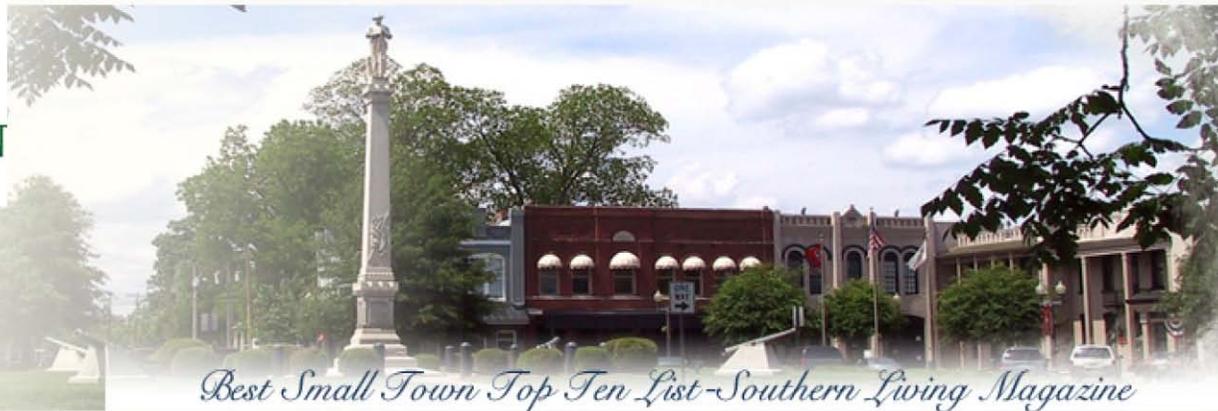




HISTORIC  
**FRANKLIN**  
TENNESSEE



*Best Small Town Top Ten List - Southern Living Magazine*

# **Comprehensive Annual Financial Report**

**City of Franklin, Tennessee**

**For the Fiscal Year  
Ended  
June 30, 2010**

**CITY OF FRANKLIN, TENNESSEE**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**Prepared by:**

**Department of Finance**

**Russell Truell  
Chief Financial Officer**

**CITY OF FRANKLIN, TENNESSEE**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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**CITY OF FRANKLIN, TENNESSEE**  
**FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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## **INTRODUCTORY SECTION**

ADMINISTRATION



**John C. Schroer**  
Mayor of Franklin

**Eric S. Stuckey**  
City Administrator

HISTORIC  
**FRANKLIN**  
TENNESSEE

November 29, 2010

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 generally accepted accounting principles (GAAP) and audited in accordance. 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, 2010.

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

The City of Franklin's financial statements have been audited by Alexander Thompson Arnold PLLC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Franklin for the fiscal year ended June 30, 2010, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Franklin's financial statements for the year ended June 30, 2010 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

### **Profile of the Government**

The City of Franklin, incorporated in 1799, is located in Middle Tennessee. The local economy is a well-balanced blend of financial, agricultural, wholesale, retail, manufacturing, and service industries. No single industry is critical to the region's economy. The City covers an area of 41 square miles, and serves a population of 56,219 according to the City's 2008 special census. The City is one of the fastest growing municipalities in the State of Tennessee, with the population increasing by 34% since the 2000 census. The City is empowered to levy both real and personal properties located within its boundaries. Also, it is empowered by State statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the governing board.

The City has operated under a Mayor/Board of Aldermen form of government under state charter since 1903. Policy-making and legislative authority are vested in a governing board consisting of the Mayor and 8 other members (Aldermen). The Board is responsible for, among other things, passing ordinances, adopting the budget, appointing committees, and hiring the government's Administrator. The Administrator's responsibilities include carrying out the policies and ordinances of the governing board, preparing an annual budget, and overseeing the day-to-day operations of the government. The Board is elected on a non-partisan basis. Board members serve four year staggered terms, with four Aldermen elected at large and the remaining four elected by ward two years later. The Aldermen elected by wards must live within the ward in which they represent. The Mayor also serves a term of four years.

