

City of Franklin, Tennessee

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2014



Excellence • Innovation • Teamwork • Integrity • Action-Oriented

CITY OF FRANKLIN, TENNESSEE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Prepared by:
City of Franklin
Department of Finance

CITY OF FRANKLIN, TENNESSEE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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INTRODUCTORY SECTION



HISTORIC
F R A N K L I N
TENNESSEE

ADMINISTRATION



Dr. Ken Moore
Mayor

Eric S. Stuckey
City Administrator

HISTORIC
FRANKLIN
TENNESSEE

December 9, 2014

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, 2014.

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

Crosslin & Associates, P.C., a firm of licensed certified public accountants, have audited the City of Franklin's financial statements. The goal of the independent audit was to provide reasonable assurance that the basic financial statements of the City of Franklin for the fiscal year ended June 30, 2014, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City of Franklin's financial statements for the year ended June 30, 2014 are fairly presented in all material respects in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

Profile of the government

The City of Franklin, incorporated in 1799, is located in Middle Tennessee. The local economy is a well-balanced blend of financial, agricultural, wholesale, retail, manufacturing, and service industries. No single industry is critical to the region's economy. The City covers an area of 41 square miles, and serves a population of 66,370 according to the 2013 special census. The City is one of the fastest growing municipalities in the State of Tennessee, with the population increasing by 44% since the 2000 census. The City is empowered to levy both real and personal properties located within its boundaries. In addition, it is empowered by State statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the governing board.

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

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

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

Three meetings of the full board and a public hearing are necessary for approving the budget. Although the legal level of budgetary control is at the fund level, the budget is prepared by fund, function, and department. Additional appropriations in a fund require two readings by the Board, one of which is a public hearing. Budget-to-actual comparisons are provided within this report for each individual governmental fund for which a budget has been adopted. For the General Fund, this comparison is presented beginning on page 20 as part of the basic financial statements. For the other governmental funds with appropriated annual budgets, the comparisons are presented beginning on page 66.

Local economy

The City of Franklin generally enjoys a favorable economic environment and local indicators point to continued stability. The region has a varied commercial and industrial base, which adds to employment stability with the State's lowest rate of unemployment (of cities with a population of 25,000 or more). The local economy is a well-balanced blend of financial, agricultural, wholesale, retail, manufacturing and service industries. Residential and commercial development in the area has spurred continuing growth.

Since the 1991 opening of the Cool Springs Galleria, one of Tennessee's largest retail-shopping facilities with over one million square feet, the mall area has continued to develop with over 150 stores and restaurants. It is anchored by Belk, Dillard's, JCPenney, and Macy's. Expansion plans are underway for the Belk store, as well as the arrival of H&M, American Girl, and the Cheesecake Factory.

Sufficient vacant property, zoned for retail use, is available for further development. According to Colliers Nashville Market Report 2nd quarter 2014, the area has a low vacancy rate of available space (3.4% office and 4.0% retail) with new "Class A" office space continuing to be developed. The surrounding road network has been vastly improved with many of the upgrades at developer cost.

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

Long-term financial planning and major initiatives

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

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

Relevant financial policies

The City has adopted financial policies related to investments, General Fund reserves, debt management, and utilization of reserve funds. The investment policy, updated in December 2011, provides for the primary objectives, in order of priority, of investment activities of non-pension funds shall be safety, liquidity, and return. The reserve policy establishes an emergency and cash flow reserve of a minimum of 33% of budgeted General Fund expenditures. For fiscal year 2014, this represents slightly more than \$18.8 million. The debt policy provides written guidance and restrictions for the amount and type of debt the City will issue, the issuance process, and the management of the debt portfolio. In August 2012, the City adopted a policy for the utilization and replacement of committed funds. In October 2014, the City adopted a pension funding policy.

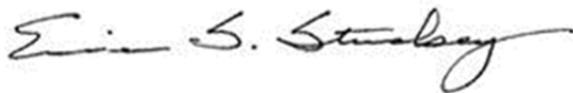
The City continues to explore adopting additional best practice financial policies including internal controls, budgeting, revenues, economic development, enterprise risk management, capital improvements, and reserves for funds other than the General Fund.

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, 2013. This was the twenty-third (23rd) consecutive year that the government received this prestigious award. In order to be awarded a Certificate of Achievement, the government is required to publish an easily readable and efficiently organized CAFR. This report satisfies both GAAP and applicable legal requirements. The Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

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

Respectively submitted,



Eric S. Stuckey
City Administrator

CITY OF FRANKLIN, TENNESSEE
GFOA CERTIFICATE OF ACHIEVEMENT



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Franklin
Tennessee**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

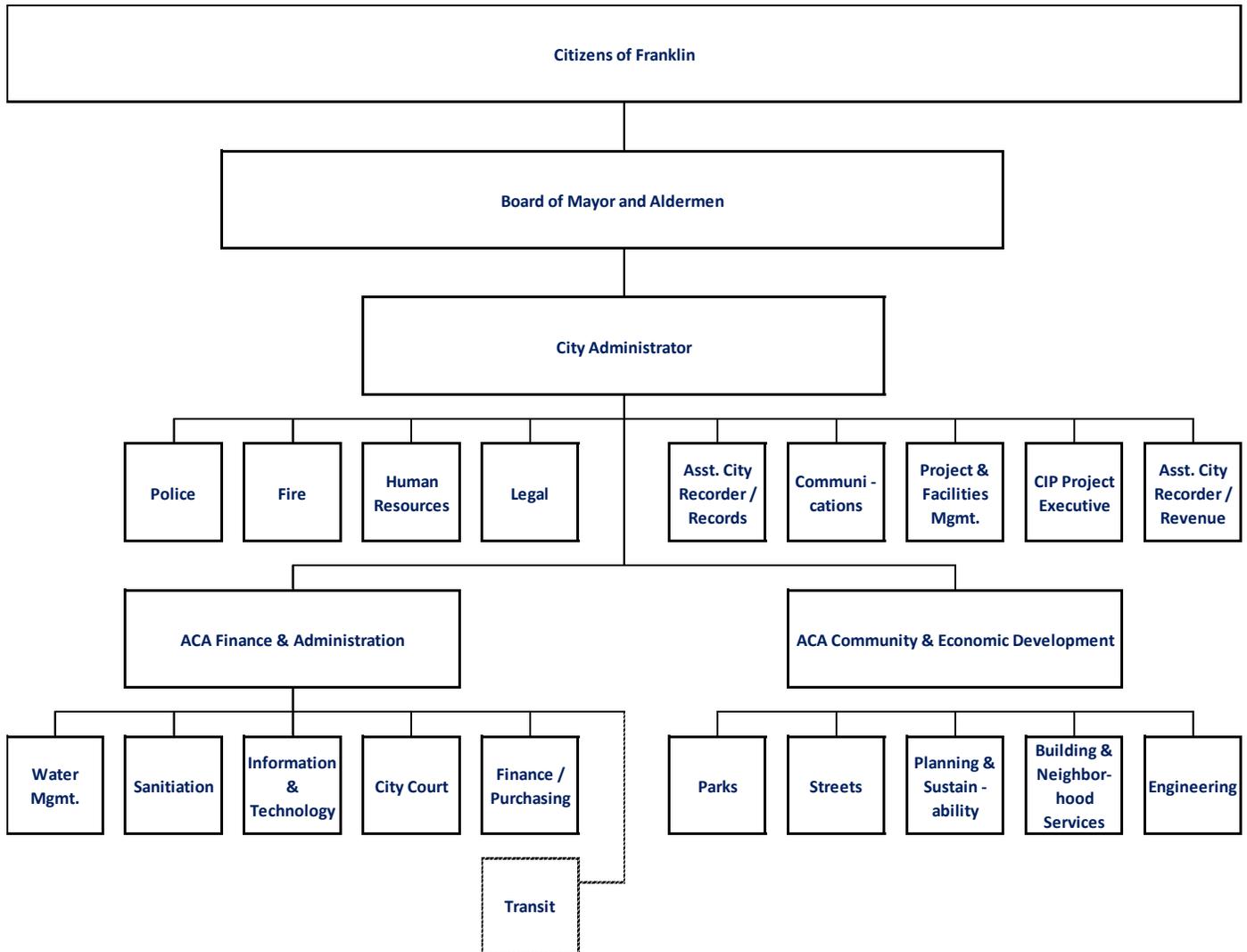
June 30, 2013

A handwritten signature in black ink, reading "Jeffrey R. Egan". The signature is written in a cursive, flowing style.

Executive Director/CEO

CITY OF FRANKLIN, TENNESSEE ORGANIZATIONAL CHART

FOR THE FISCAL YEAR ENDED JUNE 30, 2014



CITY OF FRANKLIN, TENNESSEE
LIST OF ELECTED AND APPOINTED OFFICIALS
 JUNE 30, 2014

Elected Officials

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

Appointed Officials

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

FINANCIAL SECTION



HISTORIC
F R A N K L I N
TENNESSEE



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Franklin, Tennessee (the "City") as of and for the year ended June 30, 2014, (except for the Fiduciary Pension Fund, which is as of December 31, 2013 and for the year then ended) and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Franklin, Tennessee, as of June 30, 2014 (except for the Fiduciary Pension Fund which is as of December 31, 2013), and the respective changes in financial position, and, where applicable, cash flows thereof and the budgetary comparison for the general fund for the year then ended (except for the Fiduciary Pension Fund, which is for the year ended December 31, 2013), in accordance with accounting principles generally accepted in the United States of America.



Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 11, the schedules of funding progress – employee retirement system on page 61, and the schedules of employer contributions – employee retirement system on page 62 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

The introductory section, the supplementary schedules marked "unaudited," and the statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2014, on our consideration of the City of Franklin, Tennessee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Crosslin & Associates, P.C.

Nashville, Tennessee
December 9, 2014

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, 2014. 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, and in conjunction with the basic financial statements, starting on page 12 of this report.

Financial Highlights:

- **Net Position.** The assets and deferred outflow of resources of the City of Franklin exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$651,001,955, compared to \$604,978,194 in the previous fiscal year. Of this amount, \$44,714,016 (unrestricted net position) may be used to meet government's ongoing obligations to citizens and creditors.
- **Fund Balances.** At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$29,057,344. In the prior year, this amount was \$38,535,195. The decrease of \$9,477,851 is due primarily to spending on various capital projects in advance of bond issuance.
- **General Fund – Fund Balance.** At the end of the current fiscal year, fund balance in the General Fund is \$32,714,451, or 62% of General Fund expenditures (including transfers to other funds) of \$53,094,171. The fund balance increased \$3,824,333 from the prior year. The primary impacts on the fund balance in 2014 are cost containment measures implemented by the City to stay within current revenues, personnel vacancies, budgeted capital costs in the Traffic Operations Center department that were not incurred, and receipts from developers for in lieu of parkland fees.
- **Capital Assets.** The City has undertaken several infrastructure projects including improvements to Hillsboro Road, Carothers Parkway, McEwen Drive, 3rd Avenue North, and Carlisle Lane.
- **Debt.** The City's debt (bonds, notes, and capital leases) increased by \$8,358,329 (from \$165,909,595 to \$174,267,924) during the current fiscal year. Governmental activities issued \$17,405,000 of fixed rate debt. Governmental activities had \$2,021,511 in new capital leases. A total of \$9,974,351 (\$6,670,000 governmental and \$3,304,351 business-type) debt was repaid during the year.
- **Budget.** The City's 2014 original General Fund budget had no draw from accumulated fund balance. Although the final budget included a draw of up to \$1.5 million, actual results showed an increase in fund balance by over \$3.8 million.

Overview of the Financial Statements:

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

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

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

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

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 2014. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Debt Service Fund, and the Multi-Purpose Capital Project Fund, which are considered to be major funds. Data from the other nonmajor governmental funds is combined into a single, aggregated presentation in the form of combining statements on pages 64 and 65 of this report.

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

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

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the Water and Sewer Fund, which is considered to be a major fund. The *basic proprietary fund financial statements* can be found on pages 29 through 32 of this report.

Fiduciary Funds. A fiduciary fund is used to account for resources held for the benefit of parties outside the government. The City uses a fiduciary fund to account for its pension plan. The fiduciary fund is not reflected in the government-wide financial statements because the resources of these funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used in proprietary funds. The *basic fiduciary fund financial statements* can be found on pages 33 through 34 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 35 through 60 of this report.

Government-wide Financial Analysis

Over time, as noted earlier, net position may serve as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows exceeded liabilities and deferred inflows by \$651,001,955 at the close of the most recent fiscal year.

**CITY OF FRANKLIN, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014**

Financial Analysis of the Financial Statements:

City of Franklin's Net Position

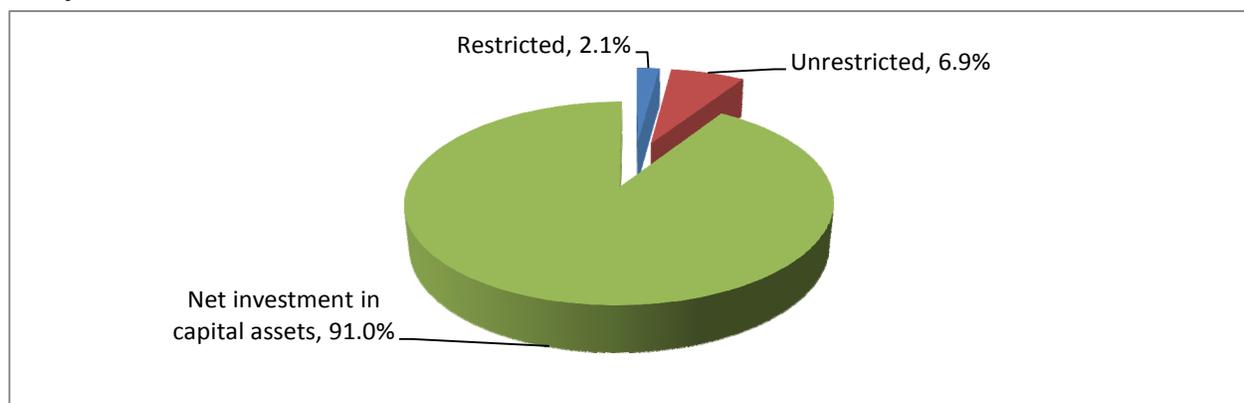
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Current and other assets	\$ 75,604,257	\$ 76,023,557	\$ 30,161,761	\$ 26,419,301
Capital assets, net of accumulated depreciation	599,950,118	553,336,286	160,402,472	155,290,540
Total assets	<u>675,554,375</u>	<u>629,359,843</u>	<u>190,564,233</u>	<u>181,709,841</u>
Deferred outflows of resources	357,688	437,949	1,203,054	1,314,582
Long-term liabilities outstanding	144,025,014	131,827,700	43,192,179	46,577,912
Other liabilities	14,473,783	16,180,594	1,995,227	1,648,315
Total liabilities	<u>158,498,797</u>	<u>148,008,294</u>	<u>45,187,406</u>	<u>48,226,227</u>
Deferred inflows of resources	12,991,192	11,609,500	-	-
Net position:				
Net investment in capital assets	473,270,481	427,956,937	119,141,240	110,724,957
Restricted	484,412	145,326	13,391,806	8,150,100
Unrestricted	30,667,181	42,077,735	14,046,835	15,923,139
Total net position	<u>\$ 504,422,074</u>	<u>\$ 470,179,998</u>	<u>\$ 146,579,881</u>	<u>\$ 134,798,196</u>

The government's net position increased by \$46,023,761. A portion of the increase is attributed to the acquisition of capital assets (less depreciation and new debt). A significant portion of the remaining increase is from reduced spending through efforts by the City's Board and departments to contain expenses without reducing service levels.

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

By far, the largest portion of the City's net position, \$592,411,721, or 91.0%, reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less the portion of related debt outstanding used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be liquidated to repay these liabilities. A portion of the City's net position, \$13,876,218, or 2.1%, represents resources that are subject to external restriction on how they may be used. The remaining balance of \$44,714,016, or 6.9%, is unrestricted net position that may be used to meet the government's ongoing obligations to citizens and creditors.

Percent of Net Position – 2014



**CITY OF FRANKLIN, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014**

Financial Analysis of the Financial Statement (Continued):

Governmental and business-type activities increased the City's net position by \$34,242,076 and \$11,781,685, respectively. Key elements of this increase are as follows:

City of Franklin's Changes in Net Position

	Governmental Activities		Business-Type Activities	
	2014	2013	2014	2013
Revenues:				
Program revenues:				
Charges for services	\$ 12,239,526	\$ 12,918,523	\$ 23,099,351	\$ 22,116,747
Operating grants & contributions	4,317,671	4,489,556	-	-
Capital grants & contributions	32,121,297	24,640,622	11,263,738	6,728,662
General revenues:				
Property taxes	11,878,892	11,659,973	-	-
Sales taxes	27,254,742	25,995,733	-	-
Other taxes and fees	30,286,052	24,254,006	-	-
Other	(790,266)	4,630,117	113,591	140,371
Total Revenues	<u>117,307,914</u>	<u>108,588,530</u>	<u>34,476,680</u>	<u>28,985,780</u>
Expenses:				
General government:				
Elected officials	297,496	183,406	-	-
Administration	456,302	492,554	-	-
Human resources	951,829	787,765	-	-
Legal	466,434	293,197	-	-
Communications	319,154	304,243	-	-
Capital investment planning	184,077	162,049	-	-
Project & facilities management	802,988	710,947	-	-
Revenue management	304,303	176,518	-	-
Finance	717,444	700,548	-	-
Information & technology	4,213,881	4,756,627	-	-
Purchasing	165,711	141,705	-	-
Court	214,427	220,481	-	-
Building & neighborhood services	2,351,310	2,164,831	-	-
Planning	1,425,121	1,235,714	-	-
Engineering	696,853	648,601	-	-
Traffic operations center	723,312	658,063	-	-
General	1,949,294	2,442,032	-	-
Police	14,538,599	14,363,457	-	-
Fire	13,939,150	13,540,246	-	-
Parks	4,244,661	3,866,135	-	-
Streets-maintenance	17,058,959	15,571,631	-	-
Streets-traffic	1,367,810	860,044	-	-
Streets-fleet	902,173	601,240	-	-
Sanitation	7,279,885	7,837,722	-	-
Storm water	2,016,390	1,622,743	-	-
Transit	1,736,112	1,623,600	-	-
Interest expense on long-term debt:	3,742,163	3,679,511	-	-
Water & sewer:	-	-	22,694,995	21,973,257
Total expenses	<u>83,065,838</u>	<u>79,645,610</u>	<u>22,694,995</u>	<u>21,973,257</u>
Changes in net position	34,242,076	28,942,920	11,781,685	7,012,523
Net position, beginning of year	470,179,998	441,237,078	134,798,196	127,785,673
Net position, end of year	<u>\$ 504,422,074</u>	<u>\$ 470,179,998</u>	<u>\$ 146,579,881</u>	<u>\$ 134,798,196</u>

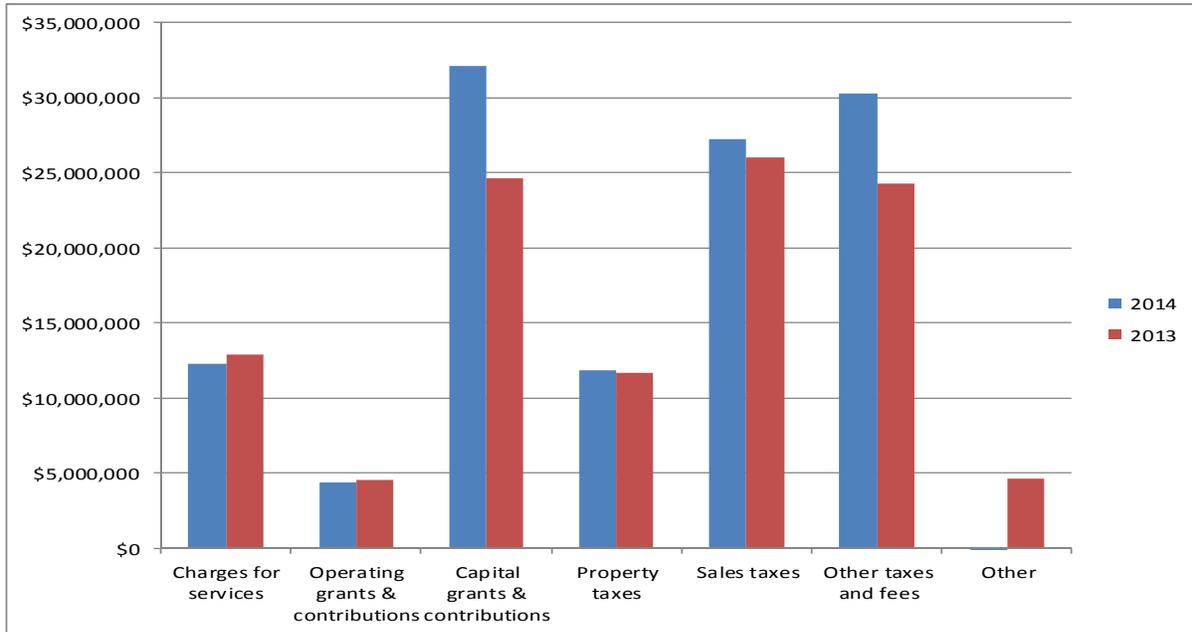
**CITY OF FRANKLIN, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014**

Financial Analysis of the Financial Statements (Continued):

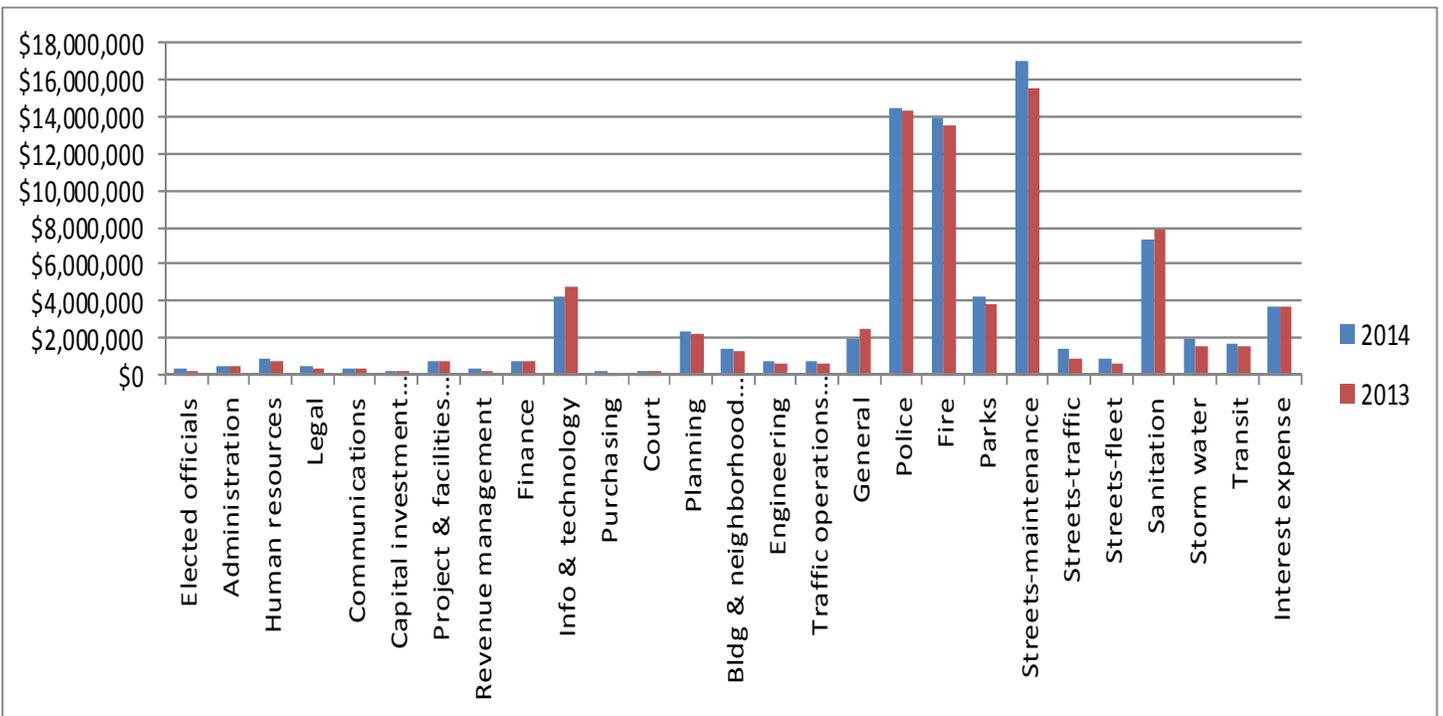
Governmental Activities

Revenues for governmental activities increased approximately 8.0% due primarily to increased road impact fees, facilities tax and local sales tax collections. The overall increase in current expenses of governmental activities amounted to approximately 4.3%.

