

City of Franklin, Tennessee

Comprehensive Annual Financial Report



For the Fiscal Year Ended June 30, 2016

CITY OF FRANKLIN, TENNESSEE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2016

Prepared by:
City of Franklin
Department of Finance

CITY OF FRANKLIN, TENNESSEE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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INTRODUCTORY SECTION



HISTORIC
F R A N K L I N
TENNESSEE

ADMINISTRATION


Dr. Ken Moore
 Mayor

Eric S. Stuckey
 City Administrator

 HISTORIC
FRANKLIN
 TENNESSEE

December 13, 2016

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, 2016.

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, PLLC, 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, 2016, 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, 2016 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 66,370 according to the 2013 special census. The City is one of the fastest growing municipalities in the State of Tennessee, with the population increasing by 6% since the 2010 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, 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 71.

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. It is anchored by Belk, Dillard's, JCPenney, and Macy's. There has been expansion to the Belk store, as well as the arrival of the Cheesecake Factory, American Girl, H&M, and Sephora.

Sufficient vacant property, zoned for retail use, is available for further development. According to Colliers Nashville Market Report, the area has a low vacancy rate of available space (1.6% office and 2.9% 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 national, regional, or state headquarters in Franklin; among them are: Community Health Systems, Nissan Americas, Healthways, Verizon Wireless, Lee Company, Medsolutions, Mars Petcare, Ozburn-Hessey Logistics, Franklin American Mortgage, Medhost, Jackson National Life, and Apcom.

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 approved for funding in the 5-year Capital Investment Program (CIP) for 2014-2018 are:

- Fire Station # 8 in the Westhaven Development (construction and furnishings)
- Fire Station # 7 in the Berry Farms Development (construction and furnishings)
- Public Restrooms at the Park at Harlinsdale Farm,
- Carothers Parkway South Extension Gap (2 lanes)
- Columbia Avenue Improvements, Downs Boulevard to Mack Hatcher Parkway (design)
- McEwen Drive, Phase IV, Cool Springs Boulevard to Wilson Pike (final design)
- Franklin Road (final design)
- Sidewalk construction along Highway 96 West, Downs Boulevard to Freedom Intermediate School entrance
- Sidewalk construction along Highway 96 East, Pinkerton Park to Mack Hatcher Parkway

Although the FY 2014-2018 CIP is the most recent update to the City's Capital Investment Program (CIP), recently, staff has proposed expanding the timeframe from five (5) years to ten (10) years (FY 2017-2026). The ultimate intent of this 10-year CIP is to match available funding with needed projects and to highlight any funding shortfalls. Staff compiled a list of projects anticipated within the next ten (10) years. To provide a logical starting point, staff scored these projects using objective questions based on the City's strategic plan. The projects were then listed, both by category and combined, in the following project tiers: Top 25%, Top 50%, Bottom 50%, and Bottom 25%. It is important to note that the tier system is a starting point to present the projects to the Board of Mayor and Aldermen (Board). Ultimately, the Board selects the projects to be funded. The Board funded projects will be referred to as 5-star high priority projects. The CIP document will then be adjusted to reflect the Board's final decisions. Staff recommends revisiting the newly created 10-year CIP on an annual basis, concurrent with the annual operations budget process.

Relevant financial policies

The City has adopted financial policies related to investments, General Fund reserves, debt management, tax compliance on debt, utilization of reserve funds, pension funding, cash receipting, and disbursements. 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 established an emergency and cash flow reserve of a minimum of 33% of budgeted General Fund expenditures (which is \$21.5 million in 2016). As of September 2014, the reserve policy also includes a capital funding reserve for fund balance in excess of 45% of budgeted General Fund expenditures (which is \$8.1 million in 2016). 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. In October 2014, the City adopted a pension funding policy. The City also adopted a cash receipting policy in November 2014. In fiscal year 2016, the City adopted a disbursements policy, approved documentation of its internal controls, and closed its books within 60 days of fiscal year end.

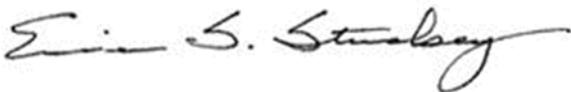
The City continues to explore adopting additional best practice financial policies including budgeting, revenues, economic development, enterprise risk management, capital improvements, and reserves for funds other than the General Fund.

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, 2015. This was the twenty-fifth (25th) 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

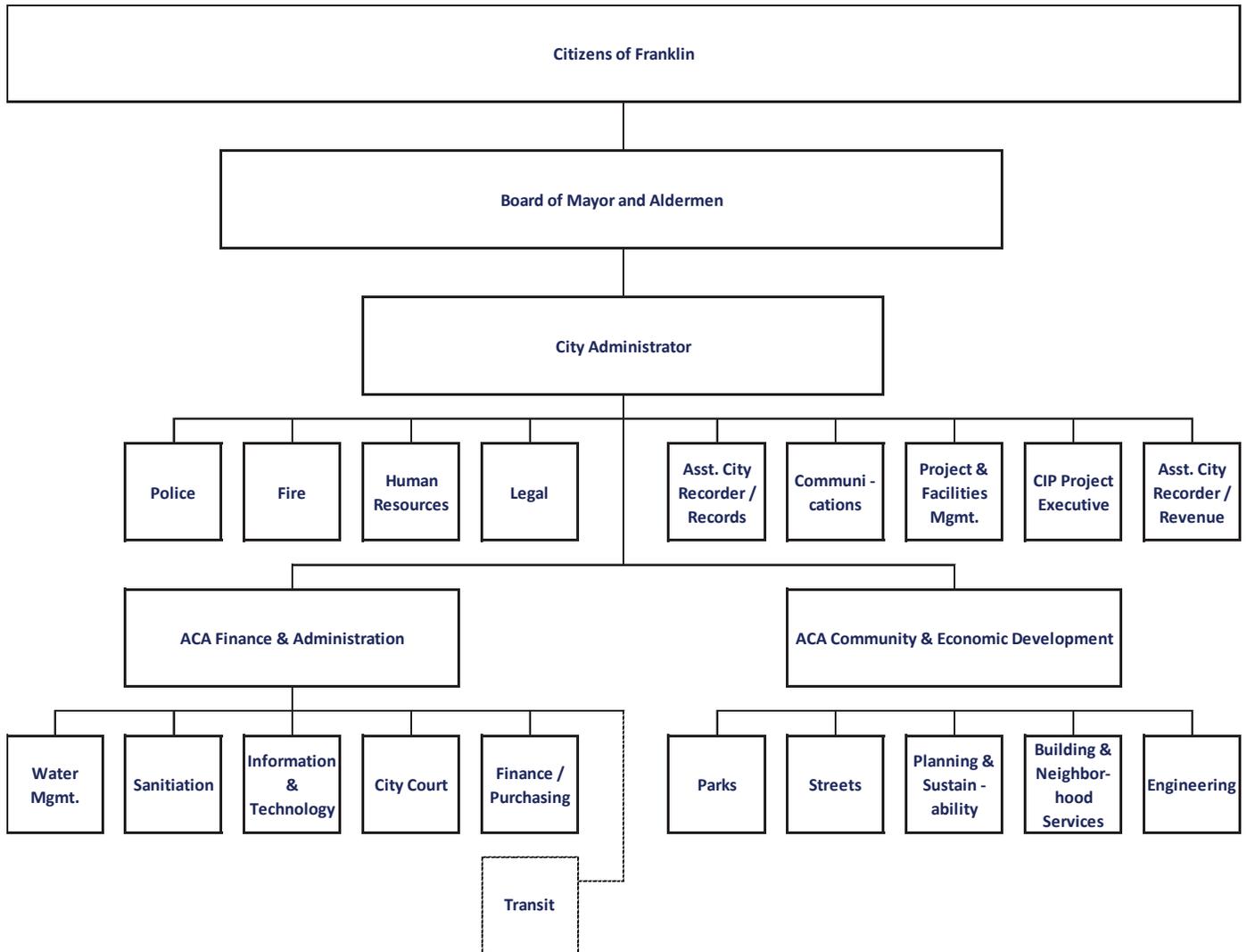
June 30, 2015

A handwritten signature in black ink, reading "Jeffrey R. Egan".

Executive Director/CEO

CITY OF FRANKLIN, TENNESSEE ORGANIZATIONAL CHART

FOR THE FISCAL YEAR ENDED JUNE 30, 2016



CITY OF FRANKLIN, TENNESSEE
LIST OF ELECTED AND APPOINTED OFFICIALS
 JUNE 30, 2016

Elected Officials

Mayor	Ken Moore
Alderman – 1 st Ward	Beverly Burger
Alderman – 2 nd Ward	Dana McLendon
Alderman – 3 rd Ward	Michael Skinner
Alderman – 4 th Ward	Margaret Martin
Alderman – At Large	Clyde Barnhill
Alderman – At Large (Vice-Mayor)	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 (CMFO)
Assistant City Administrator / Community & Economic Development	Vernon Gerth
Building & Neighborhood Services (BNS) Director	Chris Bridgewater
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	Bob Martin (interim)
Police Chief	Deb Faulkner
Sanitation & Environmental Services (SES) Director	Rebecca Caldwell
Streets Director	Joe York
Water Management	Mark Hilty

FINANCIAL SECTION



HISTORIC
F R A N K L I N
TENNESSEE



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, 2016, (except for the Fiduciary Pension Fund, which is as of December 31, 2015 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, 2016 (except for the Fiduciary Pension Fund which is as of December 31, 2015), 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, 2015), in accordance with accounting principles generally accepted in the United States of America.



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 schedule of funding progress - retiree health insurance on page 64, the schedule of employer contributions - retiree health insurance on page 64 the schedule of changes in the net pension liability and related ratios on page 65, the schedule of employer contributions - pension plan on page 66, and the schedule of investment returns - pension plan on page 67, 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 fund financial statements and schedules as listed in the table of contents, 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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State of Tennessee and are also not a required part of the basic financial statements.

The combining and individual 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 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 13, 2016, 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. PLLC

Nashville, Tennessee
December 13, 2016

**CITY OF FRANKLIN, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016**

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, 2016. Management's Discussion and Analysis (MD&A) focuses on current year activities and resulting changes. We encourage readers to consider the information presented here in conjunction with the Letter of Transmittal, which can be found on pages i through iii of this report, 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 \$741,849,717, compared to \$709,805,254 in the previous fiscal year. Of this amount, \$60,730,519 (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 \$57,412,984. In the prior year, this amount was \$43,918,773. The increase of \$13,494,211 is due primarily to development-related activity during the year.
- **General Fund – Fund Balance.** At the end of the current fiscal year, fund balance in the General Fund is \$39,249,586, or almost 66% of General Fund expenditures (including transfers to other funds) of \$59,759,734. The fund balance increased \$3,780,138 from the prior year. The primary impacts on the fund balance in 2016 are increased revenue, cost containment measures implemented by the City to stay within current revenues, and budgeted capital costs in the Traffic Operations Center department that were not incurred.
- **Budget.** The City's 2016 original General Fund budget had a slight draw, \$375,050, from accumulated fund balance. Although the final budget anticipated a draw of up to \$3.8 million, actual results showed an increase in fund balance by almost \$3.8 million.
- **Capital Assets.** The City has undertaken several infrastructure projects including improvements to Hillsboro Road and Carothers Parkway South.
- **Debt.** The City's debt (bonds, bond premiums, and capital leases) decreased by \$11,257,888 (from \$181,825,884 to \$170,567,996) during the current fiscal year. Governmental activities had \$3,236,188 in new capital leases. A total of \$14,190,684 (\$10,778,750 governmental and \$3,411,934 business-type) debt was repaid and \$303,392 premium was amortized during the year.

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 outflow of resources, liabilities and deferred inflow 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 taxes 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.

**CITY OF FRANKLIN, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016**

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 maintains thirteen (13) individual governmental funds. 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 69 and 70 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 71 through 80, and the Debt Service Fund on page 81 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 *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 63 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the City's progress in funding its obligation to provide pension and OPEB benefits to its employees. Required supplementary information can be found on pages 64 through 67 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on pension and OPEB. Combining and individual fund statements and schedules can be found on pages 69 through 81 of this report.

**CITY OF FRANKLIN, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016**

Government-wide Overall Financial Analysis

As noted earlier, net position over time 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 \$741,849,717 at the close of the most recent fiscal year.

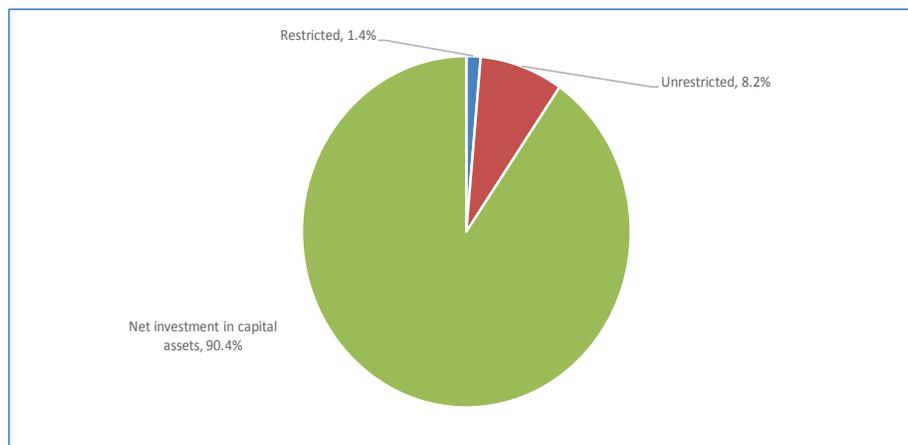
City of Franklin's Net Position

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Current and other assets	\$ 97,580,946	\$ 77,242,627	\$ 37,258,110	\$ 32,381,669	\$ 134,839,056	\$ 109,624,296
Capital assets, net of accumulated depreciation	660,482,247	661,004,324	173,712,376	166,169,138	834,194,623	827,173,462
Total assets	<u>758,063,193</u>	<u>738,246,951</u>	<u>210,970,486</u>	<u>198,550,807</u>	<u>969,033,679</u>	<u>936,797,758</u>
Deferred outflows of resources	<u>13,320,131</u>	<u>3,104,662</u>	<u>2,751,809</u>	<u>1,455,696</u>	<u>16,071,940</u>	<u>4,560,358</u>
Current and other liabilities	16,047,324	14,793,813	1,450,365	1,862,780	17,497,689	16,656,593
Long-term liabilities outstanding	169,344,104	161,073,944	38,787,431	40,646,744	208,131,535	201,720,688
Total liabilities	<u>185,391,428</u>	<u>175,867,757</u>	<u>40,237,796</u>	<u>42,509,524</u>	<u>225,629,224</u>	<u>218,377,281</u>
Deferred inflows of resources	<u>17,626,678</u>	<u>13,175,581</u>	<u>-</u>	<u>-</u>	<u>17,626,678</u>	<u>13,175,581</u>
Net position:						
Net investment in capital assets	531,232,432	526,598,701	139,229,139	128,272,969	670,461,571	654,871,670
Restricted	1,741,592	602,732	8,916,035	13,452,592	10,657,627	14,055,324
Unrestricted	35,391,194	25,106,842	25,339,325	15,771,418	60,730,519	40,878,260
Total net position	<u>\$ 568,365,218</u>	<u>\$ 552,308,275</u>	<u>\$ 173,484,499</u>	<u>\$ 157,496,979</u>	<u>\$ 741,849,717</u>	<u>\$ 709,805,254</u>

The government's net position increased by \$32,044,463. 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 development-related activity revenues and controlled 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, \$670,461,571, or 90.4%, 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, \$10,657,627, or 1.4%, represents resources that are subject to external restriction on how they may be used. The remaining balance of \$60,730,519, or 8.2%, is unrestricted net position that may be used to meet the government's ongoing obligations to citizens and creditors.



**CITY OF FRANKLIN, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016**

Governmental and business-type activities increased the City's net position by \$16,056,943 and \$15,987,520, respectively. Key elements of this increase are as follows:

City of Franklin's Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 14,951,254	\$ 13,424,425	\$ 27,749,661	\$ 25,283,748	\$ 42,700,915	\$ 38,708,173
Operating grants & contributions	4,863,442	4,130,790	-	-	4,863,442	4,130,790
Capital grants & contributions	13,545,685	65,527,923	12,429,719	9,517,652	25,975,404	75,045,575
General revenues:						
Property taxes	13,679,737	13,278,605	-	-	13,679,737	13,278,605
Sales taxes	31,309,367	28,943,994	-	-	31,309,367	28,943,994
Other taxes and fees	42,283,630	29,044,718	-	-	42,283,630	29,044,718
Other	(1,956,347)	(668,516)	253,837	170,074	(1,702,510)	(498,442)
Total revenues	118,676,768	153,681,939	40,433,217	34,971,474	159,109,985	188,653,413
Expenses:						
General government:						
Elected officials	343,182	275,250	-	-	343,182	275,250
Administration	499,029	489,702	-	-	499,029	489,702
Human resources	1,093,125	965,080	-	-	1,093,125	965,080
Legal	354,340	349,276	-	-	354,340	349,276
Communications	363,446	314,956	-	-	363,446	314,956
Capital investment planning	87,490	179,584	-	-	87,490	179,584
Project & facilities management	1,176,182	1,161,760	-	-	1,176,182	1,161,760
Revenue management	205,230	227,607	-	-	205,230	227,607
Finance	836,283	802,805	-	-	836,283	802,805
Information & technology	4,104,824	4,520,824	-	-	4,104,824	4,520,824
Purchasing	177,659	176,188	-	-	177,659	176,188
Court	228,932	199,857	-	-	228,932	199,857
Building & neighborhood services	2,427,771	2,335,652	-	-	2,427,771	2,335,652
Planning	1,680,480	1,383,565	-	-	1,680,480	1,383,565
Engineering	806,847	763,790	-	-	806,847	763,790
Traffic operations center	862,274	828,506	-	-	862,274	828,506
General	12,305,479	4,370,952	-	-	12,305,479	4,370,952
Police	15,009,053	14,418,465	-	-	15,009,053	14,418,465
Fire	15,873,431	14,864,908	-	-	15,873,431	14,864,908
Parks	4,709,152	4,435,890	-	-	4,709,152	4,435,890
Streets-maintenance	21,253,447	18,681,983	-	-	21,253,447	18,681,983
Streets-traffic	1,351,671	1,185,174	-	-	1,351,671	1,185,174
Streets-fleet	881,735	1,017,846	-	-	881,735	1,017,846
Sanitation	8,388,763	7,593,469	-	-	8,388,763	7,593,469
Storm water	2,105,446	1,776,125	-	-	2,105,446	1,776,125
Transit	1,705,932	2,372,642	-	-	1,705,932	2,372,642
Interest expense on long-term debt:	3,988,622	4,087,064	-	-	3,988,622	4,087,064
Water & sewer:	-	-	24,245,697	23,353,227	24,245,697	23,353,227
Total expenses	102,819,825	89,778,920	24,245,697	23,353,227	127,065,522	113,132,147
Transfers	200,000	200,000	(200,000)	(200,000)	-	-
Changes in net position	16,056,943	64,103,019	15,987,520	11,418,247	32,044,463	75,521,266
Net position, beginning of year	552,308,275	488,205,256	157,496,979	146,078,732	709,805,254	634,283,988
Net position, end of year	\$ 568,365,218	\$ 552,308,275	\$ 173,484,499	\$ 157,496,979	\$ 741,849,717	\$ 709,805,254

Governmental Activities

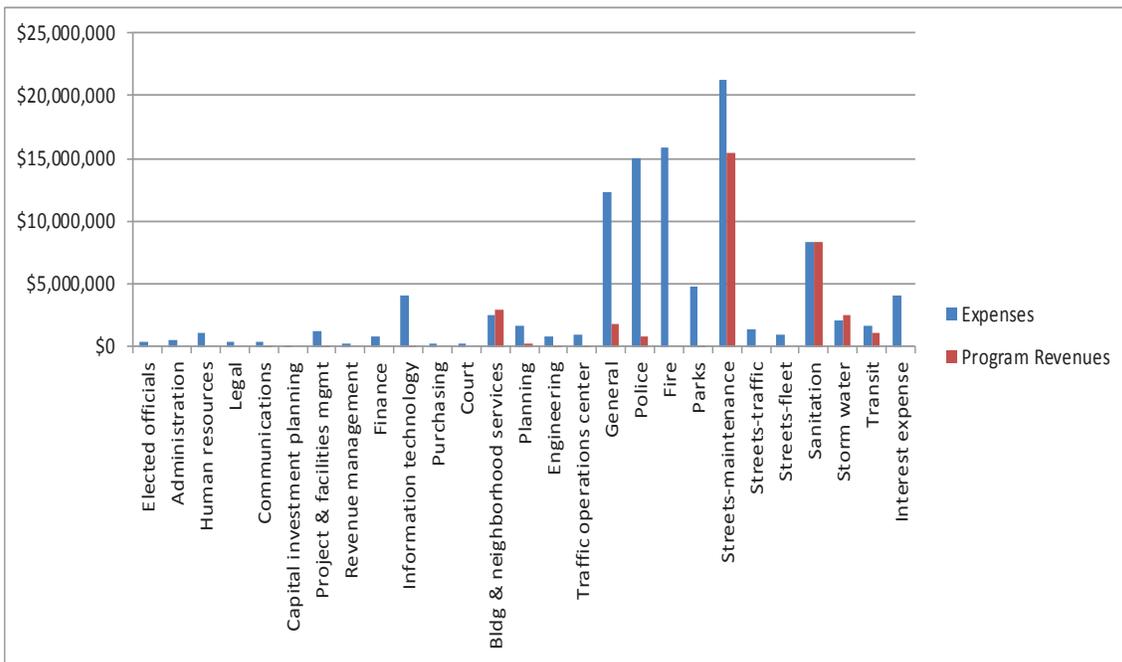
Revenues for governmental activities decreased approximately 22.8% due primarily to decreased capital donations in 2016 compared to 2015. The overall increase in current expenses of governmental activities amounted to approximately 14.5%. A significant portion of the increase is due to pension expense of \$1.6 million and approximately \$7.2 million in disposals and adjustments of capital assets.

Business-Type Activities

Revenues for business-type activities increased 15.6%. The primary factor underlying the increase was rate increases effective January 1, 2016, along with increased capital contributions. Expenses of the business type-activities increased approximately 3.8%.

**CITY OF FRANKLIN, TENNESSEE
MANAGEMENT’S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016**

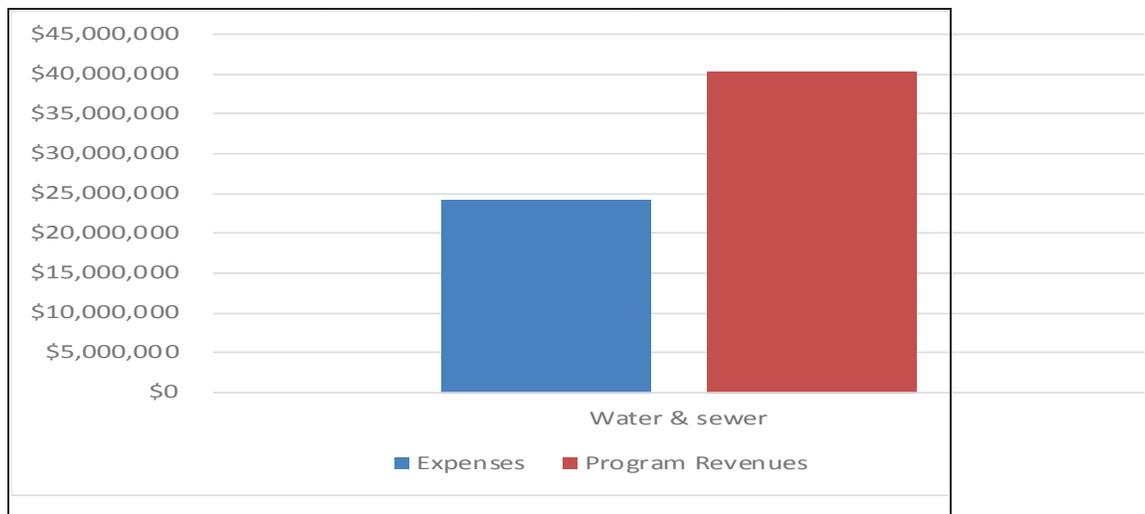
Expenses and Program Revenues – Governmental Activities



Governmental Activities

Expenses for governmental activities was \$102,819,825. Expenses were offset by \$33,360,381 in program revenues. The remainder of \$69,459,444 was covered by \$85,316,387 in general revenues such as property, sales, and other taxes and \$200,000 from the Water and Sewer fund for its portion of the public works facility. The amount of \$16,056,943 represents the improvement in net position in 2016.

Expenses and Program Revenues – Business-type Activities



Business-Type Activities

Expenses for business-type activities was \$24,445,697 (including the \$200,000 transfer for its portion of the public works facility). Expenses were offset by \$40,433,217 in program and general revenues. (Program revenues include \$27.8 million in charges for services.) The amount of \$15,987,520 represents the improvement in net position in 2016.

**CITY OF FRANKLIN, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016**

Financial Analysis of Governmental Funds

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

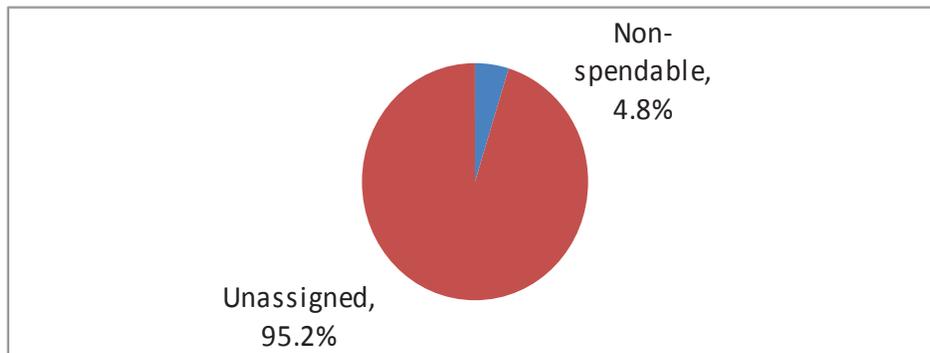
Governmental Funds

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 discretionary use as they represent the portion of fund balance that has not yet been limited to use for a particular purpose.

At June 30, 2016, the City's governmental funds reported combined ending fund balances of \$57,412,984, an increase of \$13,494,211 in comparison with the prior year of \$43,918,773. The increase is due primarily to development-related revenue.