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

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

Three meetings of the full board and a public hearing are necessary for approving the budget. The appropriated budget is prepared by fund, function, and department. At any time during the year, the Mayor may make transfers of appropriations within a department. A transfer of appropriations between departments however requires three more readings by the Board and a public hearing. Budget-to-actual comparisons are provided within this report for each individual governmental fund for which a budget has been adopted. For the General Fund, this comparison is presented beginning on page 20 as part of the basic financial statements. For the other governmental funds with appropriated annual budgets, the comparisons are presented beginning on page 60.

### **Local Economy**

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

Since the 1991 opening of the Cool Springs Galleria, one of Tennessee's largest retail shopping facilities with over one million square feet, the mall area has continued to develop with restaurants, service and retail stores. In July 2008, the mall's owner announced an upcoming expansion of 200,000 square feet of an open-air shopping center to open in 2011. Sufficient vacant property, zoned for retail use, is available for further development. Several "Class A" office buildings have also been built in the Cool Springs area. The surrounding road network has been vastly improved, with many of the upgrades at developer cost. The current economy has caused a slowdown of filling available space (with a vacancy rate of 14% commercial and 5% retail) in the area but new "Class A" office space continues to be developed with the expectation of a rebound in the near future.

Recently, several well known corporations have elected to relocate their national headquarters in Franklin; among them are Healthways, Big Ideas, LLC, Clarcor, Inc., Community Health Systems, Mars Petcare, and Nissan North America, with 1,300 employees. Verizon Wireless has its state headquarters in Franklin with employment of over 1,300. In May 2010, Jackson National Life Insurance Company announced it will establish a regional headquarters in Franklin. The company will occupy temporary space in June and move into a 90,000 square feet space in January 2011. Employment is anticipated to be 750 employees.

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

The governing body is considering the expansion and renovation of the existing Water Treatment Plant, doubling the capacity of the present facility. Several projects were completed during the year including the opening of a new police headquarters in May 2010 and opening of The Park at Harlinsdale in July 2009. Also underway are streetscape projects and major road projects on Hillsboro Road, McEwen Drive, and Columbia Pike.

**Relevant Financial Policies**

Recently, the City has adopted both a General Fund Reserve policy and a Debt Management policy. The reserve policy establishes an emergency and cash flow reserve of a minimum of 33% of budgeted General Fund operating expenditures. For fiscal year 2010, this represents slightly over \$16 million. The debt policy provides written guidance and restrictions for the amount and type of debt the City will issue, the issuance process, and the management of the debt portfolio.

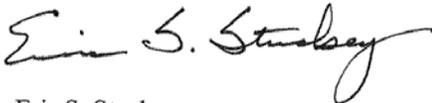
**Major Initiatives**

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

**Awards and Acknowledgements.** The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Finance Reporting to the City of Franklin for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2009. This was the nineteenth (19<sup>th</sup>) consecutive year that the government received this prestigious award. In order to be awarded a Certificate of Achievement, the government is required to publish an easily readable and efficiently organized CAFR. This report satisfies both GAAP and applicable legal requirements. The Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

In closing, the preparation of this report would not have been possible with 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