Revenues – Governmental Activities



Expenses – Governmental Activities

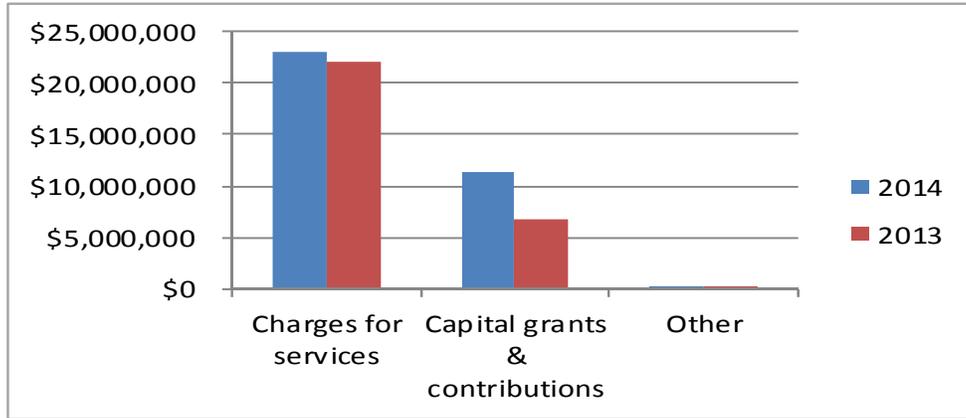


Financial Analysis of the Financial Statements (Continued):

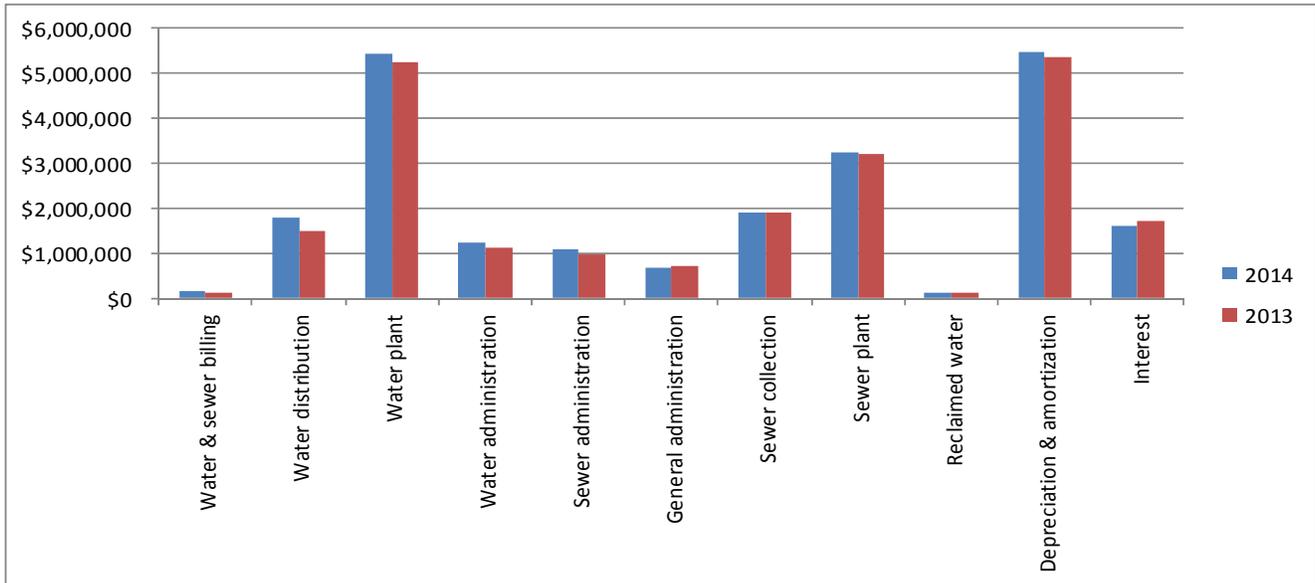
Business-Type Activities

Revenues for business-type activities increased 18.9%. The primary factor underlying the increase was rate increases effective January 1, 2014, along with increased capital contributions. Expenses of the business type-activities increased approximately 3.3%.

Revenues – Business-type Activities



Expenses – Business-type Activities



Financial Analysis of the Financial Statements (Continued):

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

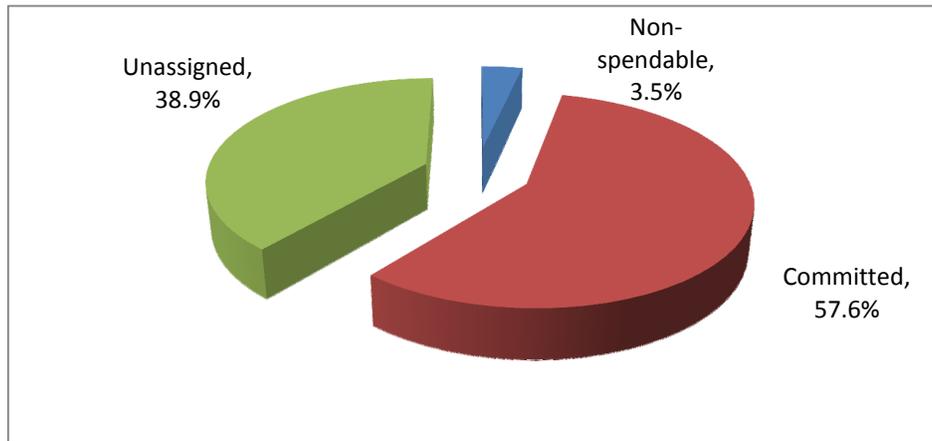
Governmental Funds

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$29,057,344, a decrease of \$9,477,851 in comparison with the prior year of \$38,535,195. The decrease is due primarily to spending on approved capital projects in the Multi-Purpose Capital Projects Fund, including infrastructure projects on Hillsboro Road, Carothers Parkway, McEwen Drive, 3rd Avenue North, and Carlisle Lane.

The General Fund is the chief operating fund of the City. The 2014 ending fund balance of \$32,714,451 has the following composition: An amount of \$1,141,340, or 3.5%, is non-spendable for inventory and prepaid items. An amount of \$18,851,896, or 57.6%, 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 \$12,721,215, or 38.9%, is unassigned.

General Fund - Fund Balance Composition – 2014



The most significant continuing revenue sources in the General Fund are derived from taxes. Of total General Fund revenues, \$37,257,627, or 65.5%, was from taxes. Local option sales tax increased by \$1,259,009 (from \$25,995,733 to \$27,254,742). The increase in local option sales tax is a positive sign of economic recovery. This revenue has been the City's most significant due to the retail success in the Cool Springs area and continued growth of commercial properties, including new corporate and regional headquarters in the area. Property taxes decreased by \$189,429 (from \$6,449,332 to \$6,259,903) as a greater percent of the tax was assigned to the debt service fund.

The Debt Service Fund, which receives property taxes for debt previously paid by the General Fund, and transfers from the Sanitation Fund, Road Impact Fund, and Hotel/Motel Tax Fund for their portion of debt, had a fund balance of \$195,118. This amount is consistent with the City's goal for a minimal year-end balance after paying annual debt service.

In the Road Impact, due to stronger collections in 2014 and a small transfer from the General Fund at year-end, the Road Impact Fund was at breakeven. Anticipated collections from new development are expected to increase the fund balance.

Due to strong collections, the facilities taxes saw its fund balance increase from \$3.1 million to \$6.3 million. Almost \$750,000 was spent from the fund for growth-related expenditures in the fire (\$145,000), parks (\$153,000) and sanitation (\$452,000) departments.

Financial Analysis of the Financial Statements (Continued):

In the Hotel/Motel Tax Fund, the fund balance was increased by approximately \$500,000 for grant receivables that were not received in time to be available as revenue in 2013. The fund, budgeted to include tourism/parks/streetscape project expenditures, had an increase in fund balance from \$1.1 million to nearly \$2.0 million.

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 2014 are as follows: The original General Fund budget of \$57,901,958 included no allocation from accumulated fund balance. It was amended during the first quarter to reduce expenditures by \$2,275,000 (and an equivalent amount in revenue) to show interfund services provided to other funds as reduction of expenditures instead of revenue. In the second quarter, \$80,000 was budgeted in the General Fund for organization changes in the planning and engineering departments, as well as an increase in budgeted revenues in the Road Impact Fee fund to match budgeted expenditures. There were no amendments in the third quarter. Then, in the fourth quarter, the budget was amended to include a budgeted transfer of up to \$1.5 million to ensure no budgeted fund had a cash or fund balance deficit at fiscal year-end.

With these amendments, the final General Fund budget equaled \$57,126,958. Due primarily to the combination of (a) cost containment measures, (b) personnel vacancies, (c) unused capital budgeted in the Traffic Operations Center department, and (d) receipts from developers for in lieu of parkland fees of over \$2 million, actual results ended with a surplus for the year of \$3,824,333 increasing the fund balance to \$32,714,451.

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, 2014, is \$760,352,590 (net of accumulated depreciation). This net 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 \$31,780,169 in developer-contributed road and drainage assets.
- \$2,021,511 in leases permitted acquisition of vehicles for the fleet, parks, and sanitation departments, equipment in the streets department, and technology equipment for information technology and human resources.
- Progress continued toward the opening of its new consolidated public works facility in July 2014.
- Progress continued to prepare a contract for the redesign of Mack Hatcher Parkway Northwest Extension as a 2-lane limited access road.
- Construction was completed on May 15, 2014, on the Mack Hatcher Parkway Northeast widening.
- Construction was almost complete on Hillsboro Road Improvements (from State Route 96W to Independence Square).
- The McEwen Drive Temporary Connector was substantially complete on November 22, 2013.
- Construction is almost complete on the 3rd Avenue Extension.
- Construction of the Carothers Parkway South Extension began in September 2013 with estimated completion in November 2015.
- Construction began in July 2013 on the McEwen Driver at Wilson Pike Intersection Improvements.
- Utility work on the I-65 widening/Goose Creek Interchange was completed on May 2, 2014.

**CITY OF FRANKLIN, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014**

Capital Asset and Debt Administration (Continued):

City of Franklin's Capital Assets

	Governmental	Business-Type	Total
	<u>Activities</u>	<u>Activities</u>	
Land	\$ 52,508,430	\$ 5,288,148	\$ 57,796,578
Construction in Progress	31,357,266	4,371,749	35,729,015
Buildings and Improvements	70,265,628	11,291,016	81,556,644
Improvements other than Buildings	23,636,086	-	23,636,086
Utility Plant in Service	-	204,986,309	204,986,309
Infrastructure	549,252,756	-	549,252,756
Machinery & Equipment	<u>50,677,465</u>	<u>4,429,534</u>	<u>55,106,999</u>
Total Capital Assets	777,697,631	230,366,756	1,008,064,387
Less Accumulated Depreciation	<u>(177,747,513)</u>	<u>(69,964,284)</u>	<u>(247,711,797)</u>
Net Capital Assets	<u>\$ 599,950,118</u>	<u>\$ 160,402,472</u>	<u>\$ 760,352,590</u>

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

City of Franklin's Outstanding Debt

At the end of the current year, the City of Franklin had bonded debt and capital leases of \$174,267,924. Of this amount, \$129,722,000 comprises general obligation bonds backed by the full faith and credit of the government, and \$41,261,232 of Revenue and Tax Bonds secured by both the taxing power of the City and specific revenue sources (i.e., revenue and tax bonds) of the Water & Sewer fund.

	Governmental	Business-Type	Total
	<u>Activities</u>	<u>Activities</u>	
General Obligation Bonds	\$ 129,722,000	\$ -	\$ 129,722,000
Governmental-Activities Capital Leases	3,284,692	-	3,284,692
Revenue and Tax Bonds	<u>-</u>	<u>41,261,232</u>	<u>41,261,232</u>
Total Outstanding Debt	<u>\$ 133,006,692</u>	<u>\$ 41,261,232</u>	<u>\$ 174,267,924</u>

The City's debt (bonds, notes, and capital leases) increased by \$8,358,329 (from \$165,909,595 to \$174,267,924) during the current fiscal year. Governmental activities issued \$17,405,000 in fixed rate debt. Governmental activities had \$2,021,511 in new capital leases. A total of \$9,974,351 (\$6,670,000 governmental and \$3,304,351 business-type) debt was repaid during the year. A total of \$1,093,831 of governmental-activities capital leases was repaid during the year. The City of Franklin maintains an "Aaa" Rating for general obligation debt. This rating was first received by Moody's in 2000 and last affirmed in December 2013 by both Moody's and Standard & Poor's. State statutes impose no debt limit on the amount of general obligation debt a governmental entity may issue. Additional information on the City of Franklin's debt can be found in the notes to the financial statements section of this report beginning on page 47.

Economic Factors and Next Year's Budget and Rates:

The unemployment rate (not seasonally adjusted) for June 2014 for the City of Franklin was 5.3%, compared to the State of Tennessee's rate of 7.4% and a national average of 6.3%. All of these factors were considered in preparing the City's budget for fiscal year 2015. Similar to 2014, budgeted current revenues equal expenditures for the General Fund in the 2015 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



HISTORIC
FRANKLIN
TENNESSEE

CITY OF FRANKLIN, TENNESSEE
STATEMENT OF NET POSITION
 JUNE 30, 2014

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 11,686,527	\$ 12,383,797	\$ 24,070,324
Cash and cash equivalents-restricted	189,153	66,403	255,556
Investments	13,563,829	-	13,563,829
Investments-restricted	-	13,325,403	13,325,403
Receivables:			
Accounts, net of uncollectibles	4,256,771	4,073,039	8,329,810
Property taxes, net of uncollectibles	14,246,065	-	14,246,065
Grants	646,821	-	646,821
Special assessments	53,762	-	53,762
Intergovernmental, including \$295,259 restricted	3,646,303	-	3,646,303
Fines, net of uncollectibles	518,830	-	518,830
Local option sales tax	4,688,495	-	4,688,495
Other	2,485,571	-	2,485,571
Inventory	1,089,629	313,119	1,402,748
Prepaid items	97,724	-	97,724
Net investment in joint venture - Conference Center	5,793,697	-	5,793,697
Other assets	12,641,080	-	12,641,080
Capital assets, not being depreciated:			
Land	52,508,430	5,288,148	57,796,578
Construction in progress	31,357,266	4,371,749	35,729,015
Capital assets, net of accumulated depreciation:			
Buildings and improvements	58,026,154	2,334,173	60,360,327
Improvements other than buildings	16,190,782	-	16,190,782
Utility plant in service	-	147,398,170	147,398,170
Infrastructure	423,984,886	-	423,984,886
Machinery and equipment	17,882,600	1,010,232	18,892,832
Total assets	<u>675,554,375</u>	<u>190,564,233</u>	<u>866,118,608</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refundings	357,688	1,203,054	1,560,742
Total deferred outflows of resources	<u>357,688</u>	<u>1,203,054</u>	<u>1,560,742</u>

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

(Continued)

CITY OF FRANKLIN, TENNESSEE
STATEMENT OF NET POSITION (Cont.)
 JUNE 30, 2014

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
LIABILITIES			
Accounts payable	\$ 9,210,607	\$ 1,719,858	\$ 10,930,465
Accrued expenses	3,615,568	-	3,615,568
Accrued interest	1,357,094	275,369	1,632,463
Unearned revenue	290,514	-	290,514
Long-term liabilities:			
Derivative instruments - interest rate swaps	3,659,136	-	3,659,136
Due within one year	11,774,981	3,759,873	15,534,854
Due in more than one year	128,590,897	39,432,306	168,023,203
Total liabilities	<u>158,498,797</u>	<u>45,187,406</u>	<u>203,686,203</u>
DEFERRED INFLOWS OF RESOURCES			
January 1, 2014 property tax levy	12,991,192	-	12,991,192
Total deferred outflows of resources	<u>12,991,192</u>	<u>-</u>	<u>12,991,192</u>
NET POSITION			
Net investment in capital assets	473,270,481	119,141,240	592,411,721
Restricted for:			
Grant program use	23,717	-	23,717
State street aid	295,259	-	295,259
Drug fund use	165,436	-	165,436
Water and sewer	-	13,391,806	13,391,806
Unrestricted	30,667,181	14,046,835	44,714,016
Total net position	<u>\$ 504,422,074</u>	<u>\$ 146,579,881</u>	<u>\$ 651,001,955</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, 2014

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities
			Capital Grants and Contributions		Total
Primary government					
Governmental activities:					
Elected officials	\$ 297,496	\$ -	\$ -	(297,496)	\$ -
Administration	456,302	-	-	(456,302)	(456,302)
Human resources	951,829	-	-	(951,829)	(951,829)
Legal	466,434	-	-	(466,434)	(466,434)
Communications	319,154	-	-	(319,154)	(319,154)
Capital investment planning	184,077	-	-	(184,077)	(184,077)
Project & facilities management	802,988	-	-	(802,988)	(802,988)
Revenue management	304,303	-	-	(304,303)	(304,303)
Finance	717,444	-	-	(717,444)	(717,444)
Information & technology	4,213,881	-	-	(4,213,881)	(4,213,881)
Purchasing	165,711	-	-	(165,711)	(165,711)
Court	214,427	-	-	(214,427)	(214,427)
Building & neighborhood services	2,351,310	2,332,672	34,423	106,676	122,461
Planning	1,425,121	315,213	-	(1,109,908)	(1,109,908)
Engineering	696,853	-	45	(696,808)	(696,808)
Traffic operations center	723,312	-	-	(723,312)	(723,312)
General government	1,949,294	292,898	230,938	(1,425,458)	(1,425,458)
Public safety:					
Police	14,538,599	784,561	43,247	(13,710,791)	(13,710,791)
Fire	13,939,150	-	43,983	(13,895,167)	(13,895,167)
Parks	4,244,661	-	(29,261)	(4,273,922)	(4,273,922)
Streets-maintenance	17,058,959	7,400	2,883,399	17,846,416	17,846,416
Streets-traffic	1,367,810	-	-	(1,367,810)	(1,367,810)
Streets-fleet	902,173	-	-	(902,173)	(902,173)
Sanitation	7,279,885	6,084,125	-	(1,195,760)	(1,195,760)
Storm water	2,016,390	2,328,343	-	311,953	311,953
Transit	1,736,112	94,314	1,110,942	(530,856)	(530,856)
Interest and amortization on long-term debt	3,742,163	-	-	(3,742,163)	(3,742,163)
	83,065,838	12,239,526	4,317,671	(34,387,344)	(34,387,344)
Business-type activities:					
Water and sewer	22,694,995	23,099,351	-	11,263,738	11,668,094
Total primary government	\$ 105,760,833	\$ 35,338,877	\$ 4,317,671	\$ (34,387,344)	\$ 11,668,094
General revenues:					
Property taxes					
Sales taxes				11,878,892	11,878,892
Wholesale privilege tax				27,254,742	27,254,742
Beer privilege tax				1,507,185	1,507,185
Wholesale liquor tax				20,742	20,742
Liquor privilege tax				1,095,467	1,095,467
Business tax				87,065	87,065
Hotel/motel tax				9,001	9,001
Other state shared taxes				2,893,439	2,893,439
Access fees and taxes				11,018,994	11,018,994
Franchise taxes				11,177,587	11,177,587
Investment earnings (loss)				2,476,572	2,476,572
Other				(618,266)	(618,266)
Total general revenues				68,629,420	68,629,420
Transfers				-	-
Total general revenues and transfers				68,629,420	68,629,420
Change in net position				34,242,076	11,781,685
Net position - beginning of year				470,179,998	134,798,196
Net position - end of year				\$ 504,422,074	\$ 146,579,881

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

CITY OF FRANKLIN, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	<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	\$ 3,323,052	\$ 15,090	\$ 195,118	\$ 8,342,420	\$ 11,875,680
Investments	8,136,861	-	-	5,426,968	13,563,829
Receivables:					
Accounts	964,363	1,661,020	-	1,631,388	4,256,771
Property taxes, net of uncollectibles (\$115,747)	6,879,517	508,038	6,350,472	508,038	14,246,065
Grants	117,369	-	-	529,452	646,821
Special assessments	53,762	-	-	-	53,762
Intergovernmental	3,322,363	-	-	323,940	3,646,303
Fines, net of uncollectibles (\$224,273)	518,830	-	-	-	518,830
Local option sales tax	4,688,495	-	-	-	4,688,495
Other	2,331,419	143,339	-	10,813	2,485,571
Due from other funds	16,197,374	-	-	-	16,197,374
Inventory	1,043,616	-	-	46,013	1,089,629
Prepaid items	97,724	-	-	-	97,724
Total assets	<u>\$ 47,674,745</u>	<u>\$ 2,327,487</u>	<u>\$ 6,545,590</u>	<u>\$ 16,819,032</u>	<u>\$ 73,366,854</u>
LIABILITIES					
Accounts payable	5,395,349	2,839,230	-	976,028	9,210,607
Accrued expenses	2,473,068	-	-	-	2,473,068
Due to other funds	-	16,197,374	-	-	16,197,374
Unearned revenue	170,746	-	-	119,768	290,514
Total liabilities	<u>8,039,163</u>	<u>19,036,604</u>	<u>-</u>	<u>1,095,796</u>	<u>28,171,563</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue-property tax-Jan. 1, 2014 levy	5,624,644	508,038	6,350,472	508,038	12,991,192
Unavailable revenue-property taxes	153,754	-	-	-	153,754
Unavailable revenue-assessments	53,762	-	-	-	53,762
Unavailable revenue-hotel/motel taxes	-	-	-	128,637	128,637
Unavailable revenue-franchise fees	467,566	-	-	-	467,566
Unavailable revenue-court fines	511,449	-	-	-	511,449
Unavailable revenue-grant proceeds	109,956	-	-	60,611	170,567
Unavailable revenue-reimbursements	-	1,661,020	-	-	1,661,020
Total deferred inflows of resources	<u>6,921,131</u>	<u>2,169,058</u>	<u>6,350,472</u>	<u>697,286</u>	<u>16,137,947</u>
FUND BALANCES (DEFICITS):					
Non-Spendable	1,141,340	-	-	46,013	1,187,353
Restricted	-	-	-	484,412	484,412
Committed	18,851,896	-	195,118	12,524,477	31,571,491
Assigned	-	-	-	1,971,048	1,971,048
Unassigned	12,721,215	(18,878,175)	-	-	(6,156,960)
Total fund balances (deficits)	<u>32,714,451</u>	<u>(18,878,175)</u>	<u>195,118</u>	<u>15,025,950</u>	<u>29,057,344</u>
Total liabilities, deferred inflows of resources, and fund balances (deficits):	<u>\$ 47,674,745</u>	<u>\$ 2,327,487</u>	<u>\$ 6,545,590</u>	<u>\$ 16,819,032</u>	<u>\$ 73,366,854</u>

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

CITY OF FRANKLIN, TENNESSEE
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
 JUNE 30, 2014

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

Fund balance - total governmental funds (Page 15)		\$ 29,057,344
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	\$ 777,697,631	
Less related accumulated depreciation	(177,747,513)	
Other assets	<u>5,793,697</u>	605,743,815
Receivables not available to pay for current expenditures and, therefore, are unavailable in the funds		
		3,146,755
Net pension and OPEB assets are not financial resources and, therefore, are not reported in the governmental funds		
		12,641,080
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	(129,722,000)	
Leases outstanding	(3,284,692)	
Bond premiums and deferred loss on refunding	(833,714)	
Derivative instruments	(3,659,136)	
Employee benefits and other	<u>(7,310,284)</u>	(144,809,826)
Payables, such as accrued interest payable, are not due and payable in the current period, and therefore are not reported in the funds		
		<u>(1,357,094)</u>
Net position - governmental activities (Page 13)		<u>\$ 504,422,074</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, 2014

	<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	\$ 37,257,627	\$ -	\$ 5,357,261	\$ 6,613,585	\$ 49,228,473
Licenses and permits	7,375,835	-	-	4,021,752	11,397,587
Fines and fees	662,122	-	-	167,363	829,485
Charges for services	52,408	-	-	8,504,968	8,557,376
Intergovernmental	10,877,231	1,026,933	832,180	3,554,459	16,290,803
Use of money and property	376,208	-	2,205	243,606	622,019
Miscellaneous and other	317,073	331,363	-	-	648,436
Total revenues	<u>56,918,504</u>	<u>1,358,296</u>	<u>6,191,646</u>	<u>23,105,733</u>	<u>87,574,179</u>
Expenditures:					
Current:					
Elected officials	297,496	-	-	-	297,496
Administration	445,982	-	-	-	445,982
Human resources	897,948	12,771	-	-	910,719
Legal	463,730	-	-	-	463,730
Communications	317,233	-	-	-	317,233
Capital investment planning	183,594	-	-	-	183,594
Project & facilities management	729,970	-	-	-	729,970
Revenue management	359,289	-	-	-	359,289
Public safety:					
Police	13,849,781	-	-	128,165	13,977,946
Fire	13,247,910	-	-	20,903	13,268,813
Finance	716,542	-	-	-	716,542
Municipal information and technology	3,511,202	165,339	-	-	3,676,541
Purchasing	162,559	-	-	-	162,559
Court	236,117	3,740	-	-	239,857
Building & neighborhood services	2,279,517	42,107	-	-	2,321,624
Planning	1,419,450	-	-	-	1,419,450
Engineering	674,927	12,087	-	-	687,014
Traffic operations center	396,044	-	-	-	396,044
Parks	2,990,441	-	-	33,900	3,024,341
Streets-maintenance	3,359,926	449,484	-	2,198,896	6,008,306
Streets-traffic	1,203,491	77,478	-	-	1,280,969
Streets-fleet	773,916	100,387	-	-	874,303
General government	276,988	10,559,610	-	830,079	11,666,677
Sanitation	-	48,147	-	6,398,644	6,446,791
Storm water	-	-	-	1,918,130	1,918,130
Transit	-	-	-	1,553,237	1,553,237
Debt service	-	-	10,996,579	-	10,996,579
Capital outlay	1,447,890	29,007,421	-	2,112,664	32,567,975
Total expenditures	<u>\$ 50,241,943</u>	<u>\$ 40,478,571</u>	<u>\$ 10,996,579</u>	<u>\$ 15,194,618</u>	<u>\$ 116,911,711</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, 2014

