

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

**For the Fiscal Year Ended
June 30, 2012**



Excellence • Innovation • Teamwork • Integrity • Action-Oriented

CITY OF FRANKLIN, TENNESSEE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Prepared by:
City of Franklin
Department of Finance

CITY OF FRANKLIN, TENNESSEE
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FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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INTRODUCTORY SECTION



 HISTORIC
FRANKLIN
 TENNESSEE

December 7, 2012

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, 2012.

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 to both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Franklin's financial statements in conformity with GAAP. Because the costs of internal controls should not outweigh their benefits, the City of Franklin's comprehensive framework of internal controls is designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Crosslin & Associates, P.C., a firm of licensed certified public accountants, have audited the City of Franklin's financial statements. The goal of the independent audit was to provide reasonable assurance that the basic financial statements of the City of Franklin for the fiscal year ended June 30, 2012, 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, 2012 are fairly presented in all material respects in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

Profile of the government

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

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

The City provides a full range of services, including police and fire protection; the construction and maintenance of highways, streets, and other infrastructure; pickup and disposal of solid waste; planning and codes; operation of a city court; implementation of storm water regulations and remedies; an inner-city trolley system, and a citywide 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 and Comptroller, uses these requests as a starting point for developing a proposed budget. After numerous meetings with department heads, the Administrator presents the budget to the Board of Mayor and Aldermen for approval.

Three meetings of the full board and a public hearing are necessary for approving the budget. Although the legal level of budgetary control is at the fund level, the budget is prepared by fund, function, and department. Additional appropriations in a fund require two readings by the Board, one of which is a public hearing. Budget-to-actual comparisons are provided within this report for each individual governmental fund for which a budget has been adopted. For the General Fund, this comparison is presented beginning on page 20 as part of the basic financial statements. For the other governmental funds with appropriated annual budgets, the comparisons are presented beginning on page 64.

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. The area has a low vacancy rate of available space (6% commercial and 2% 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.

Recently, several well known corporations have elected to relocate their national headquarters in Franklin; among them are Community Health Systems, Nissan Americas, Healthways, Mars Petcare, Medsolutions, Big Idea Inc., and Clarcor. Verizon Wireless has its state headquarters in Franklin and Jackson National Life Insurance Company has established a regional headquarters in Franklin.

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. These priorities included the following projects in the 5-year Capital Investment Program (CIP) for 2011-2015:

- Acquisition of a consolidated public works facility (which occurred in November 2011),
- Design of 2 new fire stations (Goose Creek and Westhaven),
- Park at Harlinsdale Farm improvements,
- McEwen Drive from Wilson Pike to city limit,
- McEwen Drive at Wilson Pike intersection,
- McEwen Drive from Cool Springs Boulevard to Wilson Pike,
- Century Court/Beasley Drive connector,
- McEwen Drive temporary connector, and
- Carlisle Lane signalization

These priorities continued funding for several projects adopted in the 2010-2014 CIP Funding Plan. These include Hillsboro Road widening, Columbia Avenue from 5-Points to Fowlkes Street, McEwen Drive (Phase 3) improvements from Carothers Parkway to Cool Springs Boulevard, and Third Avenue Extension.

The adopted plan also includes continual evaluation on a case-by-case basis of other projects listed in the Capital Investment Program (including a new City Hall; additional tornado sirens; and continued development of parks, including Eastern Flank Battlefield and Bicentennial), as additional funds become available.

Relevant financial policies

The City has adopted financial policies related to investments, General Fund reserves, and debt management. The investment policy, updated in December 2011, provides for the primary objectives, in order of priority, of investment activities of non-pension funds shall be safety, liquidity, and return. The reserve policy establishes an emergency and cash flow reserve of a minimum of 33% of budgeted General Fund expenditures. For fiscal year 2012, this represents slightly more than \$17.7 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. The City continues to explore adopting additional best practice financial policies including internal controls, budgeting, revenues, economic development, enterprise risk management, capital improvements, and reserves for funds other than the General Fund.

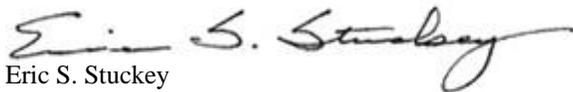
Awards and acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Finance Reporting to the City of Franklin for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2011. This was the twenty-first (21st) 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.

Additionally, I would like to recognize the accomplishments of Judy Kennedy, the City's finance director from 1973-2004, who passed away prior to issuance of this report. For 31 years, she guided the issuance of this annual report and was instrumental in achieving the City's initial Aaa bond rating.

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, 2011

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

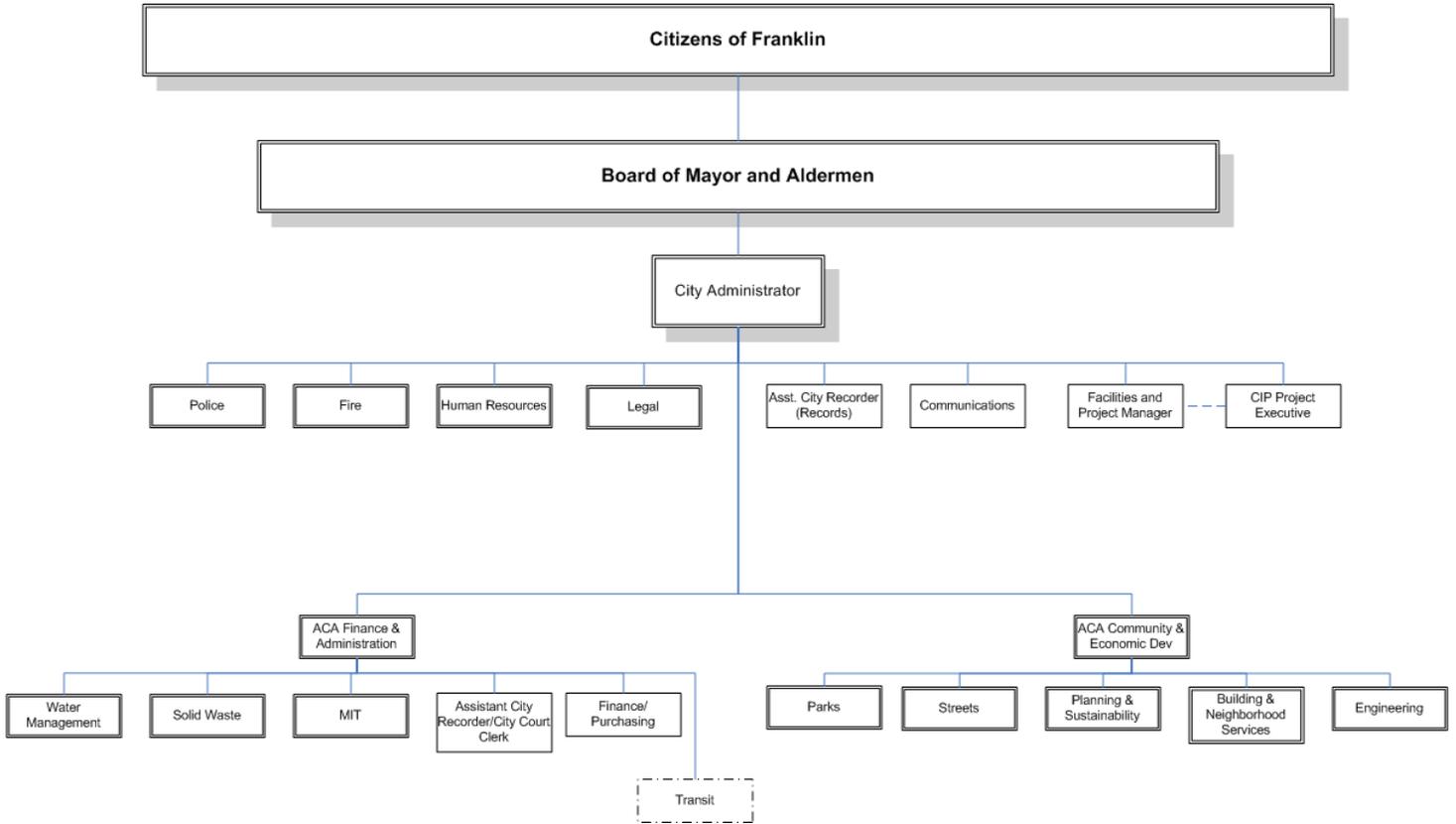
President

Jeffrey R. Emer

Executive Director

CITY OF FRANKLIN, TENNESSEE ORGANIZATIONAL CHART

FOR THE FISCAL YEAR ENDED JUNE 30, 2012



**CITY OF FRANKLIN, TENNESSEE
OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Elected Officials:

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

City Officials:

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

FINANCIAL SECTION



Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Franklin, Tennessee (the "City"), as of and for the year ended June 30, 2012 (except for the Fiduciary Pension Fund, which is as of December 31, 2011 and for the year then ended), which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2012 (except for the Fiduciary Pension Fund, which is as of December 31, 2011), and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the general fund for the year then ended (except for the Fiduciary Pension Fund, which is for the year ended December 31, 2011), in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2012, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 11, the schedules of funding progress - employee retirement system on page 59, and the schedules of employer contributions - employee retirement system on page 60 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Crosslin & Associates, P.C.

Nashville, Tennessee
December 7, 2012

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, 2012. Management's Discussion and Analysis (MD&A) focuses on current year activities and resulting changes. Readers are encouraged to consider the information presented here in conjunction with the Letter of Transmittal, which can be found on pages i through iii of this report.

Financial Highlights:

- **Net Assets.** The assets of the City of Franklin exceeded its liabilities at the close of the most recent fiscal year by \$570,029,484, compared to \$554,782,565 in the previous fiscal year. Of this amount, \$60,525,065 (unrestricted net assets) may be used to meet government's ongoing obligations to citizens and creditors.
- **Fund Balances.** At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$44,034,646. In the prior year, this amount was \$45,361,894. The decrease of \$1,327,248 is due primarily to spend-down of prior year bond proceeds and a decrease in road impact fee collections during 2012.
- **General Fund – Fund Balance.** At the end of the current fiscal year, fund balance in the General Fund is \$26,011,331, or 52% of General Fund expenditures (including transfers to other funds) of \$49,915,867. The fund balance increased \$1,049,565 from the prior year. The primary impact on the fund balance in 2012 is the effect of cost containment measures implemented by the City to stay within current revenues.
- **Capital Assets.** The City has undertaken several infrastructure projects (including improvements to Hillsboro Road and McEwen Drive).
- **Debt.** The City's debt (bonds, notes, and capital leases) decreased by \$9,426,688 (from \$183,789,808 to \$174,363,120) during the current fiscal year. Governmental activities had \$687,562 in new capital leases. Business-type activities issued \$19,430,000 to refund \$19,362,000 of previous debt. A total of \$10,182,250 (\$7,000,780 governmental and \$3,181,470 business-type) debt was repaid during the year.
- **Budget.** The City's 2012 General Fund amended budget had anticipated up to a \$1.4 million draw from fund balance. Instead of a draw, the General Fund increased its fund balance by over \$1 million.

Overview of the Financial Statements:

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

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Franklin include general government, public safety, highways and streets, sanitation, economic development, and cultural and recreation. The *government-wide financial statements* can be found on pages 12 through 14 of this report.

Overview of the Financial Statements (Continued):

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds. Governmental funds are funds used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, government fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintained twelve (12) individual governmental funds during 2012. 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 62 and 63 of this report.

The City of Franklin, Tennessee adopts an annual appropriated budget for its General Fund, Debt Service Fund, and Special Revenue funds. A budgetary comparison has been provided for the General Fund on pages 20 through 26, the Debt Service Fund on page 64, and for the special revenue funds on pages 65 through 73 to demonstrate compliance with this budget.

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

Proprietary Funds. The City of Franklin maintains one (1) proprietary fund. A proprietary fund is used to report the same functions presented in the business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its water, sewer, and reclaimed water operations. No internal service funds were used during the year covered by this report.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the Water and Sewer Fund, which is considered to be a major fund. The *basic proprietary fund financial statements* can be found on pages 27 through 30 of this report.

Fiduciary Funds. A fiduciary fund is used to account for resources held for the benefit of parties outside the government. The City uses a fiduciary fund to account for its pension plan. The fiduciary fund is not reflected in the government-wide financial statements because the resources of these funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used in proprietary funds. The *basic fiduciary fund financial statements* can be found on pages 31 through 32 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 33 through 58 of this report.

Financial Analysis of the Financial Statements:

Government-wide Financial Analysis

Over time, as noted earlier, net assets may serve as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$570,029,484 at the close of the most recent fiscal year.

Financial Analysis of the Financial Statements (Continued):

City of Franklin's Net Assets

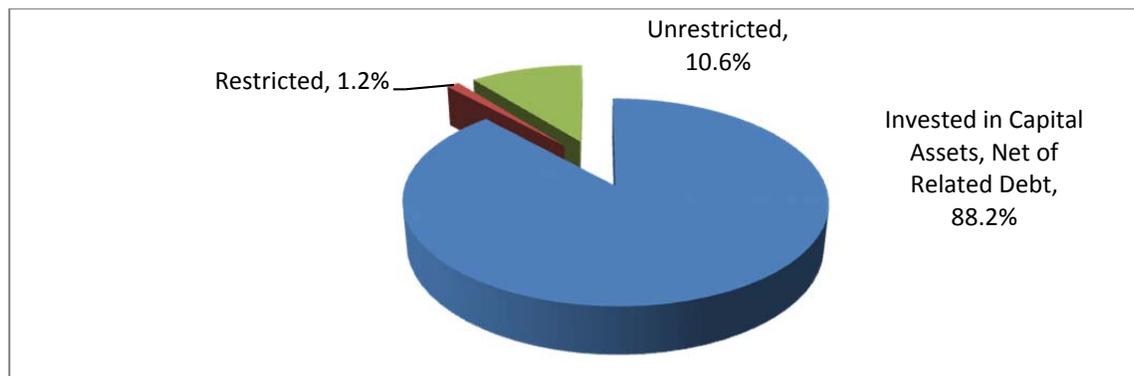
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Current and other assets	\$ 77,006,048	\$ 82,008,099	\$ 22,830,670	\$ 20,672,009
Capital assets, net of accumulated depreciation	528,445,594	515,283,390	154,530,321	156,590,854
Total Assets	605,451,642	597,291,489	177,360,991	177,262,863
Long-term liabilities outstanding	139,413,243	141,400,533	48,226,151	51,358,529
Other liabilities	23,951,314	24,533,127	1,192,441	2,479,598
Total Liabilities	163,364,557	165,933,660	49,418,592	53,838,127
Net Assets:				
Invested in capital assets, net of related debt	395,621,677	394,013,988	107,037,017	106,143,869
Restricted	161,351	288,957	6,684,374	9,975,225
Unrestricted	46,304,057	37,054,884	14,221,008	7,305,642
Total Net Assets	\$ 442,087,085	\$ 431,357,829	\$ 127,942,399	\$ 123,424,736

The government's net assets increased by \$15,246,919. A portion of the increase is attributed to the acquisition of capital assets (less depreciation and new debt). A significant portion of the remaining increase is from reduced spending through efforts by the City's Board and departments to contain expenses without reducing service levels.

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

By far, the largest portion of the City's net assets, \$502,658,694, or 88.2%, reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less the portion of related debt outstanding used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be liquidated to repay these liabilities. A portion of the City's net assets, \$6,845,725, or 1.2%, represents resources that are subject to external restriction on how they may be used. The remaining balance of \$60,525,065, or 10.6%, is unrestricted net assets that may be used to meet the government's ongoing obligations to citizens and creditors.

Percent of Net Assets – 2012



Financial Analysis of the Financial Statement (Continued):

Governmental and business-type activities increased the City's net assets by \$10,729,256 and \$4,517,663, respectively. Key elements of this increase are as follows:

City of Franklin's Changes in Net Assets

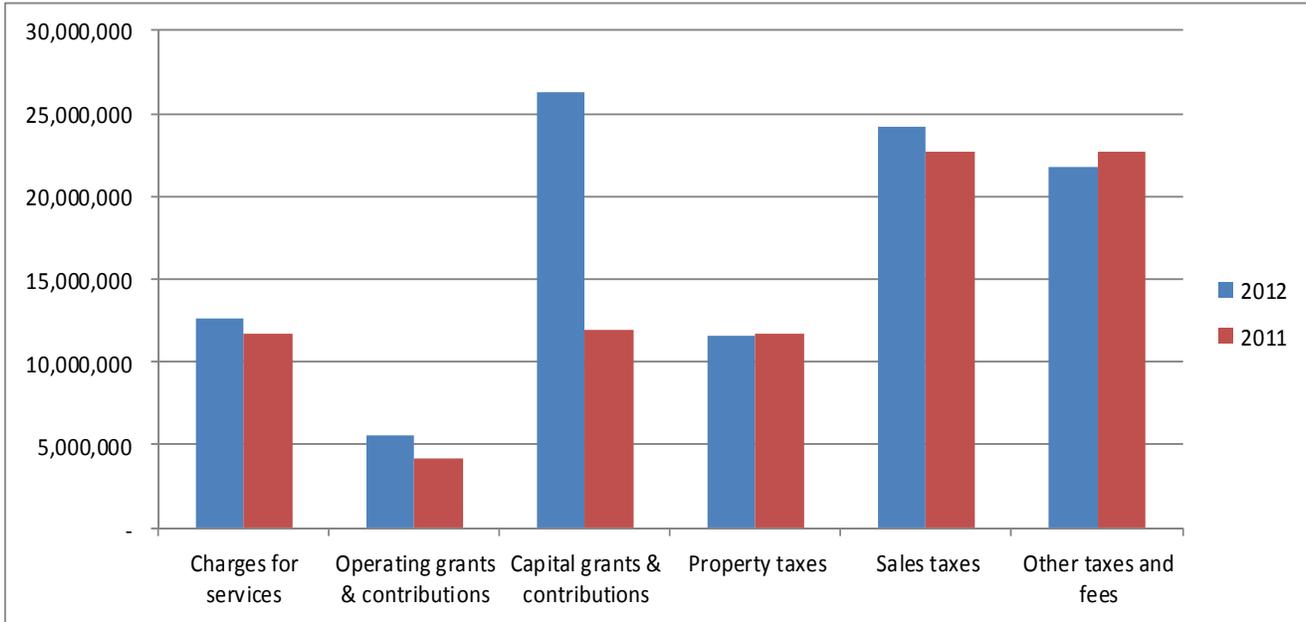
	Governmental Activities		Business-Type Activities	
	2012	2011	2012	2011
Revenues:				
Program revenues:				
Charges for services	\$ 12,666,501	\$ 11,743,717	\$ 21,253,689	\$ 19,411,483
Operating grants & contributions	5,572,231	4,217,716	-	-
Capital grants & contributions	26,221,640	11,893,536	5,307,632	3,841,390
General revenues:				
Property taxes	11,550,562	11,728,305	-	-
Sales taxes	24,197,413	22,720,666	-	-
Other taxes and fees	21,811,094	22,723,385	-	-
Other	(4,881,649)	(173,794)	(7,153)	180,868
Total Revenues	97,137,792	84,853,531	26,554,168	23,433,741
Expenses:				
General government:				
General	3,205,578	1,294,801	-	-
Capital investment planning	208,446	233,651	-	-
Administration	595,811	507,073	-	-
Revenue management	1,361,604	1,295,430	-	-
Police	15,154,496	15,461,749	-	-
Fire	13,197,477	13,197,463	-	-
Streets-maintenance	20,196,838	15,731,936	-	-
Streets-traffic	1,024,936	1,002,815	-	-
Streets-fleet	592,074	523,234	-	-
Engineering	768,730	612,030	-	-
Traffic operations center	460,102	395,448	-	-
Storm water	1,508,125	1,319,328	-	-
Sanitation	7,961,729	8,180,396	-	-
Transit	1,398,956	1,257,352	-	-
Parks	3,688,466	3,801,959	-	-
Project & facilities management	863,314	747,101	-	-
Elected officials	202,515	133,300	-	-
Planning	1,223,706	1,408,303	-	-
Building & neighborhood services	1,900,692	1,852,075	-	-
Court	284,907	249,454	-	-
Human resources	1,049,741	952,403	-	-
Communications	324,603	315,291	-	-
Finance	893,037	865,832	-	-
Legal	387,283	344,610	-	-
Purchasing	159,188	145,891	-	-
Management info & technology	3,993,526	3,468,124	-	-
Interest expense on long-term debt:	3,802,656	3,919,236	-	-
Water & sewer:	-	-	22,036,505	21,396,756
Total Expenses	86,408,536	79,216,285	22,036,505	21,396,756
Changes in Net Assets	10,729,256	5,637,246	4,517,663	2,036,985
Net Assets, Beginning of year	431,357,829	425,720,583	123,424,736	121,387,751
Net Assets, End of Year	\$ 442,087,085	\$ 431,357,829	\$ 127,942,399	\$ 123,424,736

Financial Analysis of the Financial Statements (Continued):

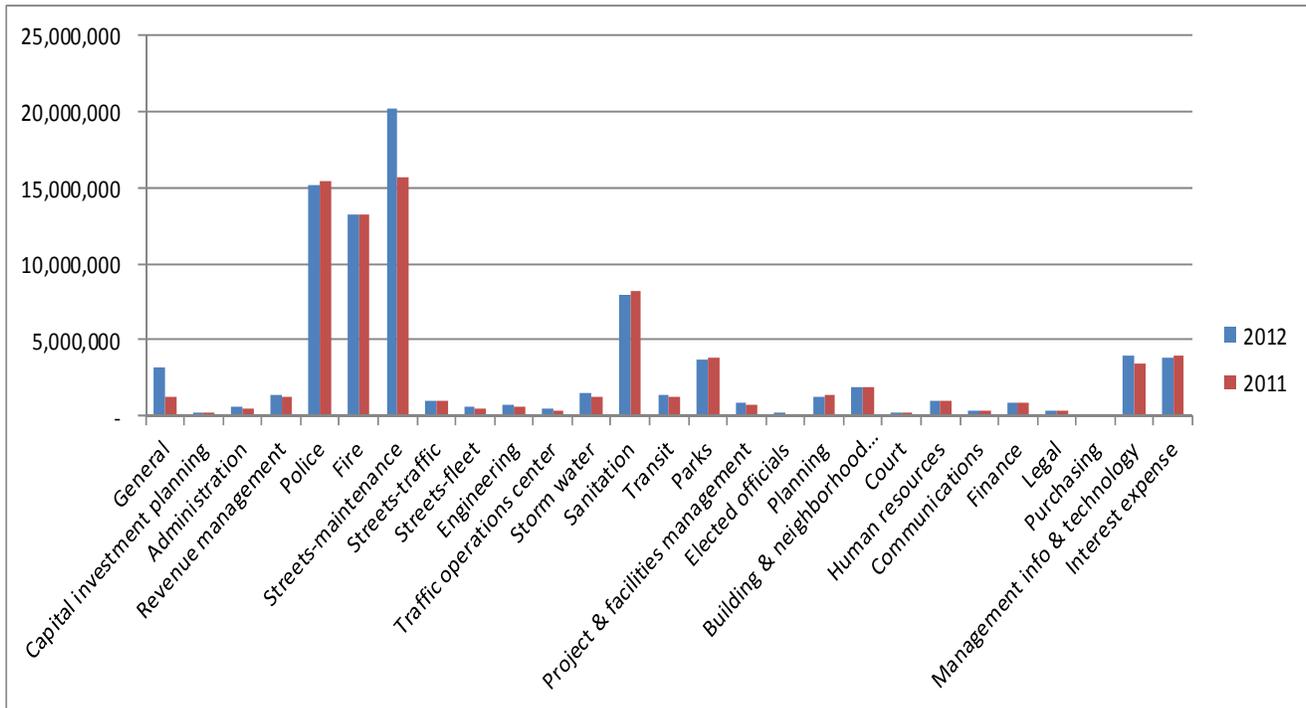
Governmental Activities

Revenues for governmental activities increased approximately 14.5% due primarily to increased facilities tax and local sales tax collections. The overall increase in current expenses of governmental activities amounted to approximately 9.1%.

