10,359,760)	\$ (5,257,767)	\$ 4,047,630	\$ (6,975,145)
Other financing sources (uses):					
Issuance of debt	-	1,475,694	-	-	1,475,694
Issuance of refunding bonds	-	-	22,500,000	-	22,500,000
Refunding of debt - Payments to refunding bond escrow	-	-	(22,500,000)	-	(22,500,000)
Transfers from other funds	-	-	5,024,358	1,715,965	6,740,323
Transfers to other funds	(1,715,965)	-	-	(5,024,358)	(6,740,323)
Total other financing sources (uses)	<u>(1,715,965)</u>	<u>1,475,694</u>	<u>5,024,358</u>	<u>(3,308,393)</u>	<u>1,475,694</u>
Net changes in fund balances	2,878,787	(8,884,066)	(233,409)	739,237	(5,499,451)
Fund balances - beginning	<u>26,011,331</u>	<u>9,266,485</u>	<u>318,138</u>	<u>8,438,692</u>	<u>44,034,646</u>
Fund balances - ending	<u>\$ 28,890,118</u>	<u>\$ 382,419</u>	<u>\$ 84,729</u>	<u>\$ 9,177,929</u>	<u>\$ 38,535,195</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, 2013

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

Net changes in fund balances - total governmental funds (Page 18) \$ (5,499,451)

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	16,944,065	
Disposals and adjustments of capital assets	(573,538)	
Depreciation expense	<u>(14,963,648)</u>	1,406,879

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

Property taxes	41,698	
Franchise fees	(1,298)	
Court fines	356,262	
Hotel/motel taxes	(7,156)	
Grant revenues	1,024,329	
Contributed capital assets	<u>23,483,813</u>	24,897,648

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

Bond issuance	22,500,000	
Bond proceeds	(22,500,000)	
Lease issuance, net of unavailable proceeds	(1,475,694)	
Change in fair value of derivative instruments	2,630,350	
Lease payments	790,029	
Debt payments	<u>6,469,000</u>	8,413,685

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

Amortization of premiums and deferred refunding amounts	<u>56,782</u>	56,782
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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 and other	(223,226)	
Accrued interest	<u>(109,397)</u>	<u>(332,623)</u>

Change in net position of governmental activities (Page 14) \$ 28,942,920

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, 2013

Revenues:	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Taxes:				
Real and personal property taxes	\$ 6,725,285	\$ 6,725,285	\$ 6,449,332	\$ (275,953)
Penalty and interest	50,000	50,000	49,502	(498)
TVA in lieu of tax	362,364	362,364	339,809	(22,555)
Sales tax	25,242,600	25,572,600	25,995,733	423,133
Beer tax	1,546,000	1,546,000	1,585,290	39,290
Beer privilege tax	21,000	21,000	21,517	517
Wholesale liquor tax	976,700	976,700	1,015,623	38,923
Liquor privilege tax	80,000	80,000	91,920	11,920
Mixed drink tax	570,000	570,000	608,953	38,953
Business tax	15,000	15,000	11,090	(3,910)
Total Taxes	35,588,949	35,918,949	36,168,769	249,820
Licenses and permits:				
Mechanical licenses	6,180	6,180	3,850	(2,330)
Mechanical permits	152,000	152,000	103,374	(48,626)
Building permits	875,000	918,093	1,046,947	128,854
Plumbing licenses	4,840	4,840	3,802	(1,038)
Plumbing permits	128,750	128,750	128,139	(611)
Electric permits	390,000	433,093	233,078	(200,015)
Inspection Fees	98,040	98,040	73,546	(24,494)
Site review, rezoning and submittal fees	80,650	80,650	161,354	80,704
Beer permits and licenses	15,000	15,000	13,000	(2,000)
Yard sale permits	9,500	9,500	8,660	(840)
Business license	285,000	285,000	318,552	33,552
Alarm permits	21,630	21,630	23,835	2,205
Miscellaneous permits	5,150	5,150	4,100	(1,050)
Franchise taxes	2,187,400	2,187,400	2,174,803	(12,597)
Total Licenses and permits	4,259,140	4,345,326	4,297,040	(48,286)
Fines and fees:				
Fines - city court	935,000	935,000	641,695	(293,305)
Fines - general sessions	66,950	66,950	79,344	12,394
Parking tickets	15,000	15,000	17,744	2,744
Confiscated goods	-	-	3	3
Building & street standards board of appeals fees	500	500	500	-
Business tax fees	3,000	3,000	3,233	233
Tree bank fees	1,000	1,000	-	(1,000)
Beer board violations	-	-	-	-
Total Fines and fees	1,021,450	1,021,450	742,519	(278,931)

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, 2013

Revenues (Cont.):	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Charges for services:				
Regional fire training	1,000	1,000	3,000	2,000
Maps sold	1,000	1,000	2,798	1,798
Plans sold	200	200	2,850	2,650
Records sold	-	-	19	19
Accident reports	10,000	10,000	450	(9,550)
Fingerprinting fees	1,550	1,550	-	(1,550)
Offender registry	1,550	1,550	2,100	550
License seizure fees	1,030	1,030	485	(545)
Citizens Academies	1,030	1,030	1,820	790
Background checks	1,030	1,030	-	(1,030)
3rd party billable overtime	50,000	50,000	47,810	(2,190)
Compost vouchers	5,000	5,000	7,160	2,160
Charge station fees	200	200	-	(200)
Total Charges for services	<u>73,590</u>	<u>73,590</u>	<u>68,492</u>	<u>(5,098)</u>
Intergovernmental:				
Admin charges to other funds	2,297,740	-	-	-
State income tax	1,246,000	1,246,000	1,329,465	83,465
Sales tax	4,375,000	4,375,000	4,324,811	(50,189)
State beer tax	36,000	36,000	30,894	(5,106)
State excise tax	25,000	25,000	38,427	13,427
In lieu of tax - TVA	758,100	758,100	712,731	(45,369)
Business tax from state	2,575,000	2,575,000	3,151,224	576,224
Federal and state financial assistance programs	2,196,432	2,196,432	1,353,927	(842,505)
Total Intergovernmental	<u>13,509,272</u>	<u>11,211,532</u>	<u>10,941,479</u>	<u>(270,053)</u>
Use of money and property:				
Interest income	356,260	356,260	166,679	(189,581)
Rebates on purchases	25,750	25,750	55,675	29,925
Rent - mall and other	1	1	1	-
Park concessions and rentals	41,200	41,200	19,895	(21,305)
Sale of surplus assets	103,000	103,000	97,844	(5,156)
Electric charging stations	-	-	214	214
Total Use of money and property	<u>526,211</u>	<u>526,211</u>	<u>340,308</u>	<u>(185,903)</u>
Miscellaneous:				
Miscellaneous income	100,000	100,000	118,762	18,762
In-kind grant contributions	-	-	-	-
Insurance reimbursements	-	-	-	-
Total Miscellaneous	<u>100,000</u>	<u>100,000</u>	<u>118,762</u>	<u>18,762</u>
Total revenues	<u>\$ 55,078,612</u>	<u>\$ 53,197,058</u>	<u>\$ 52,677,369</u>	<u>\$ (519,689)</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, 2013

Expenditures:	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Elected officials:				
Current				
Personnel	\$ 145,157	\$ 145,157	\$ 141,275	\$ (3,882)
Services	29,860	35,260	31,938	(3,322)
Supplies	8,080	8,080	10,024	1,944
Business expenses	248	248	169	(79)
Total current	183,345	188,745	183,406	(5,339)
Total Elected officials	183,345	188,745	183,406	(5,339)
Administration:				
Current				
Personnel	461,728	461,728	470,739	9,011
Services	92,025	92,025	96,690	4,665
Supplies	35,500	35,500	25,590	(9,910)
Business expenses	10,277	10,277	3,343	(6,934)
Reimbursement of interfund services	-	(117,906)	(117,906)	-
Total current	599,530	481,624	478,456	(3,168)
Total Administration	599,530	481,624	478,456	(3,168)
Human resources:				
Current				
Personnel	760,790	760,790	747,009	(13,781)
Services	348,490	383,490	288,488	(95,002)
Supplies	39,120	39,120	36,047	(3,073)
Business expenses	3,081	3,081	2,350	(731)
Reimbursement of interfund services	-	(250,296)	(250,296)	-
Total current	1,151,481	936,185	823,598	(112,587)
Capital outlay	100,000	100,000	-	(100,000)
Total Human resources	1,251,481	1,036,185	823,598	(212,587)
Legal:				
Current				
Personnel	259,709	259,709	266,341	6,632
Services	116,800	116,800	84,211	(32,589)
Supplies	11,510	11,510	9,967	(1,543)
Business expenses	7,333	7,333	2,337	(4,996)
Reimbursement of interfund services	-	(79,070)	(79,070)	-
Total current	395,352	316,282	283,786	(32,496)
Total Legal	395,352	316,282	283,786	(32,496)

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, 2013

Expenditures (Cont.):	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Communications:				
Current				
Personnel	287,386	294,386	291,653	(2,733)
Services	51,570	51,570	36,439	(15,131)
Supplies	23,610	23,610	36,706	13,096
Operational units	8,500	8,500	9,025	525
Business expenses	862	862	774	(88)
Reimbursement of interfund services	-	(74,386)	(74,386)	-
Total current	371,928	304,542	300,211	(4,331)
Total Communications	371,928	304,542	300,211	(4,331)
Capital investment planning:				
Current				
Personnel	184,429	184,429	188,108	3,679
Services	23,415	23,415	9,707	(13,708)
Supplies	3,590	3,590	2,001	(1,589)
Business expenses	1,922	1,922	2,007	85
Reimbursement of interfund services	-	(42,671)	(42,671)	-
Total current	213,356	170,685	159,152	(11,533)
Total Capital investment planning	213,356	170,685	159,152	(11,533)
Project & facilities management:				
Current				
Personnel	371,948	371,948	357,348	(14,600)
Services	277,940	277,940	340,795	62,855
Supplies	76,773	76,773	65,527	(11,246)
Business expenses	41,716	41,716	34,156	(7,560)
Reimbursement of interfund services	-	(163,675)	(163,675)	-
Total current	768,377	604,702	634,151	29,449
Capital outlay	50,000	50,000	-	(50,000)
Total Project and facilities management	818,377	654,702	634,151	(20,551)
Revenue management:				
Current				
Personnel	939,705	939,705	978,671	38,966
Services	45,783	45,783	16,376	(29,407)
Supplies	26,951	26,951	17,253	(9,698)
Business expenses	354,484	354,484	341,745	(12,739)
Reimbursement of interfund services	-	(1,187,618)	(1,187,618)	-
Total current	1,366,923	179,305	166,427	(12,878)
Total Revenue management	1,366,923	179,305	166,427	(12,878)

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, 2013

Expenditures (Cont.):	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Police department:				
Current				
Personnel	10,860,195	10,860,195	10,524,324	(335,871)
Services	906,816	906,816	1,027,268	120,452
Supplies	858,510	858,510	893,407	34,897
Operational units	96,150	96,150	142,648	46,498
Business expenses	290,544	465,544	507,169	41,625
Debt service/leases	411,000	411,000	494,200	83,200
Total current	13,423,215	13,598,215	13,589,016	(9,199)
Total Police department	13,423,215	13,598,215	13,589,016	(9,199)
Fire department:				
Current				
Personnel	11,075,224	11,175,224	11,128,038	(47,186)
Services	769,063	769,063	872,035	102,972
Supplies	605,919	605,919	564,259	(41,660)
Operational units	8,000	8,000	14,160	6,160
Business expenses	161,339	161,339	152,850	(8,489)
Debt service/leases	56,302	56,302	32,743	(23,559)
Total current	12,675,847	12,775,847	12,764,085	(11,762)
Capital outlay	75,000	75,000	75,737	737
Total Fire department	12,750,847	12,850,847	12,839,822	(11,025)
Finance:				
Current				
Personnel	697,221	722,221	706,198	(16,023)
Services	32,020	45,870	61,313	15,443
Supplies	25,150	25,150	10,958	(14,192)
Business expenses	72,611	72,611	74,610	1,999
Reimbursement of interfund services	-	(165,400)	(165,400)	-
Total current	827,002	700,452	687,679	(12,773)
Total Finance	827,002	700,452	687,679	(12,773)
Municipal information and technology:				
Current				
Personnel	1,320,203	1,320,203	1,268,851	(51,352)
Services	1,287,690	1,507,690	1,456,265	(51,425)
Supplies	142,380	252,380	316,769	64,389
Business expenses	10,446	10,446	24,835	14,389
Debt service/leases	128,540	228,540	282,191	53,651
Total current	2,889,259	3,319,259	3,348,911	29,652
Capital outlay	45,000	45,000	-	(45,000)
Total Municipal information and technology	2,934,259	3,364,259	3,348,911	(15,348)

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, 2013

Expenditures (Cont.):	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Purchasing:				
Current				
Personnel	181,238	181,238	168,452	(12,786)
Services	35,505	35,505	7,195	(28,310)
Supplies	3,320	3,320	2,333	(987)
Business expenses	922	922	629	(293)
Reimbursement of interfund services	-	(44,197)	(44,197)	-
Total current	220,985	176,788	134,412	(42,376)
Total Purchasing	220,985	176,788	134,412	(42,376)
Court:				
Current				
Personnel	188,843	188,843	191,328	2,485
Services	20,750	20,750	13,162	(7,588)
Supplies	8,300	8,300	10,277	1,977
Business expenses	83,664	83,664	2,801	(80,863)
Total current	301,557	301,557	217,568	(83,989)
Total Court	301,557	301,557	217,568	(83,989)
Building & neighborhood services (Codes):				
Current				
Personnel	1,833,805	1,919,991	1,743,499	(176,492)
Services	69,572	69,572	181,548	111,976
Supplies	93,650	93,650	122,802	29,152
Operational units	1,079,470	1,079,470	24,612	(1,054,858)
Business expenses	30,948	30,948	28,697	(2,251)
Debt service/leases	7,000	7,000	-	(7,000)
Total current	3,114,445	3,200,631	2,101,158	(1,099,473)
Capital outlay	-	-	651,873	651,873
Total Building & neighborhood services	3,114,445	3,200,631	2,753,031	(447,600)
Planning & sustainability:				
Current				
Personnel	1,149,061	1,149,061	1,122,535	(26,526)
Services	84,775	84,775	62,159	(22,616)
Supplies	20,970	20,970	24,581	3,611
Operational units	-	-	1,584	1,584
Business expenses	6,554	6,554	6,076	(478)
Total current	1,261,360	1,261,360	1,216,935	(44,425)
Total Planning & sustainability	1,261,360	1,261,360	1,216,935	(44,425)

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, 2013

Expenditures (Cont.):	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Engineering:				
Current				
Personnel	770,897	770,897	716,196	(54,701)
Services	52,060	52,060	56,374	4,314
Supplies	32,465	32,465	25,562	(6,903)
Business expenses	7,181	7,181	5,689	(1,492)
Reimbursement of interfund services	-	(172,521)	(172,521)	-
Total current	862,603	690,082	631,300	(58,782)
Total Engineering	862,603	690,082	631,300	(58,782)
Traffic operations center:				
Current				
Personnel	267,892	267,892	240,683	(27,209)
Services	167,835	167,835	126,642	(41,193)
Supplies	31,470	31,470	45,831	14,361
Business expenses	1,927	1,927	1,700	(227)
Debt service/leases	10,339	10,339	44,459	34,120
Total current	479,463	479,463	459,315	(20,148)
Capital outlay	1,415,000	1,415,000	546,579	(868,421)
Total Traffic operations center	1,894,463	1,894,463	1,005,894	(888,569)
Parks:				
Current				
Personnel	1,923,974	1,923,974	1,825,830	(98,144)
Services	404,295	404,295	410,640	6,345
Supplies	369,900	369,900	425,599	55,699
Operational units	-	-	7,014	7,014
Business expenses	51,030	51,030	11,338	(39,692)
Total current	2,749,199	2,749,199	2,680,421	(68,778)
Capital outlay	454,203	454,203	164,616	(289,587)
Total Parks	3,203,402	3,203,402	2,845,037	(358,365)
Streets-Maintenance:				
Current				
Personnel	2,017,391	2,017,391	2,010,801	(6,590)
Services	963,410	963,410	977,319	13,909
Supplies	370,890	370,890	354,583	(16,307)
Operational units	5,000	5,000	12,094	7,094
Business expenses	55,651	55,651	59,883	4,232
Debt service/leases	40,211	40,211	(6,374)	(46,585)
Total current	3,452,553	3,452,553	3,408,306	(44,247)
Capital outlay	37,000	37,000	-	(37,000)
Total Streets-Maintenance	3,489,553	3,489,553	3,408,306	(81,247)

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, 2013

Expenditures (Cont.):	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Streets-Traffic:				
Current				
Personnel	563,075	563,075	552,939	(10,136)
Services	112,280	112,280	77,559	(34,721)
Supplies	302,340	302,340	113,203	(189,137)
Business expenses	19,627	19,627	47,294	27,667
Total current	997,322	997,322	790,995	(206,327)
Capital outlay	226,000	226,000	47,236	(178,764)
Total Streets-traffic	1,223,322	1,223,322	838,231	(385,091)
Streets - Fleet:				
Current				
Personnel	465,472	465,472	452,624	(12,848)
Services	343,850	368,850	392,551	23,701
Supplies	(239,350)	(239,350)	(255,009)	(15,659)
Business expenses	6,102	6,102	6,282	180
Total current	576,074	601,074	596,448	(4,626)
Total Streets-fleet	576,074	601,074	596,448	(4,626)
General government:				
Current				
Personnel	1,279,250	828,000	254,034	(573,966)
Services	65,500	65,500	125,383	59,883
Supplies	(100,000)	(100,000)	(74,260)	25,740
Operational units	-	-	175,596	175,596
Business expenses	-	-	2,100	2,100
Debt service/leases	200,000	-	-	-
Total current	1,444,750	793,500	482,853	(310,647)
Capital outlay	30,000	30,000	-	(30,000)
Total General Government	1,474,750	823,500	482,853	(340,647)
Contributions:				
Appropriations	531,382	531,382	457,987	(73,395)
Total Contributions	531,382	531,382	457,987	(73,395)
Total expenditures	\$ 53,289,511	\$ 51,242,957	\$ 48,082,617	\$ (3,160,340)
Excess of revenues over expenditures	\$ 1,789,101	\$ 1,954,101	\$ 4,594,752	\$ 2,640,651