	<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	\$ 6,676,561	\$ (39,120,275)	\$ (4,804,933)	\$ 7,911,115	\$ (29,337,532)
Other financing sources (uses):					
Issuance of debt	-	19,859,681	-	-	19,859,681
Refunding of debt	-	-	-	-	-
Transfers from other funds	-	-	4,915,322	2,852,228	7,767,550
Transfers to other funds	(2,852,228)	-	-	(4,915,322)	(7,767,550)
Total other financing sources (uses)	<u>(2,852,228)</u>	<u>19,859,681</u>	<u>4,915,322</u>	<u>(2,063,094)</u>	<u>19,859,681</u>
Net changes in fund balances	3,824,333	(19,260,594)	110,389	5,848,021	(9,477,851)
Fund balances - beginning	<u>28,890,118</u>	<u>382,419</u>	<u>84,729</u>	<u>9,177,929</u>	<u>38,535,195</u>
Fund balances (deficits) - ending	<u>\$ 32,714,451</u>	<u>\$ (18,878,175)</u>	<u>\$ 195,118</u>	<u>\$ 15,025,950</u>	<u>\$ 29,057,344</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, 2014

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

Net changes in fund balances - total governmental funds (Page 18) \$ (9,477,851)

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	\$ 32,567,975	
Disposals and adjustments of capital assets	(745,434)	
Depreciation expense	(16,988,878)	
Change in investment in joint venture - Conference Center	(378,637)	14,455,026

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	(99,110)	
Franchise fees	26,849	
Court fines	(82,039)	
Hotel/motel taxes	128,637	
Grant revenues	349,514	
Contributed capital assets	31,780,169	32,104,020

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

Bond issuance	(17,580,638)	
Lease issuance, including prior year unavailable proceeds	(2,279,043)	
Change in fair value of derivative instruments	(335,385)	
Lease payments	1,093,831	
Debt payments	6,670,000	(12,431,235)

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

Amortization of premiums and deferred refunding amounts	53,510	53,510
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Expenses and losses reported in the statement of activities that do not require the use of current financial resources are not reported as expenditures in the governmental funds and certain expenditures in the governmental funds are capitalized:

Pension and OPEB expense	9,969,664	
Employee benefits and other	(363,579)	
Accrued interest	(67,479)	9,538,606

Change in net position of governmental activities (Page 14) **\$ 34,242,076**

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

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Revenues:	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Taxes:				
Real and personal property taxes	\$ 6,040,528	\$ 6,040,528	\$ 6,259,903	\$ 219,375
Penalty and interest	50,000	50,000	35,819	(14,181)
TVA in lieu of tax	351,962	351,962	325,018	(26,944)
Sales tax	27,500,000	27,580,000	27,254,742	(325,258)
Beer tax	1,690,000	1,690,000	1,507,185	(182,815)
Beer privilege tax	23,000	23,000	20,742	(2,258)
Wholesale liquor tax	1,050,000	1,050,000	1,095,467	45,467
Liquor privilege tax	85,000	85,000	87,065	2,065
Mixed drink tax	625,000	625,000	662,684	37,684
Business tax	15,000	15,000	9,002	(5,998)
Total taxes	<u>37,430,490</u>	<u>37,510,490</u>	<u>37,257,627</u>	<u>(252,863)</u>
Licenses and permits:				
Mechanical licenses	5,500	5,500	3,500	(2,000)
Mechanical permits	157,500	157,500	183,383	25,883
Building permits	935,000	935,000	1,343,978	408,978
Plumbing licenses	3,100	3,100	3,224	124
Plumbing permits	135,000	135,000	145,525	10,525
Electric permits	315,000	315,000	281,106	(33,894)
Inspection Fees	104,100	104,100	128,058	23,958
Site review, rezoning and submittal fees	119,200	119,200	182,046	62,846
Beer permits and licenses	15,000	15,000	13,700	(1,300)
Yard sale permits	9,500	9,500	9,295	(205)
Business license	295,000	295,000	320,747	25,747
Alarm permits	21,000	21,000	29,130	8,130
Miscellaneous permits	5,100	5,100	2,300	(2,800)
Franchise taxes	2,275,000	2,275,000	2,449,724	174,724
In lieu of parkland fees	-	-	2,280,119	2,280,119
Total Licenses and permits	<u>4,395,000</u>	<u>4,395,000</u>	<u>7,375,835</u>	<u>2,980,835</u>
Fines and fees:				
Fines - city court	928,500	928,500	573,397	(355,103)
Fines - general sessions	70,000	70,000	71,762	1,762
Parking tickets	15,000	15,000	12,070	(2,930)
Confiscated Goods	-	-	-	-
Building & street standards appeals fees	1,000	1,000	-	(1,000)
Business tax fees	3,500	3,500	1,893	(1,607)
Tree bank fees	1,000	1,000	-	(1,000)
Beer board violations	1,000	1,000	3,000	2,000
Total Fines and fees	<u>1,020,000</u>	<u>1,020,000</u>	<u>662,122</u>	<u>(357,878)</u>

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

(Continued)

CITY OF FRANKLIN, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL (Cont.)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Revenues (Cont.):	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Charges for services:				
Regional fire training	1,000	1,000	3,000	2,000
Maps sold	2,000	2,000	1,476	(524)
Plans sold	4,000	4,000	700	(3,300)
Records sold	-	-	1,130	1,130
Accident reports	4,000	4,000	199	(3,801)
Fingerprinting fees	1,500	1,500	-	(1,500)
Offender registry	1,500	1,500	2,350	850
License seizure fees	1,500	1,500	675	(825)
Citizens academies	2,000	2,000	-	(2,000)
Background checks	1,000	1,000	-	(1,000)
3rd party billable overtime	50,000	50,000	35,478	(14,522)
Compost vouchers	5,000	5,000	7,400	2,400
Charge station fees	200	200	-	(200)
Total Charges for services	73,700	73,700	52,408	(21,292)
Intergovernmental:				
Admin charges to other funds	2,355,000	-	-	-
State income tax	915,000	915,000	1,996,034	1,081,034
Sales tax	4,820,000	4,820,000	4,496,081	(323,919)
State beer tax	37,000	37,000	29,568	(7,432)
State excise tax	30,000	30,000	94,685	64,685
In lieu of tax - TVA	750,000	750,000	691,474	(58,526)
Business tax from state	2,935,000	2,935,000	3,048,468	113,468
Federal and state financial assistance programs	2,476,767	2,476,767	520,921	(1,955,846)
Total Intergovernmental	14,318,767	11,963,767	10,877,231	(1,086,536)
Use of money and property:				
Interest income	225,000	225,000	189,013	(35,987)
Rebates on purchases	59,000	59,000	60,280	1,280
Rent - mall and other	1	1	1	-
Park concessions and rentals	35,000	35,000	46,731	11,731
Sale of surplus assets	25,000	25,000	79,364	54,364
Electric charging stations	-	-	819	819
Total Use of money and property	344,001	344,001	376,208	32,207
Miscellaneous:				
Miscellaneous income	125,000	125,000	122,073	(2,927)
In-kind grant contributions	-	-	-	-
Performance bond proceeds	195,000	195,000	195,000	-
Total Miscellaneous	320,000	320,000	317,073	(2,927)
Total revenues	\$ 57,901,958	\$ 55,626,958	\$ 56,918,504	\$ 1,291,546

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, 2014

Expenditures:	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Elected officials:				
Current				
Personnel	\$ 144,259	\$ 189,259	\$ 196,878	\$ 7,619
Services	91,660	91,660	75,212	(16,448)
Supplies	23,020	23,020	25,004	1,984
Business expenses	498	498	402	(96)
Total current	259,437	304,437	297,496	(6,941)
Total Elected officials	259,437	304,437	297,496	(6,941)
Administration:				
Current				
Personnel	480,239	480,239	477,805	(2,434)
Services	97,090	97,090	78,374	(18,716)
Supplies	35,660	35,660	17,080	(18,580)
Business expenses	29,764	29,764	6,274	(23,490)
Reimbursement of interfund services	-	(133,551)	(133,551)	-
Total current	642,753	509,202	445,982	(63,220)
Capital outlay	25,000	25,000	-	(25,000)
Total Administration	667,753	534,202	445,982	(88,220)
Human resources:				
Current				
Personnel	835,893	835,893	805,919	(29,974)
Services	412,529	412,529	330,965	(81,564)
Supplies	41,220	41,220	37,924	(3,296)
Business expenses	4,604	4,604	4,258	(346)
Debt service/leases	12,308	12,308	193	(12,115)
Reimbursement of interfund services	-	(281,311)	(281,311)	-
Total current	1,306,554	1,025,243	897,948	(127,295)
Capital outlay	100,000	100,000	19,408	(80,592)
Total Human resources	1,406,554	1,125,243	917,356	(207,887)
Legal:				
Current				
Personnel	311,129	311,129	324,491	13,362
Services	129,280	231,780	216,609	(15,171)
Supplies	13,650	13,650	11,643	(2,007)
Business expenses	7,646	7,646	3,328	(4,318)
Reimbursement of interfund services	-	(92,341)	(92,341)	-
Total current	461,705	471,864	463,730	(8,134)
Total Legal	461,705	471,864	463,730	(8,134)

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, 2014

Expenditures (Cont.):	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Communications:				
Current				
Personnel	312,323	312,323	314,354	2,031
Services	86,630	86,630	51,337	(35,293)
Supplies	41,360	41,360	31,499	(9,861)
Operational units	4,000	4,000	4,847	847
Business expenses	1,849	1,849	4,428	2,579
Reimbursement of interfund services	-	(89,232)	(89,232)	-
Total current	446,162	356,930	317,233	(39,697)
Total Communications	446,162	356,930	317,233	(39,697)
Capital investment planning:				
Current				
Personnel	206,042	206,042	205,105	(937)
Services	23,070	23,070	19,306	(3,764)
Supplies	3,810	3,810	3,830	20
Business expenses	1,908	1,908	2,319	411
Reimbursement of interfund services	-	(46,966)	(46,966)	-
Total current	234,830	187,864	183,594	(4,270)
Total Capital investment planning	234,830	187,864	183,594	(4,270)
Project & facilities management:				
Current				
Personnel	410,381	410,381	376,397	(33,984)
Services	400,399	406,399	442,611	36,212
Supplies	74,785	75,385	75,948	563
Business expenses	19,725	19,725	16,072	(3,653)
Reimbursement of interfund services	-	(181,058)	(181,058)	-
Total current	905,290	730,832	729,970	(862)
Total Project and facilities management	905,290	730,832	729,970	(862)
Revenue management:				
Current				
Personnel	858,130	983,130	991,073	7,943
Services	43,806	43,806	16,646	(27,160)
Supplies	26,675	26,675	24,747	(1,928)
Business expenses	360,227	500,227	455,567	(44,660)
Reimbursement of interfund services	-	(1,128,744)	(1,128,744)	-
Total current	1,288,838	425,094	359,289	(65,805)
Total Revenue management	1,288,838	425,094	359,289	(65,805)

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, 2014

Expenditures (Cont.):	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Police department:				
Current				
Personnel	10,626,601	10,883,601	10,635,742	(247,859)
Services	871,592	871,592	1,010,953	139,361
Supplies	935,356	935,356	965,945	30,589
Operational units	87,800	87,800	105,221	17,421
Business expenses	376,618	436,618	453,120	16,502
Debt service/leases	541,137	681,137	678,800	(2,337)
Total current	13,439,104	13,896,104	13,849,781	(46,323)
Total Police department	13,439,104	13,896,104	13,849,781	(46,323)
Fire department:				
Current				
Personnel	11,069,557	11,387,372	11,644,069	256,697
Services	786,271	895,271	843,620	(51,651)
Supplies	581,760	677,760	617,704	(60,056)
Operational units	40,000	40,000	3,305	(36,695)
Business expenses	125,421	125,421	128,202	2,781
Debt service/leases	29,024	29,024	11,010	(18,014)
Total current	12,632,033	13,154,848	13,247,910	93,062
Capital outlay	100,000	100,000	-	(100,000)
Total Fire department	12,732,033	13,254,848	13,247,910	(6,938)
Finance:				
Current				
Personnel	778,228	778,228	772,561	(5,667)
Services	56,166	56,166	49,971	(6,195)
Supplies	14,900	14,900	8,122	(6,778)
Business expenses	78,545	78,545	71,456	(7,089)
Reimbursement of interfund services	-	(185,568)	(185,568)	-
Total current	927,839	742,271	716,542	(25,729)
Total Finance	927,839	742,271	716,542	(25,729)
Information technology:				
Current				
Personnel	1,448,356	1,448,356	1,314,453	(133,903)
Services	1,759,770	1,759,770	1,270,178	(489,592)
Supplies	114,800	504,800	560,305	55,505
Business expenses	26,925	26,925	25,149	(1,776)
Debt service/leases	334,166	334,166	341,117	6,951
Total current	3,684,017	4,074,017	3,511,202	(562,815)
Capital outlay	401,000	401,000	959,444	558,444
Total Municipal information and technology	4,085,017	4,475,017	4,470,646	(4,371)

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, 2014

Expenditures (Cont.):	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Purchasing:				
Current				
Personnel	183,454	183,454	193,864	10,410
Services	16,720	16,720	7,276	(9,444)
Supplies	3,350	3,350	1,160	(2,190)
Business expenses	1,274	1,274	1,219	(55)
Reimbursement of interfund services	-	(40,960)	(40,960)	-
Total current	204,798	163,838	162,559	(1,279)
Total Purchasing	204,798	163,838	162,559	(1,279)
Court:				
Current				
Personnel	200,026	200,026	213,454	13,428
Services	34,855	34,855	17,384	(17,471)
Supplies	4,980	4,980	1,998	(2,982)
Business expenses	7,906	7,906	3,232	(4,674)
Debt service/leases	3,108	3,108	49	(3,059)
Total current	250,875	250,875	236,117	(14,758)
Total Court	250,875	250,875	236,117	(14,758)
Building & neighborhood services:				
Current				
Personnel	1,953,224	1,995,724	1,975,426	(20,298)
Services	159,673	182,773	186,198	3,425
Supplies	61,621	71,621	68,930	(2,691)
Operational units	45,436	45,436	34,424	(11,012)
Business expenses	10,391	15,391	14,320	(1,071)
Debt service/leases	13,972	13,972	219	(13,753)
Total current	2,244,317	2,324,917	2,279,517	(45,400)
Capital outlay	-	111,511	111,511	-
Total Building & neighborhood services	2,244,317	2,436,428	2,391,028	(45,400)
Planning & sustainability:				
Current				
Personnel	1,203,720	1,223,720	1,273,277	49,557
Services	186,495	186,495	104,622	(81,873)
Supplies	31,352	31,352	37,753	6,401
Business expenses	4,545	4,545	3,798	(747)
Total current	1,426,112	1,446,112	1,419,450	(26,662)
Total Planning & sustainability	1,426,112	1,446,112	1,419,450	(26,662)

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, 2014

Expenditures (Cont.):	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Engineering:				
Current				
Personnel	764,313	824,313	735,319	(88,994)
Services	81,962	81,962	91,661	9,699
Supplies	15,850	15,850	15,849	(1)
Business expenses	8,697	8,697	7,280	(1,417)
Debt service/leases	5,525	5,525	87	(5,438)
Reimbursement of interfund services	-	(175,269)	(175,269)	-
Total current	876,347	761,078	674,927	(86,151)
Total Engineering	876,347	761,078	674,927	(86,151)
Traffic operations center:				
Current				
Personnel	228,307	228,307	239,082	10,775
Services	305,290	305,290	130,639	(174,651)
Supplies	33,110	33,110	5,602	(27,508)
Business expenses	9,859	9,859	6,015	(3,844)
Debt service/leases	23,936	23,936	14,706	(9,230)
Total current	600,502	600,502	396,044	(204,458)
Capital outlay	3,115,000	1,865,000	28,220	(1,836,780)
Total Traffic operations center	3,715,502	2,465,502	424,264	(2,041,238)
Parks:				
Current				
Personnel	2,054,910	2,054,910	1,856,717	(198,193)
Services	443,762	443,762	491,537	47,775
Supplies	436,190	436,190	544,860	108,670
Operational units	374,150	374,150	21,638	(352,512)
Business expenses	53,301	53,301	51,932	(1,369)
Debt service/leases	45,355	45,355	23,757	(21,598)
Total current	3,407,668	3,407,668	2,990,441	(417,227)
Capital outlay	34,500	34,500	91,592	57,092
Total Parks	3,442,168	3,442,168	3,082,033	(360,135)
Streets-Maintenance:				
Current				
Personnel	2,111,424	2,111,424	2,008,453	(102,971)
Services	972,272	972,272	938,516	(33,756)
Supplies	316,245	316,245	325,835	9,590
Operational units	5,000	5,000	-	(5,000)
Business expenses	61,066	61,066	61,837	771
Debt service/leases	52,093	52,093	25,285	(26,808)
Total current	3,518,100	3,518,100	3,359,926	(158,174)
Capital outlay	39,100	39,100	-	(39,100)
Total Streets-maintenance	3,557,200	3,557,200	3,359,926	(197,274)

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, 2014

Expenditures (Cont.):	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Streets-Traffic:				
Current				
Personnel	645,793	662,793	690,086	27,293
Services	117,650	117,650	114,848	(2,802)
Supplies	236,600	236,600	353,177	116,577
Business expenses	40,313	40,313	44,822	4,509
Debt service/leases	35,569	35,569	558	(35,011)
Total current	1,075,925	1,092,925	1,203,491	110,566
Capital outlay	115,000	351,000	235,315	(115,685)
Total Streets-traffic	1,190,925	1,443,925	1,438,806	(5,119)
Streets - Fleet:				
Current				
Personnel	474,653	494,653	505,906	11,253
Services	326,666	436,666	522,124	85,458
Supplies	(243,040)	(243,040)	(262,207)	(19,167)
Business expenses	5,297	5,297	6,793	1,496
Debt service/leases	82,880	82,880	1,300	(81,580)
Total current	646,456	776,456	773,916	(2,540)
Total Streets-fleet	646,456	776,456	773,916	(2,540)
General government:				
Current				
Personnel	1,325,500	203,000	(793,091)	(996,091)
Services	144,950	144,950	187,068	42,118
Supplies	(48,000)	(48,000)	(5,290)	42,710
Operational units	-	-	3,501	3,501
Business expenses	1,870	1,870	402,141	400,271
Total current	1,424,320	301,820	(205,671)	(507,491)
Capital outlay	30,000	30,000	2,400	(27,600)
Total General government	1,454,320	331,820	(203,271)	(535,091)
Contributions:				
Appropriations	540,693	549,167	482,659	(66,508)
Total Contributions	540,693	549,167	482,659	(66,508)
Total expenditures	\$ 56,404,275	\$ 54,129,275	\$ 50,241,943	\$ (3,887,332)
Excess of revenues over expenditures	\$ 1,497,683	\$ 1,497,683	\$ 6,676,561	\$ 5,178,878

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

(Continued)

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Other financing sources (uses):				
Transfer to other funds	(1,497,683)	(2,997,683)	(2,852,228)	(145,455)
Total other financing sources (uses)	<u>(1,497,683)</u>	<u>(2,997,683)</u>	<u>(2,852,228)</u>	<u>(145,455)</u>
Net changes in fund balances	<u>\$ -</u>	<u>\$ (1,500,000)</u>	<u>\$ 3,824,333</u>	<u>\$ 5,324,333</u>
Fund balance - beginning of year			<u>28,890,118</u>	
Fund balance - end of year			<u>\$ 32,714,451</u>	

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

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

JUNE 30, 2014

ASSETS

Current assets:

Cash and cash equivalents	\$ 12,383,797
Cash and cash equivalents-restricted	66,403
Investments-restricted	13,325,403
Accounts receivable, net of allowance for doubtful accounts (\$9,000)	4,073,039
Inventory	<u>313,119</u>
Total current assets	<u>30,161,761</u>

Noncurrent assets:

Capital assets (net of accumulated depreciation):

Land	5,288,148
Buildings and improvements	2,334,173
Utility plant in service	147,398,170
Machinery and equipment	1,010,232
Construction in progress	<u>4,371,749</u>
Total capital assets (net of accumulated depreciation):	<u>160,402,472</u>

Total assets

190,564,233

DEFERRED OUTFLOWS OF RESOURCES

Deferred charge on refundings	<u>1,203,054</u>
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LIABILITIES

Current liabilities:

Accounts payable	1,719,858
Accrued interest	275,369
Compensated absences payable	289,257
Current maturities of long-term debt	<u>3,470,616</u>
Total current liabilities	<u>5,755,100</u>

Noncurrent liabilities:

Compensated absences payable	444,610
Long-term debt, net of current maturities	<u>38,987,696</u>
Total noncurrent liabilities	<u>39,432,306</u>

Total liabilities

45,187,406

NET POSITION

Net investment in capital assets	119,141,240
Restricted-system improvements	13,391,806
Unrestricted	<u>14,046,835</u>

Total net position

\$ 146,579,881

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

CITY OF FRANKLIN, TENNESSEE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND (WATER AND SEWER FUND)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Operating revenues:	
Metered water sales	\$ 8,860,972
Sewer service charges	13,060,064
Reclaimed water sales	130,051
Other revenues from operations	<u>1,048,264</u>
Total operating revenues	<u><u>23,099,351</u></u>
Operating expenses:	
Water and sewer billing expenses	162,481
Water distribution expenses	1,793,287
Water plant expenses	5,449,010
Water administration	1,217,094
Sewer administration	1,086,400
General administration	669,409
Sewer collection expenses	1,892,972
Sewer plant expenses	3,253,177
Reclaimed water expenses	111,947
Depreciation	<u>5,472,485</u>
Total operating expenses	<u><u>21,108,262</u></u>
Operating income	<u><u>1,991,089</u></u>
Nonoperating revenues (expenses):	
Interest income	80,314
Gain (loss) on sale of assets	33,277
Interest expense	<u>(1,586,733)</u>
Total nonoperating revenues (expenses)	<u><u>(1,473,142)</u></u>
Income before contributions and transfers	<u><u>517,947</u></u>
Contributions and transfers:	
Tap and access fees	4,511,471
Capital contributions	18,656
Developer contributions	<u>6,733,611</u>
Total contributions and transfers	<u><u>11,263,738</u></u>
Change in position	11,781,685
Net position, beginning of year	<u><u>134,798,196</u></u>
Net position, end of year	<u><u>\$ 146,579,881</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, 2014

Cash flows from operating activities:

Cash received from customers	\$ 22,849,063
Cash paid to employees for services	(3,180,951)
Cash paid to suppliers of goods and services	(12,021,145)
Net cash provided by operating activities	<u>7,646,967</u>

Cash flows from capital and related financing activities:

Purchases of property, plant and equipment	(3,850,806)
Contributions from access and tap fees and grant funds	4,530,127
Sales of property, plant and equipment	33,277
Interest paid on long-term debt	(1,613,256)
Payments on long-term debt and capital lease obligations	(3,304,351)
Net cash used in capital and related financing activities	<u>(4,205,009)</u>

Cash flows from investing activities:

Purchases of investments, net	(11,774,357)
Interest received from investments	80,314
Net cash used in investing activities	<u>(11,694,043)</u>
Net decrease in cash and restricted cash	(8,252,085)

Cash and restricted cash, beginning of year

20,702,285

Cash and restricted cash, end of year\$ 12,450,200**Cash and cash equivalents consist of:**

Unrestricted cash and cash equivalents	\$ 12,383,797
Restricted cash and cash equivalents	66,403
Total cash and cash equivalents	<u><u>\$ 12,450,200</u></u>

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

CITY OF FRANKLIN, TENNESSEE
STATEMENT OF CASH FLOWS (Cont.)
PROPRIETARY FUND (WATER AND SEWER FUND)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Reconciliation of operating income to net cash provided by operations:

Operating income	\$ 1,991,089
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	5,472,485
Change in:	
Accounts receivable	(113,638)
Grants receivable	1,615
Inventory	(108,165)
Compensated absences	31,144
Unearned revenue	(138,265)
Accounts payable	510,702
Net cash provided by operating activities	<u>\$ 7,646,967</u>

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

Capital assets added as developer contributions	<u>\$ 6,733,611</u>
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CITY OF FRANKLIN, TENNESSEE
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND (PENSION FUND)
DECEMBER 31, 2013

ASSETS

Investments at fair value:

Short-term investments	\$ 12,675,640
Equity securities and mutual funds	<u>71,796,049</u>
Total investments	<u>84,471,689</u>

Total assets **\$ 84,471,689**

Net position held in trust for pension benefits **\$ 84,471,689**

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

CITY OF FRANKLIN, TENNESSEE
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND (PENSION FUND)
FOR THE YEAR ENDED DECEMBER 31, 2013

Additions:

Contributions:

Employer contributions	\$ 14,009,187
Employee contributions	320,785
Total contributions	<u>14,329,972</u>

Investment income:

Net appreciation in investments	9,303,777
Investment earnings	620,209
Total investment income	<u>9,923,986</u>

Total additions 24,253,958

Deductions:

Pension benefits	2,967,913
Administration expense	346,821

Total deductions 3,314,734

Net increase 20,939,224

Net position held in trust for pension benefits - beginning 63,532,465

Net position held in trust for pension benefits - ending \$ 84,471,689

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

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

The accompanying financial statements present the government and component units, if any. Component units are entities for which the government is considered to be financially accountable. Component units, although legally separate entities, are required to be presented in the government's financial statements using either a "blended" or "discrete" presentation. Based on the City's analysis as of June 30, 2014, the City had no component units which were required to be included in these financial statements.