Revenues – Governmental Activities



Expenses – Governmental Activities

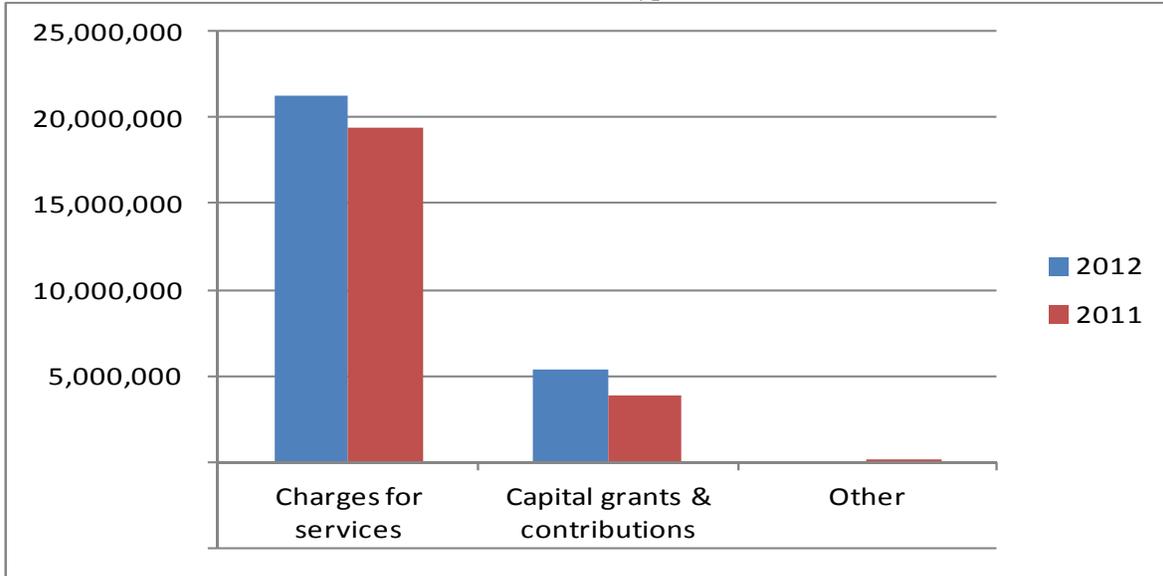


Financial Analysis of the Financial Statements (Continued):

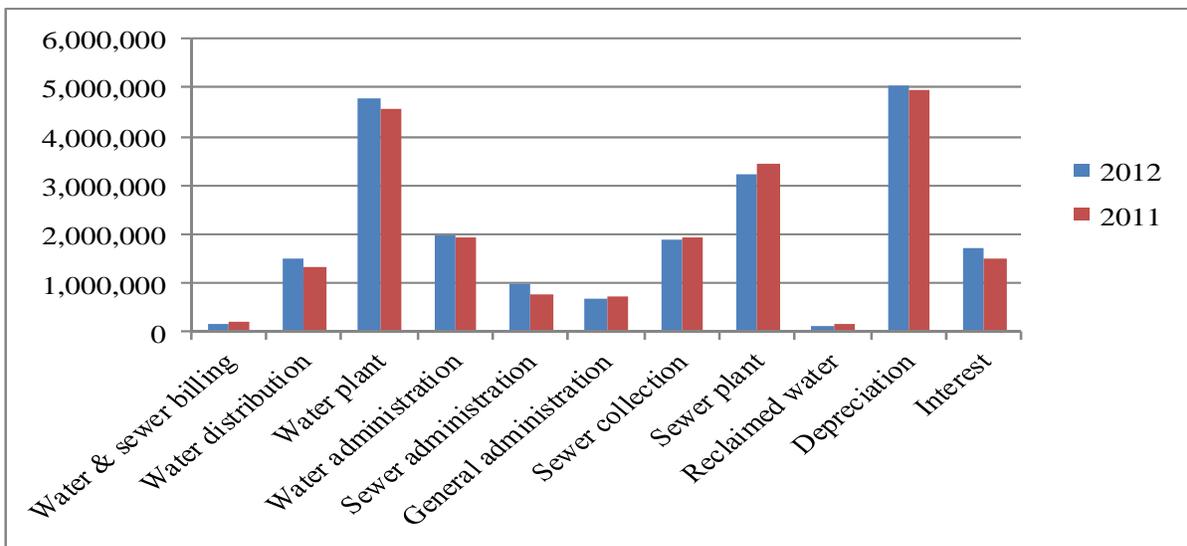
Business-Type Activities

Revenues for business-type activities increased 13.3%. The primary factor underlying the increase was rate increases effective January 1, 2012. Expenses of the business type-activities increased approximately 3.0%.

Revenues – Business-type Activities



Expenses – Business-type Activities



Financial Analysis of the Financial Statements (Continued):

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

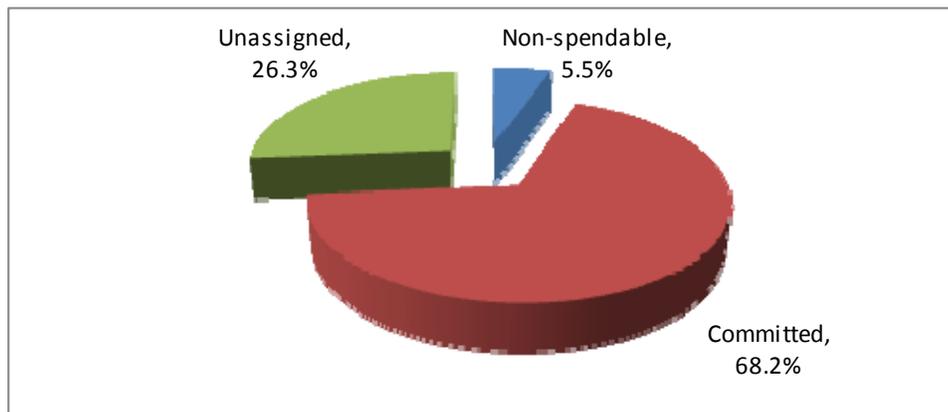
Governmental Funds

The focus of the City of Franklin's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$44,034,646, a decrease of \$1,327,248 in comparison with the prior year of \$45,361,894. The decrease is due primarily to lower road impact fee collections and spending on approved capital projects in the Multi-Purpose Capital Projects Fund, including infrastructure projects on Columbia Avenue streetscape, Hillsboro Road widening, and 3rd Avenue North extension.

The General Fund is the chief operating fund of the City of Franklin, Tennessee. The 2012 ending fund balance of \$26,011,331 had the following composition: An amount of \$1,423,017, or 5.5%, is non-spendable for inventory and prepaid items. An amount of \$17,736,715, or 68.2%, is committed for financial stabilization purposes such as contingency, emergency, cash flow, debt service, property/liability/health insurance, and retiree health benefits. The remainder of \$6,851,599, or 26.3%, is unassigned.

General Fund - Fund Balance Composition – 2012



The most significant continuing revenue sources in the General Fund are derived from taxes. Of total General Fund revenues, \$34,123,639, or 67.0%, was from taxes. Local option sales tax increased by \$1,476,747 (from \$22,720,666 to \$24,197,413). Property taxes decreased \$11,942 (from \$6,432,113 to \$6,420,171), or 0.2%, due primarily to a slightly lower assessment amount resulting from the 5-year property reappraisal.

The increase in local option sales tax is a positive sign that a recovery in the current economy may be occurring. This revenue has been the City's most significant due to the retail success in the Cool Springs area and continued growth of commercial properties, including new corporate and regional headquarters in the area.

Financial Analysis of the Financial Statements (Continued):

Budgetary Highlights

In accordance with state law, the City's governing body approves a budget for the General Fund, Special Revenue funds, and Debt Service fund. The budgetary highlights during 2012 are as follows:

- | | |
|-----------------------|---|
| General Fund: | The original budget included an allocation of \$568,856 from accumulated fund balance for capital equipment acquisitions. It was amended during the year, primarily for expenditures in the police department and the operating subsidy needed by the Sanitation Fund, increasing this amount to \$1,448,972. Due primarily to cost containment measures, actual results ended with a surplus for the year of \$1,049,565 increasing the fund balance to \$26,011,331. A review of General Fund expenditures shows: several departments instituted cost containment measures, including temporary assignments in lieu of filling full-time positions. |
| Street Aid Fund: | This fund is budgeted to be at break-even at fiscal year-end with an operational subsidy from General Fund. Due to gasoline tax receipts exceeding expenditures (primarily street repaving) the fund ended with a fund balance of \$16,563. No subsidy from the General Fund was needed. |
| Sanitation Fund: | This fund is budgeted to be break-even at fiscal year-end with an operational subsidy from the General Fund. The original budget anticipated a subsidy of less than \$1 million; however, with lower revenues at its transfer station, the final budget reflected a subsidy of \$1.3 million. |
| Road Impact: | Due to lower collections than budgeted, the Road Impact Fund has a deficit of \$1.2 million at fiscal year end. Additional collections in future years, originally anticipated in 2012, are expected from new development to remove the deficit balance. |
| Facilities Tax Fund: | Strong collections of facilities taxes, as anticipated in the budget, have provided for an ending fund balance of over \$1.5 million. Although \$70,000 was budgeted, no expenditures were incurred in this fund in 2012. |
| Storm Water Fund: | Several drainage projects were budgeted and were underway in 2012. The impact was a slight reduction in the fund balance at year-end. |
| Drug Fund: | Drug enforcement vehicles were budgeted and purchased from the fund in 2012. The fund balance decreased from more than \$270,000 to less than \$150,000. |
| Hotel/Motel Tax Fund: | Although the budget included several tourism projects from this fund, strong collections offset the project costs and increased the fund balance from under \$2 million to \$2.1 million. |
| Transit Fund: | This fund is budgeted to be at break-even at fiscal year-end with an operational subsidy from General Fund. Due to grant revenues exceeding budget, the subsidy needed for breakeven was \$300,000 instead of over \$500,000 budgeted. |
| CDBG Fund: | This fund is budgeted for grant revenues to equal grant expenditures. At year-end, a deficit balance resulted due to outstanding grants receivable. |
| Debt Service Fund: | This fund is budgeted to receive 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 its portion of debt. At fiscal year end, a balance of slightly over \$300,000 remains in anticipation of increased interest costs as the City continues to transition from variable rate interest to fixed rate interest (which in the short-term is higher but anticipated to be lower in the long-run). |

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, 2012, is \$682,975,915 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery and equipment, park facilities, roads, highways and bridges.

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

- The City received \$24,875,850 in developer-contributed road and drainage assets.
- The City acquired a new consolidated public works facility during 2012.
- The City celebrated the opening of McEwen (Phase 3) from Carothers Parkway to Cool Springs Boulevard, during 2012.
- Several American Recovery and Reinvestment Act (ARRA) funded projects to assist with improvements to the City's water, sewer, and reclaimed system, energy efficient lighting at Jim Warren Park, and expansion of the Intelligent Traffic System (ITS) were completed in 2012.

Capital Asset and Debt Administration (Continued):

- Progress continued on the Mack Hatcher extension (northwest segment).
- The police department acquired 14 patrol cars through lease/purchase during 2012.

	Governmental		Business-Type	
	<u>Activities</u>		<u>Activities</u>	<u>Total</u>
Land	\$ 50,041,471	\$	5,288,148	\$ 55,329,619
Buildings and Improvements	65,287,160		11,291,016	76,578,176
Improvements other than Buildings	21,538,482		-	21,538,482
Machinery & Equipment	44,010,277		3,925,815	47,936,092
Utility Plant in Service	-		192,872,483	192,872,483
Construction in Progress	26,450,622		274,429	26,725,051
Infrastructure	<u>467,538,029</u>		<u>-</u>	<u>467,538,029</u>
Total Capital Assets	674,866,041		213,651,891	888,517,932
Less Accumulated Depreciation	<u>(146,420,447)</u>		<u>(59,121,570)</u>	<u>(205,542,017)</u>
Net Capital Assets	<u>\$ 528,445,594</u>	<u>\$</u>	<u>154,530,321</u>	<u>\$ 682,975,915</u>

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

City of Franklin's Outstanding Debt

At the end of the current year, the City of Franklin had bonded debt outstanding of \$174,363,120. Of this amount, \$126,456,000 comprises general obligation bonds backed by the full faith and credit of the government, and Revenue and Tax Bonds secured by both the taxing power of the City and specific revenue sources (i.e., revenue and tax bonds) of the Water & Sewer fund.

	Governmental		Business-Type	
	<u>Activities</u>		<u>Activities</u>	<u>Total</u>
General Obligation Bonds	\$ 125,456,000	\$	-	\$ 125,456,000
Governmental-Activities Capital Leases	1,413,816		-	1,413,816
Revenue and Tax Bonds	-		47,415,991	47,415,991
Business-type Activities Capital Leases	-		77,313	77,313
Total Outstanding Debt	<u>\$ 126,869,816</u>	<u>\$</u>	<u>47,493,304</u>	<u>\$ 174,363,120</u>

The City's debt (bonds, notes, and capital leases) decreased by \$9,426,688 (from \$183,789,808 to \$174,363,120) during the current fiscal year. Governmental activities had \$687,562 in new capital leases. Business-type activities issued \$19,430,000 to refund \$19,362,000 of previous debt. A total of \$10,182,250 (\$7,000,780 governmental and \$3,181,470 business-type) debt was repaid during the year. The City of Franklin maintains an "Aaa" Rating for general obligation debt. This rating was first received by Moody's in 2000 and last affirmed in June 2011 by both Moody's and Standard & Poor's. State statutes impose no debt limit on the amount of general obligation debt a governmental entity may issue. Additional information on the City of Franklin's debt can be found in the notes to the financial statements section of this report beginning on page 46.

Economic Factors and Next Year's Budget and Rates:

The unemployment rate (not seasonally adjusted) for June 2012 for the City of Franklin was 5.9%, compared to the State of Tennessee's rate of 8.7% and a national average of 8.4%. All of these factors were considered in preparing the City's budget for fiscal year 2013. Budgeted current revenues equal expenditures for the General Fund in the 2013 approved budget.

Requests for Information:

This financial report is designed to provide a general overview of the City of Franklin Tennessee's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Department of Finance
City of Franklin
P.O. Box 305
Franklin, TN 37065-0305

BASIC FINANCIAL STATEMENTS

CITY OF FRANKLIN, TENNESSEE
STATEMENT OF NET ASSETS
 JUNE 30, 2012

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 25,768,896	\$ 5,333,535	\$ 31,102,431
Cash and cash equivalents-restricted	161,351	5,257,315	5,418,666
Investments	14,590,070	5,785,066	20,375,136
Investments-restricted	-	1,427,059	1,427,059
Receivables:			
Accounts, net of uncollectibles	2,223,063	4,502,297	6,725,360
Property taxes, net of uncollectibles	12,171,214	-	12,171,214
Grants	537,228	99,274	636,502
Special assessments	53,762	-	53,762
Intergovernmental	2,569,104	-	2,569,104
Fines, net of uncollectibles	237,226	-	237,226
Local option sales tax	4,157,573	-	4,157,573
Other	3,247,307	-	3,247,307
Inventory	972,600	269,398	1,241,998
Prepaid items	450,417	-	450,417
Net investment in joint venture - Conference Center	6,057,126	-	6,057,126
Unamortized bond issue costs	850,007	156,726	1,006,733
Other assets	2,959,104	-	2,959,104
Capital assets, not being depreciated:			
Land	50,041,471	5,288,148	55,329,619
Construction in progress	26,450,622	274,429	26,725,051
Capital assets, net of accumulated depreciation:			
Buildings and improvements	55,972,928	2,948,605	58,921,533
Improvements other than buildings	16,269,761	-	16,269,761
Utility plant in service	-	144,992,298	144,992,298
Infrastructure	361,876,129	-	361,876,129
Machinery and equipment	17,834,683	1,026,841	18,861,524
Total assets	<u>\$ 605,451,642</u>	<u>\$ 177,360,991</u>	<u>\$ 782,812,633</u>

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

(Continued)

CITY OF FRANKLIN, TENNESSEE
STATEMENT OF NET ASSETS (Cont.)
 JUNE 30, 2012

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
LIABILITIES			
Accounts payable	\$ 8,827,756	\$ 559,617	\$ 9,387,373
Accrued expenses	2,437,111	-	2,437,111
Accrued interest	1,180,218	323,079	1,503,297
Unearned revenue	11,506,229	309,745	11,815,974
Long-term liabilities:			
Derivative instruments - interest rate swaps	5,954,101	-	5,954,101
Due within one year	9,762,787	3,979,989	13,742,776
Due in more than one year	123,696,355	44,246,162	167,942,517
Total liabilities	<u>163,364,557</u>	<u>49,418,592</u>	<u>212,783,149</u>
NET ASSETS			
Investments in capital assets, net of related debt	395,621,677	107,037,017	502,658,694
Restricted for:			
Street maintenance & improvements	16,563	-	16,563
Drug fund use	144,788	-	144,788
Water and sewer	-	6,684,374	6,684,374
Unrestricted	46,304,057	14,221,008	60,525,065
Total net assets	<u>\$ 442,087,085</u>	<u>\$ 127,942,399</u>	<u>\$ 570,029,484</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, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Primary government							
Governmental activities:							
Elected officials	\$ 202,515	\$ -	\$ -	\$ -	(202,515)	\$ -	(202,515)
Administration	595,811	-	-	-	(595,811)	-	(595,811)
Human resources	1,049,741	-	-	-	(1,049,741)	-	(1,049,741)
Legal	387,283	-	-	-	(387,283)	-	(387,283)
Communications	324,603	-	-	-	(324,603)	-	(324,603)
Capital investment planning	208,446	-	-	-	(208,446)	-	(208,446)
Project & facilities management	863,314	-	-	-	(863,314)	-	(863,314)
Revenue management	1,361,604	-	-	-	(1,361,604)	-	(1,361,604)
Public safety:							
Police	15,154,496	1,134,311	37,342	-	(13,982,843)	-	(13,982,843)
Fire	13,197,477	(130)	(130)	-	(13,197,607)	-	(13,197,607)
Finance	893,037	-	-	-	(893,037)	-	(893,037)
Municipal information and technology	3,993,526	-	-	-	(3,993,526)	-	(3,993,526)
Purchasing	159,188	-	-	-	(159,188)	-	(159,188)
Court	284,907	-	-	-	(284,907)	-	(284,907)
Building & neighborhood services	1,900,692	1,839,074	39,864	321,823	300,069	-	300,069
Planning	1,223,706	201,599	-	9,222	(1,012,885)	-	(1,012,885)
Engineering	768,730	-	-	375,514	(393,216)	-	(393,216)
Traffic Operations Center	460,102	-	-	-	(460,102)	-	(460,102)
Parks	3,688,466	-	4,200	-	(3,684,266)	-	(3,684,266)
Streets-maintenance	20,196,838	6,100	4,074,006	25,394,881	9,278,149	-	9,278,149
Streets-traffic	1,024,936	-	-	-	(1,024,936)	-	(1,024,936)
Streets-fleet	592,074	-	-	-	(592,074)	-	(592,074)
General government	3,205,578	367,112	531,066	-	(2,307,400)	-	(2,307,400)
Sanitation	7,961,729	6,888,014	-	-	(1,073,715)	-	(1,073,715)
Storm water	1,508,125	2,151,430	-	120,200	763,505	-	763,505
Transit	1,398,956	78,861	-	-	(434,212)	-	(434,212)
Interest and amortization on long-term debt	3,802,656	-	-	-	(3,802,656)	-	(3,802,656)
	86,408,536	12,666,501	5,572,231	26,221,640	(41,948,164)	-	(41,948,164)
Business-type activities:							
Water and sewer	22,036,505	21,253,689	-	5,307,632	4,524,816	-	4,524,816
Total primary government	\$ 108,445,041	\$ 33,920,190	\$ 5,572,231	\$ 31,529,272	(41,948,164)	4,524,816	(37,423,348)
General revenues:							
Property taxes					11,550,562	-	11,550,562
Sales taxes					24,197,413	-	24,197,413
Other locally assessed taxes					4,718,374	-	4,718,374
Other state shared taxes					9,126,986	-	9,126,986
Access fees and taxes					6,055,210	-	6,055,210
Franchise taxes					1,910,524	-	1,910,524
Investment earnings (loss)					(5,604,915)	171,338	(5,433,577)
Other					723,266	(178,491)	544,775
Total general revenues					52,677,420	(7,153)	52,670,267
Transfers					-	-	-
Total general revenues and transfers					52,677,420	(7,153)	52,670,267
Change in net assets					10,729,256	4,517,663	15,246,919
Net assets - beginning of year					431,357,829	123,424,736	554,782,565
Net assets - end of year					\$ 442,087,085	\$ 127,942,399	\$ 570,029,484

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

CITY OF FRANKLIN, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
 JUNE 30, 2012

	<u>General</u>	<u>Multi-Purpose Capital Project Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 6,696,500	\$ 9,017,882	\$ 318,138	\$ 10,972,727	\$ 27,005,247
Investments	13,890,070	-	-	700,000	14,590,070
Receivables:					
Accounts	834,632	-	-	1,388,431	2,223,063
Property taxes, net of uncollectibles (\$79,492)	7,321,454	-	4,849,760	-	12,171,214
Grants	380,485	27,542	-	129,201	537,228
Special assessments	53,762	-	-	-	53,762
Intergovernmental	2,102,817	-	-	466,287	2,569,104
Fines, net of uncollectibles (\$440,563)	237,226	-	-	-	237,226
Local option sales tax	4,157,573	-	-	-	4,157,573
Other	2,784,613	433,321	-	29,373	3,247,307
Due from other funds	4,356,478	-	-	-	4,356,478
Inventory	972,600	-	-	-	972,600
Prepaid items	450,417	-	-	-	450,417
Total assets	<u>\$ 44,238,627</u>	<u>\$ 9,478,745</u>	<u>\$ 5,167,898</u>	<u>\$ 13,686,019</u>	<u>\$ 72,571,289</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 7,849,270	\$ 184,718	\$ -	\$ 793,768	\$ 8,827,756
Accrued expenses	2,437,111	-	-	-	2,437,111
Due to other funds	-	-	-	4,356,478	4,356,478
Deferred revenue	7,940,915	27,542	4,849,760	97,081	12,915,298
Total liabilities	<u>18,227,296</u>	<u>212,260</u>	<u>4,849,760</u>	<u>5,247,327</u>	<u>28,536,643</u>
Fund balances:					
Non-Spendable	1,423,017	-	-	-	1,423,017
Restricted	-	-	-	161,351	161,351
Committed	17,736,715	9,266,485	318,138	9,524,052	36,845,390
Assigned	-	-	-	-	-
Unassigned	6,851,599	-	-	(1,246,711)	5,604,888
Total fund balances	<u>26,011,331</u>	<u>9,266,485</u>	<u>318,138</u>	<u>8,438,692</u>	<u>44,034,646</u>
Total liabilities and fund balances	<u>\$ 44,238,627</u>	<u>\$ 9,478,745</u>	<u>\$ 5,167,898</u>	<u>\$ 13,686,019</u>	<u>\$ 72,571,289</u>

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

CITY OF FRANKLIN, TENNESSEE
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2012

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

Fund balance - total governmental funds (Page 15)		\$ 44,034,646
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	\$ 674,866,041	
Less related accumulated depreciatoin	(146,420,447)	
Other assets	<u>5,225,036</u>	
		533,670,630
Receivables not available to pay for current expenditures and, therefore, are deferred in the funds		1,409,069
Net pension and OPEB assets are not financial resources and, therefore, are not reported in the governmental funds		2,716,194
Deferred charges, such as bond issue costs and gains on refunding, are expensed in the period in which the bonds are drawn in the governmental funds		850,007
Long-term liabilities, including notes, bonds and leases payable, are not due in the current period and, therefore, are not reported in the governmental funds		
Bonds outstanding	(125,456,000)	
Leases outstanding	(1,413,816)	
Bond premiums and deferred loss on refunding	(768,368)	
Derivative instruments	(5,954,101)	
Compensated absences	<u>(5,820,958)</u>	(139,413,243)
Payables, such as accrued interest payable, are not due and payable in the current period, and therefore are not reported in the funds		<u>(1,180,218)</u>
Net assets - governmental activities (Page 13)		<u><u>\$ 442,087,085</u></u>

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

CITY OF FRANKLIN, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<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	\$ 34,123,639	\$ -	\$ 4,830,155	\$ 4,031,643	\$ 42,985,437
Licenses and permits	3,938,075	-	-	1,391,645	5,329,720
Fines and fees	911,058	-	-	173,392	1,084,450
Charge for services	67,965	-	-	9,118,306	9,186,271
Intergovernmental	11,558,400	10,150,903	904,052	3,018,352	25,631,707
Use of money and property	265,347	89,208	14,103	950,446	1,319,104
Miscellaneous and other	100,948	396,000	-	-	496,948
Total revenues	<u>50,965,432</u>	<u>10,636,111</u>	<u>5,748,310</u>	<u>18,683,784</u>	<u>86,033,637</u>
Expenditures:					
Current:					
Elected officials	202,515	-	-	-	202,515
Administration	582,714	-	-	-	582,714
Human resources	1,069,174	-	-	-	1,069,174
Legal	387,358	-	-	-	387,358
Communications	318,505	-	-	-	318,505
Capital investment planning	206,418	-	-	-	206,418
Project & facilities management	782,167	-	-	-	782,167
Revenue management	1,341,821	-	-	-	1,341,821
Public safety:					
Police	13,840,199	270,605	-	303,305	14,414,109
Fire	12,460,480	-	-	-	12,460,480
Finance	877,470	-	-	-	877,470
Municipal information and technology	2,621,668	-	-	-	2,621,668
Purchasing	156,738	-	-	-	156,738
Court	281,966	-	-	-	281,966
Building & neighborhood services	1,958,127	-	-	-	1,958,127
Planning	1,220,100	-	-	-	1,220,100
Engineering	761,838	-	-	-	761,838
Traffic operations center	333,495	-	-	-	333,495
Parks	2,557,137	4,000	-	-	2,561,137
Streets-maintenance	3,294,778	1,253,414	-	1,734,285	6,282,477
Streets-traffic	948,377	-	-	-	948,377
Streets-fleet	586,722	-	-	-	586,722
General government	100,246	347,759	-	679,480	1,127,485
Sanitation	-	-	-	7,265,672	7,265,672
Storm water	-	-	-	1,401,563	1,401,563
Transit	-	-	-	1,185,600	1,185,600
Debt service	-	600	10,707,701	-	10,708,301
Capital outlay	1,409,394	12,239,619	-	2,355,437	16,004,450
Total expenditures	<u>\$ 48,299,407</u>	<u>\$ 14,115,997</u>	<u>\$ 10,707,701</u>	<u>\$ 14,925,342</u>	<u>\$ 88,048,447</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, 2012

	<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	\$ 2,666,025	\$ (3,479,886)	\$ (4,959,391)	\$ 3,758,442	\$ (2,014,810)
Other financing sources (uses):					
Issuance of debt	-	687,562	-	-	687,562
Refunding of debt	-	-	-	-	-
Transfers from other funds	-	-	4,177,961	1,616,460	5,794,421
Transfers to other funds	(1,616,460)	-	-	(4,177,961)	(5,794,421)
Total other financing sources (uses)	<u>(1,616,460)</u>	<u>687,562</u>	<u>4,177,961</u>	<u>(2,561,501)</u>	<u>687,562</u>
Net changes in fund balances	1,049,565	(2,792,324)	(781,430)	1,196,941	(1,327,248)
Fund balances - beginning	<u>24,961,766</u>	<u>12,058,809</u>	<u>1,099,568</u>	<u>7,241,751</u>	<u>45,361,894</u>
Fund balances - ending	<u>\$ 26,011,331</u>	<u>\$ 9,266,485</u>	<u>\$ 318,138</u>	<u>\$ 8,438,692</u>	<u>\$ 44,034,646</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, 2012

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

Net changes in fund balances - total governmental funds (Page 18) \$ (1,327,248)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense in the current period.