# 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

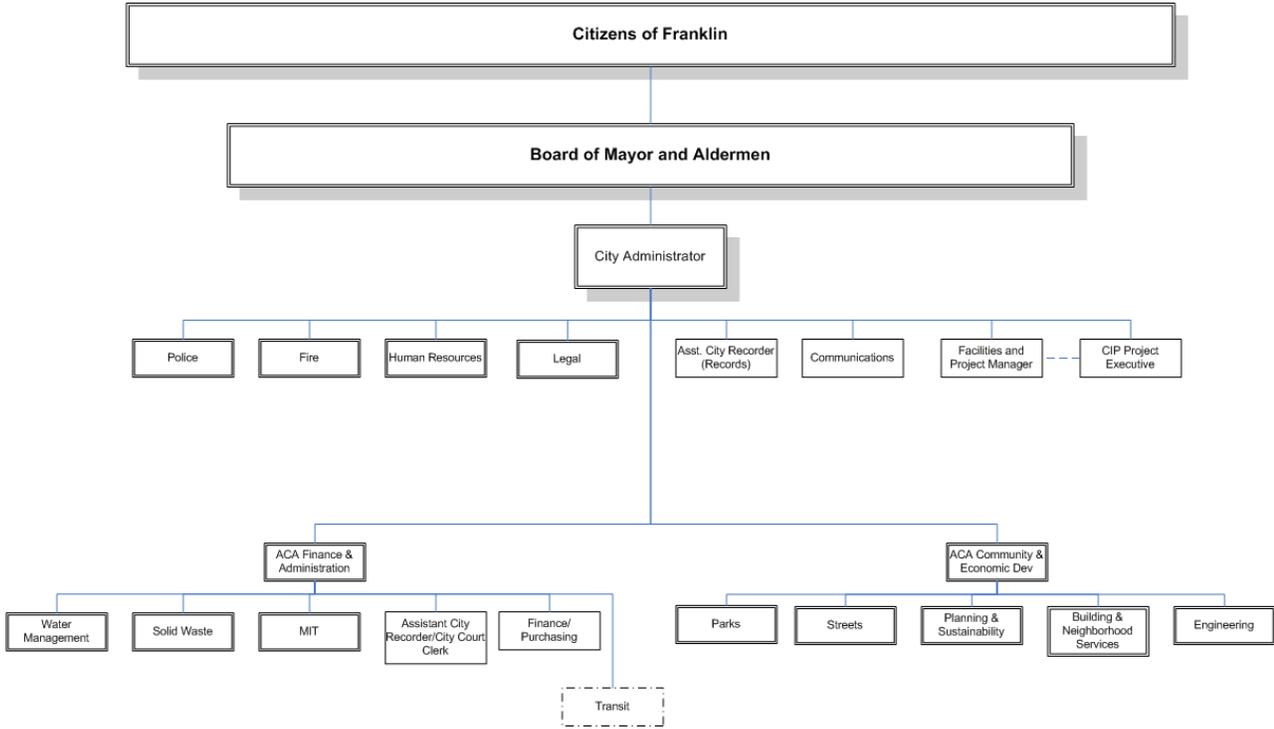
June 30, 2009

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



  
Jeffrey L. Esser  
Executive Director

**ORGANIZATIONAL CHART OF THE  
CITY OF FRANKLIN, TENNESSEE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**



**OFFICIALS OF THE  
CITY OF FRANKLIN, TENNESSEE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Elected Officials:

Mayor	John Schroer
Alderman	Clyde Barnhill
Alderman – Vice Mayor	Pearl Bransford
Alderman	Beverly Burger
Alderman	Margaret Martin
Alderman	Dana McLendon
Alderman	Ken Moore
Alderman	Ann Petersen
Alderman	Michael Skinner

City Officials:

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

## **FINANCIAL SECTION**



Certified Public Accountants

[www.atacpa.net](http://www.atacpa.net)

227 Oil Well Road  
Jackson, TN 38305

Telephone: (731) 427-8571  
Fax: (731) 424-5701

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AICPA Center for Public Company Audit Firms  
AICPA Governmental Audit Quality Center  
AICPA Employee Benefit Plan Audit Quality Center  
Tennessee Society of Certified Public Accountants  
Kentucky Society of Certified Public Accountants

Independent Auditor's Report

Board of Mayor and Aldermen  
City of Franklin, Tennessee

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Franklin, Tennessee (the City), as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended including the respective budgetary comparisons for the general fund, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2010, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 11 and the schedule of funding progress-employee retirement system on page 57 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, and 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 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.

Dyersburg, TN  
Henderson, TN  
Jackson, TN  
Martin, TN  
McKenzie, TN

Milan, TN  
Murray, KY  
Paris, TN  
Trenton, TN  
Union City, TN

Board of Mayor and Aldermen  
City of Franklin, Tennessee

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

A handwritten signature in black ink that reads "Alexander Thompson Arnold PLLC". The signature is written in a cursive, flowing style.