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, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Other financing sources (uses):				
Transfer to other funds	(1,789,101)	(1,954,101)	(1,715,965)	(238,136)
Total other financing sources (uses)	<u>(1,789,101)</u>	<u>(1,954,101)</u>	<u>(1,715,965)</u>	<u>(238,136)</u>
Net changes in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,878,787</u>	<u>\$ 2,878,787</u>
Fund balance - beginning of year			<u>26,011,331</u>	
Fund balance - end of year			<u>\$ 28,890,118</u>	

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

CITY OF FRANKLIN, TENNESSEE
STATEMENT OF NET POSITION
PROPRIETARY FUND (WATER AND SEWER FUND)
JUNE 30, 2013

ASSETS

Current assets:

Cash and cash equivalents	\$ 14,103,231
Cash and cash equivalents-restricted	6,599,054
Investments-restricted	1,551,046
Accounts receivable, net of allowance for doubtful accounts (\$9,000)	3,959,401
Grants receivable	1,615
Inventory	<u>204,954</u>
Total current assets	<u>26,419,301</u>

Noncurrent assets:

Capital assets (net of accumulated depreciation):

Land	5,288,148
Buildings and improvements	2,641,390
Utility plant in service	145,217,013
Machinery and equipment	935,671
Construction in progress	<u>1,208,318</u>
Total capital assets (net of accumulated depreciation):	<u>155,290,540</u>

Total assets**181,709,841****DEFERRED OUTFLOWS OF RESOURCES**

Deferred charge on refundings	<u>1,314,582</u>
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LIABILITIES

Current liabilities:

Accounts payable	1,209,156
Accrued interest	300,894
Unearned revenue	138,265
Compensated absences payable	327,899
Current maturities of long-term debt	<u>3,418,121</u>
Total current liabilities	<u>5,394,335</u>

Noncurrent liabilities:

Compensated absences payable	374,824
Long-term debt, net of current maturities	<u>42,457,068</u>
Total noncurrent liabilities	<u>42,831,892</u>

Total liabilities**48,226,227****NET POSITION**

Net investment in capital assets	110,724,957
Restricted-system improvements	8,150,100
Unrestricted	<u>15,923,139</u>

Total net position**\$ 134,798,196**

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

CITY OF FRANKLIN, TENNESSEE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND (WATER AND SEWER FUND)
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Operating revenues:	
Metered water sales	\$ 8,746,584
Sewer service charges	12,219,785
Reclaimed water sales	135,041
Other revenues from operations	<u>1,015,337</u>
Total operating revenues	<u>22,116,747</u>
Operating expenses:	
Water and sewer billing expenses	128,912
Water distribution expenses	1,481,777
Water plant expenses	5,246,810
Water administration	1,136,515
Sewer administration	966,571
General administration	700,800
Sewer collection expenses	1,889,877
Sewer plant expenses	3,203,226
Reclaimed water expenses	126,190
Depreciation	<u>5,371,233</u>
Total operating expenses	<u>20,251,911</u>
Operating income	<u>1,864,836</u>
Nonoperating revenues (expenses):	
Interest income	132,578
Gain (loss) on sale of assets	7,793
Interest expense	<u>(1,721,346)</u>
Total nonoperating revenues (expenses)	<u>(1,580,975)</u>
Net loss before contributions and transfers	<u>283,861</u>
Contributions and transfers:	
Tap and access fees	3,385,726
Capital contributions	(219,880)
Developer contributions	<u>3,562,816</u>
Total contributions and transfers	<u>6,728,662</u>
Change in position	7,012,523
Net position, beginning of year, as restated	<u>127,785,673</u>
Net position, end of year	<u>\$ 134,798,196</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, 2013

Cash flows from operating activities:

Cash received from customers	\$ 23,196,144
Cash paid to employees for services	(2,829,597)
Cash paid to suppliers of goods and services	<u>(11,994,694)</u>
Net cash provided by operating activities	<u>8,371,853</u>

Cash flows from capital and related financing activities:

Purchases of property, plant and equipment	(2,697,875)
Contributions from access and tap fees and grant funds	3,165,846
Sales of property, plant and equipment	137,032
Interest paid on long-term debt	(1,731,357)
Issuance of debt	821,158
Payments on long-term debt and capital lease obligations	<u>(3,748,879)</u>
Net cash used in capital and related financing activities	<u>(4,054,075)</u>

Cash flows from investing activities:

Proceeds from sales of investments, net	5,661,079
Interest received from investments	<u>132,578</u>
Net cash provided by investing activities	<u>5,793,657</u>

Net increase in cash and restricted cash 10,111,435

Cash and restricted cash, beginning of year 10,590,850

Cash and restricted cash, end of year \$ 20,702,285

Cash and cash equivalents

Unrestricted cash and cash equivalents	\$ 14,103,231
Restricted cash and cash equivalents	<u>6,599,054</u>
Total cash and cash equivalents	<u>\$ 20,702,285</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, 2013

Reconciliation of operating income to net cash provided by operations:

Operating income	\$ 1,864,836
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	5,371,233
Change in:	
Accounts receivable	542,896
Grants receivable	97,659
Inventory	64,444
Compensated absences	(47,274)
Deferred revenue	(171,480)
Accounts payable	649,539
Net cash provided by operating activities	<u>\$ 8,371,853</u>

Supplemental schedule of non-cash capital and related financing activities:

Capital assets added as developer contributions	<u>\$ 3,562,816</u>
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The accompanying notes are an integral part of the financial statements.

CITY OF FRANKLIN, TENNESSEE
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND (PENSION FUND)
DECEMBER 31, 2012

ASSETS

Investments at fair value:

Short-term investments	\$ 5,585,088
Equity securities and mutual funds	<u>57,947,377</u>
Total investments	<u>63,532,465</u>

Total assets **\$ 63,532,465**

Net position held in trust for pension benefits **\$ 63,532,465**

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

CITY OF FRANKLIN, TENNESSEE
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND (PENSION FUND)
FOR THE YEAR ENDED DECEMBER 31, 2012

Additions:

Contributions:

Employer contributions	\$ 4,251,668
Employee contributions	335,123
Total contributions	<u>4,586,791</u>

Investment income:

Net appreciation in investments	6,483,450
Investment earnings	203,539
Total investment income	<u>6,686,989</u>

Total additions 11,273,780

Deductions:

Pension benefits	2,881,112
Administration expense	<u>101,670</u>

Total deductions 2,982,782

Net increase 8,290,998

Net position held in trust for pension benefits - beginning 55,241,467

Net position held in trust for pension benefits - ending \$ 63,532,465

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. Based on the City's analysis as of June 30, 2013, the City had no component units which were required to be included in these financial statements.

Joint Operation of the Cool Springs Conference Center: In June 1999, the City completed construction of the Conference Center at Cool Springs (Conference Center), which operates a conference center facility. 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, 2013, 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 position and activities. Complete financial statements for the Conference Center may be obtained from the Department of Finance at City Hall.

Franklin Housing Authority: 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.

Franklin Industrial Development Board: 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 activities of the Board relate solely to the issuance of such bonds. 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. Also, the Board's action do not require the substantive approval of the City.

In accordance with GASB Statement 61, "The Financial Reporting Entity," the Housing Authority and Industrial Development Board are not shown in the City's financials as a component unit.

B. Basis of presentation - government-wide financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the 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 Position presents the City's non-fiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories:

Net investment in capital assets 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 investment in capital assets, until the proceeds have been used to acquire capital assets.

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

B. Basis of presentation - government-wide financial statements (Cont.)

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

Unrestricted net position consist of net position which do not meet the definition of the two proceeding 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.

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 certain 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.

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.

C. Basis of presentation - fund financial statements

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.

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.

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

D. Measurement focus and basis of accounting

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.

E. Budgetary information

Annual budgets are adopted on a basis consistent with U.S. generally accepted accounting principles for the General Fund, the Debt Service 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.

F. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance

1. Cash and cash equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

2. Investments

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, private equity funds, fixed income and mutual funds and funds invested in real estate and timberlands.

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

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

F. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (Cont.)

3. 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 first-in/first-out (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.

4. 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 \$25,000 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.

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

5. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The City has only one item that qualifies for reporting in this category. It is the deferred charge on bond refundings reported in the statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has one item of this type that qualifies for reporting on the statement of net position. Property taxes levied on January 1, 2013, will not be available for collection until fiscal year 2014, beginning October 2013. A second item, which arises under a modified accrual basis of accounting, qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported in the governmental funds balance sheet. The governmental funds report unavailable revenues from uncollected property taxes (including penalties and interest), franchise fees, hotel/motel taxes, court fines, and grants. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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

F. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (Cont.)

6. Net position flow assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

7. Fund balance flow assumptions

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

8. Fund balance policies

In accordance with GASB No. 54, 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 ordinance 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. These commitments are provided for in accordance with the “Utilization and Replacement of Funds from Certain Reserve Accounts” policy approved by the Board of Mayor and Aldermen on August 28, 2012.

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. Amounts that can only be used for specific purposes pursuant to constraints imposed by resolution of the Board of Mayor and Alderman or where the Board of Mayor and Aldermen have authorized the City Administrator to assign fund balance up to certain amounts.

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.

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

G. Revenues and expenditures/expenses

1. Program revenues

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.

2. Property taxes

Property taxes are levied annually on January 1 for all real and personal property located in the City's legal boundaries. 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.

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 2013, taxes were levied at a rate of \$.3765 per \$100 of assessed valuation.

3. 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.

4. Proprietary fund operating and nonoperating revenues and expenses

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.

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

G. Revenues and expenditures/expenses (Cont.)

5. 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 and discounts are deferred and amortized over the term of the related bonds. In accordance with early implementation of GASB Statement No.65, "Items Previously Recorded as Assets and Liabilities," issuance costs, except prepaid insurance costs, in the government-wide and proprietary fund statements are expensed as a period cost rather than amortized over the term of the related bonds.

H. 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.

I. Restatement of Net Position

The City adopted GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities," for the year ended June 30, 2013. The Statement established accounting and financial reporting standards that, among other things, recognized as outflows or inflows of resources, certain items that were previously reported as assets and liabilities. As a result, costs related to the issuance of debt, previously deferred, were restated as if they had been reported as an outflow of resources when incurred. The impact on the financial statements was a decrease in beginning net position as follows:

	Statement of Activities	
	Governmental Activities	Business-type Activities
Net position - beginning of year, as previously reported	\$ 442,087,085	\$ 127,942,399
Restatement of deferred charge for debt issuance costs	(850,007)	(156,726)
Net position - beginning of year, as restated	<u>\$ 441,237,078</u>	<u>\$ 127,785,673</u>

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Deficit fund equity

The Road Impact Fee fund has a deficit fund balance at June 30, 2013 of \$854,829. The City expects to fund the Road Impact Fee Fund deficit with anticipated collections from new development in the near future (within the next 12 months).

NOTE 3 - DETAILED NOTES ON ALL ACTIVITIES AND 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 2013, the City, except for the Pension Fund, invested in certificates of deposit, interest-bearing checking accounts, and government sponsored agency securities.

1. Deposits

Custodial credit risk: The City's policies limit deposits to those instruments allowed by applicable state laws as 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, 2013, all bank deposits were fully collateralized or insured.

2. 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, 2013, 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, 2013, 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	\$ 2,587,630	1.11
Money Market Accounts	7,628,826	-
Municipal Bonds	284,082	0.94
U.S. Treasury Securities	600,000	1.79
Federal Home Loan Bank	2,490,375	2.13
Federal Home Loan Mortgage Corp	2,506,400	2.65
Federal Farm Credit Bank	<u>2,507,575</u>	0.05
Total Investments at Fair Value	<u>\$ 18,604,888</u>	
Portfolio Weighted Avg. Maturity		0.88

The certificates of deposit and money market accounts are in banks covered by the State collateral pool or under FDIC. Of the municipal bonds, Elizabethtown, KY BAB (\$101,510) are rated Aa2 by Moody's, Hamilton County, TN (\$80,864) are Aa1 by Moody's and AA+ by Fitch, and Norwalk, CT GO (\$101,708) are Aaa by Moody's. All federal securities, guaranteed by or linked to the U.S. government, are rated Aaa by Moody's and AA+ by Standard & Poor's.

As of June 30, 2013, the investments that constituted a concentration risk due to the investments exceeding 5% of the portfolio balance were the certificates of deposit, the money market accounts, Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, and the Federal Farm Credit Bank.

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

A. Deposits and Investments (Cont.)

As of December 31, 2012 the City of Franklin's Pension Fund had the following investments:

Investment Type	Fair Value	Weighted Average Maturity (Years)
Investments Available for Sale	\$ 63,532,465	
Total Investments at Fair Value	\$ 63,532,465	
Portfolio Weighted Avg. Maturity		n/a

Investments available for sale include short-term investments, domestic corporate stock, foreign stock, private equity funds, mutual funds, investments in timberland and real estate funds, bond funds and other investments.

B. Receivables

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.

Receivables as of June 30, 2013, 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	\$ 977,150	\$ 531,810	\$ -	\$ 3,968,401	\$ 1,606,049	\$ 7,083,410
Property taxes	7,326,106	-	5,458,808	-	-	12,784,914
Grants	942,681	-	-	1,615	664,479	1,608,775
Special assessments	53,762	-	-	-	-	53,762
Intergovernmental	2,910,633	-	-	-	326,685	3,237,318
Fines	783,647	-	-	-	-	783,647
Local option sales tax	4,370,220	-	-	-	-	4,370,220
Other	2,728,601	257,531	-	-	400	2,986,532
Gross receivables	20,092,800	789,341	5,458,808	3,970,016	2,597,613	32,908,578
Less: Allowance for uncollectibles	(274,808)	-	-	(9,000)	-	(283,808)
Net total receivables	\$ 19,817,992	\$ 789,341	\$ 5,458,808	\$ 3,961,016	\$ 2,597,613	\$ 32,624,770

Governmental funds 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 unearned revenue reported in the governmental funds were as follows:

	Unearned
Confiscated funds	\$ 21,838
Tree bank reserve	126,430
Affordable housing reserves	113,534
Sidewalk reserve	15,600
Parkland reserve	986,707
Total unearned revenue for fund financial statements	\$ 1,264,109

CITY OF FRANKLIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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

C. Capital Assets

Capital asset activity for the year ended June 30, 2013 was as follows:

	Balance June 30, 2012	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2013
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 50,041,471	\$ -	\$ 2,718,479	\$ 407,498	\$ 52,352,452
Construction in process	<u>26,450,622</u>	<u>(16,772,251)</u>	<u>10,245,571</u>	<u>-</u>	<u>19,923,942</u>
Total capital assets, not being depreciated	<u>76,492,093</u>	<u>(16,772,251)</u>	<u>12,964,050</u>	<u>407,498</u>	<u>72,276,394</u>
Capital assets, being depreciated:					
Buildings and improvements	65,287,160	43,500	785,180	-	66,115,840
Improvements other than buildings	21,538,482	138,623	167,081	-	21,844,186
Equipment	44,010,277	1,339,283	3,027,754	471,555	47,905,759
Infrastructure	<u>467,538,029</u>	<u>15,250,845</u>	<u>23,483,813</u>	<u>-</u>	<u>506,272,687</u>
Total capital assets, being depreciated	<u>598,373,948</u>	<u>16,772,251</u>	<u>27,463,828</u>	<u>471,555</u>	<u>642,138,472</u>
Accumulated depreciation					
Buildings and improvements	9,314,232	-	1,332,173	-	10,646,405
Improvements other than buildings	5,268,721	-	1,063,364	-	6,332,085
Machinery and equipment	26,175,594	-	3,683,038	305,515	29,553,117
Infrastructure	<u>105,661,900</u>	<u>-</u>	<u>8,885,073</u>	<u>-</u>	<u>114,546,973</u>
Total accumulated depreciation	<u>146,420,447</u>	<u>-</u>	<u>14,963,648</u>	<u>305,515</u>	<u>161,078,580</u>
Total capital assets being depreciated, net	<u>451,953,501</u>	<u>16,772,251</u>	<u>12,500,180</u>	<u>166,040</u>	<u>481,059,892</u>
Total governmental activities capital assets, net	<u>528,445,594</u>	<u>-</u>	<u>25,464,230</u>	<u>573,538</u>	<u>553,336,286</u>
Business-type activities:					
Capital assets, not being depreciated:					
Land	5,288,148	-	-	-	5,288,148
Construction in process	<u>274,429</u>	<u>(730,235)</u>	<u>1,744,974</u>	<u>80,850</u>	<u>1,208,318</u>
Total capital assets, not being depreciated	<u>5,562,577</u>	<u>(730,235)</u>	<u>1,744,974</u>	<u>80,850</u>	<u>6,496,466</u>
Capital assets, being depreciated:					
Buildings and improvements	11,291,016	-	-	-	11,291,016
Utility plant in service	192,872,483	730,235	4,281,806	-	197,884,524
Machinery and equipment	<u>3,925,815</u>	<u>-</u>	<u>233,911</u>	<u>49,392</u>	<u>4,110,334</u>
Total capital assets, being depreciated	<u>208,089,314</u>	<u>730,235</u>	<u>4,515,717</u>	<u>49,392</u>	<u>213,285,874</u>
Accumulated depreciation					
Buildings and improvements	8,342,411	-	307,215	-	8,649,626
Utility plant in service	47,880,185	-	4,787,326	-	52,667,511
Machinery and equipment	<u>2,898,974</u>	<u>-</u>	<u>276,692</u>	<u>1,003</u>	<u>3,174,663</u>
Total accumulated depreciation	<u>59,121,570</u>	<u>-</u>	<u>5,371,233</u>	<u>1,003</u>	<u>64,491,800</u>
Total capital assets being depreciated, net	<u>148,967,744</u>	<u>730,235</u>	<u>(855,516)</u>	<u>48,389</u>	<u>148,794,074</u>
Business-type activities capital assets, net	<u>154,530,321</u>	<u>-</u>	<u>889,458</u>	<u>129,239</u>	<u>155,290,540</u>
Total capital assets, net	<u>\$ 682,975,915</u>	<u>\$ -</u>	<u>\$ 26,353,688</u>	<u>\$ 702,777</u>	<u>\$ 708,626,826</u>

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

C. Capital Assets (Cont.)

Depreciation expense was charged to functions/programs of the primary government for the year ended June 30, 2013, as follows:

Governmental activities:	
General government	\$ 234,727
Police department	1,202,961
Fire department	635,362
Highways and streets	9,164,162
Engineering	6,207
Traffic operations center	230,951
Stormwater	87,637
Sanitation	853,427
Transit	241,824
Parks	1,167,191
Maintenance	70,704
Finance	2,708
Municipal information and technology	<u>1,065,787</u>
Total depreciation expense – governmental activities	\$ 14,963,648
Business-type activities:	
Water and sewer	<u>5,371,233</u>
Total depreciation expense	<u><u>\$ 20,334,881</u></u>

D. Interfund Receivables, Payables and Transfers

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.