Specifically these items are as follows:

Acquisition of capital assets	\$ 16,004,450	
Disposals and adjustments of capital assets	(12,210,750)	
Depreciation expense	<u>(15,507,346)</u>	(11,713,646)

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

Property taxes	(111,802)	
Franchise fees	10,270	
Court fines	11,985	
Hotel/motel taxes	7,156	
Grant revenues	(845,616)	
Contributed capital assets	<u>24,875,850</u>	23,947,843

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 assets. Specifically, these items are as follows:

Lease issuance	(687,562)	
Bonds premiums and deferred refunding amounts	47,000	
Change in fair value of derivative instruments	(5,954,101)	
Lease payments	639,780	
Debt payments	<u>6,361,000</u>	406,117

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

Amortization of bond issue costs	<u>(72,120)</u>	(72,120)
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Expenses reported in the statement of activities that do not require the use of current financial resources are not reported as expenditures in the governmental funds for:

Employee benefits and other	(241,914)	
Accrued interest	<u>(269,776)</u>	<u>(511,690)</u>

Change in net assets of governmental activities (Page 14) \$ 10,729,256

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, 2012

Revenues:	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Taxes:				
Real and personal property taxes	\$ 6,685,767	\$ 6,685,767	\$ 6,420,171	\$ (265,596)
Penalty and interest	45,000	45,000	56,405	11,405
In lieu of tax	347,000	347,000	355,632	8,632
Sales tax	23,353,466	23,353,466	24,197,413	843,947
Beer tax	1,412,000	1,412,000	1,503,877	91,877
Beer privilege tax	23,800	23,800	21,195	(2,605)
Wholesale liquor tax	910,500	910,500	915,105	4,605
Liquor privilege tax	72,000	72,000	75,205	3,205
Mixed drink tax	487,500	487,500	568,754	81,254
Business tax	10,000	10,000	9,882	(118)
Facilities tax	-	-	-	-
Total Taxes	33,347,033	33,347,033	34,123,639	776,606
Licenses and permits:				
Mechanical licenses	6,000	6,000	4,000	(2,000)
Mechanical permits	102,000	102,000	151,167	49,167
Building permits	730,000	730,000	855,409	125,409
Plumbing licenses	4,700	4,700	3,382	(1,318)
Plumbing permits	91,600	91,600	130,541	38,941
Electric permits	180,000	180,000	371,001	191,001
Inspection Fees	91,800	91,800	104,666	12,866
Site review, rezoning and submittal fees	78,300	78,300	84,623	6,323
Beer permits and licenses	15,000	15,000	12,750	(2,250)
Yard sale permits	6,200	6,200	9,635	3,435
Business license	260,000	260,000	283,442	23,442
Alarm permits	21,000	21,000	22,800	1,800
Miscellaneous permits	5,000	5,000	4,405	(595)
Franchise taxes	2,295,000	2,295,000	1,900,254	(394,746)
Total Licenses and permits	3,886,600	3,886,600	3,938,075	51,475
Fines and fees:				
Fines - city court	920,000	920,000	808,105	(111,895)
Fines - general sessions	65,000	65,000	63,746	(1,254)
Parking tickets	25,000	25,000	13,813	(11,187)
Building & street standards board of appeals fees	-	-	500	500
Business tax fees	2,500	2,500	2,847	347
Tree bank fees	-	-	12,547	12,547
Beer board violations	-	-	9,500	9,500
Total Fines and fees	1,012,500	1,012,500	911,058	(101,442)

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, 2012

Revenues (Cont.):	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Charges for services:				
Regional fire training	-	-	275	275
Maps sold	1,000	1,000	1,529	529
Plans sold	-	-	4,500	4,500
Accident reports	40,000	40,000	4,010	(35,990)
Fingerprinting fees	1,500	1,500	1,170	(330)
Offender registry	1,500	1,500	1,650	150
License seizure fees	1,000	1,000	3,350	2,350
Citizens Academies	1,000	1,000	-	(1,000)
Background checks	1,000	1,000	615	(385)
3rd party billable overtime	-	-	44,761	44,761
Compost vouchers	-	-	6,100	6,100
Charge station fees	-	-	5	5
Total Charges for services	47,000	47,000	67,965	20,965
Intergovernmental:				
Admin charges to other funds	2,144,913	2,144,913	2,144,913	-
Reimbursement from other local governments	-	-	-	-
State income tax	1,200,000	1,200,000	793,173	(406,827)
Sales tax	3,900,000	3,900,000	4,242,695	342,695
State beer tax	30,000	30,000	30,674	674
State excise tax	55,000	55,000	15,260	(39,740)
In lieu of tax - TVA	660,000	660,000	722,090	62,090
Increase in state shared taxes	250,000	250,000	-	(250,000)
Business tax from state	2,485,000	2,485,000	2,754,341	269,341
Federal and state financial assistance programs	2,530,603	2,530,603	855,254	(1,675,349)
Total Intergovernmental	13,255,516	13,255,516	11,558,400	(1,697,116)
Use of money and property:				
Interest income	500,000	500,000	144,574	(355,426)
Rebates on purchases	25,000	25,000	37,923	12,923
Rent - mall and other	1	1	1	-
Park concessions and rentals	25,000	25,000	35,297	10,297
Sale of surplus assets	100,000	100,000	47,552	(52,448)
Total Use of money and property	650,001	650,001	265,347	(384,654)
Miscellaneous:				
Miscellaneous income	100,000	100,000	99,327	(673)
In-kind grant contributions	-	-	1,621	1,621
Insurance reimbursements	-	-	-	-
Total Miscellaneous	100,000	100,000	100,948	948
Total revenues	\$ 52,298,650	\$ 52,298,650	\$ 50,965,432	\$ (1,333,218)

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, 2012

Expenditures:	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Elected officials:				
Current				
Personnel	\$ 133,944	\$ 133,944	\$ 133,188	\$ (756)
Operations	77,300	72,300	69,327	(2,973)
Total current	211,244	206,244	202,515	(3,729)
Total Elected officials	211,244	206,244	202,515	(3,729)
Administration:				
Current				
Personnel	439,125	439,125	442,185	3,060
Operations	123,131	148,131	140,529	(7,602)
Total current	562,256	587,256	582,714	(4,542)
Total General government administration	562,256	587,256	582,714	(4,542)
Human resources:				
Current				
Personnel	699,864	699,864	807,345	107,481
Operations	333,003	333,003	261,829	(71,174)
Total current	1,032,867	1,032,867	1,069,174	36,307
Capital outlay	100,000	50,000	-	(50,000)
Total Human resources	1,132,867	1,082,867	1,069,174	(13,693)
Legal:				
Current				
Personnel	254,810	254,810	271,613	16,803
Operations	130,732	140,732	115,745	(24,987)
Total current	385,542	395,542	387,358	(8,184)
Total Legal	385,542	395,542	387,358	(8,184)
Communications:				
Current				
Personnel	270,527	270,527	276,415	5,888
Operations	49,661	49,661	42,090	(7,571)
Total current	320,188	320,188	318,505	(1,683)
Total Communications	320,188	320,188	318,505	(1,683)
Capital investment planning:				
Current				
Personnel	197,809	197,809	194,060	(3,749)
Operations	28,605	18,605	12,358	(6,247)
Total current	226,414	216,414	206,418	(9,996)
Total Capital investment planning	226,414	216,414	206,418	(9,996)

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, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
Expenditures (Cont.):				<u>Over (Under)</u>
Project & facilities management:				
Current				
Personnel	360,580	360,580	351,116	(9,464)
Operations	363,459	338,459	431,051	92,592
Total current	724,039	699,039	782,167	83,128
Capital outlay	98,600	98,600	-	(98,600)
Total Project and facilities management	822,639	797,639	782,167	(15,472)
Revenue management:				
Current				
Personnel	906,899	906,899	954,591	47,692
Operations	448,111	443,111	387,230	(55,881)
Total current	1,355,010	1,350,010	1,341,821	(8,189)
Total Revenue management	1,355,010	1,350,010	1,341,821	(8,189)
Police department:				
Current				
Personnel	10,236,835	10,236,835	10,673,416	436,581
Operations	3,266,037	3,612,037	3,166,783	(445,254)
Total current	13,502,872	13,848,872	13,840,199	(8,673)
Total Police department	13,502,872	13,848,872	13,840,199	(8,673)
Fire department:				
Current				
Personnel	10,726,239	10,726,239	10,849,878	123,639
Operations	1,697,315	1,737,677	1,610,602	(127,075)
Total current	12,423,554	12,463,916	12,460,480	(3,436)
Capital outlay	100,800	120,800	116,107	(4,693)
Total Fire department	12,524,354	12,584,716	12,576,587	(8,129)
Finance:				
Current				
Personnel	677,372	702,372	701,035	(1,337)
Operations	111,156	176,156	176,435	279
Total current	788,528	878,528	877,470	(1,058)
Total Finance	788,528	878,528	877,470	(1,058)
Municipal information and technology:				
Current				
Personnel	1,238,059	1,238,059	1,279,799	41,740
Operations	1,328,571	1,343,571	1,341,869	(1,702)
Total current	2,566,630	2,581,630	2,621,668	40,038
Capital outlay	84,500	84,500	39,847	(44,653)
Total Municipal information and technology	2,651,130	2,666,130	2,661,515	(4,615)

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, 2012

Expenditures (Cont.):	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Purchasing:				
Current				
Personnel	178,699	178,699	148,623	(30,076)
Operations	33,159	18,159	8,115	(10,044)
Total current	211,858	196,858	156,738	(40,120)
Total Purchasing	211,858	196,858	156,738	(40,120)
Court:				
Current				
Personnel	181,818	181,818	190,463	8,645
Operations	89,915	109,915	91,503	(18,412)
Total current	271,733	291,733	281,966	(9,767)
Total Court	271,733	291,733	281,966	(9,767)
Building & neighborhood services (Codes):				
Current				
Personnel	1,704,334	1,749,809	1,776,636	26,827
Operations	204,450	204,450	181,491	(22,959)
Total current	1,908,784	1,954,259	1,958,127	3,868
Capital outlay	-	365,000	360,942	(4,058)
Total Building & neighborhood services	1,908,784	2,319,259	2,319,069	(190)
Planning:				
Current				
Personnel	1,212,806	1,079,829	1,117,319	37,490
Operations	160,354	152,967	102,781	(50,186)
Total current	1,373,160	1,232,796	1,220,100	(12,696)
Total Planning	1,373,160	1,232,796	1,220,100	(12,696)
Engineering:				
Current				
Personnel	575,750	742,677	706,625	(36,052)
Operations	68,140	65,527	55,213	(10,314)
Total current	643,890	808,204	761,838	(46,366)
Total Engineering	643,890	808,204	761,838	(46,366)
Traffic operations center:				
Current				
Personnel	223,447	223,447	234,710	11,263
Operations	1,251,763	1,251,763	98,785	(1,152,978)
Total current	1,475,210	1,475,210	333,495	(1,141,715)
Capital outlay	2,525,000	2,172,658	609,051	(1,563,607)
Total Traffic operations center	4,000,210	3,647,868	942,546	(2,705,322)

(Continued)

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

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Expenditures (Cont.):	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
Parks:				
Current				
Personnel	1,782,978	1,734,728	1,701,900	(32,828)
Operations	716,317	720,517	855,237	134,720
Total current	2,499,295	2,455,245	2,557,137	101,892
Capital outlay	108,500	144,908	40,671	(104,237)
Total Parks	2,607,795	2,600,153	2,597,808	(2,345)
Streets-Maintenance:				
Current				
Personnel	2,001,260	2,006,260	1,991,583	(14,677)
Operations	1,397,356	1,297,356	1,303,195	5,839
Total current	3,398,616	3,303,616	3,294,778	(8,838)
Capital outlay	289,500	264,500	242,776	(21,724)
Total Streets-maintenance	3,688,116	3,568,116	3,537,554	(30,562)
Streets-Traffic:				
Current				
Personnel	518,343	518,343	526,577	8,234
Operations	359,365	314,365	421,800	107,435
Total current	877,708	832,708	948,377	115,669
Capital outlay	151,000	151,000	-	(151,000)
Total Streets-traffic	1,028,708	983,708	948,377	(35,331)
Streets - Fleet:				
Current				
Personnel	435,837	435,837	419,249	(16,588)
Operations	53,246	143,246	167,473	24,227
Total current	489,083	579,083	586,722	7,639
Capital outlay	12,500	12,500	-	(12,500)
Total Streets-fleet	501,583	591,583	586,722	(4,861)
General government:				
Current				
Personnel	573,510	323,510	(353,943)	(677,453)
Operations	(160,235)	(160,235)	(5,177)	155,058
Total current	413,275	163,275	(359,120)	(522,395)
Capital outlay	40,000	40,000	-	(40,000)
Total General expenditures	453,275	203,275	(359,120)	(562,395)
Contributions:				
Current				
Appropriations to non profit organizations	505,994	512,161	459,366	(52,795)
Total Contributions	505,994	512,161	459,366	(52,795)
Total expenditures	\$ 51,678,150	\$ 51,890,120	\$ 48,299,407	\$ (3,590,713)

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, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Excess of revenues over expenditures	\$ 620,500	\$ 408,530	\$ 2,666,025	\$ 2,257,495
Other financing sources (uses):				
Transfer to other funds	<u>(1,189,356)</u>	<u>(1,857,502)</u>	<u>(1,616,460)</u>	<u>(241,042)</u>
Total other financing sources (uses)	<u>(1,189,356)</u>	<u>(1,857,502)</u>	<u>(1,616,460)</u>	<u>(241,042)</u>
Net changes in fund balances	<u>\$ (568,856)</u>	<u>\$ (1,448,972)</u>	<u>\$ 1,049,565</u>	<u>\$ 2,498,537</u>
Fund balance - beginning of year			<u>24,961,766</u>	
Fund balance - end of year			<u>\$ 26,011,331</u>	

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

CITY OF FRANKLIN, TENNESSEE
STATEMENT OF NET ASSETS
PROPRIETARY FUND - WATER AND SEWER FUND
JUNE 30, 2012

ASSETS

Current assets:

Cash and cash equivalents	5,333,535
Cash and cash equivalents-restricted	5,257,315
Investments	5,785,066
Investments-restricted	1,427,059
Accounts receivable, net of allowance for doubtful accounts (\$9,000)	4,502,297
Grants receivable	99,274
Inventory	269,398
Total current assets	<u>22,673,944</u>

Noncurrent assets:

Unamortized bond issue costs	<u>156,726</u>
Capital assets (net of accumulated depreciation):	
Land	5,288,148
Buildings and improvements	2,948,605
Utility plant in service	144,992,298
Machinery and equipment	1,026,841
Construction in progress	<u>274,429</u>
Total capital assets (net of accumulated depreciation):	<u>154,530,321</u>
Total noncurrent assets	<u>154,687,047</u>
Total assets	<u>177,360,991</u>

LIABILITIES

Current liabilities:

Accounts payable	559,617
Accrued interest	323,079
Deferred revenue - unearned	309,745
Compensated absences payable	249,507
Current maturities of leases	77,313
Current maturities of long-term debt	<u>3,653,169</u>
Total current liabilities	<u>5,172,430</u>

Noncurrent liabilities:

Compensated absences payable	500,490
Long-term debt, net of current maturities	<u>43,745,672</u>
Total noncurrent liabilities	<u>44,246,162</u>
Total liabilities	<u>49,418,592</u>

NET ASSETS

Invested in capital assets, net of related debt	107,037,017
Restricted-system improvements	6,684,374
Unrestricted	<u>14,221,008</u>
Total net assets	<u>\$ 127,942,399</u>

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

CITY OF FRANKLIN, TENNESSEE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND - WATER AND SEWER FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Operating revenues:	
Metered water sales	\$ 8,842,549
Sewer service charges	11,473,094
Reclaimed water sales	146,724
Other revenues from operations	<u>791,322</u>
Total operating revenues	<u>21,253,689</u>
Operating expenses:	
Water & sewer billing expenses	155,225
Water distribution expenses	1,518,195
Water plant expenses	4,768,626
Water administration	1,986,231
Sewer administration	963,776
General administration	680,355
Sewer collection expenses	1,899,318
Sewer plant expenses	3,215,430
Reclaimed water expenses	106,260
Depreciation	<u>4,980,050</u>
Total operating expenses	<u>20,273,466</u>
Operating income	<u>980,223</u>
Nonoperating revenues (expenses):	
Interest income	171,338
Gain (loss) on sale of assets	(178,491)
Amortization expense	(48,686)
Interest expense	<u>(1,714,353)</u>
Total nonoperating revenues (expenses)	<u>(1,770,192)</u>
Net loss before contributions and transfers	<u>(789,969)</u>
Contributions and transfers:	
Tap and access fees	2,580,663
Capital contributions	252,320
Developer contributions	<u>2,474,649</u>
Total contributions and transfers	<u>5,307,632</u>
Change in net assets	4,517,663
Net assets, beginning of year	<u>123,424,736</u>
Net assets, end of year	<u><u>\$ 127,942,399</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, 2012

Cash flows from operating activities:

Cash received from customers	\$ 20,910,856
Cash paid to employees for services	(3,109,570)
Cash paid to suppliers of goods and services	<u>(13,195,070)</u>
Net cash provided by Operating activities	<u>4,606,216</u>

Cash flows from capital and related financing activities:

Purchases of property, plant and equipment	(1,257,782)
Contributions from tap fees and grant funds	3,445,312
Sales of property, plant and equipment	22,094
Interest paid on long-term debt	(1,740,238)
Bond costs related to new debt	(62,773)
Payments on long-term debt and capital lease obligations	<u>(3,113,470)</u>
Net cash used in capital and related financing activities	<u>(2,706,857)</u>

Cash flows from investing activities:

Purchases of investments	(4,456,125)
Interest received and gains on investments	<u>171,338</u>
Net cash used in investing activities	<u>(4,284,787)</u>

Net decrease in cash and restricted cash	(2,385,428)
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Cash and restricted cash, beginning of year	<u>12,976,278</u>
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Cash and restricted cash, end of year	<u><u>\$ 10,590,850</u></u>
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Cash and cash equivalents

Unrestricted cash and cash equivalents	\$ 5,333,535
Restricted cash and cash equivalents	<u>5,257,315</u>
Total cash and cash equivalents	<u><u>\$ 10,590,850</u></u>

CITY OF FRANKLIN, TENNESSEE
STATEMENT OF CASH FLOWS (Cont.)
PROPRIETARY FUND - WATER AND SEWER FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Reconciliation of operating income to net cash provided by operations:

Operating income	\$ 980,223
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	4,980,050
Change in:	
Accounts receivable	(342,833)
Grants receivable	194,111
Inventory	(15,631)
Accounts payable	(1,119,492)
Deferred revenue	(141,780)
Compensated absences	71,568
Net cash provided by operating activities	<u>\$ 4,606,216</u>

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

Capital assets added as developer contributions	<u>\$ 1,862,320</u>
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CITY OF FRANKLIN, TENNESSEE
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND - PENSION FUND
DECEMBER 31, 2011

ASSETS

Investments at fair value:

Short-term investments	\$ 3,010,243
Equity securities and mutual funds	<u>52,231,224</u>
Total investments	<u>55,241,467</u>

Total assets \$ 55,241,467

Net assets held in trust for pension benefits \$ 55,241,467

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

CITY OF FRANKLIN, TENNESSEE
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND - PENSION FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

Additions:

Contributions:

Employer contributions	\$ 5,970,383
Employee contributions	<u>317,998</u>
Total contributions	<u>6,288,381</u>

Investment income (loss):

Net depreciation in investments	(1,215,623)
Investment earnings	<u>498,714</u>
Total investment income (loss)	<u>(716,909)</u>

Total additions 5,571,472

Deductions:

Pension benefits	2,319,850
Administration expense	<u>499,238</u>

Total deductions 2,819,088

Net increase 2,752,384

Net assets held in trust for pension benefits - beginning 52,489,083

Net assets held in trust for pension benefits - ending \$ 55,241,467

CITY OF FRANKLIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Franklin was incorporated in 1799. The City operates under a mayor-alderman form of government. The City provides the following services: public safety, streets, sanitation, parks, planning, codes, and water and sewer services. As required by U.S. generally accepted accounting principles, these financial statements present all funds, which comprise the City.

The accompanying financial statements present the government and component units, if any. Component units are entities for which the government is considered to be financially accountable. Component units, although legally separate entities, are required to be presented in the government's financial statements using either a "blended" or "discrete" presentation. As of June 30, 2012, the City had no component units which were required to be included in these financial statements.

Related Organization: The City's officials are also responsible for appointing the members of the board of the Franklin Housing Authority; however, the City does not provide funding, has no obligation for the debt issued by the Authority, and cannot impose its will upon the operations of the Authority.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. The effect of all significant interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the City's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets is reported in three categories:

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

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

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

The statement of activities demonstrates the degree to which the direct expenses of the given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and the proprietary fund. Major individual governmental funds and the major individual enterprise fund are reported as separate columns in the fund financial statements. Non major funds are combined and reported in a single column.

CITY OF FRANKLIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2012

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are proprietary fund financial statements. Revenues are recorded when earned and expenses recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within sixty days (60) of the end of the current fiscal period. Generally, expenditures are recorded when a liability is incurred, as under accrual accounting; however, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, state shared revenue, grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

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

The Multi-Purpose Capital Project Fund was established to account for the various capital projects of the City.

The City reports the following major proprietary fund:

The Water and Sewer Fund accounts for the water, sewer, and reclaimed water services provided to customers of the system.

Additionally, the City reports the following fiduciary fund type:

The Pension Fund accounts for the activities of the pension plan maintained for employees of the City, which accumulates resources for pension payments to qualified employees.

The financial statements of the City are prepared in accordance with U.S. generally accepted accounting principles. The City's reporting entity applies all relevant *Governmental Accounting Standards Board* (GASB) pronouncements and applicable *Financial Accounting Standards Board* (FASB) pronouncements and *Accounting Principle Board* (APB) opinions issued on or before November 30, 1989 unless they conflict with GASB pronouncements. The City's reporting entity does not apply FASB pronouncements issued after November 30, 1989.

CITY OF FRANKLIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2012

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

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

Generally, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes and other charges between the government's utility divisions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the various utility funds are charges to customers for sales and services. The Water and Sewer Fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Joint Operation of the Conference Center

In June 1999, the City completed construction of the Conference Center at Cool Springs (Conference Center), which operates a conference center facility. The Conference Center was funded jointly by the City and Williamson County (the County) through issuance of a combined total of \$12,000,000 in general obligation debt (one-half each by City and County). An Interlocal Agreement executed between the City and County (the Parties) provides for equal ownership by each of the Parties of a one-half undivided interest in the Conference Center and further specifies that each of the Parties shall be entitled to one-half of the net revenue and shall be responsible for one-half of all costs and expenses of the operation and maintenance of the Conference Center. The City's undivided interest in the investment in the Conference Center facility totaled \$6,057,126 at June 30, 2012, and is accounted for as a joint venture asset of the City. The City's one-half interest in Conference Center operations is presented with governmental activities in the statements of net assets and activities. Complete financial statements for the Conference Center may be obtained from the Department of Finance at City Hall.

D. Assets, Liabilities, and Net Assets or Equity

Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with maturities of three-months or less from the date of acquisition. State statutes authorize the City to invest in certificates of deposit, obligations of the U.S. Treasury, agencies and instrumentalities, obligations guaranteed by the U.S. government or its agencies, repurchase agreements, and the State's investment pool. Pension Fund investments also include various domestic and international equities and mutual funds.

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

CITY OF FRANKLIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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

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

Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

Property tax receivables are shown net of an allowance for uncollectibles. The allowance is recorded based on the past history of collections. Court fines receivable are also shown net of an allowance for uncollectibles. The allowance is recorded based on management's estimate of what portion of the outstanding receivable will be collected in the future.

The allowances for uncollectible customer accounts recorded in the proprietary funds are based on past history of uncollectible accounts and management's analysis of current accounts. Bad debts in the proprietary fund are recorded by the direct write-off method.

Property taxes are levied annually on January 1. The taxes are due and payable from the following October through February in the year succeeding the tax levy. An unperfected lien attaches by statute to property on March 1 for unpaid taxes from the prior year's levy. Taxes uncollected by April 1, the year after due may be submitted to the Chancery Court for collection. Tax liens become perfected at the time the court enters judgment.

Inventories and Prepaid Items

Inventories are valued at cost in the governmental activities and the lower of cost or market in the business-type activities using the FIFO method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased (consumption method).

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets

The City elects to use restricted assets before unrestricted assets when the situation arises where either can be used. Certain assets of the Water & Sewer Fund are classified as restricted assets because their use is limited by applicable debt or other agreement.

Capital Assets

Capital assets, including property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$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.

CITY OF FRANKLIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2012

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

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

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

Infrastructure	50 years
Buildings and improvements	25 - 50 years
Distribution systems	10 - 50 years
Equipment	3 - 10 years
Furniture and fixtures	3 - 10 years

Compensated Absences

City policy provides for the accumulation of unused vacation days equal to those earned in the current year. It also provides for the accumulation of sick days. No amounts of sick leave are vested in the event of employee termination; however, the employee is entitled to payment for unused sick leave upon retirement up to a maximum of 120 days.

All annual leave is accrued when incurred in the government-wide and proprietary fund (Water and Sewer) financial statements. A liability for these amounts is reported in the governmental funds (specifically General, Sanitation, and Storm Water) only if amounts are actually due employees as a result of termination and / or retirement.

Bond premiums, discounts and issuance costs

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

Derivative financial instruments

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

Property Tax

The City's property tax is due each October 1 on the assessed valued listed as of the prior January 1 for all real and personal property located in the City's legal boundaries. All City taxes on real estate are declared to be a lien on such realty from January 1 of the year the assessments are made.

Assessed values are established by the State of Tennessee at the following rates of assessed market value:

Public Utility Property	55%
Industrial and Commercial Property	
Real	40%
Personal	30%
Farm and Residential Property	25%

For fiscal year 2012, taxes were levied at a rate of \$.3765 per \$100 of assessed valuation.

Payments may be made during the period from October 1 through February 28. Current tax collections of \$11,519,012 for the fiscal year ended June 30, 2012 were approximately 98% of the tax levy.

Taxes become delinquent in March of the year subsequent to the levy date; at that time delinquent taxes are turned over to the County Clerk and Master for collection proceedings.

CITY OF FRANKLIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2012

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

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

At June 30, 2012, property taxes receivable amounted to \$12,250,706; of this amount, property taxes assessed January 1, 2011 and levied October 1, 2011 amounted to \$11,903,511. Property taxes are recognized as revenue if available; if not available, amounts are presented as deferred in the governmental fund financial statements.