Certified Public Accountants  
Jackson, Tennessee  
November 29, 2010

## Management's Discussion and Analysis

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, 2010. Management's Discussion and Analysis (MD&A) focuses on current year activities and resulting changes. Readers are encouraged to consider the information presented here in conjunction with the Letter of Transmittal, which can be found on pages i through iii of this report.

### Financial Highlights:

- **Net Assets.** The assets of the City of Franklin exceeded its liabilities at the close of the most recent fiscal year by \$545,166,996, compared to \$543,546,110 in the previous fiscal year. Of this amount, \$63,401,393 (unrestricted net assets) may be used to meet government's ongoing obligations to citizens and creditors.
- **Fund Balances.** At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$43,086,002. In the prior year, this amount was \$21,448,705. The increase of \$21,637,297 is due primarily to a bond issuance of \$45 million during the year that changed the fund balance in the City's capital projects fund from a deficit of almost \$12 million to a positive balance at year end of under \$13 million. Also, the City's new debt service fund ended the year with an accumulated balance toward future debt service of approximately \$465,000.
- **General Fund – Fund Balance.** At the end of the current fiscal year, fund balance in the General Fund is \$25,914,373, or 53% of General Fund expenditures (including transfers to other funds) of \$49,030,620. The fund balance decreased \$2,848,420 from the prior year. The primary impacts on the fund balance in 2010 are the effect of the current economy and a budgeted draw from fund balance of \$2 million for a one-time additional retirement contribution toward lowering future year contributions.
- **Capital Assets.** The City has undertaken several building projects (including the construction of a new 90,000 square feet police headquarters that opened in May 2010) and infrastructure projects (including improvements to Carothers Parkway and McEwen Drive).
- **Debt.** The City's total debt increased by the amount of \$45,601,835 (from \$128,992,681 to \$174,594,516) during the current fiscal year. New general obligation debt of \$44,000,000 was issued during the year.
- **Budget.** The City's 2010 General Fund amended budget had anticipated up to a \$3.2 million draw from fund balance. At year end, the General Fund had a draw of approximately \$2.8 million, primarily due to the additional retirement contribution mentioned above.

### Overview of the Financial Statements:

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

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

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

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

## Overview of the Financial Statements (Continued):

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

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

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

The City maintained twelve (12) individual governmental funds during 2010. 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 58 and 59 of this report.

The City of Franklin, Tennessee adopts an annual appropriated budget for its General Fund, Debt Service Fund, and special revenue funds. A budgetary comparison has been provided for the General Fund on pages 20 through 26, the Debt Service Fund on page 60, and for the special revenue funds on pages 61 through 69 to demonstrate compliance with this budget.

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

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

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

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

*Notes to the financial statements.* The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 33 through 56 of this report.

## Financial Analysis of the Financial Statements:

### Government-wide Financial Analysis

Over time, as noted earlier, net assets may serve as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$545,166,996 at the close of the most recent fiscal year.

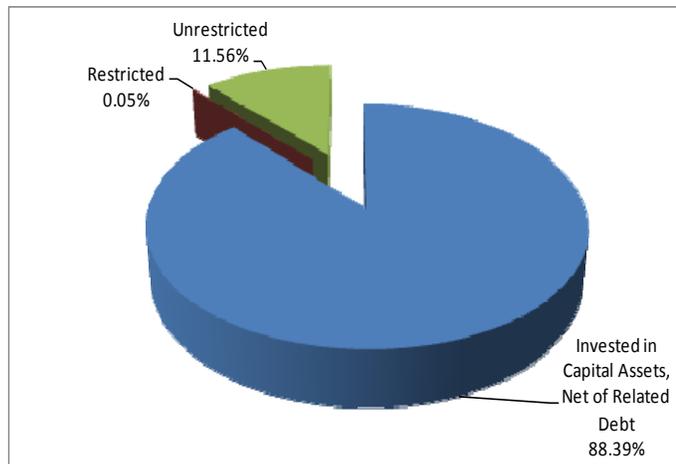
**Financial Analysis of the Financial Statements (Continued):****City of Franklin's Net Assets**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Current and other assets	\$77,915,653	\$ 66,308,414	\$22,734,642	\$10,774,316
Capital assets, net of accumulated depreciation	<u>502,552,924</u>	<u>481,412,343</u>	<u>154,873,263</u>	<u>151,683,031</u>
<b>Total Assets</b>	<u>580,468,577</u>	<u>547,720,757</u>	<u>177,607,905</u>	<u>162,457,347</u>
Long-term liabilities outstanding	132,418,662	87,184,793	53,061,104	46,614,988
Other liabilities	<u>24,274,063</u>	<u>37,653,333</u>	<u>3,159,050</u>	<u>(4,821,120)</u>
<b>Total Liabilities</b>	<u>156,689,333</u>	<u>124,838,126</u>	<u>56,220,154</u>	<u>41,793,868</u>
<b>Net Assets:</b>				
Invested in capital assets, net of related debt	378,712,983	398,721,876	102,780,253	107,235,256
Restricted	272,367	367,160	-	-
Unrestricted	<u>44,793,895</u>	<u>23,793,595</u>	<u>18,607,498</u>	<u>13,428,223</u>
<b>Total Net Assets</b>	<u>\$423,779,245</u>	<u>\$422,882,631</u>	<u>\$121,387,751</u>	<u>\$120,663,479</u>

