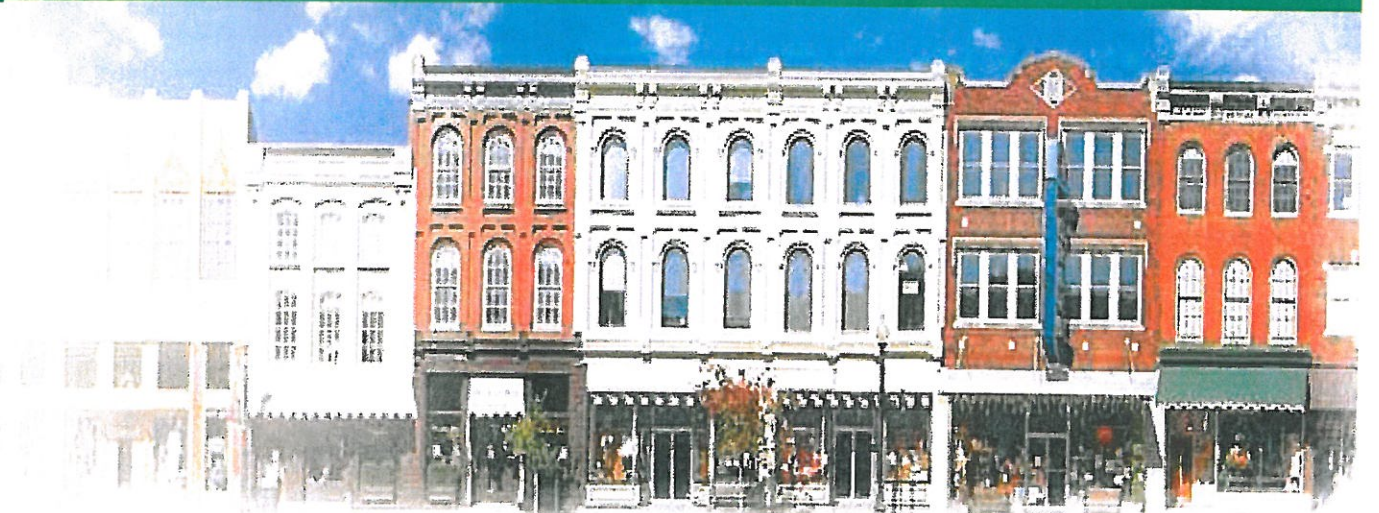




*City of Franklin, Tennessee*  
**Comprehensive Annual  
Financial Report**

**For the Fiscal Year Ended June 30, 2011**



*Top Ten Great Neighborhood-American Planning Association*



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

**Prepared by:**

**City of Franklin**  
**Department of Finance**

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

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## **INTRODUCTORY SECTION**





## ADMINISTRATION



**Dr. Ken Moore**  
Mayor

**Eric S. Stuckey**  
City Administrator

HISTORIC  
**FRANKLIN**  
TENNESSEE

December 8, 2011

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

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with U.S. generally accepted accounting principles (GAAP). Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Franklin, Tennessee for the fiscal year ended June 30, 2011.

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

The City of Franklin's financial statements have been audited by Crosslin & Associates, P.C., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the basic financial statements of the City of Franklin for the fiscal year ended June 30, 2011, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Franklin's financial statements for the year ended June 30, 2011 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

### **Profile of the Government**

The City of Franklin, incorporated in 1799, is located in Middle Tennessee. The local economy is a well-balanced blend of financial, agricultural, wholesale, retail, manufacturing, and service industries. No single industry is critical to the region's economy. The City covers an area of 41 square miles, and serves a population of 62,487 according to the 2010 census. The City is one of the fastest growing municipalities in the State of Tennessee, with the population increasing by 49% since the 2000 census. The City is empowered to levy both real and personal properties located within its boundaries. Also, it is empowered by State statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the governing board.

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

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

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

Three meetings of the full board and a public hearing are necessary for approving the budget. The appropriated budget is prepared by fund, function, and department. At any time during the year, the Mayor may make transfers of appropriations within a department. A transfer of appropriations between departments however requires three more readings by the Board and a public hearing. Budget-to-actual comparisons are provided within this report for each individual governmental fund for which a budget has been adopted. For the General Fund, this comparison is presented beginning on page 20 as part of the basic financial statements. For the other governmental funds with appropriated annual budgets, the comparisons are presented beginning on page 63.