The following is a summary of transfers during the year ended June 30, 2013:

Transfer from	Transfer to	Amount
General	Street Aid	\$ 573,132
General	Sanitation	728,483
General	Transit Authority	414,350
Sanitation	Debt Service	561,628
Road Impact Fee	Debt Service	2,865,306
Hotel/Motel Tax	Debt Service	<u>1,597,424</u>
Total		<u><u>\$ 6,740,323</u></u>

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

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

The purposes of the transfers are:

- The transfers from the General Fund to the Street Aid, Sanitation, and Transit Authority funds are for 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, 2013, are as follows:

Due from	Due to	Amount
Street Aid	General	\$ 207,526
Sanitation	General	480,119
Road Impact Fee	General	854,829
Drug Fund	General	133,309
Transit Authority	General	2,605,904
Total		<u>\$ 4,281,687</u>

The purposes of the interfund balances are:

- 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 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 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 Drug Fund is due to a negative cash balance position in the operating account at year-end.
- The balance between the General Fund and the Transit Authority Fund is due to a negative cash balance in the Transit Fund at year-end because of outstanding grants receivable.

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

E. Capital Leases

The City has entered into four (4) lease agreements as lessee for financing the acquisition of equipment:

1. DeLage Leasing for \$360,791,
2. PNC Leasing for \$341,691
3. SunTrust Leasing for \$2,495,788, and
4. U.S. Bank for \$1,767,897.

The DeLage lease (\$360,791), PNC lease (\$341,691), and SunTrust lease (\$2,495,788) have been utilized to their full extent under the respective agreements. Of the \$1,767,897 U.S. Bank lease, \$1,469,965 has been used with \$297,931 remaining.

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	341,691
Police Vehicles & Equipment	620,271
Traffic Operations Center Equipment	67,291
Parks Wood Chipper	67,192
2 Refuse Truck	456,897
Fire Vehicles	49,338
Police Vehicles	441,508
Information & Technology Hardware	477,413
Information & Technology Data Center	17,578
Information & Technology Power Equipment System	<u>223,298</u>
	4,668,235
Less: Accumulated Depreciation (\$425,756 in 2013)	<u>(1,114,065)</u>
Total	<u>\$ 3,554,170</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2013 were as follows:

<u>Year Ending June 30,</u>	
2014	\$ 1,146,926
2015	1,154,030
2016	<u>135,704</u>
Total minimum lease payments	2,436,660
Less: Amount representing interest	<u>(79,648)</u>
Present value of minimum lease payments	2,357,012
Amount due within one year	<u>1,095,615</u>
Long-term portion	<u>\$ 1,261,397</u>

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

F. Long-term Debt

Long-term debt at June 30, 2013, 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	\$ 1,672,000
Tennessee Municipal Variable Rate Pooled Loan Program - 2001; variable rate of interest, final maturity May 25, 2018	815,000
Series 2004 - General Obligation Refunding Bonds, 2.00% to 3.625% interest, final maturity, October 1, 2014	1,375,000
City of Clarksville, Pooled Loan Program - 2004 variable rate of interest, final maturity May 25, 2017	2,050,000
City of Lawrenceburg, TN Loan Agreement 2005 variable rate of interest, final maturity July 1, 2020	2,715,000
Series 2007 - General Obligation Public Improvement Bonds - 101-A-1, variable rate of interest, final maturity June 1, 2037	20,000,000
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	8,060,000
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	14,240,000
Series 2012 - General Obligation Refunding Bonds, 2.13% interest, final maturity May 1, 2027	<u>21,710,000</u>
 Total Governmental Activities Long-Term Debt	 <u>\$ 118,987,000</u>

The aforementioned bonds are secured by the full faith and credit of the City. During 2013, 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.

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

F. Long-term Debt (Cont.)

Business - Type Activities:

Revenue and tax bonds:

Series 2005 - Sewer and Water Revenue and Tax Refunding
 Bonds: 3.00% to 5.00% interest; final maturity April 1, 2025 \$ 23,805,000

Series 2011 - SunTrust Loan Program, 2.48% interest;
 final maturity May 25, 2026 17,565,000

Notes payable:

Drinking Water SRF Loan provided through ARRA funding,
 2.82% interest; final maturity December 20, 2030 1,355,347

Clean Water SRF Loan provided through ARRA funding,
 2.69% interest; final maturity October 20, 2032 1,840,236

Total Business-Type Activities Long-Term Debt \$ 44,565,583

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 2013, debt service for the aforementioned debt was provided solely by the Water and Sewer Fund.

The annual requirements, by type of issue, to amortize outstanding bonds and notes payable at June 30, 2013, are as follows:

Year Ending June 30,	Revenue and Tax Bonds		General Obligation Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	3,304,351	1,698,629	6,665,000	4,801,859	9,969,351	6,500,488
2015	3,358,090	1,565,559	6,309,000	4,637,871	9,667,090	6,203,430
2016	3,411,934	1,430,642	6,058,000	4,472,858	9,469,934	5,903,500
2017	3,510,885	1,293,872	6,222,000	4,311,386	9,732,885	5,605,258
2018	3,579,947	1,152,999	5,363,000	4,145,842	8,942,947	5,298,841
2019 - 2023	18,264,723	3,549,687	27,475,000	17,418,182	45,739,723	20,967,869
2024 - 2028	8,399,631	581,916	38,065,000	10,246,315	46,464,631	10,828,231
2029 - 2033	736,022	38,944	15,480,000	2,725,682	16,216,022	2,764,626
2034 - 2037	-	-	7,350,000	673,126	7,350,000	673,126
Totals	<u>\$ 44,565,583</u>	<u>\$ 11,312,248</u>	<u>\$ 118,987,000</u>	<u>\$ 53,433,121</u>	<u>\$ 163,552,583</u>	<u>\$ 64,745,369</u>

Interest on variable rate debt with associated interest rate swaps has been calculated at the fixed swap rate. Interest on variable rate debt without interest rate swaps has been calculated at the interest rate in effect at June 30, 2013.

CITY OF FRANKLIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2013

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

F. Long-term Debt (Cont.)

Management believes that the City is in compliance with all significant debt covenants and restrictions as set forth in the bond agreements.

Long-term liability activity for the year ended June 30, 2013, was as follows:

	Beginning Balance	Additions	Reductions/ Amortization	Ending Balance	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 125,456,000	\$ 22,500,000	\$ 28,969,000	\$ 118,987,000	\$ 6,665,000
Unamortized bond premiums	1,286,579	-	137,044	1,149,535	127,262
Interest rate swaps	5,954,101	-	2,630,350	3,323,751	-
Total bonds payable	132,696,680	22,500,000	31,736,394	123,460,286	6,792,262
Capital lease obligations	1,413,816	1,733,225	790,029	2,357,012	1,095,615
Compensated absences	5,820,958	2,565,766	2,376,322	6,010,402	2,376,322
Total long-term liabilities	<u>\$ 139,931,454</u>	<u>\$ 26,798,991</u>	<u>\$ 34,902,745</u>	<u>\$ 131,827,700</u>	<u>\$ 10,264,199</u>
Business-type activities:					
Bonds and notes payable	\$ 47,415,991	\$ 821,158	\$ 3,671,566	\$ 44,565,583	\$ 3,304,351
Unamortized bond premiums	1,423,377	-	113,771	1,309,606	113,770
Total bonds and notes payable	48,839,368	821,158	3,785,337	45,875,189	3,418,121
Capital lease obligations	77,313	-	77,313	-	-
Compensated absences	749,997	280,625	327,899	702,723	327,899
Total long-term liabilities	<u>\$ 49,666,678</u>	<u>\$ 1,101,783</u>	<u>\$ 4,190,549</u>	<u>\$ 46,577,912</u>	<u>\$ 3,746,020</u>

Issuance of Bonds

In September 2012, the City issued \$22,500,000 General Obligation Refunding Bonds, Series 2012 (Series 2012 bonds). The Series 2012 bonds were issued to provide the funds necessary to refund the aggregate outstanding principal (\$22,500,000) of the City's Series 2008 Tennessee Municipal Bond Fund variable rate debt and pay for the costs of issuance. There was no significant economic gain or loss as a result of the transaction. The refunding transaction was completed in order to reduce the City's variable rate exposure. There was no deferred loss on the refunding, as there was no significant difference between the reacquisition price and the net carrying value of the old debt. The Series 2012 bonds bear interest at 2.13% and mature in various amounts through May 2027.

Advance Refunding of Debt

In prior years, the City defeased certain bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service requirements on the retired bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. As of June 30, 2013, outstanding bonds considered as defeased were as follows:

General Obligation VI-B-1 - 2004	\$ 650,000
Total	<u>\$ 650,000</u>

NOTE 3 - DETAILED NOTES ON ALL ACTIVITIES AND 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 foot 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 2015), and cannot exceed \$5 million at any time during that period. As of June 30, 2013, expected development in the area is proceeding as projected in the debt repayment plan. Through June 30, 2013, the City has lent \$2,612,828 to the Industrial Development Board under standby loan agreement. This amount will be repaid through future property taxes on the development.

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 in the statement of net position 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.

NOTE 3 - DETAILED NOTES ON ALL ACTIVITIES AND 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 and are expected to continue to trend lower, 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, 2013, 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, \$1,500,000 has been retired as of June 30, 2013. 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 No. 53, the swap transactions were evaluated for hedge effectiveness and the cumulative change in fair value of the transactions has been recorded within the statement of activities.

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

F. Long-term Debt (Cont.)

Swap Agreement	2007 Swap Agreement <u>with Depfa Bank</u>	2005 Swap Agreement with <u>SunTrust Bank</u>
Original Notional Amount	\$ 20,000,000	\$ 4,500,000
Less Amount Retired	-	<u>(1,785,000)</u>
Current Notional Amount	<u>\$20,000,000</u>	<u>\$ 2,715,000</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	\$ 111,562
City Receives*	63% of 5 Year LIBOR CMS	LIBOR x 75% + 0.18%
Payments received by the City*	\$ 25,508	\$ 10,217
Net receipts/(disbursements)*	\$ (692,492)	\$ (101,345)
Fair Value of Swap Agreement	\$ (3,079,842)	\$ (243,909)

* Based on the period July 1, 2012 to June 30, 2013.

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 swap agreement.

Credit Risk

The City at June 30, 2013 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 & Poor's/Fitch as of June 30, 2013 of Baa3/BBB/BBB+, or SunTrust, with ratings of A3/BBB+/BBB+.

CITY OF FRANKLIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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

G. Fund Balances

	General Fund	Multi-Purpose Capital Project Fund	Debt Service Fund	State Street Aid Fund	Sanitation Fund	Road Impact		Storm Water Fund	Drug Fund	Hotel / Motel Tax		Transit Authority Fund	CDBG Fund	Other Governmental Funds Totals
						Fee Fund	Tax Fund			Fund	Fund			
Fund balances:														
Non-spendable	\$ 1,741,675	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,741,675
Restricted	-	-	-	-	-	-	-	-	121,781	-	-	-	23,545	145,326
Committed	17,555,029	382,419	84,729	-	-	-	5,615,101	-	-	-	-	-	-	26,785,102
Assigned	-	-	-	-	-	-	-	-	-	1,124,507	-	-	-	1,124,507
Unassigned	9,593,414	-	-	-	(854,829)	-	-	-	-	-	-	-	-	8,738,585
Total fund balances	\$28,890,118	\$ 382,419	\$ 84,729	\$ -	\$ (854,829)	\$ 3,147,824	\$ 5,615,101	\$ 121,781	\$ 1,124,507	\$ 23,545	\$ -	\$ -	\$ 23,545	\$ 38,535,195
Reason for Restriction/Commitment:														
Non-spendable inventory/prepays	\$ 1,741,675	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,741,675
Restricted by state law	-	-	-	-	-	-	-	-	121,781	-	-	-	-	121,781
Restricted by federal regulations	-	-	-	-	-	-	-	-	-	-	-	-	23,545	23,545
Committed stabilization reserve	17,555,029	-	-	-	-	-	-	-	-	-	-	-	-	17,555,029
Committed by board ordinance	-	382,419	84,729	-	-	-	5,615,101	-	-	-	-	-	-	9,230,073
Assigned by board resolution	-	-	-	-	-	3,147,824	-	-	-	1,124,507	-	-	-	1,124,507
Unassigned	9,593,414	-	-	-	-	-	-	-	-	-	-	-	-	9,593,414
Unassigned - negative fund balance	-	-	-	-	(854,829)	-	-	-	-	-	-	-	-	(854,829)
Total fund balances	\$28,890,118	\$ 382,419	\$ 84,729	\$ -	\$ (854,829)	\$ 3,147,824	\$ 5,615,101	\$ 121,781	\$ 1,124,507	\$ 23,545	\$ -	\$ -	\$ 23,545	\$ 38,535,195

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 committed 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), as further described below.

Contingency Commitment	\$ 2,659,853
Emergency Commitment	2,659,853
Cash Flow Commitment	7,447,588
Debt Service Commitment	1,595,912
Property/Casualty/Health Insurance Commitment	2,127,882
Retiree Health Benefits Commitment	1,063,941
	<u>\$ 17,555,029</u>

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 is more economically feasible to purchase commercial insurance for certain general liability, auto liability, errors and omissions, worker's compensation, and physical damage coverage. The City pays an annual premium to Travelers Companies for its general liability and casualty insurance coverage. The City also carries commercial insurance for all other risks of loss, including employees' health and accident and environmental. In the past three fiscal years, the City has had certain settlements which exceeded insurance coverage, primarily personnel-related judgments.

B. 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 made by the respective fund of the employee/ claimant. Liabilities are reported when it is probable that a claim/loss has occurred and the amount of the claim/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 is subject to judgment and estimation, and accordingly, 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
6/30/2013	\$ 1,227,329	\$ 7,566,121	\$ (7,709,122)	\$ 1,084,328
6/30/2012	\$ 1,093,489	\$ 7,024,066	\$ (6,890,226)	\$ 1,227,329

C. Commitments and Contingencies

1. 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.

2. 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.

3. 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 \$138,265 at June 30, 2013 and is presented as unearned revenue until such time as it is earned under terms of the agreement.

NOTE 4 - OTHER INFORMATION (Cont.)

C. Commitments and Contingencies (Cont.)

4. 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>
2014	\$ 46,325
2015	46,325
2016	46,325
2017	46,325
2018	46,325
2019-2029	<u>509,575</u>
	<u>\$ 741,200</u>

5. Construction Contracts

As of June 30, 2013, construction funds of \$6,599,054 are restricted assets of the Water and Sewer Fund. These funds are restricted for future capital projects.

During 2013, various street, public works and park improvement projects were in process. At June 30, 2013, there was approximately \$26,332,000 in uncompleted construction projects. These projects are being currently funded by the General, Street Aid, Storm Water, Hotel/Motel Tax, and the Multi-Purpose Capital Project funds.

6. 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, 2014. Renewals of the contracts are expected in the normal course of operations. At June 30, 2013, the contracts are in a liability position; however, the City's portion of the contracts, approximately 6%, is immaterial to the financial statements.

D. 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, 2013. Accordingly, all financial statement information regarding the Plan is as of December 31, 2012 and the year then ended.

Plan Description

Membership of the Plan consisted of the following at January 1, 2013, the date of the latest actuarial valuation:

Retirees participants and beneficiaries	128
Disabled participants	4
Vested terminated participants	123
Active plan members	<u>572</u>
Total	<u>827</u>

NOTE 4 - OTHER INFORMATION (Cont.)

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

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 of 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.

Summary of Significant Accounting Policies

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 34.

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.

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

Annual Pension Cost and Net Pension Asset

The City's annual pension cost and net pension obligation (asset) relating to the Plan for the year ended June 30, 2013 were as follows:

Annual required contribution	\$ 4,019,328
Interest on the net pension asset	(159,020)
Adjustment to the annual required contribution	<u>232,338</u>
Annual pension cost	4,092,646
Contributions made	<u>4,251,668</u>
Increase in net pension asset	(159,022)
Net pension asset, beginning of year	<u>(2,120,294)</u>
Net pension asset, end of year	<u><u>\$(2,279,316)</u></u>

NOTE 4 - OTHER INFORMATION (Cont.)

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

The annual pension cost, percentage of annual pension cost contributed, and net pension asset for the current year and each of the two preceding years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost</u>	<u>Percentage of Annual Pension Cost Contributed</u>	<u>Net Pension Asset</u>
June 30, 2013	\$4,092,646	103.9%	\$(2,279,316)
June 30, 2012	4,339,464	100.8%	(2,120,294)
June 30, 2011	5,136,484	102.8%	(2,086,938)

Funded Status and Funding Progress

As of January 1, 2012, the actuarial valuation date for fiscal year 2013, the funded status of the plan was as follows:

Actuarial accrued liability (a)	\$64,505,222
Actuarial value of plan assets (b)	<u>55,241,467</u>
Unfunded actuarial accrued liability (a) - (b)	<u>\$ 9,263,755</u>
Funded ratio (b) / (a)	85.6%
Covered payroll (c)	\$29,869,786
Unfunded actuarial accrued liability as a percentage of covered payroll [(a) - (b)] / (c)	31.0%

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.

Actuarial Methods and Assumptions

The annual required contribution for the Plan was determined as part of the January 1, 2012, actuarial valuation using the following methods and assumptions:

Actuarial cost method:	entry age normal
Amortization method:	level dollar, closed
Remaining amortization period:	20 years
Inflation rate:	1.8% (CPI for all urban consumers last 12 months)
Discount rate:	7.5%
Investment return:	7.5%
Projected salary increases:	3.5%
Cost of living adjustments:	2.0%

NOTE 4 - OTHER INFORMATION (Cont.)

E. Post Employment Benefits

Plan Description

The City of Franklin self-insures its retired employees for healthcare benefits (the "OPEB Plan"). 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 \$333.25/month for single coverage or less \$705.04/month for family coverage. (The City pays either the \$333.25 or \$705.04). 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 OPEB Plan members are established and may be amended by the insurance committee. Claims liabilities of the OPEB Plan are periodically computed using the actuarial and statistical techniques to establish premiums.