Joint Operation of the Cool Springs Conference Center: In June 1999, the City completed construction of the Conference Center at Cool Springs (Conference Center), which operates a conference center facility. An Interlocal Agreement executed between the City and County (the Parties) provides for equal ownership by each of the Parties of a one-half undivided interest in the Conference Center and further specifies that each of the Parties shall be entitled to one-half of the net revenue and shall be responsible for one-half of all costs and expenses of the operation and maintenance of the Conference Center. The City's undivided interest in the investment in the Conference Center facility totaled \$5,793,697 at June 30, 2014, and is accounted for as a joint venture asset of the City. The City's one-half interest in Conference Center operations is presented with governmental activities in the statements of net position and activities. Complete financial statements for the Conference Center may be obtained from the Department of Finance at City Hall.

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

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

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

B. Basis of presentation - government-wide financial statements

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

The Statement of Net Position presents the City's non-fiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in three categories:

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

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

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

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

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

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

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

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

C. Basis of presentation - fund financial statements

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

The City reports the following major governmental funds:

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

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

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

The City reports the following major proprietary fund:

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

Additionally, the City reports the following fiduciary fund type:

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

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

D. Measurement focus and basis of accounting (Cont.)

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 employee benefits, and claims and judgments are recorded only when payment is due.

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

E. Budgetary information

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

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

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

1. Cash and cash equivalents

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

2. Investments

State statutes authorize the City to invest in certificates of deposit, obligations of the U.S. Treasury, agencies and instrumentalities, obligations guaranteed by the U.S. government or its agencies, repurchase agreements, and the State's investment pool. Pension Fund investments also include various domestic and international equities, private equity funds, fixed income and mutual funds, and funds invested in real estate and timberlands.

Investments for the City are reported at fair value; securities traded on a national or international exchange are valued primarily at quoted market prices. Pension fund investments that are not exchange-traded are recorded at estimated fair values provided by the investment fund managers and other net asset value information.

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

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

3. Inventories and prepaid items

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

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

4. Capital assets

Capital assets, including property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$25,000 and an estimated useful life in excess of three years. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value or materially extend the useful life of the asset are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

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

5. Deferred outflows/inflows of resources

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has one item of this type that qualifies for reporting on the statement of net position. Property taxes levied on January 1, 2014, will not be available for collection until fiscal year 2015, beginning October 2014. A second item, which arises only under a modified accrual basis of accounting, qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from uncollected property taxes (including penalties and interest), franchise fees, hotel/motel taxes, court fines, and grants. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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

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

6. Net position flow assumption

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

7. Fund balance flow assumptions

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

8. Fund balance policies

In accordance with GASB Statement No. 54, the governmental funds report fund balances in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The categories of fund balance are as follows:

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

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

Committed - Amounts that can only be used for specific purposes pursuant to constraints imposed by ordinance of the Board of Mayor and Alderman level of decision-making authority, are reported as committed fund balance. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. These commitments are provided for in accordance with the “Utilization and Replacement of Funds from Certain Reserve Accounts” policy approved by the Board of Mayor and Aldermen on August 28, 2012.

Assigned - Amounts that are constrained by the City’s intent to be used for specific purposes, but are neither restricted nor committed, are reported as assigned fund balance. Amounts that can only be used for specific purposes pursuant to constraints imposed by resolution of the Board of Mayor and Alderman or where the Board of Mayor and Aldermen have authorized the City Administrator to assign fund balance up to certain amounts.

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

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

G. Revenues and expenditures/expenses (Cont.)

1. Program revenues

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments.

Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

2. Property taxes

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

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

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

For fiscal year 2014, taxes were levied at a rate of \$.3765 per \$100 of assessed valuation.

3. Compensated Absences

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

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

4. Proprietary fund operating and nonoperating revenues and expenses

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

5. Bond premiums, discounts and issuance costs

In the governmental funds, bond premiums, discounts and issuance costs are treated as other financing sources or uses or expenditures in the year of issue. In the government-wide and proprietary fund statements, bond premiums and discounts are deferred and amortized over the term of the related bonds. In accordance with the fiscal year 2013 implementation of GASB Statement No. 65, "Items Previously Recorded as Assets and Liabilities," issuance costs, except prepaid insurance costs, in the government-wide and proprietary fund statements are expensed as a period cost.

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

H. Estimates

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

I. Recent Accounting Pronouncements

In June 2012, the GASB issued Statement No. 67, "Financial Reporting for Pension Plans - An Amendment of GASB Statement No. 25," the objective of which is to improve financial reporting by state and local governmental pension plans. Statement No. 67 replaces the requirement of Statements No. 25, "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans," and No. 50, "Pension Disclosures" for pension plans that are administered through trust or equivalent arrangements that meet certain criteria. The Statement requires defined benefit pension plans to present two financial statements - a statement of fiduciary net position and a statement of changes in fiduciary net position. The Statement also requires that notes to the financial statements of defined benefit pension plans include descriptive information, such as the types of benefits provided, the classes of plan members covered and the composition of the pension plan's board. Such pension plans also should disclose information about pension plan investments as well as contributions, reserves and allocated insurance contracts. The Statement specifies certain required supplementary information and measurement of the net pension liability as the total pension liability, less the amount of the pension plan's fiduciary net position. The Statement is effective for financial statements of plans for fiscal years beginning after June 15, 2013. Accordingly, the City intends to adopt the requirements of the Statement for its pension plan for calendar year 2014, as the reports on a calendar year basis. Management is currently evaluating the impacts of the Statement.

In June 2012, the GASB issued Statement No. 68, "Accounting and Financial Reporting for Pensions," which is intended to improve the usefulness of information in employer and governmental nonemployer contributing entity financial reports and enhance value for assessing accountability by requiring recognition of the entire net pension liability and more comprehensive measure of pension expense. The provisions of Statement No. 68 are effective in fiscal year 2015 for the City.

The new standard intends to improve the accounting and financial reporting by state and local governments for pensions and by providing more transparency about the pension plan through new note disclosures and supplementary information. It will result in the City recognizing the net pension liability on the statement of net position for its pension plan. The net pension liability is the discounted liability determined based on the expected benefit payments for past periods of service (i.e., the Total Pension Liability) less the net position of the plan based on the fair value of assets at the measurement date (i.e., the Fiduciary Net Position). The Statement requires retroactive application through restatement of beginning net position. Additionally, the new standard computes the annual actuarially determined contribution in a new manner. Other measurement changes include recognizing annual pension cost.

In November 2013, the GASB issued Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68." This Statement amends GASB 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68, which the City will implement in fiscal year 2015.

City management is evaluating the impact of these Statements on financial condition and operations.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Deficit fund equity

The Multi-Purpose Capital Project Fund has a deficit fund balance at June 30, 2014 of (\$18,878,175) due to capital outlays in advance of debt financing. The City expects to issue bonds in fiscal year 2015 to fund the deficit.

NOTE 3 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits and Investments

The City is authorized to invest funds in, among other things, financial institutions and direct obligations of the Federal Government. During 2014, the City, except for the Pension Fund, invested in certificates of deposit, interest-bearing checking accounts, and government sponsored agency securities.

1. Deposits

Custodial credit risk: The City's policies limit deposits to those instruments allowed by applicable state laws as described above. State statutes require that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the value of uninsured deposits. The deposits must be collateralized by federal depository insurance, by the Tennessee Bank Collateral Pool, by collateral held by the City's agent in the City's name, or by the Federal Reserve Banks acting as third party agents. As of June 30, 2014, all bank deposits were fully collateralized or insured.

2. Investments:

Interest Rate Risk: Investments held for longer periods are subject to increased risk for adverse interest rate changes. City policy provides that to the extent practicable, investments are matched with anticipated cash flows. Typically certificates of deposit are issued for periods less than one year and investments in the Local Government Investment Pool are available daily. At June 30, 2014, 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, 2014, 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	\$ 1,567,603	0.58
Money Market Accounts	6,972,023	-
Municipal Bonds	200,134	0.05
U.S. Treasury Securities	10,633,822	2.27
Federal Home Loan Bank	5,014,125	1.26
Federal Home Loan Mortgage Corp	<u>2,501,525</u>	3.08
Total Investments at Fair Value	<u>\$ 26,889,232</u>	
Portfolio Weighted Avg. Maturity		1.45

The certificates of deposit and money market accounts are in banks covered by the State collateral pool or under FDIC. Of the municipal bonds, Elizabethtown, KY BAB (\$100,000) is rated Aa2 by Moody's and Norwalk, CT GO (\$100,134) is rated Aaa by Moody's, Standard & Poor's, and Fitch. All federal securities, guaranteed by or linked to the U.S. government, are rated Aaa by Moody's and AA+ by Standard & Poor's. (Treasury securities and Federal Home Loan Mortgage Company also have a AAA rating from Fitch).

As of June 30, 2014, the investments that constituted a concentration risk due to the investments exceeding 5% of the portfolio balance were the certificates of deposit, the money market accounts, Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, and U.S. Treasury Securities.

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

A. Deposits and Investments (Cont.)

As of December 31, 2013 the City of Franklin's Pension Fund had the following investments:

Investment Type	Fair Value	Weighted Average Maturity (Years)
Investments Available for Sale	\$ 84,471,689	
Total Investments at Fair Value	\$ 84,471,689	
Portfolio Weighted Avg. Maturity		n/a

Investments available for sale include short-term investments, domestic corporate stock, foreign stock, private equity funds, mutual funds, investments in timberland and real estate funds, bond funds and other investments. See additional information in Note 4D.

B. Receivables

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

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

Receivables as of June 30, 2014, 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	\$ 964,363	\$ 1,661,020	\$ -	\$ 4,082,039	\$ 1,631,388	\$ 8,338,810
Property taxes	6,995,264	508,038	6,350,472	-	508,038	14,361,812
Grants	117,369	-	-	-	529,452	646,821
Special assessments	53,762	-	-	-	-	53,762
Intergovernmental	3,322,363	-	-	-	323,940	3,646,303
Fines	743,103	-	-	-	-	743,103
Local option sales tax	4,688,495	-	-	-	-	4,688,495
Other	2,331,419	143,339	-	-	10,813	2,485,571
Gross receivables	19,216,138	2,312,397	6,350,472	4,082,039	3,003,631	34,964,677
Less: Allowance for uncollectibles	(340,020)	-	-	(9,000)	-	(349,020)
Net total receivables	\$ 18,876,118	\$ 2,312,397	\$ 6,350,472	\$ 4,073,039	\$ 3,003,631	\$ 34,615,657

Governmental funds defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, various components of unearned revenue reported in the governmental funds were as follows:

	Unearned
Confiscated funds	\$ 21,076
Tree bank reserve	126,070
Affordable housing reserves	119,768
Sidewalk reserve	23,600
Total unearned revenue for fund financial statements	\$ 290,514

CITY OF FRANKLIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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

C. Capital Assets

Capital asset activity for the year ended June 30, 2014 was as follows:

	<u>Balance</u> <u>June 30, 2013</u>	<u>Reclassifications</u>	<u>Additions</u>	<u>Disposals and</u> <u>Adjustments</u>	<u>Balance</u> <u>June 30, 2014</u>
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 52,352,452	\$ -	\$ 155,978	\$ -	\$ 52,508,430
Construction in process	19,923,942	(6,422,834)	17,978,008	121,850	31,357,266
Total capital assets, not being depreciated	<u>72,276,394</u>	<u>(6,422,834)</u>	<u>18,133,986</u>	<u>121,850</u>	<u>83,865,696</u>
Capital assets, being depreciated:					
Buildings and improvements	66,115,840	198,435	3,951,353	-	70,265,628
Improvements other than buildings	21,844,186	913,402	878,498	-	23,636,086
Machinery and equipment	47,905,759	17,578	3,123,117	368,989	50,677,465
Infrastructure	506,272,687	5,293,419	38,261,190	574,540	549,252,756
Total capital assets, being depreciated	<u>642,138,472</u>	<u>6,422,834</u>	<u>46,214,158</u>	<u>943,529</u>	<u>693,831,935</u>
Accumulated depreciation					
Buildings and improvements	10,646,405	-	1,593,069	-	12,239,474
Improvements other than buildings	6,332,085	-	1,113,219	-	7,445,304
Machinery and equipment	29,553,117	-	3,561,693	319,945	32,794,865
Infrastructure	114,546,973	-	10,720,897	-	125,267,870
Total accumulated depreciation	<u>161,078,580</u>	<u>-</u>	<u>16,988,878</u>	<u>319,945</u>	<u>177,747,513</u>
Total capital assets being depreciated, net	<u>481,059,892</u>	<u>6,422,834</u>	<u>29,225,280</u>	<u>623,584</u>	<u>516,084,422</u>
Total governmental activities capital assets, net	<u>553,336,286</u>	<u>-</u>	<u>47,359,266</u>	<u>745,434</u>	<u>599,950,118</u>
Business-type activities:					
Capital assets, not being depreciated:					
Land	5,288,148	-	-	-	5,288,148
Construction in process	1,208,318	(477,729)	3,641,160	-	4,371,749
Total capital assets, not being depreciated	<u>6,496,466</u>	<u>(477,729)</u>	<u>3,641,160</u>	<u>-</u>	<u>9,659,897</u>
Capital assets, being depreciated:					
Buildings and improvements	11,291,016	-	-	-	11,291,016
Utility plant in service	197,884,524	477,729	6,624,057	-	204,986,310
Machinery and equipment	4,110,334	-	319,200	-	4,429,534
Total capital assets, being depreciated	<u>213,285,874</u>	<u>477,729</u>	<u>6,943,257</u>	<u>-</u>	<u>220,706,860</u>
Accumulated depreciation					
Buildings and improvements	8,649,626	-	307,217	-	8,956,843
Utility plant in service	52,667,511	-	4,920,629	-	57,588,140
Machinery and equipment	3,174,663	-	244,639	-	3,419,302
Total accumulated depreciation	<u>64,491,800</u>	<u>-</u>	<u>5,472,485</u>	<u>-</u>	<u>69,964,285</u>
Total capital assets being depreciated, net	<u>148,794,074</u>	<u>477,729</u>	<u>1,470,772</u>	<u>-</u>	<u>150,742,575</u>
Business-type activities capital assets, net	<u>155,290,540</u>	<u>-</u>	<u>5,111,932</u>	<u>-</u>	<u>160,402,472</u>
Total capital assets, net	<u>\$ 708,626,826</u>	<u>\$ -</u>	<u>\$ 52,471,198</u>	<u>\$ 745,434</u>	<u>\$ 760,352,590</u>

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, 2014, as follows:

Governmental activities:	
General government	\$ 305,238
Police department	1,228,860
Fire department	649,591
Highways and streets	11,136,961
Engineering	3,103
Fleet management	9,418
Human resources	2,260
Traffic operations center	355,217
Stormwater	97,399
Sanitation	855,282
Transit	182,875
Parks	1,228,520
Maintenance	64,001
Information and technology	<u>870,153</u>
Total depreciation expense – governmental activities	16,988,878
Business-type activities:	
Water and sewer	<u>5,472,485</u>
Total depreciation expense	<u><u>\$ 22,461,363</u></u>

D. Interfund Receivables, Payables and Transfers

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered.

The following is a summary of transfers during the year ended June 30, 2014:

<u>Transfer from</u>	<u>Transfer to</u>	<u>Amount</u>
General	Street aid	\$ 739,965
General	Sanitation	1,208,148
General	Road impact fee	60,933
General	Transit system	843,182
Sanitation	Debt service	570,537
Road impact	Debt service	3,227,856
Hotel/motel	Debt service	<u>1,116,929</u>
Total		<u><u>\$ 7,767,550</u></u>

The purposes of the transfers are:

- The transfers from the General Fund to the Street Aid, Sanitation, and Transit Authority funds are for providing the annual operating subsidy.
- The transfers from the General Fund to the Road Impact Fee Fund is to provide funds for the fund to be at break-even at fiscal year-end.
- 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.

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

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

The interfund balance as of June 30, 2014, below is expected to be repaid within the next fiscal year and is considered ordinary in nature. The purpose of the interfund balance is to allow the City time for issuance of bonds, which is expected during fiscal year 2015.

Due from	Due to	Amount
Capital projects	General	16,197,374
Total		\$ 16,197,374

E. Capital Leases

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

1. Suntrust Leasing for \$2,495,788; 3.39% interest rate
2. U.S. Bankcorp for \$1,767,897; 1.07% interest rate
3. Banc of America Public Capital Corp. for \$2,092,000; 1.69% interest rate

The Suntrust lease of \$2,495,788 has been utilized to its full extent under the agreement. Of the \$1,767,897 U.S. Bankcorp lease, \$1,751,828 has been used with \$16,069 remaining. Of the \$2,092,000 Banc of America lease, \$1,739,650 has been used with \$352,350 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
Police vehicles & equipment	1,061,780
Traffic operations center equipment	67,291
Parks wood chipper	67,192
Sanitation vehicles & equipment	1,211,412
Fire vehicles	49,338
Information & technology hardware	615,158
Information & technology data center	134,102
Information & technology power equipment system	250,892
Human resources information system	277,187
Copiers	27,248
Light trucks/vehicles	401,834
Fleet equipment	117,796
Salt brine mixer	83,591
Traffic equipment	77,478
	5,987,266
Less: Accumulated Depreciation (\$420,866 in 2014)	(1,111,534)
Total	\$ 4,875,732

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

E. Capital Leases (Cont.)

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2014, were as follows:

<u>Year Ending June 30,</u>	
2015	\$ 1,777,208
2016	999,702
2017	<u>572,000</u>
Total minimum lease payments	3,348,910
Less: Amount representing interest	<u>(64,218)</u>
Present value of minimum lease payments	3,284,692
Amount due within one year	<u>1,822,851</u>
 Long-term portion	 <u>\$ 1,461,841</u>

F. Long-term Debt

Long-term debt at June 30, 2014, is comprised of the following:

Governmental Activities:

General obligation bonds:

City of Clarksville, Pooled Loan Program - 2001 variable rate of interest; final maturity May 25, 2017	\$ 1,275,000
Tennessee Municipal Variable Rate Pooled Loan Program - 2001, variable rate of interest, final maturity May 25, 2018	662,000
Series 2004 - General Obligation Refunding Bonds, 2.00% to 3.625% interest, final maturity, October 1, 2014	430,000
City of Clarksville, Pooled Loan Program - 2004 variable rate of interest, final maturity May 25, 2017	1,580,000
City of Lawrenceburg, TN Loan Agreement 2005 variable rate of interest, final maturity July 1, 2020	2,415,000
Series 2007 - General Obligation Public Improvement Bonds - 101-A-1, variable rate of interest, final maturity June 1, 2037	20,000,000
Series 2009A - General Obligation Public Improvement Bonds 2.50% interest, final maturity, March 1, 2017	6,120,000
Series 2009B - General Obligation Build America Bonds (BAB), 4.45% to 5.70% interest, federally taxable, final maturity, March 1, 2029	30,625,000
Series 2010 - General Obligation Recovery Zone Economic Development Bonds (RZEDB), 4.625% to 5.375% interest, federally taxable, final maturity March 1, 2030	15,725,000
Series 2010 - General Obligation Refunding Bonds, 2.00% to 4.00% interest, final maturity March 1, 2024	13,125,000
Series 2012 - General Obligation Refunding Bonds, 2.13% interest, final maturity May 1, 2027	20,360,000
Series 2013A - General Obligation Bonds, 2.00% to 4.00% interest, final maturity March 1, 2034	7,405,000
Series 2013B - General Obligation Bonds, 1.00% to 3.50% interest, federally taxable, final maturity March 1, 2024	<u>10,000,000</u>
 Total Governmental Activities Long-Term Debt	 <u>\$ 129,722,000</u>

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

F. Long-term Debt (Cont.)

The aforementioned bonds are secured by the full faith and credit of the City. During 2014, 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.

Business - Type Activities:

Revenue and tax bonds:

Series 2005 - Sewer and Water Revenue and Tax Refunding Bonds: 3.00% to 5.00% interest; final maturity April 1, 2025	\$ 21,795,000
Series 2011 - SunTrust Loan Program, 2.48% interest; final maturity May 25, 2026	16,405,000

Notes payable:

Drinking Water SRF Loan provided through ARRA funding, 2.82% interest; final maturity December 20, 2030	1,294,572
Clean Water SRF Loan provided through ARRA funding, 2.69% interest; final maturity October 20, 2032	<u>1,766,660</u>

Total Business-Type Activities Long-Term Debt	<u>\$ 41,261,232</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 2014, 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, 2014, are as follows:

Year Ending <u>June 30,</u>	Revenue and Tax Bonds and Notes		General Obligation Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 3,358,090	\$ 1,565,559	\$ 7,449,000	\$ 4,736,584	\$ 10,807,090	\$ 6,302,143
2016	3,411,934	1,430,642	7,298,000	4,499,423	10,709,934	5,930,065
2017	3,510,885	1,293,872	7,472,000	4,353,037	10,982,885	5,646,909
2018	3,579,947	1,152,999	6,633,000	4,202,615	10,212,947	5,355,614
2019	3,684,121	1,009,518	6,625,000	4,004,801	10,309,121	5,014,319
2020 - 2024	17,692,405	2,828,023	36,885,000	16,513,591	54,577,405	19,341,614
2025 - 2029	5,490,655	311,625	39,080,000	8,830,547	44,570,655	9,142,172
2030 - 2034	533,195	21,381	12,655,000	2,271,099	13,188,195	2,292,480
2035 - 2037	-	-	5,625,000	409,260	5,625,000	409,260
Totals	<u>\$ 41,261,232</u>	<u>\$ 9,613,619</u>	<u>\$ 129,722,000</u>	<u>\$ 49,820,957</u>	<u>\$ 170,983,232</u>	<u>\$ 59,434,576</u>

Interest on variable rate debt with associated interest rate swaps has been calculated at the fixed swap rate. Interest on variable rate debt without interest rate swaps has been calculated at the interest rate in effect at June 30, 2014.

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

F. Long-term Debt (Cont.)

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

Long-term liability activity for the year ended June 30, 2014, was as follows:

	Beginning Balance	Additions	Reductions/ Amortization	Ending Balance	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 118,987,000	\$ 17,405,000	\$ 6,670,000	\$ 129,722,000	\$ 7,449,000
Unamortized bond premiums	1,149,535	175,638	133,771	1,191,402	125,593
Interest rate swaps	3,323,751	335,385	-	3,659,136	-
Total bonds payable	123,460,286	17,916,023	6,803,771	134,572,538	7,574,593
Capital lease obligations	2,357,012	2,021,511	1,093,831	3,284,692	1,822,851
Compensated absences	6,010,402	2,534,919	2,377,537	6,167,784	2,377,537
Total long-term liabilities	\$ 131,827,700	\$ 22,472,453	\$ 10,275,139	\$ 144,025,014	\$ 11,774,981
Business-type activities:					
Bonds and notes payable	\$ 44,565,583	\$ -	\$ 3,304,351	\$ 41,261,232	\$ 3,358,090
Unamortized bond premiums	1,309,606	-	112,526	1,197,080	112,526
Total bonds and notes payable	45,875,189	-	3,416,877	42,458,312	3,470,616
Compensated absences	702,723	320,401	289,257	733,867	289,257
Total long-term liabilities	\$ 46,577,912	\$ 320,401	\$ 3,706,134	\$ 43,192,179	\$ 3,759,873

The following is a reconciliation of the additions to governmental activities debt above and the amount reported in the Multi-Purpose Capital Project Fund on page 18:

Additions to:	
General obligation bonds	\$ 17,405,000
Unamortized premiums	175,638
Capital leases	2,021,511
Add: Amount of capital Leases issued in prior year and included in prior year unavailable revenues	257,532
Issuance of debt in the Multi-Purpose Capital Project Fund	\$19,859,681

Issuance of Bonds

In December 2013, the City issued \$7,405,000 General Obligation Bonds, Series 2013A and \$10,000,000 Pension Obligation Bonds, Series 2013B. The Series 2013A bonds were issued to provide funds for the City's new consolidated public works facility as follows: (i) design, construction and improvements to, streets and roads and acquisition of rights-of-way in connection therewith; (ii) design, construction and improvements to sidewalks, signalization, and signage; (iii) design, construction and equipping of a public works facility, (iv) acquisition of all property real and personal, appurtenant thereto, or connected with any of the foregoing; (v) payment of legal, fiscal, administrative, architectural and engineering costs incident to any of the foregoing; (vi) reimbursement of the City for prior expenditures for the foregoing; and (vii) payment of costs of issuance of the bonds. The bonds were authorized for issuance by initial resolution on May 22, 2012. The Series 2013B bonds were issued to provide funds toward reducing unfunded liabilities in the City's pension trust fund and particularly for the purpose of funding the unfunded portion of the present value of benefits less the present value of future normal costs, as certified by the City's actuarial consultant, for past and continuing service of City employees and to pay the costs of issuance of the bonds. The bonds were authorized for issuance by initial resolution on September 24, 2013.

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

F. Long-term Debt (Cont.)

Contingent Liability

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

At the inception of the project, the Industrial Development Board had approximately two years of debt service escrowed. As of January 2008, this escrow was fully spent and the City of Franklin began, as agreed, to make available short-term loans while the proceeds from the Development District were insufficient to cover the debt service. These loans apply only to project years three through seven (2009 through 2015), and cannot exceed \$5 million at any time during that period. As of June 30, 2014, expected development in the area is proceeding as projected in the debt repayment plan. Through June 30, 2014, the City has lent \$2,312,512 to the Industrial Development Board under standby loan agreement. This amount will be repaid through future property taxes on the development. The City does not guarantee or have any obligation for the repayment of the bonds.