The government's net assets increased by \$1,620,886, which includes a current year increase of \$1,998,602 and a prior period adjustment of (\$377,716) from a review of the City's street miles using GIS software. Most of the current year increase is attributed to the acquisition of capital assets (less depreciation and new debt). A significant portion of the remaining increase is from reduced spending through efforts by the City's Board and departments to contain expenses without reducing service levels.

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

By far the largest portion of the City's net assets, \$481,493,236, or 88.39%, reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any 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 used to liquidate these liabilities. A portion of the City's net assets, \$272,367, or .05%, represents resources that are subject to external restriction on how they may be used. The remaining balance of \$63,401,393, or 11.56%, is unrestricted net assets that may be used to meet the government's ongoing obligations to citizens and creditors.

**Percent of Net Assets – 2010**

**Financial Analysis of the Financial Statements (Continued):**

Governmental Activities

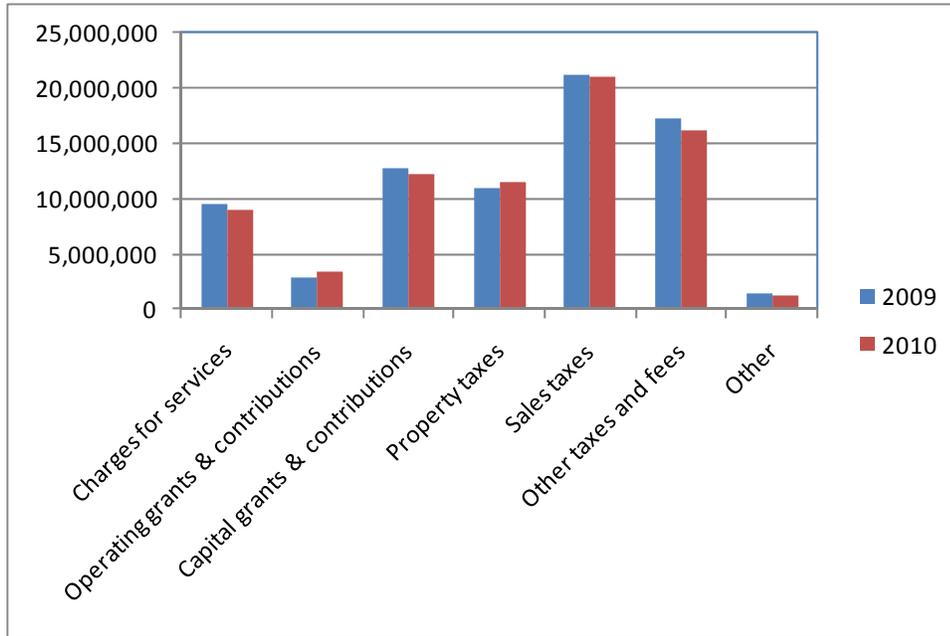
Governmental activities increased the City's net assets by \$896,613. Key elements of this increase are as follows:

	City of Franklin's Changes in Net Assets			
	Governmental Activities		Business-type Activities	
	2010	2009	2010	2009
Revenues:				
Program revenues:				
Charges for services	8,982,189	9,412,058	16,260,341	16,635,455
Operating grants & contributions	3,358,092	2,836,769	-	-
Capital grants & contributions	12,129,244	12,760,014	3,881,605	8,613,893
General revenues:				
Property taxes	11,415,775	10,936,742	-	-
Sales taxes	20,969,821	21,152,554	-	-
Other taxes and fees	16,182,779	17,214,042	-	-
Other	1,188,770	1,327,007	68,934	38,719
Total Revenues	74,226,670	75,639,186	20,210,880	25,288,067
Expenses:				
General government:				
General	3,464,483	1,729,144	-	-
Capital Investment Planning	193,505	-	-	-
Administration	390,182	882,070	-	-
City recorder	395,054	1,177,821	-	-
Police	14,744,499	13,737,798	-	-
Fire	13,044,366	13,072,914	-	-
Highways and streets	15,873,886	15,346,785	-	-
Fleet Management	662,683	-	-	-
Engineering	797,691	1,239,061	-	-
Storm water	1,126,529	744,156	-	-
Sanitation	6,344,279	6,906,679	-	-
Transit	1,030,107	1,210,274	-	-
Parks	3,306,523	3,068,887	-	-
Project & Facilities Mgmt	523,339	595,609	-	-
Elected officials	193,640	161,495	-	-
Planning	1,372,885	1,436,862	-	-
Codes	2,005,803	1,941,663	-	-
Court	265,380	242,314	-	-
Human resources	689,024	845,231	-	-
Communications	261,568	111,468	-	-
Finance	793,781	1,032,382	-	-
Legal	239,619	217,008	-	-
Purchasing	131,633	123,527	-	-
Management information & technology	3,354,101	3,509,093	-	-
Interest expense on long-term debt:	1,702,780	2,505,069	-	-
Water & sewer:	-	-	19,531,608	19,755,205
Total Expenses	72,907,340	71,877,310	19,531,608	19,755,205
Transfers	(45,000)	(45,000)	45,000	45,000
Changes in Net Assets	1,274,330	3,716,876	724,272	5,577,862
Prior period adjustment	(377,716)	(3,595,543)	-	-
Net Assets, Beginning of year	422,882,631	422,761,298	120,663,479	115,085,617
Net Assets, End of Year	423,779,245	422,882,631	121,387,751	120,663,479