Annual OPEB Cost and Net OPEB Asset

The City's annual OPEB cost and net OPEB asset for the year ended June 30, 2013 were as follows:

Annual required contribution	\$ 302,400
Interest on the net OPEB asset	(17,900)
Adjustment to the annual required contribution	<u>34,200</u>
Annual OPEB cost	318,700
Contributions made	<u>114,900</u>
Decrease in net pension asset	203,800
Net OPEB asset, beginning of year	<u>(595,900)</u>
 Net OPEB asset, end of year	 <u><u>\$(392,100)</u></u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the OPEB Plan, and the net OPEB asset for the current year 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 Asset</u>
June 30, 2013	\$318,700	36.1%	\$(392,100)
June 30, 2012	317,400	85.9%	(595,900)
June 30, 2011	291,500	89.0%	(640,500)

Funding Status and Funding Progress

The funded status of the OPEB Plan as of the valuation date June 30, 2013, was as follows:

Actuarial accrued liability (a)	\$4,460,600
Actuarial value of plan assets (b)	<u>1,064,000</u>
Unfunded actuarial accrued liability (a) - (b)	<u><u>\$3,396,600</u></u>
Funded ratio (b)/(a)	23.9%
Covered payroll (c)	\$29,869,786
Unfunded actuarial accrued liability as a percentage of covered payroll [(a)-(b)]/(c)	11.4%

NOTE 4 - OTHER INFORMATION (Cont.)

E. Post Employment Benefits (Cont.)

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.

The annual required contribution for the plan was determined as part of the June 30, 2013 actuarial valuation using the following methods and assumptions:

Actuarial cost method:	projected unit credit method
Amortization method:	level dollar, closed
Remaining amortization period:	25 years (began as 30 years on June 30, 2008)
Inflation rate:	1.8% (CPI for all urban consumers last 12 months)
Discount rate:	3.0%
Investment return:	3.0%
Projected healthcare cost increases:	8.0% (for year beginning 7/1/2010), reduced by .25% annually until 3% reached

F. Subsequent Event

In December 2013, the City of Franklin is anticipating two (2) general obligation bond issues. The first (\$7,500,000) is being issued to provide monies to finance the: (i) design, construction and improvements to, streets and roads and acquisition of rights-of-way in connection therewith; (ii) design, construction and improvements to sidewalks, signalization, and signage; (iii) design, construction and equipping of a public works facility, (iv) acquisition of all property real and personal, appurtenant thereto, or connected with any of the foregoing; (v) payment of legal, fiscal, administrative, architectural and engineering costs incident to any of the foregoing; (vi) reimbursement of the City for prior expenditures for the foregoing; and (vii) payment of costs of issuance of the bonds. The bonds were authorized for issuance by initial resolution on May 22, 2012.

The second (\$10,000,000) is being issued to provide monies to fund certain unfunded pension obligations of the City and particularly for the purpose of funding the unfunded portion of the present value of benefits less the present value of future normal costs, as certified by the City's actuarial consultant, for past and continuing service of City employees and to pay the costs of issuance of the bonds. The bonds were authorized for issuance by initial resolution on September 24, 2013.

REQUIRED SUPPLEMENTARY INFORMATION

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

June 30, 2013
(Unaudited)

City of Franklin Employees' Pension Plan

Year Ended	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial 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)
6/30/2013	1/1/2012	\$ 55,241,467	\$ 64,505,222	\$ 9,263,755	85.6%	\$ 29,869,786	31.0%
6/30/2012	1/1/2011	54,086,646	57,900,531	3,813,885	93.4%	27,958,552	13.6%
6/30/2011	1/1/2010	43,406,019	51,465,753	8,059,734	84.3%	29,389,625	27.4%
6/30/2010	1/1/2009	32,235,206	45,852,365	13,617,159	70.3%	26,815,255	50.8%
6/30/2009	1/1/2008	38,122,589	43,299,578	5,176,989	88.0%	23,660,124	21.9%
6/30/2008	1/1/2007	32,581,714	39,456,058	6,874,344	82.6%	22,014,626	31.2%

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 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)
6/30/2013	6/30/2013	\$ 1,064,000	\$ 4,460,600	\$ 3,396,600	23.9%	\$ 29,869,786	11.4%
6/30/2012	6/30/2012	1,075,000	3,702,500	2,627,500	29.0%	27,958,552	9.4%
6/30/2011	6/30/2011	1,027,000	3,679,200	2,652,200	27.9%	29,389,625	9.0%
6/30/2010	6/30/2010	980,600	3,324,000	2,343,400	29.5%	26,815,255	8.7%
6/30/2009	7/1/2008	731,700	2,820,700	2,089,000	25.9%	23,660,124	8.8%
6/30/2008	7/1/2007	-	2,566,400	2,566,400	0.0%	22,014,626	11.7%

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
SCHEDULES OF EMPLOYER CONTRIBUTIONS - EMPLOYEE RETIREMENT SYSTEM

June 30, 2013
(Unaudited)

City of Franklin Employees' Pension Plan

<u>Year</u>	<u>Annual Required Contribution (ARC)</u>	<u>Amount Contributed</u>	<u>Percentage Contributed</u>
6/30/2013	\$4,019,328	\$4,251,668	105.8%
6/30/2012	4,276,055	4,372,820	102.3%
6/30/2011	5,077,499	5,282,084	104.0%
6/30/2010	5,545,133	6,084,380	109.7%
6/30/2009	4,496,826	5,923,380	131.7%
6/30/2008	4,434,811	4,436,828	100.0%

The above schedule is designed to show the extent to which employer contributions to a pension plan compare to the actuarial required contribution (ARC).

City of Franklin Retiree Health Insurance

<u>Year</u>	<u>Annual Required Contribution (ARC)</u>	<u>Amount Contributed</u>	<u>Percentage Contributed</u>
6/30/2013	\$302,400	\$114,900	38.0%
6/30/2012	301,800	272,800	90.4%
6/30/2011	302,600	259,300	85.7%
6/30/2010	271,200	422,700	155.9%
6/30/2009	267,700	204,800	76.5%
6/30/2008	-	898,100	N/A

The above schedule is designed to show the extent to which employer contributions to the retiree health insurance plan compare to the actuarial required contribution (ARC).

NONMAJOR GOVERNMENTAL FUNDS SUMMARY PAGE:

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
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2013

	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	\$ -	\$ -	\$ -	\$ 3,147,824	\$ 5,238,311	\$ 253,079	\$ 1,066,741	\$ 2,612,831	\$ 136,207	\$ 12,454,993	
Investments	-	-	-	-	214,594	-	-	-	-	214,594	
Receivables:											
Accounts (net of allowance for uncollectible accounts)	-	1,089,118	-	-	231,481	3,583	280,902	-	965	1,606,049	
Intergovernmental	313,756	-	-	-	-	-	12,929	-	-	326,685	
Grants	-	39,309	-	-	3,691	-	505,260	108,362	7,857	664,479	
Other	-	-	-	-	400	-	-	-	-	400	
Inventory	-	51,471	-	-	-	-	-	-	-	51,471	
Total assets	\$ 313,756	\$ 1,179,898	\$ -	\$ 3,147,824	\$ 5,688,477	\$ 256,662	\$ 1,865,832	\$ 2,721,193	\$ 145,029	\$ 15,318,671	
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES											
Liabilities:											
Accounts payable	\$ 106,230	\$ 660,470	\$ -	\$ -	\$ 69,685	\$ 1,572	\$ 236,065	\$ 115,289	\$ 7,950	\$ 1,197,261	
Due to other funds	207,526	480,119	854,829	-	-	133,309	-	2,605,904	-	4,281,687	
Unearned revenue	-	-	-	-	-	-	-	-	113,534	113,534	
Total liabilities	\$ 313,756	\$ 1,140,589	\$ 854,829	\$ -	\$ 69,685	\$ 134,881	\$ 236,065	\$ 2,721,193	\$ 121,484	\$ 5,592,482	
Deferred inflows of resources:											
Unavailable revenues - grant proceeds	-	39,309	-	-	3,691	-	505,260	-	-	548,260	
Fund balances:											
Non-spendable	-	-	-	-	-	-	-	-	-	-	
Restricted	-	-	-	-	-	121,781	-	-	23,545	145,326	
Committed	-	-	-	3,147,824	5,615,101	-	-	-	-	8,762,925	
Assigned	-	-	-	-	-	-	1,124,507	-	-	1,124,507	
Unassigned	-	-	(854,829)	-	-	-	-	-	-	(854,829)	
Total fund balances	-	-	(854,829)	3,147,824	5,615,101	121,781	1,124,507	-	23,545	9,177,929	
Total liabilities, deferred inflows of resources and fund balances	\$ 313,756	\$ 1,179,898	\$ -	\$ 3,147,824	\$ 5,688,477	\$ 256,662	\$ 1,865,832	\$ 2,721,193	\$ 145,029	\$ 15,318,671	

CITY OF FRANKLIN, TENNESSEE
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCES**

**NONMAJOR GOVERNMENTAL FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	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			
Revenues:												
Taxes												
Hotel / Motel tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,403,775	\$ -	\$ -	\$ -	\$ -	\$ 2,403,775
Facilities tax	-	-	-	2,617,339	-	-	-	-	-	-	-	2,617,339
Licenses and permits	-	-	3,306,075	-	-	-	-	-	-	-	-	3,306,075
Fines and fees	-	-	-	-	-	81,761	-	-	-	-	-	81,761
Charges for services	-	6,855,652	-	-	2,253,177	-	-	-	-	87,069	-	9,195,898
Intergovernmental												
Gas & motor fuel	1,100,193	-	-	-	-	-	-	-	-	-	-	1,100,193
Petroleum special	128,034	-	-	-	-	-	-	-	-	-	-	128,034
Gas 1989	177,911	-	-	-	-	-	-	-	-	-	-	177,911
Gas 3 cent	330,203	-	-	-	-	-	-	-	-	-	-	330,203
Grants	-	-	(30,000)	7,262	130,719	4,597	60,000	914,175	192,385	-	-	1,666,560
Use of money and property	20	64,590	(30,000)	7,262	130,719	4,597	253,434	21,597	201	-	-	452,420
Total revenues	<u>1,736,361</u>	<u>6,920,242</u>	<u>3,276,075</u>	<u>2,624,601</u>	<u>2,383,896</u>	<u>86,358</u>	<u>2,717,209</u>	<u>1,022,841</u>	<u>192,586</u>	<u>-</u>	<u>-</u>	<u>20,960,169</u>
Expenditures:												
Current:												
General government	-	-	-	-	-	-	561,112	-	162,459	-	-	723,571
Police	-	-	-	-	-	109,365	-	-	-	-	-	109,365
Fire	-	-	-	4,432	-	-	-	-	-	-	-	4,432
Highways and streets	2,315,994	-	25,469	-	-	-	-	-	-	-	-	2,341,463
Storm water	-	-	-	-	1,517,412	-	-	-	-	-	-	1,517,412
Sanitation	-	7,025,547	-	-	-	-	-	-	-	-	-	7,025,547
Transit	-	-	-	-	-	-	-	1,381,776	-	-	-	1,381,776
Capital outlay	10,062	61,550	-	1,034,992	1,109,705	-	1,537,249	55,415	-	-	-	3,808,973
Total expenditures	<u>2,326,056</u>	<u>7,087,097</u>	<u>25,469</u>	<u>1,039,424</u>	<u>2,627,117</u>	<u>109,365</u>	<u>2,098,361</u>	<u>1,437,191</u>	<u>162,459</u>	<u>-</u>	<u>-</u>	<u>16,912,539</u>
Excess (deficiency) of revenues over (under) expenditures	(589,695)	(166,855)	3,250,606	1,585,177	(243,221)	(23,007)	618,848	(414,350)	30,127	-	-	4,047,630
Other financing sources (uses)												
Transfers in	573,132	728,483	-	-	-	-	-	414,350	-	-	-	1,715,965
Transfers out	-	(561,628)	(2,865,306)	-	-	-	(1,597,424)	-	-	-	-	(5,024,358)
	<u>573,132</u>	<u>166,855</u>	<u>(2,865,306)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,597,424)</u>	<u>414,350</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,308,393)</u>
Net changes in fund balances	(16,563)	-	385,300	1,585,177	(243,221)	(23,007)	(978,576)	-	30,127	-	-	739,237
Fund balances - beginning	16,563	-	(1,240,129)	1,562,647	5,858,322	144,788	2,103,083	-	(6,582)	-	-	8,438,692
Fund balances - ending	\$ -	\$ -	\$ (854,829)	\$ 3,147,824	\$ 5,615,101	\$ 121,781	\$ 1,124,507	\$ -	\$ 23,545	\$ -	\$ -	\$ 9,177,929

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, 2013

	<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:				
Gas & motor fuel	\$ 1,120,595	\$ 1,120,595	\$ 1,100,193	(20,402)
Petroleum special	130,795	130,795	128,034	(2,761)
Gas 1989	180,285	180,285	177,911	(2,374)
Gas 3 cent	335,825	335,825	330,203	(5,622)
Use of money and property:				
Interest earned	<u>-</u>	<u>-</u>	<u>20</u>	<u>20</u>
Total revenues	<u>1,767,500</u>	<u>1,767,500</u>	<u>1,736,361</u>	<u>(31,139)</u>
 Expenditures:				
Current:				
Highways and streets:				
Street maintenance and improvement	2,176,762	2,341,762	2,315,994	(25,768)
Capital outlay	<u>-</u>	<u>-</u>	<u>10,062</u>	<u>10,062</u>
Total expenditures	<u>2,176,762</u>	<u>2,341,762</u>	<u>2,326,056</u>	<u>(15,706)</u>
 Excess (deficiency) of revenues over (under) expenditures	<u>(409,262)</u>	<u>(574,262)</u>	<u>(589,695)</u>	<u>(15,433)</u>
 Other financing sources (uses)				
Operating transfers from other funds	<u>409,262</u>	<u>574,262</u>	<u>573,132</u>	<u>(1,130)</u>
 Net changes in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>(16,563)</u>	<u>\$ (16,563)</u>
 Fund balance - beginning			<u>16,563</u>	
 Fund balance - ending			<u>\$ -</u>	

See independent auditor's report.

CITY OF FRANKLIN, TENNESSEE
SANITATION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental:				
Grants	\$ 360,000	\$ 360,000	\$ -	\$ (360,000)
Charges for services:				
Garbage fees	7,120,000	7,120,000	6,731,914	(388,086)
Other revenues	44,550	44,550	32,347	(12,203)
Sale/lease of waste containers	64,900	64,900	91,391	26,491
Uses of money and property:				
Sale of surplus property	41,200	41,200	64,590	23,390
Total revenues	<u>7,630,650</u>	<u>7,630,650</u>	<u>6,920,242</u>	<u>(710,408)</u>
Expenditures:				
Current:				
Personnel	2,870,423	2,870,423	2,890,103	19,680
Services	3,533,796	3,533,796	3,390,339	(143,457)
Supplies	498,261	498,261	490,030	(8,231)
Operational units	195,942	195,942	183,819	(12,123)
Business expenses	77,031	77,031	74,484	(2,547)
Debt service/leases	92,137	92,137	(3,228)	(95,365)
Capital outlay	720,000	720,000	61,550	(658,450)
Total expenditures	<u>7,987,590</u>	<u>7,987,590</u>	<u>7,087,097</u>	<u>(900,493)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(356,940)</u>	<u>(356,940)</u>	<u>(166,855)</u>	<u>190,085</u>
Other financing sources (uses)				
Operating transfers from other funds	916,747	916,747	728,483	(188,264)
Operating transfers to other funds	(559,807)	(559,807)	(561,628)	(1,821)
Total other financing sources (uses)	<u>356,940</u>	<u>356,940</u>	<u>166,855</u>	<u>(190,085)</u>
Net changes in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance - beginning			<u>-</u>	
Fund balance - ending			<u>\$ -</u>	

See independent auditor's report.

CITY OF FRANKLIN, TENNESSEE
ROAD IMPACT FEE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Licenses and permits:				
Road impact fee	\$ 3,000,000	\$ 3,000,000	\$ 3,306,075	\$ 306,075
Use of money and property:				
Interest earned	500	500	-	(500)
Contributions from developer	-	-	(30,000)	(30,000)
Total revenues	<u>3,000,500</u>	<u>3,000,500</u>	<u>3,276,075</u>	<u>275,575</u>
Expenditures:				
Other costs	<u>25,100</u>	<u>25,100</u>	<u>25,469</u>	<u>369</u>
Total expenditures	<u>25,100</u>	<u>25,100</u>	<u>25,469</u>	<u>369</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,975,400</u>	<u>2,975,400</u>	<u>3,250,606</u>	<u>275,206</u>
Other financing sources (uses):				
Transfer to other funds	<u>(2,867,667)</u>	<u>(2,867,667)</u>	<u>(2,865,306)</u>	<u>2,361</u>
Net changes in fund balances	<u>\$ 107,733</u>	<u>\$ 107,733</u>	385,300	<u>\$ 277,567</u>
Fund balance - beginning			<u>(1,240,129)</u>	
Fund balance - ending			<u>\$ (854,829)</u>	

See independent auditor's report.

CITY OF FRANKLIN, TENNESSEE
FACILITIES TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<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	\$ 2,163,974	\$ 2,163,974	\$ 2,617,339	\$ 453,365
Use of money and property				
Interest earned	<u>3,430</u>	<u>3,430</u>	<u>7,262</u>	<u>3,832</u>
Total revenues	<u>2,167,404</u>	<u>2,167,404</u>	<u>2,624,601</u>	<u>457,197</u>
Expenditures:				
Other costs	24,900	24,900	4,432	(20,468)
Capital outlay	<u>1,144,000</u>	<u>1,214,000</u>	<u>1,034,992</u>	<u>(179,008)</u>
Total expenditures	<u>1,168,900</u>	<u>1,238,900</u>	<u>1,039,424</u>	<u>(199,476)</u>
Net changes in fund balances	<u>\$ 998,504</u>	<u>\$ 928,504</u>	1,585,177	<u>\$ 656,673</u>
Fund balance - beginning			<u>1,562,647</u>	
Fund balance - ending			<u>\$ 3,147,824</u>	

See independent auditor's report.

CITY OF FRANKLIN, TENNESSEE
STORM WATER FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental:				
Grants	\$ -	\$ -	\$ -	\$ -
Charges for services:				
Customer service	2,185,660	2,185,660	2,253,177	67,517
Uses of money and property:				
Interest earnings	43,380	43,380	20,719	(22,661)
Contributions from civic organization	-	-	110,000	110,000
Total revenues	<u>2,229,040</u>	<u>2,229,040</u>	<u>2,383,896</u>	<u>154,856</u>
Expenditures:				
Current:				
Personnel	944,862	944,862	903,101	(41,761)
Services	373,355	373,355	258,393	(114,962)
Supplies	280,680	280,680	172,484	(108,196)
Operational units	171,449	171,449	160,842	(10,607)
Business expenses	23,124	23,124	12,771	(10,353)
Debt service/leases	-	-	9,821	9,821
Capital outlay	<u>2,015,000</u>	<u>2,015,000</u>	<u>1,109,705</u>	<u>(905,295)</u>
Total expenditures	<u>3,808,470</u>	<u>3,808,470</u>	<u>2,627,117</u>	<u>(1,181,353)</u>
Net changes in fund balances	<u>\$ (1,579,430)</u>	<u>\$ (1,579,430)</u>	(243,221)	<u>\$ 1,336,209</u>
Fund balance - beginning			<u>5,858,322</u>	
Fund balance - ending			<u>\$ 5,615,101</u>	

See independent auditor's report.