The General Fund is the chief operating fund of the City. The 2016 ending fund balance of \$39,249,586 has the following composition: An amount of \$1,879,610, or 4.8%, is non-spendable for inventory and prepaid items. The remainder of \$37,369,976, or 95.2%, is unassigned. (Additional information on fund balance can be found in the notes to the financial statements on page 61).

General Fund - Fund Balance Composition – 2016



The most significant continuing revenue sources in the General Fund are derived from taxes. Of total General Fund revenues, \$40,569,876, or 63.8%, was from taxes. Local option sales tax increased by \$2,365,373 (from \$28,943,994 to \$31,309,367). The increase in local option sales tax is a positive sign of economic growth in the region. 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. Property taxes for the General Fund decreased by \$564,667 (from \$5,538,001 to \$4,973,334) as a greater percent of the tax was assigned to the debt service fund.

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 fund balance of \$5,000. This amount is consistent with the City's goal for a minimal year-end balance after paying annual debt service.

The Road Impact Fee Fund, due to continued strong collections in 2016, had a fund balance of \$5,019,848. Also, due to strong collections, the Facilities Tax Fund saw its fund balance increase from \$6,717,764 to \$6,976,276. Approximately \$4.6 million was spent from the fund for growth-related expenditures in the fire (\$3.9 million) and sanitation (\$700,000) departments.

In the Hotel/Motel Tax Fund, the fund balance decreased slightly due primarily to budgeted tourism/parks/streetscape project expenditures. The fund balance decreased from \$2,749,596 to \$2,634,109. The In Lieu of Parkland fund, established in fiscal year 2015, had \$1,923,145 in collections and no budgeted expenditures.

**CITY OF FRANKLIN, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016**

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.

Original budget compared to final budget

The original and final budgets (both including transfers) for budgeted funds are as follows:

Fund	Original Budget	Final Budget	Change
General	\$59,886,344	\$65,041,194	\$5,154,850
Street Aid	\$2,400,000	\$2,400,000	\$0
Sanitation	\$7,825,777	\$9,133,116	\$1,307,339
Road Impact	\$2,739,169	\$3,214,491	\$475,322
Facilities Tax	\$4,606,510	\$4,945,972	\$339,462
Storm water	\$5,104,308	\$5,104,308	\$0
Drug	\$127,000	\$127,000	\$0
Hotel/Motel	\$2,570,727	\$4,147,503	\$1,576,776
In Lieu of Parkland	\$0	\$0	\$0
Transit	\$1,808,310	\$1,867,403	\$59,093
CDBG	\$274,706	\$274,706	\$0
Debt Service	\$12,924,146	\$12,924,146	\$0
	\$100,266,997	109,179,839	\$8,912,842

The original General Fund budget was \$59,886,344. The final budget (including transfers) was increased by \$5,154,850 to \$65,041,194. During the year, the budget was amended to include \$1,402,797 for pass-through expenditures for parkland acquisition, \$304,053 for personnel costs, \$23,000 for a community notification system, and \$3,425,000 for interfund transfers.

Other amendments during the year affected the special revenue funds. The Sanitation Fund was amended by \$1,307,339 for additional collection equipment, disposal costs, and maintenance. The Road Impact Fee Fund was amended by \$475,322 for authorized impact fee offsets. The Facilities Tax Fund was amended by \$339,462 to add fire equipment. The Hotel/Motel Tax Fund was amended by \$332,616 for parks, \$36,595 for landscaping improvements, \$1,207,565 for streetscape on Columbia Avenue and Hillsboro Road. The Transit Fund was amended to include \$59,093 for additional operating costs.

There were no amendments to the Street Aid, Storm water, Drug, CDBG and Debt Service funds. (There were no expenditures budgeted in the In Lieu of Parkland Fund.)

Final budget compared to actual results

In the General Fund, the final budget (including transfers) of \$65 million anticipated, \$61.2 million in current revenues and a \$3.8 million allocation from fund balance. Actual results showed an increase in fund balance of \$3.8 million.

Actual revenues were over \$63.5 million. This was \$2.3 million more than anticipated current revenues. The additional revenue was due primarily to increased state-shared taxes, business tax, and building permits.

In conjunction with the additional revenue, cost containment measures allowed the City to finish the year with \$59.7 million in expenditures, or \$1.5 million less than the final budget of \$61.2 million to be paid from current revenues. The primary cost reduction was unused capital budgeted in the Traffic Operations Center department.

Due to increased building activity, development-related revenue in the Road Impact Fee and Facilities Tax Fund was greater than anticipated in the final budget. Road Impact Fees were budgeted at \$6 million. The actual amount was almost \$7.6 million. Facilities Taxes were budgeted at \$2.1 million. Actual collections were \$4.8 million.

**CITY OF FRANKLIN, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016**

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, 2016, is \$834,194,623 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery and equipment, park facilities, roads, highways and bridges.

City of Franklin's Capital Assets
(net of depreciation)

	Governmental Activities	Business-Type Activities	Total
Land	\$ 56,894,136	\$ 5,543,049	\$ 62,437,185
Construction in progress	16,312,567	12,952,188	29,264,755
Buildings and improvements	55,605,457	1,894,438	57,499,895
Improvements other than buildings	15,707,606	-	15,707,606
Utility plant in service	-	152,533,636	152,533,636
Infrastructure	497,570,509	-	497,570,509
Machinery & equipment	18,391,972	789,065	19,181,037
Total capital assets	<u>\$ 660,482,247</u>	<u>\$ 173,712,376</u>	<u>\$ 834,194,623</u>

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

- The City's governmental activities received \$13,432,150 in developer-contributed assets.
- \$3,236,188 in leases permitted acquisition of vehicles for the fleet, parks, and sanitation departments, equipment in the streets department, and technology equipment for information technology and human resources.
- Carothers Parkway South was completed and opened in September 2015.
- Century Court / Beasley Connector was completed and opened in May 2016.
- Construction continued on Fire Station 8 (Westhaven). The station opened in August 2016.
- Construction was underway on the Third Avenue Trail Greenway, part of Bicentennial Park Phase 1.
- Construction began on Phase 2 of the three-lane widening of Hillsboro Road in May 2016.
- Construction began on sidewalk along State Route 96 (Murfreesboro Road) West.
- Construction on modifications to the City's Water Treatment Plant began during fiscal year 2016.
- The City received the first parcels of land that will become Carter Hill Park.

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 46.

**CITY OF FRANKLIN, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016**

Long-term Debt

At the end of the current year, the City of Franklin had bonded debt (including premiums) and capital leases of \$170,567,996. Of this amount, \$135,104,7960 comprises general obligation bonds backed by the full faith and credit of the government, and \$35,463,236 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.

City of Franklin's Outstanding Debt

	Governmental Activities	Business-Type Activities	Total
General Obligation Bonds-Capital *	\$ 123,437,309	\$ -	\$ 123,437,309
General Obligation Bonds-Pension *	8,238,521	-	8,238,521
Revenue and Tax Bonds *	-	35,463,236	35,463,236
Capital Leases	3,428,930	-	3,428,930
Total Outstanding Debt	\$ 135,104,760	\$ 35,463,236	\$ 170,567,996

* Includes unamortized premiums.

The City's debt (bonds, bond premiums, and capital leases) decreased by \$11,257,888 (from \$181,825,884 to \$170,567,996) during the current fiscal year.

Although there were no bond issues in 2016, governmental activities had \$3,236,188 in new capital leases. A total of \$14,190,684 (\$6,843,000 GO bonds-capital, \$940,000 GO bonds-pension, \$2,995,750 governmental leases, and \$3,411,934 business-type bonds) was repaid during the year. A total of \$303,392 (\$182,396 GO bonds-capital, \$8,470 GO bonds-pension, and \$112,526 business-type bonds) in premiums were amortized during the year.

The City of Franklin maintains an "Aaa/AAA" Rating for general obligation debt. This rating was first received by Moody's in 2000 and last affirmed in March 2015 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. The City's debt policy establishes debt capacity ranges.

Additional information on the City of Franklin's long-term debt can be found in the notes to the financial statements section of this report beginning on page 55.

Economic Factors and Next Year's Budget and Rates

The unemployment rate (not seasonally adjusted) for June 2016 for the City of Franklin was 3.5%, compared to the State of Tennessee's rate of 5.0% and a national average of 5.1%. In addition to the unemployment rate, factors considered in preparing the City's budget for fiscal year 2017 included:

1. Reduction by the State of the Hall income tax from 6% to 5%. The rate will reduce an additional 1% each year until eliminated. Based on the 2016 collection of \$4.5 million, this would be a \$750,000 reduction in general fund revenue. This limitation may significantly affect the availability of fund resources for future use.
2. In conjunction with the scheduled reappraisal of property, the property tax rate for fiscal year 2017 will be 41.76 cents per \$100 of assessed value. (In 2016, it was 40.65 cents.) In addition to general revenue, this rate allows payment of debt service, streets maintenance, and funding for capital projects.

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



HISTORIC
FRANKLIN
TENNESSEE

CITY OF FRANKLIN, TENNESSEE
STATEMENT OF NET POSITION
 JUNE 30, 2016

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 26,569,806	\$ 4,883,631	\$ 31,453,437
Cash and cash equivalents-restricted	1,685,971	8,916,035	10,602,006
Investments	21,328,486	18,078,791	39,407,277
Receivables (net of allowance for uncollectibles)	40,350,017	5,040,421	45,390,438
Inventory	1,232,335	339,232	1,571,567
Prepaid items and other assets	785,596	-	785,596
Net investment in joint venture - Conference Center	5,628,735	-	5,628,735
Capital assets, not being depreciated:			
Land	56,894,136	5,543,049	62,437,185
Construction in progress	16,312,567	12,952,188	29,264,755
Capital assets, net of accumulated depreciation:			
Buildings and improvements	55,605,457	1,894,438	57,499,895
Improvements other than buildings	15,707,606	-	15,707,606
Utility plant in service	-	152,533,636	152,533,636
Infrastructure	497,570,509	-	497,570,509
Machinery and equipment	18,391,972	789,065	19,181,037
Total assets	<u>758,063,193</u>	<u>210,970,486</u>	<u>969,033,679</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refundings	273,249	979,999	1,253,248
Pensions	13,046,882	1,771,810	14,818,692
Total deferred outflows of resources	<u>13,320,131</u>	<u>2,751,809</u>	<u>16,071,940</u>

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

(Continued)

CITY OF FRANKLIN, TENNESSEE
STATEMENT OF NET POSITION (Cont.)
 JUNE 30, 2016

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
LIABILITIES			
Accounts payable	\$ 9,888,364	\$ 1,225,862	\$ 11,114,226
Accrued liabilities	4,171,925	-	4,171,925
Accrued interest payable	1,327,855	224,503	1,552,358
Unearned revenue	659,180	-	659,180
Long-term liabilities:			
Due within one year	13,325,585	3,964,413	17,289,998
Due in more than one year	136,995,336	32,253,536	169,248,872
Net pension liability	19,023,183	2,569,482	21,592,665
Total liabilities	<u>185,391,428</u>	<u>40,237,796</u>	<u>225,629,224</u>
DEFERRED INFLOWS OF RESOURCES			
January 1, 2016 property tax levy	17,626,678	-	17,626,678
Total deferred outflows of resources	<u>17,626,678</u>	<u>-</u>	<u>17,626,678</u>
NET POSITION			
Net investment in capital assets	531,232,432	139,229,139	670,461,571
Restricted for:			
Grant program use	85,185	-	85,185
State street aid	373,415	-	373,415
Sanitation use	767,350	-	767,350
Drug fund use	515,642	-	515,642
Water and sewer	-	8,916,035	8,916,035
Unrestricted	35,391,194	25,339,325	60,730,519
Total net position	<u>\$ 568,365,218</u>	<u>\$ 173,484,499</u>	<u>\$ 741,849,717</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, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Primary government							
Governmental activities:							
Elected officials	\$ 343,182	\$ -	\$ -	\$ -	\$ (343,182)	\$ -	\$ (343,182)
Administration	499,029	-	-	-	(499,029)	-	(499,029)
Human resources	1,093,125	-	-	-	(1,093,125)	-	(1,093,125)
Legal	354,340	-	-	-	(354,340)	-	(354,340)
Communications	363,446	3,600	-	-	(359,846)	-	(359,846)
Capital investment planning	87,490	-	-	-	(87,490)	-	(87,490)
Project & facilities management	1,176,182	-	15,071	-	(1,161,111)	-	(1,161,111)
Revenue management	205,230	-	-	-	(205,230)	-	(205,230)
Finance	836,283	-	-	-	(836,283)	-	(836,283)
Information technology	4,104,824	2,752	-	-	(4,102,072)	-	(4,102,072)
Purchasing	177,659	-	-	-	(177,659)	-	(177,659)
Court	228,932	-	-	-	(228,932)	-	(228,932)
Building & neighborhood services	2,427,771	2,921,320	62,319	-	555,868	-	555,868
Planning	1,680,480	172,185	-	-	(1,508,295)	-	(1,508,295)
Engineering	806,847	50	-	-	(806,797)	-	(806,797)
Traffic operations center	862,274	-	56,918	-	(805,356)	-	(805,356)
General government	12,305,479	121,946	1,728,903	-	(10,454,630)	-	(10,454,630)
Public safety:							
Police	15,009,053	814,774	22,308	-	(14,171,971)	-	(14,171,971)
Fire	15,873,431	-	-	-	(15,873,431)	-	(15,873,431)
Parks	4,709,152	-	75,241	-	(4,633,911)	-	(4,633,911)
Streets-maintenance	21,253,447	18,040	1,940,412	13,432,150	(5,862,845)	-	(5,862,845)
Streets-traffic	1,351,671	-	-	-	(1,351,671)	-	(1,351,671)
Streets-fleet	881,735	-	-	-	(881,735)	-	(881,735)
Sanitation	8,388,763	8,346,213	22,277	-	(20,273)	-	(20,273)
Storm water	2,105,446	2,461,914	-	-	356,468	-	356,468
Transit	1,705,932	88,460	939,993	113,535	(563,944)	-	(563,944)
Interest and amortization on long-term debt	3,988,622	-	-	-	(3,988,622)	-	(3,988,622)
	102,819,825	14,951,254	4,863,442	13,545,685	(69,459,444)	-	(69,459,444)
Business-type activities:							
Water and sewer	24,245,697	27,749,661	-	12,429,719	-	15,933,683	15,933,683
Total primary government	\$ 127,065,522	\$ 42,700,915	\$ 4,863,442	\$ 25,975,404	\$ (69,459,444)	\$ 15,933,683	\$ (53,525,761)
General revenues:							
Property taxes					13,679,737	-	13,679,737
Sales taxes					31,309,367	-	31,309,367
Wholesale privilege tax					1,612,550	-	1,612,550
Beer privilege tax					23,706	-	23,706
Wholesale liquor tax					1,349,136	-	1,349,136
Liquor privilege tax					94,605	-	94,605
Hotel/motel tax					3,557,971	-	3,557,971
Other state shared taxes					17,777,101	-	17,777,101
Access fees and taxes					15,579,078	-	15,579,078
Franchise taxes					2,289,483	-	2,289,483
Investment earnings (loss)					(1,956,347)	242,405	(1,713,942)
Other					-	11,432	11,432
Total general revenues					85,316,387	253,837	85,570,224
Transfers					200,000	(200,000)	-
Total general revenues and transfers					85,516,387	53,837	85,570,224
Change in net position					16,056,943	15,987,520	32,044,463
Net position - beginning of year					552,308,275	157,496,979	709,805,254
Net position - end of year					\$ 568,365,218	\$ 173,484,499	\$ 741,849,717

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

CITY OF FRANKLIN, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

	<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	\$ 9,356,848	\$ 1,000	\$ 5,000	\$ 18,892,929	\$ 28,255,777
Investments	15,713,121	-	-	5,615,365	21,328,486
Receivables (net of allowance for uncollectibles)	25,839,095	3,410,108	7,477,356	3,623,458	40,350,017
Due from other funds	7,537,312	-	-	-	7,537,312
Inventory	1,175,214	-	-	57,121	1,232,335
Prepaid items	704,396	-	-	-	704,396
Total assets	<u>\$ 60,325,986</u>	<u>\$ 3,411,108</u>	<u>\$ 7,482,356</u>	<u>\$ 28,188,873</u>	<u>\$ 99,408,323</u>
LIABILITIES					
Accounts payable	\$ 7,368,608	\$ 1,371,111	\$ -	\$ 1,148,645	\$ 9,888,364
Accrued liabilities	3,227,349	-	-	-	3,227,349
Due to other funds	-	7,537,312	-	-	7,537,312
Unearned revenue	425,886	-	-	233,294	659,180
Total liabilities	<u>11,021,843</u>	<u>8,908,423</u>	<u>-</u>	<u>1,381,939</u>	<u>21,312,205</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue-property tax-Jan. 1, 2016 levy	8,787,850	680,736	7,477,356	680,736	17,626,678
Unavailable revenue-property taxes	125,685	-	-	-	125,685
Unavailable revenue-assessments	53,762	-	-	-	53,762
Unavailable revenue-franchise fees	489,148	-	-	-	489,148
Unavailable revenue-court fines	488,621	-	-	-	488,621
Unavailable revenue-grant proceeds	109,491	1,685,483	-	79,914	1,874,888
Unavailable revenue-reimbursements	-	24,352	-	-	24,352
Total deferred inflows of resources	<u>10,054,557</u>	<u>2,390,571</u>	<u>7,477,356</u>	<u>760,650</u>	<u>20,683,134</u>
FUND BALANCES (DEFICITS)					
Non-Spendable	1,879,610	-	-	57,121	1,936,731
Restricted	-	-	-	1,685,971	1,685,971
Committed	-	-	5,000	17,243,117	17,248,117
Assigned	-	-	-	7,060,075	7,060,075
Unassigned	37,369,976	(7,887,886)	-	-	29,482,090
Total fund balances (deficits)	<u>39,249,586</u>	<u>(7,887,886)</u>	<u>5,000</u>	<u>26,046,284</u>	<u>57,412,984</u>
Total liabilities, deferred inflows of resources, and fund balances (deficits)	<u>\$ 60,325,986</u>	<u>\$ 3,411,108</u>	<u>\$ 7,482,356</u>	<u>\$ 28,188,873</u>	<u>\$ 99,408,323</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, 2016

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)	\$ 57,412,984
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	870,925,422
Less related accumulated depreciation	(210,443,175)
Investment in joint venture - Conference Center	<u>5,628,735</u>
	666,110,982
Receivables not available to pay for current expenditures and, therefore, are unavailable in the funds	
Property taxes	125,685
Assessments	53,762
Franchise fees	489,148
Court fines	488,621
Grant revenues	1,874,888
Reimbursements	<u>24,352</u>
	3,056,456
Long-term items, including bonds and leases payable, are not due in the current period and, therefore, are not reported in the governmental funds	
Bonds outstanding	(129,490,000)
Bond premiums	(2,185,830)
Deferred loss on refunding	273,249
Derivative instruments	(6,631,146)
Leases outstanding	(3,428,930)
Net pension liability	(19,023,183)
Deferred outflows of resources - pensions	13,046,882
Employee benefits and other	<u>(9,448,391)</u>
	(156,887,349)
Payables, such as accrued interest payable, are not due and payable in the current period, and therefore are not reported in the funds	<u>(1,327,855)</u>
Net position - governmental activities (Page 13)	<u>\$ 568,365,218</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, 2016

	<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	\$ 40,569,876	\$ 526,008	\$ 7,338,632	\$ 8,911,947	\$ 57,346,463
Licenses and permits	5,345,585	-	-	9,509,869	14,855,454
Fines and fees	532,386	-	-	313,036	845,422
Charges for services	55,106	-	-	10,897,404	10,952,510
Intergovernmental	16,583,078	2,066,269	840,316	3,562,994	23,052,657
Use of money and property	451,329	-	3,296	524,974	979,599
Miscellaneous and other	2,512	2,487,126	-	-	2,489,638
Total revenues	<u>63,539,872</u>	<u>5,079,403</u>	<u>8,182,244</u>	<u>33,720,224</u>	<u>110,521,743</u>
Expenditures:					
Current:					
Elected officials	343,182	-	-	-	343,182
Administration	492,182	-	-	-	492,182
Human resources	1,211,867	-	-	-	1,211,867
Legal	333,265	-	-	-	333,265
Communications	352,429	-	-	-	352,429
Capital investment planning	162,466	-	-	-	162,466
Project & facilities management	1,111,055	-	-	-	1,111,055
Revenue management	192,958	-	-	-	192,958
Public safety:					
Police	14,170,556	425,661	-	105,011	14,701,228
Fire	14,945,687	399,912	-	407,592	15,753,191
Finance	824,104	-	-	-	824,104
Information and technology	3,632,791	94,480	-	-	3,727,271
Purchasing	176,129	-	-	-	176,129
Court	294,807	24,352	-	-	319,159
Building & neighborhood services	2,423,538	-	-	-	2,423,538
Planning	1,637,525	-	-	-	1,637,525
Engineering	802,701	-	-	-	802,701
Traffic operations center	498,106	-	-	-	498,106
Parks	3,516,011	22,536	-	-	3,538,547
Streets-maintenance	3,824,269	1,696,911	-	2,699,899	8,221,079
Streets-traffic	1,360,638	-	-	-	1,360,638
Streets-fleet	945,575	-	-	-	945,575
General government	2,828,541	-	-	1,392,801	4,221,342
Sanitation	-	-	-	8,308,687	8,308,687
Storm water	-	54,172	-	2,058,504	2,112,676
Transit	-	-	-	1,574,974	1,574,974
Debt service	-	-	12,772,944	-	12,772,944
Capital outlay	177,939	7,088,361	-	5,078,602	12,344,902
Total expenditures	<u>56,258,321</u>	<u>9,806,385</u>	<u>12,772,944</u>	<u>21,626,070</u>	<u>100,463,720</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, 2016

	<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	\$ 7,281,551	\$ (4,726,982)	\$ (4,590,700)	\$ 12,094,154	\$ 10,058,023
Other financing sources (uses):					
Issuance of debt	-	3,236,188	-	-	3,236,188
Transfers from other funds	-	3,707,565	4,594,991	1,001,413	9,303,969
Transfers to other funds	(3,501,413)	-	-	(5,602,556)	(9,103,969)
Total other financing sources (uses)	<u>(3,501,413)</u>	<u>6,943,753</u>	<u>4,594,991</u>	<u>(4,601,143)</u>	<u>3,436,188</u>
Net changes in fund balances	3,780,138	2,216,771	4,291	7,493,011	13,494,211
Fund balances (deficits) - beginning	<u>35,469,448</u>	<u>(10,104,657)</u>	<u>709</u>	<u>18,553,273</u>	<u>43,918,773</u>
Fund balances (deficits) - ending	<u>\$ 39,249,586</u>	<u>\$ (7,887,886)</u>	<u>\$ 5,000</u>	<u>\$ 26,046,284</u>	<u>\$ 57,412,984</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, 2016

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

Net changes in fund balances - total governmental funds (Page 18)		\$ 13,494,211
<p>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:</p>		
Acquisition of capital assets	\$ 12,725,947	
Disposals, adjustments and reclassifications of capital assets	(8,608,080)	
Depreciation expense	(18,072,094)	
Change in investment in joint venture - Conference Center	<u>(77,598)</u>	(14,031,825)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds for:</p>		
Property taxes	(44,709)	
Franchise fees	33,918	
Court fines	(3,993)	
Grant revenues and reimbursements	915,299	
Contributed capital assets	<u>13,432,150</u>	14,332,665
<p>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:</p>		
Bond payments	7,783,000	
Change in fair value of derivative instruments	(2,247,421)	
Lease issuance, including prior year unavailable proceeds	(3,236,188)	
Lease payments	<u>2,995,750</u>	5,295,141
<p>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:</p>		
Amortization of bond premiums	190,866	
Deferred refunding amounts	<u>(36,796)</u>	154,070
<p>Expenses and losses 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 and certain expenditures in the governmental funds are capitalized:</p>		
Accrued absences and other liabilities	(1,802,215)	
Accrued interest	75,159	
Pension and OPEB expense	<u>(1,460,263)</u>	<u>(3,187,319)</u>
Change in net position of governmental activities (Page 14)		\$ <u>16,056,943</u>