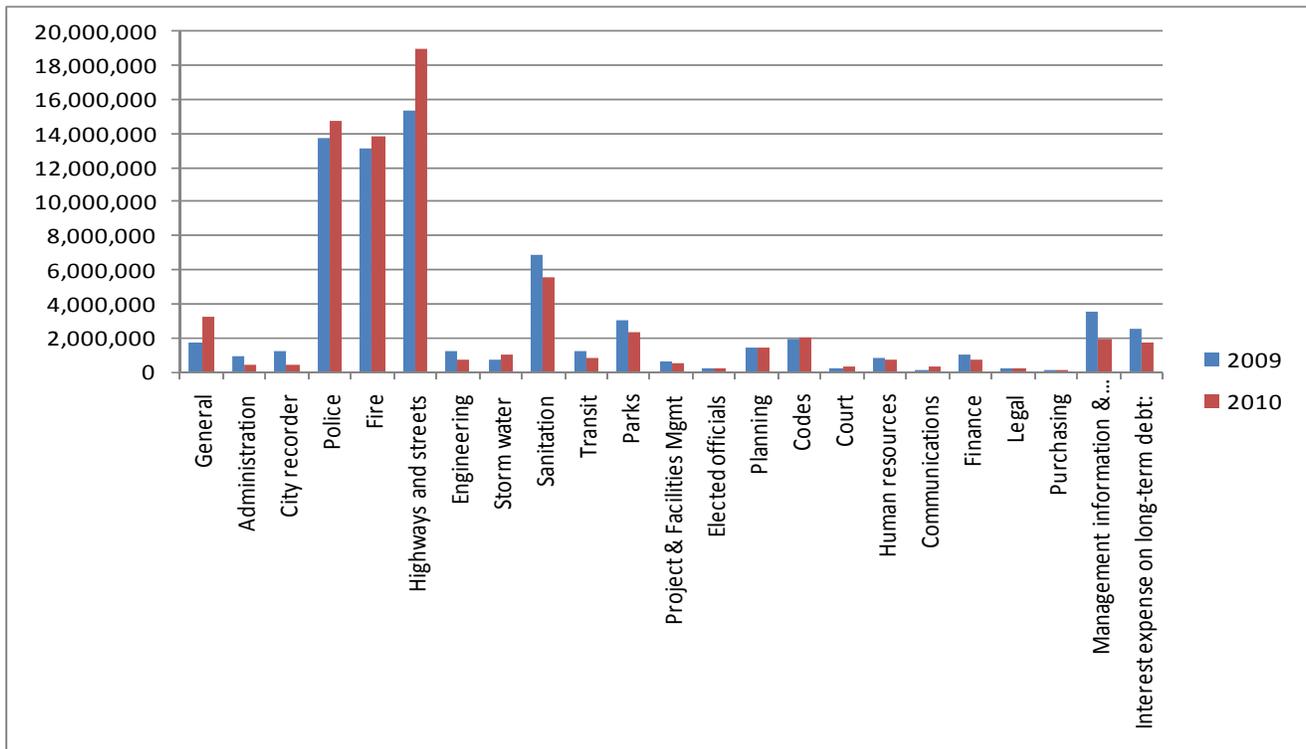
**Financial Analysis of the Financial Statements (Continued):**

Revenues for governmental activities decreased approximately 1.9% due primarily to less capital contributions from developers and local sales tax collections. The overall increase in current expenses of governmental activities amounted to approximately 1.4%.