Long-term Obligations

In the government-wide financial statements, and the proprietary fund in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

Offset Fee Agreement - Water and Sewer Fund

The City, under an agreement with the developer of a local residential complex, had agreed to credit the water customers monthly for reclaimed water over a period of time until the original offset was reduced to zero in return for the developer's installation of specified reclaimed water infrastructure contributed to the City. A credit will be applied against revenues from the sale of water under the agreement. The remaining balance on the agreement amounted to \$309,745 at June 30, 2012 and is presented as deferred revenue until such time as it is earned under terms of the agreement.

Fund Balance

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

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

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

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

Assigned - Amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed, are reported as assigned fund balance. The Board of Mayor and Aldermen have authorized the City Administrator to assign fund balance up to certain amounts.

CITY OF FRANKLIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2012

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

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

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

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

Estimates

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

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with U.S. generally accepted accounting principles for the General Fund and the Special Revenue Funds. The Board of Mayor and Aldermen approves and appropriates the budgets for these funds annually. All annual appropriations lapse at fiscal year-end.

As an extension of the formal budgetary process, the Board of Mayor and Aldermen may transfer or appropriate additional funds for expenditures not anticipated at the time of budget adoption. The City's policy is to not allow expenditures to exceed budgetary amounts at the total fund expenditure level without obtaining additional appropriation approval from the Board.

B. Deficit Fund Balances and Excess Expenditures

The following funds have deficit fund balances at June 30, 2012: Road Impact Fee Fund (\$1,240,129) and Community Development Block Grant (CDBG) Fund (\$6,582). The City expects to fund the Road Impact Fee Fund deficit with anticipated collections in the near future and to fund the CDBG Fund with outstanding grant receivables.

NOTE 3 - DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

The City is authorized to invest funds in, among other things, financial institutions and direct obligations of the Federal Government. During 2012, the City, except for the Pension Fund, invested in certificates of deposit, interest-bearing checking accounts, and government sponsored agency securities.

Deposits:

Custodial Credit Risk: The City's policies limit deposits to those instruments allowed by applicable state laws 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, 2012, all bank deposits were fully collateralized or insured.

CITY OF FRANKLIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2012

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

A. Deposits and Investments (Cont.)

Investments:

Interest Rate Risk: Investments held for longer periods are subject to increased risk for adverse interest rate changes. City policy provides that to the extent practicable, investments are matched with anticipated cash flows. Typically certificates of deposit are issued for periods less than one year and investments in the Local Government Investment Pool are available daily. At June 30, 2012, investments of the City had average weighted maturities as noted below.

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

As of June 30, 2012, the City, exclusive of the Pension Fund, had the following investments with the noted weighted average maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Certificates of Deposit	\$ 3,552,836	0.72
Money Market Accounts	12,041,462	-
Treasury Securities	600,000	2.79
Municipal Bonds	599,672	1.17
Federal Home Loan Mortgage Corp	2,506,400	3.13
Federal Home Loan Bank	<u>2,501,825</u>	3.65
Total Investments at Fair Value	<u>\$ 21,802,195</u>	
Portfolio Weighted Avg. Maturity		1.02

All investments are rated Aaa by Moody's (and AA+ by Standard's & Poor for federal agency securities) and the certificates of deposit are in banks covered by the State collateral pool or under FDIC.

As of June 30, 2012, 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, and agency securities (Federal Home Loan Mortgage Corporation and Federal Home Loan Bank).

As of December 31, 2011 the City of Franklin's Pension Fund had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Investments Available for Sale	<u>\$ 55,241,467</u>	
Total Investments at Fair Value	<u>\$ 55,241,467</u>	
Portfolio Weighted Avg. Maturity		n/a

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

CITY OF FRANKLIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2012

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

B. Receivables

Receivables as of June 30, 2012, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Multi-Purpose Capital Project Fund	Debt Service Fund	Water & Sewer Fund	Other Governmental Funds	Total
Receivables:						
Accounts	\$ 834,632	\$ -	\$ -	\$ 4,511,297	\$ 1,388,431	\$ 6,734,360
Property taxes	7,400,946	-	4,849,760	-	-	12,250,706
Grants	380,485	27,542	-	99,274	129,201	636,502
Special assessments	53,762	-	-	-	-	53,762
Intergovernmental	2,102,817	-	-	-	466,287	2,569,104
Fines	677,789	-	-	-	-	677,789
Local option sales tax	4,157,573	-	-	-	-	4,157,573
Other	2,784,613	433,321	-	-	29,373	3,247,307
Gross receivables	18,392,617	460,863	4,849,760	4,610,571	2,013,292	30,327,103
Less: Allowance for uncollectibles	(520,055)	-	-	(9,000)	-	(529,055)
Net total receivables	<u>\$ 17,872,562</u>	<u>\$ 460,863</u>	<u>\$ 4,849,760</u>	<u>\$ 4,601,571</u>	<u>\$ 2,013,292</u>	<u>\$ 29,798,048</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned
Delinquent property taxes receivable	\$ 188,096	\$ -
Property tax penalties and interest receivable	76,831	-
2012 tax levy due October 1, 2012	-	11,273,368
Special assessments	-	211,806
Confiscated funds	-	21,055
Franchise fees	442,015	-
Hotel/motel taxes	7,156	-
Court fines receivable	237,226	-
Unrequested grant proceeds	457,745	-
Total deferred revenue for fund financial statements	<u>\$ 1,409,069</u>	<u>\$ 11,506,229</u>

CITY OF FRANKLIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2012

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

C. Capital Assets

Capital asset activity for the year ended June 30, 2012 was as follows:

	Balance June 30, 2011	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2012
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 48,088,481	\$ -	\$ 1,952,990	\$ -	\$ 50,041,471
Construction in process	<u>27,468,954</u>	<u>(10,655,449)</u>	<u>9,637,117</u>	<u>-</u>	<u>26,450,622</u>
Total capital assets, not being depreciated	<u>75,557,435</u>	<u>(10,655,449)</u>	<u>11,590,107</u>	<u>-</u>	<u>76,492,093</u>
Capital assets, being depreciated:					
Buildings and improvements	63,347,553	39,945	1,899,662	-	65,287,160
Improvements other than buildings	21,028,982	514,500	4,200	9,200	21,538,482
Equipment	49,526,524	828,497	2,259,455	8,604,199	44,010,277
Infrastructure	<u>443,470,678</u>	<u>9,272,507</u>	<u>25,126,876</u>	<u>10,332,032</u>	<u>467,538,029</u>
Total capital assets, being depreciated	<u>577,373,737</u>	<u>10,655,449</u>	<u>29,290,193</u>	<u>18,945,431</u>	<u>598,373,948</u>
Accumulated depreciation					
Buildings and improvements	7,800,474	-	1,513,758	-	9,314,232
Improvements other than buildings	4,234,263	-	1,036,068	1,610	5,268,721
Machinery and equipment	29,216,868	-	3,605,204	6,646,478	26,175,594
Infrastructure	<u>96,396,177</u>	<u>-</u>	<u>9,352,316</u>	<u>86,593</u>	<u>105,661,900</u>
Total accumulated depreciation	<u>137,647,782</u>	<u>-</u>	<u>15,507,346</u>	<u>6,734,681</u>	<u>146,420,447</u>
Total capital assets being depreciated, net	<u>439,725,955</u>	<u>10,655,449</u>	<u>13,782,847</u>	<u>12,210,750</u>	<u>451,953,501</u>
Total governmental activities capital assets, net	<u>515,283,390</u>	<u>-</u>	<u>25,372,954</u>	<u>12,210,750</u>	<u>528,445,594</u>
Business-type activities:					
Capital assets, not being depreciated:					
Land	5,238,945	-	49,203	-	5,288,148
Construction in process	<u>10,767,908</u>	<u>(11,523,893)</u>	<u>1,030,414</u>	<u>-</u>	<u>274,429</u>
Total capital assets, not being depreciated	<u>16,006,853</u>	<u>(11,523,893)</u>	<u>1,079,617</u>	<u>-</u>	<u>5,562,577</u>
Capital assets, being depreciated:					
Buildings and improvements	11,291,016	-	-	-	11,291,016
Utility plant in service	179,486,269	11,523,893	1,862,321	-	192,872,483
Machinery and equipment	<u>5,167,312</u>	<u>-</u>	<u>178,164</u>	<u>1,419,661</u>	<u>3,925,815</u>
Total capital assets, being depreciated	<u>195,944,597</u>	<u>11,523,893</u>	<u>2,040,485</u>	<u>1,419,661</u>	<u>208,089,314</u>
Accumulated depreciation					
Buildings and improvements	8,035,196	-	307,215	-	8,342,411
Utility plant in service	43,472,985	-	4,407,200	-	47,880,185
Machinery and equipment	<u>3,852,415</u>	<u>-</u>	<u>265,635</u>	<u>1,219,076</u>	<u>2,898,974</u>
Total accumulated depreciation	<u>55,360,596</u>	<u>-</u>	<u>4,980,050</u>	<u>1,219,076</u>	<u>59,121,570</u>
Total capital assets being depreciated, net	<u>140,584,001</u>	<u>11,523,893</u>	<u>(2,939,565)</u>	<u>200,585</u>	<u>148,967,744</u>
Business-type activities capital assets, net	<u>156,590,854</u>	<u>-</u>	<u>(1,859,948)</u>	<u>200,585</u>	<u>154,530,321</u>
Total capital assets, net	<u>\$ 671,874,244</u>	<u>\$ -</u>	<u>\$ 23,513,006</u>	<u>\$ 12,411,335</u>	<u>\$ 682,975,915</u>

CITY OF FRANKLIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2012

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

C. Capital Assets (Cont.)

Depreciation expense was charged to functions/programs of the primary government for the year ended June 30, 2012, as follows:

Governmental activities:		
General government	\$	239,424
Police department		1,133,095
Fire department		665,881
Highways and streets		9,595,721
Engineering		6,207
Traffic operations center		52,297
Stormwater		80,771
Sanitation		804,653
Transit		212,538
Parks		1,129,125
Maintenance		77,565
Finance		5,417
Municipal information and technology		<u>1,504,652</u>
Total depreciation expense – governmental activities	\$	15,507,346
Business-type activities:		
Water and sewer		<u>4,980,050</u>
Total depreciation expense	\$	<u><u>20,487,396</u></u>

D. Interfund Receivables, Payables and Transfers

The following is a summary of transfers during the year ended June 30, 2012:

Transfer from	Transfer to	Amount
General	Sanitation	\$ 1,314,772
General	Transit Authority	301,688
Sanitation	Debt Service	543,115
Road Impact Fee	Debt Service	1,821,447
Hotel/Motel Tax	Debt Service	1,813,399
Total		<u>\$ 5,794,421</u>

CITY OF FRANKLIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2012

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

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

The purposes of the transfers are noted below:

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

Interfund balances below are expected to be repaid within the next fiscal year and are considered ordinary in nature. The composition of interfund balances as of June 30, 2012, are as follows:

Due from	Due to	Amount
Sanitation	General	\$ 511,604
Street Aid	General	35,310
Transit Authority	General	2,180,571
Road Impact Fee	General	1,240,129
Drug Fund	General	388,394
CDBG	General	470
Total		\$ 4,356,478

The purposes of the interfund balances are:

- The balance between the General Fund and the Sanitation Fund is due to a negative cash balance in the Sanitation Fund at year end due to outstanding receivables.
- The balance between the General Fund and the Street Aid Fund is due to a negative cash balance in the Street Aid Fund at year end due to outstanding receivables.
- The balance between the General Fund and the Transit Authority Fund is due to a negative cash balance in the Transit Fund at year end because of outstanding grants receivable.
- The balance between the General Fund and the Road Impact Fee Fund is due to a negative cash balance in the Road Impact Fee Fund at year end because of a deficit fund balance.
- The balance between the General Fund and the CDBG Fund is due to a negative cash balance in the CDBG Fund at year end because of outstanding grants receivable.

CITY OF FRANKLIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2012

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

E. Capital Leases

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

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

Both the DeLage lease of \$360,791 and PNC lease of \$341,691 have been used. Of the \$2,500,000 SunTrust lease, \$2,232,529 has been used with \$267,471 remaining.

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

Assets:

911 Dispatch Equipment	\$ 1,202,017
3 Recycling Trucks	230,400
Compost Screener	112,550
Disaster Recovery Equipment	360,791
Utility Billing Software	341,691
Police Vehicles & Equipment	620,271
Traffic Operations Center Equipment	<u>67,291</u>
	2,935,011
Less: Accumulated Depreciation (\$323,579 in 2012)	<u>(688,310)</u>
Total	<u>\$ 2,246,701</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2012 were as follows:

Year Ending June 30,

2013	\$ 778,725
2014	551,980
2015	<u>261,267</u>
Total minimum lease payments	1,591,972
Less: Amount representing interest	<u>(100,843)</u>
Present value of minimum lease payments	1,491,129
Amount due within one year	<u>722,053</u>
Long-term portion	<u>\$ 769,076</u>

CITY OF FRANKLIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2012

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

F. Long-term Debt

Long-term debt at June 30, 2012, is comprised of the following:

Governmental Activities:

General obligation bonds:

City of Clarksville, Pooled Loan Program - 2001 variable rate of interest; final maturity May 25, 2017	\$ 2,057,000
Tennessee Municipal Variable Rate Pooled Loan Program - 2001; variable rate of interest, final maturity May 25, 2018	964,000
Series 2002 - General Obligation Refunding Bonds, 3.00% to 4.50% interest, final maturity November 1, 2012.	540,000
Series 2004 - General Obligation Refunding Bonds, 2.00% to 3.625% interest, final maturity, October 1, 2014	2,290,000
City of Clarksville, Pooled Loan Program - 2004 variable rate of interest, final maturity May 25, 2017	2,490,000
City of Lawrenceburg, TN Loan Agreement 2005 variable rate of interest, final maturity July 1, 2020	3,000,000
Series 2007 - General Obligation Public Improvement Bonds - 101-A-1, variable rate of interest, final maturity June 1, 2037	20,000,000
Montgomery County, Pooled Loan Program - 2008 variable rate of interest, final maturity May 25, 2029	22,500,000
Series 2009B - General Obligation Build America Bonds (BAB) 4.45% to 5.70% interest, final maturity, March 1, 2029	30,625,000
Series 2009A - General Obligation Public Improvement Bonds 2.50% interest, final maturity, March 1, 2017	9,955,000
Series 2010 - General Obligation Recovery Zone Economic Development Bonds (RZEDB), 4.625% to 5.375% interest, final maturity March 1, 2030	15,725,000
Series 2010 - General Obligation Refunding Bonds, 2.00% to 3.00% interest, final maturity March 1, 2024	<u>15,310,000</u>
 Total Governmental Activities Long-Term Debt	 <u><u>\$ 125,456,000</u></u>

The aforementioned bonds are secured by the full faith and credit of the City. During 2012, debt service for the aforementioned debt was provided by the Debt Service Fund through property tax collections as well as transfers from the Sanitation Fund, Road Impact Fund and the Hotel/Motel Tax Fund.

CITY OF FRANKLIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2012

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

F. Long-term Debt (Cont.)

Business - Type Activities:

Revenue and tax bonds:

Series 2002A - Sewer and Water Revenue and Tax Bonds: 3% to 4% interest; final maturity September 12, 2012	\$ 785,000
Series 2002B - Sewer and Water Revenue and Tax Refunding Bonds 3% to 5% interest; final maturity April 1, 2013	1,350,000
Series 2005 - Sewer and Water Revenue and Tax Refunding Bonds: 3% to 5% interest; final maturity April 1, 2025	24,100,000
Series 2011 - SunTrust Loan Program, 2.48% interest; final maturity May 25, 2026	18,700,000

Notes payable:

Drinking Water SRF Loan provided through ARRA funding, 2.82% interest; final maturity December 20, 2030	1,413,949
Clean Water SRF Loan provided through ARRA funding, 2.69% interest; final maturity estimated to be December 2031	<u>1,067,042</u>

Total Business-Type Activities Long-Term Debt	<u>\$ 47,415,991</u>
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The aforementioned bonds are secured by the full faith and credit of the City and backed by the revenues of the Water and Sewer Fund. During 2012, 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, 2012, are as follows:

Year Ending June 30,	Revenue and Tax Bonds		General Obligation Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	3,665,344	1,794,816	6,588,000	4,137,304	10,253,344	5,932,120
2014	3,273,143	1,677,043	6,265,000	4,008,792	9,538,143	5,685,835
2015	3,326,017	1,544,837	5,927,000	3,899,872	9,253,017	5,444,709
2016	3,378,974	1,410,808	5,691,000	3,790,987	9,069,974	5,201,795
2017	3,477,013	1,274,950	5,872,000	3,687,003	9,349,013	4,961,953
2018 - 2022	18,483,693	4,216,252	25,803,000	16,334,046	44,286,693	20,550,298
2023 - 2027	11,168,437	912,187	36,281,000	11,348,178	47,449,437	12,260,365
2028 - 2032	643,370	38,931	24,029,000	3,990,518	24,672,370	4,029,449
2033 - 2037	-	-	9,000,000	1,107,225	9,000,000	1,107,225
Totals	<u>\$ 47,415,991</u>	<u>\$ 12,869,824</u>	<u>\$ 125,456,000</u>	<u>\$ 52,303,925</u>	<u>\$ 172,871,991</u>	<u>\$ 65,173,749</u>

Interest on variable rate debt which have 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, 2012.

CITY OF FRANKLIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2012

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

F. Long-term Debt (Cont.)

Expenses associated with the bond issues have been recorded as other assets and are being amortized on a straight-line basis over the life of the respective issue.

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

Long-term liability activity for the year ended June 30, 2012, was as follows:

	Beginning Balance	Additions	Reductions/ Amortization	Ending Balance	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 131,817,000	\$ -	\$ 6,361,000	\$ 125,456,000	\$ 6,588,000
Unamortized bond premiums	1,413,841	-	127,262	1,286,579	127,262
Deferred amounts from refunding	<u>(598,473)</u>	-	<u>(80,262)</u>	<u>(518,211)</u>	<u>(80,262)</u>
Total bonds payable	132,632,368	-	6,408,000	126,224,368	6,635,000
Capital lease obligations	1,366,034	687,562	639,780	1,413,816	644,740
Compensated absences	<u>5,638,288</u>	<u>2,665,717</u>	<u>2,483,047</u>	<u>5,820,958</u>	<u>2,483,047</u>
Total long-term liabilities	<u>\$ 139,636,690</u>	<u>\$ 3,353,279</u>	<u>\$ 9,530,827</u>	<u>\$ 133,459,142</u>	<u>\$ 9,762,787</u>
Business-type activities:					
Bonds and notes payable	\$ 50,429,234	\$ 19,430,000	\$ 22,443,243	\$ 47,415,991	\$ 3,665,344
Unamortized bond premiums	1,543,368	-	119,991	1,423,377	113,770
Deferred amounts from refundings	<u>(1,470,042)</u>	<u>(121,298)</u>	<u>(150,813)</u>	<u>(1,440,527)</u>	<u>(125,945)</u>
Total bonds and notes payable	50,502,560	19,308,702	22,412,421	47,398,841	3,653,169
Capital lease obligations	177,540	-	100,227	77,313	77,313
Compensated absences	<u>678,429</u>	<u>321,075</u>	<u>249,507</u>	<u>749,997</u>	<u>249,507</u>
Total long-term liabilities	<u>\$ 51,358,529</u>	<u>\$ 19,629,777</u>	<u>\$ 22,762,155</u>	<u>\$ 48,226,151</u>	<u>\$ 3,979,989</u>

Issuance of Bonds

In September 2011, the City issued \$19,430,000 Sewer and Water Revenue and Tax Refunding Bonds, Series 2011 (Series 2011 Bonds). The Series 2011 bonds were issued to provide the funds necessary to refund the aggregate outstanding principal (\$19,362,000) of the City's Series 2008 Tennessee Municipal Bond Fund Variable Rate debt and pay for the costs of issuance. There was no significant economic gain as a result of the transaction. The deferred loss on refunding totaled \$121,298. The refunding transaction was completed in order to reduce the City's variable rate exposure in the Water and Sewer Fund. The Series 2011 bonds bear interest at 2.48% and mature in various amounts through May 2026.

Advance Refunding of Debt

In prior years, the City defeased certain bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service requirements on the retired bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. As of June 30, 2012, outstanding bonds considered as defeased were as follows:

Sewer and Water Revenue and Tax Bonds - 2002B	\$20,380,000
General Obligation VI-B-1 - 2004	<u>1,275,000</u>
Total	<u>\$21,655,000</u>

During September 2012, the City refunded its Governmental Activities Series 2009 - Tennessee Municipal Bond Fund Variable Rate debt, as described in Note 4-F.

CITY OF FRANKLIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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

F. Long-term Debt (Cont.)

Contingent Liability

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

At the inception of the project, the Industrial Development Board had approximately two years of debt service escrowed. As of January 2008, this escrow was fully spent and the City of Franklin began, as agreed, to make available short-term loans while the proceeds from the Development District were insufficient to cover the debt service. These loans apply only to project years three through seven (2009 through 2015), and cannot exceed \$5 million at any time during that period. As of June 30, 2012, expected development in the area is proceeding as projected in the debt repayment plan. Through June 30, 2012, the City has lent \$2,675,872 to the Industrial Development Board under standby loan agreement. This amount will be repaid through future property taxes on the development.

Industrial Development Bonds

The City, through the Industrial Development Board, has in the past authorized issuance of various Industrial Revenue Bonds to provide financial assistance to private sector entities for the acquisition of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and payable solely from payments received on the underlying mortgage loans. Neither the City, State, nor any political subdivision thereof is obligated in any manner for repayment of bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

Swap Agreements

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

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

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

CITY OF FRANKLIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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

F. Long-term Debt (Cont.)

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

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

2007 Swap Agreement

Effective March 1, 2007, the City entered into an interest rate swap agreement with Depfa Bank in connection with its \$20,000,000 Local Government Public Improvement Bonds, Series 101-A-1 variable rate revenue bonds. Under the swap, the City pays a fixed rate of 3.59% and receives a variable payment of 63% of the 5-year London Interbank Offering Rate (LIBOR) (commonly referred to as a constant maturity swap). The swap has an original notional amount of \$20,000,000 equal to the outstanding principal balance on the bonds issued. The notional value of the swap decreases on the same schedule as the bond principal payments until termination on June 1, 2037. As of June 30, 2012, none of the original notional amount has been retired.

2005 Swap Agreement

In 2005, the City entered into an interest rate swap agreement with SunTrust Bank in connection with its \$4,500,000 variable rate loan from the City of Lawrenceburg Public Building Authority. Under the swap the City makes monthly payments based on a fixed rate of 3.65% and receives monthly payments based on 75% of the one-month LIBOR plus 18 basis points. The swap has a notional amount of \$4,500,000 and expires on July 1, 2020. Of the original notional amount, \$1,500,000 has been retired as of June 30, 2012. 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.

CITY OF FRANKLIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2012

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

F. Long-term Debt (Cont.)

Swap Agreement	2007 Swap Agreement with <u>Depfa Bank</u>	2005 Swap Agreement with <u>SunTrust Bank</u>
Original Notional Amount	\$ 20,000,000	\$ 4,500,000
Less Amount Retired	<u>-</u>	<u>(1,500,000)</u>
Current Notional Amount	<u>\$20,000,000</u>	<u>\$ 3,000,000</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	\$ 112,161
City Receives*	63% of 5 Year LIBOR CMS	LIBOR x 75% + 0.18%
Payments received by the City*	\$ 176,169	\$ 12,622
Net receipts/(disbursements)*	\$ (541,831)	\$ (99,539)
Fair Value of Swap Agreement	\$ (5,604,358)	\$ (349,743)

* Based on the period July 1, 2011 to June 30, 2012.

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

Below is a list of risks inherent in the type of swaps the City entered into:

Tax Risk

The risk that changes or proposed changes in tax laws or events relating to the tax-exempt status of the City's obligations or of tax-exempt obligations generally will cause interest rates on the debt of the City to increase.

Basis Risk

The risk that the interest rate payable by the City on floating rate debt may not exactly coincide with payment made to the City pursuant to an interest rate swap based upon a floating rate index.

Termination Risk

The risk that the City may have to pay a substantial sum of money if either the City or the counterparty chooses to terminate a swap agreement prior to its otherwise stated termination date or if the agreement terminates for some other reason, including the occurrence of an event of default or a termination event in respect of either party to the Agreement.

Credit Risk

The City at June 30, 2012 had no credit risk since the swaps had negative values. If the value were a positive amount, then the City would be exposed to risk with Depfa Bank, with a rating by Moody's/Standard & Poor's/Fitch as of June 30, 2012 of Baa3/BBB/BBB+, or SunTrust, with ratings of A3/BBB+/BBB+.

CITY OF FRANKLIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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

G. 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 /		CDBG Fund	Totals
										Motel Tax Fund	Transit Authority Fund		
Non-Spendable	\$ 1,423,017	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,423,017
Restricted	-	-	-	16,563	-	-	-	-	144,788	-	-	-	161,351
Committed	17,736,715	9,266,485	318,138	-	-	-	1,562,647	5,858,322	-	2,103,083	-	-	36,845,390
Assigned	-	-	-	-	-	-	-	-	-	-	-	-	-
Unassigned	6,851,599	-	-	-	-	(1,240,129)	-	-	-	-	-	(6,582)	5,604,888
Total fund balances	\$ 26,011,331	\$ 9,266,485	\$ 318,138	\$ 16,563	\$ -	\$ (1,240,129)	\$ 1,562,647	\$ 5,858,322	\$ 144,788	\$ 2,103,083	\$ -	\$ (6,582)	\$ 44,034,646
Reason for Restriction/Commitment:													
Inventory and prepaid items	\$ 1,423,017	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,423,017
Stability funds	17,736,715	-	-	-	-	-	-	-	-	-	-	-	17,736,715
Board action limits use of funds	-	9,266,485	318,138	-	-	-	1,562,647	5,858,322	-	2,103,083	-	-	19,108,675
Restricted by State government	-	-	-	-	-	-	-	-	-	-	-	-	-
Restricted by Federal government	-	-	-	16,563	-	-	-	-	-	-	-	-	-
Unassigned	6,851,599	-	-	-	-	-	-	-	-	-	-	-	6,851,599
Unassigned - negative fund balance	-	-	-	-	-	(1,240,129)	-	-	-	-	-	(6,582)	(1,246,711)
Total fund balances	\$ 26,011,331	\$ 9,266,485	\$ 318,138	\$ 16,563	\$ -	\$ (1,240,129)	\$ 1,562,647	\$ 5,858,322	\$ 144,788	\$ 2,103,083	\$ -	\$ (6,582)	\$ 44,034,646

Fund Balance Policy – General Fund

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

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

Contingency Commitment	\$ 2,687,381
Emergency Commitment	2,687,381
Cash Flow Commitment	7,524,667
Debt Service Commitment	1,612,429
Property/Casualty/Health Insurance Commitment	2,149,905
Health Benefits Commitment	1,074,952
	<u>\$ 17,736,715</u>

CITY OF FRANKLIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2012

NOTE 4 - OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of losses related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City decided it was more economically feasible to join a public entity risk pool as opposed to purchasing commercial insurance for certain general liability, auto liability, errors and omissions, worker's compensation, and physical damage coverage. The City joined the Tennessee Municipal League Risk Pool (TML), which is a public entity risk pool established in 1979 by the Tennessee Municipal League. The City pays an annual premium to the TML for its general liability and casualty insurance coverage. The City continues to carry commercial insurance for all other risks of loss, including employees' health and accident and environmental. In the past three fiscal years, the City has had certain settlements which exceeded insurance coverage, primarily personnel-related judgments.