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

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
Revenues:				Over (Under)
Taxes:				
Real and personal property taxes	\$ 5,256,619	\$ 5,256,619	\$ 4,973,334	\$ (283,285)
Penalty and interest	51,250	51,250	34,026	(17,224)
TVA in lieu of tax	306,131	306,131	326,438	20,307
Sales tax	30,744,209	30,955,552	31,309,367	353,815
Wholesale beer tax	1,569,340	1,629,340	1,612,550	(16,790)
Beer privilege tax	22,304	22,304	23,706	1,402
Wholesale liquor tax	1,186,291	1,242,001	1,349,136	107,135
Liquor privilege tax	95,943	95,943	94,605	(1,338)
Mixed drink tax	727,509	727,509	846,714	119,205
Business tax	12,546	12,546	-	(12,546)
Total Taxes	<u>39,972,142</u>	<u>40,299,195</u>	<u>40,569,876</u>	<u>270,681</u>
Licenses and permits:				
Mechanical licenses	3,731	3,731	6,939	3,208
Mechanical permits	195,437	195,437	94,346	(101,091)
Building permits	1,373,951	1,373,951	2,136,322	762,371
Technology fee	30,000	30,000	88,690	58,690
Plumbing licenses	3,178	3,178	2,875	(303)
Plumbing permits	156,436	156,436	69,760	(86,676)
Electric permits	322,486	322,486	279,828	(42,658)
Inspection fees	230,361	230,361	171,788	(58,573)
Site review, rezoning and submittal fees	161,827	161,827	172,185	10,358
Beer permits and licenses	12,577	12,577	14,750	2,173
Yard sale permits	9,225	9,225	7,395	(1,830)
Business license	327,080	327,080	13,702	(313,378)
Alarm permits	30,750	30,750	26,540	(4,210)
Miscellaneous permits	5,125	5,125	4,900	(225)
Franchise fees	2,511,230	2,511,230	2,255,565	(255,665)
Total Licenses and permits	<u>5,373,394</u>	<u>5,373,394</u>	<u>5,345,585</u>	<u>(27,809)</u>
Fines and fees:				
Fines - city court	625,760	625,760	275,777	(349,983)
Fines - general sessions/circuit court	79,438	79,438	188,375	108,937
Parking fines	15,375	15,375	10,707	(4,668)
Confiscated Goods	-	-	201	201
Building & street standards appeals fees	1,025	1,025	-	(1,025)
Business tax fees	3,075	3,075	3,485	410
Tree bank fees	54,569	54,569	53,841	(728)
Beer board violations	1,025	1,025	-	(1,025)
Total Fines and fees	<u>780,267</u>	<u>780,267</u>	<u>532,386</u>	<u>(247,881)</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, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
Revenues (Cont.):				Over (Under)
Charges for services:				
Regional fire training	3,075	3,075	1,500	(1,575)
Maps sold	1,025	1,025	2,752	1,727
Plans sold	2,050	2,050	50	(2,000)
Records sold	1,230	1,230	-	(1,230)
Special event services fee	-	-	3,600	3,600
Traffic impact analysis review fee	-	-	(1,507)	(1,507)
Accident reports	513	513	77	(436)
Fingerprinting fees	1,538	1,538	-	(1,538)
Offender registry	2,050	2,050	1,800	(250)
License seizure fees	1,538	1,538	1,515	(23)
Citizens academies	2,050	2,050	-	(2,050)
Background checks	1,025	1,025	-	(1,025)
3rd party billable overtime	51,250	51,250	27,279	(23,971)
Compost vouchers	3,075	3,075	18,040	14,965
Charge station fees	256	256	-	(256)
Total Charges for services	<u>70,675</u>	<u>70,675</u>	<u>55,106</u>	<u>(15,569)</u>
Intergovernmental:				
State income tax	1,600,000	1,600,000	4,493,574	2,893,574
Sales tax	5,152,886	5,152,886	5,373,890	221,004
State beer tax	31,211	31,211	32,407	1,196
State excise tax	97,052	97,052	152,620	55,568
In lieu of tax - TVA	759,378	759,378	778,995	19,617
Business tax from state	3,204,888	3,204,888	3,762,344	557,456
Business tax recording fee	-	-	376,761	376,761
Federal and state financial assistance programs	1,968,539	3,371,336	1,612,487	(1,758,849)
Total Intergovernmental	<u>12,813,954</u>	<u>14,216,751</u>	<u>16,583,078</u>	<u>2,366,327</u>
Use of money and property:				
Interest income	197,802	197,802	191,631	(6,171)
Rebates on purchases	66,625	66,625	64,639	(1,986)
Rent - mall and other	1	1	8,001	8,000
Park concessions and rentals	46,440	46,440	68,780	22,340
Sale of surplus assets	61,500	61,500	118,278	56,778
Electric charging stations	369	369	-	(369)
Total Use of money and property	<u>372,737</u>	<u>372,737</u>	<u>451,329</u>	<u>78,592</u>
Miscellaneous:				
Miscellaneous income	128,125	128,125	2,512	(125,613)
Allocation from fund balance	375,050	3,800,050	-	(3,800,050)
Total Miscellaneous	<u>503,175</u>	<u>3,928,175</u>	<u>2,512</u>	<u>(3,925,663)</u>
Total revenues	<u>\$ 59,886,344</u>	<u>\$ 65,041,194</u>	<u>\$ 63,539,872</u>	<u>\$ (1,501,322)</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, 2016

Expenditures:	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Elected officials:				
Current				
Personnel	\$ 232,906	\$ 232,906	\$ 245,070	\$ 12,164
Services	95,238	95,238	87,446	(7,792)
Supplies	9,590	9,590	9,676	86
Business expenses	758	758	990	232
Total current	338,492	338,492	343,182	4,690
Total Elected officials	338,492	338,492	343,182	4,690
Administration:				
Current				
Personnel	509,227	517,124	510,140	(6,984)
Services	106,564	106,564	48,295	(58,269)
Supplies	46,085	46,085	58,893	12,808
Business expenses	11,585	11,585	7,200	(4,385)
Debt service/leases	7,706	7,706	7,641	(65)
Reimbursement of interfund services	(139,987)	(139,987)	(139,987)	-
Total current	541,180	549,077	492,182	(56,895)
Total Administration	541,180	549,077	492,182	(56,895)
Human resources:				
Current				
Personnel	872,420	890,637	879,839	(10,798)
Services	514,355	514,355	432,711	(81,644)
Supplies	25,045	25,045	32,505	7,460
Business expenses	7,068	7,068	6,953	(115)
Debt service/leases	212,000	212,000	184,210	(27,790)
Reimbursement of interfund services	(324,351)	(324,351)	(324,351)	-
Total current	1,306,537	1,324,754	1,211,867	(112,887)
Total Human resources	1,306,537	1,324,754	1,211,867	(112,887)
Legal:				
Current				
Personnel	372,985	363,617	378,088	14,471
Services	144,060	144,060	48,050	(96,010)
Supplies	14,190	14,190	9,668	(4,522)
Business expenses	8,958	8,958	3,748	(5,210)
Reimbursement of interfund services	(106,289)	(106,289)	(106,289)	-
Total current	433,904	424,536	333,265	(91,271)
Total Legal	433,904	424,536	333,265	(91,271)

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, 2016

Expenditures (Cont.):	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Communications:				
Current				
Personnel	333,799	343,886	356,559	12,673
Services	56,730	56,730	29,481	(27,249)
Supplies	33,570	33,570	40,835	7,265
Operational units	4,100	4,100	3,961	(139)
Business expenses	4,734	4,734	4,583	(151)
Reimbursement of interfund services	(82,990)	(82,990)	(82,990)	-
Total current	349,943	360,030	352,429	(7,601)
Total Communications	349,943	360,030	352,429	(7,601)
Capital investment planning:				
Current				
Personnel	213,839	252,532	202,492	(50,040)
Services	23,185	23,185	4,797	(18,388)
Supplies	3,810	3,810	988	(2,822)
Business expenses	2,888	2,888	2,921	33
Reimbursement of interfund services	(48,732)	(48,732)	(48,732)	-
Total current	194,990	233,683	162,466	(71,217)
Total Capital investment planning	194,990	233,683	162,466	(71,217)
Project & facilities management:				
Current				
Personnel	424,063	431,916	401,712	(30,204)
Services	768,493	768,493	851,473	82,980
Supplies	115,600	115,600	96,986	(18,614)
Operational units	17,850	17,850	-	(17,850)
Business expenses	19,399	19,399	18,189	(1,210)
Reimbursement of interfund services	(257,305)	(257,305)	(257,305)	-
Total current	1,088,100	1,095,953	1,111,055	15,102
Capital outlay	46,350	46,350	-	(46,350)
Total Project & facilities management	1,134,450	1,142,303	1,111,055	(31,248)
Revenue management:				
Current				
Personnel	839,970	858,138	908,625	50,487
Services	32,500	32,500	18,000	(14,500)
Supplies	45,505	45,505	22,259	(23,246)
Business expenses	452,055	452,055	394,518	(57,537)
Reimbursement of interfund services	(1,150,442)	(1,150,442)	(1,150,444)	(2)
Total current	219,588	237,756	192,958	(44,798)
Total Revenue management	219,588	237,756	192,958	(44,798)

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, 2016

Expenditures (Cont.):	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Police department:				
Current				
Personnel	11,325,034	11,560,736	11,452,713	(108,023)
Services	854,097	854,097	1,035,183	181,086
Supplies	1,109,397	1,109,397	734,076	(375,321)
Operational units	72,438	72,438	86,872	14,434
Business expenses	478,215	478,215	423,263	(54,952)
Debt service/leases	458,091	458,091	438,449	(19,642)
Total current	14,297,272	14,532,974	14,170,556	(362,418)
Total Police department	14,297,272	14,532,974	14,170,556	(362,418)
Fire department:				
Current				
Personnel	12,475,152	12,763,917	12,692,807	(71,110)
Services	1,080,532	1,080,532	937,928	(142,604)
Supplies	740,410	740,410	669,309	(71,101)
Operational units	10,000	10,000	240	(9,760)
Business expenses	96,948	96,948	110,285	13,337
Debt service/leases	536,713	536,713	535,118	(1,595)
Total current	14,939,755	15,228,520	14,945,687	(282,833)
Capital outlay	-	-	64,776	64,776
Total Fire department	14,939,755	15,228,520	15,010,463	(218,057)
Finance:				
Current				
Personnel	832,256	876,549	896,890	20,341
Services	48,555	48,555	52,669	4,114
Supplies	13,750	13,750	11,415	(2,335)
Business expenses	70,132	70,132	66,191	(3,941)
Reimbursement of interfund services	(203,061)	(203,061)	(203,061)	-
Total current	761,632	805,925	824,104	18,179
Capital outlay	50,000	50,000	-	(50,000)
Total Finance	811,632	855,925	824,104	(31,821)
Information technology:				
Current				
Personnel	1,532,051	1,627,413	1,669,042	41,629
Services	1,572,164	1,595,164	1,391,044	(204,120)
Supplies	333,950	333,950	129,576	(204,374)
Business expenses	33,616	33,616	34,586	970
Debt service/leases	381,466	381,466	408,543	27,077
Total current	3,853,247	3,971,609	3,632,791	(338,818)
Capital outlay	34,500	34,500	27,835	(6,665)
Total Information technology	3,887,747	4,006,109	3,660,626	(345,483)

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, 2016

Expenditures (Cont.):	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Purchasing:				
Current				
Personnel	197,618	200,561	196,702	(3,859)
Services	31,288	31,288	23,423	(7,865)
Supplies	4,525	4,525	295	(4,230)
Business expenses	1,532	1,532	1,590	58
Reimbursement of interfund services	(45,881)	(45,881)	(45,881)	-
Total current	189,082	192,025	176,129	(15,896)
Total Purchasing	189,082	192,025	176,129	(15,896)
Court:				
Current				
Personnel	194,862	194,862	190,593	(4,269)
Services	20,650	20,650	10,279	(10,371)
Supplies	6,255	6,255	1,857	(4,398)
Business expenses	5,478	5,478	4,556	(922)
Debt service/leases	88,250	88,250	87,522	(728)
Total current	315,495	315,495	294,807	(20,688)
Total Court	315,495	315,495	294,807	(20,688)
Building & neighborhood services:				
Current				
Personnel	2,185,552	2,229,433	2,158,242	(71,191)
Services	147,601	147,601	104,720	(42,881)
Supplies	53,496	53,496	65,593	12,097
Operational units	45,436	45,436	62,319	16,883
Business expenses	13,460	13,460	18,394	4,934
Debt service/leases	14,273	14,273	14,270	(3)
Total current	2,459,818	2,503,699	2,423,538	(80,161)
Total Building & neighborhood services	2,459,818	2,503,699	2,423,538	(80,161)
Planning & sustainability:				
Current				
Personnel	1,326,767	1,351,685	1,322,045	(29,640)
Services	270,570	270,570	285,214	14,644
Supplies	29,080	29,080	23,779	(5,301)
Business expenses	5,877	5,877	6,487	610
Total current	1,632,294	1,657,212	1,637,525	(19,687)
Total Planning & sustainability	1,632,294	1,657,212	1,637,525	(19,687)

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, 2016

Expenditures (Cont.):	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Engineering:				
Current				
Personnel	902,672	923,054	898,723	(24,331)
Services	190,590	190,590	93,182	(97,408)
Supplies	32,910	32,910	32,925	15
Business expenses	11,837	11,837	11,976	139
Debt service/leases	4,097	4,097	4,104	7
Reimbursement of interfund services	(238,209)	(238,209)	(238,209)	-
Total current	<u>903,897</u>	<u>924,279</u>	<u>802,701</u>	<u>(121,578)</u>
Total Engineering	<u>903,897</u>	<u>924,279</u>	<u>802,701</u>	<u>(121,578)</u>
Traffic operations center:				
Current				
Personnel	222,046	241,490	258,175	16,685
Services	574,673	574,673	199,452	(375,221)
Supplies	41,410	41,410	29,264	(12,146)
Business expenses	6,125	6,125	11,215	5,090
Total current	<u>844,254</u>	<u>863,698</u>	<u>498,106</u>	<u>(365,592)</u>
Capital outlay	<u>2,216,850</u>	<u>2,216,850</u>	<u>60,361</u>	<u>(2,156,489)</u>
Total Traffic operations center	<u>3,061,104</u>	<u>3,080,548</u>	<u>558,467</u>	<u>(2,522,081)</u>
Parks:				
Current				
Personnel	2,329,290	2,391,944	2,025,959	(365,985)
Services	553,547	553,547	613,314	59,767
Supplies	541,098	541,098	513,932	(27,166)
Operational units	432,452	432,452	94,078	(338,374)
Business expenses	76,237	76,237	87,536	11,299
Debt service/leases	193,338	193,338	181,192	(12,146)
Total current	<u>4,125,962</u>	<u>4,188,616</u>	<u>3,516,011</u>	<u>(672,605)</u>
Capital outlay	<u>26,000</u>	<u>26,000</u>	<u>24,967</u>	<u>(1,033)</u>
Total Parks	<u>4,151,962</u>	<u>4,214,616</u>	<u>3,540,978</u>	<u>(673,638)</u>
Streets-Maintenance:				
Current				
Personnel	2,300,778	2,322,879	2,231,051	(91,828)
Services	975,053	975,053	1,075,155	100,102
Supplies	437,200	437,200	288,766	(148,434)
Operational units	1,030	1,030	2,814	1,784
Business expenses	67,815	67,815	90,801	22,986
Debt service/leases	130,624	130,624	135,682	5,058
Total current	<u>3,912,500</u>	<u>3,934,601</u>	<u>3,824,269</u>	<u>(110,332)</u>
Capital outlay	<u>-</u>	<u>18,500</u>	<u>-</u>	<u>(18,500)</u>
Total Streets-maintenance	<u>3,912,500</u>	<u>3,953,101</u>	<u>3,824,269</u>	<u>(128,832)</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, 2016

Expenditures (Cont.):	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Streets-Traffic:				
Current				
Personnel	692,337	706,322	679,666	(26,656)
Services	108,475	108,475	99,816	(8,659)
Supplies	358,669	358,669	396,268	37,599
Business expenses	45,712	45,712	139,556	93,844
Debt service/leases	51,603	51,603	45,332	(6,271)
Total current	<u>1,256,796</u>	<u>1,270,781</u>	<u>1,360,638</u>	<u>89,857</u>
Total Streets-traffic	<u>1,256,796</u>	<u>1,270,781</u>	<u>1,360,638</u>	<u>89,857</u>
Streets-Fleet:				
Current				
Personnel	624,995	627,519	639,963	12,444
Services	546,294	546,294	502,639	(43,655)
Supplies	(243,618)	(243,618)	(305,350)	(61,732)
Business expenses	6,412	6,412	7,366	954
Debt service/leases	104,055	104,055	100,957	(3,098)
Total current	<u>1,038,138</u>	<u>1,040,662</u>	<u>945,575</u>	<u>(95,087)</u>
Total Streets-fleet	<u>1,038,138</u>	<u>1,040,662</u>	<u>945,575</u>	<u>(95,087)</u>
General government:				
Current				
Personnel	1,210,847	542,475	443,006	(99,469)
Services	241,000	213,555	139,039	(74,516)
Supplies	2,000	2,000	241,845	239,845
Operational units	-	1,402,797	1,402,797	-
Business expenses	1,870	1,869	74,556	72,687
Total current	<u>1,455,717</u>	<u>2,162,696</u>	<u>2,301,243</u>	<u>138,547</u>
Total General government	<u>1,455,717</u>	<u>2,162,696</u>	<u>2,301,243</u>	<u>138,547</u>
Contributions:				
Appropriations	510,482	523,352	527,298	3,946
Total Contributions	<u>510,482</u>	<u>523,352</u>	<u>527,298</u>	<u>3,946</u>
Total expenditures	<u>\$ 59,342,775</u>	<u>\$ 61,072,625</u>	<u>\$ 56,258,321</u>	<u>\$ (4,814,304)</u>
Excess of revenues over expenditures	<u>\$ 543,569</u>	<u>\$ 3,968,569</u>	<u>\$ 7,281,551</u>	<u>\$ 3,312,982</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, 2016

	<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	(543,569)	(3,968,569)	(3,501,413)	(467,156)
Total other financing sources (uses)	<u>(543,569)</u>	<u>(3,968,569)</u>	<u>(3,501,413)</u>	<u>(467,156)</u>
Net changes in fund balances	<u>\$ -</u>	<u>\$ -</u>	\$ 3,780,138	<u>\$ 3,780,138</u>
Fund balance - beginning of year			<u>35,469,448</u>	
Fund balance - end of year			<u>\$ 39,249,586</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, 2016

ASSETS

Current assets:

Cash and cash equivalents	\$ 4,883,631
Cash and cash equivalents-restricted	8,916,035
Investments	18,078,791
Receivables (net of allowance for uncollectibles)	5,040,421
Inventory	<u>339,232</u>
Total current assets	<u>37,258,110</u>

Noncurrent assets:

Capital assets (net of accumulated depreciation):

Land	5,543,049
Construction in progress	12,952,188
Buildings and improvements	1,894,438
Utility plant in service	152,533,636
Machinery and equipment	<u>789,065</u>

Total capital assets (net of accumulated depreciation): **173,712,376**

Total assets **210,970,486**

DEFERRED OUTFLOWS OF RESOURCES

Deferred charge on refundings	979,999
Pensions	<u>1,771,810</u>
	<u>2,751,809</u>

LIABILITIES

Current liabilities:

Accounts payable	1,225,862
Accrued interest payable	<u>224,503</u>
Total current liabilities	<u>1,450,365</u>

Long-term liabilities:

Due within one year	3,964,413
Due in more than one year	32,253,536
Net pension liability	<u>2,569,482</u>

Total long-term liabilities **38,787,431**

Total liabilities **40,237,796**

NET POSITION

Net investment in capital assets	139,229,139
Restricted-system improvements	8,916,035
Unrestricted	<u>25,339,325</u>

Total net position **\$ 173,484,499**

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, 2016

Operating revenues:	
Metered water sales	\$ 10,252,017
Sewer service charges	16,215,570
Reclaimed water sales	123,806
Other revenues from operations	1,158,268
Total operating revenues	<u>27,749,661</u>
Operating expenses:	
Water and sewer billing expenses	153,208
Water distribution expenses	1,528,187
Water plant expenses	5,537,002
Water administration	1,326,063
Sewer administration	2,083,431
General administration	1,010,348
Sewer collection expenses	2,068,953
Sewer plant expenses	3,505,664
Reclaimed water expenses	64,283
Depreciation	5,640,067
Total operating expenses	<u>22,917,206</u>
Operating income	<u>4,832,455</u>
Nonoperating revenues (expenses):	
Interest income	242,405
Gain (loss) on sale of assets	11,432
Interest expense	(1,328,491)
Total nonoperating revenues (expenses)	<u>(1,074,654)</u>
Income before contributions and transfers	<u>3,757,801</u>
Contributions and transfers:	
Tap and access fees	6,060,647
Capital contributions	8,731
Developer contributions	6,360,341
Transfer to debt service fund	(200,000)
Total contributions and transfers	<u>12,229,719</u>
Change in position	15,987,520
Net position, beginning of year	<u>157,496,979</u>
Net position, end of year	<u><u>\$ 173,484,499</u></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, 2016

Cash flows from operating activities:

Cash received from customers	\$ 27,091,902
Cash paid to employees for services	(3,518,540)
Cash paid to suppliers of goods and services	<u>(13,867,919)</u>
Net cash provided by operating activities	<u>9,705,443</u>

Cash flows from noncapital financing activities:

Transfer to debt service fund	<u>(200,000)</u>
Net cash used in noncapital financing activities	<u>(200,000)</u>

Cash flows from capital and related financing activities:

Purchases of property, plant and equipment	(6,822,964)
Contributions from access and tap fees and grant funds	6,069,378
Sales of property, plant and equipment	11,432
Interest paid on long-term debt	(1,354,570)
Payments on long-term debt	<u>(3,411,934)</u>
Net cash used in capital and related financing activities	<u>(5,508,658)</u>

Cash flows from investing activities:

Purchases of investments, net	(5,492,651)
Interest received from investments	<u>242,405</u>
Net cash used in investing activities	<u>(5,250,246)</u>

Net decrease in cash and restricted cash (1,253,461)

Cash and restricted cash, beginning of year 15,053,127

Cash and restricted cash, end of year \$ 13,799,666

Cash and cash equivalents consist of:

Unrestricted cash and cash equivalents	\$ 4,883,631
Restricted cash and cash equivalents	<u>8,916,035</u>
Total cash and cash equivalents	<u>\$ 13,799,666</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, 2016

Reconciliation of operating income to net cash provided by operations:

Operating income	\$ 4,832,455
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	5,640,067
Net pension liability and related amounts	227,265
Change in:	
Accounts receivable	(657,759)
Inventory	20,508
Compensated absences	30,241
Accounts payable	<u>(387,334)</u>
Net cash provided by operating activities	<u>\$ 9,705,443</u>

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

Capital assets added as developer contributions	<u>\$ 6,360,341</u>
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CITY OF FRANKLIN, TENNESSEE
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND (PENSION FUND)
DECEMBER 31, 2015

ASSETS

Cash and equivalents	<u>\$ 1,241,952</u>
Investments:	
Domestic fixed income securities	22,000,817
Domestic equities	35,467,045
International equities	19,772,227
Real estate	4,986,160
Timber	<u>3,364,210</u>
Total investments	<u>85,590,459</u>
 Total assets	 <u><u>86,832,411</u></u>
 NET POSITION RESTRICTED FOR PENSIONS	 <u><u>\$ 86,832,411</u></u>

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, 2015

Additions:

Contributions:

Employer contributions	\$ 2,846,724
Employee contributions	<u>525,364</u>
Total contributions	<u>3,372,088</u>

Investment income:

Net depreciation in investments	(2,809,134)
Investment earnings	<u>1,130,445</u>
Total investment income (loss)	<u>(1,678,689)</u>

Total additions	<u>1,693,399</u>
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Deductions:

Pension benefits	3,699,996
Administration expense	<u>584,138</u>

Total deductions	<u>4,284,134</u>
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Net decrease	(2,590,735)
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Net position restricted for pension benefits - beginning	<u>89,423,146</u>
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Net position restricted for pension benefits - ending	<u><u>\$ 86,832,411</u></u>
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CITY OF FRANKLIN, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

The City of Franklin, Tennessee (the “City”) 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 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, 2016, the City had no component units that 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 Williamson County, Tennessee (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 \$5,628,735 at June 30, 2016, 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 related 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 No. 61, “The Financial Reporting Entity,” the Franklin Housing Authority and Franklin Industrial Development Board are not shown in the City’s financials as a component unit.

B. Description of 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. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support.

C. Basis of presentation - government-wide financial statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the government’s enterprise fund. Separate financial statements are provided for governmental funds, the proprietary fund, and the fiduciary fund, even though the latter are excluded from the government-wide financial statements.

CITY OF FRANKLIN, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2016

The government-wide financial statements, the statement of net position and the statement of activities, report information on all of the nonfiduciary activities of the City. 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, deferred outflows of resources, liabilities and deferred inflows of resources, 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.

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 a 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.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes and 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.

D. Basis of presentation - fund financial statements

The fund financial statements provide information about the government's funds, including its fiduciary fund. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and the major individual enterprise fund, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental and the major enterprise fund are reported as separate columns in the fund financial statements.

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.

CITY OF FRANKLIN, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e. the governmental funds) are eliminated so that only the net amount, when applicable, is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the fund included in governmental activities are eliminated so only the net amount is included as transfers in the governmental activities column.

E. Measurement focus and basis of accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are 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.

The 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 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 available if they are collected within sixty days (60) of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and certain employee benefits, and claims and judgments are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales tax, franchise fees, 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 measurable and available only when cash is received by the government.

The proprietary and fiduciary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

F. Budgetary information

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

CITY OF FRANKLIN, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

G. 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. Pension fund investments that are not exchange-traded are recorded at estimated fair values provided by the investment fund managers and other value per share information. See Note 3 B.

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 reports a separate section for deferred outflows of resources. This separate financial statement element 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 the following items that qualify for reporting in this category: (1) deferred charge on bond refundings resulting from the difference in the carrying amount of refunded debt and its requisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt; (2) deferred outflows of resources relating to pensions resulting from differences between expected and actual actuarial experience, certain changes in actuarial assumptions, differences between actual and expected investment earnings, and amounts of employer contributions to the pension plan made subsequent to the measurement date.

CITY OF FRANKLIN, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element 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 the following items of this type that qualify for reporting on the statement of net position: (1) property taxes levied on January 1, 2016, will not be available for collection until fiscal year 2017, beginning October 2016; (2) A second item, which arises only under a modified accrual basis of accounting, qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only 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. The City may also report deferred inflows of resources related to pensions, however, the City has no such items at June 30, 2016.

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 Statement 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. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

CITY OF FRANKLIN, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

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. Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

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.

H. 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. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

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 2016, taxes were levied at a rate of .4065 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.

CITY OF FRANKLIN, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2016

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.

5. *Bond premiums and discounts*

Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issue costs are expensed in the period incurred.

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

I. *Estimates*

The preparation of the City's Consolidated Annual Financial Report ("CAFR") in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

J. *Recent accounting pronouncements*

The following are recent accounting pronouncements which, to the extent applicable, pose consideration for the City. Management is currently in the process of determining the impact of these Statements to the City's financial statements.

The GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which is effective for fiscal year 2017 for the City. The requirements of this Statement will improve financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by OPEB plans that are administered through trusts that meet the specified criteria. The net OPEB liability information, including ratios, will offer an up-to-date indication of the extent to which the total OPEB liability is covered by the fiduciary net position of the OPEB plan.

The GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which is effective for fiscal year 2018 for the City. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

The GASB issued Statement No. 77, *Tax Abatement Disclosures*, which is effective for fiscal year 2017 for the City. This Statement improved financial reporting by giving users of financial statements essential information regarding tax abatements that is not currently reported consistently or comprehensively.

CITY OF FRANKLIN, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
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The GASB issued Statement No. 78, *Pensions Provided thorough Certain Multiple-Employer Defined Benefit Pension Plans*, required for fiscal periods beginning after December 15, 2015, fiscal year 2017 for the City. This Statement amends the scope and applicability of GASB Statement No. 68 regarding pensions provided to employees of state and local governmental employers through certain cost-sharing multiple-employer defined benefit pension plans.

The GASB issued Statement No. 80, *Blending Requirements for Certain Component Units – an Amendment of GASB Statement No. 14*, which is effective for fiscal periods beginning after June 15, 2016, fiscal year 2017 for the City. This Statement improves financial reporting by clarifying the financial statement presentation requirements for certain component units.

The GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*, required for fiscal periods beginning after December 15, 2016, fiscal year 2018 for the City. This Statement improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is the beneficiary of the agreement.

The GASB issued Statement No. 82, *Pension Issues*, which is effective for fiscal periods beginning after June 15, 2016, except for certain provisions effective for fiscal period beginning after June 15, 2017, fiscal years 2017 and 2018, respectively for the City. This Statement improves financial reporting by enhancing consistency in the application of financial reporting requirements for certain pension issues.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budget information

Budgeted amounts in the Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (GAAP Basis) and Actual are those originally adopted as well as the final budget which reflects amendments by the Board of Mayor and Aldermen. The budget is prepared on a basis consistent with GAAP. Total expenditures may not exceed the total amount appropriated in the budget ordinance. Any revisions that alter the total appropriations must be approved through the passage of an ordinance by the Board. All appropriations lapse at year end.

B. Deficit fund equity

The Multi-Purpose Capital Project Fund has a deficit fund balance at June 30, 2016 of (\$7,887,886) due to capital outlays in advance of debt financing. The City expects reimbursements from other funds and bonds to fund the deficit.

NOTE 3 - DETAILED NOTE ON ALL ACTIVITIES AND FUNDS

A. Cash Deposits with Financial Institutions

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, 2016, all bank deposits were fully collateralized or insured.

B. Investments

The City is authorized to invest funds in, among other things, financial institutions and direct obligations of the Federal Government. During 2016, the City, except for the Pension Fund, invested in certificates of deposit, money market accounts, and government sponsored agency securities. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles.

CITY OF FRANKLIN, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
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The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices for identical assets in active markets that can be accessed at the measurement date (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under GASB 72 are described as follows:

- *Level 1* – Inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- *Level 2* – Inputs include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability like interest rates and yield curves observable at commonly quoted intervals, implied volatilities, or credit spreads; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified term, the level 2 must be observable for substantially the full term of the asset or liability.
- *Level 3* – Inputs are unobservable and significant to the fair value measurement.

As of June 30, 2016, the City had the following investments measured at fair value per GASB Statement 72 and the noted weighted average maturities:

	<u>Fair Value Measurements Using</u>				<u>Weighted Average Maturity (Years)</u>
	<u>6/30/2016</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>	
Investments by fair value level					
Certificates of Deposit	\$ 2,378,650	\$ 2,378,650	\$ -	\$ -	0.58
Money Market Accounts	6,843,645	6,843,645	-	-	-
Debt securities					
U.S. Treasury securities	20,095,723	20,095,723	-	-	1.28
Federal Home Loan Bank	2,523,252	-	2,523,252	-	1.75
Federal Home Loan Mortgage Corp.	5,034,295	-	5,034,295	-	2.18
Federal National Mortgage Association	2,531,712	-	2,531,712	-	1.15
Total Investments at Fair Value	<u>\$ 39,407,277</u>	<u>\$ 29,318,018</u>	<u>\$ 10,089,259</u>	<u>\$ -</u>	<u>1.16</u>
Portfolio Weighted Avg. Maturity					<u>1.16</u>
Investment derivative instruments					
Interest rate swaps (liability)	\$ (6,631,146)		\$ (6,631,146)		
Total Investment derivative instruments	<u>\$ (6,631,146)</u>		<u>\$ (6,631,146)</u>		

The certificates of deposit and money market accounts are in banks covered by the State collateral pool or under FDIC. All federal securities, guaranteed by or linked to the U.S. government, are rated Aaa by Moody's and AA+ by Standard & Poor's. (Treasury securities and Federal Home Loan Mortgage Company also have a AAA rating from Fitch). As of June 30, 2016, 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 U.S. Treasury Securities.

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, 2016, investments of the City had average weighted maturities as noted above.

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

CITY OF FRANKLIN, TENNESSEE
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JUNE 30, 2016

As of December 31, 2015, the City of Franklin's Pension Fund had the following investments measured at fair value per GASB Statement 72:

	12/31/2015	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Money market accounts ⁽¹⁾	\$ 1,241,952	\$ 1,241,952	\$ -	\$ -
Debt securities ⁽²⁾				
Fixed income funds	22,000,817	-	22,000,817	-
Equity securities ⁽³⁾				
Consumer discretionary	5,001,635	5,001,635	-	-
Consumer staples	1,588,692	1,588,692	-	-
Energy	1,946,374	1,946,374	-	-
Financial services	3,526,039	3,526,039	-	-
Healthcare	4,509,865	4,509,865	-	-
Industrials	6,227,870	6,227,870	-	-
Information technology	7,312,223	7,312,223	-	-
Materials	375,524	375,524	-	-
Telecommunications	245,032	245,032	-	-
Utilities	990,260	990,260	-	-
Other	516,179	516,179	-	-
Private equity funds-domestic	3,227,352	-	-	3,227,352
Equity funds-international ⁽⁶⁾	19,772,227	-	19,772,227	-
Total investments at fair value level	78,482,041	33,481,645	41,773,044	3,227,352
Investments measured at the net asset value (NAV)				
Real estate funds ⁽⁴⁾	4,986,160			
Timber funds ⁽⁵⁾	3,364,210			
Total investments at the NAV	8,350,370			
Total investments measured at fair value	\$ 86,832,411			

Investments measured at the net asset value (NAV)	Fair Value	Unfunded Commitments	Redemption	Redemption Notice
			Frequency (if Currently Eligible)	Period
Real estate funds ⁽⁴⁾	\$ 4,986,160	\$ -	Quarterly	30-60 days
Timber funds ⁽⁵⁾	3,364,210	-	-	-
Total investments measured at the NAV	\$ 8,350,370			

⁽¹⁾ Invested in First American prime obligation fund, class z.

⁽²⁾ Invested in Longfellow and SSGA fixed income funds

⁽³⁾ Invested in Polen large cap growth, McKee large cap value, and SouthernSun smid cap

⁽⁴⁾ Invested in Bailard REIT. The valuation has significant unobservable inputs including capitalization rates, discount rates, and expected property cash flows.

⁽⁵⁾ Invested in RMK timber fund II, RMS forest fund III, and FIA timber

⁽⁶⁾ Invested in Vanguard International, Schwab Emerging Market, Westwood Emerging Market, and Aberdeen International

Pension fund 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. See additional information in Note 3 F. The pension policy does not include reference to credit risk, interest rate risk, concentration risk, or foreign currency risk.

Debt and equity securities classified in Level 1 of the fair value hierarchies above are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 are generally valued using pricing techniques based on the securities relationship to the benchmark quoted prices. Private equities classified in Level 3 are generally valued using valuation techniques such as discounted cash flows or market comparables. The fair values of real estate and timber funds has been determined using the NAV per share (or its equivalent) of the ownership interest in capital. Distributions from each fund will be received as the underlying assets of the fund are liquidated. Derivative instruments classified in Level 2 are valued using a market approach that considers benchmark interest rates.

CITY OF FRANKLIN, TENNESSEE
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JUNE 30, 2016

C. Receivables

Property tax receivables are shown net of an allowance for uncollectibles. The allowance is recorded based on the 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 Water and Sewer proprietary fund are based on 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.

Amounts are aggregated into a single accounts receivable (net of allowance for uncollectibles) line for certain funds and aggregated columns. Below is the detail of receivables for the general, multi-purpose capital project, debt service, and the nonmajor governmental funds in the aggregate, including the applicable allowances for uncollectible accounts:

	General Fund	Multi-Purpose Capital Project Fund	Debt Service Fund	Other Governmental Funds	Total
Receivables:					
Accounts	\$ 1,083,214	\$ -	\$ -	\$ 1,974,362	\$ 3,057,576
Property taxes	10,415,576	680,736	7,477,356	680,736	19,254,404
Due from IDB	2,425,324	-	-	-	2,425,324
Local option sales tax	5,388,736	-	-	-	5,388,736
Special assessments	53,762	-	-	-	53,762
Due from County	25,477	-	-	-	25,477
State shared revenue	5,957,431	-	-	354,527	6,311,958
Grants	119,384	2,127,737	-	589,294	2,836,415
Fines	729,285	-	-	-	729,285
Reimbursements	-	601,635	-	-	601,635
Interest	19,858	-	-	24,539	44,397
Gross receivables	26,218,047	3,410,108	7,477,356	3,623,458	40,728,969
Less: Allowance for uncollectibles	(378,952)	-	-	-	(378,952)
Net receivables	\$ 25,839,095	\$ 3,410,108	\$ 7,477,356	\$ 3,623,458	\$ 40,350,017

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	\$ 24,496
Tree bank reserve	296,030
Sidewalk reserve	82,840
Affordable housing reserves	233,294
Sponsorship reserve	22,520
Total unearned revenue for fund financial statements	\$ 659,180

Receivables in the Water and Sewer Fund, totaling \$5,040,421 at June 30, 2016, represent accounts due from customers for services provided. The receivables are presented net of an allowance of \$9,000.

CITY OF FRANKLIN, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
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D. Capital Assets

Capital asset activity for the year ended June 30, 2016 was as follows:

	Balance June 30, 2015	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2016
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 53,159,881	\$ 46,005	\$ 3,688,250	\$ -	\$ 56,894,136
Construction in process	26,054,114	(15,842,361)	6,100,814	-	16,312,567
Total capital assets, not being depreciated	<u>79,213,995</u>	<u>(15,796,356)</u>	<u>9,789,064</u>	<u>-</u>	<u>73,206,703</u>
Capital assets, being depreciated:					
Buildings and improvements	70,450,410	175,000	45,128	-	70,670,538
Improvements other than buildings	23,931,960	53,574	1,539,880	-	25,525,414
Machinery and equipment	52,888,637	632,364	3,535,254	2,540,131	54,516,124
Infrastructure	629,159,224	13,584,484	11,248,771	6,985,836	647,006,643
Total capital assets, being depreciated	<u>776,430,231</u>	<u>14,445,422</u>	<u>16,369,033</u>	<u>9,525,967</u>	<u>797,718,719</u>
Accumulated depreciation					
Buildings and improvements	13,655,282	-	1,409,799	-	15,065,081
Improvements other than buildings	8,608,764	-	1,209,044	-	9,817,808
Machinery and equipment	35,255,902	-	2,661,768	1,793,518	36,124,152
Infrastructure	137,119,954	-	12,791,483	475,303	149,436,134
Total accumulated depreciation	<u>194,639,902</u>	<u>-</u>	<u>18,072,094</u>	<u>2,268,821</u>	<u>210,443,175</u>
Total capital assets being depreciated, net	<u>581,790,329</u>	<u>14,445,422</u>	<u>(1,703,061)</u>	<u>7,257,146</u>	<u>587,275,544</u>
Total governmental activities capital assets, net	<u>661,004,324</u>	<u>(1,350,934)</u>	<u>8,086,003</u>	<u>7,257,146</u>	<u>660,482,247</u>
Business-type activities:					
Capital assets, not being depreciated:					
Land	5,320,148	-	222,901	-	5,543,049
Construction in process	7,763,047	-	5,189,141	-	12,952,188
Total capital assets, not being depreciated	<u>13,083,195</u>	<u>-</u>	<u>5,412,042</u>	<u>-</u>	<u>18,495,237</u>
Capital assets, being depreciated:					
Buildings and improvements	11,291,016	-	-	-	11,291,016
Utility plant in service	212,871,266	1,350,934	6,213,845	-	220,436,045
Machinery and equipment	4,495,376	-	206,484	-	4,701,860
Total capital assets, being depreciated	<u>228,657,658</u>	<u>1,350,934</u>	<u>6,420,329</u>	<u>-</u>	<u>236,428,921</u>
Accumulated depreciation					
Buildings and improvements	9,251,491	-	145,087	-	9,396,578
Utility plant in service	62,657,689	-	5,244,720	-	67,902,409
Machinery and equipment	3,662,535	-	250,260	-	3,912,795
Total accumulated depreciation	<u>75,571,715</u>	<u>-</u>	<u>5,640,067</u>	<u>-</u>	<u>81,211,782</u>
Total capital assets being depreciated, net	<u>153,085,943</u>	<u>1,350,934</u>	<u>780,262</u>	<u>-</u>	<u>155,217,139</u>
Business-type activities capital assets, net	<u>166,169,138</u>	<u>1,350,934</u>	<u>6,192,304</u>	<u>-</u>	<u>173,712,376</u>
Total capital assets, net	<u>\$ 827,173,462</u>	<u>\$ -</u>	<u>\$ 14,278,307</u>	<u>\$ 7,257,146</u>	<u>\$ 834,194,623</u>

CITY OF FRANKLIN, TENNESSEE
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Depreciation expense was charged to functions/programs of the primary government for the year ended June 30, 2016, as follows:

Governmental activities:	
Project & facilities management	\$ 54,013
Information and technology	746,610
Traffic operations center	356,109
Human resources	45,321
Police department	725,457
Fire department	428,610
Highways and streets	13,139,352
Fleet management	21,795
Parks	1,331,102
General government	128,327
Sanitation	822,550
Stormwater	141,890
Transit	<u>130,958</u>
Total depreciation expense – governmental activities	18,072,094
Business-type activities:	
Water and sewer	<u>5,640,067</u>
Total depreciation expense	<u>\$ 23,712,161</u>

E. Accrued Liabilities

Accrued liabilities reported by governmental funds at June 30, 2016, were as follows:

	<u>General fund</u>
Accrued employee payroll	\$ 1,404,639
Accrued employee insurance claims	<u>1,822,710</u>
Total accrued liabilities	<u>\$ 3,227,349</u>

F. Pension Plan

The financial statements of the plan are presented solely in this Comprehensive Annual Financial Report of the City; there are no separate financial statements issued for the plan. Administrative costs are paid from the pension fund as shown on page 34.

Summary of Significant Accounting Policies

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the plan and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan in the Fiduciary Pension Fund. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

CITY OF FRANKLIN, TENNESSEE
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General Information about the Pension Plan

Plan Description

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, 2016. Accordingly, all financial statement information regarding the Plan is as of December 31, 2015 and the year then ended. Section 4-204(2)(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. The following is a general description of the Plan; refer to the Plan document for further details. The Plan is operated under the direction of the Employee Pension Committee, which consists of the following eight members: City Mayor, Alderman, Employee Representatives (2), Citizens (2), Human Resources Director and Assistant City Administrator – Finance.

Benefits provided

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. For employees hired after February 15, 2010, employees must make an election to participate in 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.

Normal retirement occurs at age 65 and completion of five years of Plan participation. With respect to employees hired before July 1, 2006, normal retirement occurs when they complete 25 years of service. The normal retirement benefit is based on a percentage of average compensation, as defined by the Plan, multiplied by the years of credited service. The Plan also has provisions for early, late and disabled retirement, with related adjustments to the benefits provided. Participants are vested in their accrued benefits after completing five years of credited service. The plan allows for cash balance accounts equal to the pre and post-tax employee contributions, discretionary City contributions and interest credits. Employees are 100% vested in the cash balance accounts at all times.

Employees covered by benefit terms

Membership of the Plan consisted of the following at January 1, 2016, the date of the latest actuarial valuation:

Retiree participants and beneficiaries	170
Disabled participants	4
Vested terminated participants	156
Active plan members	564
Total	894

Contributions

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 Plan 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 were 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.

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The City 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 contribution for fiscal year 2016 was made in one annual installment. The Plan has no long-term contracts for contributions to the Plan and no legally required reserves.

Net Pension Liability

The City's net pension liability was measured as of January 1, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial assumptions

The total pension liability in the January 1, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age normal
Amortization method	Level dollar closed
Remaining amortization period	16 years
Inflation	2.0%
Mortality	RP-2000 healthy annuitant mortality table, as appropriate, with blue-collar adjustment.
Projected salary increases	3.5%
Investment rate of return	7.5%

The actuarial assumptions used in the January 1, 2016 valuation were based on a limited update of an actuarial experience study for the 10-year period ending December 31, 2014.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	45%	11.7%
International equity	20%	7.6%
Fixed income	25%	2.0%
Real estate	5%	13.6%
Timber	5%	6.8%
Short term securities	0%	0.0%
Total	<u>100%</u>	

The annual money-weighted rate of return, net of investment expenses, was (2.5%) for the year ended December 31, 2015. The money-weighted rate of return expresses investment performance, net of investment expenses, adjusted for changing amounts actually invested. Further information can be found on page 67.

Discount rate

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF FRANKLIN, TENNESSEE
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Changes in the Net Pension Liability

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 1/1/2015	\$ 97,426,953	\$ 89,423,146	\$ 8,003,807
Changes for the year:			
Service cost	\$ 2,093,993	\$ -	\$ 2,093,993
Interest	7,209,696	-	7,209,696
Differences between expected and actual experience	5,394,430	-	5,394,430
Contributions - employer	-	2,846,724	(2,846,724)
Contributions - employee	-	525,364	(525,364)
Net investment income	-	(1,678,689)	1,678,689
Benefit payments, including refunds of employee contributions	(3,699,996)	(3,699,996)	-
Administrative expense	-	(584,138)	584,138
Net changes	<u>10,998,123</u>	<u>(2,590,735)</u>	<u>13,588,858</u>
Balances at 12/31/2015	<u>\$ 108,425,076</u>	<u>\$ 86,832,411</u>	<u>\$ 21,592,665</u>

The net pension liability is reported in the statement of net position as follows:

Governmental activities	\$ 19,023,183
Business-type activities	<u>2,569,482</u>
Net pension liability	<u>\$ 21,592,665</u>

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the City, calculated using the discount rate of 7.5%, as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
City's net pension liability	<u>\$35,986,513</u>	<u>\$21,592,665</u>	<u>\$9,744,979</u>

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available within the City's annual report as no separate report is issued for the Plan.

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

For the year ended June 30, 2016, the City recognized pension expense of \$5,003,832, which included \$4,401,822 for governmental activities and \$602,010 for business-type activities. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 7,977,087	\$ -
Net difference between projected and actual earnings on pension plan investments	<u>6,841,605</u>	<u>-</u>
Total	<u>\$ 14,818,692</u>	<u>\$ -</u>

CITY OF FRANKLIN, TENNESSEE
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Amounts reported as deferred outflows of resources or deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2017	\$	2,272,273
2018		2,272,273
2019		2,272,273
2020		2,207,626
2021		545,710
Thereafter		5,248,537

Payable to the Pension Plan

As of June 30, 2016, the City did not have a payable relating to required contributions to the plan.

G. Other Post Employment Benefits (OPEB)

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 15% of the Cobra rates for single coverage and 20% of the Cobra rate for family coverage. For retirees after 30 years and at least age 55, retirees pay Cobra rates less \$275.00/month for single coverage or less \$535.50/month for family coverage. Retirees hired before July 1, 2006 with at least 25 years of service are eligible for insurance under Option II (high deductible plan) at the Cobra rate less \$200 per month for single coverage or \$500.00 per month for family coverage. Retirees hired after July 1, 2006 with 25 years of service are eligible for the Option II insurance plan but must also be at least age 55.

The OPEB Plan does not issue separate financial statements, and as such, all required disclosures and supplementary information are included as part of the City's annual financial report.

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, 2016, were as follows:

Annual required contribution	\$ 343,200
Interest on the net OPEB asset	(1,700)
Adjustment to the annual required contribution	<u>3,500</u>
Annual OPEB cost	345,000
Contributions made	<u>(368,300)</u>
Increase in net pension asset	(23,300)
Net OPEB asset, beginning of year	<u>(57,900)</u>
Net OPEB asset, end of year	<u>\$ (81,200)</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:

CITY OF FRANKLIN, TENNESSEE
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<u>Fiscal Year</u> <u>Ended</u>	<u>Annual OPEB</u> <u>Cost</u>	<u>Percentage of</u> <u>OPEB Cost</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Asset</u>
June 30, 2016	\$ 345,000	106.8%	\$ (81,200)
June 30, 2015	324,100	51.5%	(57,900)
June 30, 2014	297,900	40.6%	(215,000)

Funding Status and Funding Progress

The funded status of the OPEB Plan as of the valuation date June 30, 2016, was as follows:

Actuarial accrued liability (a)	\$ 4,241,500
Actuarial value of plan assets (b)	<u>1,300,800</u>
Unfunded actuarial accrued liability (a) - (b)	<u>\$ 2,940,700</u>
Funded ratio (b)/(a)	30.7%
Covered payroll (c)	\$ 30,410,847
Unfunded actuarial accrued liability as a percentage of covered payroll [(a)-(b)]/(c)	9.7%

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 OPEB Plan was determined as part of the June 30, 2016 actuarial valuation using the following methods and assumptions:

Actuarial cost method	Projected unit credit method
Amortization method	Level dollar, closed
Remaining amortization period	22 years (began as 30 years on June 30, 2008)
Inflation rate	2.0%
Discount rate	3.0%
Investment return	3.0%
Projected healthcare cost increases	5.0%

H. Construction and Other Significant Commitments

1. Construction Contracts

As of June 30, 2016, there was \$13,844,909 of uncompleted construction projects of the Water and Sewer Fund.

During 2016, various street, public works and park improvement projects were in process. At June 30, 2016, there was approximately \$16,917,792 in uncompleted construction projects. These projects are funded by the General, Facilities Tax, Storm Water, Hotel/Motel Tax, and the Multi-Purpose Capital Project funds.

CITY OF FRANKLIN, TENNESSEE
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2. Fuel-Hedging Program

The City participates in a fuel hedging program with the Metropolitan Government of Nashville and Davidson County, Tennessee. 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. The City is committed to its portion of the fuel hedges through June 30, 2017. Renewals of the contracts are expected in the normal course of operations. At June 30, 2016, the contracts are in an asset position; however, the City's portion of the contracts, approximately 4%, is immaterial to the financial statements. City practice has been to hedge no more than 60% of estimated purchases.

3. 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>
2017	\$ 46,325
2018	46,325
2019	46,325
2020	46,325
2021	46,325
2022 - 2029	<u>370,600</u>
Total	<u>\$ 602,225</u>

4. Defined Contribution Plans

Employees 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. Employees hired on or after February 15, 2010, may select the City of Franklin 2010 Defined Contribution Plan 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 City's match for the year ended June 30, 2016, totaled \$296,216.

I. 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.

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 \$225,000 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:

CITY OF FRANKLIN, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

<u>Year Ending</u>	<u>Liability, July 1</u>	<u>Claims and Changes in Estimates</u>	<u>Claims Paid</u>	<u>Liability, June 30</u>
6/30/2015	\$ 1,358,125	\$ 9,661,027	\$ (9,196,442)	\$ 1,822,710
6/30/2014	\$ 1,222,118	\$ 7,722,292	\$ (7,586,285)	\$ 1,358,125

J. Capital Leases

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

<u>Lessor</u>	<u>Amount</u>	<u>Used</u>	<u>Unused</u>	<u>Principal Due</u>	<u>Interest Rate</u>
1. Banc of America Public Capital Corp.	\$ 2,092,000	\$ 2,092,000	\$ -	\$ 702,000	1.69%
2. JPMorgan Chase Bank	2,875,000	2,743,241	131,759	1,320,450	1.06%
3. JPMorgan Chase Bank	2,761,067	2,315,665	445,402	1,406,480	1.22%
Totals	<u>\$ 7,728,067</u>	<u>\$ 7,150,906</u>	<u>\$ 577,161</u>	<u>\$ 3,428,930</u>	

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 expenditures made through capital leases, including capital assets and items not meeting the definition of capital assets, are as follows:

Information & technology hardware	\$ 164,036
INFOR Software	455,867
Copiers	27,248
Human Resources Information System	406,657
Police Vehicles & Equipment	1,247,459
Fire Ladder Truck #5	790,577
Fire Emergency Equipment	399,912
Fire Vehicles	247,091
Vehicles & Equipment for Street Departments	778,239
Salt Brine Mixer	83,591
Light Trucks/Vehicles	401,834
Fleet Equipment	138,396
Traffic Equipment	77,478
Parks Vehicles & Equipment	409,498
Sanitation Vehicles & Equipment	1,523,023
	<u>\$ 7,150,906</u>

Of the expenditures above, \$5,525,650 have been capitalized. Accumulated amortization related to such capital assets totaled \$884,306 at June 30, 2016.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2016, were as follows:

<u>Year Ending June 30,</u>	
2017	\$ 2,154,391
2018	1,296,768
2019	21,933
Total minimum lease payments	3,473,092
Less: Amount representing interest	(44,162)
Present value of minimum lease payments	3,428,930
Amount due within one year	2,126,431
Long-term portion	<u>\$ 1,302,499</u>

CITY OF FRANKLIN, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

K. Long-term Debt

Long-term debt (excluding unamortized premiums) at June 30, 2016, 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	\$ 439,000
Tennessee Municipal Variable Rate Pooled Loan Program - 2001, variable rate of interest, final maturity May 25, 2018	341,000
City of Clarksville, Pooled Loan Program - 2004 variable rate of interest, final maturity May 25, 2017	550,000
City of Lawrenceburg, TN Loan Agreement 2005 variable rate of interest, final maturity July 1, 2020	1,785,000
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, federally taxable, final maturity March 1, 2029	30,625,000
Series 2009A - General Obligation Public Improvement Bonds 2.50% interest, final maturity March 1, 2017	2,090,000
Series 2010 - General Obligation Recovery Zone Economic Development Bonds (RZEDB), 4.625% to 5.375% interest, federally taxable, final maturity March 1, 2030	15,725,000
Series 2010 - General Obligation Refunding Bonds, 2.00% to 4.00% interest, final maturity March 1, 2024	10,815,000
Series 2012 - General Obligation Refunding Bonds, 2.13% interest, final maturity May 1, 2027	17,580,000
Series 2013A - General Obligation Bonds, 2.00% to 4.00% interest, final maturity March 1, 2034	6,850,000
Series 2013B - General Obligation Bonds, Pension Plan Funding, 1.00% to 3.50% interest, federally taxable, final maturity March 1, 2024	8,175,000
Series 2015 - General Obligation Bonds, 3.00% to 5.00% interest, final maturity April 1, 2035	<u>14,515,000</u>
Total Governmental Activities Long-Term Debt	<u>\$ 129,490,000</u>

The aforementioned bonds are secured by the full faith and credit of the City. During 2016, debt service for the aforementioned debt was provided by the Debt Service Fund through property tax collections as well as transfers from the Sanitation Fund, Road Impact Fund and the Hotel/Motel Tax Fund.