Swap Agreements

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

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

For both swaps, there are two main strategies the City pursued with respect to each transaction. Each swap can achieve one or both of these strategies. Then as a result of execution of the derivative, its value will change with respect to how prevailing rates on each reporting period compare to when the derivative was put in place. The accumulated changes in fair value, or total fair value of the derivatives are a function of how prevailing interest rates and other market factors affect each transaction at each reporting period. Pursuant to GASB Statement No. 53, each swap transaction is evaluated to determine what type of accounting treatment to apply.

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 receiving floating leg are based on a longer term index that is expected to outperform the payments on the City's variable debt. Part of the fair value of this swap is determined by the prevailing level of short term versus long term rates, that is, the steepness of the yield curve. The higher the level of long term rates compared to shorter term rates, the higher the expected benefit to the City, therefore, the higher the mark-to-market value of the swap. The City pays a fixed rate on this swap transaction, therefore the other part of the value of this swap is determined by the prevailing level of interest rates compared to when the City entered into the swap transaction. Since interest rates have trended lower since inception, the mark-to-market value will be more negative to the City, even though the City may be receiving a net benefit from the receipts based on the 5 Year CMS Index.

2007 Swap Agreement

Effective March 1, 2007, the City entered into an interest rate swap agreement with Depfa Bank in connection with its \$20,000,000 Local Government Public Improvement Bonds, Series 101-A-1 variable rate revenue bonds. 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, 2014, 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, \$2,085,000 has been retired as of June 30, 2014. SunTrust may terminate the agreement at any time in the event of a default and the City may terminate the agreement at any time by paying a termination payment in an amount equal to the market value at the date of termination.

Pursuant to GASB No. 53, the swap transactions were evaluated for hedge effectiveness and the cumulative change in fair value of the transactions has been recorded within the statement of activities.

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

F. Long-term Debt (Cont.)

Swap Agreement	2007 Swap Agreement with Depfa Bank	2005 Swap Agreement with SunTrust Bank
Original Notional Amount	\$ 20,000,000	\$ 4,500,000
Less Amount Retired	-	(2,085,000)
Current Notional Amount	<u>\$20,000,000</u>	<u>\$ 2,415,000</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	\$ 90,284
City Receives*	63% of 5 Year LIBOR CMS	LIBOR x 75% + 0.18%
Payments received by the City*	\$ 201,296	\$ 7,633
Net receipts/(disbursements)*	\$ (516,704)	\$ (82,651)
Fair Value of Swap Agreement	\$ (3,467,206)	\$ (191,930)

* Based on the period July 1, 2013 to June 30, 2014.

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

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

Tax Risk

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

Basis Risk

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

Termination Risk

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

Credit Risk

The City at June 30, 2014 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, 2014 of Baa3/BBB/BBB+, or SunTrust, with ratings of A3/A-/BBB+.

CITY OF FRANKLIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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

G. Fund Balances

	General Fund	Multi-Purpose Capital Project Fund	Debt Service Fund	State Street Aid Fund	Sanitation Fund	Road Impact Fee Fund	Facilities Tax Fund	Storm Water Fund	Drug Fund	Hotel / Motel Tax Fund	Transit Authority Fund	CDBG Fund	Other Governmental Funds Totals
Fund balances:													
Non-spendable	\$ 1,141,340	\$ -	\$ -	\$ -	\$ 46,013	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,187,353
Restricted	-	-	-	295,259	-	-	-	-	165,436	-	-	23,717	484,412
Committed	18,851,896	-	195,118	-	359,106	-	6,253,611	5,511,065	-	-	400,695	-	31,571,491
Assigned	-	-	-	-	-	-	-	-	-	1,971,048	-	-	1,971,048
Unassigned	12,721,215	(18,878,175)	-	-	-	-	-	-	-	-	-	-	(6,156,960)
Total fund balances	\$ 32,714,451	\$ (18,878,175)	\$ 195,118	\$ 295,259	\$ 405,119	\$ -	\$ 6,253,611	\$ 5,511,065	\$ 165,436	\$ 1,971,048	\$ 400,695	\$ 23,717	\$ 29,057,344
Reason for Restriction/Commitment:													
Non-spendable inventory/prepays	\$ 1,141,340	\$ -	\$ -	\$ -	\$ 46,013	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,187,353
Restricted by state law	-	-	-	295,259	-	-	-	-	165,436	-	-	-	460,695
Restricted by federal regulations	-	-	-	-	-	-	-	-	-	-	-	23,717	23,717
Committed stabilization reserve	18,851,896	-	-	-	-	-	-	-	-	-	-	-	18,851,896
Committed by board ordinance	-	-	195,118	-	359,106	-	6,253,611	5,511,065	-	-	400,695	-	12,719,595
Assigned by board resolution	-	-	-	-	-	-	-	-	-	1,971,048	-	-	1,971,048
Unassigned	12,721,215	(18,878,175)	-	-	-	-	-	-	-	-	-	-	12,721,215
Unassigned - negative fund balance	-	(18,878,175)	-	-	-	-	-	-	-	-	-	-	(18,878,175)
Total fund balances	\$ 32,714,451	\$ (18,878,175)	\$ 195,118	\$ 295,259	\$ 405,119	\$ -	\$ 6,253,611	\$ 5,511,065	\$ 165,436	\$ 1,971,048	\$ 400,695	\$ 23,717	\$ 29,057,344

Fund Balance Policy – General Fund:

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

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

Contingency Commitment	\$ 2,856,348
Emergency Commitment	2,856,348
Cash Flow Commitment	7,997,774
Debt Service Commitment	1,713,809
Property/Casualty/Health Insurance Commitment	2,285,078
Retiree Health Benefits Commitment	1,142,539
	<u>\$ 18,851,896</u>

NOTE 4 - OTHER INFORMATION

A. Risk Management

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

B. Self-Insured Employee Health Insurance

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

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

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

<u>Year Ending</u>	<u>Liability, July 1</u>	<u>Claims and Changes in Estimates</u>	<u>Claims Paid</u>	<u>Liability, June 30</u>
6/30/2014	\$ 1,084,328	\$ 6,971,370	\$ (6,833,580)	\$ 1,222,118
6/30/2013	\$ 1,227,329	\$ 7,566,121	\$ (7,709,122)	\$ 1,084,328

C. Commitments and Contingencies

1. Grants

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

2. Litigation

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

NOTE 4 - OTHER INFORMATION (Cont.)

C. Commitments and Contingencies (Cont.)

3. *Water Purchase Contract*

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

<u>Year Ending June 30,</u>	<u>Amount</u>
2015	\$ 46,325
2016	46,325
2017	46,325
2018	46,325
2019	46,325
2020 - 2029	<u>463,250</u>
Total	<u>\$ 694,875</u>

4. *Construction Contracts*

As of June 30, 2014, construction funds of \$5,098,610 are restricted assets of the Water and Sewer Fund. These funds are restricted for future capital projects.

During 2014, various street, public works and park improvement projects were in process. At June 30, 2014, there was approximately \$14,357,600 in uncompleted construction projects. These projects are being currently funded by the General, Street Aid, Storm Water, Hotel/Motel Tax, and the Multi-Purpose Capital Project funds.

5. *Fuel-Hedging Program*

The City participates in a fuel hedging program with the Metropolitan Government of Nashville and Davidson County, Tennessee. The City's objective is to hedge the changes in cash flows due to market price fluctuations related to a portion of expected purchases of fuel. The City is committed to its portion of the diesel fuel hedge through June 30, 2015, and the gasoline hedge through June 30, 2016. Renewals of the contracts are expected in the normal course of operations. At June 30, 2014, the contracts are in an asset position; however, the City's portion of the contracts, approximately 6%, is immaterial to the financial statements. City practice has been to hedge no more than 60% of estimated purchases.

NOTE 4 - OTHER INFORMATION (Cont.)

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, 2014. Accordingly, all financial statement information regarding the Plan is as of December 31, 2013 and the year then ended.

Plan Description

Membership of the Plan consisted of the following at January 1, 2014, the date of the latest actuarial valuation:

Retirees participants and beneficiaries	138
Disabled participants	4
Vested terminated participants	137
Active plan members	<u>562</u>
Total	<u>841</u>

The Plan is a single-employer defined benefit pension plan that covers the full time employees (who work 30 hours or more per week and are employed for 1 year) of the City including all departments, except for certain department heads who may opt out of the Plan. The Plan provides retirement, termination and death benefits to plan members and beneficiaries. Cost-of-living adjustments (COLA) to plan members and beneficiaries in receipt of monthly benefits are provided at the discretion of the Board of Mayor and Aldermen. Section 4-204(2)(p) of the City's Charter assigns the Human Resources Director the responsibility to administer the pension program under the direction of the City Administrator. All of the benefits and provisions of the Plan are at the discretion of the Board of Mayor and Aldermen consistent with the laws of Tennessee and the Federal government.

Summary of Significant Accounting Policies

Benefits and refunds of the defined benefit plan are recognized when due and payable in accordance with the terms of the Plan. The financial statements of the Plan are presented solely in the Comprehensive Annual Financial Report of the City; there are no separate financial statements of the Plan issued. Administrative costs are paid from the pension fund as shown on page 34.

Funding Policy

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

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

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.

NOTE 4 - OTHER INFORMATION (Cont.)

D. Employee Retirement Systems and Pension Plans

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, 2014, were as follows:

Annual required contribution	\$ 3,814,920
Interest on the net pension asset	(170,949)
Adjustment to the annual required contribution	<u>218,452</u>
Annual pension cost	3,862,423
Contributions made	<u>(14,009,187)</u>
Increase in net pension asset	(10,146,764)
Net pension asset, beginning of year	<u>(2,279,316)</u>
 Net pension asset, end of year	 <u><u>\$ (12,426,080)</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, 2014	\$3,862,423	362.7%	\$(12,426,080)
June 30, 2013	4,092,646	103.8%	\$(2,279,316)
June 30, 2012	4,339,464	100.8%	\$(2,120,294)

Funded Status and Funding Progress

As of January 1, 2014, the most recent actuarial valuation date, the funded status of the Plan was as follows:

Actuarial accrued liability (a)	\$88,763,576
Actuarial value of plan assets (b)	<u>84,471,689</u>
Unfunded actuarial accrued liability (a) - (b)	<u>\$ 4,291,887</u>
Funded ratio (b) / (a)	95.2%
Covered payroll (c)	\$27,440,025
Unfunded actuarial accrued liability as a percentage of covered payroll [(a) - (b)] / (c)	15.6%

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.

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, 2014, actuarial valuation using the following methods and assumptions:

Actuarial cost method:	Entry age normal
Amortization method:	Level dollar, closed
Remaining amortization period:	18 years
Inflation rate:	2.1% (CPI for all urban consumers last 12 months)
Mortality:	SOA-RP-2000 mortality with blue collar adjustment
Actuarial value of assets:	Market value
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 \$454.95/month for single coverage or less \$1,146.51/month for family coverage. (The City pays either the \$459.95 or \$1,146.51). 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 \$200 per month for single coverage or \$548.50 per month for family coverage.

Funding Policy

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

Annual OPEB Cost and Net OPEB Asset

The City's annual OPEB cost and net OPEB asset for the year ended June 30, 2014, were as follows:

Annual required contribution	\$ 287,200
Interest on the net OPEB asset	(11,800)
Adjustment to the annual required contribution	<u>22,500</u>
Annual OPEB cost	297,900
Contributions made	<u>(120,800)</u>
Decrease in net pension asset	177,100
Net OPEB asset, beginning of year	<u>(392,100)</u>
Net OPEB asset, end of year	<u><u>\$(215,000)</u></u>

NOTE 4 - OTHER INFORMATION (Cont.)

E. Post Employment Benefits (Cont.)

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

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Asset</u>
June 30, 2014	\$297,900	40.6%	\$(215,000)
June 30, 2013	318,700	36.1%	(392,100)
June 30, 2012	317,400	85.9%	(595,900)

Funding Status and Funding Progress

The funded status of the OPEB Plan as of the valuation date June 30, 2014, was as follows:

Actuarial accrued liability (a)	\$4,854,400
Actuarial value of plan assets (b)	<u>1,142,500</u>
Unfunded actuarial accrued liability (a) - (b)	<u>\$3,711,900</u>
Funded ratio (b)/(a)	23.5%
Covered payroll (c)	\$27,440,025
Unfunded actuarial accrued liability as a percentage of covered payroll [(a)-(b)]/(c)	13.5%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

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

Actuarial Methods and Assumptions

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

The annual required contribution for the OPEB Plan was determined as part of the June 30, 2014 actuarial valuation using the following methods and assumptions:

Actuarial cost method:	Projected unit credit method
Amortization method:	Level dollar, closed
Remaining amortization period:	24 years (began as 30 years on June 30, 2008)
Inflation rate:	2.1% (CPI for all urban consumers last 12 months)
Discount rate:	3.0%
Investment return:	3.0%
Projected healthcare cost increases:	5.0%

NOTE 4 - OTHER INFORMATION (Cont.)

F. Subsequent Event

During December 2014, the City expects to complete a transaction whereby its Series 101-A-1 Bonds will be called and converted to a bank index mode with a financial institution for a 5 year period. Additionally, the associated interest rate swap will be novated to a new counterparty. All terms of the swap are expected to remain the same. The intent of the transaction is to remove Depfa Bank's stand-by bond purchase agreement on the Series 101-A-1 Bonds and replace Depfa as counterparty on the swap.

REQUIRED SUPPLEMENTARY INFORMATION



HISTORIC
F R A N K L I N
T E N N E S S E E

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

June 30, 2014

(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)
6/30/2014	1/1/2014	\$ 84,471,689	\$ 88,763,576	\$ 4,291,887	95.2%	\$ 27,440,025	15.6%
6/30/2013	1/1/2013	63,532,465	82,610,248	19,077,783	76.9%	28,902,947	66.0%
6/30/2012	1/1/2012	55,241,467	64,505,222	9,263,755	85.6%	29,869,786	31.0%
6/30/2011	1/1/2011	54,086,646	57,900,531	3,813,885	93.4%	27,958,552	13.6%
6/30/2010	1/1/2010	43,406,019	51,465,753	8,059,734	84.3%	29,389,625	27.4%
6/30/2009	1/1/2009	32,235,206	45,852,365	13,617,159	70.3%	26,815,255	50.8%

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)
6/30/2014	6/30/2014	\$ 1,142,500	\$ 4,854,400	\$ 3,711,900	23.5%	\$ 27,440,025	13.5%
6/30/2013	6/30/2013	1,064,000	4,460,600	3,396,600	23.9%	28,902,947	11.8%
6/30/2012	6/30/2012	1,075,000	3,702,500	2,627,500	29.0%	29,869,786	8.8%
6/30/2011	6/30/2011	1,027,000	3,679,200	2,652,200	27.9%	27,958,552	9.5%
6/30/2010	6/30/2010	980,600	3,324,000	2,343,400	29.5%	29,389,625	8.0%
6/30/2009	7/1/2008	731,700	2,820,700	2,089,000	25.9%	26,815,255	7.8%

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, 2014
 (Unaudited)

City of Franklin Employees' Pension Plan			
Year	Annual Required Contribution (ARC)	Amount Contributed	Percentage Contributed
6/30/2014	\$3,814,920	\$14,009,187	* 367.2%
6/30/2013	4,019,328	4,251,668	105.8%
6/30/2012	4,276,055	4,372,820	102.3%
6/30/2011	5,077,499	5,282,084	104.0%
6/30/2010	5,545,133	6,084,380	109.7%
6/30/2009	4,496,826	5,923,380	131.7%

* Of the \$14,009,187 contributed, \$9,975,815 was from issuance of pension obligation bonds.

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

City of Franklin Retiree Health Insurance			
Year	Annual Required Contribution (ARC)	Amount Contributed	Percentage Contributed
6/30/2014	\$287,200	\$120,800	42.1%
6/30/2013	302,400	114,900	38.0%
6/30/2012	301,800	272,800	90.4%
6/30/2011	302,600	259,300	85.7%
6/30/2010	271,200	422,700	155.9%
6/30/2009	267,700	204,800	76.5%

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

NONMAJOR GOVERNMENTAL FUNDS SUMMARY PAGE:

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

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

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

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

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

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

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

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

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

CITY OF FRANKLIN, TENNESSEE
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014

	Special Revenue Funds											Other Governmental Funds Totals		
	State Street Aid Fund	Road Impact		Facilities		Storm Water		Drug		Hotel/Motel			Transit Authority Fund	CDBG Fund
		Sanitation Fund	Fee Fund	Tax Fund	Tax Fund	Fund	Fund	Fund	Fund	Tax Fund	Tax Fund			
ASSETS														
Cash and cash equivalents	\$ -	\$ 259	\$ -	\$ -	\$ 3,640,704	\$ 2,610,642	\$ 2,820,012	\$ -	\$ 161,923	\$ 1,780,052	\$ 5,596	\$ 143,244	\$ -	\$ 8,342,420
Investments	-	-	-	-	2,606,956	-	-	-	-	-	-	-	-	5,426,968
Receivables:														
Accounts (net of allowance for uncollectible accounts)	-	945,742	-	-	-	225,182	-	8,310	-	451,326	-	828	-	1,631,388
Property tax	508,038	-	-	-	-	-	-	-	-	-	-	-	-	508,038
Grants	-	4,790	-	-	-	-	-	-	-	-	517,933	6,729	-	529,452
Intergovernmental	323,940	-	-	-	-	-	-	-	-	-	-	-	-	323,940
Other	-	-	-	-	6,646	4,167	-	-	-	-	-	-	-	10,813
Inventory	-	46,013	-	-	-	-	-	-	-	-	-	-	-	46,013
Total assets	\$ 831,978	\$ 996,804	\$ -	\$ -	\$ 6,254,306	\$ 5,660,003	\$ 2,231,378	\$ 170,233	\$ 4,797	\$ 2,231,378	\$ 523,529	\$ 150,801	\$ -	\$ 16,819,032
LIABILITIES														
Accounts payable	\$ 28,681	\$ 591,685	\$ -	\$ -	\$ 695	\$ 148,938	\$ 4,797	\$ 131,693	\$ 62,223	\$ 7,316	\$ -	\$ -	\$ -	\$ 976,028
Due to other funds	-	-	-	-	-	-	-	-	-	-	-	119,768	-	-
Unearned revenue	-	-	-	-	-	-	-	-	-	-	-	127,084	-	119,768
Total liabilities	28,681	591,685	-	-	695	148,938	4,797	131,693	62,223	127,084	-	-	-	1,095,796
DEFERRED INFLOWS OF RESOURCES														
Unavailable revenues	508,038	-	-	-	-	-	-	-	-	128,637	60,611	-	-	697,286
Total deferred inflows of resources	508,038	-	-	-	-	-	-	-	-	128,637	60,611	-	-	697,286
FUND BALANCES														
Non-spendable	-	46,013	-	-	-	-	-	-	-	-	-	-	-	46,013
Restricted	295,259	-	-	-	-	-	165,436	-	-	-	-	23,717	-	484,412
Committed	-	359,106	-	-	6,253,611	5,511,065	-	-	-	-	400,695	-	-	12,524,477
Assigned	-	-	-	-	-	-	-	-	-	1,971,048	-	-	-	1,971,048
Unassigned	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total fund balances	295,259	405,119	-	-	6,253,611	5,511,065	165,436	1,971,048	400,695	1,971,048	23,717	-	-	15,025,950
Total liabilities, deferred inflows of resources, and fund balances	\$ 831,978	\$ 996,804	\$ -	\$ -	\$ 6,254,306	\$ 5,660,003	\$ 2,231,378	\$ 170,233	\$ 523,529	\$ 2,231,378	\$ 150,801	\$ -	\$ -	\$ 16,819,032

See independent auditor's report.

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

NONMAJOR GOVERNMENTAL FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Special Revenue Funds										Other Governmental Funds Totals	
	State Street Aid Fund	Sanitation Fund	Road Impact Fee Fund	Facilities Tax Fund	Storm Water Fund	Drug Fund	Hotel / Motel Tax Fund	Transit Authority Fund	CDBG Fund			
Revenues:												
Taxes												
Hotel / Motel tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,764,802	\$ -	\$ -	\$ -	\$ -	\$ 2,764,802
Facilities tax	-	-	-	3,848,783	-	-	-	-	-	-	-	3,848,783
Licenses and permits	-	-	4,021,752	-	-	-	-	-	-	-	-	4,021,752
Fines and fees	-	-	-	-	-	167,363	-	-	-	-	-	167,363
Charges for services	-	6,084,125	-	-	2,326,529	-	-	94,314	-	-	-	8,504,968
Intergovernmental												
Gas & motor fuel	1,114,757	-	-	-	-	-	-	-	-	-	-	1,114,757
Petroleum special	128,537	-	-	-	-	-	-	-	-	-	-	128,537
Gas 1989	178,885	-	-	-	-	-	-	-	-	-	-	178,885
Gas 3 cent	332,011	-	-	-	-	-	-	-	-	-	-	332,011
Grants	-	71,500	-	-	3,691	-	476,000	1,050,331	198,747	-	-	1,800,269
Use of money and property	-	101,640	-	6,662	10,742	4,457	98,412	21,520	173	-	-	243,606
Total revenues	1,754,190	6,257,265	4,021,752	3,855,445	2,340,962	171,820	3,339,214	1,166,165	198,920	-	-	23,105,733
Expenditures:												
Current:												
General government	-	-	-	-	-	-	631,331	-	198,748	-	-	830,079
Police	-	-	-	-	-	128,165	-	-	-	-	-	128,165
Fire	-	-	-	20,903	-	-	-	-	-	-	-	20,903
Parks	-	-	-	33,900	-	-	-	-	-	-	-	33,900
Highways and streets	2,198,896	-	-	-	-	-	-	-	-	-	-	2,198,896
Storm water	-	-	-	-	1,918,130	-	-	-	-	-	-	1,918,130
Sanitation	-	6,398,644	-	-	-	-	-	-	-	-	-	6,398,644
Transit	-	-	-	-	-	-	-	1,553,237	-	-	-	1,553,237
Capital outlay	-	91,113	-	694,855	526,868	-	744,413	55,415	-	-	-	2,112,664
Total expenditures	2,198,896	6,489,757	-	749,658	2,444,998	128,165	1,375,744	1,608,652	198,748	-	-	15,194,618
Excess (deficiency) of revenues over (under) expenditures	(444,706)	(232,492)	4,021,752	3,105,787	(104,036)	43,655	1,963,470	(442,487)	172	-	-	7,911,115
Other financing sources (uses)												
Transfers in	739,965	1,208,148	60,933	-	-	-	-	843,182	-	-	-	2,852,228
Transfers out	-	(570,537)	(3,227,856)	-	-	-	(1,116,929)	-	-	-	-	(4,915,322)
Net changes in fund balances	739,965	637,611	(3,166,923)	-	-	-	(1,116,929)	843,182	-	-	-	(2,063,094)
Fund balances - beginning	295,259	405,119	854,829	3,105,787	(104,036)	43,655	846,541	400,695	172	-	-	5,848,021
Fund balances - ending	-	-	(854,829)	3,147,824	5,615,101	121,781	1,124,507	-	23,545	-	-	9,177,929
Fund balances - ending	295,259	405,119	-	6,253,611	5,511,065	165,436	1,971,048	400,695	23,717	\$	\$	15,025,950

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, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental:				
Gasoline tax, State of Tennessee:				
Gas & motor fuel	\$ 1,142,785	\$ 1,142,785	\$ 1,114,757	(28,028)
Petroleum special	133,385	133,385	128,537	(4,848)
Gas 1989	183,855	183,855	178,885	(4,970)
Gas 3 cent	342,475	342,475	332,011	(10,464)
Use of money and property:				
Interest earned	<u>50</u>	<u>50</u>	<u>-</u>	<u>(50)</u>
Total revenues	<u>1,802,550</u>	<u>1,802,550</u>	<u>1,754,190</u>	<u>(48,360)</u>
Expenditures:				
Current:				
Highways and streets:				
Street maintenance and improvement	<u>2,292,685</u>	<u>2,292,685</u>	<u>2,198,896</u>	<u>(93,789)</u>
Total expenditures	<u>2,292,685</u>	<u>2,292,685</u>	<u>2,198,896</u>	<u>(93,789)</u>
Excess (deficiency) of revenues over (under) expenditures				
	<u>(490,135)</u>	<u>(490,135)</u>	<u>(444,706)</u>	<u>45,429</u>
Other financing sources (uses)				
Operating transfers from other funds	<u>490,135</u>	<u>790,135</u>	<u>739,965</u>	<u>(50,170)</u>
Net changes in fund balances	<u>\$ -</u>	<u>\$ 300,000</u>	<u>295,259</u>	<u>\$ (4,741)</u>
Fund balance - beginning			<u>-</u>	
Fund balance - ending			<u>\$ 295,259</u>	

See independent auditor's report.

CITY OF FRANKLIN, TENNESSEE
SANITATION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental:				
Grants	\$ 405,000	\$ 405,000	\$ 71,500	\$ (333,500)
Charges for services:				
Garbage fees	6,846,900	6,846,900	5,947,741	(899,159)
Other revenues	33,200	33,200	38,517	5,317
Sale/lease of waste containers	88,500	88,500	97,867	9,367
Uses of money and property:				
Sale of surplus property	60,000	60,000	101,640	41,640
Total revenues	<u>7,433,600</u>	<u>7,433,600</u>	<u>6,257,265</u>	<u>(1,176,335)</u>
Expenditures:				
Current:				
Personnel	2,836,217	2,836,217	3,026,094	189,877
Services	2,929,840	2,929,840	2,518,137	(411,703)
Supplies	484,320	484,320	498,618	14,298
Operational units	185,000	185,000	190,000	5,000
Business expenses	85,589	85,589	110,467	24,878
Debt service/leases	375,963	375,963	55,328	(320,635)
Capital outlay	475,000	475,000	91,113	(383,887)
Total expenditures	<u>7,371,929</u>	<u>7,371,929</u>	<u>6,489,757</u>	<u>(882,172)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>61,671</u>	<u>61,671</u>	<u>(232,492)</u>	<u>(294,163)</u>
Other financing sources (uses)				
Operating transfers from other funds	508,148	1,208,148	1,208,148	-
Operating transfers to other funds	(569,819)	(569,819)	(570,537)	718
Total other financing sources (uses)	<u>(61,671)</u>	<u>638,329</u>	<u>637,611</u>	<u>718</u>
Net changes in fund balances	<u>\$ -</u>	<u>\$ 700,000</u>	405,119	<u>\$ (294,881)</u>
Fund balance - beginning			-	
Fund balance - ending			<u>\$ 405,119</u>	

See independent auditor's report.