B. Self-Insured Employee Health Insurance

The City provides medical and dental insurance to its employees and retains the risk of loss to a limit of \$105,000 per year, per employee. The City has obtained stop/loss commercial insurance policy to cover claims beyond this liability.

All full-time employees of the City are eligible to participate. Claim payments are made by the respective fund of the employee/ claimant. Liabilities are reported when it is probable that a claim/loss has occurred and the amount of the claim/loss can be reasonably estimated.

Claim liabilities are based on estimates of the ultimate cost of claims that have been reported but not settled, and of claims that have been incurred but not reported. The process used to compute claims liabilities does not necessarily result in an exact amount. Changes in the balance of claims liabilities during the past two fiscal years were as follows:

Year Ending	Liability, July 1	Claims and Changes in Estimates	Claims Paid	Liability, June 30
6/30/2012	\$ 1,093,489	\$ 7,024,066	\$ (6,890,226)	\$ 1,227,329
6/30/2011	1,101,323	6,468,654	(6,476,488)	1,093,489

C. Commitments and Contingencies

Grants

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Federal and State governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantors cannot be determined at this time although the City's management expects such amounts, if any, to be immaterial.

Litigation

The City is a defendant in various lawsuits; however, the outcome of these lawsuits is not presently determinable. City Management, in consultation with legal counsel, does not expect any possible liability to materially exceed the City's limits of insurance.

CITY OF FRANKLIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2012

NOTE 4 - OTHER INFORMATION (Cont.)

C. Commitments and Contingencies (Cont.)

Water Purchase Contract

The Water and Sewer Fund is committed under a long-term contract for the purchase of water. Minimum payments under the contract in future years are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2013	\$ 46,325
2014	46,325
2015	46,325
2016	46,325
2017	46,325
2018-2028	<u>347,433</u>
Total	<u>\$ 579,058</u>

Construction Contracts

As of June 30, 2012, construction funds of \$6,684,374 are restricted assets of the Water and Sewer Fund. These funds are restricted for future capital projects.

During 2012, various street, public works and park improvement projects were in process. At June 30, 2012, there was approximately \$3,187,835 in uncompleted construction projects. These projects are being currently funded by the General, State Street Aid, Storm Water, Hotel/Motel Tax, and the Multi-Purpose Capital Project funds.

Fuel-Hedging Program

The City participates in a fuel hedging program with the Metropolitan Government of Nashville and Davidson County. The City's objective is to hedge the changes in cash flows due to market price fluctuations related to a portion of expected purchases of fuel. Through its participation in the program, the City is committed to its portion of the fuel hedge contracts through June 30, 2013. Renewals of the contracts are expected in the normal course of operations. At June 30, 2012, the contracts are in a liability position; however, the City's portion of the contracts, approximately 6%, is immaterial to the financial statements.

D. Employee Retirement Systems and Pension Plans

The City of Franklin administers the City of Franklin Employees' Pension Plan and Trust (the "Plan"), a single employer defined benefit pension plan. The assets of the Plan are held for investment and may be used only for the payment of benefits to members of the plan. The Plan's fiscal year ends on December 31. It was deemed impractical to report the financial activity of the Plan as of and for the year ended June 30, 2012. Accordingly, all financial statement information regarding the Plan is as of December 31, 2011 and the year then ended.

Plan Description

Membership of the Plan consisted of the following at January 1, 2012, the date of the latest actuarial valuation:

Retirees participants and beneficiaries	121
Disabled participants	4
Vested terminated participants	114
Active plan members	<u>591</u>
Total	<u>830</u>

CITY OF FRANKLIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 4 - OTHER INFORMATION (Cont.)

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

The Plan is a single-employer defined benefit pension plan that covers the full time employees (who work 30 hours or more per week and are employed for 1 year) of the City including all departments, except for certain department heads who may opt out of the Plan. The Plan provides retirement, termination and death benefits to plan members and beneficiaries. Cost-of-living adjustments (COLA) to plan members and beneficiaries in receipt of monthly benefits are provided at the discretion of the Board of Mayor and Aldermen. Section 4-204(3)(p) of the City's Charter assigns the Human Resources Director the responsibility to administer the pension program under the direction of the City Administrator. All of the benefits and provisions of the Plan are at the discretion of the Board of Mayor and Aldermen consistent with the laws of Tennessee and the Federal government. The Plan uses the aggregate actuarial cost method to determine the required annual contributions. Because this method does not identify or separately amortize unfunded actuarial accrued liabilities, the information about unfunded status and funding progress is presented using the entry age actuarial cost method. The information presented is intended to serve as a surrogate for the funded status and funding progress of the plan.

Summary of Significant Accounting Policies

Benefits and refunds of the defined benefit plan are recognized when due and payable in accordance with the terms of the Plan. The financial statements of the Plan are presented solely in the Comprehensive Annual Financial Report of the City; there are no separate financial statements of the Plan issued. Administrative costs are paid from the pension fund as shown on page 32.

Funding Policy

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

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

The City has no regulatory amount to contribute but has established an informal policy to annually contribute an actuarial determined amount in four (4) quarterly installments on approximately the first day of each quarter during the fiscal year based on the previous January 1 actuarial valuation. The Plan has no long-term contracts for contributions to the Plan and no legally required reserves.

CITY OF FRANKLIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2012

NOTE 4 - OTHER INFORMATION (Cont.)

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

Annual Pension Cost and Net Pension Asset

The City's annual pension cost and net pension obligation (asset) relating to the Plan for the year ended June 30, 2012 were as follows:

Annual required contribution	\$ 4,276,055
Interest on the net pension asset	(156,520)
Adjustment to the annual required contribution	<u>219,929</u>
Annual pension cost	4,339,464
Contributions made	<u>4,372,820</u>
Increase in net pension asset	(33,356)
Net pension asset, beginning of year	<u>(2,086,938)</u>
Net pension asset, end of year	<u><u>\$(2,120,294)</u></u>

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

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost</u>	<u>Percentage of Annual Pension Cost Contributed</u>	<u>Net Pension Asset</u>
June 30, 2012	\$4,339,464	100.8%	\$(2,120,294)
June 30, 2011	5,136,484	102.8%	(2,086,938)
June 30, 2010	5,589,068	108.9%	(1,941,338)

Funded Status and Funding Progress

As of January 1, 2011, the most recent actuarial valuation date, the funded status of the plan was as follows:

Actuarial accrued liability (a)	\$57,900,531
Actuarial value of plan assets (b)	<u>54,086,646</u>
Unfunded actuarial accrued liability (a) - (b)	<u>\$ 3,813,885</u>
Funded ratio (b) / (a)	93.41%
Covered payroll (c)	\$27,958,552
Unfunded actuarial accrued liability as a percentage of covered payroll [(a) - (b)] / (c)	13.64%

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

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

CITY OF FRANKLIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2012

NOTE 4 - OTHER INFORMATION(Cont.)

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

Actuarial Methods and Assumptions

The annual required contribution for the plan was determined as part of the January 1, 2011, actuarial valuation using the following methods and assumptions:

Actuarial cost method:	entry age normal
Amortization method:	level dollar, closed
Remaining amortization period:	20 years
Discount rate:	7.5%
Investment return:	7.5%
Projected salary increases:	3.5%
Cost of living adjustments:	2.0%

E. Post Employment Benefits

Plan Description

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

Funding Policy

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

Annual OPEB Cost and Net OPEB Asset

As of the June 30, 2012 actuarial valuation, the City's annual OPEB cost and net OPEB asset for the year ended June 30, 2012 were as follows:

Annual required contribution	\$ 301,800
Interest on the net OPEB asset	(19,200)
Adjustment to the annual required contribution	<u>34,800</u>
Annual OPEB cost	317,400
Contributions made	<u>272,800</u>
Decrease in net pension asset	44,600
Net OPEB asset, beginning of year	<u>(640,500)</u>
Net OPEB asset, end of year	<u><u>\$(595,900)</u></u>

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

CITY OF FRANKLIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2012

NOTE 4 - OTHER INFORMATION (Cont.)

E. Post Employment Benefits (Cont.)

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Asset</u>
June 30, 2012	\$317,400	85.9%	\$(595,900)
June 30, 2011	291,500	89.0%	(640,500)
June 30, 2010	277,600	152.3%	(672,700)

Funding Status and Funding Progress

The funded status of the OPEB Plan as of the valuation date June 30, 2012, was as follows:

Actuarial accrued liability (a)	\$3,702,500
Actuarial value of plan assets (b)	<u>1,075,000</u>
Unfunded actuarial accrued liability (a) - (b)	<u>\$2,627,500</u>
Funded ratio (b)/(a)	29.0%
Covered payroll (c)	\$27,958,552
Unfunded actuarial accrued liability as a percentage of covered payroll [(a)-(b)]/(c)	9.4%

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

Actuarial Methods and Assumptions

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

The annual required contribution for the plan was determined as part of the June 30, 2012 actuarial valuation using the following methods and assumptions:

Actuarial cost method:	entry age normal
Amortization method:	level dollar, closed
Remaining amortization period:	26 years (began as 30 years on June 30, 2008)
Discount rate:	3.0%
Investment return:	3.0%
Projected healthcare cost increases:	9.5% (for year beginning 7/1/2010), reduced by .25% annually until 3% reached

F. Subsequent Event

In September 2012, the City issued \$22,500,000 General Obligation Refunding Bonds, Series 2012 (Series 2012 Bonds). The Series 2012 bonds were issued to provide the funds necessary to refund the aggregate outstanding principal of the City's Series 2009 Tennessee Municipal Bond Fund Variable Rate debt and pay for the costs of issuance. The refunding transaction was completed in order to reduce the City's variable rate exposure. The Series 2012 bonds bear interest at 2.13% and mature in various amounts through May 2027.

REQUIRED SUPPLEMENTARY INFORMATION

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

June 30, 2012

(Unaudited)

City of Franklin Employees' Pension Plan

Year Ended	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/2012	1/1/2011	\$ 54,086,646	\$ 57,900,531	\$ 3,813,885	93.4%	\$ 27,958,552	13.6%
6/30/2011	1/1/2010	43,406,019	51,465,753	8,059,734	84.3%	29,389,625	27.4%
6/30/2010	1/1/2009	32,235,206	45,852,365	13,617,159	70.3%	26,815,255	50.8%
6/30/2009	1/1/2008	38,122,589	43,299,578	5,176,989	88.0%	23,660,124	21.9%
6/30/2008	1/1/2007	32,581,714	39,456,058	6,874,344	82.6%	22,014,626	31.2%
6/30/2007	1/1/2006	26,171,954	35,045,973	8,874,019	74.7%	20,858,286	42.5%

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

City of Franklin Retiree Health Insurance

Year Ended	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/2012	6/30/2012	\$ 1,075,000	\$ 3,702,500	\$ 2,627,500	29.0%	\$ 27,958,552	9.4%
6/30/2011	6/30/2011	1,027,000	3,679,200	2,652,200	27.9%	29,389,625	9.0%
6/30/2010	6/30/2010	980,600	3,324,000	2,343,400	29.5%	26,815,255	8.7%
6/30/2009	7/1/2008	731,700	2,820,700	2,089,000	25.9%	23,660,124	8.8%
6/30/2008	7/1/2007	-	2,566,400	2,566,400	0.0%	22,014,626	11.7%

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

CITY OF FRANKLIN, TENNESSEE
SCHEDULES OF EMPLOYER CONTRIBUTIONS - EMPLOYEE RETIREMENT SYSTEM
 June 30, 2012
 (Unaudited)

City of Franklin Employees' Pension Plan

Year	Annual Required Contribution (ARC)	Amount Contributed	Percentage Contributed
6/30/2012	\$4,276,055	\$4,372,820	102.3%
6/30/2011	5,077,499	5,282,084	104.0%
6/30/2010	5,545,133	6,084,380	109.7%
6/30/2009	4,496,826	5,923,380	131.7%
6/30/2008	4,434,811	4,436,828	100.0%
6/30/2007	4,534,368	4,536,240	100.0%

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

City of Franklin Retiree Health Insurance

Year	Annual Required Contribution (ARC)	Amount Contributed	Percentage Contributed
6/30/2012	\$301,800	\$272,800	90.3%
6/30/2011	302,600	259,300	85.7%
6/30/2010	271,200	422,700	155.9%
6/30/2009	267,700	204,800	76.5%
6/30/2008	-	898,100	N/A

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

**CITY OF FRANKLIN, TENNESSEE
NON MAJOR GOVERNMENTAL FUNDS**

SPECIAL REVENUE FUNDS:

State Street Aid Fund - To account for the receipt and usage of the City's share of State gasoline taxes. State law requires these gasoline taxes to be used to maintain streets.

Sanitation Fund - To account for the City's solid waste collection, fleet maintenance, and disposal operations.

Facilities Tax Fund - To account for the proceeds of a tax on the privilege of engaging in the business of development and the expenditures of such monies as required by City Ordinance 88-12.

Road Impact Fee Fund - To account for the proceeds of road impact fees on new development and the expenditures of such monies as required by City Ordinance 88-13.

Drug Fund - To account for drug fines received and usage of those monies to further drug investigations.

Hotel / Motel Tax Fund - To account for the receipt of Hotel / Motel tax which has been designated for use in retiring debt related to the Conference Center which is jointly owned by the City and County, and property acquired for park purposes.

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

Transit Authority Fund - To account for the financial activities of the City's mass transit operations.

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

CITY OF FRANKLIN, TENNESSEE
 COMBINING BALANCE SHEET
 OTHER GOVERNMENTAL FUNDS
 JUNE 30, 2012

	Special Revenue Funds									
	State Street Aid Fund	Sanitation Fund	Road Impact Fee Fund	Facilities Tax Fund	Storm Water Fund	Drug Fund	Hotel / Motel Tax Fund	Transit Authority Fund	CDBG Fund	Other Governmental Funds Totals
ASSETS										
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 1,562,647	\$ 5,529,638	\$ 531,465	\$ 1,310,616	\$ 2,038,361	\$ -	\$ 10,972,727
Investments	-	-	-	-	200,000	-	500,000	-	-	700,000
Receivables:										
Accounts (net of allowance for uncollectible accounts)	-	921,171	-	-	224,799	5,633	235,975	-	853	1,388,431
Intergovernmental	308,959	-	-	-	-	-	47,054	110,274	-	466,287
Grants	-	39,309	-	-	3,691	-	-	31,936	54,265	129,201
Other	-	-	-	-	11,302	-	18,071	-	-	29,373
Due from other funds	-	-	-	-	-	-	-	-	-	-
Total assets	\$ 308,959	\$ 960,480	\$ -	\$ 1,562,647	\$ 5,969,430	\$ 537,098	\$ 2,111,716	\$ 2,180,571	\$ 55,118	\$ 13,686,019
LIABILITIES AND FUND BALANCES										
Liabilities:										
Accounts payable	\$ 257,086	\$ 409,567	\$ -	\$ -	\$ 107,417	\$ 3,916	\$ 1,477	\$ -	\$ 14,305	\$ 793,768
Due to other funds	35,310	511,604	1,240,129	-	-	388,394	-	2,180,571	470	4,356,478
Deferred revenue	-	39,309	-	-	3,691	-	7,156	-	46,925	97,081
Total liabilities	292,396	960,480	1,240,129	-	111,108	392,310	8,633	2,180,571	61,700	5,247,327
Fund balances:										
Non-spendable	-	-	-	-	-	-	-	-	-	-
Restricted	16,563	-	-	-	-	144,788	-	-	-	161,351
Committed	-	-	-	1,562,647	5,858,322	-	2,103,083	-	-	9,524,052
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	(1,240,129)	-	-	-	-	-	(6,582)	(1,246,711)
Total fund balances	16,563	-	(1,240,129)	1,562,647	5,858,322	144,788	2,103,083	-	(6,582)	8,438,692
Total liabilities and fund balances	\$ 308,959	\$ 960,480	\$ -	\$ 1,562,647	\$ 5,969,430	\$ 537,098	\$ 2,111,716	\$ 2,180,571	\$ 55,118	\$ 13,686,019

CITY OF FRANKLIN, TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES
OTHER GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Special Revenue Funds											Other Governmental Funds Totals
	State	Sanitation	Road	Facilities	Storm Water	Drug	Hotel / Motel	Transit	CDBG			
	Fund	Fund	Impact Fee Fund	Tax Fund	Fund	Fund	Tax Fund	Authority Fund	Fund	Fund	Fund	
Revenues:												
Taxes												
Hotel / Motel tax	-	-	-	-	-	-	-	-	-	-	-	\$ 2,185,953
Facilities tax	-	-	-	1,845,690	-	-	-	-	-	-	-	1,845,690
Licenses and permits	-	-	1,391,645	-	-	-	-	-	-	-	-	1,391,645
Fines and fees	-	-	-	-	-	173,392	-	-	-	-	-	173,392
Charges for services	-	6,888,015	-	-	2,151,430	-	-	78,861	-	-	-	9,118,306
Intergovernmental	1,748,202	-	-	8,122	120,200	-	122,575	885,883	-	141,492	-	3,018,552
Use of money and property	116	478,864	-	-	41,772	5,010	384,943	27,541	-	4,078	-	950,446
Total revenues	<u>1,748,318</u>	<u>7,366,879</u>	<u>1,391,645</u>	<u>1,853,812</u>	<u>2,313,402</u>	<u>178,402</u>	<u>2,693,471</u>	<u>992,285</u>	<u>145,570</u>	<u>-</u>	<u>-</u>	<u>18,683,784</u>
Expenditures:												
Current:												
General government	-	-	-	-	-	-	508,062	-	171,418	-	-	679,480
Police	-	-	-	-	-	303,305	-	-	-	-	-	303,305
Highways and streets	1,720,948	-	13,337	-	-	-	-	-	-	-	-	1,734,285
Storm water	-	-	-	-	1,401,563	-	-	-	-	-	-	1,401,563
Sanitation	-	7,265,672	-	-	-	-	-	-	-	-	-	7,265,672
Transit	-	-	-	-	-	-	-	1,185,600	-	-	-	1,185,600
Capital outlay	10,807	872,864	-	-	1,149,470	-	213,923	108,373	-	-	-	2,355,437
Total expenditures	<u>1,731,755</u>	<u>8,138,536</u>	<u>13,337</u>	<u>-</u>	<u>2,551,033</u>	<u>303,305</u>	<u>721,985</u>	<u>1,293,973</u>	<u>171,418</u>	<u>-</u>	<u>-</u>	<u>14,925,342</u>
Excess (deficiency) of revenues over (under) expenditures	16,563	(771,657)	1,378,308	1,853,812	(237,631)	(124,903)	1,971,486	(301,688)	(25,848)	-	-	3,758,442
Other financing sources (uses)												
Transfers in	-	1,314,772	-	-	-	-	-	301,688	-	-	-	1,616,460
Transfers out	-	(543,115)	(1,821,447)	-	-	-	(1,813,399)	-	-	-	-	(4,177,961)
	-	<u>771,657</u>	<u>(1,821,447)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,813,399)</u>	<u>301,688</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,561,501)</u>
Net changes in fund balances	16,563	-	(443,139)	1,853,812	(237,631)	(124,903)	158,087	-	(25,848)	-	-	1,196,941
Fund balances - beginning	-	-	(796,990)	(291,165)	6,095,953	269,691	1,944,996	-	19,266	-	-	7,241,751
Fund balances - ending	<u>\$ 16,563</u>	<u>\$ -</u>	<u>\$ (1,240,129)</u>	<u>\$ 1,562,647</u>	<u>\$ 5,858,322</u>	<u>\$ 144,788</u>	<u>\$ 2,103,083</u>	<u>\$ -</u>	<u>\$ (6,582)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,438,692</u>

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, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes:				
Property tax apportionment	\$ 5,168,183	\$ 5,168,183	\$ 4,830,155	\$ (338,028)
Intergovernmental:				
Rebates on BAB / RZEDB Bonds	-	-	904,052	904,052
Use of money and property:				
Interest earned	5,000	5,000	14,103	9,103
Bond proceeds	-	-	-	-
Premiums on bonds	-	-	-	-
Total revenues	<u>5,173,183</u>	<u>5,173,183</u>	<u>5,748,310</u>	<u>575,127</u>
Expenditures:				
Principal	6,361,000	6,361,000	6,361,000	-
Interest	4,615,091	4,615,091	4,261,808	(353,283)
Current:				
Debt service fees	156,000	156,000	84,893	(71,107)
Bond issuance costs	-	-	-	-
Total expenditures	<u>11,132,091</u>	<u>11,132,091</u>	<u>10,707,701</u>	<u>(424,390)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(5,958,908)</u>	<u>(5,958,908)</u>	<u>(4,959,391)</u>	<u>999,517</u>
Other financing sources (uses)				
Refunding of bonds	-	-	-	-
Operating transfers from other funds				
From Sanitation	555,000	555,000	543,115	(11,885)
From Road Impact	3,210,178	3,210,178	1,821,447	(1,388,731)
From Hotel/Motel	2,198,730	2,198,730	1,813,399	(385,331)
	<u>5,963,908</u>	<u>5,963,908</u>	<u>4,177,961</u>	<u>(1,785,947)</u>
Net changes in fund balances	<u>\$ 5,000</u>	<u>\$ 5,000</u>	(781,430)	<u>\$ (786,430)</u>
Fund balance - beginning			<u>1,099,568</u>	
Fund balance - ending			<u>\$ 318,138</u>	

See independent auditors' report.

CITY OF FRANKLIN, TENNESSEE
STATE STREET AID FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental:				
Gasoline tax, State of Tennessee	\$ 1,750,000	\$ 1,750,000	\$ 1,748,202	\$ (1,798)
Use of money and property:				
Interest earned	-	-	116	116
Total revenues	<u>1,750,000</u>	<u>1,750,000</u>	<u>1,748,318</u>	<u>(1,682)</u>
Expenditures:				
Current:				
Highways and streets:				
Street maintenance and improvement	1,750,000	1,750,000	1,720,948	(29,052)
Capital outlay	-	-	10,807	10,807
Total expenditures	<u>1,750,000</u>	<u>1,750,000</u>	<u>1,731,755</u>	<u>(18,245)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>16,563</u>	<u>16,563</u>
Other financing sources (uses)				
Operating transfers from other funds	-	-	-	-
Net changes in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>16,563</u>	<u>\$ 16,563</u>
Fund balance - beginning			<u>-</u>	
Fund balance - ending			<u>\$ 16,563</u>	

See independent auditors' report.

CITY OF FRANKLIN, TENNESSEE
SANITATION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental:				
Grants	\$ 260,000	\$ 260,000	\$ -	\$ (260,000)
Charges for services:				
Garbage fees	7,212,541	6,937,541	6,778,688	(158,853)
Other revenues	83,400	83,400	40,705	(42,695)
Sale of waste containers	75,000	75,000	68,622	(6,378)
Uses of money and property:				
Sale of assets	-	-	478,864	478,864
Total revenues	<u>7,630,941</u>	<u>7,355,941</u>	<u>7,366,879</u>	<u>10,938</u>
Expenditures:				
Current:				
Personnel	2,984,673	2,984,673	3,050,787	66,114
Operations	3,850,524	4,009,370	4,214,885	205,515
Capital outlay	913,000	1,147,300	872,864	(274,436)
Total expenditures	<u>7,748,197</u>	<u>8,141,343</u>	<u>8,138,536</u>	<u>(2,807)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(117,256)</u>	<u>(785,402)</u>	<u>(771,657)</u>	<u>13,745</u>
Other financing sources (uses)				
Operating transfers from other funds	672,256	1,340,402	1,314,772	25,630
Operating transfers to other funds	<u>(555,000)</u>	<u>(555,000)</u>	<u>(543,115)</u>	<u>(11,885)</u>
Total other financing sources (uses)	<u>117,256</u>	<u>785,402</u>	<u>771,657</u>	<u>13,745</u>
Net changes in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance - beginning			-	
Fund balance - ending			<u>\$ -</u>	

See independent auditors' report.

CITY OF FRANKLIN, TENNESSEE
ROAD IMPACT FEE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<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	\$ 4,394,537	\$ 4,394,537	\$ 1,391,645	\$ (3,002,892)
Use of money and property:				
Interest earned	9,809	9,809	-	(9,809)
Total revenues	<u>4,404,346</u>	<u>4,404,346</u>	<u>1,391,645</u>	<u>(3,012,701)</u>
Expenditures:				
Other costs	-	-	13,337	13,337
Total expenditures	<u>-</u>	<u>-</u>	<u>13,337</u>	<u>13,337</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,404,346</u>	<u>4,404,346</u>	<u>1,378,308</u>	<u>(3,026,038)</u>
Other financing sources (uses):				
Transfer to other funds	<u>(3,210,178)</u>	<u>(3,210,178)</u>	<u>(1,821,447)</u>	<u>(1,388,731)</u>
Net changes in fund balances	<u>\$ 1,194,168</u>	<u>\$ 1,194,168</u>	(443,139)	<u>\$ (1,637,307)</u>
Fund balance - beginning			<u>(796,990)</u>	
Fund balance - ending			<u>\$ (1,240,129)</u>	

See independent auditors' report.