CITY OF FRANKLIN, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

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 \$ 17,715,000

Series 2011 - SunTrust Loan Program, 2.48% interest,
 final maturity May 25, 2026 13,995,000

Notes payable:

Drinking Water SRF Loan provided through ARRA funding,
 2.82% interest; final maturity December 20, 2030 1,167,766

Clean Water SRF Loan provided through ARRA funding,
 2.69% interest; final maturity October 20, 2032 1,613,442

Total Business-Type Activities Long-Term Debt \$ 34,491,208

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 2016, 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, 2016, are as follows:

Year Ending June 30,	Revenue and Tax Bonds and Notes				Total	
	General Obligation Bonds		and Notes		Principal	Interest
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 7,992,000	\$ 4,903,317	\$ 3,510,885	\$ 1,293,872	\$ 11,502,885	\$ 6,197,189
2018	7,168,000	4,733,824	3,579,947	1,152,999	10,747,947	5,886,823
2019	7,190,000	4,508,741	3,684,121	1,009,518	10,874,121	5,518,259
2020	7,395,000	4,267,111	3,743,412	861,667	11,138,412	5,128,778
2021	7,610,000	4,021,964	3,797,822	711,827	11,407,822	4,733,791
2022-2026	42,860,000	15,586,891	15,049,682	1,497,129	57,909,682	17,084,020
2027-2031	33,330,000	6,527,812	965,494	87,344	34,295,494	6,615,156
2032-2036	13,995,000	1,720,149	159,845	3,062	14,154,845	1,723,211
2037	1,950,000	70,005	-	-	1,950,000	70,005
Totals	<u>\$ 129,490,000</u>	<u>\$ 46,339,814</u>	<u>\$ 34,491,208</u>	<u>\$ 6,617,418</u>	<u>\$ 163,981,208</u>	<u>\$ 52,957,232</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, 2016.

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

CITY OF FRANKLIN, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

Long-term liability activity for the year ended June 30, 2016, was as follows:

	Beginning Balance	Additions	Reductions/ Amortization	Ending Balance	Due Within One Year
Governmental activities:					
General obligation bonds-capital	\$ 128,158,000	\$ -	\$ 6,843,000	\$ 121,315,000	\$ 7,047,000
Premium-GO bonds-capital	2,304,705	-	182,396	2,122,309	176,348
Total GO bonds-capital	<u>130,462,705</u>	<u>-</u>	<u>7,025,396</u>	<u>123,437,309</u>	<u>7,223,348</u>
General obligation bonds-pension	9,115,000	-	940,000	8,175,000	945,000
Premium-GO bonds-pension	71,991	-	8,470	63,521	8,470
Total GO bonds-pension	<u>9,186,991</u>	<u>-</u>	<u>948,470</u>	<u>8,238,521</u>	<u>953,470</u>
Capital leases	3,188,492	3,236,188	2,995,750	3,428,930	2,126,431
Total bonds and leases payable	<u>142,838,188</u>	<u>3,236,188</u>	<u>10,969,616</u>	<u>135,104,760</u>	<u>10,303,249</u>
Park acquisition agreement	-	1,500,000	214,286	1,285,714	214,286
Compensated absences	6,782,800	3,324,551	2,808,050	7,299,301	2,808,050
Derivatives-interest rate swaps	<u>4,383,725</u>	<u>2,247,421</u>	<u>-</u>	<u>6,631,146</u>	<u>-</u>
Total long-term liabilities	<u>\$ 154,004,713</u>	<u>\$ 10,308,160</u>	<u>\$ 13,991,952</u>	<u>\$ 150,320,921</u>	<u>\$ 13,325,585</u>
Business-type activities:					
Revenue and tax bonds	\$ 37,903,142	\$ -	\$ 3,411,934	\$ 34,491,208	\$ 3,510,885
Premium	1,084,554	-	112,526	972,028	112,525
Total bonds payable	<u>38,987,696</u>	<u>-</u>	<u>3,524,460</u>	<u>35,463,236</u>	<u>3,623,410</u>
Compensated absences	<u>724,472</u>	<u>371,244</u>	<u>341,003</u>	<u>754,713</u>	<u>341,003</u>
Total long-term liabilities	<u>\$ 39,712,168</u>	<u>\$ 371,244</u>	<u>\$ 3,865,463</u>	<u>\$ 36,217,949</u>	<u>\$ 3,964,413</u>

The general fund is the principal fund used to liquidate long-term liabilities other than debt.

Issuance of Long-term Debt

Although the City had no bond issuances in 2016, it did have additional capital leases of over \$3.2 million.

Also, the City has entered into an agreement for acquisition of parkland that will become Carter Hill Park along Columbia Avenue. The agreement specifies total payment of \$1.5 million to local civil war preservation groups in exchange for land that will become the park. The payments are to be made over a period of 7 years beginning in fiscal year 2016.

Contingent Liability

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

At the inception of the project, the Industrial Development Board had approximately two years of debt service escrowed. As of January 2008, this escrow was fully spent and the City of Franklin began, as agreed, to make available short-term loans while the proceeds from the Development District were insufficient to cover the debt service. These loans cannot exceed \$5 million at any time during that period. As of June 30, 2016, expected development in the area is proceeding as projected in the debt repayment plan. Through June 30, 2016, the City has lent \$2,425,324 to the Industrial Development Board under standby loan agreement. This amount will be repaid through future property taxes on the development. The City does not guarantee or have any obligation for the repayment of the bonds.

CITY OF FRANKLIN, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

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 both 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 Statement No. 53, each swap transaction is evaluated to determine what type of accounting treatment to apply.

(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 receiving 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. In 2015, the swap agreement was changed to FMS Wertmanagement, as Depfa's new owner operated by the German government. The terms of the swap did not change.

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, 2016, none of the original notional amount has been retired.

CITY OF FRANKLIN, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

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, \$2,715,000 has been retired as of June 30, 2016. 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.

Swap Agreement	2007 Swap Agreement with FMS Wertmanagement Bank	2005 Swap Agreement with SunTrust Bank
Original Notional Amount	\$ 20,000,000	\$ 4,500,000
Less Amount Retired	<u>-</u>	<u>(2,715,000)</u>
Current Notional Amount	<u>\$ 20,000,000</u>	<u>\$ 1,785,000</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	\$ 67,212
City Receives*	63% of 5 Year LIBOR CMS	LIBOR x 75% + 0.18%
Payments received by the City*	\$ 718,000	\$ 7,381
Net receipts/(disbursements)*	-	(59,831)
Fair Value of Swap Agreement	(6,515,366)	(115,780)

* Based on the period July 1, 2015 to June 30, 2016.

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.

CITY OF FRANKLIN, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

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, 2016 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 FMS Wertmanagement Bank, with a rating by Moody's/Standard & Poor's/Fitch as of June 30, 2016 of Aaa/AAA/AAA, or SunTrust, with ratings of Baa1/A-/A-.

CITY OF FRANKLIN, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

L. Fund Balances

Fund balances:	General Fund	Multi-Purpose Capital Project Fund	Debt Service Fund	State Street Aid Fund	Sanitation Fund	Road Impact Fee Fund	Facilities Tax Fund	Storm Water Fund	Drug Fund	Hotel / Motel Tax Fund	In Lieu of Parkland Fund	Transit Authority Fund	CDBG Fund	Other Governmental Funds Totals
Non-Spendable	\$ 1,879,610	\$ -	\$ -	\$ -	\$ 55,621	\$ -	\$ -	\$ 1,500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,936,731
Restricted	-	-	-	373,415	711,729	-	-	-	515,642	-	-	-	85,185	1,685,971
Committed	-	-	5,000	-	-	5,019,848	6,976,276	4,872,235	-	-	-	374,758	-	17,248,117
Assigned	-	-	-	-	-	-	-	-	-	2,634,109	4,425,966	-	-	7,060,075
Unassigned	37,369,976	(7,887,886)	-	-	-	-	-	-	-	-	-	-	-	29,482,090
Total fund balances	\$ 39,249,586	\$ (7,887,886)	\$ 5,000	\$ 373,415	\$ 767,350	\$ 5,019,848	\$ 6,976,276	\$ 4,873,735	\$ 515,642	\$ 2,634,109	\$ 4,425,966	\$ 374,758	\$ 85,185	\$ 57,412,984

Reason for Restriction/Commitment:

Non-spendable inventory/prepays	\$ 1,879,610	\$ -	\$ -	\$ -	\$ 55,621	\$ -	\$ -	\$ 1,500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,936,731
Restricted by state law	-	-	-	373,415	711,729	-	-	-	515,642	-	-	-	-	1,600,786
Restricted by federal regulations for fund purpose	-	-	-	-	-	-	-	-	-	-	-	-	85,185	85,185
Committed by Board ordinance for fund purpose	-	-	5,000	-	-	5,019,848	6,976,276	4,872,235	-	-	-	374,758	-	17,248,117
Assigned by Board resolution	-	-	-	-	-	-	-	-	-	2,634,109	4,425,966	-	-	7,060,075
Unassigned *	37,369,976	-	-	-	-	-	-	-	-	-	-	-	-	37,369,976
Unassigned - negative fund balance	-	(7,887,886)	-	-	-	-	-	-	-	-	-	-	-	(7,887,886)
Total fund balances	\$ 39,249,586	\$ (7,887,886)	\$ 5,000	\$ 373,415	\$ 767,350	\$ 5,019,848	\$ 6,976,276	\$ 4,873,735	\$ 515,642	\$ 2,634,109	\$ 4,425,966	\$ 374,758	\$ 85,185	\$ 57,412,984

Fund Balance Policy – General Fund

* Per the City's Fund Balance Policy, the unassigned fund balance for the General Fund identifies the following reserves:

	Amount
Contingency Commitment	\$ 3,252,060
Emergency Commitment	3,252,060
Cash Flow Commitment	9,105,767
Debt Service Commitment	1,951,236
Property/Casualty/Health Insurance Commitment	2,601,648
Retiree Health Benefits Commitment	1,300,824
Supplemental Reserve	7,804,942
Capital Outlay Reserve	8,101,439
Total Reserves	\$ 37,369,976

CITY OF FRANKLIN, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2016

M. Interfund Receivables, Payables and Transfers

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. The following is a summary of transfers during the year ended June 30, 2016:

<u>Transfer from</u>	<u>Transfer to</u>	<u>Amount</u>
General	Sanitation	\$ 500,000
General	Transit	501,413
General	Capital projects	2,500,000
Sanitation	Debt service	599,772
Road impact	Debt service	2,674,006
Hotel/motel	Debt service	1,121,213
Hotel/motel	Capital projects	1,207,565
Water/Sewer	Debt service	200,000
Total		<u>\$ 9,303,969</u>

The purposes of the transfers are:

- The transfers from the General Fund to the Sanitation and Transit System funds are for providing the annual operating subsidy.
- The transfers from the General Fund to the Capital Projects fund was to provide funds for reduction of the deficit.
- 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.
- The transfer from Hotel/motel to the Capital Projects fund was to provide funds for a portion of expenditures for the 3rd Avenue and Hillsboro Road projects.
- The transfer from Water/Sewer to the Debt Service fund is to provide funds for a portion of costs in the consolidated public works building.

The interfund balance as of June 30, 2016, below is expected to be repaid within the next fiscal year and is considered ordinary in nature. The purpose of the interfund balance is to allow the City time for reimbursement from other funds and issuance of bonds.

<u>Due from</u>	<u>Due to</u>	<u>Amount</u>
Capital projects	General	\$ 7,537,312

N. Contingencies

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.

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.

CITY OF FRANKLIN, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

O. Subsequent events

The City has approved two significant initiatives since fiscal year end:

1. The City has approved issuance of \$12 million of revenue bonds for water treatment plant improvements.
2. The City has approved issuance of \$3.5 million of state revolving fund loans to finance the improvements to the SCADA system.
3. The City has approved closing enrollment in the City's pension plan as of December 31, 2016. New hires after this date will enroll in the political subdivision pension plan of the Tennessee Consolidated Retirement System (TCRS), used by many Tennessee local governments. TCRS will also assume the administration of the City's plan.

REQUIRED SUPPLEMENTARY INFORMATION



HISTORIC
F R A N K L I N
TENNESSEE

CITY OF FRANKLIN, TENNESSEE
SCHEDULE OF FUNDING PROGRESS - RETIREE HEALTH INSURANCE
 June 30, 2016
 (Unaudited)

City of Franklin Retiree Health Insurance							
Year Ended	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/2016	6/30/2016	\$ 1,300,800	\$ 4,241,500	\$ 2,940,700	30.7%	\$ 30,410,847	9.7%
6/30/2015	6/30/2015	1,122,700	4,113,800	2,991,100	27.3%	28,205,179	10.6%
6/30/2014	6/30/2014	1,142,500	4,854,400	3,711,900	23.5%	27,440,025	13.5%
6/30/2013	6/30/2013	1,064,000	4,460,600	3,396,600	23.9%	28,902,947	11.8%
6/30/2012	6/30/2012	1,075,000	3,702,500	2,627,500	29.0%	29,869,786	8.8%
6/30/2011	6/30/2011	1,027,000	3,679,200	2,652,200	27.9%	27,958,552	9.5%

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

SCHEDULE OF EMPLOYER CONTRIBUTIONS - RETIREE HEALTH INSURANCE
 June 30, 2016
 (Unaudited)

City of Franklin Retiree Health Insurance			
Year	Annual Required Contribution (ARC)	Amount Contributed	Percentage Contributed
6/30/2016	\$345,000	\$368,300	106.8%
6/30/2015	317,900	167,000	52.5%
6/30/2014	287,200	120,800	42.1%
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%

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

CITY OF FRANKLIN, TENNESSEE
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
CITY OF FRANKLIN EMPLOYEES' PENSION PLAN
(Unaudited)

	<u>2016</u>	<u>2015</u>
Total pension liability		
Service cost	\$ 2,093,993	\$ 1,977,349
Interest	7,209,696	6,583,224
Changes of benefit items	-	-
Differences between expected and actual experience	5,394,430	3,336,925
Changes of assumptions	-	-
Benefit payments, including refunds of employee contributions	<u>(3,699,996)</u>	<u>(3,234,121)</u>
Net change in total pension liability	10,998,123	8,663,377
Total pension liability-beginning	<u>97,426,953</u>	<u>88,763,576</u>
Total pension liability-ending (a)	<u>\$ 108,425,076</u>	<u>\$ 97,426,953</u>
Plan fiduciary net position		
Contributions-employer	\$ 2,846,724	\$ 2,354,417
Contributions-employee	525,364	419,334
Net investment income (loss)	(1,678,689)	5,973,819
Benefit payments, including refunds of employee contributions	(3,699,996)	(3,234,121)
Administrative expenses	<u>(584,138)</u>	<u>(561,992)</u>
Net change in plan fiduciary net position	(2,590,735)	4,951,457
Plan fiduciary net position-beginning	<u>89,423,146</u>	<u>84,471,689</u>
Plan fiduciary net position-ending (b)	<u>\$ 86,832,411</u>	<u>\$ 89,423,146</u>
Net pension liability-ending (a) - (b)	<u>\$ 21,592,665</u>	<u>\$ 8,003,807</u>
Plan fiduciary net position as a percentage of the total pension liability	80.1%	91.8%
Covered employee payroll	\$ 30,362,659	\$ 28,205,179
Pension liability as a percentage of covered employee payroll	71.1%	28.4%

This schedule is presented to illustrate information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.
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CITY OF FRANKLIN, TENNESSEE
 SCHEDULE OF EMPLOYER CONTRIBUTIONS
 CITY OF FRANKLIN EMPLOYEES' PENSION PLAN
 (Unaudited)

	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 2,846,724	\$ 2,417,920
Contributions in relation to the actuarially determined contribution	<u>2,846,724</u>	<u>2,354,417</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ 63,503</u>
Covered employee payroll	\$ 30,362,659	\$ 28,205,179
Contributions as a percentage of covered employee payroll	9.4%	8.3%

Notes to Schedule

Valuation date:

Actuarially determined contribution rates are calculated as of December 31, six months prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar closed
Remaining amortization period	17 years
Inflation rate	2.0%
Mortality	RP-2000 mortality with blue collar adjustments
Asset valuation method	Market value
Projected salary increases	3.5%, average, including inflation
Investment rate of return	7.50%
Retirement age	Based on a table starting at 55, increasing to 100% by age 70

<p>This schedule is presented to illustrate information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.</p>

CITY OF FRANKLIN, TENNESSEE
SCHEDULE OF INVESTMENT RETURNS
CITY OF FRANKLIN EMPLOYEES' PENSION PLAN
(Unaudited)

	<u>2016</u>	<u>2015</u>
Annual money-weighted rate of return, net of investment expenses	-2.5%	6.4%

This schedule is presented to illustrate information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

**COMBINING AND INDIVIDUAL
FUND STATEMENTS
AND SCHEDULES
AND SUPPLEMENTARY
SCHEDULES**



**HISTORIC
FRANKLIN
TENNESSEE**

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.

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.

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.

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

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.

In Lieu of Parkland Fund - To account for fees collected from developers for parkland in lieu of contributions of land.

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, 2016

	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	In Lieu of Parkland Fund	Transit Authority Fund	CDBG Fund	
ASSETS											
Cash and cash equivalents	\$ 18,888	\$ 15,953	\$ 5,035,330	\$ 4,736,205	\$ 1,526,444	\$ 513,492	\$ 2,311,992	\$ 4,425,966	\$ 20,798	\$ 287,861	\$ 18,892,929
Investments	-	-	-	2,539,356	3,076,009	-	-	-	-	-	5,615,365
Receivables (net of uncollectible accounts)	1,035,263	1,163,125	-	15,215	418,039	2,214	410,109	-	548,875	30,618	3,623,458
Inventory and prepaids	-	55,621	-	-	1,500	-	-	-	-	-	57,121
Total assets	<u>\$ 1,054,151</u>	<u>\$ 1,234,699</u>	<u>\$ 5,035,330</u>	<u>\$ 7,290,776</u>	<u>\$ 5,021,992</u>	<u>\$ 515,706</u>	<u>\$ 2,722,101</u>	<u>\$ 4,425,966</u>	<u>\$ 569,673</u>	<u>\$ 318,479</u>	<u>\$ 28,188,873</u>
LIABILITIES											
Accounts payable	\$ -	\$ 467,349	\$ 15,482	\$ 314,500	\$ 148,257	\$ 64	\$ 87,992	\$ -	\$ 115,001	\$ -	\$ 1,148,645
Unearned revenue	-	-	-	-	-	-	-	-	-	233,294	233,294
Total liabilities	<u>-</u>	<u>467,349</u>	<u>15,482</u>	<u>314,500</u>	<u>148,257</u>	<u>64</u>	<u>87,992</u>	<u>-</u>	<u>115,001</u>	<u>233,294</u>	<u>1,381,939</u>
DEFERRED INFLOWS OF RESOURCES											
Unavailable revenues	680,736	-	-	-	-	-	-	-	79,914	-	760,650
Total deferred inflows of resources	<u>680,736</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>79,914</u>	<u>-</u>	<u>760,650</u>
FUND BALANCES											
Non-spendable	-	55,621	-	-	1,500	-	-	-	-	-	57,121
Restricted	373,415	711,729	-	-	-	515,642	-	-	-	85,185	1,685,971
Committed	-	-	5,019,848	6,976,276	4,872,235	-	-	-	374,758	-	17,243,117
Assigned	-	-	-	-	-	-	2,634,109	4,425,966	-	-	7,060,075
Unassigned	-	-	-	-	-	-	-	-	-	-	-
Total fund balances	<u>373,415</u>	<u>767,350</u>	<u>5,019,848</u>	<u>6,976,276</u>	<u>4,873,735</u>	<u>515,642</u>	<u>2,634,109</u>	<u>4,425,966</u>	<u>374,758</u>	<u>85,185</u>	<u>26,046,284</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,054,151</u>	<u>\$ 1,234,699</u>	<u>\$ 5,035,330</u>	<u>\$ 7,290,776</u>	<u>\$ 5,021,992</u>	<u>\$ 515,706</u>	<u>\$ 2,722,101</u>	<u>\$ 4,425,966</u>	<u>\$ 569,673</u>	<u>\$ 318,479</u>	<u>\$ 28,188,873</u>

See independent auditor's report.

CITY OF FRANKLIN, TENNESSEE
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	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	In Lieu of Parkland Fund	Transit Authority Fund	CDBG Fund	
Revenues:											
Taxes											
Property tax	\$ 526,008	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 526,008
Hotel / motel tax	-	-	-	-	-	-	3,557,971	-	-	-	3,557,971
Facilities tax	-	-	-	4,827,968	-	-	-	-	-	-	4,827,968
Licenses and permits	-	-	7,586,724	-	-	-	-	1,923,145	-	-	9,509,869
Fines and fees	-	-	-	-	-	313,036	-	-	-	-	313,036
Intergovernmental											
Gas & motor fuel	1,250,711	-	-	-	-	-	-	-	-	-	1,250,711
Petroleum special	135,027	-	-	-	-	-	-	-	-	-	135,027
Gas 1989	201,000	-	-	-	-	-	-	-	-	-	201,000
Gas 3 cent	373,058	-	-	-	-	-	-	-	-	-	373,058
Grants	-	22,277	-	-	-	-	-	-	1,251,055	329,866	1,603,198
Charges for services	-	8,346,235	-	-	2,462,709	-	-	-	88,460	-	10,897,404
Use of money and property	286	189,011	9,154	58,120	83,972	12,321	130,203	8,745	32,731	431	524,974
Contributions	-	-	-	-	-	-	-	-	-	-	-
Total revenues	<u>2,486,090</u>	<u>8,557,523</u>	<u>7,595,878</u>	<u>4,886,088</u>	<u>2,546,681</u>	<u>325,357</u>	<u>3,688,174</u>	<u>1,931,890</u>	<u>1,372,246</u>	<u>330,297</u>	<u>33,720,224</u>
Expenditures:											
Current:											
General government	-	-	-	-	-	-	1,127,477	-	-	265,324	1,392,801
Police	-	-	-	-	-	105,011	-	-	-	-	105,011
Fire	-	-	-	407,592	-	-	-	-	-	-	407,592
Highways and streets	2,399,899	-	300,000	-	-	-	-	-	-	-	2,699,899
Storm water	-	-	-	-	2,058,504	-	-	-	-	-	2,058,504
Sanitation	-	8,308,687	-	-	-	-	-	-	-	-	8,308,687
Transit	-	-	-	-	-	-	-	-	1,574,974	-	1,574,974
Capital outlay	-	-	-	4,219,984	397,677	-	347,406	-	113,535	-	5,078,602
Total expenditures	<u>2,399,899</u>	<u>8,308,687</u>	<u>300,000</u>	<u>4,627,576</u>	<u>2,456,181</u>	<u>105,011</u>	<u>1,474,883</u>	<u>-</u>	<u>1,688,509</u>	<u>265,324</u>	<u>21,626,070</u>
Excess (deficiency) of revenues over (under) expenditures	86,191	248,836	7,295,878	258,512	90,500	220,346	2,213,291	1,931,890	(316,263)	64,973	12,094,154
Other financing sources (uses):											
Transfers in	-	500,000	-	-	-	-	-	-	501,413	-	1,001,413
Transfers out	-	(599,772)	(2,674,006)	-	-	-	(2,328,778)	-	-	-	(5,602,556)
Total other financing sources (uses)	<u>-</u>	<u>(99,772)</u>	<u>(2,674,006)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,328,778)</u>	<u>-</u>	<u>501,413</u>	<u>-</u>	<u>(4,601,143)</u>
Net changes in fund balances	86,191	149,064	4,621,872	258,512	90,500	220,346	(115,487)	1,931,890	185,150	64,973	7,493,011
Fund balances - beginning	<u>287,224</u>	<u>618,286</u>	<u>397,976</u>	<u>6,717,764</u>	<u>4,783,235</u>	<u>295,296</u>	<u>2,749,596</u>	<u>2,494,076</u>	<u>189,608</u>	<u>20,212</u>	<u>18,553,273</u>
Fund balances - ending	<u>\$ 373,415</u>	<u>\$ 767,350</u>	<u>\$ 5,019,848</u>	<u>\$ 6,976,276</u>	<u>\$ 4,873,735</u>	<u>\$ 515,642</u>	<u>\$ 2,634,109</u>	<u>\$ 4,425,966</u>	<u>\$ 374,758</u>	<u>\$ 85,185</u>	<u>\$ 26,046,284</u>

See independent auditor's report.