CITY OF FRANKLIN, TENNESSEE
ROAD IMPACT FEE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Licenses and permits:				
Road impact fee	\$ 3,000,000	\$ 3,513,048	\$ 4,021,752	\$ 508,704
Use of money and property:				
Interest earned	-	-	-	-
Contributions from developer	-	-	-	-
Total revenues	<u>3,000,000</u>	<u>3,513,048</u>	<u>4,021,752</u>	<u>508,704</u>
Expenditures:				
Other costs	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,000,000</u>	<u>3,513,048</u>	<u>4,021,752</u>	<u>508,704</u>
Other financing sources (uses):				
Operating transfers from other funds	-	100,000	60,933	(39,067)
Operating transfers to other funds	<u>(3,513,048)</u>	<u>(3,513,048)</u>	<u>(3,227,856)</u>	<u>(285,192)</u>
Net changes in fund balances	<u>\$ (513,048)</u>	<u>\$ 100,000</u>	854,829	<u>\$ 754,829</u>
Fund balance - beginning			<u>(854,829)</u>	
Fund balance - ending			<u>\$ -</u>	

See independent auditor's report.

CITY OF FRANKLIN, TENNESSEE
FACILITIES TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Licenses and permits:				
Facilities tax	\$ 2,000,000	\$ 2,000,000	\$ 3,848,783	\$ 1,848,783
Use of money and property				
Interest earned	<u>5,000</u>	<u>5,000</u>	<u>6,662</u>	<u>1,662</u>
Total revenues	<u>2,005,000</u>	<u>2,005,000</u>	<u>3,855,445</u>	<u>1,850,445</u>
Expenditures:				
Other costs	192,545	192,545	54,803	(137,742)
Capital outlay	<u>2,042,205</u>	<u>2,042,205</u>	<u>694,855</u>	<u>(1,347,350)</u>
Total expenditures	<u>2,234,750</u>	<u>2,234,750</u>	<u>749,658</u>	<u>(1,485,092)</u>
Net changes in fund balances	<u>\$ (229,750)</u>	<u>\$ (229,750)</u>	3,105,787	<u>\$ 3,335,537</u>
Fund balance - beginning			<u>3,147,824</u>	
Fund balance - ending			<u>\$ 6,253,611</u>	

See independent auditor's report.

CITY OF FRANKLIN, TENNESSEE
STORM WATER FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental:				
Grants	\$ -	\$ -	\$ 3,691	\$ 3,691
Charges for services:				
Customer service	2,279,500	2,279,500	2,326,529	47,029
Uses of money and property:				
Interest earnings	24,000	24,000	8,929	(15,071)
Contributions from civic organization	-	-	1,813	1,813
Total revenues	<u>2,303,500</u>	<u>2,303,500</u>	<u>2,340,962</u>	<u>37,462</u>
Expenditures:				
Current:				
Personnel	958,726	958,726	948,571	(10,155)
Services	528,758	528,758	560,373	31,615
Supplies	334,305	334,305	210,560	(123,745)
Operational units	166,000	166,000	165,000	(1,000)
Business expenses	31,862	31,862	33,626	1,764
Capital outlay	<u>2,030,000</u>	<u>2,030,000</u>	<u>526,868</u>	<u>(1,503,132)</u>
Total expenditures	<u>4,049,651</u>	<u>4,049,651</u>	<u>2,444,998</u>	<u>(1,604,653)</u>
Net changes in fund balances	<u>\$ (1,746,151)</u>	<u>\$ (1,746,151)</u>	(104,036)	<u>\$ 1,642,115</u>
Fund balance - beginning			<u>5,615,101</u>	
Fund balance - ending			<u>\$ 5,511,065</u>	

See independent auditor's report.

CITY OF FRANKLIN, TENNESSEE
DRUG FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Use of money and property:				
Interest earned	\$ 4,480	\$ 4,480	\$ 1,127	\$ (3,353)
Sale of surplus property	-	-	3,330	3,330
Fines and fees:				
Drug fines	62,090	62,090	82,013	19,923
Seized assets/unclaimed evidence	108,230	108,230	85,350	(22,880)
Total revenues	<u>174,800</u>	<u>174,800</u>	<u>171,820</u>	<u>(2,980)</u>
Expenditures:				
Current:				
Public safety:				
Drug-related	138,098	138,098	128,165	(9,933)
Total expenditures	<u>138,098</u>	<u>138,098</u>	<u>128,165</u>	<u>(9,933)</u>
Net changes in fund balances	<u>\$ 36,702</u>	<u>\$ 36,702</u>	43,655	<u>\$ 6,953</u>
Fund balance - beginning			<u>121,781</u>	
Fund balance - ending			<u>\$ 165,436</u>	

See independent auditor's report.

CITY OF FRANKLIN, TENNESSEE
HOTEL / MOTEL TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental:				
Grants	\$ -	\$ -	\$ 476,000	\$ 476,000
Taxes:				
Hotel / Motel tax	2,473,200	2,473,200	2,764,802	291,602
Use of money and property:				
Distributions from conference center	-	-	97,079	97,079
Interest earned	20,000	20,000	1,333	(18,667)
Total revenues	<u>2,493,200</u>	<u>2,493,200</u>	<u>3,339,214</u>	<u>846,014</u>
Expenditures:				
Current:				
Miscellaneous	112,000	112,000	68,574	(43,426)
Appropriations	812,757	812,757	562,757	(250,000)
Capital outlay	320,500	320,500	744,413	423,913
Total expenditures	<u>1,245,257</u>	<u>1,245,257</u>	<u>1,375,744</u>	<u>130,487</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,247,943</u>	<u>1,247,943</u>	<u>1,963,470</u>	<u>715,527</u>
Other financing sources (uses):				
Transfer to other funds	<u>(1,155,322)</u>	<u>(1,155,322)</u>	<u>(1,116,929)</u>	<u>(38,393)</u>
Net changes in fund balances	<u>\$ 92,621</u>	<u>\$ 92,621</u>	846,541	<u>\$ 753,920</u>
Fund balance - beginning			<u>1,124,507</u>	
Fund balance - ending			<u>\$ 1,971,048</u>	

See independent auditor's report.

CITY OF FRANKLIN, TENNESSEE
TRANSIT AUTHORITY FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental:				
Grants	\$ 930,550	\$ 1,066,601	\$ 1,050,331	\$ (16,270)
Charges for services:				
Transit fares	88,000	88,000	94,314	6,314
Uses of money and property:				
Rental income	9,700	9,700	9,700	-
Interest earnings	8,400	8,400	11,820	3,420
Sale of surplus property	7,500	7,500	-	(7,500)
Total revenues	<u>1,044,150</u>	<u>1,180,201</u>	<u>1,166,165</u>	<u>(14,036)</u>
Expenditures:				
Current:				
Operations	1,423,550	1,559,601	1,553,237	(6,364)
Capital outlay	120,000	120,000	55,415	(64,585)
Total expenditures	<u>1,543,550</u>	<u>1,679,601</u>	<u>1,608,652</u>	<u>(70,949)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(499,400)</u>	<u>(499,400)</u>	<u>(442,487)</u>	<u>56,913</u>
Other financing sources (uses):				
Transfer from other funds	<u>499,400</u>	<u>899,400</u>	<u>843,182</u>	<u>(56,218)</u>
Net changes in fund balances	<u>\$ -</u>	<u>\$ 400,000</u>	400,695	<u>\$ 695</u>
Fund balance - beginning			<u>-</u>	
Fund balance - ending			<u>\$ 400,695</u>	

See independent auditor's report.

CITY OF FRANKLIN, TENNESSEE
COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental:				
Grants	\$ 203,240	\$ 203,240	\$ 198,747	\$ (4,493)
Uses of money and property:				
Interest	<u>75</u>	<u>75</u>	<u>173</u>	<u>98</u>
Total revenues	<u>203,315</u>	<u>203,315</u>	<u>198,920</u>	<u>(4,395)</u>
Expenditures:				
Current:				
Operations	<u>203,240</u>	<u>203,240</u>	<u>198,748</u>	<u>(4,492)</u>
Total expenditures	<u>203,240</u>	<u>203,240</u>	<u>198,748</u>	<u>(4,492)</u>
Net changes in fund balances	<u>\$ 75</u>	<u>\$ 75</u>	172	<u>\$ 97</u>
Fund balance - beginning			<u>23,545</u>	
Fund balance - ending			<u>\$ 23,717</u>	

See independent auditor's report.

CITY OF FRANKLIN, TENNESSEE
DEBT SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<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	\$ 5,459,048	\$ 5,459,048	\$ 5,357,261	\$ (101,787)
Intergovernmental:				
Rebates on BAB / RZEDB bonds	825,401	825,401	832,180	6,779
Use of money and property:				
Interest earned	<u>5,000</u>	<u>5,000</u>	<u>2,205</u>	<u>(2,795)</u>
Total revenues	<u>6,289,449</u>	<u>6,289,449</u>	<u>6,191,646</u>	<u>(97,803)</u>
Expenditures:				
Principal	6,665,000	6,665,000	6,670,000	5,000
Interest	4,875,343	4,875,343	4,298,262	(577,081)
Current:				
Debt service fees	<u>25,368</u>	<u>25,368</u>	<u>28,317</u>	<u>2,949</u>
Total expenditures	<u>11,565,711</u>	<u>11,565,711</u>	<u>10,996,579</u>	<u>(569,132)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(5,276,262)</u>	<u>(5,276,262)</u>	<u>(4,804,933)</u>	<u>471,329</u>
Other financing sources (uses)				
Operating transfers from other funds				
From Sanitation	569,819	569,819	570,537	718
From Road Impact	3,513,048	3,513,048	3,227,856	(285,192)
From Hotel/Motel	<u>1,155,322</u>	<u>1,155,322</u>	<u>1,116,929</u>	<u>(38,393)</u>
	<u>5,238,189</u>	<u>5,238,189</u>	<u>4,915,322</u>	<u>(322,867)</u>
Net changes in fund balances	<u>\$ (38,073)</u>	<u>\$ (38,073)</u>	110,389	<u>\$ 148,462</u>
Fund balance - beginning			<u>84,729</u>	
Fund balance - ending			<u>\$ 195,118</u>	

See independent auditor's report.

CITY OF FRANKLIN, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Source/Grant Name	CFDA Number	Grant Number	Balance		Adjustments	Cash Receipts	Expenditures	Balance	
			6/30/2013 (Receivable) Unearned	6/30/2014 (Receivable) Unearned				6/30/2013 (Receivable) Unearned	6/30/2014 (Receivable) Unearned
U.S. DEPARTMENT OF JUSTICE									
Bulletproof Vest Program	16.607	N/A	\$ (6,295)	\$ -	\$ -	\$ 8,095	\$ (5,100)	\$ (3,300)	\$ (3,300)
Total U.S. Department of Justice			<u>(6,295)</u>	<u>-</u>	<u>-</u>	<u>8,095</u>	<u>(5,100)</u>	<u>(3,300)</u>	<u>(3,300)</u>
U.S. DEPARTMENT OF TRANSPORTATION									
Transit Operating Assistance Grant **	20.507 *	TN-04-0038	-	-	-	28,208	(28,208)	-	-
Transit Capital Grant **	20.507 *	TN-90-0303	-	-	-	16,104	(16,104)	-	-
Transit Capital Grant **	20.507 *	TN-04-0046	-	-	-	3,301	(3,301)	-	-
Transit Capital Grant **	20.507 *	TN-90-X281-00	(44,332)	-	-	44,332	-	-	-
Transit Operating Assistance Grant **	20.507 *	TN-90-X339-00	-	-	-	126,150	(126,150)	-	-
Replacement Vehicle-PM-Planning & Equipment **	20.507 *	TN-90-X328-00	-	-	-	99,193	(99,193)	-	-
Transit Operating Assistance Grant **	20.507 *	TN-90-X352-00	-	-	-	30,402	(465,013)	(434,611)	(434,611)
Passed through the Nashville Metropolitan Transit Authority									
New Freedom Funds **	20.521	TN-57-X002	(14,971)	-	-	32,452	(25,967)	(8,486)	(8,486)
Passed through the TN Department of Transportation									
TOC Phase III, Infrastructure Upgrades	20.205	103487.00	(190,800)	-	-	190,800	-	-	-
TDOT-ITS Extension	20.205	116144.00	-	-	-	45	(45)	-	-
Eastern Flank Battlefield Access Improvements	20.205	114978.00	(505,260)	29,260	-	476,000	-	-	-
Franklin Fight Against Impaired Driving	20.601	154AL-13-83	(12,722)	-	-	20,487	(7,765)	-	-
Franklin Fight Against Impaired Driving	20.601	154AL-14-55	-	-	-	22,967	(30,380)	(7,413)	(7,413)
Total U.S. Department of Transportation			<u>(768,085)</u>	<u>29,260</u>	<u>-</u>	<u>1,090,441</u>	<u>(802,126)</u>	<u>(450,510)</u>	<u>(450,510)</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT									
Community Development Block Grant	14.218	B-MC-47-0014	(7,857)	-	-	199,875	(198,747)	(6,729)	(6,729)
Passed through the TN Housing Development Agency									
Emergency Shelter Grant	14.231	ESG-12-12	(3,733)	-	-	38,156	(34,423)	-	-
Total U.S. Department of Housing and Urban Development			<u>(11,590)</u>	<u>-</u>	<u>-</u>	<u>238,031</u>	<u>(233,170)</u>	<u>(6,729)</u>	<u>(6,729)</u>
DEPARTMENT OF HOMELAND SECURITY - FEMA									
Passed through the TN Emergency Management Agency									
Hazard Mitigation Grant Program	97.039	HMGF-1909-0049	(133,730)	-	-	133,730	-	-	-
Hazard Mitigation Grant Program	97.039	HMGF-1909-0061	(412,648)	-	-	412,648	(91,419)	(91,419)	(91,419)
FEMA-May 2010 Flood	97.039	FEMA-1909-DR-TN	(31,915)	(41,668)	(41,668)	73,583	-	-	-
Total Department of Homeland Security			<u>(578,293)</u>	<u>(41,668)</u>	<u>(41,668)</u>	<u>619,961</u>	<u>(91,419)</u>	<u>(91,419)</u>	<u>(91,419)</u>
Total Federal Assistance			<u>\$ (1,364,263)</u>	<u>\$ (12,408)</u>	<u>\$ (1,131,815)</u>	<u>\$ 1,956,528</u>	<u>\$ (1,131,815)</u>	<u>\$ (551,958)</u>	<u>\$ (551,958)</u>

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

* Major program

** Passed through to The Transportation Management Association Group
 See independent auditor's report.

CITY OF FRANKLIN, TENNESSEE
SCHEDULE OF STATE FINANCIAL ASSISTANCE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Source/Grant Name	State Grant Number	Balance 6/30/2013 (Receivable) Unearned	Adjustments	Cash Receipts	Expenditures	Balance 6/30/2014 (Receivable) Unearned
TENNESSEE DEPARTMENT OF TRANSPORTATION						
Local Interstate Connecting	10752.00	\$ -	\$ -	\$ -	\$ -	\$ -
Transit Capital Grant	TN-90-0303	-	-	-	(2,013)	(2,013)
Transit Operating Assistance Grant	TN-04-0038	-	-	2,854	(3,525)	(671)
Transit Capital Investment Grant	TN-04-0046	(672)	-	1,085	(413)	-
Replacement Vehicle-PM-Planning & Equipment	TN-90-X328-00	-	-	950	(6,492)	(5,542)
Transit Operating Assistance Grant	TN-90-X339-00	(34,939)	-	47,652	(15,734)	(3,021)
Transit Operating Assistance Grant	TN-90-X352-00	-	-	-	(56,196)	(56,196)
New Freedom Funds	TN-57-X002	(13,448)	-	19,038	(12,983)	(7,393)
FY 14 Operating Assistance	GG-14-40160-00	-	-	249,649	(249,649)	-
Special Litter Grant	Z13ALG016	-	-	27,401	(27,401)	-
Total Tennessee Department of Transportation		<u>(49,059)</u>	<u>-</u>	<u>348,629</u>	<u>(374,406)</u>	<u>(74,836)</u>
TENNESSEE DEPARTMENT OF ENVIRONMENT & CONSERVATION						
Capitalization Grants for Clean Water State RLF	CGA 2009-250	-	-	-	-	-
Jackson National Life Insurance Project	GG1134897	-	-	-	-	-
Harlin Hayes House Roof	GG1238993	-	-	-	-	-
FY 2011 Local Parks & Recreation	GG1135125	(65,000)	-	65,000	-	-
Household Hazardous Waste Facility Recycling Rebate FY2014	34420	-	-	-	(4,790)	(4,790)
Total Tennessee Department of Economic and Community Development		<u>(65,000)</u>	<u>-</u>	<u>65,000</u>	<u>(4,790)</u>	<u>(4,790)</u>
TENNESSEE EMERGENCY MANAGEMENT AGENCY						
TEMA-May 2010 Flood		(32,340)	(2,315)	34,655	-	-
Hazard Mitigation Grant Program	E-24547	(22,289)	-	22,289	-	-
Hazard Mitigation Grant Program	E-24547	(68,809)	-	68,809	(15,237)	(15,237)
Total Tennessee Emergency Management Agency		<u>(123,438)</u>	<u>(2,315)</u>	<u>125,753</u>	<u>(15,237)</u>	<u>(15,237)</u>
TENNESSEE DEPARTMENT OF AGRICULTURE						
TAEP Community Tree Planting Project	DG1339727	(7,014)	-	7,014	-	-
Total Tennessee Department of Agriculture		<u>(7,014)</u>	<u>-</u>	<u>7,014</u>	<u>-</u>	<u>-</u>
Total State Financial Assistance		<u>\$ (244,511)</u>	<u>\$ (2,315)</u>	<u>\$ 546,396</u>	<u>\$ (394,433)</u>	<u>\$ (94,863)</u>

Note: All State financial assistance programs utilize the accrual basis of accounting.
 ** Passed through to The Transportation Management Association Group

See independent auditors' report.

CITY OF FRANKLIN, TENNESSEE
SCHEDULE OF PRINCIPAL AND INTEREST REQUIREMENTS
GENERAL OBLIGATION DEBT
 JUNE 30, 2014

	Tennessee Municipal Bond Fund Variable Rate Pool Loan Program 2001		Tennessee Municipal Bond Fund Variable Rate Pool Loan Program 2001		General Obligation Refunding Bonds Series 2004		Tennessee Municipal Bond Fund Variable Rate Pool Loan Program 2004		Public Building Authority of the City of Lawrenceburg, TN Loan Agreement 2005 (1)		Public Building Authority of the City of Franklin, TN Loan Agreement 2007 (2)	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 411,000	\$ 3,570	\$ 158,000	\$ 1,854	\$ 430,000	\$ 7,794	\$ 500,000	\$ 4,424	\$ 310,000	\$ 88,148	\$ -	\$ 718,000
2016	425,000	2,419	163,000	1,411	-	-	530,000	3,024	320,000	76,833	-	718,000
2017	439,000	1,229	168,000	955	-	-	550,000	1,540	330,000	65,153	-	718,000
2018	-	-	173,000	484	-	-	-	-	345,000	53,108	-	718,000
2019	-	-	-	-	-	-	-	-	355,000	40,515	-	718,000
2020	-	-	-	-	-	-	-	-	370,000	27,558	-	718,000
2021	-	-	-	-	-	-	-	-	385,000	14,053	-	718,000
2022	-	-	-	-	-	-	-	-	-	-	-	718,000
2023	-	-	-	-	-	-	-	-	-	-	-	718,000
2024	-	-	-	-	-	-	-	-	-	-	-	718,000
2025	-	-	-	-	-	-	-	-	-	-	-	718,000
2026	-	-	-	-	-	-	-	-	-	-	1,175,000	718,000
2027	-	-	-	-	-	-	-	-	-	-	1,225,000	675,818
2028	-	-	-	-	-	-	-	-	-	-	1,300,000	631,840
2029	-	-	-	-	-	-	-	-	-	-	1,350,000	585,170
2030	-	-	-	-	-	-	-	-	-	-	1,400,000	536,705
2031	-	-	-	-	-	-	-	-	-	-	1,450,000	486,445
2032	-	-	-	-	-	-	-	-	-	-	1,525,000	434,390
2033	-	-	-	-	-	-	-	-	-	-	1,575,000	379,643
2034	-	-	-	-	-	-	-	-	-	-	1,650,000	323,100
2035	-	-	-	-	-	-	-	-	-	-	1,725,000	263,865
2036	-	-	-	-	-	-	-	-	-	-	1,800,000	201,938
2037	-	-	-	-	-	-	-	-	-	-	1,875,000	137,318
	\$ 1,275,000	\$ 7,218	\$ 662,000	\$ 4,704	\$ 430,000	\$ 7,794	\$ 1,580,000	\$ 8,988	\$ 2,415,000	\$ 365,365	\$ 1,950,000	\$ 12,624,237

Notes:
 (1) The City has an interest rate swap (variable to fixed) agreement with SunTrust Bank.
 (2) The City has an interest rate swap (variable to fixed) agreement with DePfa Bank.

CITY OF FRANKLIN, TENNESSEE
SCHEDULE OF PRINCIPAL AND INTEREST REQUIREMENTS (Cont.)
GENERAL OBLIGATION DEBT
 JUNE 30, 2014

	Federally Taxable Build America Bonds Series 2009(3)		Capital Improvement Bonds Series 2009		Federally Taxable Recovery Zone Bonds Series 2010(4)		General Improvement Refunding Bonds Series 2010		General Improvement Refunding Bonds Series 2012		Public Improvement Bonds Series 2013A		Pension Obligation Bonds Series 2013B		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ -	\$ 1,559,925	\$ 1,990,000	\$ 153,000	\$ -	\$ 795,729	\$ 1,135,000	\$ 436,150	\$ 1,375,000	\$ 433,668	\$ 255,000	\$ 251,198	\$ 885,000	\$ 283,125	\$ 7,449,000	\$ 4,736,584
2016	-	1,559,925	2,040,000	103,250	-	795,729	1,175,000	402,100	1,405,000	404,380	300,000	204,717	940,000	227,635	7,298,000	4,499,423
2017	-	1,559,925	2,090,000	52,250	-	795,729	1,210,000	366,850	1,435,000	374,454	305,000	198,718	945,000	218,235	7,472,000	4,353,037
2018	2,140,000	1,559,925	-	-	-	795,729	1,240,000	330,550	1,465,000	343,889	315,000	192,617	955,000	208,313	6,633,000	4,202,615
2019	2,205,000	1,464,695	-	-	-	795,729	1,280,000	293,350	1,495,000	312,684	320,000	186,318	970,000	193,510	6,625,000	4,004,801
2020	2,270,000	1,364,368	-	-	-	795,729	1,315,000	254,950	1,530,000	280,840	325,000	179,917	1,000,000	164,410	6,810,000	3,785,771
2021	2,340,000	1,258,813	-	-	-	795,729	1,340,000	215,500	1,560,000	248,252	330,000	173,418	1,030,000	134,410	7,005,000	3,558,174
2022	2,410,000	1,146,493	-	-	-	795,729	1,410,000	161,100	1,595,000	215,023	340,000	166,817	1,060,000	106,600	6,815,000	3,309,762
2023	2,490,000	1,027,198	-	-	-	795,729	1,470,000	104,700	1,630,000	181,050	350,000	158,318	1,090,000	74,800	7,030,000	3,059,795
2024	2,565,000	905,188	-	-	-	795,729	1,530,000	45,900	1,665,000	146,331	355,000	149,567	1,125,000	39,375	9,225,000	2,800,090
2025	2,650,000	776,938	-	-	-	705,923	-	-	1,700,000	110,867	365,000	140,693	-	-	8,030,000	2,450,421
2026	2,740,000	641,125	-	-	-	602,273	-	-	1,735,000	74,656	375,000	131,203	-	-	8,270,000	2,125,075
2027	2,835,000	493,850	-	-	-	495,266	-	-	1,770,000	37,701	385,000	120,890	-	-	8,545,000	1,779,547
2028	2,935,000	337,925	-	-	-	380,261	-	-	-	-	400,000	107,800	-	-	7,000,000	1,411,156
2029	3,045,000	173,562	-	-	-	259,881	-	-	-	-	410,000	94,200	-	-	7,235,000	1,064,348
2030	-	-	-	-	-	131,956	-	-	-	-	425,000	80,260	-	-	4,330,000	698,661
2031	-	-	-	-	-	-	-	-	-	-	440,000	65,810	-	-	1,965,000	500,200
2032	-	-	-	-	-	-	-	-	-	-	455,000	50,850	-	-	2,030,000	430,493
2033	-	-	-	-	-	-	-	-	-	-	470,000	35,380	-	-	2,120,000	358,480
2034	-	-	-	-	-	-	-	-	-	-	485,000	19,400	-	-	2,210,000	283,265
2035	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,800,000	201,938
2036	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,875,000	137,318
2037	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,950,000	70,005
	\$ 30,625,000	\$ 15,829,852	\$ 6,120,000	\$ 308,500	\$ 15,725,000	\$ 10,550,850	\$ 13,125,000	\$ 2,611,150	\$ 20,360,000	\$ 3,163,795	\$ 7,405,000	\$ 2,708,091	\$ 10,000,000	\$ 1,650,413	\$ 129,722,000	\$ 49,820,957

Notes:

- (3) The City receives a 35% direct payment interest rebate on this issue, subject to reduction by the annually adjusted sequestration rate. The sequestration rate for July-September 2013 was 8.7%; October 2013-June 2014 was 7.2%.
- (4) The City receives a 45% direct payment interest rebate on this issue, subject to reduction by the annually adjusted sequestration rate. The sequestration rate for July-September 2013 was 8.7%; October 2013-June 2014 was 7.2%.