### **Local Economy**

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

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

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

### **Long-Term Financial Planning**

The governing body is considering the expansion and renovation of the existing Water Treatment Plant, doubling the capacity of the present facility. Underway in 2011 were streetscape projects and major road projects on Hillsboro Road, McEwen Drive, and Columbia Pike.

### Relevant Financial Policies

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

### Major Initiatives


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

### Awards and Acknowledgements

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

In closing, the preparation of this report would not have been possible without first, the leadership and support of the Mayor and Board of Aldermen, and second, the efficient and dedicated services of the entire staff of the Finance Department.

Respectively submitted,



Eric S. Stuckey  
City Administrator

CITY OF FRANKLIN, TENNESSEE  
GFOA CERTIFICATE OF ACHIEVEMENT

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

City of Franklin  
Tennessee

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2010

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



*Linda C. Davison*

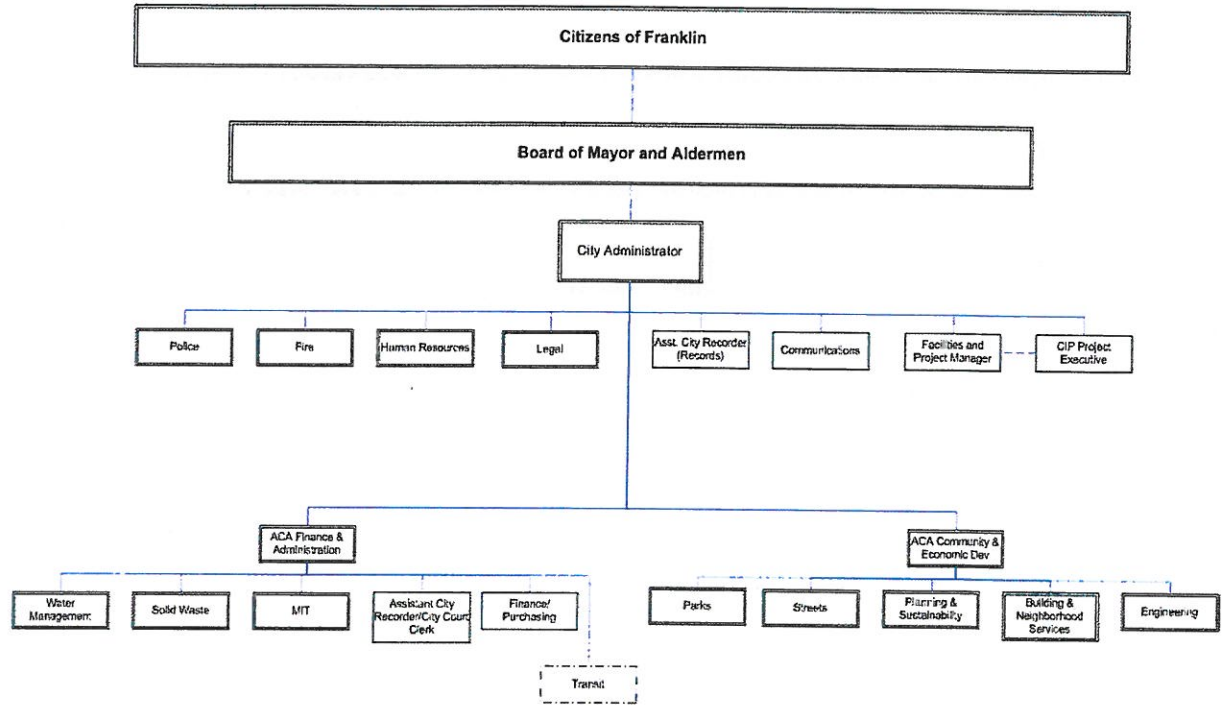
President

*Jeffrey R. Emer*

Executive Director

# CITY OF FRANKLIN, TENNESSEE ORGANIZATIONAL CHART

FOR THE FISCAL YEAR ENDED JUNE 30, 2011



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

Elected Officials:

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

City Officials:

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