CITY OF FRANKLIN, TENNESSEE
STATE STREET AID FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<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	\$ 528,418	\$ 528,418	\$ 526,008	\$ (2,410)
Intergovernmental:				
Gasoline tax, State of Tennessee:				
Gas & motor fuel	1,200,410	1,200,410	1,250,711	50,301
Petroleum special	140,111	140,111	135,027	(5,084)
Gas 1989	193,126	193,126	201,000	7,874
Gas 3 cent	359,744	359,744	373,058	13,314
Use of money and property:				
Interest earned	400	400	286	(114)
Total revenues	<u>2,422,209</u>	<u>2,422,209</u>	<u>2,486,090</u>	<u>63,881</u>
Expenditures:				
Current:				
Highways and streets:				
Street maintenance and improvement	2,400,000	2,400,000	2,398,633	(1,367)
Supplies	-	-	1,266	1,266
Total current	<u>2,400,000</u>	<u>2,400,000</u>	<u>2,399,899</u>	<u>(101)</u>
Total expenditures	<u>2,400,000</u>	<u>2,400,000</u>	<u>2,399,899</u>	<u>(101)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>22,209</u>	<u>22,209</u>	<u>86,191</u>	<u>63,982</u>
Other financing sources (uses):				
Operating transfers from other funds	-	175,000	-	175,000
Total other financing sources (uses)	<u>-</u>	<u>175,000</u>	<u>-</u>	<u>175,000</u>
Net changes in fund balances	<u>\$ 22,209</u>	<u>\$ 197,209</u>	86,191	<u>\$ (111,018)</u>
Fund balance - beginning			<u>287,224</u>	
Fund balance - ending			<u>\$ 373,415</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, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Charges for services:				
Garbage fees	\$ 7,750,777	\$ 8,847,260	\$ 8,346,235	\$ (501,025)
Intergovernmental:				
Grants	-	-	22,277	22,277
Use of money and property:				
Sale of surplus property	75,000	75,000	189,011	114,011
Total revenues	<u>7,825,777</u>	<u>8,922,260</u>	<u>8,557,523</u>	<u>(364,737)</u>
Expenditures:				
Current:				
Sanitation:				
Personnel	2,912,850	2,912,850	2,757,882	(154,968)
Services	2,787,381	4,080,864	4,087,944	7,080
Supplies	482,769	482,769	384,020	(98,749)
Operational units	209,545	209,545	229,837	20,292
Business expenses	100,589	100,589	103,299	2,710
Debt service/leases	743,563	757,419	745,705	(11,714)
Total current	<u>7,236,697</u>	<u>8,544,036</u>	<u>8,308,687</u>	<u>(235,349)</u>
Total expenditures	<u>7,236,697</u>	<u>8,544,036</u>	<u>8,308,687</u>	<u>(235,349)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>589,080</u>	<u>378,224</u>	<u>248,836</u>	<u>(129,388)</u>
Other financing sources (uses):				
Operating transfers from other funds	-	500,000	500,000	-
Operating transfers to other funds	(589,080)	(589,080)	(599,772)	10,692
Total other financing sources (uses)	<u>(589,080)</u>	<u>(89,080)</u>	<u>(99,772)</u>	<u>10,692</u>
Net changes in fund balances	<u>\$ -</u>	<u>\$ 289,144</u>	149,064	<u>\$ (140,080)</u>
Fund balance - beginning			<u>618,286</u>	
Fund balance - ending			<u>\$ 767,350</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, 2016

	<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	\$ 5,770,361	\$ 5,945,683	\$ 7,586,724	\$ 1,641,041
Use of money and property:				
Interest earned	-	-	9,154	9,154
Total revenues	<u>5,770,361</u>	<u>5,945,683</u>	<u>7,595,878</u>	<u>1,650,195</u>
Expenditures:				
Current:				
Highways and streets:				
Services	-	475,322	300,000	(175,322)
Total current	-	475,322	300,000	(175,322)
Total expenditures	-	<u>475,322</u>	<u>300,000</u>	<u>(175,322)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,770,361</u>	<u>5,470,361</u>	<u>7,295,878</u>	<u>1,825,517</u>
Other financing sources (uses):				
Operating transfers to other funds	<u>(2,739,169)</u>	<u>(2,739,169)</u>	<u>(2,674,006)</u>	<u>65,163</u>
Net changes in fund balances	<u>\$ 3,031,192</u>	<u>\$ 2,731,192</u>	4,621,872	<u>\$ 1,890,680</u>
Fund balance - beginning			<u>397,976</u>	
Fund balance - ending			<u>\$ 5,019,848</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, 2016

	<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	\$ 2,110,407	\$ 2,110,407	\$ 4,827,968	\$ 2,717,561
Use of money and property:				
Interest earned	10,000	10,000	58,120	48,120
Total revenues	<u>2,120,407</u>	<u>2,120,407</u>	<u>4,886,088</u>	<u>2,765,681</u>
Expenditures:				
Current:				
Fire:				
Services	-	-	50,944	50,944
Supplies	37,925	37,925	356,211	318,286
Business expenses	-	-	437	437
Total current	<u>37,925</u>	<u>37,925</u>	<u>407,592</u>	<u>369,667</u>
Capital outlay:	4,110,000	4,252,191	3,556,937	(695,254)
Total fire	<u>4,147,925</u>	<u>4,290,116</u>	<u>3,964,529</u>	<u>(325,587)</u>
Current:				
Sanitation:				
Supplies	108,585	108,585	-	(108,585)
Total current	<u>108,585</u>	<u>108,585</u>	<u>-</u>	<u>(108,585)</u>
Capital outlay:	350,000	547,271	663,047	115,776
Total sanitation	<u>458,585</u>	<u>655,856</u>	<u>663,047</u>	<u>7,191</u>
Total expenditures	<u>4,606,510</u>	<u>4,945,972</u>	<u>4,627,576</u>	<u>(318,396)</u>
Net changes in fund balances	<u>\$ (2,486,103)</u>	<u>\$ (2,825,565)</u>	258,512	<u>\$ 3,084,077</u>
Fund balance - beginning			<u>6,717,764</u>	
Fund balance - ending			<u>\$ 6,976,276</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, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Charges for services:				
Customer service	\$ 2,472,500	\$ 2,472,500	\$ 2,462,709	\$ (9,791)
Use of money and property:				
Interest earnings	<u>10,000</u>	<u>10,000</u>	<u>83,972</u>	<u>73,972</u>
Total revenues	<u>2,482,500</u>	<u>2,482,500</u>	<u>2,546,681</u>	<u>64,181</u>
Expenditures:				
Current:				
Stormwater:				
Personnel	1,178,031	1,178,031	1,177,449	(582)
Services	288,752	288,752	302,910	14,158
Supplies	345,665	345,665	189,384	(156,281)
Operational units	181,976	181,976	181,976	-
Business expenses	31,730	31,730	36,420	4,690
Debt service/leases	<u>232,154</u>	<u>232,154</u>	<u>170,365</u>	<u>(61,789)</u>
Total current	<u>2,258,308</u>	<u>2,258,308</u>	<u>2,058,504</u>	<u>(199,804)</u>
Capital outlay	<u>2,846,000</u>	<u>2,846,000</u>	<u>397,677</u>	<u>(2,448,323)</u>
Total expenditures	<u>5,104,308</u>	<u>5,104,308</u>	<u>2,456,181</u>	<u>(2,648,127)</u>
Net changes in fund balances	<u>\$ (2,621,808)</u>	<u>\$ (2,621,808)</u>	90,500	<u>\$ 2,712,308</u>
Fund balance - beginning			<u>4,783,235</u>	
Fund balance - ending			<u>\$ 4,873,735</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, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Fines and fees:				
Drug fines	\$ 93,070	\$ 93,070	\$ 185,730	\$ 92,660
Seized assets/unclaimed evidence	79,091	79,091	127,306	48,215
Use of money and property:				
Interest earned	1,000	1,000	1,874	874
Sale of surplus property	-	-	10,447	10,447
Total revenues	<u>173,161</u>	<u>173,161</u>	<u>325,357</u>	<u>152,196</u>
Expenditures:				
Current:				
Police:				
Services	39,000	39,000	-	(39,000)
Supplies	-	-	50,909	50,909
Operational units	48,000	48,000	52,220	4,220
Business expenses	<u>40,000</u>	<u>40,000</u>	<u>1,882</u>	<u>(38,118)</u>
Total current	<u>127,000</u>	<u>127,000</u>	<u>105,011</u>	<u>(21,989)</u>
Total expenditures	<u>127,000</u>	<u>127,000</u>	<u>105,011</u>	<u>(21,989)</u>
Net changes in fund balances	<u>\$ 46,161</u>	<u>\$ 46,161</u>	220,346	<u>\$ 174,185</u>
Fund balance - beginning			<u>295,296</u>	
Fund balance - ending			<u>\$ 515,642</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, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes:				
Hotel / Motel tax	\$ 3,244,619	\$ 3,281,214	\$ 3,557,971	\$ 276,757
Use of money and property:				
Distributions from conference center	-	-	123,453	123,453
Interest earned	<u>2,000</u>	<u>2,000</u>	<u>6,750</u>	<u>4,750</u>
Total revenues	<u>3,246,619</u>	<u>3,283,214</u>	<u>3,688,174</u>	<u>404,960</u>
Expenditures:				
Current:				
General:				
Services	-	30,000	197,772	167,772
Supplies	-	-	162,574	162,574
Appropriations	<u>767,131</u>	<u>767,131</u>	<u>767,131</u>	<u>-</u>
Total current	<u>767,131</u>	<u>797,131</u>	<u>1,127,477</u>	<u>330,346</u>
Capital outlay	<u>676,918</u>	<u>1,016,129</u>	<u>347,406</u>	<u>(668,723)</u>
Total expenditures	<u>1,444,049</u>	<u>1,813,260</u>	<u>1,474,883</u>	<u>(338,377)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,802,570</u>	<u>1,469,954</u>	<u>2,213,291</u>	<u>743,337</u>
Other financing sources (uses):				
Operating transfers to other funds	<u>(1,126,678)</u>	<u>(2,334,243)</u>	<u>(2,328,778)</u>	<u>(5,465)</u>
Net changes in fund balances	<u>\$ 675,892</u>	<u>\$ (864,289)</u>	<u>(115,487)</u>	<u>\$ 748,802</u>
Fund balance - beginning			<u>2,749,596</u>	
Fund balance - ending			<u>\$ 2,634,109</u>	

See independent auditor's report.

CITY OF FRANKLIN, TENNESSEE
IN LIEU OF PARKLAND FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<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:				
In lieu of parkland fees	\$ 1,530,323	\$ 1,530,323	\$ 1,923,145	\$ 392,822
Use of money and property:				
Interest earned	-	-	8,745	8,745
Total revenues	<u>1,530,323</u>	<u>1,530,323</u>	<u>1,931,890</u>	<u>401,567</u>
Expenditures:				
Parks:	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	<u>\$ 1,530,323</u>	<u>\$ 1,530,323</u>	1,931,890	<u>\$ 401,567</u>
Fund balance - beginning			<u>2,494,076</u>	
Fund balance - ending			<u>\$ 4,425,966</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, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental:				
Grants	\$ 1,140,841	\$ 1,140,841	\$ 1,251,055	\$ 110,214
Charges for services:				
Transit fares	111,000	111,000	88,460	(22,540)
Use of money and property:				
Rental income	10,000	10,000	9,700	(300)
Interest earnings	2,900	2,900	4,391	1,491
Sale of surplus property	-	-	18,640	18,640
Total revenues	<u>1,264,741</u>	<u>1,264,741</u>	<u>1,372,246</u>	<u>107,505</u>
Expenditures:				
Current:				
Transit:				
Services	-	-	38	38
Operational units	<u>1,583,310</u>	<u>1,642,403</u>	<u>1,574,936</u>	<u>(67,467)</u>
Total current	<u>1,583,310</u>	<u>1,642,403</u>	<u>1,574,974</u>	<u>(67,429)</u>
Capital outlay	<u>225,000</u>	<u>225,000</u>	<u>113,535</u>	<u>(111,465)</u>
Total expenditures	<u>1,808,310</u>	<u>1,867,403</u>	<u>1,688,509</u>	<u>(178,894)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(543,569)</u>	<u>(602,662)</u>	<u>(316,263)</u>	<u>286,399</u>
Other financing sources (uses):				
Operating transfers from other funds	<u>543,569</u>	<u>793,569</u>	<u>501,413</u>	<u>(292,156)</u>
Net changes in fund balances	<u>\$ -</u>	<u>\$ 190,907</u>	185,150	<u>\$ (5,757)</u>
Fund balance - beginning			<u>189,608</u>	
Fund balance - ending			<u>\$ 374,758</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, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental:				
Grants	\$ 274,706	\$ 274,706	\$ 329,866	\$ 55,160
Use of money and property:				
Interest	<u>100</u>	<u>100</u>	<u>431</u>	<u>331</u>
Total revenues	<u>274,806</u>	<u>274,806</u>	<u>330,297</u>	<u>55,491</u>
Expenditures:				
Current:				
General:				
Services	<u>274,706</u>	<u>274,706</u>	<u>265,324</u>	<u>(9,382)</u>
Total current	<u>274,706</u>	<u>274,706</u>	<u>265,324</u>	<u>(9,382)</u>
Total expenditures	<u>274,706</u>	<u>274,706</u>	<u>265,324</u>	<u>(9,382)</u>
Net changes in fund balances	<u>\$ 100</u>	<u>\$ 100</u>	64,973	<u>\$ 64,873</u>
Fund balance - beginning			<u>20,212</u>	
Fund balance - ending			<u>\$ 85,185</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, 2016

	<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	\$ 7,426,254	\$ 7,426,254	\$ 7,338,632	\$ (87,622)
Intergovernmental:				
Rebates on BAB / RZEDB bonds	825,401	825,401	840,316	14,915
Use of money and property:				
Interest earned	<u>5,000</u>	<u>5,000</u>	<u>3,296</u>	<u>(1,704)</u>
Total revenues	<u>8,256,655</u>	<u>8,256,655</u>	<u>8,182,244</u>	<u>(74,411)</u>
Expenditures:				
Debt service:				
Principal	7,783,000	7,783,000	7,783,000	-
Interest	5,112,804	5,112,804	4,973,106	(139,698)
Debt service fees	<u>28,342</u>	<u>28,342</u>	<u>16,838</u>	<u>(11,504)</u>
Total expenditures	<u>12,924,146</u>	<u>12,924,146</u>	<u>12,772,944</u>	<u>(151,202)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,667,491)</u>	<u>(4,667,491)</u>	<u>(4,590,700)</u>	<u>76,791</u>
Other financing sources (uses):				
Operating transfers from other funds:				
From Water & Sewer	200,000	200,000	200,000	-
From Sanitation	606,544	606,544	599,772	(6,772)
From Road Impact	2,739,169	2,739,169	2,674,006	(65,163)
From Hotel/Motel	<u>1,126,678</u>	<u>1,126,678</u>	<u>1,121,213</u>	<u>(5,465)</u>
Total other financing sources (uses)	<u>4,672,391</u>	<u>4,672,391</u>	<u>4,594,991</u>	<u>(77,400)</u>
Net changes in fund balances	<u>\$ 4,900</u>	<u>\$ 4,900</u>	4,291	<u>\$ (609)</u>
Fund balance - beginning			<u>709</u>	
Fund balance - ending			<u>\$ 5,000</u>	

See independent auditor's report.

CITY OF FRANKLIN, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Source/Grant Program or Cluster Title	Federal CFDA Number	Grant Number / Pass-through Identifying Number	Balance 6/30/2015 (Receivable) Unearned	Adjustments	Cash Receipts	Total Federal Expenditures	Balance 6/30/2016 (Receivable) Unearned	Passed through to Subrecipients
U.S. DEPARTMENT OF JUSTICE								
Bulletproof Vest Partnership Program	16.607	N/A	\$ (4,370)	\$ -	\$ 4,370	\$ -	\$ -	\$ -
Total U.S. Department of Justice			(4,370)	-	4,370	-	-	-
U.S. DEPARTMENT OF TRANSPORTATION								
New Freedom Program *	20.521	TN-57-X002	-	-	29,690	(43,929)	(14,239)	(43,929)
<i>Federal Transit Cluster:</i>								
Federal Transit Investment Grants *	20.500	TN-04-0045-02	(3,311)	-	3,311	-	-	-
Federal Transit Formula Grant (Transit Capital Grant) *	20.507	TN-90-X303-00	-	-	2,086	(21,572)	(19,486)	(21,572)
Federal Transit Formula Grant (Transit Capital Grant) *	20.507	TN-90-X339-00	-	-	-	-	-	-
Federal Transit Formula Grant (Transit Capital Grant) *	20.507	TN-90-X352-00	(1,234)	-	97,044	(95,810)	-	(95,810)
Federal Transit Formula Grant (Transit Capital Grant) *	20.507	TN-90-X365-00	(161,546)	-	161,546	-	-	-
Federal Transit Formula Grant (Transit Capital Grant) *	20.507	TN-90-X384-00	(22,096)	-	334,073	(463,592)	(151,615)	(463,592)
Federal Transit Formula Grant (Transit Capital Grant) *	20.507	TN-90-X392-00	-	-	52,194	(86,214)	(34,020)	(86,214)
Federal Transit Formula Grant (Replacement Vehicle-PM-Planning & Equipment) *	20.507	TN-90-X328-00	-	-	1,510	(1,510)	-	(1,510)
Total Federal Transit Cluster			(184,876)	-	648,453	(668,698)	(205,121)	(668,698)
			(188,187)	-	651,764	(668,698)	(205,121)	(668,698)
<i>Highway Planning and Construction Cluster:</i>								
Highway Planning and Construction (Bicentennial Park) ***	20.205	#109424.00	(4,624)	-	387,398	(625,376)	(242,602)	-
Highway Planning and Construction (Mack Hatcher Parkway NW Quad) ***	20.205	#101454.01	(456,080)	-	-	(252,770)	(708,850)	-
Highway Planning and Construction (Columbia Ave to Downs Blvd) ***	20.205	#121454.00	-	-	-	(151,004)	(151,004)	-
			(460,704)	-	387,398	(1,029,150)	(1,102,456)	-
Recreational Trails Program ****	20.219	32701-02182	(9,766)	4,589	12,817	(60,213)	(52,573)	-
Total Highway Planning and Construction Cluster			(470,470)	4,589	400,215	(1,089,363)	(1,155,029)	-
Alcohol Open Container Requirements (Franklin Fight Against Impaired Driving) **	20.607	154AL-15-61	(7,897)	-	27,588	(19,691)	-	-
Alcohol Open Container Requirements (Franklin Fight Against Impaired Driving) **	20.607	154AL-16-24	-	-	-	(8,769)	(8,769)	-
			(7,897)	-	27,588	(28,460)	(8,769)	-
Total U.S. Department of Transportation			(666,554)	4,589	1,109,257	(1,830,450)	(1,383,158)	(712,627)
U.S. DEPARTMENT OF THE INTERIOR								
Historic Preservation Fund Grants-In-Aid (City & Rest Haven Cemeteries) *****	15.904	32701-02097	-	-	19,618	(19,618)	-	-
National Parks Service - Battlefield Acquisition *****	15.928	P15AP00138	-	-	99,610	(99,610)	-	(99,610)
National Parks Service - Battlefield Acquisition *****	15.928	P15AP00145	-	-	1,303,187	(1,303,187)	-	(1,303,187)
			-	-	1,402,797	(1,402,797)	-	(1,402,797)
Total U.S. Department of the Interior			-	-	1,422,415	(1,422,415)	-	(1,402,797)
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT								
Community Development Block Grants/Entitlement Grants *****	14.218	B-MC-47-0014	(10,007)	-	306,702	(326,109)	(29,414)	-
Emergency Solutions Grant Programs (Emergency Shelter Grant)	14.231	ESG-13-15	(5,896)	-	5,896	-	-	-
Emergency Solutions Grant Programs (Emergency Shelter Grant)	14.231	ESG-15-16	-	-	55,041	(62,319)	(7,278)	-
			(5,896)	-	60,937	(62,319)	(7,278)	-
Total U.S. Department of Housing and Urban Development			(15,903)	-	367,639	(388,428)	(36,692)	-
Total Federal Assistance			\$ (686,827)	\$ 4,589	\$ 2,903,681	\$ (3,641,293)	\$ (1,419,850)	\$ (2,115,424)

NOTE 1 - BASIS OF PRESENTATION

The Schedules of Expenditures of Federal Awards and State Financial Assistance includes the federal and state grant activity, respectively, of the City of Franklin, Tennessee and are presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and the State of Tennessee, respectively. Because these Schedules present only a selected portion of the operations of the City, they are not intended to and do not present the financial position or changes in financial position of the City.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The information reported in the Schedules is reported in accordance with accounting principles generally accepted in the United States of America, which is the same basis of accounting as the basic financial statements. The federal expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 - DE MINIMUS INDIRECT COST RATE

The City has elected to use the 10-percent de minimus indirect cost rate allowed under the Uniform Guidance, when applicable.

- * Passed through to The Transportation Management Association Group
- ** Passed through the TN Department of Transportation Governor's Highway Safety Office
- *** Passed through the TN Department of Transportation
- **** Passed through the TN Department of Environment and Conservation
- ***** Passed through the TN Historical Commission
- ***** Passed through the TN Housing Development Agency
- ***** Passed through to The Franklin Battlefield agencies

CITY OF FRANKLIN, TENNESSEE
SCHEDULE OF STATE FINANCIAL ASSISTANCE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

<u>Source/Grant Name</u>	<u>State Grant Number</u>	<u>Balance 6/30/2015 (Receivable) Unearned</u>	<u>Adjustments</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>Balance 6/30/2016 (Receivable) Unearned</u>
TENNESSEE DEPARTMENT OF TRANSPORTATION						
Federal Transit Formula Grant (Transit Capital Grant) *	TN-90-0303	\$ (2,214)	\$ -	\$ 2,214	\$ -	\$ -
Federal Transit Capital Investment Grants *	TN-04-0045-02	(414)	-	414	-	-
Replacement Vehicle-PM-Planning & Equipment *	TN-90-X328-00	(592)	592	-	-	-
Federal Transit Formula Grant (Transit Operating Assistance Grant) *	TN-90-X339-00	(20,003)	-	20,003	-	-
New Freedom Program *	TN-57-X002	-	-	-	(21,964)	(21,964)
Federal Transit Formula Grant (Transit Capital Grant) *	TN-90-X352-00	(46,637)	-	58,613	(11,976)	-
Federal Transit Formula Grant (Transit Capital Grant) *	TN-90-X365-00	(20,193)	-	20,193	-	-
Federal Transit Formula Grant (Transit Capital Grant) *	TN-90-X384-00	-	-	-	(57,949)	(57,949)
Transit Operating Assistance Grant *	GG154094300	(249,600)	-	249,600	-	-
Transit Operating Assistance Grant *	Z-16-UROP05-00	-	-	-	(249,600)	(249,600)
Mack Hatcher Parkway NW Quad	#101454.01	(114,020)	-	-	(63,193)	(177,213)
Columbia Ave to Downs Blvd	#121454.00	-	-	-	(37,751)	(37,751)
Hillsboro Rd @ Claude Yates Drive	#108409.00	-	-	-	(810,318)	(810,318)
Special Litter Grant	Z13ALG016	-	-	11,272	(18,135)	(6,863)
Franklin ITS Infrastructure	116144.00	(29,685)	-	29,685	(15,840)	(15,840)
Franklin ITS Infrastructure	116144.01	(36,199)	-	36,199	(34,925)	(34,925)
Total Tennessee Department of Transportation		<u>(519,557)</u>	<u>592</u>	<u>428,193</u>	<u>(1,321,651)</u>	<u>(1,412,423)</u>
TENNESSEE DEPARTMENT OF ENVIRONMENT & CONSERVATION						
Recycling Rebate FY2015	RR-FY15	(7,686)	-	7,686	-	-
Recycling Rebate FY2016	RR-FY16	-	-	-	(4,142)	(4,142)
Clean Tennessee Energy	32701-02395	-	-	15,071	(15,071)	-
Total Tennessee Department of Environment & Conservation		<u>(7,686)</u>	<u>-</u>	<u>22,757</u>	<u>(19,213)</u>	<u>(4,142)</u>
Total State Financial Assistance		<u>\$ (527,243)</u>	<u>\$ 592</u>	<u>\$ 450,950</u>	<u>\$ (1,340,864)</u>	<u>\$ (1,416,565)</u>

* Passed through to The Transportation Management Association Group

See independent auditor's report.

CITY OF FRANKLIN, TENNESSEE
SCHEDULE OF PRINCIPAL AND INTEREST REQUIREMENTS
GENERAL OBLIGATION DEBT
 JUNE 30, 2016

	Tennessee Municipal Bond Fund Variable Rate Pool Loan Program 2001		Tennessee Municipal Bond Fund Variable Rate Pool Loan Program 2001		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)		Federally Taxable Build America Bonds Series 2009 (3)		Capital Improvement Bonds Series 2009	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 439,000	\$ 2,546	\$ 168,000	\$ 1,978	\$ 550,000	\$ 3,190	\$ 330,000	\$ 65,153	\$ -	\$ 718,000	\$ -	\$ 1,559,925	\$ 2,090,000	\$ 52,250
2018	-	-	173,000	1,003	-	-	345,000	53,108	-	718,000	2,140,000	1,559,925	-	-
2019	-	-	-	-	-	-	355,000	40,515	-	718,000	2,205,000	1,464,695	-	-
2020	-	-	-	-	-	-	370,000	27,558	-	718,000	2,270,000	1,364,368	-	-
2021	-	-	-	-	-	-	385,000	14,053	-	718,000	2,340,000	1,258,813	-	-
2022	-	-	-	-	-	-	-	-	-	718,000	2,410,000	1,146,493	-	-
2023	-	-	-	-	-	-	-	-	-	718,000	2,490,000	1,027,198	-	-
2024	-	-	-	-	-	-	-	-	-	718,000	2,565,000	905,188	-	-
2025	-	-	-	-	-	-	-	-	1,175,000	718,000	2,650,000	776,938	-	-
2026	-	-	-	-	-	-	-	-	1,225,000	675,818	2,740,000	641,125	-	-
2027	-	-	-	-	-	-	-	-	1,300,000	631,840	2,835,000	493,850	-	-
2028	-	-	-	-	-	-	-	-	1,350,000	585,170	2,935,000	337,925	-	-
2029	-	-	-	-	-	-	-	-	1,400,000	536,705	3,045,000	173,562	-	-
2030	-	-	-	-	-	-	-	-	1,450,000	486,445	-	-	-	-
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>\$ 439,000</u>	<u>\$ 2,546</u>	<u>\$ 341,000</u>	<u>\$ 2,981</u>	<u>\$ 550,000</u>	<u>\$ 3,190</u>	<u>\$ 1,785,000</u>	<u>\$ 200,385</u>	<u>\$ 20,000,000</u>	<u>\$ 11,188,237</u>	<u>\$ 30,625,000</u>	<u>\$ 12,710,002</u>	<u>\$ 2,090,000</u>	<u>\$ 52,250</u>

Notes:

- (1) The City has an interest rate swap (variable to fixed) agreement with SunTrust Bank.
- (2) The City has an interest rate swap (variable to fixed) agreement with Wertmanagement Bank.
- (3) The City receives a 45% direct payment interest rebate on this issue, subject to reduction by the annually adjusted sequestration rate. The sequestration rate for July-September 2015 was 7.3%; October 2015-June 2016 was 6.8%.