CITY OF FRANKLIN, TENNESSEE
 SCHEDULE OF PRINCIPAL AND INTEREST REQUIREMENTS
 PROPRIETARY FUND DEBT
 JUNE 30, 2014

	Sewer & Water Revenue & Tax refunding Bonds-Series 2005		Sewer & Water Refunding Sun Trust Loan 2011		Drinking Water SRF & ARRA Loan		Clean Water SRF & ARRA Loan		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 2,030,000	\$ 1,078,875	\$ 1,190,000	\$ 404,385	\$ 62,510	\$ 35,703	\$ 75,580	\$ 46,596	\$ 3,358,090	\$ 1,565,559
2016	2,050,000	977,375	1,220,000	374,811	64,296	33,918	77,638	44,538	3,411,934	1,430,642
2017	2,115,000	874,875	1,250,000	344,493	66,133	32,080	79,752	42,424	3,510,885	1,293,872
2018	2,150,000	769,125	1,280,000	313,431	68,023	30,191	81,924	40,252	3,579,947	1,152,999
2019	2,220,000	661,625	1,310,000	281,625	69,965	28,248	84,156	38,020	3,684,121	1,009,518
2020	2,240,000	550,625	1,345,000	249,064	71,964	26,250	86,448	35,728	3,743,412	861,667
2021	2,255,000	438,625	1,380,000	215,636	74,020	24,193	88,802	33,373	3,797,822	711,827
2022	2,280,000	325,875	1,415,000	181,340	76,134	22,080	91,220	30,955	3,862,354	560,250
2023	1,555,000	211,875	1,450,000	146,175	78,310	19,904	93,704	28,471	3,177,014	406,425
2024	1,450,000	134,125	1,485,000	110,143	80,546	17,667	96,257	25,919	3,111,803	287,854
2025	1,450,000	61,625	1,520,000	73,243	82,848	15,366	98,878	23,298	3,151,726	173,532
2026	-	-	1,560,000	35,464	85,215	12,999	101,570	20,605	1,746,785	69,068
2027	-	-	-	-	87,648	10,565	104,338	17,838	191,986	28,403
2028	-	-	-	-	90,153	8,061	107,178	14,998	197,331	23,059
2029	-	-	-	-	92,729	5,485	110,098	12,078	202,827	17,563
2030	-	-	-	-	95,377	2,837	113,096	9,079	208,473	11,916
2031	-	-	-	-	48,701	403	116,176	6,000	164,877	6,403
2032	-	-	-	-	-	-	119,340	2,836	119,340	2,836
2033	-	-	-	-	-	-	40,505	226	40,505	226
	<u>\$ 21,795,000</u>	<u>\$ 6,084,625</u>	<u>\$ 16,405,000</u>	<u>\$ 2,729,810</u>	<u>\$ 1,294,572</u>	<u>\$ 325,950</u>	<u>\$ 1,766,660</u>	<u>\$ 473,234</u>	<u>\$ 41,261,232</u>	<u>\$ 9,613,619</u>

See independent auditor's report.

CITY OF FRANKLIN, TENNESSEE
SCHEDULE OF UTILITY RATE STRUCTURE AND NUMBER OF CUSTOMERS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED

Utility Services

<u>Service:</u>	<u>Number of Customers</u>	<u>Fees</u>
Water	17,182	\$ 8,860,972
Sewer	19,727	13,060,064
Reclaimed	49	130,051

Utility Rates

<u>Water Residential Rates:</u>	<u>Inside City Limits</u>	<u>Outside City Limits</u>
Gallons		
First 1,000 Gallons	\$ 11.86	\$ 14.30
Next 9,000 Gallons	3.98	6.16
Next 15,000 Gallons	4.91	6.74
All Additional Usage	5.84	7.32
Water Commercial Rates:		
Gallons		
First 1,000 Gallons	\$ 18.49	\$ 22.21
Next 9,000 Gallons	3.96	6.08
Next 15,000 Gallons	4.89	6.66
All Additional Usage	5.82	7.24
Sewer Residential Rates:		
Gallons		
First 1,000 Gallons	\$ 16.55	\$ 21.63
Next 14,000 Gallons	4.17	6.54
Over 15,000 Gallons	3.38	5.39
Sewer Commercial Rates:		
Gallons		
First 1,000 Gallons	\$ 41.98	\$ 45.46
Next 14,000 Gallons	4.72	7.37
Over 15,000 Gallons	3.73	5.48
Reclaimed Water Rate:		
Gallons		
For each 1,000 Gallons	\$ 0.97	\$ 0.97

Rates above were effective January 1, 2014. A minimum bill of 1,000 gallons per customer is levied.

Other Utility Fees

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

See independent auditor's report.

CITY OF FRANKLIN, TENNESSEE
SCHEDULE OF UTILITY RATE STRUCTURE AND NUMBER OF CUSTOMERS (Cont.)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED

Installation Charges:		
Water		
<u>Meter Size</u>	<u>Installation-Meter Only</u>	<u>Installation-Complete</u>
3/4"	\$ 315	\$ 756
1"	374	897
1-1/2"	656	1,444
2"	1,362	2,223
3"	1,581	3,654
4"	2,668	5,492
6"	4,723	7,387
8"	10,293	14,110
Sewer		
<u>Meter Size</u>	<u>Installation-Meter Only</u>	<u>Installation-Complete</u>
3/4"	\$ 263	\$ 1,240
1"	263	1,240
1-1/2"	263	1,240
2"	263	1,240
3"	263	1,240
4"	263	1,240
6"	263	1,240
8"	263	1,240
Reclaimed		
<u>Meter Size</u>	<u>Installation-Meter Only</u>	<u>Installation-Complete</u>
3/4"	\$ 500	\$ 720
1"	500	854
1-1/2"	500	1,375
2"	500	2,117
3"	500	3,480
4"	500	5,230
6"	500	7,035
8"	500	13,438
Access Fees:		
<u>Meter Size</u>	<u>Water Access Fee</u>	<u>Sewer Access Fee</u>
3/4"	\$ 1,186	\$ 2,100
1"	4,746	8,400
1-1/2"	11,390	20,160
2"	15,187	26,880
3"	33,222	58,800
4"	47,460	84,000
6"	113,904	201,600
8"	142,380	252,000
Irrigation:		
<u>Meter Size</u>	<u>Irrigation Meter</u>	<u>Reclaimed Disposal Fee</u>
3/4"	\$ 3,150	\$ 450
1"	4,725	1,800
1-1/2"	6,300	4,320
2"	7,875	5,760
3"	9,450	12,600
4"	11,025	18,000
6"	12,600	43,200
8"	14,175	54,000

See independent auditor's report.

CITY OF FRANKLIN, TENNESSEE
SCHEDULE OF UNACCOUNTED FOR WATER - AWWA FORMAT
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014
 UNAUDITED

AWWA WLCC Free Water Audit Software: Reporting Worksheet
Back to Instructions

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Water Audit Report for: **City of Franklin Water Management Department**
 Reporting Year: **FY 2013** / 7/2012 - 6/2013

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

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

WATER SUPPLIED << Enter grading in column 'E'

Volume from own sources:	9	468.976	Million gallons (US)/yr (MG/Yr)
Master meter error adjustment (enter positive value):	9	10.000	under-registered MG/Yr
Water imported:	9	1,640.182	MG/Yr
Water exported:	n/a	0.000	MG/Yr
WATER SUPPLIED:		2,119.158	MG/Yr

AUTHORIZED CONSUMPTION

Billed metered:	8	1,475.394	MG/Yr
Billed unmetered:	9	0.000	MG/Yr
Unbilled metered:	10	71.878	MG/Yr
Unbilled unmetered:	9	26.489	MG/Yr
AUTHORIZED CONSUMPTION:		1,573.761	MG/Yr

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

Click here: ? for help using option buttons below
 Use buttons to select percentage of water supplied OR value
 Choose this option to enter a percentage of billed metered consumption. This is NOT a default value

WATER LOSSES (Water Supplied - Authorized Consumption) 545.397 MG/Yr

Apparent Losses

Unauthorized consumption:	9	5.298	MG/Yr
Customer metering inaccuracies:	7	31.577	MG/Yr
Systematic data handling errors:	9	0.000	MG/Yr
Apparent Losses:		36.875	

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

Systematic data handling errors are likely, please enter a non-zero value; otherwise grade = 5

Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses:	9	508.522	MG/Yr
WATER LOSSES:		545.397	MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER:	9	643.764	MG/Yr
--------------------	---	---------	-------

= Total Water Loss + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

Length of mains:	9	285.0	miles
Number of active AND inactive service connections:	6	17,206	
Connection density:	9	60	conn./mile main
Average length of customer service line:	8	0.0	ft (pipe length between curbstop and customer meter or property boundary)
Average operating pressure:	7	70.0	psi

COST DATA

Total annual cost of operating water system:	10	\$9,640,221	\$/Year
Customer retail unit cost (applied to Apparent Losses):	9	\$10.92	\$/1000 gallons (US)
Variable production cost (applied to Real Losses):	9	\$2,180.00	\$/Million gallons

PERFORMANCE INDICATORS

Financial Indicators

Non-revenue water as percent by volume of Water Supplied:	30.4%
Non-revenue water as percent by cost of operating system:	17.9%
Annual cost of Apparent Losses:	\$402,674
Annual cost of Real Losses:	\$1,108,577

Operational Efficiency Indicators

Apparent Losses per service connection per day:	5.87 gallons/connection/day
Real Losses per service connection per day*:	80.97 gallons/connection/day
Real Losses per length of main per day*:	N/A
Real Losses per service connection per day per psi pressure:	1.16 gallons/connection/day/psi
Unavoidable Annual Real Losses (UARL):	105.34 million gallons/year
From Above, Real Losses = Current Annual Real Losses (CARL):	508.52 million gallons/year
Infrastructure Leakage Index (ILI) [CARL/UARL]:	4.83

* only the most applicable of these two indicators will be calculated

WATER AUDIT DATA VALIDITY SCORE:

*** YOUR SCORE IS: 84 out of 100 ***

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

PRIORITY AREAS FOR ATTENTION:

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

1: Water imported

2: Unauthorized consumption

3: Systematic data handling errors

[For more information, click here to see the Grading Matrix worksheet](#)

See independent auditor's report.

CITY OF FRANKLIN, TENNESSEE
SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE - BY LEVY YEAR
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Tax Year	Balance June 30, 2013	Taxes Levied	Adjustments and Collections	Balance June 30, 2014
2013	\$ -	\$ 12,342,702	\$ (12,146,687)	\$ 196,015
2012	177,246		(144,703)	32,543
2011	56,384	-	(37,319)	19,065
2010	24,886	-	(7,557)	17,329
2009	18,723	-	(444)	18,279
2008	9,846	-	(497)	9,349
2007	23,850	-	(6,409)	17,441
2006	2,782	-	(41)	2,741
2005	1,296	-	(3)	1,293
2004	1,987	-	(17)	1,970
	<u>\$ 317,000</u>	<u>\$ 12,342,702</u>	<u>\$ (12,343,677)</u>	<u>\$ 316,025</u>

Balances included in the schedule above are:

Considered current revenue	\$ 59,717
Allowance for uncollectible accounts: 2004-2013 levies	102,554
Unavailable revenue	153,754
	<u>\$ 316,025</u>

Balances not included in the schedule above are:

2014 tax levy due October 1, 2014 considered unavailable revenue and amounts payable to others	\$ 14,045,787
--	---------------

Total property tax receivable	<u><u>\$ 14,361,812</u></u>
-------------------------------	-----------------------------

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

STATISTICAL SECTION



HISTORIC
F R A N K L I N
TENNESSEE

STATISTICAL SECTION SUMMARY PAGE:

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

Contents:

Financial Trends

These schedules contain trend information to help readers understand how the City’s financial performance and financial position have changed over time. 86

Revenue Capacity

These schedules contain information to help readers assess the City’s revenue sources, including its most significant local tax sources, local sales tax and its property tax. 90

Debt Capacity

These schedules present information to help readers assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future. 95

Demographic and Economic Information

These schedules offer demographic and economic indicators to help readers understand the environment within which the City’s financial activities take place. 100

Operating Information

These schedules contain service and infrastructure data to help readers understand how the information in the City’s financial report relates to the services the City provides and the activities it performs. 102

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

CITY OF FRANKLIN, TENNESSEE

Financial Trends Information -
Net Position By Component

(Prepared using the accrual basis of accounting)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental activities:										
Net investment in capital assets	\$ 274,575,227	\$ 314,309,351	\$ 354,087,255	\$ 387,399,795	\$ 398,721,876	\$ 391,009,711	\$ 393,091,861	\$ 394,771,670	\$ 427,956,937	\$ 473,270,481
Restricted for:										
Street maintenance and improvements	983,107	900,412	1,069,415	1,048,827	31,817	-	-	-	-	-
Other projects	233,836	295,536	381,491	257,521	335,343	2,168,363	288,957	161,351	145,326	484,412
Capital projects	9,041,671	-	-	-	-	-	-	-	-	-
Unrestricted	28,382,567	34,680,258	53,444,430	34,055,155	23,793,595	31,620,382	37,054,884	46,304,057	42,077,735	30,667,181
Total net position	\$ 313,216,408	\$ 350,185,557	\$ 408,982,591	\$ 422,761,298	\$ 422,882,631	\$ 424,798,456	\$ 430,435,702	\$ 441,237,078	\$ 470,179,998	\$ 504,422,074
Business-type activities:										
Net investment in capital assets	\$ 85,142,612	\$ 83,019,594	\$ 92,918,459	\$ 105,088,556	\$ 107,235,256	\$ 102,547,138	\$ 105,910,754	\$ 106,880,291	\$ 110,724,957	\$ 119,141,240
Restricted for:										
Water & Sewer	-	-	-	-	-	13,376,540	9,975,225	6,684,374	8,150,100	13,391,806
Unrestricted	11,962,212	13,957,292	15,774,391	9,997,061	13,428,223	5,230,958	7,305,042	14,221,008	15,923,139	14,046,835
Total net position	\$ 97,104,824	\$ 96,976,886	\$ 108,692,850	\$ 115,085,617	\$ 120,663,479	\$ 121,154,636	\$ 123,191,621	\$ 127,785,673	\$ 134,798,196	\$ 146,579,881
Primary government:										
Net investment in capital assets	\$ 359,717,839	\$ 397,328,945	\$ 453,483,827	\$ 492,488,351	\$ 505,957,132	\$ 493,556,849	\$ 499,002,615	\$ 501,651,961	\$ 538,681,894	\$ 592,411,721
Restricted for:										
Street maintenance and improvements	983,107	900,412	1,069,415	1,048,827	31,817	-	-	-	-	-
Other projects	233,836	295,536	381,491	257,521	335,343	272,367	288,957	161,351	145,326	484,412
Capital projects	9,041,671	-	-	-	-	-	-	-	-	-
Water & Sewer	-	-	-	-	-	13,376,540	9,975,225	6,684,374	8,150,100	13,391,806
Unrestricted	40,344,779	48,637,550	62,740,708	44,052,216	37,221,818	38,747,336	44,360,526	60,525,065	58,000,874	44,714,016
Total net position	\$ 410,321,232	\$ 447,162,443	\$ 517,675,441	\$ 537,846,915	\$ 543,546,110	\$ 545,953,092	\$ 553,627,323	\$ 569,022,751	\$ 604,978,194	\$ 651,001,955

CITY OF FRANKLIN, TENNESSEE

Financial Trends Information -
Changes in Net Position

(Prepared using the accrual basis of accounting)

Governmental activities:	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues:										
Program revenues:										
Charges for services-Codes	\$ 1,580,815	\$ 1,887,000	\$ 2,700,796	\$ 3,193,332	\$ 1,026,457	\$ 767,764	\$ 1,521,266	\$ 1,839,074	\$ 1,878,490	\$ 2,332,672
Charges for services-Sanitation	1,433,575	2,472,557	2,666,408	3,201,109	4,554,150	4,753,448	6,673,158	6,888,014	6,855,652	6,084,125
Charges for services-Storm water	1,728,455	1,868,164	1,913,537	1,959,658	2,009,142	2,088,080	2,108,109	2,151,430	2,363,177	2,328,343
Charges for services-Police	813,651	1,108,503	998,848	983,845	1,267,107	1,245,405	990,092	1,134,311	1,233,320	784,561
Charges for services-Streets	-	-	-	-	-	-	940	6,100	7,160	7,400
Other charges for services	380,282	453,708	395,219	674,752	555,202	127,492	450,152	647,572	580,724	702,425
Operating grants & contributions	2,572,276	2,095,578	1,768,421	3,334,814	2,836,769	3,358,092	4,217,716	5,572,231	4,489,556	4,317,671
Capital grants & contributions	24,204,441	32,471,262	42,284,692	29,769,464	12,760,014	12,129,244	11,893,536	26,221,640	24,640,622	32,121,297
General revenues:										
Property taxes	9,059,834	9,880,639	9,832,508	10,409,885	10,936,742	11,415,775	11,728,305	11,550,562	11,659,973	11,878,892
Sales taxes	19,785,941	22,005,703	23,885,264	23,185,434	21,152,554	20,969,821	22,720,666	24,197,413	25,995,733	27,254,742
Other taxes and fees	12,928,838	19,154,473	25,589,305	20,510,224	17,214,042	16,182,779	22,723,385	21,811,094	24,254,006	30,286,052
Other	1,684,572	2,203,517	1,663,403	2,568,298	1,327,007	1,188,770	(173,794)	(4,881,649)	4,630,117	(790,266)
Transfers	-	-	-	(225,000)	(45,000)	(45,000)	-	-	-	-
Total revenues	76,172,680	95,601,104	113,698,401	99,565,815	75,594,186	74,181,670	84,853,531	97,137,792	108,588,530	117,307,914
Expenses:										
General government:										
General government	8,716,441	12,312,610	4,976,177	4,561,315	1,729,144	3,464,483	1,294,801	3,205,578	2,442,032	1,949,294
Capital investment planning	-	-	-	-	-	193,505	233,651	208,446	162,049	184,077
Administration	944,626	1,195,689	1,250,834	1,146,961	882,070	390,182	507,073	595,811	492,554	456,302
City recorder	359,575	305,395	984,697	1,154,396	1,177,821	395,054	1,295,430	1,361,604	176,518	304,303
Public safety:										
Police	9,184,543	9,891,449	12,704,967	11,800,152	13,737,798	14,744,499	15,461,749	15,154,496	14,363,457	14,538,599
Fire	8,807,357	9,693,129	10,065,274	12,168,985	13,072,914	13,044,366	13,197,463	13,197,477	13,540,246	13,939,150
Highways and streets	12,218,546	8,846,698	12,825,296	12,950,825	15,346,785	15,873,886	16,734,751	21,221,774	16,431,675	18,426,769
Street-Fleet	-	-	-	-	-	662,683	523,234	592,074	601,240	902,173
Engineering	572,720	731,762	1,033,507	1,088,120	1,239,061	797,691	1,007,478	1,228,832	1,306,664	1,420,165
Storm water	574,611	682,426	1,160,588	693,434	744,156	1,126,529	1,319,328	1,508,125	1,622,743	2,016,390
Sanitation	5,285,255	6,068,689	5,909,657	6,832,313	6,906,679	6,344,279	8,180,396	7,961,729	7,837,722	7,279,885
Transit	-	-	1,112,289	1,203,579	1,210,274	1,030,107	1,257,352	1,398,956	1,623,600	1,736,112
Parks	1,132,484	1,370,912	744,627	1,616,753	3,068,887	3,306,523	3,801,959	3,688,466	3,866,135	4,244,661
Maintenance	302,014	278,848	381,635	583,917	595,609	523,339	747,101	863,314	710,947	802,988
Elected officials	-	-	-	176,746	161,495	193,640	133,300	202,515	183,406	297,496
Planning	908,806	1,009,100	1,079,229	1,373,042	1,436,862	1,372,885	1,408,303	1,223,706	1,235,714	1,425,121
Building & neighborhood services	1,188,400	1,340,976	1,735,274	1,855,258	1,941,663	2,005,803	1,852,075	1,900,692	2,164,831	2,351,310
Courts	182,322	197,477	241,389	245,205	242,314	265,380	249,454	284,907	220,481	214,427
Human resources	467,804	655,974	653,686	644,672	845,231	689,024	952,403	1,049,741	787,765	951,829
Channel 10	97,582	87,641	119,458	127,036	151,468	261,568	315,291	324,603	304,243	319,154
Finance	798,925	787,936	986,677	950,729	1,032,382	793,781	865,832	893,037	700,548	717,444
Legal	-	-	134,768	358,431	217,008	239,619	344,610	387,283	293,197	466,434
Purchasing	-	-	172,489	188,179	123,527	131,633	145,891	159,188	141,705	165,711
Municipal information and tech	995,098	1,569,736	2,808,228	2,974,551	3,509,093	3,354,101	3,468,124	3,993,526	4,756,627	4,213,881
Interest expense on long-term debt	967,929	1,605,208	2,116,737	2,368,353	2,505,069	1,061,285	3,919,236	3,730,536	3,679,511	3,742,163
Total expenses	53,705,038	58,631,655	63,197,483	67,062,952	71,877,310	72,265,845	79,216,285	86,336,416	79,645,610	83,065,838
Change in net position	\$ 22,467,642	\$ 36,969,449	\$ 50,500,918	\$ 32,502,863	\$ 3,716,876	\$ 1,915,825	\$ 5,637,246	\$ 10,801,376	\$ 28,942,920	\$ 34,242,076
Business-Type activities:										
Revenues:										
Program revenues:										
Charges for services	\$ 12,506,189	\$ 13,183,105	\$ 13,651,464	\$ 14,148,119	\$ 16,635,455	\$ 16,260,341	\$ 19,411,483	\$ 21,253,689	\$ 22,116,747	\$ 23,099,351
Capital grants & contributions	6,530,477	3,371,583	6,477,369	9,909,838	8,613,893	3,881,605	3,841,390	5,307,632	6,728,662	11,263,738
General revenues:										
Other sources	410,630	868,311	820,123	535,059	38,719	68,934	180,868	(7,153)	140,371	113,591
Transfers	-	-	-	225,000	45,000	45,000	-	-	-	-
Total revenues	19,447,296	17,422,999	20,948,956	24,818,016	25,333,067	20,255,880	23,433,741	26,554,168	28,985,780	34,476,680
Expenses:										
Water & sewer	13,912,657	17,550,937	17,378,465	18,425,249	19,755,205	19,764,723	21,396,756	21,960,116	21,973,257	22,694,995
Change in net position	\$ 5,534,639	\$ (127,938)	\$ 3,570,491	\$ 6,392,767	\$ 5,577,862	\$ 491,157	\$ 2,036,985	\$ 4,594,052	\$ 7,012,523	\$ 11,781,685
Total change in net position	\$ 28,002,281	\$ 36,841,511	\$ 54,071,409	\$ 38,895,630	\$ 9,294,738	\$ 2,406,982	\$ 7,674,231	\$ 15,395,428	\$ 35,955,443	\$ 46,023,761

CITY OF FRANKLIN, TENNESSEE

Financial Trends Information -
Fund Balances - Governmental Funds

(Prepared using the modified accrual basis of accounting)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Fund										
Non-Spendable	\$ 345,620	\$ 308,850	\$ 294,580	\$ 236,942	\$ 513,119	\$ 489,453	\$ 522,733	\$ 1,423,017	\$ 1,741,675	\$ 1,141,340
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	23,994,718	24,924,130	29,140,144	30,080,531	18,915,942	16,180,105	17,180,294	17,736,715	17,555,029	18,851,896
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	603,730	2,190,576	949,287	446,308	9,333,732	9,244,815	7,258,739	6,851,599	9,593,414	12,721,215
Total General Fund	<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>	<u>28,890,118</u>	<u>32,714,451</u>
All Other Governmental Funds										
Special Revenue Funds										
Non-Spendable	-	-	-	-	-	-	-	-	-	46,013
Restricted	7,044,680	12,071,932	11,945,075	9,462,222	3,761,542	272,367	288,957	161,351	145,326	484,412
Committed	1,054,002	1,640,902	2,255,949	3,573,362	4,754,751	7,303,746	8,040,949	9,524,052	8,762,925	12,524,477
Assigned	-	-	-	-	-	-	-	-	1,124,507	1,971,048
Unassigned	-	-	(793,331)	(440,843)	(3,838,212)	(3,561,327)	(1,088,155)	(1,246,711)	(854,829)	-
Total Special Revenue Funds	<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>	<u>9,177,929</u>	<u>15,025,950</u>
Debt Service Fund										
Non-Spendable	-	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	465,190	1,099,568	318,138	84,729	195,118
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-
Total Debt Service Fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>465,190</u>	<u>1,099,568</u>	<u>318,138</u>	<u>84,729</u>	<u>195,118</u>
Capital Project Fund										
Non-Spendable	-	-	-	-	-	-	-	-	-	-
Restricted	9,041,671	-	-	-	-	-	-	-	-	-
Committed	-	-	9,120,160	-	-	12,691,653	12,058,809	9,266,485	382,419	-
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	(1,216,204)	-	(13,849,061)	(11,992,169)	-	-	-	-	(18,878,175)
Total Capital Projects Fund	<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>	<u>382,419</u>	<u>(18,878,175)</u>
Total All Other Governmental Funds	<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>	<u>9,645,077</u>	<u>(3,657,107)</u>
Total Governmental Funds	<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>	<u>\$ 38,535,195</u>	<u>\$ 29,057,344</u>