CITY OF FRANKLIN, TENNESSEE
FACILITIES TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Licenses and permits:				
Facilities tax	\$ 1,856,270	\$ 1,856,270	\$ 1,845,690	\$ (10,580)
Use of money and property				
Interest earned	-	-	8,122	8,122
Total revenues	<u>1,856,270</u>	<u>1,856,270</u>	<u>1,853,812</u>	<u>(2,458)</u>
Expenditures:				
Total expenditures	<u>-</u>	<u>70,000</u>	<u>-</u>	<u>(70,000)</u>
Net changes in fund balances	<u>\$ 1,856,270</u>	<u>\$ 1,786,270</u>	1,853,812	<u>\$ 67,542</u>
Fund balance - beginning			<u>(291,165)</u>	
Fund balance - ending			<u>\$ 1,562,647</u>	

See independent auditors' report.

CITY OF FRANKLIN, TENNESSEE
STORM WATER FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental:				
Grants	\$ -	\$ -	\$ 120,200	\$ 120,200
Charges for services:				
Customer services	2,122,000	2,122,000	2,151,430	29,430
Uses of money and property:				
Interest earnings	<u>50,000</u>	<u>50,000</u>	<u>41,772</u>	<u>(8,228)</u>
Total revenues	<u>2,172,000</u>	<u>2,172,000</u>	<u>2,313,402</u>	<u>141,402</u>
Expenditures:				
Current:				
Storm water costs:				
Personnel	938,001	938,001	888,171	(49,830)
Operations	545,005	545,005	513,392	(31,613)
Capital outlay	<u>3,042,200</u>	<u>3,042,200</u>	<u>1,149,470</u>	<u>(1,892,730)</u>
Total expenditures	<u>4,525,206</u>	<u>4,525,206</u>	<u>2,551,033</u>	<u>(1,974,173)</u>
Net changes in fund balances	<u>\$ (2,353,206)</u>	<u>\$ (2,353,206)</u>	(237,631)	<u>\$ 2,115,575</u>
Fund balance - beginning			<u>6,095,953</u>	
Fund balance - ending			<u>\$ 5,858,322</u>	

See independent auditors' report.

CITY OF FRANKLIN, TENNESSEE
DRUG FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Use of money and property:				
Interest earned	\$ 500	\$ 500	\$ 5,010	\$ 4,510
Fines and fees:				
Seized assets/unclaimed evidence	102,000	102,000	173,392	71,392
Total revenues	<u>102,500</u>	<u>102,500</u>	<u>178,402</u>	<u>75,902</u>
Expenditures:				
Current:				
Public safety:				
Drug-related	186,900	186,900	303,305	116,405
Capital outlay	149,961	149,961	-	(149,961)
Total expenditures	<u>336,861</u>	<u>336,861</u>	<u>303,305</u>	<u>(33,556)</u>
Net changes in fund balances	<u>\$ (234,361)</u>	<u>\$ (234,361)</u>	(124,903)	<u>\$ 109,458</u>
Fund balance - beginning			<u>269,691</u>	
Fund balance - ending			<u>\$ 144,788</u>	

See independent auditors' report.

CITY OF FRANKLIN, TENNESSEE
HOTEL / MOTEL TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental:				
Grants	\$ 25,000	\$ 25,000	\$ 122,575	\$ 97,575
Taxes:				
Hotel / Motel tax	2,020,000	2,020,000	2,185,953	165,953
Use of money and property:				
Distributions from conference center	-	-	367,112	367,112
Interest earned	<u>15,000</u>	<u>15,000</u>	<u>17,831</u>	<u>2,831</u>
Total revenues	<u>2,060,000</u>	<u>2,060,000</u>	<u>2,693,471</u>	<u>633,471</u>
Expenditures:				
Current:				
Miscellaneous	407,839	407,839	508,062	100,223
Capital outlay	<u>109,000</u>	<u>109,000</u>	<u>213,923</u>	<u>104,923</u>
Total expenditures	<u>516,839</u>	<u>516,839</u>	<u>721,985</u>	<u>205,146</u>
Excess (deficiency) of revenues over (under) expenditures				
	<u>1,543,161</u>	<u>1,543,161</u>	<u>1,971,486</u>	<u>428,325</u>
Other financing sources (uses):				
Transfer to other funds	<u>(2,198,730)</u>	<u>(2,198,730)</u>	<u>(1,813,399)</u>	<u>(385,331)</u>
Net changes in fund balances				
	<u>\$ (655,569)</u>	<u>\$ (655,569)</u>	158,087	<u>\$ 813,656</u>
Fund balance - beginning			<u>1,944,996</u>	
Fund balance - ending			<u>\$ 2,103,083</u>	

See independent auditors' 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, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental:				
Grants	\$ 860,900	\$ 860,900	\$ 885,883	\$ 24,983
Charges for services:				
Transit fares	64,000	64,000	78,861	14,861
Uses of money and property:				
Rental income	9,600	9,600	9,800	200
Interest earnings	13,400	13,400	17,741	4,341
Total revenues	<u>947,900</u>	<u>947,900</u>	<u>992,285</u>	<u>44,385</u>
Expenditures:				
Current:				
Operations	1,245,000	1,245,000	1,185,600	(59,400)
Capital outlay	220,000	220,000	108,373	(111,627)
Total expenditures	<u>1,465,000</u>	<u>1,465,000</u>	<u>1,293,973</u>	<u>(171,027)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(517,100)</u>	<u>(517,100)</u>	<u>(301,688)</u>	<u>215,412</u>
Other financing sources (uses):				
Transfer from other funds	<u>517,100</u>	<u>517,100</u>	<u>301,688</u>	<u>(215,412)</u>
Net changes in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance - beginning			<u>-</u>	
Fund balance - ending			<u>\$ -</u>	

See independent auditors' report.

CITY OF FRANKLIN, TENNESSEE
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, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental:				
Grants	\$ 299,406	\$ 299,406	\$ 141,492	\$ (157,914)
Contributions	-	-	3,369	3,369
Uses of money and property:				
Interest	-	-	709	709
Total revenues	<u>299,406</u>	<u>299,406</u>	<u>145,570</u>	<u>(153,836)</u>
Expenditures:				
Current:				
Operations	<u>299,406</u>	<u>299,406</u>	<u>171,418</u>	<u>(127,988)</u>
Total expenditures	<u>299,406</u>	<u>299,406</u>	<u>171,418</u>	<u>(127,988)</u>
 Net changes in fund balances	 <u>\$ -</u>	 <u>\$ -</u>	 (25,848)	 <u>\$ (25,848)</u>
 Fund balance - beginning			 <u>19,266</u>	
Fund balance - ending			<u>\$ (6,582)</u>	

See independent auditors' report.

CITY OF FRANKLIN, TENNESSEE
CAPITAL ASSETS USED IN THE OPERATIONS OF THE GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Function and Activity	Balance June 30, 2011	Additions	Disposals	Transfers	Balance June 30, 2012
General government:					
General	\$ 13,060,319	\$ 2,516,547	\$ (7,901)	\$ (3,625,483)	\$ 11,943,482
Telephone system	105,184	-	-	-	105,184
Traffic	603,219	-	(89,057)	-	514,162
Parking garage	9,377,160	-	-	-	9,377,160
Fleet management	65,275	-	(65,275)	-	-
Traffic operation center	2,805,739	609,051	(39,660)	768,850	4,143,980
Transit operations	2,583,873	108,373	(52,678)	-	2,639,568
Administration	59,586	-	(59,586)	-	-
Capital investment planning	37,241	-	-	(37,241)	-
Building & neighborhood services	264,617	-	(264,617)	-	-
Engineering	844,597	-	(75,746)	(731,609)	37,242
Finance	331,963	-	(44,778)	-	287,185
Fire department	18,927,990	116,107	(1,105,166)	-	17,938,931
Management information & technology	15,714,136	396,371	(144,527)	-	15,965,980
Parks	42,283,443	83,171	(385,059)	-	41,981,555
Human resources	49,951	-	(49,951)	-	-
Police department	43,051,192	618,404	(3,769,657)	-	39,899,939
Sanitation	17,320,141	872,864	(1,498,931)	-	16,694,074
Project & facilities management	96,190	-	(41,369)	3,625,483	3,680,304
Channel 10	31,508	-	(31,508)	-	-
Storm water	1,634,612	55,300	(111,636)	-	1,578,276
Streets	16,637,662	1,195,400	(864,570)	-	16,968,492
Infrastructure - highways, streets and bridges	466,990,440	33,947,770	(10,217,919)	-	490,720,291
Planning	55,134	360,942	(25,840)	-	390,236
Total	\$ 652,931,172	\$ 40,880,300	\$ (18,945,431)	\$ -	\$ 674,866,041

See independent auditors' report.

CITY OF FRANKLIN, TENNESSEE
CAPITAL ASSETS USED IN THE OPERATIONS OF THE GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Function and Activity	Land	Buildings and Structures	Improvements Other than Buildings	Equipment	Infrastructure	Construction in Process	Total
General government							
General	\$ 9,257,323	\$ 2,298,757	\$ -	\$ 322,902	\$ -	\$ 64,500	\$ 11,943,482
Telephone system	-	-	-	105,184	-	-	105,184
Traffic	-	-	-	514,162	-	-	514,162
Parking garage	223,879	9,153,281	-	-	-	-	9,377,160
Fleet management	-	-	-	-	-	-	-
Traffic operation center	-	-	-	2,751,111	-	1,392,869	4,143,980
Transit operations	35,626	949,731	-	1,654,211	-	-	2,639,568
Administration	-	-	-	-	-	-	-
Capital investment planning	-	-	-	-	-	-	-
Building & neighborhood services	-	-	-	-	-	-	-
Engineering	-	-	-	37,242	-	-	37,242
Finance	-	-	-	287,185	-	-	287,185
Fire department	870,124	9,943,398	-	7,125,409	-	-	17,938,931
Management information & technology	-	-	-	15,965,980	-	-	15,965,980
Parks	17,627,756	477,160	21,538,482	698,589	-	1,639,568	41,981,555
Human resources	-	-	-	-	-	-	-
Police department	5,888,623	29,015,417	-	4,995,899	-	-	39,899,939
Sanitation	795,014	9,738,329	-	6,160,731	-	-	16,694,074
Project & facilities management	247,308	3,406,065	-	26,931	-	-	3,680,304
Communications	-	-	-	-	-	-	-
Storm water	650,885	-	-	927,391	-	-	1,578,276
Streets	14,083,991	305,022	-	2,408,056	-	171,423	16,968,492
Infrastructure - highways, streets and bridges	-	-	-	-	467,538,029	23,182,262	490,720,291
Planning	360,942	-	-	29,294	-	-	390,236
Total	\$ 50,041,471	\$ 65,287,160	\$ 21,538,482	\$ 44,010,277	\$ 467,538,029	\$ 26,450,622	\$ 674,866,041

See independent auditors' report.

CITY OF FRANKLIN, TENNESSEE
SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Year of Levy	Balance June 30, 2011	Taxes Levied	Adjustments and Collections	Balance June 30, 2012
2011	\$ -	\$ 11,718,525	\$ (11,519,012)	\$ 199,513
2010	277,719	-	(199,824)	77,895
2009	86,411	-	(63,586)	22,825
2008	23,116	-	(12,116)	11,000
2007	25,848	-	(1,483)	24,365
2006	3,198	-	(220)	2,978
2005	2,400	-	(976)	1,424
2004	2,216	-	(188)	2,028
2003	3,429	-	(1)	3,428
2002	12,615	-	(10,876)	1,739
2001	13,233	-	(13,233)	-
	<u>\$ 450,185</u>	<u>\$ 11,718,525</u>	<u>\$ (11,821,515)</u>	<u>\$ 347,195</u>

Above balances represented as follows:

Considered current revenue	84,750
Allowance for uncollectible accounts	74,349
Deferred revenue	<u>188,096</u>
	347,195

2012 tax levy due October 1, 2012 considered as deferred revenue and amounts payable to others	<u>11,903,511</u>
Total taxes receivable	<u>\$ 12,250,706</u>

Note: Taxes become delinquent in March of the year following the tax year of levy. Delinquent taxes are turned over to the County Clerk and Master for collection proceedings.

CITY OF FRANKLIN, TENNESSEE
 SCHEDULE OF PRINCIPAL AND INTEREST REQUIREMENTS
 GENERAL OBLIGATION DEBT
 JUNE 30, 2012

	Tennessee Municipal		Tennessee Municipal		General Obligation		General Obligation		Tennessee Municipal		Public Building Authority	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 385,000	\$ 5,554	\$ 149,000	\$ 2,603	\$ 540,000	\$ 12,150	\$ 915,000	\$ 63,531	\$ 440,000	\$ 6,723	\$ 285,000	\$ 106,402
2014	397,000	4,514	153,000	2,201	-	-	945,000	32,125	470,000	5,535	295,000	95,305
2015	411,000	3,443	158,000	1,787	-	-	430,000	7,794	500,000	4,266	310,000	84,047
2016	425,000	2,333	163,000	1,361	-	-	-	-	530,000	2,916	320,000	72,324
2017	439,000	1,185	168,000	921	-	-	-	-	550,000	1,485	330,000	60,411
2018	-	-	173,000	465	-	-	-	-	-	-	345,000	47,669
2019	-	-	-	-	-	-	-	-	-	-	355,000	34,644
2020	-	-	-	-	-	-	-	-	-	-	370,000	21,153
2021	-	-	-	-	-	-	-	-	-	-	390,000	7,143
2022	-	-	-	-	-	-	-	-	-	-	-	-
2023	-	-	-	-	-	-	-	-	-	-	-	-
2024	-	-	-	-	-	-	-	-	-	-	-	-
2025	-	-	-	-	-	-	-	-	-	-	-	-
2026	-	-	-	-	-	-	-	-	-	-	-	-
2027	-	-	-	-	-	-	-	-	-	-	-	-
2028	-	-	-	-	-	-	-	-	-	-	-	-
2029	-	-	-	-	-	-	-	-	-	-	-	-
2030	-	-	-	-	-	-	-	-	-	-	-	-
2031	-	-	-	-	-	-	-	-	-	-	-	-
2032	-	-	-	-	-	-	-	-	-	-	-	-
2033	-	-	-	-	-	-	-	-	-	-	-	-
2034	-	-	-	-	-	-	-	-	-	-	-	-
2035	-	-	-	-	-	-	-	-	-	-	-	-
2036	-	-	-	-	-	-	-	-	-	-	-	-
2037	-	-	-	-	-	-	-	-	-	-	-	-
	<u>\$ 2,057,000</u>	<u>\$ 17,029</u>	<u>\$ 964,000</u>	<u>\$ 9,337</u>	<u>\$ 540,000</u>	<u>\$ 12,150</u>	<u>\$ 2,290,000</u>	<u>\$ 103,450</u>	<u>\$ 2,490,000</u>	<u>\$ 20,925</u>	<u>\$ 3,000,000</u>	<u>\$ 529,098</u>

(Continued)

CITY OF FRANKLIN, TENNESSEE
SCHEDULE OF PRINCIPAL AND INTEREST REQUIREMENTS (Cont.)
GENERAL OBLIGATION DEBT
 JUNE 30, 2012

	Public Building Authority of the City of Franklin, TN Loan Agreement 2007 (2)		Tennessee Municipal Bond Fund Variable Rate Pool Loan Program 2008		Federally Taxable Build America Bonds Series 2009 (3)		Capital Improvement Bonds Series 2009		Federally Taxable Recovery Zone Bonds Series 2010 (4)		General Improvement Refunding Bonds Series 2010		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ -	\$ 798,000	\$ 909,000	\$ 60,750	\$ -	\$ 1,559,925	\$ 1,895,000	\$ 248,875	\$ -	\$ 795,729	\$ 1,070,000	\$ 477,063	\$ 6,588,000	\$ 4,137,304
2014	-	798,000	950,000	58,296	-	1,559,925	1,940,000	201,500	-	795,729	1,115,000	455,663	6,265,000	4,008,792
2015	-	798,000	993,000	55,731	-	1,559,925	1,990,000	153,000	-	795,729	1,135,000	436,150	5,927,000	3,899,872
2016	-	798,000	1,038,000	53,050	-	1,559,925	2,040,000	103,250	-	795,729	1,175,000	402,100	5,691,000	3,790,987
2017	-	798,000	1,085,000	50,247	-	1,559,925	2,090,000	52,250	-	795,729	1,210,000	366,850	5,872,000	3,687,003
2018	-	798,000	1,133,000	47,318	-	1,559,925	-	-	-	795,729	1,240,000	330,550	5,031,000	3,579,656
2019	-	798,000	1,184,000	44,258	-	1,464,695	-	-	-	795,729	1,280,000	293,350	5,024,000	3,430,676
2020	-	798,000	1,238,000	41,062	-	1,364,368	-	-	-	795,729	1,315,000	254,950	5,193,000	3,275,261
2021	-	798,000	1,293,000	37,719	-	1,258,813	-	-	-	795,729	1,360,000	215,500	5,383,000	3,112,904
2022	-	798,000	1,352,000	34,228	-	1,146,493	-	-	-	795,729	1,410,000	161,100	5,172,000	2,935,549
2023	-	798,000	1,412,000	30,578	-	1,027,198	-	-	-	795,729	1,470,000	104,700	5,372,000	2,756,204
2024	-	798,000	1,476,000	26,765	-	905,188	-	-	1,985,000	795,729	1,530,000	45,900	7,556,000	2,571,582
2025	1,175,000	798,000	1,542,000	22,780	-	776,938	-	-	2,140,000	703,923	-	-	7,507,000	2,301,640
2026	1,225,000	751,117	1,612,000	18,617	-	641,125	-	-	2,195,000	602,273	-	-	7,772,000	2,013,132
2027	1,300,000	702,240	1,684,000	14,264	-	493,850	-	-	2,255,000	495,266	-	-	8,074,000	1,705,620
2028	1,350,000	650,370	1,760,000	9,717	-	337,925	-	-	2,315,000	380,261	-	-	8,360,000	1,378,273
2029	1,400,000	596,505	1,839,000	4,963	-	173,562	-	-	2,380,000	259,881	-	-	8,664,000	1,034,911
2030	1,450,000	540,645	-	-	-	-	-	-	2,455,000	131,956	-	-	3,905,000	672,601
2031	1,525,000	482,790	-	-	-	-	-	-	-	-	-	-	1,525,000	482,790
2032	1,575,000	421,943	-	-	-	-	-	-	-	-	-	-	1,575,000	421,943
2033	1,650,000	359,100	-	-	-	-	-	-	-	-	-	-	1,650,000	359,100
2034	1,725,000	293,265	-	-	-	-	-	-	-	-	-	-	1,725,000	293,265
2035	1,800,000	224,437	-	-	-	-	-	-	-	-	-	-	1,800,000	224,437
2036	1,875,000	152,618	-	-	-	-	-	-	-	-	-	-	1,875,000	152,618
2037	1,950,000	77,805	-	-	-	-	-	-	-	-	-	-	1,950,000	77,805
	<u>\$ 20,000,000</u>	<u>\$ 15,626,835</u>	<u>\$ 22,500,000</u>	<u>\$ 610,341</u>	<u>\$ 30,625,000</u>	<u>\$ 18,949,702</u>	<u>\$ 9,955,000</u>	<u>\$ 758,875</u>	<u>\$ 15,725,000</u>	<u>\$ 12,122,308</u>	<u>\$ 15,310,000</u>	<u>\$ 3,543,875</u>	<u>\$ 125,456,000</u>	<u>\$ 52,303,925</u>

Notes:

- (1) The City has an interest rate swap (variable to fixed) agreement with SunTrust Bank.
- (2) The City has an interest rate swap (variable to fixed) agreement with Depfa Bank.
- (3) The City receives a 35% direct payment interest rebate on this issue. (The interest amounts above are not netted by the rebate).
- (4) The City receives a 45% direct payment interest rebate on this issue. (The interest amounts above are not netted by the rebate).

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

JUNE 30, 2012

	Water & Sewer Revenue & Tax Refunding Bonds-Series 2002A		Water & Sewer Revenue & Tax Refunding Bonds-Series 2002B		Sewer & Water Revenue & Tax refunding Bonds-Series 2005		Sewer & Water Refunding SunTrust Loan 2011	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 785,000	\$ 15,700	\$ 1,350,000	\$ 60,750	\$ 295,000	\$ 1,189,700	\$ 1,135,000	\$ 461,414
2014	-	-	-	-	2,010,000	1,179,375	1,160,000	433,215
2015	-	-	-	-	2,030,000	1,078,875	1,190,000	404,385
2016	-	-	-	-	2,050,000	977,375	1,220,000	374,811
2017	-	-	-	-	2,115,000	874,875	1,250,000	344,493
2018	-	-	-	-	2,150,000	769,125	1,280,000	313,431
2019	-	-	-	-	2,220,000	661,625	1,310,000	281,625
2020	-	-	-	-	2,240,000	550,625	1,345,000	249,064
2021	-	-	-	-	2,255,000	438,625	1,380,000	215,636
2022	-	-	-	-	2,280,000	325,875	1,415,000	181,340
2023	-	-	-	-	1,555,000	211,875	1,450,000	146,175
2024	-	-	-	-	1,450,000	134,125	1,485,000	110,143
2025	-	-	-	-	1,450,000	61,625	1,520,000	73,243
2026	-	-	-	-	-	-	1,560,000	35,464
2027	-	-	-	-	-	-	-	-
2028	-	-	-	-	-	-	-	-
2029	-	-	-	-	-	-	-	-
2030	-	-	-	-	-	-	-	-
2031	-	-	-	-	-	-	-	-
2032	-	-	-	-	-	-	-	-
	<u>\$ 785,000</u>	<u>\$ 15,700</u>	<u>\$ 1,350,000</u>	<u>\$ 60,750</u>	<u>\$ 24,100,000</u>	<u>\$ 8,453,700</u>	<u>\$ 18,700,000</u>	<u>\$ 3,624,439</u>

(Continued)

CITY OF FRANKLIN, TENNESSEE
 SCHEDULE OF PRINCIPAL AND INTEREST REQUIREMENTS
 PROPRIETARY FUND DEBT (Cont.)

JUNE 30, 2012

	Drinking Water SRF & ARRA Loan		Clean Water SRF & ARRA Loan		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 59,086	\$ 39,128	\$ 41,258	\$ 28,124	\$ 3,665,344	\$ 1,794,816
2014	60,775	37,439	42,368	27,014	3,273,143	1,677,043
2015	62,510	35,703	43,507	25,874	3,326,017	1,544,837
2016	64,296	33,918	44,678	24,704	3,378,974	1,410,808
2017	66,133	32,080	45,880	23,502	3,477,013	1,274,950
2018	68,023	30,191	47,114	22,268	3,545,137	1,135,015
2019	69,965	28,248	48,381	21,000	3,648,346	992,498
2020	71,964	26,250	49,682	19,699	3,706,646	845,638
2021	74,020	24,193	51,019	18,362	3,760,039	696,816
2022	76,134	22,080	52,391	16,990	3,823,525	546,285
2023	78,310	19,904	53,801	15,581	3,137,111	393,535
2024	80,546	17,667	55,248	14,133	3,070,794	276,068
2025	82,848	15,366	56,734	12,647	3,109,582	162,881
2026	85,215	12,999	58,260	11,121	1,703,475	59,584
2027	87,648	10,565	59,827	9,554	147,475	20,119
2028	90,153	8,061	61,437	7,945	151,590	16,006
2029	92,729	5,485	63,090	6,292	155,819	11,777
2030	95,377	2,837	64,787	4,595	160,164	7,432
2031	48,217	399	66,529	2,852	114,746	3,251
2032	-	-	61,051	465	61,051	465
	<u>\$ 1,413,949</u>	<u>\$ 402,513</u>	<u>\$ 1,067,042</u>	<u>\$ 312,722</u>	<u>\$ 47,415,991</u>	<u>\$ 12,869,824</u>

See independent auditors' report.

CITY OF FRANKLIN, TENNESSEE
SCHEDULE OF INSURANCE COVERAGE
 FOR THE YEAR ENDED JUNE 30, 2012
 UNAUDITED

<u>Subject of Insurance</u>	<u>Type of Coverage</u>	<u>Amount of Coverage</u>
Buildings and contents	Property damage (replacement cost, with \$25,000 deductible per occurrence)	\$ 218,734,649
Crime Policy	Employee dishonesty	500,000
	Forgery or alteration	500,000
	Theft, disappearance or destruction	500,000
	Computer fraud	500,000
Worker's Compensation		Self Insured Retention
Employers Liability Coverage	Bodily injury - by accident - each accident	300,000
	Bodily injury - by disease - policy limit	700,000
	Bodily injury - by disease - each employee	300,000
Automobile Liability - Automobile coverage for all owned vehicles	Per tort liability in policy - deductible per occurrence	10,000
	Comprehensive deductible - per occurrence	25,000
	Collision deductible - per occurrence	25,000
	Limit of liability	2,000,000
Law Enforcement Liability	Limit of liability	2,000,000
	Deductible	10,000
Errors & Omissions	Limit of liability	2,000,000
	Deductible	10,000
Mobile Equipment Coverage	Property damage (replacement cost, with \$250 deductible per occurrence)	5,599,506
Computer Coverage	Blanket - all locations (replacement cost, with \$250 deductible per occurrence)	8,722,520

See independent auditors' report.

CITY OF FRANKLIN, TENNESSEE
SCHEDULE OF PRINCIPAL OFFICIALS' SALARIES AND SURETY BONDS
FOR THE YEAR ENDED JUNE 30, 2012
UNAUDITED

<u>Official Title</u>	<u>Monthly Salary</u>	<u>Surety Bond</u>
Mayor	\$ 800 (1)	(3)
Aldermen	400 (2)	(3)
City Administrator	13,288	(3)
Assistant City Administrator/CFO (Certified Municipal Finance Officer)	10,303	(3)

Notes:

- (1) This amount plus \$20 for each special board meeting attended. No compensation for attending committee meetings.
- (2) This amount plus \$20 for each committee and special board meeting attended.
- (3) Public officials liability policy with aggregate coverage of \$1,000,000.