CITY OF FRANKLIN, TENNESSEE
DRUG FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<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	\$ 4,350	\$ 4,350	\$ 1,840	\$ (2,510)
Sale of surplus property	-	-	2,757	2,757
Fines and fees:				
Drug fines	60,280	60,280	55,078	(5,202)
Seized assets/unclaimed evidence	105,060	105,060	26,683	(78,377)
Total revenues	<u>169,690</u>	<u>169,690</u>	<u>86,358</u>	<u>(83,332)</u>
Expenditures:				
Current:				
Public safety:				
Drug-related	145,500	145,500	109,365	(36,135)
Total expenditures	<u>145,500</u>	<u>145,500</u>	<u>109,365</u>	<u>(36,135)</u>
Net changes in fund balances	<u>\$ 24,190</u>	<u>\$ 24,190</u>	(23,007)	<u>\$ (47,197)</u>
Fund balance - beginning			<u>144,788</u>	
Fund balance - ending			<u>\$ 121,781</u>	

See independent auditor's report.

CITY OF FRANKLIN, TENNESSEE
HOTEL / MOTEL TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental:				
Grants	\$ -	\$ 560,000	\$ 60,000	\$ (500,000)
Taxes:				
Hotel / Motel tax	2,280,000	2,280,000	2,403,775	123,775
Use of money and property:				
Distributions from conference center	-	-	246,461	246,461
Interest earned	25,550	25,550	6,973	(18,577)
Contributions from civic organization	40,000	40,000	-	(40,000)
Total revenues	<u>2,345,550</u>	<u>2,905,550</u>	<u>2,717,209</u>	<u>(188,341)</u>
Expenditures:				
Current:				
Miscellaneous	498,452	498,452	561,112	62,660
Capital outlay	100,000	1,642,000	1,537,249	(104,751)
Total expenditures	<u>598,452</u>	<u>2,140,452</u>	<u>2,098,361</u>	<u>(42,091)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,747,098</u>	<u>765,098</u>	<u>618,848</u>	<u>(146,250)</u>
Other financing sources (uses):				
Transfer to other funds	<u>(1,590,583)</u>	<u>(1,590,583)</u>	<u>(1,597,424)</u>	<u>(6,841)</u>
Net changes in fund balances	<u>\$ 156,515</u>	<u>\$ (825,485)</u>	<u>(978,576)</u>	<u>\$ (153,091)</u>
Fund balance - beginning			<u>2,103,083</u>	
Fund balance - ending			<u>\$ 1,124,507</u>	

See independent auditor's report.

CITY OF FRANKLIN, TENNESSEE
TRANSIT AUTHORITY FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental:				
Grants	\$ 703,123	\$ 882,997	\$ 914,175	\$ 31,178
Charges for services:				
Transit fares	74,500	74,500	87,069	12,569
Uses of money and property:				
Rental income	9,700	9,700	9,700	-
Interest earnings	8,100	8,100	11,897	3,797
Sale of surplus property	7,500	7,500	-	(7,500)
Total revenues	<u>802,923</u>	<u>982,797</u>	<u>1,022,841</u>	<u>40,044</u>
Expenditures:				
Current:				
Operations	1,210,015	1,389,889	1,381,776	(8,113)
Capital outlay	56,000	56,000	55,415	(585)
Total expenditures	<u>1,266,015</u>	<u>1,445,889</u>	<u>1,437,191</u>	<u>(8,698)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(463,092)</u>	<u>(463,092)</u>	<u>(414,350)</u>	<u>48,742</u>
Other financing sources (uses):				
Transfer from other funds	<u>463,092</u>	<u>463,092</u>	<u>414,350</u>	<u>(48,742)</u>
Net changes in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance - beginning			<u>-</u>	
Fund balance - ending			<u>\$ -</u>	

See independent auditor's report.

CITY OF FRANKLIN, TENNESSEE
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, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental:				
Grants	\$ 227,180	\$ 227,180	\$ 192,385	\$ (34,795)
Uses of money and property:				
Interest	<u>630</u>	<u>630</u>	<u>201</u>	<u>(429)</u>
Total revenues	<u>227,810</u>	<u>227,810</u>	<u>192,586</u>	<u>(35,224)</u>
Expenditures:				
Current:				
Operations	<u>227,180</u>	<u>227,180</u>	<u>162,459</u>	<u>(64,721)</u>
Total expenditures	<u>227,180</u>	<u>227,180</u>	<u>162,459</u>	<u>(64,721)</u>
Net changes in fund balances	<u>\$ 630</u>	<u>\$ 630</u>	30,127	<u>\$ 29,497</u>
Fund balance - beginning			<u>(6,582)</u>	
Fund balance - ending			<u>\$ 23,545</u>	

See independent auditor's 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, 2013

	<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	\$ 5,004,285	\$ 5,004,285	\$ 4,779,633	\$ (224,652)
Intergovernmental:				
Rebates on BAB / RZEDB bonds	904,053	904,053	904,052	(1)
Use of money and property:				
Interest earned	10,000	10,000	4,328	(5,672)
Total revenues	<u>5,918,338</u>	<u>5,918,338</u>	<u>5,688,013</u>	<u>(230,325)</u>
Expenditures:				
Principal	6,588,000	6,588,000	6,469,000	(119,000)
Interest	4,204,531	4,204,531	4,277,301	72,770
Current:				
Debt service fees	133,864	133,864	152,479	18,615
Bond issuance costs	-	47,000	47,000	-
Total expenditures	<u>10,926,395</u>	<u>10,973,395</u>	<u>10,945,780</u>	<u>(27,615)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(5,008,057)</u>	<u>(5,055,057)</u>	<u>(5,257,767)</u>	<u>(202,710)</u>
Other financing sources (uses)				
Bond proceeds	-	-	22,500,000	22,500,000
Refunding of bonds	-	-	(22,500,000)	(22,500,000)
Operating transfers from other funds				
From Sanitation	559,807	559,807	561,628	1,821
From Road Impact	2,867,667	2,867,667	2,865,306	(2,361)
From Hotel/Motel	1,590,583	1,590,583	1,597,424	6,841
	<u>5,018,057</u>	<u>5,018,057</u>	<u>5,024,358</u>	<u>6,301</u>
Net changes in fund balances	<u>\$ 10,000</u>	<u>\$ (37,000)</u>	(233,409)	<u>\$ (196,409)</u>
Fund balance - beginning			<u>318,138</u>	
Fund balance - ending			<u>\$ 84,729</u>	

See independent auditor's report.

CITY OF FRANKLIN, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Source/Grant Name	CFDA Number	Grant Number	Balance 6/30/2012 (Receivable) Unearned	Adjustments	Cash Receipts	Expenditures	Balance 6/30/2013 (Receivable) Unearned
U.S. DEPARTMENT OF JUSTICE							
Justice Assistance (ARRA)	16.808	2009-SB-B9-2260	\$ -	\$ -	\$ 12,607	\$ (12,607)	\$ -
Justice Assistance	16.808	2009-DJ-BX-0964	-	-	10,131	(10,131)	-
Bulletproof Vest Program	16.607	N/A	(9,598)	-	11,235	(7,932)	(6,295)
Total U.S. Department of Justice			<u>(9,598)</u>	<u>-</u>	<u>33,973</u>	<u>(30,670)</u>	<u>(6,295)</u>
U.S. DEPARTMENT OF TRANSPORTATION							
Transit Operating Assistance Grant **	20.507	TN-04-0038	-	-	532	(532)	-
Transit Capital Grant **	20.507	TN-90-0303	-	-	7,086	(7,086)	-
Transit Capital Grant **	20.507	TN-04-0046	-	-	32,208	(32,208)	-
Transit Capital Grant **	20.507	TN-90-X281-00	-	-	-	(44,332)	(44,332)
Transit Operating Assistance Grant **	20.507	TN-90-X339-00	-	-	377,147	(377,147)	-
Replacement Vehicle-PM-Planning & Equipment **	20.507	TN-90-X328-00	(6,800)	-	58,539	(51,739)	-
Passed through the Nashville Metropolitan Transit Authority **							
New Freedom Funds	20.521	TN-57-X002	(15,745)	-	89,865	(89,091)	(14,971)
Passed through the TN Department of Transportation							
TOC Phase III, Infrastructure Upgrades	* 20.205	103487.00	(7,452)	-	225,443	(408,791)	(190,800)
Eastern Flank Battlefield Access Improvements	* 20.205	#114978.00	-	-	-	(505,260)	(505,260)
Franklin Fight Against Impaired Driving	20.601	154AL-13-83	-	-	22,143	(34,865)	(12,722)
Franklin Fight Against Impaired Driving	20.601	154AL-12-46	(13,104)	-	28,258	(15,154)	-
Total U.S. Department of Transportation			<u>(43,101)</u>	<u>-</u>	<u>841,221</u>	<u>(1,566,205)</u>	<u>(768,085)</u>
U.S. DEPARTMENT OF THE INTERIOR							
Passed through the TN Dep of Environment and Conservation							
National Register Nominations	15.904	#2011-0122	(1,900)	-	2,850	(950)	-
Battlefield Acquisition	15.928	47-11-CW-1819	-	-	62,796	(62,796)	-
Battlefield Acquisition	15.928	47-11-CW-2011	-	-	112,800	(112,800)	-
Total U.S. Department of the Interior			<u>(1,900)</u>	<u>-</u>	<u>178,446</u>	<u>(176,546)</u>	<u>-</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT							
Community Development Block Grant	14.218	B-MC-47-0014	(54,265)	-	208,867	(162,459)	(7,857)
Passed through the TN Housing Development Agency							
Emergency Shelter Grant	14.231	ESG-11-26	(6,969)	-	6,969	-	-
Emergency Shelter Grant	14.231	ESG-12-12	-	-	20,879	(24,612)	(3,733)
Total U.S. Department of Housing and Urban Development			<u>(61,234)</u>	<u>-</u>	<u>236,715</u>	<u>(187,071)</u>	<u>(11,590)</u>
U.S. DEPARTMENT OF HOMELAND SECURITY - FEMA							
Passed through the TN Emergency Management Agency							
Hazard Mitigation Grant Program	* 97.039	HMG-1909-0049	(274,344)	-	274,344	(133,730)	(133,730)
Hazard Mitigation Grant Program	* 97.039	HMG-1909-0061	(1,504)	(152)	-	(410,992)	(412,648)
FEMA-May 2010 Flood	97.036	FEMA-1909-DR-TN	(31,915)	-	-	-	(31,915)
Total U.S. Department of Homeland Security - FEMA			<u>(307,763)</u>	<u>(152)</u>	<u>274,344</u>	<u>(544,722)</u>	<u>(578,293)</u>
Total Federal Assistance			<u>\$ (423,596)</u>	<u>\$ (152)</u>	<u>\$ 1,564,699</u>	<u>\$ (2,505,214)</u>	<u>\$ (1,364,263)</u>

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

* Major program

** Passed through to the Transportation Management Association Group.

See independent auditor's report.

CITY OF FRANKLIN, TENNESSEE
SCHEDULE OF STATE FINANCIAL ASSISTANCE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Source/Grant Name	State Grant Number	Balance 6/30/2012 (Receivable) Unearned	Adjustments	Cash Receipts	Expenditures	Balance 6/30/2013 (Receivable) Unearned
TENNESSEE DEPARTMENT OF TRANSPORTATION						
Local Interstate Connecting	10752.00	\$ -	\$ -	313,640	\$ (313,640)	\$ -
Transit Capital Grant **	TN-90-0303	(332)	-	1,219	(887)	-
Transit Operating Assistance Grant **	TN-04-0038	-	-	67	(67)	-
Transit Capital Investment Grant **	TN-04-0046	(336)	-	3,690	(4,026)	(672)
Replacement Vehicle-PM-Planning & Equipment **	TN-90-X328-00	(850)	-	1,700	(850)	-
Transit Operating Assistance Grant **	TN-90-X339-00	-	-	12,204	(47,143)	(34,939)
New Freedom Funds **	TN-57-X002	(7,872)	-	38,969	(44,545)	(13,448)
FY 13 Operating Assistance **	GG133406600	-	-	214,524	(214,524)	-
Special Litter Grant	Z13ALG016	-	-	-	-	-
Total Tennessee Department of Transportation		(9,390)	-	586,013	(625,682)	(49,059)
TENNESSEE DEPARTMENT OF ENVIRONMENT & CONSERVATION						
Capitalization Grants for Clean Water State RLF	CGA 2009-250	(97,658)	-	678,634	(580,976)	-
Jackson National Life Insurance Project	GG1134897	(27,542)	-	72,516	(44,974)	-
Harlin Hayes House Roof	GG1238993	-	-	60,000	(60,000)	-
FY 2011 Local Parks & Recreation	GG1135125	-	-	-	(65,000)	(65,000)
Household Hazardous Waste Facility	34420	-	-	-	-	-
Total Tennessee Department of Environment and Conservation		(125,200)	-	811,150	(750,950)	(65,000)
TENNESSEE EMERGENCY MANAGEMENT AGENCY						
TEMA-May 2010 Flood		(32,340)	-	-	-	(32,340)
Hazard Mitigation Grant Program	E-24547	(45,724)	-	45,724	(22,289)	(22,289)
Hazard Mitigation Grant Program	E-24547	(251)	(59)	-	(68,499)	(68,809)
Total Tennessee Emergency Management Agency		(78,315)	(59)	45,724	(90,788)	(123,438)
TENNESSEE DEPARTMENT OF AGRICULTURE						
TAEP Community Tree Planting Project	DG1339727	-	-	-	(7,014)	(7,014)
Total Tennessee Department of Agriculture		-	-	-	(7,014)	(7,014)
Total State Financial Assistance		\$ (212,905)	\$ (59)	\$ 1,442,887	\$ (1,474,434)	\$ (244,511)

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

** Passed through to The Transportation Management Association Group

CITY OF FRANKLIN, TENNESSEE
 SCHEDULE OF PRINCIPAL AND INTEREST REQUIREMENTS
 GENERAL OBLIGATION DEBT
 JUNE 30, 2013

	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 2004		Tennessee Municipal Bond Fund Variable Rate Pool Loan Program 2004		Public Building Authority of the City of Lawrenceburg, TN Loan Agreement 2005 (1)		Public Building Authority of the City of Franklin, TN Loan Agreement 2007 (2)	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 397,000	\$ 5,518	\$ 153,000	\$ 2,690	\$ 945,000	\$ 32,125	\$ 470,000	\$ 6,765	\$ 295,000	\$ 99,098	\$ -	\$ 718,000
2015	411,000	4,208	158,000	2,185	430,000	7,794	500,000	5,214	310,000	88,330	-	718,000
2016	425,000	2,851	163,000	1,663	-	-	530,000	3,564	320,000	77,015	-	718,000
2017	439,000	1,449	168,000	1,125	-	-	550,000	1,815	330,000	65,335	-	718,000
2018	-	-	173,000	571	-	-	-	-	345,000	53,290	-	718,000
2019	-	-	-	-	-	-	-	-	355,000	40,698	-	718,000
2020	-	-	-	-	-	-	-	-	370,000	27,740	-	718,000
2021	-	-	-	-	-	-	-	-	390,000	14,235	-	718,000
2022	-	-	-	-	-	-	-	-	-	-	-	718,000
2023	-	-	-	-	-	-	-	-	-	-	-	718,000
2024	-	-	-	-	-	-	-	-	-	-	-	718,000
2025	-	-	-	-	-	-	-	-	-	-	-	718,000
2026	-	-	-	-	-	-	-	-	-	-	1,175,000	718,000
2027	-	-	-	-	-	-	-	-	-	-	1,225,000	675,818
2028	-	-	-	-	-	-	-	-	-	-	1,300,000	631,840
2029	-	-	-	-	-	-	-	-	-	-	1,350,000	585,170
2030	-	-	-	-	-	-	-	-	-	-	1,400,000	536,705
2031	-	-	-	-	-	-	-	-	-	-	1,450,000	486,445
2032	-	-	-	-	-	-	-	-	-	-	1,525,000	434,390
2033	-	-	-	-	-	-	-	-	-	-	1,575,000	379,643
2034	-	-	-	-	-	-	-	-	-	-	1,650,000	323,100
2035	-	-	-	-	-	-	-	-	-	-	1,725,000	263,865
2036	-	-	-	-	-	-	-	-	-	-	1,800,000	201,938
2037	-	-	-	-	-	-	-	-	-	-	1,875,000	137,318
	\$ 1,672,000	\$ 14,026	\$ 815,000	\$ 8,234	\$ 1,375,000	\$ 39,919	\$ 2,050,000	\$ 17,358	\$ 2,715,000	\$ 465,741	\$ 20,000,000	\$ 13,342,237

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.