CITY OF FRANKLIN, TENNESSEE

Revenue Capacity Information -
Local Sales Tax Collections

FISCAL YEAR	Estimate of Taxable Sales to Local Sales Tax	Local Sales Tax		Total Local Sales Tax Collected	Less: County Portion (1/2 of tax)	Less: County Admin Fee (1% of City's 1/2 of tax)	Local Sales Tax Received by City	Percent of General Fund Revenue
		Rate (City & Willamson County)						
2014	\$ 2,447,114,882	2.25%	\$ 55,060,085	\$ (27,530,042)	\$ (275,300)	\$ 27,254,742	47.88%	
2013	2,334,072,548	2.25%	52,516,632	(26,258,316)	(262,583)	25,995,733	49.35%	
2012	2,172,607,228	2.25%	48,883,663	(24,441,831)	(244,418)	24,197,413	47.48%	
2011	2,040,014,905	2.25%	45,900,335	(22,950,168)	(229,502)	22,720,666	44.81%	
2010	1,882,812,211	2.25%	42,363,275	(21,181,637)	(211,816)	20,969,821	45.41%	
2009	1,899,219,214	2.25%	42,732,432	(21,366,216)	(213,662)	21,152,554	42.25%	
2008	2,081,744,916	2.25%	46,839,261	(23,419,630)	(234,196)	23,185,434	42.31%	
2007	2,144,580,382	2.25%	48,253,059	(24,126,529)	(241,265)	23,885,264	45.08%	
2006	1,975,820,696	2.25%	44,455,966	(22,227,983)	(222,280)	22,005,703	46.65%	
2005	1,776,515,466	2.25%	39,971,598	(19,985,799)	(199,858)	19,785,941	48.07%	

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

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

CITY OF FRANKLIN, TENNESSEE

Revenue Capacity Information -
Assessed Value and Estimated Actual Value of Taxable Property

FISCAL YEAR	Real Property Assessment			Personal Property Assessment			Public Utility Assessment			Taxable	
	Residential & Farm Property	Industrial & Commercial Property	Industrial & Commercial Property	Intangible Property	State Assessment	Local Assessment	Total Taxable Assessed Value	Estimated Actual Taxable Value	Assessed Value as a Percentage of Estimated Actual Value	Total Direct Rate	
2014	\$ 1,572,195,410	\$ 1,549,098,572	\$ 156,642,888	\$ 69,209	\$ 55,553,796	\$ -	\$ 3,333,559,875	\$ 11,065,624,425	30.13%	0.3765	
2013	1,523,744,360	1,487,649,998	148,889,463	1,275,280	56,228,260	-	3,217,787,361	10,442,405,019	30.81%	0.3765	
2012	1,492,455,650	1,477,904,852	152,009,171	915,060	54,282,799	471,130	3,178,038,662	10,298,785,436	30.86%	0.3765	
2011	1,396,203,808	1,171,557,561	148,428,180	531,997	52,470,801	-	2,769,192,347	9,963,638,570	27.79%	0.4340	
2010	1,371,758,898	1,140,259,084	129,518,412	572,304	47,032,940	192,390	2,689,334,028	10,225,661,696	26.30%	0.4340	
2009	1,322,570,226	1,029,940,678	121,389,801	-	42,896,113	192,390	2,516,989,208	9,637,668,952	26.12%	0.4340	
2008	1,227,826,775	1,000,170,840	125,258,855	-	46,132,783	192,390	2,399,581,643	7,948,798,841	30.19%	0.4340	
2007	1,130,759,300	967,302,320	116,376,596	-	45,208,630	221,540	2,259,868,386	7,433,188,531	30.40%	0.4340	
2006	838,883,725	719,932,760	98,346,952	-	38,205,538	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	1,551,200,437	5,292,203,841	29.31%	0.5500	

Source: Tax Aggregate Report of Tennessee

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

CITY OF FRANKLIN, TENNESSEE

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

Fiscal Year	Direct Rate			Overlapping Rate		Total Direct and Overlapping
	City of Franklin**			Williamson County **		
	General Fund	Debt Service Fund	Total Direct Rate	Total Overlapping Rate		
2014	\$ 0.1979	\$ 0.1786	\$ 0.3765	\$ 2.9775		\$ 3.3540
2013	0.2149	0.1616	0.3765	2.9510		3.3275
2012	0.2108	0.1657	0.3765	2.9510		3.3275
2011	0.2410	0.1930	0.4340	3.1800		3.6140
2010	0.3200	0.1140	0.4340	3.1700		3.6040
2009	0.4340	---	0.4340	3.1700		3.6040
2008	0.4340	---	0.4340	3.0700		3.5040
2007	0.4340	---	0.4340	3.0300		3.4640
2006	0.5500	---	0.5500	3.5900		4.1400
2005	0.5500	---	0.5500	3.4800		4.0300

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

* Per \$100 of assessed valuation

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

2014	\$ 2.2000
2013	2.2000
2012	2.2000
2011	2.2000
2010	2.2000
2009	2.2000
2008	2.2000
2007	2.2000
2006	2.7200
2005	2.7200

CITY OF FRANKLIN, TENNESSEE

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

<u>Taxpayer</u>	<u>2005</u>		<u>2014</u>	
	<u>Assessed Valuation</u>	<u>Percent of Total Valuation</u>	<u>Assessed Valuation</u>	<u>Percent of Total Valuation</u>
<u>Real and Personal Property Tax</u>				
Spectrum Properties			\$ 71,191,160	2.14%
CBL Associates (Galleria Mall)	\$ 36,411,360	2.35%	66,135,120	1.98%
NWI/Duke Weeks			55,169,200	1.65%
Highwoods			48,816,040	1.46%
Boyle Investments	13,610,360	0.88%	44,240,480	1.33%
Bell Partners			40,833,400	1.22%
Venterra Realty			40,006,000	1.20%
Lionstone Investments			29,792,480	0.89%
Amstar			25,526,800	0.77%
Berkshire Communities			24,208,600	0.73%
Williams W. Fred Trust	16,366,760	1.06%		
Landings F C LP	15,861,235	1.02%		
Wyndchase LLC	14,784,000	0.95%		
Williamson Farmers Co-Op	12,119,372	0.78%		
Franklin Cool Springs Corp	9,873,219	0.64%		
Alara Franklin Corp	9,600,000	0.62%		
Thoroughbred Village LLC	9,221,160	0.59%		
Noble Investments	8,792,520	0.57%		
Totals	<u>\$ 146,639,986</u>	<u>9.45%</u>	<u>\$ 445,919,280</u>	<u>13.38%</u>

* Total assessed valuation in 2005 (tax year 2004) was \$1,551,200,437.

** Total assessed valuation in 2014 (tax year 2013) is \$3,333,559,875.

CITY OF FRANKLIN, TENNESSEE

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

Fiscal Year	Total Tax Levy	Collected Within One Year of Levy	Percent Collected	Collections in Subsequent Years	Total Collections	Total Collections as Percent of Total Levy	Outstanding Delinquent Taxes
2014	\$ 12,342,702	\$ 12,146,687	98.41%	\$ -	\$ 12,146,687	98.41%	\$ 196,015
2013	11,902,186	11,724,940	98.51%	144,703	11,869,643	99.73%	32,543
2012	11,718,525	11,519,012	98.30%	180,448	11,699,460	99.84%	19,065
2011	11,785,700	11,507,981	97.64%	260,390	11,768,371	99.85%	17,329
2010	11,468,281	11,159,219	97.31%	290,783	11,450,002	99.84%	18,279
2009	10,739,928	10,429,879	97.11%	300,700	10,730,579	99.91%	9,349
2008	10,212,816	10,042,817	98.34%	152,558	10,195,375	99.83%	17,441
2007	9,611,622	9,435,282	98.17%	173,599	9,608,881	99.97%	2,741
2006	9,328,587	9,152,371	98.11%	174,923	9,327,294	99.99%	1,293
2005	8,619,512	8,468,288	98.25%	149,254	8,617,542	99.98%	1,970

CITY OF FRANKLIN, TENNESSEE

Debt Capacity Information -
Ratios of Outstanding Debt by Type

Fiscal Year	Governmental Activities			Business-type Activities			Total Outstanding Debt	Personal Income **	Percentage of Personal Income	Population ***	Debt Per Capital
	General Obligation Bonds *	Capital Leases	Water & Sewer Revenue & Tax Bonds *	Capital Leases							
2014	\$ 130,913,402	\$ 3,284,692	\$ 42,458,312	\$ -	\$ 176,656,406	\$66,195	4.02%	66,370	2,661.69		
2013	120,136,535	2,357,012	45,875,189	-	168,368,736	59,399	4.54%	62,487	2,694.46		
2012	126,742,579	1,413,816	48,839,368	77,313	177,073,076	66,195	4.28%	62,487	2,833.76		
2011	133,230,841	1,366,034	51,972,602	177,540	186,747,017	62,447	4.79%	62,487	2,988.57		
2010	122,794,047	1,881,353	53,969,872	-	178,645,272	57,088	5.57%	56,219	3,177.67		
2009	82,749,628	-	46,243,053	-	128,992,681	53,118	4.32%	56,219	2,294.47		
2008	60,117,258	-	35,200,000	-	95,317,258	55,893	3.03%	56,219	1,695.46		
2007	63,580,258	-	37,310,000	-	100,890,258	54,145	3.77%	49,412	2,041.82		
2006	46,586,662	-	39,350,000	-	85,936,662	52,544	3.31%	49,412	1,739.19		
2005	45,016,194	-	41,315,000	-	86,331,194	48,942	3.80%	46,416	1,859.94		

* This amount includes unamortized premiums

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

*** Tennessee Certified Populations

CITY OF FRANKLIN, TENNESSEE

**Debt Capacity Information -
Ratios of General Bonded Debt Outstanding**

FISCAL YEAR	General Obligation Debt *	Less: Amounts Available in Debt Service Fund **	Net General Obligation Debt Service	Appraised Value ***	Ratio of Net General Obligation Debt to Appraised Value	Population ****	Net General Obligation Debt Per Capita
2014	\$ 130,913,402	\$ 195,118	\$ 130,718,284	\$ 11,065,624,425	1.18%	66,370	\$ 1,969.54
2013	120,136,535	84,729	120,051,806	10,442,405,019	1.15%	62,487	1,921.23
2012	126,742,579	318,138	126,424,441	10,298,785,436	1.23%	62,487	2,023.21
2011	133,230,841	1,099,568	132,131,273	9,963,638,570	1.33%	62,487	2,114.54
2010	122,794,047	465,190	122,328,857	10,225,661,696	1.20%	56,219	2,175.93
2009	82,749,628	-	82,749,628	9,637,668,952	0.86%	56,219	1,471.92
2008	60,117,258	-	60,117,258	7,948,798,841	0.76%	56,219	1,069.34
2007	63,580,258	-	63,580,258	7,433,188,531	0.86%	49,412	1,286.74
2006	46,586,662	-	46,586,662	6,162,312,297	0.76%	49,412	942.82
2005	45,016,194	-	45,016,194	5,292,203,841	0.85%	46,416	969.84

* This amount includes unamortized premiums

** Fund began in 2010

*** State of TN Comptroller Division of Property Assessment

**** Tennessee Certified Populations

CITY OF FRANKLIN, TENNESSEE

**Debt Capacity Information -
Direct and Overlapping Governmental Activities Debt
June 30, 2014**

<u>Jurisdiction</u>	<u>Debt Outstanding</u>	<u>Percentage Applicable to City</u>	<u>Estimated Share of Overlapping Debt</u>
Williamson County	\$ 514,150,000	38.82% *	\$ 199,593,030
Franklin Special School District	43,621,281	100.00% **	<u>43,621,281</u>
Subtotal, overlapping debt			<u>243,214,311</u>
City of Franklin direct debt of governmental activities			<u>134,198,094</u> ***
Total direct and overlapping debt			<u>\$ 377,412,405</u>

* Based upon Assessed Value of Property in:
County \$ 8,587,511,629
City \$ 3,333,559,875

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

*** This amount includes unamortized premiums.

CITY OF FRANKLIN, TENNESSEE

Debt Capacity Information -
Legal Debt Margin Information

Fiscal Year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Assessed Value	\$ 1,551,200,437	\$ 1,696,054,165	\$ 2,259,868,386	\$ 2,399,581,643	\$ 2,516,989,208	\$ 2,689,334,028	\$ 2,769,192,347	\$ 3,178,038,662	\$ 3,217,787,361	\$ 3,333,559,875
General Obligation Debt*	\$ 45,016,194	\$ 46,586,662	\$ 63,580,258	\$ 60,117,258	\$ 82,749,628	\$ 122,794,047	\$ 133,230,841	\$ 126,742,579	\$ 120,136,535	\$ 130,913,402
Debt as % of Assessed Value	2.90%	2.75%	2.81%	2.51%	3.29%	4.57%	4.81%	3.99%	3.73%	3.93%

Note - The City has no legal debt limit.

* This amount includes unamortized premiums.

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

Fiscal Year	Contributions, Taps, & Access Fees			Direct Operating Expense**	Net Revenue Available for Debt Service	Debt Service Requirements ***		
	Gross Revenues*	Net Revenue Available for Debt Service	Principal			Interest	Total	Coverage
2014	\$ 23,212,942	\$ 11,263,738	\$ 15,635,777	\$ 18,840,903	\$ 3,358,090	\$ 1,565,559	\$ 4,923,649	3.83
2013	22,257,118	6,728,662	14,880,678	14,105,102	3,671,566	1,721,346	5,392,912	2.62
2012	21,246,536	5,307,632	15,293,416	11,260,752	3,113,470	1,714,353	4,827,823	2.33
2011	19,592,351	3,841,390	14,961,368	8,472,373	3,032,418	1,493,066	4,525,484	1.87
2010	16,329,275	3,881,605	13,206,129	7,004,751	3,032,418	1,553,890	4,586,308	1.53
2009	16,637,366	8,613,893	13,584,035	11,667,224	2,180,000	1,605,445	3,785,445	3.08
2008	14,683,178	9,909,838	12,586,828	12,006,188	2,110,000	1,652,048	3,762,048	3.19
2007	14,549,921	6,477,369	11,370,863	9,656,427	2,040,000	1,757,609	3,797,609	2.54
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

* 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****		
2014	66,370	\$4,393,362,150	\$66,195	14.6	13,366	5.3%	
2013	62,487	4,136,326,965	66,195	14.2	12,480	5.9%	
2012	62,487	4,136,326,965	66,195	14.2	12,058	5.9%	
2011	62,487	3,902,125,689	62,447	14.2	12,229	7.1%	
2010	56,219	3,132,354,023	57,088	14.5	11,193	6.9%	
2009	56,219	3,132,354,023	53,118	14.4	10,950	8.4%	
2008	56,219	3,132,354,023	55,893	14.4	10,489	4.8%	
2007	49,412	2,705,554,060	54,145	14.4	9,138	4.2%	
2006	49,412	2,561,567,492	52,544	13.9	9,057	4.0%	
2005	46,416	2,272,852,272	48,942	13.9	8,355	4.0%	

*

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: 2012 is most recent year available

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

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

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

CITY OF FRANKLIN, TENNESSEE

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

Employer	2005			2014		
	Employees *	Rank	Percentage of Total City Employment	Employees **	Rank	Percentage of Total City Employment
Community Health Systems				4,300	1	12.59%
Nissan North America				1,600	2	4.69%
Williamson Medical Center	1,100	3	3.85%	1,449	3	4.24%
United Health				1,166	4	3.41%
Healthways				1,160	5	3.40%
Verizon Wireless				1,000	6	2.93%
Ford Motor Credit				750	7	2.20%
Lee Company	700	4	2.45%	750	8	2.20%
MedSolutions				700	9	2.05%
Optum				700	10	2.05%
Cool Spring Galleria	3,500	1	12.24%			
Primus	2,400	2	8.40%			
Progeny Marketing Innovations	625	5	2.19%			
AIM Healthcare Services	500	6	1.75%			
Atmos Energy Co.	454	7	1.59%			
LDM Technologies Inc.	380	8	1.33%			
APCOM Inc.	350	9	1.22%			
Lasko Metal Products	284	10	0.99%			
Total	10,293		36.01%	13,575		39.76%

* City's 2005 Comprehensive Annual Financial Report

** Williamson County Office of Economic Development, Williamson County Local Industry Employers 2014

*** Williamson County Office of Economic Development does not report Williamson County Government, Williamson County Schools, and Cool Springs Galleria Mall in its Local Industry Employers 2014

CITY OF FRANKLIN, TENNESSEE

Operating Information -
Full-Time Equivalent Employees by Function

Function/Program	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Administration	10	11	9	9	9	5	5	6	5	6
Building and Neighborhood Services	20	23	25	27	27	28	28	28	30	31
Capital Investment Planning	*	*	*	*	*	2	2	2	1	2
Communications	1	1	1	1	1	3	3	3	3	3
Court	3	3	3	3	3	3	2	2	2	2
Engineering	8	6	9	11	9	8	8	8	10	11
Finance	11	11	11	11	11	11	11	9	9	10
Fire	138	142	156	158	158	158	158	158	160	161
HR	5	6	6	6	8	8	9	10	11	11
Law	*	*	3	3	3	3	4	4	4	5
MIT	9	10	14	17	17	17	17	17	19	18
Parks	15	18	20	25	29	29	30	31	33	34
Planning and Sustainability	9	11	12	13	17	18	18	18	15	17
Police	151	160	169	176	176	176	175	175	175	176
Projects and Facilities Management	5	5	5	5	5	7	6	6	6	7
Purchasing	*	*	2	2	2	2	2	3	3	3
Revenue Management	7	7	11	14	14	14	13	14	15	14
Solid Waste	49	51	53	56	59	51	51	52	49	48
Stormwater	9	9	11	11	11	11	11	16	16	17
Streets	37	37	41	41	43	52	52	47	49	52
Traffic Operations Center	*	3	3	3	3	3	3	3	4	3
Water & Sewer	74	83	79	81	80	81	82	83	84	84
TOTAL	561	597	643	673	685	690	690	695	703	715

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

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

CITY OF FRANKLIN, TENNESSEE

**Operating Information -
Operating Indicators by Function**

Function/Program	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Police										
Calls for service	54,560	62,600	55,400	68,758	74,127	76,545	64,719	75,700	77,964	80,205
Fire										
Number of alarms	4,876	4,952	5,200	5,410	5,540	5,878	5,746	5,767	6,115	6,501
Sanitation										
Landfill usage	52,395	76,319	79,121	81,535	70,525	71,589	64,619	59,212	54,190	65,116
Recycling (tons)	*	*	*	*	5,957	5,233	5,556	6,209	6,781	8,605
Codes										
Single family permits	903	850	780	668	618	170	309	331	485	519
Water										
Average daily usage	4,529,169	6,035,953	6,066,378	5,860,000	5,675,000	5,300,000	5,704,268	5,872,863	5,805,912	5,690,082
Water storage capacity (gallons)	10,000,000	10,000,000	10,000,000	11,000,000	11,000,000	11,500,000	12,000,000	12,000,000	12,000,000	11,500,000

Source: City of Franklin departments

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

CITY OF FRANKLIN, TENNESSEE

**Operating Information -
Capital Asset Statistics by Function**

Function/Program	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Police										
Police stations	1	1	1	1	1	1	1	1	1	1
Police vehicles (radio equipped)	127	139	131	133	149	136	133	152	156	136
Fire										
Fire stations	5	5	5	6	6	6	6	6	6	6
Fire response vehicles	14	15	17	17	19	19	19	19	22	22
Fire hydrants	1,981	1,915	1,916	1,954	2,045	2,074	1,957	3,155*	3325*	3326*
Street										
Streets (miles)	250	275	290	287	283	283	285	286	293	304
Parks										
Number of parks	6	6	9	10	16	16	16	16	16	16
Water										
Water lines (miles)	301	275	285	274	272	276	284	283	285	288
Sewer lines (miles)	227	311	328	337	347	350	355	352	354	360

Source: City of Franklin departments

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

INTERNAL CONTROL AND COMPLIANCE SECTION



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Franklin, Tennessee (the "City"), as of and for the year ended June 30, 2014 (except for the Fiduciary Pension Fund, which was as of and for the year ended December 31, 2013), and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 9, 2014.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs, as item 2014-1, that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2014-1.



City of Franklin, Tennessee's Response to Finding

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Crosslin & Associates, P.C.

Nashville, Tennessee
December 9, 2014

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

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

Report on Compliance for the Major Federal Program

We have audited the City of Franklin, Tennessee's (the "City") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended June 30, 2014. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2014.



Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

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

Crosslin & Associates, P.C.

Nashville, Tennessee
December 9, 2014

CITY OF FRANKLIN, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	<u>Unmodified</u>	
Internal control over financial reporting:		
Material weakness identified?	_____ yes	_____ <u>X</u> no
Significant deficiencies identified not considered to be material weaknesses?	_____ <u>X</u> yes	_____ none reported
Noncompliance material to financial statements noted?	_____ <u>X</u> yes	_____ 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:	<u>Unmodified</u>	
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Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a)	_____ yes	_____ <u>X</u> no
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Identification of major programs:
CFDA Number and Name of Federal Program or Cluster

Federal Transit Cluster:		
20.507 - Federal Transit Administration Capital Grants		\$ <u>737,969</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?	_____ <u>X</u> yes	_____ no
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SECTION II - FINANCIAL STATEMENT FINDINGS

2014 -1 - Recording Permit Receipts and Revenue

Criteria:

Tennessee Code Annotated 6-56-111 requires that public funds received by the City be deposited as soon as practical, but no later than three (3) working days after receipt.

Condition:

During fiscal year 2014, the City's Revenue Management and Finance Departments identified certain receipts that had not been deposited within the three (3) working day requirement. The City further identified that the deposits related to permit fees charged and collected by the Building and Neighborhood Services (BNS) Department. Accordingly, permit revenue and cash deposits were not timely recorded.

Context:

Fees for services relating to permits are collected by the BNS Department.

Cause:

The non-compliant transactions occurred during a period of conversion to new project management software in the BNS Department. City management believes that the employee responsible for recording activity in the system had certain issues in transitioning to the new system. As a result, transactions were held by the employee. However, the employee did not communicate any issues to a supervisor or department head so that the issues could be addressed and resolved.

Effect:

The City is not in compliance with the requirements of Tennessee law relating to deposits. Additionally, the City's permit revenue was not recorded in the general ledger on a timely basis. The matter caused an internal investigation as well as required reporting to the Tennessee Comptroller of the Treasury's Office.

Recommendation:

Management should continually monitor and revise as needed its system of internal control. This incident should be used, constructively, as a training tool for all personnel handling City receipts regarding the importance of timely deposits. The City should consider ways to strengthen opportunities for employee communication when problems occur with internal controls or information systems. Additionally, the City should consider the results of its internal investigation and provide such results to the Tennessee Comptroller of the Treasury's Office for review and comment.

View of Responsible Officials and Planned Corrective Actions:

Near the end of fiscal year 2014, Finance and Revenue Management staff identified a potential issue related to revenue being recorded not matching the permits that were being issued in our Building and Neighborhood Services Department (BNS). Because we exercise appropriate segregation of duties, staff identified a single BNS employee that was not making timely deposits. This employee was simply holding checks. The confusion for this employee seemed to center on the fact that one check was paying for multiple fees (building permit, tap fee, road impact fee, etc.). This issue was further complicated by the fact that a new software program (Infor community development platform) had been implemented this past spring. The fact that these deposits were not made in a timely manner placed us out of compliance with Tennessee Code 6-56-111. The transactions in question were clearly tied to the work of a single employee who was advised of the deficiency and of the expectation of future compliance.

CITY OF FRANKLIN, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

SECTION II - FINANCIAL STATEMENT FINDINGS - (Continued)

2014 -1 - Recording Permit Receipts and Revenue - (Continued)

The City Administrator directed an internal investigation and the City reported the event to the County Sherriff's Office for investigation. In September, the Sherriff's Office completed their investigation, which included interviews with the employee, and had no finding of criminal wrongdoing. The City's full investigation on the matter offer no indication of misappropriation; no unaccounted for funds; and, confirm that the non-compliant behavior was isolated to the single employee. Also, any and all noncompliant transactions occurred during a period of conversion to a new internal project management software. To date, our best explanation of the noncompliant behavior is that it involves no malice nor fraud but was attributable to a single non-performing employee.

The City of Franklin is committed to fiscal responsibility and relies on strong internal controls to achieve such. We maintain a written fiscal policy regarding the receiving and depositing of cash. Our staff is trained in all policies and it is the expectation that the City is fully compliant.

SECTION III - FEDERAL AUDIT FINDINGS AND QUESTIONS COSTS

None reported.

SECTION IV - SUMMARY OF PRIOR AUDIT FINDINGS

There were no audit findings identified in the prior year audit.



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