CITY OF FRANKLIN, TENNESSEE
SCHEDULE OF UTILITY RATES, FEES AND OTHER INFORMATION
FOR THE YEAR ENDED JUNE 30, 2012
UNAUDITED

Utility Services

<u>Service:</u>	<u>Number of Customers</u>	<u>Fees</u>
Water	16,842	\$ 8,842,549
Sewer	18,528	11,473,094
Reclaimed	44	146,724

Utility Rates

Water Residential Rates:

<u>Gallons</u>	<u>Inside City Limits</u>	<u>Outside City Limits</u>
First 1,000 Gallons	\$ 10.42	\$ 12.42
Next 9,000 Gallons	3.72	5.80
Next 15,000 Gallons	4.65	6.38
All Additional Usage	5.58	6.96

Water Commercial Rates:

<u>Gallons</u>	<u>Inside City Limits</u>	<u>Outside City Limits</u>
First 1,000 Gallons	\$ 13.21	\$ 14.01
Next 9,000 Gallons	3.72	5.80
Next 15,000 Gallons	4.65	6.38
All Additional Usage	5.58	6.96

Sewer Residential Rates:

<u>Gallons</u>	<u>Inside City Limits</u>	<u>Outside City Limits</u>
First 1,000 Gallons	\$ 14.55	\$ 19.21
Next 14,000 Gallons	3.61	5.62
Over 15,000 Gallons	2.82	4.47

Sewer Commercial Rates:

<u>Gallons</u>	<u>Inside City Limits</u>	<u>Outside City Limits</u>
First 1,000 Gallons	\$ 29.00	\$ 31.00
Next 14,000 Gallons	4.42	6.91
Over 15,000 Gallons	3.43	5.02

Reclaimed Water Rate:

<u>Gallons</u>	<u>Inside City Limits</u>	<u>Outside City Limits</u>
For each 1,000 Gallons	\$ 0.97	\$ 0.97

Rates above were effective January 1, 2012. A minimum bill of 1,000 gallons per customer is levied.

Other Utility Fees

Tap Fees:

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

See independent auditors' report.

CITY OF FRANKLIN, TENNESSEE
 SCHEDULE OF UTILITY RATES, FEES AND OTHER INFORMATION (Cont.)
 FOR THE YEAR ENDED JUNE 30, 2012
 UNAUDITED

Installation Charges:

Water Meter Size	Installation-Meter Only	Installation-Complete
3/4"	\$ 315	\$ 756
1"	374	897
1-1/2"	656	1,444
2"	1,362	2,223
3"	1,581	3,654
4"	2,668	5,492
6"	4,723	7,387
8"	10,293	14,110

Sewer Meter Size	Installation-Meter Only	Installation-Complete
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

Reclaimed Meter Size	Installation-Meter Only	Installation-Complete
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:

Meter Size	Water Access Fee	Sewer Access Fee
3/4"	\$ 1,186	\$ 2,100
1"	4,746	8,400
1-1/2"	11,390	20,160
2"	15,187	26,880
3"	33,222	58,800
4"	47,460	84,000
6"	113,904	201,600
8"	142,380	252,000

Irrigation:

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

CITY OF FRANKLIN, TENNESSEE
SCHEDULE OF UNACCOUNTED FOR WATER
 JUNE 30, 2012
 UNAUDITED

(All amounts in gallons)

A	Water Treated and Purchased:		
B	Water pumped (potable)	511,293,000	
C	Water purchased	<u>1,632,302,000</u>	
D	Total Water Treated and Purchased (Sum Lines B and C)		2,143,595,000
E	Accounted for Water:		
F	Water Sold	1,637,859,530	
G	Metered for Consumption (in house usage)	0	
H	Fire Department(s) Usage	870,000	
I	Flushing	22,698,000	
J	Tank Cleaning/Filling	100,000	
K	Street Cleaning	600,000	
L	Bulk Sales	0	
M	Water Bill Adjustments / plus or (minus)	<u>9,081,136</u>	
N	Total Accounted for Water (Sum Lines F thru M)		<u>1,671,208,666</u>
O	Unaccounted for Water (Lines D minus Line N)		<u>472,386,334</u>
P	Percent Unaccounted for Water (Line O divided by Line D times 100)		22.04%
Q	Other (explain)	See Below	

Explain Other:

Sewer Vacuum Trucks	500,000
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All amounts included in this schedule are supported by documentation on file at the water system. If no support is on file for a line item or if line item is not applicable, a "0" is shown.

CITY OF FRANKLIN, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Source/Grant Name	CFDA Number	Grant Number	Balance 6/30/2011 (Receivable) Unearned	Adjustments	Cash Receipts	Expenditures	Balance 6/30/2012 (Receivable) Unearned
U.S. DEPARTMENT OF JUSTICE							
Justice Assistance (ARRA)	16.808	2009-SB-B9-2260	\$ (33,723)	\$ -	\$ 33,723	\$ -	\$ -
Justice Assistance	16.808	2009-DJ-BX-0881	-	(5,549)	5,549	-	-
Bulleproof Vest Program	16.607	N/A	(5,549)	5,009	(9,058)	(9,598)	(9,598)
Internet Crimes Against Children (ICAC)	16.543	2011-07	(24,680)	-	24,966	(286)	-
Total U.S. Department of Transportation			(63,952)	(540)	64,238	(9,544)	(9,598)
U.S. DEPARTMENT OF TRANSPORTATION							
Transit Capital Grant (ARRA)	20.507 *	TN-96-0006	-	-	5,119	(5,119)	-
Transit Capital Grant	20.507 *	TN-90-0288	(5,860)	-	13,475	(7,615)	-
Transit Capital Grant	20.500 *	TN-04-0038	-	-	36,102	(36,102)	-
Transit Capital Grant	20.507 *	TN-90-0303	(253,125)	-	337,222	(84,097)	-
Transit Capital Grant	20.500 *	TN-04-0046	-	-	26,840	(26,840)	-
Transit Capital Grant	20.507 *	TN-90-X328	-	-	307,217	(314,017)	(6,800)
Passed through the Nashville Metropolitan Transit Authority							
New Freedom Funds	20.521	Z-09-215662-00	(7,942)	-	13,952	(6,010)	-
New Freedom Funds	20.521	TN-57-X002	-	-	62,723	(78,468)	(15,745)
Passed through the TN Department of Transportation							
ITS Initiative (ARRA)	20.205 *	112672.00	(394,693)	780	685,701	(291,788)	-
TOC Phase III, Infrastructure Upgrades	20.205 *	103487.00	(20,742)	-	97,797	(84,507)	(7,452)
Franklin Fight Against Impaired Driving	20.601	154AL-12-46	-	-	14,355	(27,459)	(13,104)
Total U.S. Department of Transportation			(682,362)	780	1,600,503	(962,022)	(43,101)
U.S. DEPARTMENT OF THE INTERIOR							
Passed through the TN Department of Environment and Conservation							
National Register Nominations	15.904	#2011-0122	-	-	-	(1,900)	(1,900)
Battlefield Acquisition	15.928	47-11-CW-1901	-	-	103,000	(103,000)	-
National Park Service - Harlinsdale Barn Restoration-Design	15.904	#2011-0036	-	-	22,575	(22,575)	-
Total U.S. Department of the Interior			-	-	125,575	(127,475)	(1,900)
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT							
Community Development Block Grant	14.218	B-MC-47-0014	(134,837)	-	251,990	(171,418)	(54,265)
Passed through the TN Housing Development Agency							
Emergency Shelter Grant	14.231	ESG-10-26	-	-	7,221	(7,221)	-
Emergency Shelter Grant	14.231	ESG-11-26	-	-	25,674	(32,643)	(6,969)
Total U.S. Department of Housing and Urban Development			(134,837)	-	284,885	(211,282)	(61,234)
U.S. DEPARTMENT OF ENERGY							
Energy Efficiency and Conservation Block Grant (ARRA)	81.128	DE-SC0002088	-	-	11,522	(11,522)	-
Total U.S. Department of Energy			-	-	11,522	(11,522)	-
U.S. ENVIRONMENTAL PROTECTION AGENCY							
Liberty Creek Watershed	66.202	XP-95411710-0	-	-	120,200	(120,200)	-
Total U.S. Environmental Protection Agency			-	-	120,200	(120,200)	-
U.S. DEPARTMENT OF HOMELAND SECURITY - FEMA							
Passed through the TN Emergency Management Agency							
Hazard Mitigation Grant Program	97.039 *	HMGP-1909-0049	-	-	-	(274,344)	(274,344)
Hazard Mitigation Grant Program	97.039 *	HMGP-1909-0061	-	-	-	(1,504)	(1,504)
FEMA-May 2010 Flood	97.036	FEMA-1909-DR-TN	(31,915)	-	-	(31,915)	(31,915)
Total U.S. Department of Homeland Security - FEMA			(31,915)	-	-	(275,848)	(307,763)
Total Federal Assistance			(913,066)	240	2,206,923	(1,717,693)	(423,596)

* Major program

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

See independent auditors' report.

CITY OF FRANKLIN, TENNESSEE
SCHEDULE OF STATE FINANCIAL ASSISTANCE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Source/Grant Name	State Grant Number	Balance 6/30/2011 (Receivable) Unearned	Adjustments	Cash Receipts	Expenditures	Balance 6/30/2012 (Receivable) Unearned
TENNESSEE DEPARTMENT OF TRANSPORTATION						
Local Interstate Connecting	10752.00	\$ (1,150,819)	\$ 35,895	\$ 3,476,622	\$ (2,361,698)	\$ -
Transit Capital Grant	TN-90-0303	-	-	29,649	(29,981)	(332)
Transit Operating Assistance Grant	TN-04-0038	(85,369)	84,698	5,184	(4,513)	-
Transit Operating Assistance Grant	GG1134334	-	(84,698)	84,698	-	-
Transit UROP Operating Assistance Grant	GG1237946	-	-	214,524	(214,524)	-
Transit Capital Investment Grant	TN-04-0046	-	-	3,019	(3,356)	(337)
Replacement Vehicle-PM-Planning & Equipment	TN-90-X328-00	-	-	32,152	(33,002)	(850)
New Freedom Funds	Z-09-215662-00	(3,972)	-	6,977	(3,005)	-
New Freedom Funds	TN-57-X002	-	-	31,362	(39,234)	(7,872)
Total Tennessee Department of Transportation		(1,240,160)	35,895	3,884,187	(2,689,313)	(9,391)
TENNESSEE DEPARTMENT OF ENVIRONMENT & CONSERVATION						
Capitalization Grants for Clean Water RLF	CGA 2009-250	(291,769)	3,749	435,497	(245,135)	(97,658)
Jackson National Life Insurance Project	GG1134897	-	-	227,484	(255,027)	(27,543)
Harpeth River Greenway Project - RTP Grant	GG-09-27455-00	-	-	100,000	(100,000)	-
Total Tennessee Department of Environment and Conservation		(291,769)	3,749	762,981	(600,162)	(125,201)
TENNESSEE EMERGENCY MANAGEMENT AGENCY						
TEMA-May 2010 Flood		(32,340)	-	-	-	(32,340)
Hazard Mitigation Grant Program	E-24547	-	-	-	(45,724)	(45,724)
Hazard Mitigation Grant Program	E-24547	-	-	-	(251)	(251)
Total Tennessee Emergency Management Agency		(32,340)	-	-	(45,975)	(78,315)
TENNESSEE WILDLIFE RESOURCE AGENCY (TWRA)						
Tennessee Wildlife - Riparian Tree Planting	26158-Z-2012-016	-	-	456	(456)	-
Total Tennessee Wildlife Resource Agency		-	-	456	(456)	-
TENNESSEE DEPARTMENT OF AGRICULTURE						
Tennessee Agricultural Enhancement Program (TAEP)	32506-32811	(2,855)	-	2,855	-	-
Total Tennessee Department of Agriculture		(2,855)	-	2,855	-	-
Total State Financial Assistance		(1,567,124)	39,644	4,650,479	(3,335,906)	(212,907)

See independent auditors' report.

STATISTICAL SECTION

**CITY OF FRANKLIN, TENNESSEE
STATISTICAL SECTION SUMMARY PAGE**

This part of the City of Franklin, Tennessee’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, the note disclosures, and the required supplementary information says about the City’s overall financial health.

Contents:

Financial Trends

These schedules contain trend information to help readers understand how the City’s financial performance and financial position have changed over time. 89

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. 95

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. 100

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. 105

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. 107

Except where noted, the information in these schedules is derived from the City of Franklin, Tennessee’s, comprehensive annual financial reports for the relevant years.

CITY OF FRANKLIN, TENNESSEE

**Financial Trends Information -
Net Assets By Component - Last Ten Fiscal Years**

(Prepared using the accrual basis of accounting)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Governmental activities:										
Investments in capital assets, net of related debt	\$ 227,460,958	\$ 254,632,992	\$ 274,575,227	\$ 314,309,351	\$ 354,087,255	\$ 387,399,795	\$ 398,721,876	\$ 391,931,838	\$ 394,013,988	\$ 395,621,677
Restricted for:										
Street maintenance and improvements	2,127,190	2,533,649	983,107	900,412	1,069,415	1,048,827	31,817	-	-	16,563
Other projects	3,619,122	1,690,759	233,836	295,536	381,491	257,521	335,343	2,168,363	2,233,953	144,788
Capital projects	4,313,516	4,881,853	9,041,671	-	-	-	-	-	-	-
Unrestricted	33,778,923	27,146,454	28,382,567	34,680,258	53,444,430	34,055,155	23,793,595	31,620,382	37,054,884	46,304,057
Total net assets	<u>\$ 271,299,709</u>	<u>\$ 290,885,707</u>	<u>\$ 313,216,408</u>	<u>\$ 350,185,557</u>	<u>\$ 408,982,591</u>	<u>\$ 422,761,298</u>	<u>\$ 422,882,631</u>	<u>\$ 425,720,583</u>	<u>\$ 433,302,825</u>	<u>\$ 442,087,085</u>
Business-type activities:										
Investments in capital assets, net of related debt	\$ 73,729,319	\$ 88,725,684	\$ 85,142,612	\$ 83,019,594	\$ 92,918,459	\$ 105,088,556	\$ 107,235,256	\$ 102,780,253	\$ 106,143,869	\$ 107,037,017
Restricted for:										
Water & Sewer	14,742,384	2,844,501	-	13,957,292	15,774,391	9,997,061	-	13,376,540	9,975,225	6,684,374
Unrestricted	-	-	-	-	-	-	13,428,223	5,230,958	7,305,642	14,221,008
Total net assets	<u>\$ 88,471,703</u>	<u>\$ 91,570,185</u>	<u>\$ 97,104,824</u>	<u>\$ 96,976,886</u>	<u>\$ 108,692,850</u>	<u>\$ 115,085,617</u>	<u>\$ 120,663,479</u>	<u>\$ 121,387,751</u>	<u>\$ 123,424,736</u>	<u>\$ 127,942,399</u>
Primary government:										
Investments in capital assets, net of related debt	\$ 301,190,277	\$ 343,358,676	\$ 359,717,839	\$ 397,328,945	\$ 453,483,827	\$ 492,488,351	\$ 505,957,132	\$ 494,712,091	\$ 500,157,857	\$ 502,658,694
Restricted for:										
Street maintenance and improvements	2,127,190	2,533,649	983,107	900,412	1,069,415	1,048,827	31,817	-	-	16,563
Other projects	3,619,122	1,690,759	233,836	295,536	381,491	257,521	335,343	272,367	288,957	144,788
Capital projects	4,313,516	4,881,853	9,041,671	-	-	-	-	-	-	-
Water & Sewer	-	-	-	-	-	-	-	13,376,540	9,975,225	6,684,374
Unrestricted	48,521,307	29,990,955	40,344,779	48,637,550	62,740,708	44,052,216	37,221,818	38,747,336	44,360,526	60,525,065
Total net assets	<u>\$ 359,771,412</u>	<u>\$ 382,455,892</u>	<u>\$ 410,321,232</u>	<u>\$ 447,162,443</u>	<u>\$ 517,675,441</u>	<u>\$ 537,846,915</u>	<u>\$ 543,546,110</u>	<u>\$ 547,108,334</u>	<u>\$ 554,782,565</u>	<u>\$ 570,029,484</u>

CITY OF FRANKLIN, TENNESSEE
Financial Trends Information -
Changes in Net Assets - Last Ten Fiscal Years
 (Prepared using the accrual basis of accounting)

Governmental activities:	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues:										
Program revenues:										
Charges for services-Codes	\$ 791,927	\$ 1,234,952	\$ 1,580,815	\$ 1,887,000	\$ 2,700,796	\$ 3,193,332	\$ 1,026,457	\$ 767,764	\$ 1,521,266	\$ 1,839,074
Charges for services-Sanitation	992,792	925,187	1,433,575	2,472,557	2,666,408	3,201,109	4,554,150	4,753,448	6,673,158	6,888,014
Charges for services-Storm water	712,720	761,867	1,728,455	1,868,164	1,913,537	1,959,658	2,009,142	2,088,080	2,108,109	2,151,430
Charges for services-Police	921,088	811,377	813,651	1,108,503	998,848	983,845	1,267,107	1,245,405	990,092	1,134,311
Charges for services-Streets	1,339,527	1,283,574	-	-	-	-	-	-	940	6,100
Other charges for services	305,256	353,495	380,282	453,708	395,219	674,752	555,202	127,492	450,152	647,572
Operating grants & contributions	336,746	626,335	2,572,276	2,095,578	1,768,421	3,334,814	2,836,769	3,358,092	4,217,716	5,572,231
Capital grants & contributions	6,887,969	20,848,604	24,204,441	32,471,262	42,284,692	29,769,464	12,760,014	12,129,244	11,893,536	26,221,640
General revenues:										
Property taxes	9,028,390	8,649,772	9,059,834	9,880,639	9,832,508	10,409,885	10,936,742	11,415,775	11,728,305	11,550,562
Sales taxes	16,318,730	18,296,971	19,785,941	22,005,703	23,885,264	23,185,434	21,152,554	20,969,821	22,720,666	24,197,413
Other taxes and fees	9,498,782	11,371,386	12,928,838	19,154,473	25,589,305	20,510,224	17,214,042	16,182,779	22,723,385	21,811,094
Other	793,220	987,175	1,684,572	2,203,517	1,663,403	2,568,298	1,327,007	1,188,770	(173,794)	(4,881,649)
Transfers	-	-	-	-	-	(225,000)	(45,000)	(45,000)	-	-
Total revenues	47,927,147	66,150,695	76,172,680	95,601,104	113,698,401	99,565,815	75,594,186	74,181,670	84,853,531	97,137,792
Expenses:										
General government:										
General government	2,939,314	7,057,964	8,716,441	12,312,610	4,976,177	4,561,315	1,729,144	3,464,483	1,294,801	3,205,578
Capital investment planning	-	-	-	-	-	-	-	193,505	233,651	208,446
Administration	1,257,132	1,400,291	944,626	1,195,689	1,250,834	1,146,961	882,070	390,182	507,073	595,811
City recorder	-	-	359,575	305,395	984,697	1,154,396	1,177,821	395,054	1,295,430	1,361,604
Public safety:										
Police	8,373,121	8,993,401	9,184,543	9,891,449	12,704,967	11,800,152	13,737,798	14,744,499	15,461,749	15,154,496
Fire	7,320,439	7,705,307	8,807,357	9,693,129	10,065,274	12,168,985	13,072,914	13,044,366	13,197,463	13,197,477
Highways and streets	8,927,633	9,364,145	12,218,546	8,846,698	12,825,296	12,950,825	15,346,785	15,873,886	16,734,751	21,221,774
Street-Fleet	-	-	-	-	-	-	-	662,683	523,234	592,074
Engineering	602,394	652,481	572,720	731,762	1,033,507	1,088,120	1,239,061	797,691	1,007,478	1,228,832
Storm water	435,724	550,338	574,611	682,426	1,160,588	693,434	744,156	1,126,529	1,319,328	1,508,125
Sanitation	3,442,603	3,975,139	5,285,255	6,068,689	5,909,657	6,832,313	6,906,679	6,344,279	8,180,396	7,961,729
Transit	-	-	-	-	1,112,289	1,203,579	1,210,274	1,030,107	1,257,352	1,398,956
Parks	814,733	981,303	1,132,484	1,370,912	744,627	1,616,753	3,068,887	3,306,523	3,801,959	3,688,466
Maintenance	707,600	-	302,014	278,848	381,635	583,917	595,609	523,339	747,101	863,314
Elected officials	-	-	-	-	-	176,746	161,495	193,640	133,300	202,515
Planning	894,430	815,881	908,806	1,009,100	1,079,229	1,373,042	1,436,862	1,372,885	1,408,303	1,223,706
Building & neighborhood services	243,031	1,036,270	1,188,400	1,340,976	1,735,274	1,855,258	1,941,663	2,005,803	1,852,075	1,900,692
Courts	523,293	162,170	182,322	197,477	241,389	245,205	242,314	265,380	249,454	284,907
Human resources	645,226	474,376	467,804	655,974	653,686	644,672	845,231	689,024	952,403	1,049,741
Channel 10	-	-	97,582	87,641	119,458	127,036	151,468	261,568	315,291	324,603
Finance	565,574	649,904	798,925	787,936	986,677	950,729	1,032,382	793,781	865,832	893,037
Legal	-	-	-	-	134,768	358,431	217,008	239,619	344,610	387,283
Purchasing	-	-	-	-	172,489	188,179	123,527	131,633	145,891	159,188
Municipal information and tech	733,372	884,066	995,098	1,569,736	2,808,228	2,974,551	3,509,093	3,354,101	3,468,124	3,993,526
Interest expense on long-term debt	-	732,798	967,929	1,605,208	2,116,737	2,368,353	2,505,069	1,702,780	3,919,236	3,802,656
Total expenses	38,425,619	45,435,834	53,705,038	58,631,655	63,197,483	67,062,952	71,877,310	72,907,340	79,216,285	86,408,536
Change in net assets	\$ 9,501,528	\$ 20,714,861	\$ 22,467,642	\$ 36,969,449	\$ 50,500,918	\$ 32,502,863	\$ 3,716,876	\$ 1,274,330	\$ 5,637,246	\$ 10,729,256
Business-Type activities:										
Revenues:										
Program revenues:										
Charges for services	\$ 11,823,949	\$ 11,801,510	\$ 12,506,189	\$ 13,183,105	\$ 13,651,464	\$ 14,148,119	\$ 16,635,455	\$ 16,260,341	\$ 19,411,483	\$ 21,253,689
Capital grants & contributions	2,124,976	4,705,522	6,530,477	3,371,583	6,477,369	9,909,838	8,613,893	3,881,605	3,841,390	5,307,632
General revenues:										
Other sources	248,211	(416,561)	410,630	868,311	820,123	535,059	38,719	68,934	180,868	(7,153)
Transfers	-	-	-	-	-	225,000	45,000	45,000	-	-
Total revenues	14,197,136	16,090,471	19,447,296	17,422,999	20,948,956	24,818,016	25,333,067	20,255,880	23,433,741	26,554,168
Expenses:										
Water & sewer	12,484,641	12,991,989	13,912,657	17,173,845	17,378,465	18,425,249	19,755,205	19,531,608	21,396,756	22,036,505
Change in net assets	\$ 1,712,495	\$ 3,098,482	\$ 5,534,639	\$ 249,154	\$ 3,570,491	\$ 6,392,767	\$ 5,577,862	\$ 724,272	\$ 2,036,985	\$ 4,517,663

CITY OF FRANKLIN, TENNESSEE

**Financial Trends Information -
Governmental Activities Tax Revenues by Source - Last Ten Fiscal Years**

(Prepared using the accrual basis of accounting)

FISCAL YEAR	PROPERTY TAX	SALES TAX*	OTHER		ACCESS FEES AND TAXES	FRANCHISE TAXES	TOTAL
			LOCALLY ASSESSED TAXES	OTHER STATE SHARED TAXES			
2012	\$ 11,550,562	\$ 24,197,413	\$ 4,718,374	\$ 9,126,986	\$ 6,055,210	\$ 1,910,524	\$ 57,559,069
2011	11,728,305	22,720,666	4,293,358	8,687,733	7,712,485	2,029,809	57,172,356
2010	11,415,775	20,969,821	6,516,955	5,310,994	2,294,439	2,060,391	48,568,375
2009	10,936,742	21,152,554	6,608,394	7,133,382	1,542,830	1,929,436	49,303,338
2008	10,409,885	23,185,434	6,615,163	7,867,514	4,665,218	1,362,329	54,105,543
2007	9,832,508	23,885,264	6,214,878	6,933,602	11,029,975	1,410,850	59,307,077
2006	9,880,639	22,005,703	5,967,635	4,009,498	7,880,884	1,296,456	51,040,815
2005	9,059,834	19,785,941	4,688,680	3,516,481	3,738,116	985,561	41,774,613
2004	9,179,871	18,296,971	4,174,461	2,964,207	2,869,683	832,936	38,318,129
2003	9,028,390	16,318,730	3,935,582	2,928,772	1,980,805	653,623	34,845,902

* Local sales tax is the City's most significant revenue source. The local sales tax rate is 2.25%. The City receives half of the tax amount if the sale occurs inside the City. Local sales tax applies only to the first \$1,600 of a single article purchase of tangible personal property.