(Continued)

CITY OF FRANKLIN, TENNESSEE
 SCHEDULE OF PRINCIPAL AND INTEREST REQUIREMENTS (Cont.)
 GENERAL OBLIGATION DEBT
 JUNE 30, 2013

	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		General Improvement Refunding Bonds Series 2012		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ -	\$ 1,559,925	\$ 1,940,000	\$ 201,500	\$ -	\$ 795,729	\$ 1,115,000	\$ 455,663	\$ 1,350,000	\$ 924,846	\$ 6,665,000	\$ 4,801,859
2015	-	1,559,925	1,990,000	153,000	-	795,729	1,135,000	436,150	1,375,000	867,336	6,309,000	4,637,871
2016	-	1,559,925	2,040,000	103,250	-	795,729	1,175,000	402,100	1,405,000	808,761	6,058,000	4,472,858
2017	-	1,559,925	2,090,000	52,250	-	795,729	1,210,000	366,850	1,435,000	748,908	6,222,000	4,311,386
2018	2,140,000	1,559,925	-	-	-	795,729	1,240,000	330,550	1,465,000	687,777	5,363,000	4,145,842
2019	2,205,000	1,464,695	-	-	-	795,729	1,280,000	293,350	1,495,000	625,368	5,335,000	3,937,840
2020	2,270,000	1,364,368	-	-	-	795,729	1,315,000	254,950	1,530,000	561,681	5,485,000	3,722,468
2021	2,340,000	1,258,813	-	-	-	795,729	1,360,000	215,500	1,560,000	496,503	5,650,000	3,498,780
2022	2,410,000	1,146,493	-	-	-	795,729	1,410,000	161,100	1,595,000	430,047	5,415,000	3,251,369
2023	2,490,000	1,027,198	-	-	-	795,729	1,470,000	104,700	1,630,000	362,100	5,590,000	3,007,727
2024	2,565,000	905,188	-	-	1,985,000	795,729	1,530,000	45,900	1,665,000	292,662	7,745,000	2,757,479
2025	2,650,000	776,938	-	-	2,140,000	703,923	-	-	1,700,000	221,733	7,665,000	2,420,594
2026	2,740,000	641,125	-	-	2,195,000	602,273	-	-	1,735,000	149,313	7,895,000	2,068,529
2027	2,835,000	493,850	-	-	2,255,000	495,266	-	-	1,770,000	75,402	8,160,000	1,696,358
2028	2,935,000	337,925	-	-	2,315,000	380,261	-	-	-	-	6,600,000	1,303,356
2029	3,045,000	173,562	-	-	2,380,000	259,881	-	-	-	-	6,825,000	970,148
2030	-	-	-	-	2,455,000	131,956	-	-	-	-	3,905,000	618,401
2031	-	-	-	-	-	-	-	-	-	-	1,525,000	434,390
2032	-	-	-	-	-	-	-	-	-	-	1,575,000	379,643
2033	-	-	-	-	-	-	-	-	-	-	1,650,000	323,100
2034	-	-	-	-	-	-	-	-	-	-	1,725,000	263,865
2035	-	-	-	-	-	-	-	-	-	-	1,800,000	201,938
2036	-	-	-	-	-	-	-	-	-	-	1,875,000	137,318
2037	-	-	-	-	-	-	-	-	-	-	1,950,000	70,005
	<u>\$ 30,625,000</u>	<u>\$ 17,389,777</u>	<u>\$ 8,060,000</u>	<u>\$ 510,000</u>	<u>\$ 15,725,000</u>	<u>\$ 11,326,579</u>	<u>\$ 14,240,000</u>	<u>\$ 3,066,813</u>	<u>\$ 21,710,000</u>	<u>\$ 7,252,437</u>	<u>\$ 118,987,000</u>	<u>\$ 53,433,121</u>

Notes:
 (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, 2013

	Sewer & Water Revenue & Tax refunding Bonds-Series 2005		Sewer & Water Refunding SunTrust Loan 2011		Drinking Water SRF & ARRA Loan		Clean Water SRF & ARRA Loan		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 2,010,000	\$ 1,179,375	\$ 1,160,000	\$ 433,215	\$ 60,775	\$ 37,439	\$ 73,576	\$ 48,600	\$ 3,304,351	\$ 1,698,629
2015	2,030,000	1,078,875	1,190,000	404,385	62,510	35,703	75,580	46,596	3,358,090	1,565,559
2016	2,050,000	977,375	1,220,000	374,811	64,296	33,918	77,638	44,538	3,411,934	1,430,642
2017	2,115,000	874,875	1,250,000	344,493	66,133	32,080	79,752	42,424	3,510,885	1,293,872
2018	2,150,000	769,125	1,280,000	313,431	68,023	30,191	81,924	40,252	3,579,947	1,152,999
2019	2,220,000	661,625	1,310,000	281,625	69,965	28,248	84,156	38,020	3,684,121	1,009,518
2020	2,240,000	550,625	1,345,000	249,064	71,964	26,250	86,448	35,728	3,743,412	861,667
2021	2,255,000	438,625	1,380,000	215,636	74,020	24,193	88,802	33,373	3,797,822	711,827
2022	2,280,000	325,875	1,415,000	181,340	76,134	22,080	91,220	30,955	3,862,354	560,250
2023	1,555,000	211,875	1,450,000	146,175	78,310	19,904	93,704	28,471	3,177,014	406,425
2024	1,450,000	134,125	1,485,000	110,143	80,546	17,667	96,257	25,919	3,111,803	287,854
2025	1,450,000	61,625	1,520,000	73,243	82,848	15,366	98,878	23,298	3,151,726	173,532
2026	-	-	1,560,000	35,464	85,215	12,999	101,570	20,605	1,746,785	69,068
2027	-	-	-	-	87,648	10,565	104,338	17,838	191,986	28,403
2028	-	-	-	-	90,153	8,061	107,178	14,998	197,331	23,059
2029	-	-	-	-	92,729	5,485	110,098	12,078	202,827	17,563
2030	-	-	-	-	95,377	2,837	113,096	9,079	208,473	11,916
2031	-	-	-	-	48,701	403	116,176	6,000	164,877	6,403
2032	-	-	-	-	-	-	119,340	2,836	119,340	2,836
2033	-	-	-	-	-	-	40,505	226	40,505	226
	<u>\$ 23,805,000</u>	<u>\$ 7,264,000</u>	<u>\$ 17,565,000</u>	<u>\$ 3,163,025</u>	<u>\$ 1,355,347</u>	<u>\$ 363,389</u>	<u>\$ 1,840,236</u>	<u>\$ 521,834</u>	<u>\$ 44,565,583</u>	<u>\$ 11,312,248</u>

CITY OF FRANKLIN, TENNESSEE
SCHEDULE OF UTILITY RATE STRUCTURE AND NUMBER OF CUSTOMERS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED

Utility Services

<u>Service:</u>	<u>Number of Customers</u>	<u>Fees</u>
Water	17,024	\$ 8,746,584
Sewer	21,513	12,219,785
Reclaimed	44	135,041

Utility Rates

Water Residential Rates:		
<u>Gallons</u>	<u>Inside City Limits</u>	<u>Outside City Limits</u>
First 1,000 Gallons	\$ 11.14	\$ 13.36
Next 9,000 Gallons	3.85	5.98
Next 15,000 Gallons	4.78	6.56
All Additional Usage	5.71	7.14
Water Commercial Rates:		
<u>Gallons</u>	<u>Inside City Limits</u>	<u>Outside City Limits</u>
First 1,000 Gallons	\$ 15.85	\$ 18.11
Next 9,000 Gallons	3.84	5.94
Next 15,000 Gallons	4.77	6.52
All Additional Usage	5.70	7.10
Sewer Residential Rates:		
<u>Gallons</u>	<u>Inside City Limits</u>	<u>Outside City Limits</u>
First 1,000 Gallons	\$ 19.21	\$ 20.42
Next 14,000 Gallons	5.62	6.08
Over 15,000 Gallons	4.47	4.93
Sewer Commercial Rates:		
<u>Gallons</u>	<u>Inside City Limits</u>	<u>Outside City Limits</u>
First 1,000 Gallons	\$ 35.49	\$ 38.23
Next 14,000 Gallons	4.57	7.14
Over 15,000 Gallons	3.58	5.25
Reclaimed Water Rate:		
<u>Gallons</u>	<u>Inside City Limits</u>	<u>Outside City Limits</u>
For each 1,000 Gallons	\$ 0.97	\$ 0.97

Rates above were effective January 1, 2013. 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

CITY OF FRANKLIN, TENNESSEE
SCHEDULE OF UTILITY RATE STRUCTURE AND NUMBER OF CUSTOMERS (Cont.)
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED

Installation Charges:

<u>Water Meter Size</u>	<u>Installation-Meter Only</u>	<u>Installation-Complete</u>
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

<u>Sewer Meter Size</u>	<u>Installation-Meter Only</u>	<u>Installation-Complete</u>
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

<u>Reclaimed Meter Size</u>	<u>Installation-Meter Only</u>	<u>Installation-Complete</u>
3/4"	\$ 500	720
1"	500	854
1-1/2"	500	1,375
2"	500	2,117
3"	500	3,480
4"	500	5,230
6"	500	7,035
8"	500	13,438

Access Fees:

<u>Meter Size</u>	<u>Water Access Fee</u>	<u>Sewer Access Fee</u>
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:

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

CITY OF FRANKLIN, TENNESSEE
SCHEDULE OF UNACCOUNTED FOR WATER
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013
 UNAUDITED

All volumes in millions of gallons (US) per year (MG/Yr)

WATER SUPPLIED		
Volume from own sources:	468,976	MG/Yr
Master meter error adjustment (under-registered):	10,000	MG/Yr
Water imported:	1,640,182	MG/Yr
Water exported:	-	MG/Yr
TOTAL WATER SUPPLIED	2,119,158	MG/Yr
AUTHORIZED CONSUMPTION		
Billed metered:	1,475,394	MG/Yr
Billed unmetered:	-	MG/Yr
Unbilled metered:	71,878	MG/Yr
Unbilled unmetered (1.25% of Total Water Supplied):	26,489	MG/Yr
TOTAL AUTHORIZED CONSUMPTION	1,573,761	MG/Yr
WATER LOSSES (Water Supplied - Authorized Consumption)	545,397	MG/Yr
<u>Apparent Losses</u>		
Unauthorized consumption (.25% of Total Water Supplied)	5,298	MG/Yr
Customer metering inaccuracies (Billed metered + Billed unmetered) / 98% - (Billed metered + Billed unmetered)	31,577	MG/Yr
Systematic data handling errors	-	MG/Yr
Total Apparent Losses	36,875	MG/Yr
<u>Real Losses (Current Annual Real Losses or CARL)</u>		
Real Losses = Water Losses - Apparent Losses:	508,522	MG/Yr
TOTAL WATER LOSSES	545,397	MG/Yr
<u>NON-REVENUE WATER</u>		
Non-revenue water = Total Water Loss + Unbilled metered + Unbilled unmetered:	643,764	MG/Yr
SYSTEM DATA		
Length of Mains:	285.0	miles
Number of <u>active and inactive</u> service connections:	20,000	
Connection density:	70	conn. / mile main
Average length of customer service line:	40.0	ft
Average operating pressure:	70.0	psi
COST DATA		
Total annual cost of operating water system:	\$ 9,640,221	\$ / year
Customer retail unit cost (applied to Apparent Losses):	\$ 10.92	\$ / 1000 gallons (US)
Variable production cost (applied to Real Losses):	\$ 2,180.00	\$ / Million gallons
PERFORMANCE INDICATORS		
<u>Financial Indicators</u>		
Non-revenue water as percent by volume of Water Supplies:	30.4%	
Non-revenue water as percent by cost of operating system:	17.9%	
Annual cost of Apparent Losses:	\$ 402,675	
Annual cost of Real Losses:	\$ 1,108,577	
<u>Operational Efficiency Indicators</u>		
Apparent Losses per service connection per day:	5.05	gallons/connection/day
Real Losses per service connection per day:	69.66	gallons/connection/day
Real Losses per length of main per day:	N/A	
Real Losses per service connection per day per psi pressure:	1.00	gallons/connection/day/psi
Unavoidable Annual Real Losses (UARL):	145.08	million gallons / year
(From above) Real Losses = Current Annual Real Losses (CARL):	508.52	million gallons / year
Infrastructure Leakage Index (ILI) (CARL /UARL):	3.51	
WATER AUDIT DATA VALIDITY SCORE:	84	out of 100

Note: This schedule is presented in the American Water Works Association (AWWA) Water Loss Reporting Model format.

See independent auditor's report.

CITY OF FRANKLIN, TENNESSEE
SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE - BY LEVY YEAR
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Year of Levy	Balance June 30, 2012	Taxes Levied	Adjustments and Collections	Balance June 30, 2013
2012	\$ -	\$ 11,902,186	\$ (11,724,940)	\$ 177,246
2011	199,513		(143,129)	56,384
2010	77,895	-	(53,009)	24,886
2009	22,825	-	(4,102)	18,723
2008	11,000	-	(1,154)	9,846
2007	24,365	-	(515)	23,850
2006	2,978	-	(196)	2,782
2005	1,424	-	(128)	1,296
2004	2,028	-	(41)	1,987
2003	3,428	-	-	3,428
	<u>\$ 345,456</u>	<u>\$ 11,902,186</u>	<u>\$ (11,927,214)</u>	<u>\$ 320,428</u>

Balances included in the schedule above are:

Considered current revenue	\$ 61,865
Allowance for uncollectible accounts: 2003-2012 levies	79,663
Unavailable revenue	<u>178,900</u>
	320,428

Balances not included in the schedule above are:

2013 tax levy due October 1, 2013 considered unavailable revenue and amounts payable to others	12,459,500
--	------------

Total property tax receivable	<u><u>\$ 12,779,928</u></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.

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. 86

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. 90

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. 95

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. 100

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. 102

Except where noted, the information in these schedules is derived from the City’s Comprehensive Annual Financial Reports for the relevant years. The information has been restated, where applicable and feasible, for application of new GASB pronouncements.

CITY OF FRANKLIN, TENNESSEE

Financial Trends Information -
Net Position By Component

(Prepared using the accrual basis of accounting)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental activities:										
Net investment in capital assets	\$ 254,632,992	\$ 274,575,227	\$ 314,309,351	\$ 354,087,255	\$ 387,399,795	\$ 398,721,876	\$ 391,009,711	\$ 393,091,861	\$ 394,771,670	\$ 427,956,937
Restricted for:										
Street maintenance and improvements	2,533,649	983,107	900,412	1,069,415	1,048,827	31,817	-	-	-	-
Other projects	1,690,759	233,836	295,536	381,491	257,521	335,343	2,168,363	288,957	161,351	145,326
Capital projects	4,881,853	9,041,671	-	-	-	-	-	-	-	-
Unrestricted	27,146,454	28,382,567	34,680,258	53,444,430	34,055,155	23,793,595	31,620,382	37,054,884	46,304,057	42,077,735
Total net position	\$ 290,885,707	\$ 313,216,408	\$ 350,185,557	\$ 408,982,591	\$ 422,761,298	\$ 422,882,631	\$ 424,798,456	\$ 430,435,702	\$ 441,237,078	\$ 470,179,998
Business-type activities:										
Net investment in capital assets	\$ 88,725,684	\$ 85,142,612	\$ 83,019,594	\$ 92,918,459	\$ 105,088,556	\$ 107,235,256	\$ 102,547,138	\$ 105,910,754	\$ 106,880,291	\$ 110,724,957
Restricted for:										
Water & Sewer	-	-	-	-	-	-	13,376,540	9,975,225	6,684,374	8,150,100
Unrestricted	2,844,501	11,962,212	13,957,292	15,774,391	9,997,061	13,428,223	5,230,958	7,305,642	14,221,008	15,923,139
Total net position	\$ 91,570,185	\$ 97,104,824	\$ 96,976,886	\$ 108,692,850	\$ 115,085,617	\$ 120,663,479	\$ 121,154,636	\$ 123,191,621	\$ 127,785,673	\$ 134,798,196
Primary government:										
Net investment in capital assets	\$ 343,358,676	\$ 359,717,839	\$ 397,328,945	\$ 453,483,827	\$ 492,488,351	\$ 505,957,132	\$ 493,556,849	\$ 499,002,615	\$ 501,651,961	\$ 538,681,894
Restricted for:										
Street maintenance and improvements	2,533,649	983,107	900,412	1,069,415	1,048,827	31,817	-	-	-	-
Other projects	1,690,759	233,836	295,536	381,491	257,521	335,343	272,367	288,957	161,351	145,326
Capital projects	4,881,853	9,041,671	-	-	-	-	-	-	-	-
Water & Sewer	-	-	-	-	-	-	13,376,540	9,975,225	6,684,374	8,150,100
Unrestricted	29,990,955	40,344,779	48,637,550	62,740,708	44,052,216	37,221,818	38,747,336	44,360,526	60,525,065	58,000,874
Total net position	\$ 382,455,892	\$ 410,321,232	\$ 447,162,443	\$ 517,675,441	\$ 537,846,915	\$ 543,546,110	\$ 545,953,092	\$ 553,627,323	\$ 569,022,751	\$ 604,978,194

CITY OF FRANKLIN, TENNESSEE

Financial Trends Information -
Changes in Net Position

(Prepared using the accrual basis of accounting)