(Continued)

CITY OF FRANKLIN, TENNESSEE
SCHEDULE OF PRINCIPAL AND INTEREST REQUIREMENTS (Cont.)
GENERAL OBLIGATION DEBT
 JUNE 30, 2016

	Federally Taxable Recovery Zone Bonds Series 2010 (4)		General Improvement Refunding Bonds Series 2010		General Improvement Refunding Bonds Series 2012		Public Improvement Bonds Series 2013A		Pension Obligation Bonds Series 2013B		Public Improvement Bonds Series 2015		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ -	\$ 795,729	\$ 1,210,000	\$ 366,850	\$ 1,435,000	\$ 374,454	\$ 305,000	\$ 198,718	\$ 945,000	\$ 218,235	\$ 520,000	\$ 546,290	\$ 7,992,000	\$ 4,903,317
2018	-	795,729	1,240,000	330,550	1,465,000	343,889	315,000	192,617	955,000	208,313	535,000	530,690	7,168,000	4,733,824
2019	-	795,729	1,280,000	293,350	1,495,000	312,684	320,000	186,318	970,000	193,510	565,000	503,940	7,190,000	4,508,741
2020	-	795,729	1,315,000	254,950	1,530,000	280,840	325,000	179,917	1,000,000	164,410	585,000	481,340	7,395,000	4,267,111
2021	-	795,729	1,360,000	215,500	1,560,000	248,252	330,000	173,418	1,030,000	134,410	605,000	463,790	7,610,000	4,021,964
2022	-	795,729	1,410,000	161,100	1,595,000	215,023	340,000	166,817	1,060,000	106,600	635,000	433,540	7,450,000	3,743,302
2023	-	795,729	1,470,000	104,700	1,630,000	181,050	350,000	158,318	1,090,000	74,800	665,000	401,790	7,695,000	3,461,585
2024	1,985,000	795,729	1,530,000	45,900	1,665,000	146,331	355,000	149,567	1,125,000	39,375	700,000	368,540	9,925,000	3,168,630
2025	2,140,000	703,923	-	-	1,700,000	110,867	365,000	140,693	-	-	730,000	333,540	8,760,000	2,783,961
2026	2,195,000	602,273	-	-	1,735,000	74,656	375,000	131,203	-	-	760,000	304,340	9,030,000	2,429,415
2027	2,255,000	495,266	-	-	1,770,000	37,701	385,000	120,890	-	-	790,000	273,940	9,335,000	2,053,487
2028	2,315,000	380,261	-	-	-	-	400,000	107,800	-	-	815,000	250,240	7,815,000	1,661,396
2029	2,380,000	259,881	-	-	-	-	410,000	94,200	-	-	850,000	217,640	8,085,000	1,281,988
2030	2,455,000	131,956	-	-	-	-	425,000	80,260	-	-	880,000	183,640	5,210,000	882,301
2031	-	-	-	-	-	-	440,000	65,810	-	-	920,000	148,440	2,885,000	648,640
2032	-	-	-	-	-	-	455,000	50,850	-	-	945,000	120,840	2,975,000	551,333
2033	-	-	-	-	-	-	470,000	35,380	-	-	975,000	92,490	3,095,000	450,970
2034	-	-	-	-	-	-	485,000	19,400	-	-	1,005,000	63,240	3,215,000	346,505
2035	-	-	-	-	-	-	-	-	-	-	1,035,000	32,085	2,835,000	234,023
2036	-	-	-	-	-	-	-	-	-	-	-	-	1,875,000	137,318
2037	-	-	-	-	-	-	-	-	-	-	-	-	1,950,000	70,005
	<u>\$ 15,725,000</u>	<u>\$ 8,939,392</u>	<u>\$ 10,815,000</u>	<u>\$ 1,772,900</u>	<u>\$ 17,580,000</u>	<u>\$ 2,325,747</u>	<u>\$ 6,850,000</u>	<u>\$ 2,252,176</u>	<u>\$ 8,175,000</u>	<u>\$ 1,139,653</u>	<u>\$ 14,515,000</u>	<u>\$ 5,750,355</u>	<u>\$ 129,490,000</u>	<u>\$ 46,339,814</u>

Note:

- (4) The City receives a 45% direct payment interest rebate on this issue, subject to reduction by the annually adjusted sequestration rate.

See independent auditor's report.

CITY OF FRANKLIN, TENNESSEE
SCHEDULE OF PRINCIPAL AND INTEREST REQUIREMENTS
PROPRIETARY FUND DEBT
JUNE 30, 2016

	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
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>\$ 17,715,000</u>	<u>\$ 4,028,375</u>	<u>\$ 13,995,000</u>	<u>\$ 1,950,614</u>	<u>\$ 1,167,766</u>	<u>\$ 256,329</u>	<u>\$ 1,613,442</u>	<u>\$ 382,100</u>	<u>\$ 34,491,208</u>	<u>\$ 6,617,418</u>

See independent auditor's report.

CITY OF FRANKLIN, TENNESSEE
SCHEDULE OF UTILITY RATE STRUCTURE AND NUMBER OF CUSTOMERS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016
 UNAUDITED

Utility Services

<u>Service:</u>	<u>Number of Customers</u>	<u>Fees</u>
Water	17,685	\$ 10,252,017
Sewer	23,530	16,215,570
Reclaimed	64	123,806

Utility Rates

<u>Water Residential Rates: Gallons</u>	<u>Inside City Limits</u>	<u>Outside City Limits</u>
First 1,000 Gallons	\$ 11.86	\$ 14.30
Next 9,000 Gallons	4.46	6.90
Next 15,000 Gallons	5.39	7.48
All Additional Gallons	6.32	8.06
<u>Water Commercial Rates: Gallons</u>	<u>Inside City Limits</u>	<u>Outside City Limits</u>
First 1,000 Gallons	\$ 18.49	\$ 22.21
Next 9,000 Gallons	4.44	6.82
Next 15,000 Gallons	5.37	7.40
All Additional Gallons	6.30	7.98
<u>Sewer Residential Rates: Gallons</u>	<u>Inside City Limits</u>	<u>Outside City Limits</u>
First 1,000 Gallons	\$ 16.55	\$ 21.63
Next 14,000 Gallons	5.09	7.98
All Additional Gallons	4.30	6.83
<u>Sewer Commercial Rates: Gallons</u>	<u>Inside City Limits</u>	<u>Outside City Limits</u>
First 1,000 Gallons	\$ 41.98	\$ 45.46
Next 14,000 Gallons	5.64	8.81
Add Additional Gallons	4.65	6.92
<u>Reclaimed Water Rate: 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, 2016. A minimum bill of 1,000 gallons per customer is levied.

Other Utility Fees

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

See independent auditor's report.

CITY OF FRANKLIN, TENNESSEE
SCHEDULE OF UTILITY RATE STRUCTURE AND NUMBER OF CUSTOMERS (Cont.)
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016
 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

See independent auditor's report.

**CITY OF FRANKLIN, TENNESSEE
AWWA WATER SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED**



**AWWA Free Water Audit Software:
Reporting Worksheet**

WAS v5.0
 American Water Works Association
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Water Audit Report for: City of Franklin Water Management (0000246)

Reporting Year: 2016 7/2015 - 6/2016

Please enter data in the white cells below. Where available, metered values should be used; if metered values are unavailable please estimate a value. Indicate your confidence in the accuracy of the input data by grading each component (n/a or 1-10) using the drop-down list to the left of the input cell. Hover the mouse over the cell to obtain a description of the grades

All volumes to be entered as: MILLION GALLONS (US) PER YEAR

WATER SUPPLIED

To select the correct data grading for each input, determine the highest grade where the utility meets or exceeds all criteria for that grade and all grades below

<----- Enter grading in column 'E' and 'J' ----->

Volume from own sources:	+ ? 8	500.000	MG/Yr		
Water imported:	+ ? 9	1,550.000	MG/Yr	+ ? 8	
Water exported:	+ ?		MG/Yr	+ ? 10	

Enter negative % or value for under-registration
Enter positive % or value for over-registration

WATER SUPPLIED: 2,050.000 MG/Yr

Master Meter and Supply Error Adjustments

Pcnt:					
Value:					

AUTHORIZED CONSUMPTION

Billed metered:	+ ? 8	1,573.537	MG/Yr		
Billed unmetered:	+ ? 9	0.000	MG/Yr	+ ? 10	
Unbilled metered:	+ ? 10	0.000	MG/Yr	+ ?	
Unbilled unmetered:	+ ?	25.625	MG/Yr	+ ?	

Default option selected for Unbilled unmetered - a grading of 5 is applied but not displayed

AUTHORIZED CONSUMPTION: 1,599.162 MG/Yr

Click here:

Pcnt:		1.25%			
Value:					

Use buttons to select percentage of water supplied OR value

Pcnt:		0.25%			
Value:					

Pcnt:		2.00%			
Value:					

WATER LOSSES (Water Supplied - Authorized Consumption) 450.838 MG/Yr

Apparent Losses

Unauthorized consumption:	+ ?	5.125	MG/Yr		
---------------------------	-----	-------	-------	--	--

Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed

Customer metering inaccuracies:	+ ? 7	32.113	MG/Yr		
Systematic data handling errors:	+ ?	3.934	MG/Yr	+ ?	

Default option selected for Systematic data handling errors - a grading of 5 is applied but not displayed

Apparent Losses: 41.172 MG/Yr

Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses: 409.666 MG/Yr

WATER LOSSES: 450.838 MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER: 476.463 MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

Length of mains:	+ ? 9	294.0	miles		
Number of active AND inactive service connections:	+ ? 6	18,509		+ ?	
Service connection density:	+ ?	63	conn./mile main	+ ?	

Are customer meters typically located at the curbside or property line? Yes (length of service line, beyond the property boundary, that is the responsibility of the utility)

Average length of customer service line: 0 (length of service line, beyond the property boundary, that is the responsibility of the utility)

Average operating pressure: 70.0 psi

COST DATA

Total annual cost of operating water system:	+ ? 10	\$10,135,397	\$/Year		
Customer retail unit cost (applied to Apparent Losses):	+ ? 9	\$11.64	\$/1000 gallons (US)	+ ?	
Variable production cost (applied to Real Losses):	+ ? 8	\$2,550.00	\$/Million gallons	+ ?	

Use Customer Retail Unit Cost to value real losses

*** YOUR SCORE IS: 80 out of 100 ***

A weighted scale for the components of consumption and water loss is included in the calculation of the Water Audit Data Validity Score

PRIORITY AREAS FOR ATTENTION:

Based on the information provided, audit accuracy can be improved by addressing the following components:

1: Unauthorized consumption

2: Systematic data handling errors

3: Water imported

See independent auditor's report.

CITY OF FRANKLIN, TENNESSEE
AWWA WATER SCHEDULE (Cont.)
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016
 UNAUDITED

AWWA Free Water Audit Software:

WAS v5.0
American Water Works Association.
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System Attributes and Performance Indicators

Water Audit Report for: City of Franklin Water Management (0000246)

Reporting Year: 2016 | 7/2015 - 6/2016

*** YOUR WATER AUDIT DATA VALIDITY SCORE IS: 80 out of 100 ***

System Attributes:

	Apparent Losses:	41.172	MG/Yr	
	+ Real Losses:	409.666	MG/Yr	
	= Water Losses:	450.838	MG/Yr	
? Unavoidable Annual Real Losses (UARL): 111.57 MG/Yr				
	Annual cost of Apparent Losses:	\$479,240		
	Annual cost of Real Losses:	\$1,044,649	Valued at Variable Production Cost	

Return to Reporting Worksheet to change this assumption

Performance Indicators:

Financial:	{	Non-revenue water as percent by volume of Water Supplied:	23.2%	Real Losses valued at Variable Production Cost
		Non-revenue water as percent by cost of operating system:	15.7%	
Operational Efficiency:	{	Apparent Losses per service connection per day:	6.09	gallons/connection/day
		Real Losses per service connection per day:	60.64	gallons/connection/day
		Real Losses per length of main per day*:	N/A	
		Real Losses per service connection per day per psi pressure:	0.87	gallons/connection/day/psi
From Above, Real Losses = Current Annual Real Losses (CARL):		409.67	million gallons/year	
? Infrastructure Leakage Index (ILI) [CARL/UARL]:		3.67		

* This performance indicator applies for systems with a low service connection density of less than 32 service connections/mile of pipeline

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, 2016

Tax Year	Balance June 30, 2015	Taxes Levied	Adjustments and Collections	Balance June 30, 2016
2015	\$ -	\$ 14,306,693	\$ (14,114,206)	\$ 192,487
2014	190,699	-	(172,321)	18,378
2013	30,859	-	(20,316)	10,543
2012	15,216	-	(4,941)	10,275
2011	17,047	-	(6,796)	10,251
2010	16,702	-	(1,069)	15,633
2009	17,879	-	(677)	17,202
2008	9,156	-	(963)	8,193
2007	17,337	-	(176)	17,161
2006	2,603	-	-	2,603
	<u>\$ 317,498</u>	<u>\$ 14,306,693</u>	<u>\$ (14,321,465)</u>	<u>\$ 302,726</u>

The balance June 30, 2016 is comprised of:

Considered current revenue	\$ 38,753
Allowance for uncollectible accounts: 2006-2015 levies	138,288
Unavailable revenue	<u>125,685</u>
	<u>302,726</u>

Balances not included in the schedule above are:

2016 tax levy due October 1, 2016 considered unavailable revenue and amounts payable to others and amounts due from years prior to 2006 (fully reserved)	<u>18,951,678</u>
--	-------------------

Total property tax receivable (as shown on page 43)	<u><u>\$ 19,254,404</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



HISTORIC
F R A N K L I N
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. 93

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. 97

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. 102

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. 107

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. 109

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 the adoption of new GASB pronouncements.

CITY OF FRANKLIN, TENNESSEE

Financial Trends Information -
Net Position By Component

(Prepared using the accrual basis of accounting)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental activities:										
Net investment in capital assets	\$ 354,087,255	\$ 387,399,795	\$ 398,721,876	\$ 391,009,711	\$ 393,091,861	\$ 394,771,670	\$ 427,956,937	\$ 473,270,481	\$ 526,598,701	\$ 531,232,432
Restricted for:										
Grant program use	-	-	-	19,138	19,266	-	23,545	23,717	20,212	85,185
State street aid	1,069,415	1,048,827	31,817	-	-	16,563	-	295,259	287,224	373,415
Sanitation use	-	-	-	-	-	-	-	-	-	767,350
Drug fund use	381,491	257,521	335,343	253,229	269,691	144,788	121,781	165,436	295,296	515,642
Other projects	-	-	-	1,895,996	-	-	-	-	-	-
Unrestricted	53,444,430	34,055,155	23,793,595	31,620,382	37,054,884	46,304,057	42,077,735	14,450,363	25,106,842	35,391,194
Total net position	<u>\$ 408,982,591</u>	<u>\$ 422,761,298</u>	<u>\$ 422,882,631</u>	<u>\$ 424,798,456</u>	<u>\$ 430,435,702</u>	<u>\$ 441,237,078</u>	<u>\$ 470,179,998</u>	<u>\$ 488,205,256</u>	<u>\$ 552,308,275</u>	<u>\$ 568,365,218</u>
Business-type activities:										
Net investment in capital assets	\$ 92,918,459	\$ 105,088,556	\$ 107,235,256	\$ 102,547,138	\$ 105,910,754	\$ 106,880,291	\$ 110,724,957	\$ 119,141,240	\$ 128,272,969	\$ 139,229,139
Restricted for:										
Water & Sewer	-	-	-	13,376,540	9,975,225	6,684,374	8,150,100	13,391,806	13,452,592	8,916,035
Unrestricted	15,774,391	9,997,061	13,428,223	5,230,958	7,305,642	14,221,008	15,923,139	13,545,686	15,771,418	25,339,325
Total net position	<u>\$ 108,692,850</u>	<u>\$ 115,085,617</u>	<u>\$ 120,663,479</u>	<u>\$ 121,154,636</u>	<u>\$ 123,191,621</u>	<u>\$ 127,785,673</u>	<u>\$ 134,798,196</u>	<u>\$ 146,078,732</u>	<u>\$ 157,496,979</u>	<u>\$ 173,484,499</u>
Primary government:										
Net investment in capital assets	\$ 447,005,714	\$ 492,488,351	\$ 505,957,132	\$ 493,556,849	\$ 499,002,615	\$ 501,651,961	\$ 538,681,894	\$ 592,411,721	\$ 654,871,670	\$ 670,461,571
Restricted for:										
Grant program use	-	-	-	19,138	19,266	-	23,545	23,717	20,212	85,185
State street aid	1,069,415	1,048,827	31,817	-	-	16,563	-	295,259	287,224	373,415
Sanitation use	-	-	-	-	-	-	-	-	-	767,350
Drug fund use	381,491	257,521	335,343	253,229	269,691	144,788	121,781	165,436	295,296	515,642
Other projects	-	-	-	1,895,996	-	-	-	-	-	-
Water & Sewer	-	-	-	13,376,540	9,975,225	6,684,374	8,150,100	13,391,806	13,452,592	8,916,035
Unrestricted	69,218,821	44,052,216	37,221,818	36,851,340	44,360,526	60,525,065	58,000,874	27,996,049	40,878,260	60,730,519
Total net position	<u>\$ 517,675,441</u>	<u>\$ 537,846,915</u>	<u>\$ 543,546,110</u>	<u>\$ 545,953,092</u>	<u>\$ 553,627,323</u>	<u>\$ 569,022,751</u>	<u>\$ 604,978,194</u>	<u>\$ 634,283,988</u>	<u>\$ 709,805,254</u>	<u>\$ 741,849,717</u>

CITY OF FRANKLIN, TENNESSEE

Financial Trends Information -
Changes in Net Position

(Prepared using the accrual basis of accounting)

Governmental activities:	2007	2008	2009	2010	2011	2012	2013	2014 (1)	2015	2016
Revenues:										
Program revenues:										
Charges for services-Communications	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,600
Charges for services-IT	-	-	-	-	-	-	-	-	-	2,752
Charges for services-BNS	2,700,796	3,193,332	1,026,457	767,764	1,521,266	1,839,074	1,878,490	2,332,672	2,005,472	2,921,320
Charges for services-Planning	-	-	-	-	-	-	-	-	-	172,185
Charges for services-Engineering	-	-	-	-	-	-	-	-	-	50
Charges for services-Gen Govt	352,661	609,323	490,710	65,706	385,558	568,711	580,724	608,111	487,716	121,946
Charges for services-Police	998,848	983,845	1,267,107	1,245,405	990,092	1,134,311	1,146,251	784,561	782,681	814,774
Charges for services-Streets	-	-	-	-	940	6,100	7,160	7,400	10,780	18,040
Charges for services-Sanitation	2,666,408	3,201,109	4,554,150	4,753,448	6,673,158	6,888,014	6,855,652	6,084,125	7,384,798	8,346,213
Charges for services-Storm water	1,913,537	1,959,658	2,009,142	2,088,080	2,108,109	2,151,430	2,363,177	2,328,343	2,658,906	2,461,914
Charges for services-Transit	42,558	65,429	64,492	61,786	64,594	78,861	87,069	94,314	94,072	88,460
Operating grants & contributions	1,768,421	3,334,814	2,836,769	3,358,092	4,217,716	5,572,231	4,489,556	4,317,671	4,130,790	4,863,442
Capital grants & contributions	42,284,692	29,769,464	12,760,014	12,129,244	11,893,536	26,221,640	24,640,622	32,121,297	65,527,923	13,545,685
General revenues:										
Property taxes	9,832,508	10,409,885	10,936,742	11,415,775	11,728,305	11,550,562	11,659,973	11,878,892	13,278,605	13,679,737
Sales taxes	23,885,264	23,185,434	21,152,554	20,969,821	22,720,666	24,197,413	25,995,733	27,254,742	28,943,994	31,309,367
Other taxes and fees	25,589,305	20,510,224	17,214,042	16,182,779	22,723,385	21,811,094	24,254,006	30,286,052	29,044,718	42,283,630
Other	1,663,403	2,568,298	1,327,007	1,188,770	(173,794)	(4,881,649)	4,630,117	(790,266)	(668,516)	(1,956,347)
Transfers	-	(225,000)	(45,000)	(45,000)	-	-	-	-	200,000	200,000
Total revenues	113,698,401	99,565,815	75,594,186	74,181,670	84,853,531	97,137,792	108,588,530	117,307,914	153,881,939	118,876,768
Expenses:										
General government:										
Elected officials	-	176,746	161,495	193,640	133,300	202,515	183,406	297,496	275,250	343,182
Administration	1,250,834	1,146,961	882,070	390,182	507,073	595,811	492,554	456,302	489,702	499,029
Human resources	653,686	644,672	845,231	689,024	952,403	1,049,741	787,765	951,829	965,080	1,093,125
Legal	134,768	358,431	217,008	239,619	344,610	387,283	293,197	466,434	349,276	354,340
Communications	119,458	127,036	151,468	261,568	315,291	324,603	304,243	319,154	314,956	363,446
Capital investment planning	-	-	-	193,505	233,651	208,446	162,049	184,077	179,584	87,490
Project & facilities management	381,635	583,917	595,609	523,339	747,101	863,314	710,947	802,988	1,161,760	1,176,182
Revenue management	984,697	1,154,396	1,177,821	395,054	1,295,430	1,361,604	176,518	304,303	227,607	205,230
Finance	986,677	950,729	1,032,382	793,781	865,832	893,037	700,548	717,444	802,805	836,283
Information technology	2,808,228	2,974,551	3,509,093	3,354,101	3,468,124	3,993,526	4,756,627	4,213,881	4,520,824	4,104,824
Purchasing	172,489	188,179	123,527	131,633	145,891	159,188	141,705	165,711	176,188	177,659
Court	241,389	245,205	242,314	265,380	249,454	284,907	220,481	214,427	199,857	228,932
Building & neighborhood services	1,735,274	1,855,258	1,941,663	2,005,803	1,852,075	1,900,692	2,164,831	2,351,310	2,335,652	2,427,771
Planning	1,079,229	1,373,042	1,436,862	1,372,885	1,408,303	1,223,706	1,235,714	1,425,121	1,383,565	1,680,480
Engineering	1,033,507	1,088,120	1,239,061	797,691	612,030	768,730	648,601	696,853	763,790	806,847
Traffic operations center	-	-	-	-	395,448	460,102	658,063	723,312	828,506	862,274
General government	4,976,177	4,561,315	1,729,144	3,464,483	1,294,801	3,205,578	2,442,032	1,949,294	4,370,952	12,305,479
Public safety:										
Police	12,704,967	11,800,152	13,737,798	14,744,499	15,461,749	15,154,496	14,363,457	14,538,599	14,418,465	15,009,053
Fire	10,065,274	12,168,985	13,072,914	13,044,366	13,197,463	13,197,477	13,540,246	13,939,150	14,864,980	15,873,431
Parks	744,627	1,616,753	3,068,887	3,306,523	3,801,959	3,688,466	3,866,135	4,244,661	4,435,908	4,709,152
Streets-maintenance	12,825,296	12,950,825	15,346,785	15,873,886	16,734,751	21,221,774	16,431,675	18,426,769	19,867,157	22,605,118
Street-fleet	-	-	-	662,683	523,234	592,074	601,240	902,173	1,017,846	881,735
Sanitation	5,909,657	6,832,313	6,906,679	6,344,279	8,180,396	7,961,729	7,837,722	7,279,885	7,593,469	8,388,763
Storm water	1,160,588	693,434	744,156	1,126,529	1,319,328	1,508,125	1,622,743	2,016,390	1,776,125	2,105,446
Transit	1,112,289	1,203,579	1,210,274	1,030,107	1,257,352	1,398,956	1,623,600	1,736,112	2,372,642	1,705,932
Interest expense on long-term debt	2,116,737	2,368,353	2,505,069	1,061,285	3,919,236	3,730,536	3,679,511	3,742,163	4,087,064	3,988,622
Total expenses	63,197,483	67,062,952	71,877,310	72,265,845	79,216,285	86,336,416	79,645,610	83,065,838	89,778,920	102,819,825
Change in net position	\$ 50,500,918	\$ 32,502,863	\$ 3,716,876	\$ 1,915,825	\$ 5,637,246	\$ 10,801,376	\$ 28,942,920	\$ 34,242,076	\$ 64,103,019	\$ 16,056,943
Business-Type activities:										
Revenues:										
Program revenues:										
Charges for services	\$ 13,651,464	\$ 14,148,119	\$ 16,635,455	\$ 16,260,341	\$ 19,411,483	\$ 21,253,689	\$ 22,116,747	\$ 23,099,351	\$ 25,283,748	\$ 27,749,661
Capital grants & contributions	6,477,369	9,909,838	8,613,893	3,881,605	3,841,390	5,307,632	6,728,662	11,263,738	9,517,652	12,429,719
General revenues:										
Other sources	820,123	535,059	38,719	68,934	180,868	(7,153)	140,371	113,591	170,074	253,837
Transfers	-	225,000	45,000	45,000	-	-	-	-	(200,000)	(200,000)
Total revenues	20,948,956	24,818,016	25,333,067	20,255,880	23,433,741	26,554,168	28,985,780	34,476,680	34,771,474	40,233,217
Expenses:										
Water & sewer	17,378,465	18,425,249	19,755,205	19,764,723	21,396,756	21,960,116	21,973,257	22,694,995	23,353,227	24,245,697
Change in net position	\$ 3,570,491	\$ 6,392,767	\$ 5,577,862	\$ 491,157	\$ 2,036,985	\$ 4,594,052	\$ 7,012,523	\$ 11,781,685	\$ 11,418,247	\$ 15,987,520
Total change in net position	\$ 54,071,409	\$ 38,895,630	\$ 9,294,738	\$ 2,406,982	\$ 7,674,231	\$ 15,395,428	\$ 35,955,443	\$ 46,023,761	\$ 75,521,266	\$ 32,044,463

(1) - The change in net position for 2014 is prior to the GASB Statement No. 68 restatement (\$16,216,818 for governmental activities and \$501,149 for business-type activities).