CITY OF FRANKLIN, TENNESSEE

Financial Trends Information -
Fund Balances, Governmental Funds - Last Ten Fiscal Years

(Prepared using the modified accrual basis of accounting)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund										
Non-Spendable	\$ 231,915	\$ 215,797	\$ 345,620	\$ 308,850	\$ 294,580	\$ 236,942	\$ 513,119	\$ 489,453	\$ 522,733	\$ 1,423,017
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	23,137,729	18,328,102	23,994,718	24,924,130	29,140,144	30,080,531	18,915,942	16,180,105	17,180,294	17,736,715
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	10,381,067	8,506,605	603,730	2,190,576	949,287	446,308	9,333,732	9,244,815	7,258,739	6,851,599
Total General Fund	<u>\$33,750,711</u>	<u>\$27,050,504</u>	<u>\$24,944,068</u>	<u>\$27,423,556</u>	<u>\$30,384,011</u>	<u>\$30,763,781</u>	<u>\$28,762,793</u>	<u>\$25,914,373</u>	<u>\$ 24,961,766</u>	<u>\$ 26,011,331</u>
All Other Governmental Funds										
Special Revenue Funds										
Non-Spendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	5,472,909	7,138,367	7,044,680	12,071,932	11,945,075	9,462,222	3,761,542	272,367	288,957	161,351
Committed	967,797	277,135	1,054,002	1,640,902	2,255,949	3,573,362	4,754,751	7,303,746	8,040,949	9,524,052
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	(793,331)	(440,843)	(3,838,212)	(3,561,327)	(1,088,155)	(1,246,711)
Total Special Revenue Funds	<u>6,440,706</u>	<u>7,415,502</u>	<u>8,098,682</u>	<u>13,712,834</u>	<u>13,407,693</u>	<u>12,594,741</u>	<u>4,678,081</u>	<u>4,014,786</u>	<u>7,241,751</u>	<u>8,438,692</u>
Debt Service Fund										
Non-Spendable	-	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	465,190	1,099,568	318,138
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-
Total Debt Service Fund	<u>-</u>	<u>465,190</u>	<u>1,099,568</u>	<u>318,138</u>						
Capital Project Fund										
Non-Spendable	-	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	3,619,122	1,690,759	9,041,671	-	9,120,160	-	-	12,691,653	12,058,809	9,266,485
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	(1,216,204)	-	(13,849,061)	(11,992,169)	-	-	-
Total Capital Projects Fund	<u>3,619,122</u>	<u>1,690,759</u>	<u>9,041,671</u>	<u>(1,216,204)</u>	<u>9,120,160</u>	<u>(13,849,061)</u>	<u>(11,992,169)</u>	<u>12,691,653</u>	<u>12,058,809</u>	<u>9,266,485</u>
Permanent Fund										
Non-Spendable	-	-	-	-	-	-	-	-	-	-
Restricted	20,581	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-
Total Permanent Fund	<u>20,581</u>	<u>-</u>	<u>-</u>							
Total All Other Governmental Funds	<u>10,080,409</u>	<u>9,106,261</u>	<u>17,140,353</u>	<u>12,496,630</u>	<u>22,527,853</u>	<u>(1,254,320)</u>	<u>(7,314,088)</u>	<u>17,171,629</u>	<u>20,400,128</u>	<u>18,023,315</u>
Total Governmental Funds	<u>\$43,831,120</u>	<u>\$36,156,765</u>	<u>\$42,084,421</u>	<u>\$39,920,186</u>	<u>\$52,911,864</u>	<u>\$29,509,461</u>	<u>\$21,448,705</u>	<u>\$43,086,002</u>	<u>\$ 45,361,894</u>	<u>\$ 44,034,646</u>

CITY OF FRANKLIN, TENNESSEE

**Financial Trends Information -
General Governmental Tax Revenues by Source - Last Ten Fiscal Years**

(Prepared using the modified accrual basis of accounting)

FISCAL YEAR	SALES TAX ⁽¹⁾	PROPERTY TAX ⁽²⁾	FACILITIES TAX ⁽³⁾	ALCOHOLIC TAXES ⁽⁴⁾			HOTEL/MOTEL TAX ⁽⁵⁾	BUSINESS TAX ⁽⁶⁾	OTHER ⁽⁷⁾	TOTAL
				BEVERAGE	TAXES	TAXES				
2012	\$ 24,197,413	\$ 11,250,326	\$ 1,845,690	\$ 3,084,136	\$ 2,185,953	\$ 2,764,223	\$ 412,037	\$ 45,739,778		
2011	22,720,666	11,384,680	3,229,556	2,865,433	1,917,196	2,527,260	393,359	45,038,150		
2010	20,969,821	10,907,423	1,965,245	2,683,492	1,663,304	2,619,428	434,038	41,242,751		
2009	21,152,554	10,598,592	1,115,914	2,574,048	1,518,988	2,939,829	186,757	40,086,682		
2008	23,185,434	10,337,833	2,956,284	2,593,632	1,571,657	2,927,635	50,634	43,623,109		
2007	23,885,264	9,726,100	3,616,202	2,465,375	1,424,754	2,777,563	59,174	43,954,432		
2006	22,005,703	9,395,723	2,415,678	2,310,739	1,293,596	2,363,300	574,125	40,358,863		
2005	19,785,941	8,571,710	1,857,164	2,108,144	878,988	1,697,570	576,161	35,475,678		
2004	18,296,971	8,099,274	1,367,979	2,031,561	530,099	2,142,900	520,300	32,989,084		
2003	16,318,730	7,861,996	1,169,533	1,923,952	504,278	2,011,630	515,878	30,305,997		

- (1) Local sales tax is the City's most significant revenue source. The local sales tax rate is 2.25%. The City receives half of the tax amount if the sale occurs inside the City. Local sales tax applies only to the first \$1,600 of a single article purchase of tangible personal property. The entire amount is in the General Fund.
- (2) This amount includes both the General Fund and Debt Service Fund amounts.
- (3) This amount is recorded in the Facilities Tax special revenue fund.
- (4) Includes beer tax, beer privilege tax, wholesale liquor tax, liquor privilege tax, and mixed drink tax. All are recorded in the General Fund.
- (5) This amount is recorded in the Hotel/Motel Tax special revenue fund.
- (6) This amount includes both business tax (under taxes) and business tax from state (under intergovernmental). Both are recorded in the General Fund.
- (7) Includes penalty and interest on property taxes, in lieu of taxes, and special assessments (if any).

CITY OF FRANKLIN, TENNESSEE

Revenue Capacity Information -
Local Sales Tax Collections

FISCAL YEAR	ESTIMATE OF TAXABLE SALES SUBJECT TO LOCAL SALES TAX	LOCAL SALES TAX RATE (CITY & WILLIAMSON COUNTY)	TOTAL LOCAL SALES TAX COLLECTED	LESS: COUNTY PORTION (1/2 OF TAX)	LESS: COUNTY		LOCAL SALES TAX RECEIVED BY CITY	PERCENT OF GENERAL FUND REVENUE
					ADMIN FEE (1% of City's 1/2 of tax)			
2012	\$ 2,172,607,228	2.25%	\$ 48,883,663	\$ (24,441,831)	\$ (244,418)	\$	24,197,413	47.48%
2011	2,040,014,905	2.25%	45,900,335	(22,950,168)	(229,502)		22,720,666	44.81%
2010	1,882,812,211	2.25%	42,363,275	(21,181,637)	(211,816)		20,969,821	45.41%
2009	1,899,219,214	2.25%	42,732,432	(21,366,216)	(213,662)		21,152,554	42.25%
2008	2,081,744,916	2.25%	46,839,261	(23,419,630)	(234,196)		23,185,434	42.31%
2007	2,144,580,382	2.25%	48,253,059	(24,126,529)	(241,265)		23,885,264	45.08%
2006	1,975,820,696	2.25%	44,455,966	(22,227,983)	(222,280)		22,005,703	46.65%
2005	1,776,515,466	2.25%	39,971,598	(19,985,799)	(199,858)		19,785,941	48.07%
2004	1,642,825,679	2.25%	36,963,578	(18,481,789)	(184,818)		18,296,971	47.43%
2003	1,465,205,836	2.25%	32,967,131	(16,483,566)	(164,836)		16,318,730	45.93%

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, Last Ten Years

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	State Assessment	Local Assessment				
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	9,601,438,372	28.84%	0.4340
2010	1,371,758,898	1,140,259,084	129,518,412	572,304	47,032,940	192,390	192,390	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	192,390	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	192,390	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	221,540	221,540	2,259,868,386	7,433,188,531	30.40%	0.4340
2006	838,883,725	719,932,760	98,346,952	-	38,205,538	685,190	685,190	685,190	1,696,054,165	6,162,312,297	27.52%	0.5500
2005	726,721,150	685,839,480	100,221,979	-	38,207,039	210,789	210,789	210,789	1,551,200,437	5,292,203,841	29.31%	0.5500
2004	669,984,175	675,626,160	96,306,693	-	36,527,952	495,210	495,210	495,210	1,478,940,190	5,010,082,404	29.52%	0.5500
2003	627,364,225	667,892,040	98,466,419	-	39,187,688	769,766	769,766	769,766	1,433,680,138	4,598,585,034	31.18%	0.5500

Source: Tax Aggregate Report of Tennessee

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

CITY OF FRANKLIN, TENNESSEE

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

Fiscal Year	Direct Rate			Overlapping Rate		Total Direct and Overlapping
	City of Franklin			Williamson County **		
	General Fund	Debt Service Fund	Total Direct Rate	Total Overlapping Rate		
2012	\$ 0.2108	\$ 0.1657	\$ 0.3765	\$ 2.9510	\$ 3.3275	
2011	0.2410	0.1930	0.4340	3.1800	3.6140	
2010	0.3200	0.1140	0.4340	3.1700	3.6040	
2009	0.4340	---	0.4340	3.1700	3.6040	
2008	0.4340	---	0.4340	3.0700	3.5040	
2007	0.4340	---	0.4340	3.0300	3.4640	
2006	0.5500	---	0.5500	3.5900	4.1400	
2005	0.5500	---	0.5500	3.4800	4.0300	
2004	0.5500	---	0.5500	3.6600	4.2100	
2003	0.5500	---	0.5500	3.0300	3.5800	

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

* Per \$100 of assessed valuation

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

2012	\$ 2.2000
2011	2.2000
2010	2.2000
2009	2.2000
2008	2.2000
2007	2.2000
2006	2.7200
2005	2.7200
2004	2.7200
2003	2.5000

CITY OF FRANKLIN, TENNESSEE

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

Table with 5 columns: Taxpayer, 2003 ASSESSED VALUATION, 2003 PERCENT OF TOTAL VALUATION *, 2012 ASSESSED VALUATION, 2012 PERCENT OF TOTAL VALUATION **. Rows include Ad Valorem Tax (Atmos Energy Corp, Middle TN Electric Membership Corp, Bell South Telecommunications) and Real and Personal Property Tax (Galleria Associates, HRLP Cool Springs LLC, Carothers Office ACQ LLC, etc.).

* Total assessed valuation in 2003 (tax year 2002) was \$1,433,680,138.

** Total assessed valuation in 2012 (tax year 2011) is \$3,178,038,662.

CITY OF FRANKLIN, TENNESSEE

**Revenue Capacity Information -
Property Taxes Levies and Collections, Last Ten Fiscal Years**

FISCAL YEAR	TOTAL TAX LEVY	COLLECTED WITHIN TAX YEAR OF LEVY	PERCENT COLLECTED	COLLECTIONS IN SUBSEQUENT YEARS	TOTAL COLLECTIONS	TOTAL COLLECTIONS AS PERCENT OF TOTAL LEVY		OUTSTANDING DELINQUENT TAXES
2012	\$ 11,718,525	\$ 11,519,012	98.30%	\$ -	\$ 11,519,012	98.30%	\$ 199,513	
2011	11,785,700	11,507,981	97.87%	199,824	11,707,805	99.34%	77,895	
2010	11,468,281	11,159,219	97.31%	286,237	11,445,456	99.80%	22,825	
2009	10,739,928	10,429,879	97.11%	299,049	10,728,928	99.90%	11,000	
2008	10,212,816	10,042,817	98.34%	145,634	10,188,451	99.76%	24,365	
2007	9,611,622	9,435,282	98.17%	173,362	9,608,644	99.97%	2,978	
2006	9,328,587	9,152,371	98.11%	174,792	9,327,163	99.98%	1,424	
2005	8,619,512	8,468,288	98.25%	149,196	8,617,484	99.98%	2,028	
2004	8,134,453	7,970,209	97.98%	160,816	8,131,025	99.96%	3,428	
2003	7,874,904	7,660,107	97.27%	212,058	7,872,165	99.97%	1,739	

CITY OF FRANKLIN, TENNESSEE

Debt Capacity Information -
Ratios of Outstanding Debt by Type, Last Ten Fiscal Years

FISCAL YEAR	Governmental Activities			Business-type Activities			TOTAL OUTSTANDING DEBT	PERSONAL INCOME *	POPULATION **	DEBT PER CAPITA	PERCENTAGE OF PERSONAL INCOME
	GENERAL OBLIGATION BONDS	CAPITAL LEASES	WATER & SEWER REVENUE & TAX BONDS & NOTES	CAPITAL LEASES	SEWER REVENUE & TAX BONDS & NOTES						
2012	\$ 125,456,000	\$ 1,413,816	\$ 47,415,991	\$ 77,313	\$ 174,363,120	\$54,539	62,487	\$ 2,790.39	5.12%		
2011	131,817,000	1,366,034	50,429,234	177,540	183,789,808	53,392	62,487	2,941.25	5.51%		
2010	122,295,000	1,881,353	52,299,516	-	176,475,869	55,717	56,219	3,139.08	5.63%		
2009	82,749,628	-	46,243,053	-	128,992,681	55,717	56,219	2,294.47	4.12%		
2008	60,117,258	-	35,200,000	-	95,317,258	55,717	56,219	1,695.46	3.04%		
2007	63,580,258	-	37,310,000	-	100,890,258	54,755	49,412	2,041.82	3.73%		
2006	46,586,662	-	39,350,000	-	85,936,662	51,841	49,412	1,739.19	3.35%		
2005	45,016,194	-	41,315,000	-	86,331,194	48,967	46,416	1,859.94	3.80%		
2004	22,450,000	-	44,195,000	-	66,645,000	45,583	46,416	1,435.82	3.15%		
2003	21,760,000	-	45,856,640	-	67,616,640	42,468	41,842	1,616.00	3.81%		

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

** Tennessee Certified Populations

CITY OF FRANKLIN, TENNESSEE

**Debt Capacity Information -
Ratios of General Bonded Debt Outstanding, Last Ten Fiscal Years**

FISCAL YEAR	POPULATION*	APPRAISED VALUE**	GENERAL OBLIGATION DEBT***	RATIO OF GENERAL OBLIGATION DEBT TO APPRAISED	NET GENERAL OBLIGATION DEBT PER CAPITA
2012	62,487	10,298,785,436	\$ 126,869,816	1.23%	\$ 2,030.34
2011	62,487	9,601,438,372	133,183,034	1.39%	2,131.37
2010	56,219	10,225,661,696	124,176,353	1.21%	2,208.80
2009	56,219	9,637,668,952	82,749,628	0.86%	1,471.92
2008	56,219	7,948,798,841	60,117,258	0.76%	1,069.34
2007	49,412	7,433,188,531	63,580,258	0.86%	1,286.74
2006	49,412	6,162,312,297	46,586,662	0.76%	942.82
2005	46,416	5,292,203,841	45,016,194	0.85%	969.84
2004	46,416	5,010,082,404	22,450,000	0.45%	483.67
2003	41,842	4,598,585,034	21,760,000	0.47%	520.05

* Tennessee Certified Populations

** State of TN Comptroller Division of Property Assessment

*** Excludes compensated absences.

CITY OF FRANKLIN, TENNESSEE

**Debt Capacity Information -
Direct and Overlapping Governmental Activities Debt
As of June 30, 2012**

<u>Jurisdiction</u>	<u>Net Bonded Debt Outstanding</u>	<u>Percentage Applicable to City</u>	<u>Estimated Share of Overlapping Debt</u>
City of Franklin	\$ 126,869,816	100.00%	\$ 126,869,816
Williamson County	486,544,000	38.55% *	187,562,712
Franklin Special School District	<u>49,667,169</u>	100.00% **	<u>49,667,169</u>
Total	<u>\$ 663,080,985</u>		<u>\$ 364,099,697</u>

* Based upon Assessed Value of Property in:
County \$ 8,243,683,656
City \$ 3,178,038,662

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

CITY OF FRANKLIN, TENNESSEE

Debt Capacity Information -
Legal Debt Margin, Last Ten Years

Fiscal Year	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Assessed Value	\$1,433,680,138	\$1,478,940,190	\$1,551,200,437	\$1,696,054,165	\$2,259,868,386	\$2,399,581,643	\$2,516,989,208	\$2,689,334,028	\$2,769,192,347	\$3,178,038,662
General Obligation Debt	\$ 21,760,000	\$ 22,450,000	\$ 45,016,194	\$ 46,586,662	\$ 63,580,258	\$ 60,117,258	\$ 82,749,628	\$ 124,176,353	\$ 133,183,034	\$ 126,869,816
Debt as % of Assessed Value	1.52%	1.52%	2.90%	2.75%	2.81%	2.51%	3.29%	4.62%	4.81%	3.99%

Note - The City has no legal debt limit.

CITY OF FRANKLIN, TENNESSEE

Debt Capacity Information -
Water & Sewer Fund
Pledged-Revenue Coverage, Last Ten Fiscal Years

Fiscal Year	Gross Revenues*	Contributions, Taps, & Access Fees	Direct Operating Expense**	Net Revenue Available for Debt Service	Debt Service Requirements ***			Coverage
					Principal	Interest	Total	
2012	\$ 21,246,536	\$ 5,307,632	\$ 15,293,416	\$ 11,260,752	\$ 3,113,470	\$ 1,714,353	\$ 4,827,823	2.33
2011	19,592,351	3,841,390	14,961,368	8,472,373	3,032,418	1,493,066	4,525,484	1.87
2010	16,329,275	3,881,605	13,206,129	7,004,751	3,032,418	1,553,890	4,586,308	1.53
2009	16,637,366	8,613,893	13,584,035	11,667,224	2,180,000	1,605,445	3,785,445	3.08
2008	14,683,178	9,909,838	12,586,828	12,006,188	2,110,000	1,652,048	3,762,048	3.19
2007	14,549,921	6,477,369	11,370,863	9,656,427	2,040,000	1,757,609	3,797,609	2.54
2006	14,051,415	3,371,583	11,146,363	6,276,635	1,965,000	1,900,607	3,865,607	1.62
2005	12,964,822	5,617,974	9,738,762	8,844,034	2,201,850	1,302,931	3,504,781	2.52
2004	12,010,756	3,367,954	9,470,639	5,908,071	1,585,000	851,025	2,436,025	2.43
2003	12,202,987	1,972,391	9,072,951	5,102,427	1,370,000	822,734	2,192,734	2.33

* Includes nonoperating revenues
 ** Excludes depreciation and amortization
 *** Includes revenue and tax bonds

CITY OF FRANKLIN, TENNESSEE

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

Year	Population *	Personal Income **	Per Capita Personal Income ***	Education Level in		School Enrollment ****	Unemployment Rate *****
				Years of Schooling *****	Years of Schooling *****		
2012	62,487	\$3,407,978,493	\$54,539	14.5	12,058	5.9%	
2011	62,487	3,336,305,904	53,392	14.5	12,229	7.2%	
2010	56,219	3,132,354,023	55,717	14.5	11,193	7.5%	
2009	56,219	3,132,354,023	55,717	14.4	10,950	8.3%	
2008	56,219	3,132,354,023	55,717	14.4	10,489	4.4%	
2007	49,412	2,705,554,060	54,755	14.4	9,138	3.8%	
2006	49,412	2,561,567,492	51,841	13.9	9,057	3.5%	
2005	46,416	2,272,852,272	48,967	13.9	8,355	2.8%	
2004	46,416	2,115,780,528	45,583	13.9	8,144	3.7%	
2003	41,842	1,776,946,056	42,468	13.9	7,753	3.7%	

* Tennessee Certified Population reports

** Personal Income is calculation of Population times Per Capita Personal Income

*** U.S. Bureau of Economic Analysis (BEA) for Williamson County: 2009 is most recent year available

**** Williamson County Office of Economic Development, for Adults Age 25 or Older

***** Tennessee Department of Education Annual Reports. Population of Franklin is compared to County's to estimate from total county students the enrollment from Franklin.

***** Tennessee Department of Labor and Workforce Development

CITY OF FRANKLIN, TENNESSEE

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

Employer	2003			2012		
	Employees *	Rank	Percentage of Total City Employment	Employees **	Rank	Percentage of Total City Employment
Cool Springs Galleria Mall	3,500	1	8.81%	3,500	1	5.95%
Community Health Systems				2,153	2	3.66%
Williamson Medical Center	1,100	3	2.77%	1,397	3	2.38%
Verizon				1,300	4	2.21%
Nissan Americas				1,200	5	2.04%
Healthways				900	6	1.53%
Primus/Ford Motor Credit	2,400	2	6.04%	800	7	1.36%
Mars Petcare US				742	8	1.26%
Lee Co.	700	4	1.76%	625	9	1.06%
Medsolutions				550	10	0.94%
Progeny Marketing Innovations	625	5	1.57%			
AIM Healthcare	500	6	1.26%			
Atmos Energy	454	7	1.14%			
Plus Mark	450	8	1.13%			
LDM Technologies	380	9	0.96%			
Apcom, Inc.	350	10	0.88%			
Total	10,459		26.31%	13,167		22.39%

* City's 2003 Comprehensive Annual Financial Report

** Williamson County Office of Economic Development

CITY OF FRANKLIN, TENNESSEE

Operating Information -
Full-Time Equivalent City Government Employees by Function / Program, Last Ten Fiscal Years

Function/Program	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Administration	17	18	10	11	9	9	9	5	5	6
Building and Neighborhood Services	17	18	20	23	25	27	27	28	28	27
Capital Investment Planning	*	*	*	*	*	*	*	2	2	2
Communications	*	*	1	1	1	1	1	3	3	3
Court	3	3	3	3	3	3	3	3	2	2
Engineering	7	7	8	6	9	11	9	8	8	10
Finance	10	11	11	11	11	11	11	11	11	9
Fire	119	131	138	142	156	158	158	158	158	158
HR	5	5	5	6	6	6	8	8	9	10
Law	*	*	*	*	3	3	3	3	4	4
MIT	9	9	9	10	14	17	17	17	17	17
Parks	11	14	15	18	20	25	29	29	30	33
Planning and Sustainability	9	9	9	11	12	13	17	18	18	16
Police	136	141	151	160	169	176	176	176	175	175
Projects and Facilities Management	*	*	5	5	5	5	5	7	6	6
Purchasing	*	*	*	*	2	2	2	2	2	3
Revenue Management	*	*	7	7	11	14	14	14	13	15
Solid Waste	42	46	49	51	53	56	59	51	51	52
Stormwater	5	5	9	9	11	11	11	11	11	16
Streets	34	35	37	37	41	41	43	52	52	47
Traffic Operations Center	*	*	*	3	3	3	3	3	3	3
Water & Sewer	75	75	74	83	79	81	80	81	82	83
TOTAL	499	527	561	597	643	673	685	690	690	697

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

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

CITY OF FRANKLIN, TENNESSEE

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

Function/Program	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Police										
Calls for service	52,539	52,640	54,560	62,600	55,400	68,758	74,127	76,545	64,719	75,700
Fire										
Number of alarms	3,897	4,245	4,876	4,952	5,200	5,410	5,540	5,878	5,746	5,767
Sanitation										
Landfill usage	32,223	33,437	52,395	76,319	79,121	81,535	70,525	71,589	64,619	59,212
Recycling (tons)	*	*	*	*	*	*	5,957	5,233	5,556	6,209
Codes										
Single family permits	726	846	903	850	780	668	618	170	309	331
Water										
Average daily usage	6,100,548	5,797,010	4,529,169	6,035,953	6,066,378	5,860,000	5,675,000	5,300,000	5,704,268	5,872,863
Water storage capacity (gallons)	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	11,000,000	11,000,000	11,500,000	12,000,000	12,000,000**

Source: City of Franklin departments

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

** 500,000 gallons of storage is no longer in service.

CITY OF FRANKLIN, TENNESSEE

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

Function/Program	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Police										
Police stations	1	1	1	1	1	1	1	1	1	1
Police vehicles (radio equipped)	113	119	127	139	131	133	149	136	133	152
Fire										
Fire stations	5	5	5	5	5	6	6	6	6	6
Fire trucks	12	12	14	15	17	17	19	19	19	19
Fire hydrants	1,953	1,975	1,981	1,915	1,916	1,954	2,045	2,074	1,957	3,155*
Street										
Streets (miles)	212	235	250	275	290	287	283	283	285	286
Parks										
Number of parks	6	6	6	6	9	10	16	16	16	16
Water										
Water lines (miles)	298	300	301	275	285	274	272	276	284	283
Sewer lines (miles)	219	223	227	311	328	337	347	350	355	352

Source: City of Franklin departments

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

INTERNAL CONTROL AND COMPLIANCE SECTION



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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Franklin, Tennessee (the "City"), as of and for the year ended June 30, 2012 (except for the Fiduciary Pension Fund, which was as of and for the year ended December 31, 2011), which collectively comprise the City's basic financial statements and have issued our report thereon dated December 7, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The City's management is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



Compliance and Other Matters

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

We noted certain matters that we reported to management of the City in a separate letter, dated December 7, 2012.

This report is intended solely for the information and use of management, the Board of Mayor and Aldermen, others within the City, federal awarding agencies and pass-through entities, and the Comptroller of the Treasury, State of Tennessee and is not intended to be and should not be used by anyone other than these specified parties.

Crosslin & Associates, P.C.

Nashville, Tennessee
December 7, 2012



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

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

Compliance

We have audited the City of Franklin, Tennessee's (the "City") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget ("OMB") Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2012. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

The City's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.



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

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

This report is intended solely for the information and use of management, the Board of Mayor and Aldermen, others within the City, federal awarding agencies and pass-through entities and the Comptroller of the Treasury, State of Tennessee and is not intended to be and should not be used by anyone other than these specified parties.

Crosslin & Associates, P.C.

Nashville, Tennessee
December 7, 2012

CITY OF FRANKLIN, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:	<u>Unqualified</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 programs: Unqualified

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

Federal Transit Cluster:		
20.500 - Federal Transit Administration Capital Grants	\$	62,942
20.507 - Federal Transit Administration Capital Grants, including ARRA		410,848
20.205 - Transportation Planning and Construction, including ARRA		376,295
97.039 - Hazard Mitigation		275,848
	<u>\$</u>	<u>1,125,933</u>

Dollar threshold used to distinguish between Type A and Type B programs:	\$	<u>300,000</u>
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Auditee qualified as low-risk auditee?	_____ yes	<u> X </u> no
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CITY OF FRANKLIN, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Cont.)
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

SECTION II - FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III - FEDERAL AUDIT FINDINGS AND QUESTIONS COSTS

None reported.

SECTION IV - SUMMARY OF PRIOR AUDIT FINDINGS

All prior year audit findings have been resolved.