Governmental activities:	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues:										
Program revenues:										
Charges for services-Codes	\$ 1,234,952	\$ 1,580,815	\$ 1,887,000	\$ 2,700,796	\$ 3,193,332	\$ 1,026,457	\$ 767,764	\$ 1,521,266	\$ 1,839,074	\$ 1,878,490
Charges for services-Sanitation	925,187	1,433,575	2,472,557	2,666,408	3,201,109	4,554,150	4,753,448	6,673,158	6,888,014	6,855,652
Charges for services-Storm water	761,867	1,728,455	1,868,164	1,913,537	1,959,658	2,009,142	2,088,080	2,108,109	2,151,430	2,363,177
Charges for services-Police	811,377	813,651	1,108,503	998,848	983,845	1,267,107	1,245,405	990,092	1,134,311	1,233,320
Charges for services-Streets	1,283,574	-	-	-	-	-	-	940	6,100	7,160
Other charges for services	353,495	380,282	453,708	395,219	674,752	555,202	127,492	450,152	647,572	580,724
Operating grants & contributions	626,335	2,572,276	2,095,578	1,768,421	3,334,814	2,836,769	3,358,092	4,217,716	5,572,231	4,489,556
Capital grants & contributions	20,848,604	24,204,441	32,471,262	42,284,692	29,769,464	12,760,014	12,129,244	11,893,536	26,221,640	24,640,622
General revenues:										
Property taxes	8,649,772	9,059,834	9,880,639	9,832,508	10,409,885	10,936,742	11,415,775	11,728,305	11,550,562	11,659,973
Sales taxes	18,296,971	19,785,941	22,005,703	23,885,264	23,185,434	21,152,554	20,969,821	22,720,666	24,197,413	25,995,733
Other taxes and fees	11,371,335	12,928,838	19,154,473	25,589,305	20,510,224	17,214,042	16,182,779	22,723,385	21,811,094	24,254,006
Other	987,175	1,684,572	2,203,517	1,663,403	2,568,298	1,327,007	1,188,770	(173,794)	(4,881,649)	4,630,117
Transfers	-	-	-	-	(225,000)	(45,000)	(45,000)	-	-	-
Total revenues	<u>66,150,695</u>	<u>76,172,680</u>	<u>95,601,104</u>	<u>113,698,401</u>	<u>99,565,815</u>	<u>75,594,186</u>	<u>74,181,670</u>	<u>84,853,531</u>	<u>97,137,792</u>	<u>108,588,530</u>
Expenses:										
General government:										
General government	7,057,964	8,716,441	12,312,610	4,976,177	4,561,315	1,729,144	3,464,483	1,294,801	3,205,578	2,442,032
Capital investment planning	-	-	-	-	-	-	193,505	233,651	208,446	162,049
Administration	1,400,291	944,626	1,195,689	1,250,834	1,146,961	882,070	390,182	507,073	595,811	492,554
City recorder	-	359,575	305,395	984,697	1,154,396	1,177,821	395,054	1,295,430	1,361,604	176,518
Public safety:										
Police	8,993,401	9,184,543	9,891,449	12,704,967	11,800,152	13,737,798	14,744,499	15,461,749	15,154,496	14,363,457
Fire	7,705,307	8,807,357	9,693,129	10,065,274	12,168,985	13,072,914	13,044,366	13,197,463	13,197,477	13,540,246
Highways and streets	9,364,145	12,218,546	8,846,698	12,825,296	12,950,825	15,346,785	15,873,886	16,734,751	21,221,774	16,431,675
Street-Fleet	-	-	-	-	-	-	662,683	523,234	592,074	601,240
Engineering	652,481	572,720	731,762	1,033,507	1,088,120	1,239,061	797,691	1,007,478	1,228,832	1,306,664
Storm water	550,338	574,611	682,426	1,160,588	693,434	744,156	1,126,529	1,319,328	1,508,125	1,622,743
Sanitation	3,975,139	5,285,255	6,068,689	5,909,657	6,832,313	6,906,679	6,344,279	8,180,396	7,961,729	7,837,722
Transit	-	-	-	1,112,289	1,203,579	1,210,274	1,030,107	1,257,352	1,398,956	1,623,600
Parks	981,303	1,132,484	1,370,912	744,627	1,616,753	3,068,887	3,306,523	3,801,959	3,688,466	3,866,135
Maintenance	-	302,014	278,848	381,635	583,917	595,609	523,339	747,101	863,314	710,947
Elected officials	-	-	-	-	176,746	161,495	193,640	133,300	202,515	183,406
Planning	815,881	908,806	1,009,100	1,079,229	1,373,042	1,436,862	1,372,885	1,408,303	1,223,706	1,235,714
Building & neighborhood services	1,036,270	1,188,400	1,340,976	1,735,274	1,855,258	1,941,663	2,005,803	1,852,075	1,900,692	2,164,831
Courts	162,170	182,322	197,477	241,389	245,205	242,314	265,380	249,454	284,907	220,481
Human resources	474,376	467,804	655,974	653,686	644,672	845,231	689,024	952,403	1,049,741	787,765
Channel 10	-	97,582	87,641	119,458	127,036	151,468	261,568	315,291	324,603	304,243
Finance	649,904	798,925	787,936	986,677	950,729	1,032,382	793,781	865,832	893,037	700,548
Legal	-	-	-	134,768	358,431	217,008	239,619	344,610	387,283	293,197
Purchasing	-	-	-	172,489	188,179	123,527	131,633	145,891	159,188	141,705
Municipal information and tech	884,066	995,098	1,569,736	2,808,228	2,974,551	3,509,093	3,354,101	3,468,124	3,993,526	4,756,627
Interest expense on long-term debt	732,798	967,929	1,605,208	2,116,737	2,368,353	2,505,069	1,061,285	3,919,236	3,730,536	3,679,511
Total expenses	<u>45,435,834</u>	<u>53,705,038</u>	<u>58,631,655</u>	<u>63,197,483</u>	<u>67,062,952</u>	<u>71,877,310</u>	<u>72,265,845</u>	<u>79,216,285</u>	<u>86,336,416</u>	<u>79,645,610</u>
Change in net position	<u>\$ 20,714,861</u>	<u>\$ 22,467,642</u>	<u>\$ 36,969,449</u>	<u>\$ 50,500,918</u>	<u>\$ 32,502,863</u>	<u>\$ 3,716,876</u>	<u>\$ 1,915,825</u>	<u>\$ 5,637,246</u>	<u>\$ 10,801,376</u>	<u>\$ 28,942,920</u>
Business-Type activities:										
Revenues:										
Program revenues:										
Charges for services	\$ 11,801,510	\$ 12,506,189	\$ 13,183,105	\$ 13,651,464	\$ 14,148,119	\$ 16,635,455	\$ 16,260,341	\$ 19,411,483	\$ 21,253,689	\$ 22,116,747
Capital grants & contributions	4,705,522	6,530,477	3,371,583	6,477,369	9,909,838	8,613,893	3,881,605	3,841,390	5,307,632	6,728,662
General revenues:										
Other sources	(416,561)	410,630	868,311	820,123	535,059	38,719	68,934	180,868	(7,153)	140,371
Transfers	-	-	-	-	225,000	45,000	45,000	-	-	-
Total revenues	<u>16,090,471</u>	<u>19,447,296</u>	<u>17,422,999</u>	<u>20,948,956</u>	<u>24,818,016</u>	<u>25,333,067</u>	<u>20,255,880</u>	<u>23,433,741</u>	<u>26,554,168</u>	<u>28,985,780</u>
Expenses:										
Water & sewer	12,991,989	13,912,657	17,550,937	17,378,465	18,425,249	19,755,205	19,764,723	21,396,756	21,960,116	21,973,257
Change in net position	<u>\$ 3,098,482</u>	<u>\$ 5,534,639</u>	<u>\$ (127,938)</u>	<u>\$ 3,570,491</u>	<u>\$ 6,392,767</u>	<u>\$ 5,577,862</u>	<u>\$ 491,157</u>	<u>\$ 2,036,985</u>	<u>\$ 4,594,052</u>	<u>\$ 7,012,523</u>

CITY OF FRANKLIN, TENNESSEE

Financial Trends Information -
Fund Balances - Governmental Funds

(Prepared using the modified accrual basis of accounting)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Fund										
Non-Spendable	\$ 215,797	\$ 345,620	\$ 308,850	\$ 294,580	\$ 236,942	\$ 513,119	\$ 489,453	\$ 522,733	\$ 1,423,017	\$ 1,741,675
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	18,328,102	23,994,718	24,924,130	29,140,144	30,080,531	18,915,942	16,180,105	17,180,294	17,736,715	17,555,029
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	8,506,605	603,730	2,190,576	949,287	446,308	9,333,732	9,244,815	7,258,739	6,851,599	9,593,414
Total General Fund	\$ 27,050,504	\$ 24,944,068	\$ 27,423,556	\$ 30,384,011	\$ 30,763,781	\$ 28,762,793	\$ 25,914,373	\$ 24,961,766	\$ 26,011,331	\$ 28,890,118
All Other Governmental Funds										
Special Revenue Funds										
Non-Spendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	7,138,367	7,044,680	12,071,932	11,945,075	9,462,222	3,761,542	272,367	288,957	161,351	145,326
Committed	277,135	1,054,002	1,640,902	2,255,949	3,573,362	4,754,751	7,303,746	8,040,949	9,524,052	8,762,925
Assigned	-	-	-	-	-	-	-	-	-	1,124,507
Unassigned	-	-	-	(793,331)	(440,843)	(3,838,212)	(3,561,327)	(1,088,155)	(1,246,711)	(854,829)
Total Special Revenue Funds	7,415,502	8,098,682	13,712,834	13,407,693	12,594,741	4,678,081	4,014,786	7,241,751	8,438,692	9,177,929
Debt Service Fund										
Non-Spendable	-	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	465,190	1,099,568	318,138	84,729
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-
Total Debt Service Fund	-	-	-	-	-	-	465,190	1,099,568	318,138	84,729
Capital Project Fund										
Non-Spendable	-	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	1,690,759	9,041,671	-	9,120,160	-	-	12,691,653	12,058,809	9,266,485	382,419
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	(1,216,204)	-	(13,849,061)	(11,992,169)	-	-	-	-
Total Capital Projects Fund	1,690,759	9,041,671	(1,216,204)	9,120,160	(13,849,061)	(11,992,169)	12,691,653	12,058,809	9,266,485	382,419
Total All Other Governmental Funds	9,106,261	17,140,353	12,496,630	22,527,853	(1,254,320)	(7,314,088)	17,171,629	20,400,128	18,023,315	9,645,077
Total Governmental Funds	\$ 36,156,765	\$ 42,084,421	\$ 39,920,186	\$ 52,911,864	\$ 29,509,461	\$ 21,448,705	\$ 43,086,002	\$ 45,361,894	\$ 44,034,646	\$ 38,535,195

CITY OF FRANKLIN, TENNESSEE

**Financial Trends Information -
Changes in Fund Balances - Governmental Funds**
(Prepared using the modified accrual basis of accounting)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues	\$ 32,989,084	\$ 35,475,678	\$ 40,358,863	\$ 43,954,432	\$ 43,623,109	\$ 40,086,682	\$ 41,242,751	\$ 42,519,192	\$ 42,985,437	\$ 45,969,516
Taxes	3,743,087	4,619,746	6,908,558	6,532,260	6,502,784	3,765,669	3,206,126	6,198,399	5,329,720	7,603,115
Licenses and permits	796,601	3,066,290	4,327,217	4,664,553	5,276,826	6,676,550	6,941,540	8,908,640	9,186,271	9,264,390
Fines and fees	1,701,830	6,268,757	7,039,176	10,246,007	17,980,903	15,100,893	8,155,250	16,698,318	25,631,707	15,973,111
Charges for services	5,154,507	1,282,069	4,022,396	2,045,124	2,827,770	1,593,380	1,394,821	1,319,104	1,319,104	816,950
Intergovernmental	649,789	1,750,000	352,038	512,774	118,122	387,919	331,740	215,110	496,948	1,513,225
Uses of money and property	511,386	1,750,000	352,038	512,774	118,122	387,919	331,740	215,110	496,948	1,513,225
Miscellaneous	45,546,284	55,216,257	64,030,656	68,940,330	77,280,828	68,824,420	62,464,916	76,879,525	86,033,637	81,964,587
Total revenues										
Expenditures										
Elected officials	-	-	-	-	176,746	161,435	193,640	136,692	202,515	183,406
Administration	1,336,029	970,733	1,165,433	1,209,609	1,151,644	861,498	379,780	495,904	582,714	478,456
Human resources	-	86,550	84,048	640,239	645,386	802,800	689,703	889,713	1,069,174	823,598
Legal	-	-	-	123,775	355,360	218,523	234,653	334,594	387,358	283,786
Communications	724,989	746,855	737,586	105,768	116,387	110,511	250,304	305,346	318,505	300,211
Capital investment planning	-	-	-	-	-	-	193,505	236,110	206,418	159,152
Project & facilities management	796,193	877,707	987,339	373,350	522,552	581,352	511,567	738,229	782,167	634,151
Revenue management	-	338,697	302,844	969,927	1,112,775	1,167,045	385,355	1,283,643	1,341,821	166,427
Public safety:										
Police	8,382,149	8,804,570	9,435,821	11,979,814	12,818,426	12,961,061	13,704,946	14,499,023	14,414,109	13,703,100
Fire	7,546,098	8,418,860	8,897,622	11,109,551	12,864,924	12,144,030	12,155,554	12,450,359	12,460,480	12,817,855
Finance	565,054	646,097	803,731	1,326,674	1,585,448	1,817,211	1,755,271	836,972	877,470	687,679
Municipal information and technology	-	-	-	164,113	184,052	119,616	129,065	140,776	156,738	134,412
Purchasing	454,124	481,601	645,668	239,496	239,482	243,246	268,352	247,575	281,966	217,568
Court	167,095	177,932	194,797	1,709,602	1,827,452	1,952,948	1,857,185	1,869,310	1,958,127	2,101,158
Building & neighborhood services	986,856	1,165,193	1,296,516	1,093,682	1,320,076	1,388,681	1,400,790	1,362,339	1,220,100	1,216,935
Planning	554,525	567,196	688,975	852,251	1,050,935	1,277,226	727,311	588,560	761,838	631,300
Engineering	-	-	-	-	-	-	-	-	-	-
Operations center	-	-	-	-	-	-	-	-	-	-
Traffic operations	-	-	-	-	-	-	-	-	-	-
Parks	3,230,016	296,571	276,082	1,708,657	1,947,593	2,155,891	2,318,156	3,162,220	2,561,137	459,315
Streets-maintenance	-	6,173,264	2,441,732	3,175,789	4,861,308	6,863,021	6,641,212	6,066,942	6,282,477	6,367,667
Streets-traffic	-	-	-	-	-	-	-	913,788	948,377	790,995
Streets-fleet	-	-	-	-	-	-	662,683	849,948	586,722	596,448
General government	6,292,394	4,850,503	5,087,787	(215,294)	1,059,147	713,022	3,227,691	943,197	1,127,485	1,735,157
Sanitation	3,518,543	4,744,880	5,548,426	5,954,751	6,438,933	6,129,249	5,636,808	7,366,610	7,265,672	7,025,547
Storm water	529,347	534,935	633,195	1,012,728	573,359	644,762	1,048,680	1,246,262	1,401,563	1,517,703
Transit	883,254	1,030,481	1,240,277	973,234	1,014,582	1,026,204	858,064	1,195,802	1,185,600	1,381,776
Debt service										
Principal	1,716,946	1,946,000	2,725,000	3,318,000	3,463,000	3,628,000	4,584,980	5,823,000	6,361,000	6,469,000
Interest	539,767	887,477	1,520,878	1,877,869	2,161,712	2,309,437	1,350,478	4,199,034	4,261,808	4,277,301
Other charges	147,236	122,055	74,417	243,294	156,521	158,249	109,485	583,532	85,493	199,479
Capital outlay - noncapital	441,368	3,562,508	6,859,583	3,011,051	718,047	718,047	-	-	-	-
Capital outlay - capital	15,855,200	24,183,869	18,862,605	22,554,777	41,685,682	41,358,605	25,089,968	18,595,950	16,004,450	16,944,065
Total expenditures	\$ 54,667,183	\$ 71,614,534	\$ 70,510,362	\$ 76,358,294	\$ 100,792,343	\$ 102,470,674	\$ 87,240,874	\$ 90,492,066	\$ 88,048,447	\$ 88,939,732
Excess (deficiency) of revenues over (under) expenditures	(9,120,899)	(18,398,277)	(6,479,706)	(7,417,964)	(23,511,515)	(33,646,254)	(24,775,958)	(13,612,541)	(2,014,810)	(6,975,145)
Other financing sources (uses):										
Proceeds from issuance of long-term debt	9,770,000	26,967,194	4,315,468	20,356,658	520,183	25,630,498	45,881,353	33,206,236	687,562	1,475,694
Transfer to bond escrow agent	(7,836,391)	(2,504,317)	-	-	-	-	-	(17,317,803)	-	(22,500,000)
Operating transfers in	7,015,766	4,923,254	9,673,897	5,040,755	5,245,176	4,383,016	6,955,030	7,831,891	5,794,421	6,740,323
Operating transfers out	(7,015,766)	(4,923,254)	(9,673,897)	(5,040,755)	(5,470,176)	(4,428,016)	(7,000,030)	(7,831,891)	(5,794,421)	(6,740,323)
Total other financing sources (uses)	1,933,609	24,462,877	4,315,468	20,356,658	295,183	25,585,498	45,836,353	15,888,433	687,562	(21,024,306)
Net changes in fund balances	\$ (7,187,290)	\$ 6,064,600	\$ (2,164,238)	\$ 12,938,694	\$ (23,216,332)	\$ (8,060,756)	\$ 21,060,395	\$ 2,275,892	\$ (1,327,348)	\$ (27,999,451)
Debt service as a % of noncapital expenditures	6.19%	6.23%	8.36%	10.11%	9.73%	9.97%	9.73%	14.75%	14.86%	15.20%

CITY OF FRANKLIN, TENNESSEE

Revenue Capacity Information -
Local Sales Tax Collections

FISCAL YEAR	Estimate of Taxable Sales to Local Sales Tax	Local Sales Tax		Total Local Sales Tax Collected	Less: County Portion (1/2 of tax)	Less: County Admin Fee (1% of City's 1/2 of tax)	Local Sales Tax Received by City	Percent of General Fund Revenue
		Rate (City & Willamson County)						
2013	\$ 2,334,072,548	2.25%	\$ 52,516,632	\$ (26,258,316)	\$ (262,583)	\$ 25,995,733	49.35%	
2012	2,172,607,228	2.25%	48,883,663	(24,441,831)	(244,418)	24,197,413	47.48%	
2011	2,040,014,905	2.25%	45,900,335	(22,950,168)	(229,502)	22,720,666	44.81%	
2010	1,882,812,211	2.25%	42,363,275	(21,181,637)	(211,816)	20,969,821	45.41%	
2009	1,899,219,214	2.25%	42,732,432	(21,366,216)	(213,662)	21,152,554	42.25%	
2008	2,081,744,916	2.25%	46,839,261	(23,419,630)	(234,196)	23,185,434	42.31%	
2007	2,144,580,382	2.25%	48,253,059	(24,126,529)	(241,265)	23,885,264	45.08%	
2006	1,975,820,696	2.25%	44,455,966	(22,227,983)	(222,280)	22,005,703	46.65%	
2005	1,776,515,466	2.25%	39,971,598	(19,985,799)	(199,858)	19,785,941	48.07%	
2004	1,642,825,679	2.25%	36,963,578	(18,481,789)	(184,818)	18,296,971	47.43%	

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 Estimated Actual Value of Taxable Property

FISCAL YEAR	Real Property Assessment			Personal Property Assessment			Public Utility Assessment			Total Taxable Assessed Value	Estimated Actual Taxable Value	Taxable Assessed Value as a Percentage of Estimated Actual Value	Total Direct Rate
	Residential & Farm Property	Industrial & Commercial Property	Industrial & Commercial Property	Industrial & Commercial Property	Intangible Property	State Assessment	Local Assessment	State Assessment	Local Assessment				
2013	\$ 1,523,744,360	\$ 1,487,649,998	\$ 148,889,463	\$ 1,275,280	\$ 56,228,260	\$ -	\$ -	\$ 10,442,405,019	\$ 3,217,787,361	\$ 30.81%	0.3765		
2012	1,492,455,650	1,477,904,852	152,009,171	915,060	54,282,799	471,130	3,178,038,662	10,298,785,436	3,178,038,662	30.86%	0.3765		
2011	1,396,203,808	1,171,557,561	148,428,180	531,997	52,470,801	-	2,769,192,347	9,963,638,570	2,769,192,347	27.79%	0.4340		
2010	1,371,758,898	1,140,259,084	129,518,412	572,304	47,032,940	192,390	2,689,334,028	10,225,661,696	2,689,334,028	26.30%	0.4340		
2009	1,322,570,226	1,029,940,678	121,389,801	-	42,896,113	192,390	2,516,989,208	9,637,668,952	2,516,989,208	26.12%	0.4340		
2008	1,227,826,775	1,000,170,840	125,258,855	-	46,132,783	192,390	2,399,581,643	7,948,798,841	2,399,581,643	30.19%	0.4340		
2007	1,130,759,300	967,302,320	116,376,596	-	45,208,630	221,540	2,259,868,386	7,433,188,531	2,259,868,386	30.40%	0.4340		
2006	838,883,725	719,932,760	98,346,952	-	38,205,538	685,190	1,696,054,165	6,162,312,297	1,696,054,165	27.52%	0.5500		
2005	726,721,150	685,839,480	100,221,979	-	38,207,039	210,789	1,551,200,437	5,292,203,841	1,551,200,437	29.31%	0.5500		
2004	669,984,175	675,626,160	96,306,693	-	36,527,952	495,210	1,478,940,190	5,010,082,404	1,478,940,190	29.52%	0.5500		

Source: Tax Aggregate Report of Tennessee

Note: Property of the City is reappraised periodically. Tax rates are per \$100 of assessed value.