CITY OF FRANKLIN, TENNESSEE

Financial Trends Information -
Fund Balances - Governmental Funds

(Prepared using the modified accrual basis of accounting)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund										
Non-Spendable	\$ 294,580	\$ 236,942	\$ 513,119	\$ 489,453	\$ 522,733	\$ 1,423,017	\$ 1,741,675	\$ 1,141,340	\$ 1,712,291	\$ 1,879,610
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	30,089,431	30,526,839	28,249,674	25,424,920	24,439,033	24,588,314	27,148,443	31,573,111	33,757,157	37,369,976
Total General Fund	30,384,011	30,763,781	28,762,793	25,914,373	24,961,766	26,011,331	28,890,118	32,714,451	35,469,448	39,249,586
All Other Governmental Funds										
Special Revenue Funds										
Non-Spendable	-	-	-	-	-	-	-	46,013	32,553	57,121
Restricted	11,945,075	9,462,222	3,761,542	272,367	288,957	161,351	145,326	484,412	602,732	1,685,971
Committed	2,255,949	3,573,362	4,754,751	7,303,746	8,040,949	9,524,052	8,762,925	12,524,477	12,674,316	17,243,117
Assigned	-	-	-	-	-	-	1,124,507	1,971,048	5,243,672	7,060,075
Unassigned	(793,331)	(440,843)	(3,838,212)	(3,561,327)	(1,088,155)	(1,246,711)	(854,829)	-	-	-
Total Special Revenue Funds	13,407,693	12,594,741	4,678,081	4,014,786	7,241,751	8,438,692	9,177,929	15,025,950	18,553,273	26,046,284
Debt Service Fund										
Non-Spendable	-	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	-	-	-	465,190	1,099,568	318,138	84,729	195,118	709	5,000
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-
Total Debt Service Fund	-	-	-	465,190	1,099,568	318,138	84,729	195,118	709	5,000
Capital Projects Fund										
Non-Spendable	-	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	9,120,160	-	-	12,691,653	12,058,809	9,266,485	382,419	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	(13,849,061)	(11,992,169)	-	-	-	-	(18,878,175)	(10,104,657)	(7,887,886)
Total Capital Projects Fund	9,120,160	(13,849,061)	(11,992,169)	12,691,653	12,058,809	9,266,485	382,419	(18,878,175)	(10,104,657)	(7,887,886)
Total All Other Governmental Funds	22,527,853	(1,254,320)	(7,314,088)	17,171,629	20,400,128	18,023,315	9,645,077	(3,657,107)	8,449,325	18,163,398
Total Governmental Funds	\$ 52,911,864	\$ 29,509,461	\$ 21,448,705	\$ 43,086,002	\$ 45,361,894	\$ 44,034,646	\$ 38,535,195	\$ 29,057,344	\$ 43,918,773	\$ 57,412,984

CITY OF FRANKLIN, TENNESSEE

Financial Trends Information -
Changes in Fund Balances - Governmental Funds

(Prepared using the modified accrual basis of accounting)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues										
Taxes	\$ 43,954,432	\$ 43,623,109	\$ 40,086,682	\$ 41,242,751	\$ 42,519,192	\$ 42,985,437	\$ 45,969,516	\$ 49,228,473	\$ 51,595,489	\$ 57,346,463
Licenses and permits	6,532,260	6,502,784	3,765,669	3,266,126	6,198,399	5,329,720	7,603,115	11,397,587	8,714,516	14,855,454
Fines and fees	985,180	951,314	1,213,327	1,213,643	945,045	1,084,450	824,280	829,485	758,369	845,422
Intergovernmental	10,246,007	17,980,903	15,100,893	8,155,250	16,698,318	25,631,707	15,973,111	16,290,803	19,789,750	23,052,657
Charges for services	4,664,553	5,276,826	6,676,550	6,941,540	8,908,640	9,186,271	9,264,390	8,557,376	10,194,368	10,952,510
Use of money and property	2,045,124	2,827,770	1,593,380	1,313,866	1,394,821	1,319,104	816,950	622,019	792,690	979,599
Miscellaneous	512,774	118,122	387,919	331,740	215,110	496,948	1,513,225	648,436	3,301	2,489,638
Total revenues	68,940,330	77,280,828	68,824,420	62,464,916	76,879,525	86,033,637	81,964,587	87,574,179	91,848,483	110,521,743
Expenditures										
Elected officials	-	176,746	161,435	193,640	136,692	202,515	183,406	297,496	275,250	343,182
Administration	1,209,609	1,151,644	861,498	379,780	495,904	582,714	478,456	445,982	483,622	492,182
Human resources	640,239	645,386	802,800	689,703	889,713	1,069,174	823,598	910,719	1,121,520	1,211,867
Legal	123,775	355,360	218,523	234,653	334,594	387,358	283,786	463,730	342,493	333,265
Communications	105,768	116,387	110,511	250,304	305,346	318,505	300,211	317,233	313,200	352,429
Capital investment planning	-	-	-	193,505	236,110	206,418	159,152	183,594	176,967	162,466
Project & facilities management	373,350	522,552	581,352	511,567	738,229	782,167	634,151	729,970	1,093,598	1,111,055
Revenue management	969,927	1,112,775	1,167,045	385,355	1,283,643	1,341,821	166,427	359,289	210,378	192,958
Public safety:										
Police	11,979,814	12,818,426	12,961,061	13,704,946	14,499,023	14,414,109	13,703,100	13,977,946	13,747,102	14,701,228
Fire	11,109,551	12,864,924	12,144,030	12,155,554	12,450,359	12,460,480	12,817,855	13,268,813	14,129,713	15,753,191
Finance	845,587	905,888	959,004	755,271	836,972	877,470	687,679	716,542	787,545	824,104
Municipal information and technology	1,326,674	1,585,448	1,817,211	1,875,688	2,030,532	2,621,668	3,953,288	3,676,541	4,074,719	3,727,271
Purchasing	164,113	184,052	119,616	129,065	140,776	156,738	134,412	162,559	173,490	176,129
Court	239,496	239,482	243,246	268,352	247,575	281,966	217,568	239,857	201,815	319,159
Building & neighborhood services	1,709,602	1,827,452	1,952,948	1,857,185	1,869,310	1,958,127	2,101,158	2,321,624	2,356,810	2,423,538
Planning	1,093,682	1,320,076	1,388,681	1,400,790	1,362,339	1,220,100	1,216,935	1,419,450	1,406,527	1,637,525
Engineering	852,251	1,050,935	1,277,226	727,311	588,560	761,838	631,300	687,014	759,768	802,701
Traffic operations center	-	-	-	-	1,100,104	333,495	459,315	396,044	484,244	498,106
Parks	1,708,657	1,947,593	2,155,891	2,318,156	3,162,220	2,561,137	2,682,797	3,024,341	3,239,260	3,538,547
Streets-maintenance	3,175,789	4,861,308	6,863,021	6,641,212	6,066,942	6,282,477	6,367,667	6,008,306	6,500,001	8,221,079
Streets-traffic	-	-	-	-	913,788	948,377	790,995	1,280,969	1,198,941	1,360,638
Streets-fleet	-	-	-	662,683	849,948	586,722	596,448	874,303	1,073,512	945,575
General government	(215,294)	1,059,147	713,022	3,227,691	943,197	1,127,485	1,735,157	11,666,677	1,861,116	4,221,342
Sanitation	5,954,751	6,438,933	6,129,249	5,636,808	7,366,610	7,265,672	7,025,547	6,446,791	7,490,571	8,308,687
Storm water	1,012,728	573,359	644,762	1,048,680	1,246,262	1,401,563	1,517,703	1,918,130	1,638,451	2,112,676
Transit	973,234	1,014,582	1,026,204	858,064	1,195,802	1,185,600	1,381,776	1,553,237	2,243,080	1,574,974
Debt service										
Principal	3,318,000	3,463,000	3,628,000	4,584,980	5,823,000	6,361,000	6,469,000	6,670,000	7,449,000	7,783,000
Interest	1,877,869	2,161,712	2,309,437	1,350,478	4,199,034	4,261,808	4,277,301	4,298,262	4,644,723	4,973,106
Other charges	243,294	156,521	158,249	109,485	583,532	85,493	199,479	28,317	151,263	16,838
Capital outlay - noncapital	3,011,051	552,973	718,047	-	-	-	-	-	-	-
Capital outlay - capital	22,554,777	41,685,682	41,358,605	25,089,968	18,595,950	16,004,450	16,944,065	32,567,975	16,081,875	12,344,902
Total expenditures	76,358,294	100,792,343	102,470,674	87,240,874	90,492,066	88,048,447	88,939,732	116,911,711	95,710,554	100,463,720
Excess (deficiency) of revenues over (under) expenditures	(7,417,964)	(23,511,515)	(33,646,254)	(24,775,958)	(13,612,541)	(2,014,810)	(6,975,145)	(29,337,532)	(3,862,071)	10,058,023
Other financing sources (uses):										
Proceeds from issuance of long-term debt	20,356,658	520,183	25,630,498	45,881,353	33,206,236	687,562	23,975,694	19,859,681	17,196,020	3,236,188
Transfer to bond escrow agent	-	-	-	-	(17,317,803)	-	(22,500,000)	-	1,327,480	-
Operating transfers in	5,040,755	5,245,176	4,383,016	6,955,030	7,831,891	5,794,421	6,740,323	7,767,550	9,242,452	9,303,969
Operating transfers out	(5,040,755)	(5,470,176)	(4,428,016)	(7,000,030)	(7,831,891)	(5,794,421)	(6,740,323)	(7,767,550)	(9,042,452)	(9,103,969)
Total other financing sources (uses)	20,356,658	295,183	25,585,498	45,836,353	15,888,433	687,562	1,475,694	19,859,681	18,723,500	3,436,188
Net changes in fund balances	\$ 12,938,694	\$ (23,216,332)	\$ (8,060,756)	\$ 21,060,395	\$ 2,275,892	\$ (1,327,248)	\$ (5,499,451)	\$ (9,477,851)	\$ 14,861,429	\$ 13,494,211
Debt service as a % of noncapital expenditures	9.66%	9.52%	9.72%	9.55%	13.94%	14.74%	14.93%	13.00%	15.19%	14.48%

CITY OF FRANKLIN, TENNESSEE

Revenue Capacity Information -
Local Sales Tax Collections

FISCAL YEAR	Estimate of Taxable Sales to Local Sales Tax	Local Sales Tax Rate (City & Willamson County)	Total Local Sales Tax Collected	Less: County			Local Sales Tax Received by City	Percent of General Fund Revenue
				Less: County Portion (1/2 of tax)	Admin Fee (1% of City's 1/2 of tax)			
2016	\$ 2,811,166,510	2.25%	\$ 63,251,246	\$ (31,625,623)	\$ (316,256)	\$ 31,309,367	49.3%	
2015	2,598,787,340	2.25%	58,472,715	(29,236,358)	(292,364)	28,943,994	50.4%	
2014	2,447,114,882	2.25%	55,060,085	(27,530,042)	(275,300)	27,254,742	47.9%	
2013	2,334,072,548	2.25%	52,516,632	(26,258,316)	(262,583)	25,995,733	49.4%	
2012	2,172,607,228	2.25%	48,883,663	(24,441,831)	(244,418)	24,197,413	47.5%	
2011	2,040,014,905	2.25%	45,900,335	(22,950,168)	(229,502)	22,720,666	44.8%	
2010	1,882,812,211	2.25%	42,363,275	(21,181,637)	(211,816)	20,969,821	45.4%	
2009	1,899,219,214	2.25%	42,732,432	(21,366,216)	(213,662)	21,152,554	42.3%	
2008	2,081,744,916	2.25%	46,839,261	(23,419,630)	(234,196)	23,185,434	42.3%	
2007	2,144,580,382	2.25%	48,253,059	(24,126,529)	(241,265)	23,885,264	45.1%	

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	Intangible Property	State Assessment	Local Assessment				
2016	\$ 1,686,264,015	\$ 1,675,073,222	\$ 157,978,412	\$ 84,526	\$ 57,576,973	\$ -	\$ 3,576,977,148	\$ 11,591,451,146	30.86%	0.4065
2015	1,628,904,915	1,586,857,868	163,708,520	53,322	60,066,953	471,130	3,440,062,708	11,413,859,405	30.14%	0.4065
2014	1,572,195,410	1,549,098,572	156,642,888	69,209	55,553,796	-	3,333,559,875	11,065,624,425	30.13%	0.3765
2013	1,523,744,360	1,487,649,998	148,889,463	1,275,280	56,228,260	-	3,217,787,361	10,442,405,019	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	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	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	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	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	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	30.40%	0.4340

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		Total Direct and Overlapping
	City of Franklin*					Williamson County **		
	General Fund	Debt Service Fund	Street Aid Fund	Capital Projects Fund	Total Direct Rate	Total Overlapping Rate		
2016	\$ 0.1517	\$ 0.2248	\$ 0.0150	\$ 0.0150	\$ 0.4065	\$ 3.0541	\$ 3.4606	
2015	\$ 0.1716	\$ 0.2049	\$ 0.0150	\$ 0.0150	\$ 0.4065	\$ 2.9775	\$ 3.3840	
2014	0.1979	0.1786	---	---	0.3765	2.9775	3.3540	
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	

Beginning in fiscal year 2010, the direct rate was separated between the General Fund and the Debt Service Fund. Beginning in fiscal year 2015, the direct rate was separated between the General Fund, the Debt Service Fund, the Street Aid Fund, and the Capital Projects 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:

2016	2.0000
2015	2.2000
2014	2.2000
2013	2.2000
2012	2.2000
2011	2.2000
2010	2.2000
2009	2.2000
2008	2.2000
2007	2.2000

CITY OF FRANKLIN, TENNESSEE

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

<u>Taxpayer</u>	<u>2007</u>		<u>2016</u>	
	<u>Assessed Valuation</u>	<u>Percent of Total Valuation</u>	<u>Assessed Valuation</u>	<u>Percent of Total Valuation</u>
<u>Real and Personal Property Tax</u>				
Spectrum Properties			\$ 139,674,600	3.90%
Galleria Associates (CBL Assoc.)	\$ 36,411,360	1.61%	82,445,900	2.30%
Highwoods Properties			70,146,200	1.96%
Boyle Investments			49,256,900	1.38%
Berkshire Communities			47,801,100	1.34%
LCFRE N'Ville Carothers			40,618,700	1.14%
Trammell Crow Investments			37,403,500	1.05%
SVT			35,194,300	0.98%
Mid-America Apts. LP			34,548,400	0.97%
Star Brentwood LLC			32,769,600	0.92%
Williams W. Fred Trust	16,366,760	0.72%		
Landings F C LP	15,861,235	0.70%		
Wyndchase LLC	14,784,000	0.65%		
Williamson County Farmers Coop	12,138,030	0.54%		
Franklin Cool Springs Corp	9,883,675	0.44%		
Alara Franklin Corp	9,600,000	0.42%		
Thoroughbred Village LLC	9,221,160	0.41%		
Noble Investments	8,792,520	0.39%		
Totals	<u>\$ 133,058,740</u>	<u>5.89%</u>	<u>\$ 569,859,200</u>	<u>15.93%</u>

* Total assessed valuation in 2007 (tax year 2006) was \$2,259,868,386.

** Total assessed valuation in 2016 (tax year 2015) is \$3,576,977,148.

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
2016	\$ 14,306,693	\$ 14,114,206	98.65%	\$ -	\$ 14,114,206	98.65%	\$ 192,487
2015	13,742,347	13,551,648	98.61%	172,321	13,723,969	99.87%	18,378
2014	12,342,702	12,146,687	98.41%	185,472	12,332,159	99.91%	10,543
2013	11,902,186	11,724,940	98.51%	166,971	11,891,911	99.91%	10,275
2012	11,718,525	11,519,012	98.30%	189,262	11,708,274	99.91%	10,251
2011	11,785,700	11,507,981	97.64%	262,086	11,770,067	99.87%	15,633
2010	11,468,281	11,159,219	97.31%	291,860	11,451,079	99.85%	17,202
2009	10,739,928	10,429,879	97.11%	301,856	10,731,735	99.92%	8,193
2008	10,214,031	10,042,817	98.32%	154,053	10,196,870	99.83%	17,161
2007	9,611,622	9,435,282	98.17%	173,737	9,609,019	99.97%	2,603

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					
2016	\$ 131,675,830	\$ 3,428,930	\$ 35,463,236	\$ -	\$ 170,567,996	\$ 4,756,804,270	3.6%	66,370	\$ 2,570
2015	139,649,696	3,188,492	38,987,696	-	181,825,884	4,608,666,430	3.9%	66,370	2,740
2014	130,913,402	3,284,692	42,458,312	-	176,656,406	4,608,666,430	3.8%	66,370	2,662
2013	120,136,535	2,357,012	45,875,189	-	168,368,736	4,339,034,793	3.9%	62,487	2,694
2012	126,742,579	1,413,816	48,839,368	77,313	177,073,076	4,136,326,965	4.3%	62,487	2,834
2011	133,230,841	1,366,034	51,972,602	177,540	186,747,017	3,902,125,689	4.8%	62,487	2,989
2010	122,794,047	1,881,353	53,969,872	-	178,645,272	3,209,430,272	5.6%	56,219	3,178
2009	82,749,628	-	46,243,053	-	128,992,681	2,986,240,842	4.3%	56,219	2,294
2008	60,117,258	-	35,200,000	-	95,317,258	3,142,248,567	3.0%	56,219	1,695
2007	63,580,258	-	37,310,000	-	100,890,258	2,675,412,740	3.8%	49,412	2,042

* This amount includes unamortized premiums

** Personal income is disclosed on page 107.

*** Tennessee Certified Populations

CITY OF FRANKLIN, TENNESSEE

Debt Capacity Information -
Ratios of General Bonded Debt Outstanding

<u>FISCAL YEAR</u>	<u>General Obligation Debt *</u>	<u>Less: Amounts Available in Debt Service Fund **</u>	<u>Net General Obligation Debt Service</u>	<u>Appraised Value ***</u>	<u>Ratio of Net General Obligation Debt to Appraised Value</u>	<u>Population ****</u>	<u>Net General Obligation Debt Per Capita</u>
2016	\$ 131,675,830	\$ 5,000	\$ 131,670,830	\$ 11,591,451,146	1.1%	66,370	\$ 1,984
2015	139,649,696	709	139,648,987	11,413,859,405	1.2%	66,370	2,104
2014	130,913,402	195,118	130,718,284	11,065,624,425	1.2%	66,370	1,970
2013	120,136,535	84,729	120,051,806	10,442,405,019	1.1%	62,487	1,921
2012	126,742,579	318,138	126,424,441	10,298,785,436	1.2%	62,487	2,023
2011	133,230,841	1,099,568	132,131,273	9,963,638,570	1.3%	62,487	2,115
2010	122,794,047	465,190	122,328,857	10,225,661,696	1.2%	56,219	2,176
2009	82,749,628	0	82,749,628	9,637,668,952	0.9%	56,219	1,472
2008	60,117,258	0	60,117,258	7,948,798,841	0.8%	56,219	1,069
2007	63,580,258	0	63,580,258	7,433,188,531	0.9%	49,412	1,287

* 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, 2016**

<u>Jurisdiction</u>	<u>Debt Outstanding</u>	<u>Percentage Applicable to City</u>	<u>Estimated Share of Overlapping Debt</u>
Williamson County	\$ 560,275,000	38.87% *	\$ 217,778,893
Franklin Special School District	46,142,053	100.00% **	<u>46,142,053</u>
Subtotal, overlapping debt			263,920,946
City of Franklin direct debt of governmental activities			<u>135,104,760</u> ***
Total direct and overlapping debt			<u><u>\$ 399,025,706</u></u>

* Based upon Assessed Value of Property in:

County	\$ 9,203,476,924
City	\$ 3,576,977,148

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

*** This amount includes unamortized premiums.

CITY OF FRANKLIN, TENNESSEE

Debt Capacity Information -
Legal Debt Margin Information

Fiscal Year	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Assessed Value	\$ 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	\$ 3,333,559,875	\$ 3,440,062,708	\$ 3,576,977,148
General Obligation Debt*	\$ 63,580,258	\$ 60,117,258	\$ 82,749,628	\$ 122,794,047	\$ 133,230,841	\$ 126,742,579	\$ 120,136,535	\$ 130,913,402	\$ 139,649,696	\$ 131,675,830
Debt as % of Assessed Value	2.8%	2.5%	3.3%	4.6%	4.8%	4.0%	3.7%	3.9%	4.1%	3.7%

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	
2016	\$ 28,003,498	\$ 12,429,719	\$ 17,477,139	\$ 22,956,078	\$ 3,510,885	\$ 1,293,872	4,804,757	4.78
2015	25,453,822	9,517,652	16,467,456	18,504,018	3,411,934	1,430,642	4,842,576	3.82
2014	23,212,942	11,263,738	15,635,777	18,840,903	3,358,090	1,565,559	4,923,649	3.83
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

* Includes nonoperating revenues

** Excludes depreciation and interest expense; Includes transfers

*** Includes revenue and tax bonds and notes

CITY OF FRANKLIN, TENNESSEE

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

Year	Population *	Personal Income **	Per Capita Personal Income ***	Education Level in Years of Schooling****	School Enrollment *****	Unemployment Rate *****
2016	66,370	\$ 4,756,804,270	\$ 71,671	15.1	14,245	3.5%
2015	66,370	4,608,666,430	69,439	14.4	14,801	4.3%
2014	66,370	4,608,666,430	69,439	14.6	13,366	5.3%
2013	62,487	4,339,034,793	69,439	14.2	12,480	5.9%
2012	62,487	4,136,326,965	66,195	14.2	12,058	5.9%
2011	62,487	3,902,125,689	62,447	14.2	12,229	7.1%
2010	56,219	3,209,430,272	57,088	14.5	11,193	6.9%
2009	56,219	2,986,240,842	53,118	14.4	10,950	8.4%
2008	56,219	3,142,248,567	55,893	14.4	10,489	4.8%
2007	49,412	2,675,412,740	54,145	14.4	9,138	4.2%

* 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: Local Area Personal Income.

**** For 2016, U.S. Census. Prior to 2016, 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	2007			2016		
	Employees *	Rank	Percentage of Total County Employment	Employees **	Rank	Percentage of Total City Employment
Community Health Systems	800	4	1.68%	3,092	1	7.90%
Nissan North America				1,850	2	4.72%
Williamson Medical Center	1,300	3	2.72%	1,555	3	3.97%
Parallon Business Solutions				1,100	4	2.81%
Optum				1,000	5	2.55%
Verizon Wireless				950	6	2.43%
Ford Motor Credit				800	7	2.04%
Mars Petcare	375	9	0.79%	800	8	2.04%
Healthways				717	9	1.83%
Evicore Healthcare				625	10	1.60%
Lee Company	520	5	1.09%			
Cool Spring Galleria	3,500	1	7.34%			
Primus	1,500	2	3.14%			
Affinion Group	470	7	0.98%			
Civil Constructors, Inc.	500	6	1.05%			
MedSolutions	411	8	0.86%			
Lasko Metal Products	350	10	0.73%			
Total	9,726		20.38%	12,489		31.89%

* City's 2007 Comprehensive Annual Financial Report. Prior to 2013, the CAFR represented Franklin employers by county statistics.

** Williamson County Office of Economic Development, Williamson County Local Industry Employers 2016.

CITY OF FRANKLIN, TENNESSEE

**Operating Information -
Authorized Full Time Employees by Function**

Function/Program	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Administration	9	9	9	5	5	6	5	6	6	6
Building and Neighborhood Services	25	27	27	28	28	28	30	31	32	33
Capital Investment Planning	*	*	*	2	2	2	1	2	2	2
Communications	1	1	1	3	3	3	3	3	3	4
Court	3	3	3	3	2	2	2	2	2	3
Engineering	9	11	9	8	8	8	10	11	12	12
Finance	11	11	11	11	11	9	9	10	10	10
Fire	156	158	158	158	158	158	160	161	171	171
HR	6	6	8	8	9	10	11	11	11	11
IT	14	17	17	17	17	17	19	18	20	20
Law	3	3	3	3	4	4	4	5	4	4
Parks	20	25	29	29	30	31	33	34	31	37
Planning and Sustainability	12	13	17	18	18	18	15	17	16	16
Police	169	176	176	176	175	175	175	176	156	157
Projects and Facilities Management	5	5	5	7	6	6	6	7	7	7
Purchasing	2	2	2	2	2	3	3	3	3	3
Revenue Management	11	14	14	14	13	14	15	14	13	13
Solid Waste	53	56	59	51	51	52	49	48	49	49
Stormwater	11	11	11	11	11	16	16	17	18	19
Streets	41	41	43	52	52	47	49	52	53	53
Traffic Operations Center	3	3	3	3	3	3	4	3	4	3
Water & Sewer	79	81	80	81	82	83	84	84	85	86
TOTAL	643	673	685	690	690	695	703	715	708	719

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.

Note 3: Beginning in 2015 the authorized, vacant, but unfunded positions are not reflected in the counts.

CITY OF FRANKLIN, TENNESSEE

Operating Information -
Operating Indicators by Function

Function/Program	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Police										
Calls for service	55,400	68,758	74,127	76,545	64,719	75,700	77,964	80,205	77,818	67,533
Fire										
Number of alarms	5,200	5,410	5,540	5,878	5,746	5,767	6,115	6,501	6,790	7,039
Sanitation										
Landfill usage	79,121	81,535	70,525	71,589	64,619	59,212	54,190	65,116	81,651	95,393
Recycling (tons)	*	*	5,957	5,233	5,556	6,209	6,781	8,605	7,897	7,904
Codes										
Single family permits	780	668	618	170	309	331	485	519	480	691
Water										
Average daily usage	6,066,378	5,860,000	5,675,000	5,300,000	5,704,268	5,872,863	5,805,912	5,690,082	5,636,146	5,755,000
Water storage capacity (gallons)	10,000,000	11,000,000	11,000,000	11,500,000	12,000,000	12,000,000	12,000,000	11,500,000	13,000,000	13,000,000

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	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Police										
Police stations	1	1	1	1	1	1	1	1	1	1
Police vehicles (radio equipped)	131	133	149	136	133	152	156	136	139	136
Fire										
Fire stations	5	6	6	6	6	6	6	6	7	7
Fire response vehicles	17	17	19	19	19	19	22	22	22	22
Fire hydrants	1,916	1,954	2,045	2,074	1,957	3,155*	3,325*	3,326*	3,416*	3576*
Street										
Streets (miles)	290	287	283	283	285	286	293	304	317	325
Parks										
Number of parks	9	10	16	16	16	16	16	16	16	16
Water										
Water lines (miles)	285	274	272	276	284	283	285	288	293	296
Sewer lines (miles)	328	337	347	350	355	352	354	360	371	387

Source: City of Franklin departments

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

INTERNAL CONTROL AND COMPLIANCE SECTION



HISTORIC
F R A N K L I N
TENNESSEE

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, 2016 (except for the Fiduciary Pension Fund, which was as of and for the year ended December 31, 2015), 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 13, 2016.

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, PLLC

Nashville, Tennessee
December 13, 2016

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
THE MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for The 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 Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended June 30, 2016. The City's major federal program is 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City's major federal program 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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 the major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on the 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 program for the year ended June 30, 2016.



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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Crosslin, PLLC

Nashville, Tennessee
December 13, 2016

CITY OF FRANKLIN, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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 auditors' report issued on compliance:
 for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)	_____ yes	_____ <u>X</u> no
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Identification of major program:

15.928 - Battlefield Acquisition

Dollar threshold used to distinguish between Type A and Type B programs:	\$ <u>750,000</u>
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Auditee qualified as low-risk auditee?	_____ <u>X</u> yes	_____ no
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CITY OF FRANKLIN, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

SECTION II - FINANCIAL STATEMENT FINDINGS

None Reported

SECTION III - FEDERAL AUDIT FINDINGS AND QUESTIONS COSTS

None Reported

SECTION IV - SUMMARY OF PRIOR AUDIT FINDINGS

The City of Franklin, Tennessee had no prior year audit findings.