CITY OF FRANKLIN, TENNESSEE

**Revenue Capacity Information -
Property Tax Rates - Direct and Overlapping Governments***

Fiscal Year	Direct Rate			Overlapping Rate	
	City of Franklin*			Williamson County **	
	General Fund	Debt Service Fund	Total Direct Rate	Total Overlapping Rate	Total Direct and Overlapping
2013	\$ 0.2149	\$ 0.1616	\$ 0.3765	\$ 2.9510	\$ 3.3275
2012	0.2108	0.1657	0.3765	2.9510	3.3275
2011	0.2410	0.1930	0.4340	3.1800	3.6140
2010	0.3200	0.1140	0.4340	3.1700	3.6040
2009	0.4340	---	0.4340	3.1700	3.6040
2008	0.4340	---	0.4340	3.0700	3.5040
2007	0.4340	---	0.4340	3.0300	3.4640
2006	0.5500	---	0.5500	3.5900	4.1400
2005	0.5500	---	0.5500	3.4800	4.0300
2004	0.5500	---	0.5500	3.6600	4.2100

Beginning in fiscal year 2010, the direct rate was separated between the General Fund and the Debt Service Fund.

* 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:

2013	\$ 2.2000
2012	2.2000
2011	2.2000
2010	2.2000
2009	2.2000
2008	2.2000
2007	2.2000
2006	2.7200
2005	2.7200
2004	2.7200

CITY OF FRANKLIN, TENNESSEE

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

<u>Taxpayer</u>	<u>2004</u>		<u>2013</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	\$ 14,888,363	1.01%	\$ 21,157,660	0.66%
Middle TN Electric Membership Corp	6,787,211	0.46%	13,420,158	0.42%
Bell South Telecommunications	8,628,301	0.58%		
<u>Real and Personal Property Tax</u>				
Galleria Associates	36,411,360	2.46%	59,953,120	1.86%
HRLP Cool Springs LLC			36,540,840	1.14%
Carothers Office ACQ LLC			29,792,480	0.93%
Landings F C LP	15,861,235	1.07%	24,381,720	0.76%
Wyndchase LLC	13,104,858	0.89%	24,208,600	0.75%
Farms Apartments Associate			19,126,880	0.59%
Lightman Cool Springs			18,110,880	0.56%
Williamson Farmers Co-Op	12,216,497	0.83%		
Crescent Resources	11,204,920	0.76%		
Boyle Cool Springs Joint Venture			18,131,240	0.56%
Williams W. Fred Trust	16,626,040	1.12%		
Franklin Realco LLC			16,834,200	0.52%
Alara Franklin Corp			15,710,680	0.49%
Franklin Cool Springs Corp	9,926,486	0.67%	15,669,347	0.49%
AGL/SLC McEwen No 1 LLC			15,176,080	0.47%
United Dominion Realty LP	8,252,484	0.56%	14,421,957	0.45%
Weeks Realty			13,555,760	0.42%
AGL/SLC McEwen No 2 LLC			13,177,520	0.41%
Cool Springs Market LP	8,400,000	0.57%		
Crown Brook Ltd	9,600,000	0.65%		
Hammons John Q.	8,276,360	0.56%		
Thoroughbred Village LLC	9,241,120	0.62%		
Noble Investments	8,792,520	0.59%		
Totals	<u>\$ 198,217,755</u>	<u>13.40%</u>	<u>\$ 369,369,122</u>	<u>11.48%</u>

* Total assessed valuation in 2004 (tax year 2003) was \$1,478,940,190.

** Total assessed valuation in 2013 (tax year 2012) is \$3,217,787,361.

CITY OF FRANKLIN, TENNESSEE

**Revenue Capacity Information -
Property Tax Levies and Collections**

Fiscal Year	Total Tax Levy	Collected Within One Year of Levy	Percent Collected	Collections in Subsequent Years	Total Collections	Total	
						Collections as Percent of Total Levy	Outstanding Delinquent Taxes
2013	\$ 11,902,186	\$ 11,724,940	98.51%	\$ -	\$ 11,724,940	98.51%	\$ 177,246
2012	11,718,525	11,519,012	98.30%	143,129	11,662,141	99.52%	56,384
2011	11,785,700	11,507,981	97.87%	252,833	11,760,814	99.79%	24,886
2010	11,468,281	11,159,219	97.31%	290,339	11,449,558	99.84%	18,723
2009	10,739,928	10,429,879	97.11%	300,203	10,730,082	99.91%	9,846
2008	10,212,816	10,042,817	98.34%	146,149	10,188,966	99.77%	23,850
2007	9,611,622	9,435,282	98.17%	173,558	9,608,840	99.97%	2,782
2006	9,328,587	9,152,371	98.11%	174,920	9,327,291	99.99%	1,296
2005	8,619,512	8,468,288	98.25%	149,237	8,617,525	99.98%	1,987
2004	8,134,453	7,970,209	97.98%	160,816	8,131,025	99.96%	3,428

CITY OF FRANKLIN, TENNESSEE

Debt Capacity Information -
Ratios of Outstanding Debt by Type

Fiscal Year	Governmental Activities		Business-type Activities		Total Outstanding Debt	Personal Income **	Percentage of Personal Income	Population ***	Debt Per Capita
	General Obligation Bonds *	Capital Leases	Water & Sewer Revenue & Tax Bonds *	Capital Leases					
2013	\$ 120,136,535	\$ 2,357,012	\$ 45,875,189	\$ -	\$ 168,368,736	\$59,399	4.54%	62,487	\$ 2,694.46
2012	126,742,579	1,413,816	48,839,368	77,313	177,073,076	59,399	4.77%	62,487	2,833.76
2011	133,230,841	1,366,034	51,972,602	177,540	186,747,017	59,399	5.03%	62,487	2,988.57
2010	122,794,047	1,881,353	53,969,872	-	178,645,272	56,871	5.59%	56,219	3,177.67
2009	82,749,628	-	46,243,053	-	128,992,681	52,455	4.37%	56,219	2,294.47
2008	60,117,258	-	35,200,000	-	95,317,258	56,395	3.01%	56,219	1,695.46
2007	63,580,258	-	37,310,000	-	100,890,258	54,367	3.76%	49,412	2,041.82
2006	46,586,662	-	39,350,000	-	85,936,662	52,336	3.32%	49,412	1,739.19
2005	45,016,194	-	41,315,000	-	86,331,194	48,559	3.83%	46,416	1,859.94
2004	22,450,000	-	44,195,000	-	66,645,000	45,730	3.14%	46,416	1,435.82

* This amount includes unamortized premiums

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

*** Tennessee Certified Populations

CITY OF FRANKLIN, TENNESSEE

Debt Capacity Information -
Ratios of General Bonded Debt Outstanding

FISCAL YEAR	General Obligation Debt *	Less: Amounts Available in Debt Service Fund **	Net General Obligation Debt Service	Appraise Value ***	Ratio of Net General Obligation Debt to Appraised Value	Population ****	Net General Obligation Debt Per Capita
2013	\$ 120,136,535	\$ 84,729	\$ 120,051,806	\$ 10,442,405,019	1.15%	62,487	\$ 1,921.23
2012	126,742,579	318,138	126,424,441	10,298,785,436	1.23%	62,487	2,023.21
2011	133,230,841	1,099,568	132,131,273	9,963,638,570	1.33%	62,487	2,114.54
2010	122,794,047	465,190	122,328,857	10,225,661,696	1.20%	56,219	2,175.93
2009	82,749,628	-	82,749,628	9,637,668,952	0.86%	56,219	1,471.92
2008	60,117,258	-	60,117,258	7,948,798,841	0.76%	56,219	1,069.34
2007	63,580,258	-	63,580,258	7,433,188,531	0.86%	49,412	1,286.74
2006	46,586,662	-	46,586,662	6,162,312,297	0.76%	49,412	942.82
2005	45,016,194	-	45,016,194	5,292,203,841	0.85%	46,416	969.84
2004	22,450,000	-	22,450,000	5,010,082,404	0.45%	46,416	483.67

* This amount includes unamortized premiums

** Fund began in 2010

*** State of TN Comptroller Division of Property Assessment

**** Tennessee Certified Populations

CITY OF FRANKLIN, TENNESSEE

**Debt Capacity Information -
Direct and Overlapping Governmental Activities Debt
June 30, 2013**

<u>Jurisdiction</u>	<u>Debt Outstanding</u>	<u>Percentage Applicable to City</u>	<u>Estimated Share of Overlapping Debt</u>
Williamson County	\$ 462,165,000	38.55% *	\$ 178,164,608
Franklin Special School District	46,617,809	100.00% **	46,617,809
Subtotal, overlapping debt			<u>224,782,417</u>
City of Franklin general obligation direct debt			<u>120,136,535</u>
Total direct and overlapping debt			<u>\$ 344,918,952</u>

* Based upon Assessed Value of Property in:
County \$ 8,347,827,247
City \$ 3,217,787,361

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

CITY OF FRANKLIN, TENNESSEE

**Debt Capacity Information -
Legal Debt Margin Information**

Fiscal Year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Assessed Value	\$ 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	\$ 3,178,038,662	\$ 3,217,787,361
General Obligation Debt*	\$ 22,450,000	\$ 45,016,194	\$ 46,586,662	\$ 63,580,258	\$ 60,117,258	\$ 82,749,628	\$ 122,794,047	\$ 133,230,841	\$ 126,742,579	\$ 120,136,535
Debt as % of Assessed Value	1.52%	2.90%	2.75%	2.81%	2.51%	3.29%	4.57%	4.81%	3.99%	3.73%

Note - The City has no legal debt limit.

*This amount includes unamortized premiums.

CITY OF FRANKLIN, TENNESSEE

Debt Capacity Information -
Water & Sewer Fund
Pledged-Revenue Coverage

Fiscal Year	Gross Revenues*	Contributions, Taps, & Access Fees	Direct Operating Expense**	Net Revenue Available for Debt Service	Debt Service Requirements ***			Coverage
					Principal	Interest	Total	
2013	\$ 22,257,118	\$ 6,728,662	\$ 14,880,678	\$ 14,105,102	\$ 3,671,566	\$ 1,721,346	\$ 5,392,912	2.62
2012	21,246,536	5,307,632	15,293,416	11,260,752	3,113,470	1,714,353	4,827,823	2.33
2011	19,592,351	3,841,390	14,961,368	8,472,373	3,032,418	1,493,066	4,525,484	1.87
2010	16,329,275	3,881,605	13,206,129	7,004,751	3,032,418	1,553,890	4,586,308	1.53
2009	16,637,366	8,613,893	13,584,035	11,667,224	2,180,000	1,605,445	3,785,445	3.08
2008	14,683,178	9,909,838	12,586,828	12,006,188	2,110,000	1,652,048	3,762,048	3.19
2007	14,549,921	6,477,369	11,370,863	9,656,427	2,040,000	1,757,609	3,797,609	2.54
2006	14,051,415	3,371,583	11,146,363	6,276,635	1,965,000	1,900,607	3,865,607	1.62
2005	12,964,822	5,617,974	9,738,762	8,844,034	2,201,850	1,302,931	3,504,781	2.52
2004	12,010,756	3,367,954	9,470,639	5,908,071	1,585,000	851,025	2,436,025	2.43

* Includes nonoperating revenues

** Excludes depreciation and amortization

*** Includes revenue and tax bonds

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 *****		
2013	62,487	\$3,711,665,313	\$59,399	14.2	12,911	5.8%	
2012	62,487	3,711,665,313	59,399	14.2	12,058	5.9%	
2011	62,487	3,711,665,313	59,399	14.2	12,229	7.1%	
2010	56,219	3,132,354,023	56,871	14.5	11,193	6.9%	
2009	56,219	3,132,354,023	52,455	14.4	10,950	8.4%	
2008	56,219	3,132,354,023	56,395	14.4	10,489	4.8%	
2007	49,412	2,705,554,060	54,367	14.4	9,138	4.2%	
2006	49,412	2,561,567,492	52,336	13.9	9,057	4.0%	
2005	46,416	2,272,852,272	48,559	13.9	8,355	4.0%	
2004	46,416	2,115,780,528	45,730	13.9	8,144	4.5%	

* 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: 2011 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.

***** U.S. Bureau of Labor Statistics, rate for June of each year

CITY OF FRANKLIN, TENNESSEE

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

Employer	2004			2013		
	Employees *	Rank	Percentage of Total City Employment	Employees **	Rank	Percentage of Total City Employment
Vanderbilt Medical Group				3,600	1	10.70%
Community Health Systems				2,800	2	8.32%
Nissan North America				1,600	3	4.75%
Williamson Medical Center	1,100	3	4.40%	1,412	4	4.20%
HCA				1,400	5	4.16%
Verizon Wireless				1,300	6	3.86%
Ford Motor Credit	2,400	2	9.59%	800	7	2.38%
Mars Pet Foods				750	8	2.23%
UnitedHealth Group				750	8	2.23%
Lee Company	700	4	2.80%	700	10	2.08%
Cool Springs Galleria Mall***	3,500	1	13.99%			
Progeny Marketing Innovations	625	5	2.50%			
AIM Healthcare	500	6	2.00%			
Atmos Energy	454	7	1.81%			
Plus Mark	450	8	1.80%			
LDM Technologies	380	9	1.52%			
Apcom, Inc.	350	10	1.40%			
Total	10,459		41.80%	15,112		44.91%

* City's 2004 Comprehensive Annual Financial Report

** Williamson County Office of Economic Development, Williamson County Top 25 (Private) Employers 2012

*** Williamson County Office of Economic Development does not report Williamson County Government,

Williamson County Schools, and Cool Springs Galleria Mall in its Top 25 (Private) Employers 2012

CITY OF FRANKLIN, TENNESSEE

Operating Information -
Full-Time Equivalent Employees by Function

Function/Program	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Administration	18	10	11	9	9	9	5	5	6	5
Building and Neighborhood Services	18	20	23	25	27	27	28	28	28	30
Capital Investment Planning	*	*	*	*	*	*	2	2	2	1
Communications	*	1	1	1	1	1	3	3	3	3
Court	3	3	3	3	3	3	3	2	2	2
Engineering	7	8	6	9	11	9	8	8	8	10
Finance	11	11	11	11	11	11	11	11	9	9
Fire	131	138	142	156	158	158	158	158	158	160
HR	5	5	6	6	6	8	8	9	10	11
Law	*	*	*	3	3	3	3	4	4	4
MIT	9	9	10	14	17	17	17	17	17	19
Parks	14	15	18	20	25	29	29	30	31	33
Planning and Sustainability	9	9	11	12	13	17	18	18	18	15
Police	141	151	160	169	176	176	176	175	175	175
Projects and Facilities Management	*	5	5	5	5	5	7	6	6	6
Purchasing	*	*	*	2	2	2	2	2	3	3
Revenue Management	*	7	7	11	14	14	14	13	14	15
Solid Waste	46	49	51	53	56	59	51	51	52	49
Stormwater	5	9	9	11	11	11	11	11	16	16
Streets	35	37	37	41	41	43	52	52	47	49
Traffic Operations Center	*	*	3	3	3	3	3	3	3	4
Water & Sewer	75	74	83	79	81	80	81	82	83	84
TOTAL	527	561	597	643	673	685	690	690	695	703

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

Function/Program	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Police										
Calls for service	52,640	54,560	62,600	55,400	68,758	74,127	76,545	64,719	75,700	77,964
Fire										
Number of alarms	4,245	4,876	4,952	5,200	5,410	5,540	5,878	5,746	5,767	6,115
Sanitation										
Landfill usage	33,437	52,395	76,319	79,121	81,535	70,525	71,589	64,619	59,212	54,190
Recycling (tons)	*	*	*	*	*	5,957	5,233	5,556	6,209	6,781
Codes										
Single family permits	846	903	850	780	668	618	170	309	331	485
Water										
Average daily usage	5,797,010	4,529,169	6,035,953	6,066,378	5,860,000	5,675,000	5,300,000	5,704,268	5,872,863	5,805,912
Water storage capacity (gallons)	10,000,000	10,000,000	10,000,000	10,000,000	11,000,000	11,000,000	11,500,000	12,000,000	12,000,000	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**

Function/Program	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Police										
Police stations	1	1	1	1	1	1	1	1	1	1
Police vehicles (radio equipped)	119	127	139	131	133	149	136	133	152	156
Fire										
Fire stations	5	5	5	5	6	6	6	6	6	6
Fire trucks	12	14	15	17	17	19	19	19	19	22
Fire hydrants	1,975	1,981	1,915	1,916	1,954	2,045	2,074	1,957	3,155*	3325*
Street										
Streets (miles)	235	250	275	290	287	283	283	285	286	293
Parks										
Number of parks	6	6	6	9	10	16	16	16	16	16
Water										
Water lines (miles)	300	301	275	285	274	272	276	284	283	285
Sewer lines (miles)	223	227	311	328	337	347	350	355	352	354

Source: City of Franklin departments

* Provided by City of Franklin Fire Department (for hydrants within City limits)

INTERNAL CONTROL AND COMPLIANCE SECTION

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Franklin, Tennessee (the "City"), as of and for the year ended June 30, 2013 (except for the Fiduciary Pension Fund, which was as of and for the year ended December 31, 2012), and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 10, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.



Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Crosslin & Associates, P.C.

Nashville, Tennessee
December 10, 2013

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited the City of Franklin, Tennessee's (the "City") compliance with the types of compliance requirements described in the *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, 2013. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2013.



Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Crosslin & Associates, P.C.

Nashville, Tennessee
December 10, 2013

**CITY OF FRANKLIN, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Federal Awards

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

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

20.205 - Transportation Planning and Construction, including ARRA	\$ 914,051
97.039 - Hazard Mitigation	<u>544,722</u>
	<u>\$ 1,458,773</u>

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?	_____ yes	_____ <u>X</u> no
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CITY OF FRANKLIN, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Cont.)
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

SECTION II - FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III - FEDERAL AUDIT FINDINGS AND QUESTIONED COSTS

None reported.

SECTION IV - SUMMARY OF PRIOR AUDIT FINDINGS

There were no prior year audit findings.