**Revenues – Governmental Activities**



**Expenses – Governmental Activities**

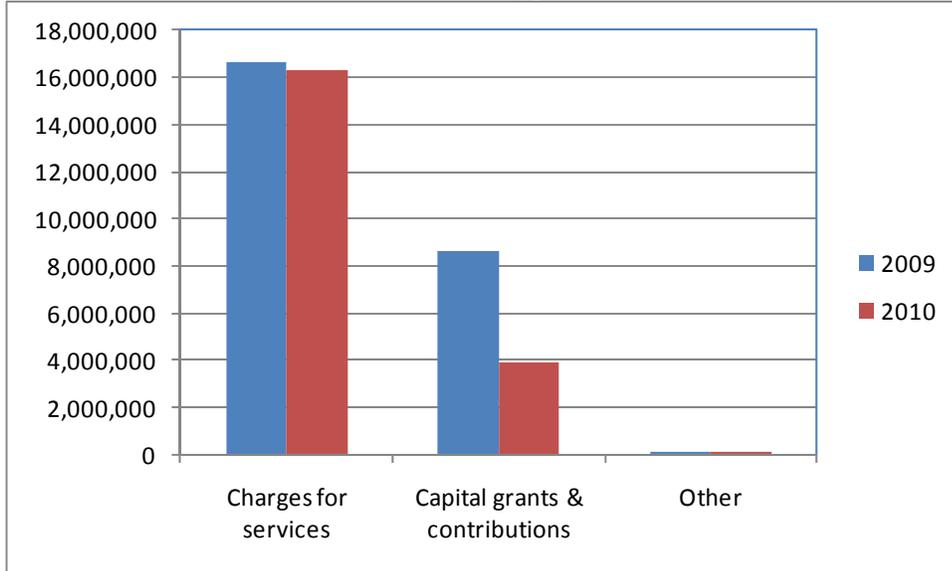


**Financial Analysis of the Financial Statements (Continued):**

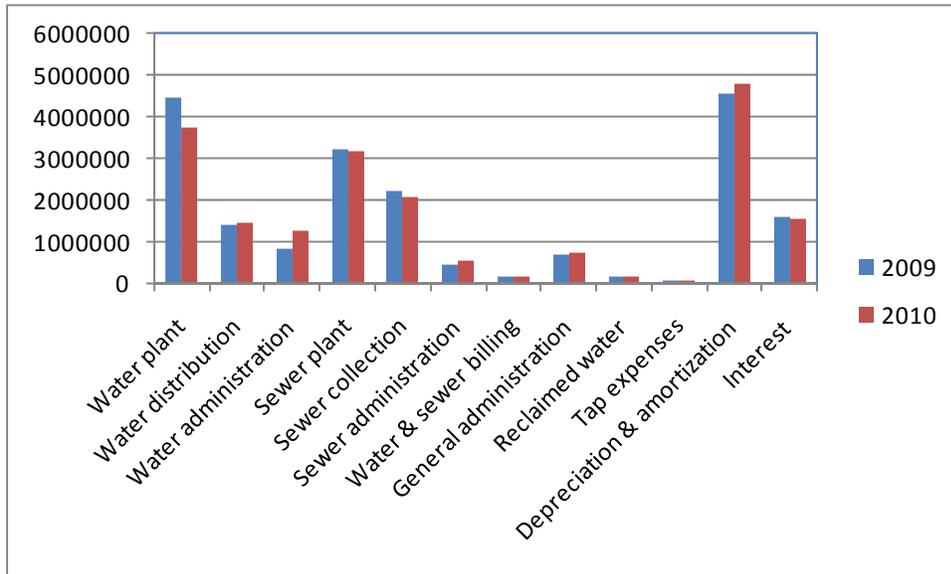
Business –Type Activities

Business-type activities increased the City’s net assets by \$724,272. The primary factors underlying the increase were contributed assets from developers of \$1,172,015 and various tap and access fees of 1,419,835. Expenses of the business type-activities (Water & Sewer) decreased approximately 1.1%.

**Revenues – Business-type Activities**



**Expenses – Business-type Activities**



**Financial Analysis of the Financial Statements (Continued):**

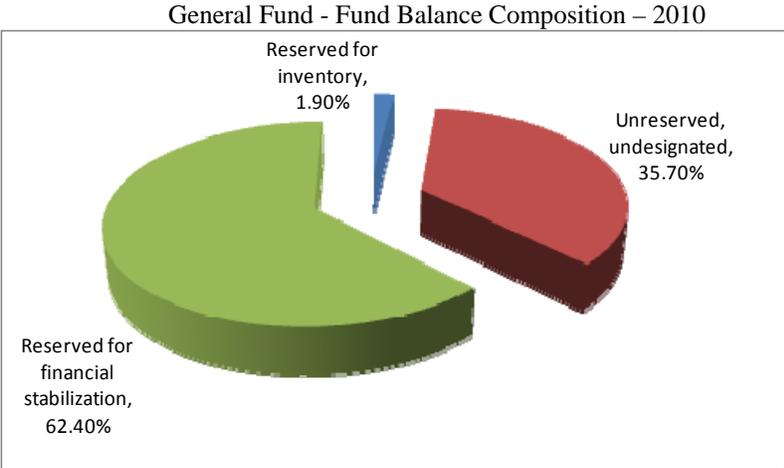
As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds**

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

As of the end of the current fiscal year, the City’s governmental funds reported combined ending fund balances of \$43,086,002, an increase of \$21,637,297 in comparison with the prior year of \$21,448,705. The increase is due primarily to a general obligation bond issue in the amount of \$44 million in the Multi-Purpose Capital Projects Fund, used for several infrastructure projects including construction of the new Police Headquarters that opened in May 2010.

The General Fund is the chief operating fund of the City of Franklin, Tennessee. The 2010 ending fund balance of \$25,914,373 had the following composition: An amount of \$489,453, or 1.9%, is reserved for inventory. The remaining amount of \$25,424,920 is unreserved, which is available for spending at the government’s discretion. Of the unreserved portion, \$16,180,105, or 62.4% of total fund balance, is designated by management for financial stabilization purposes such as contingency, emergency, cash flow, debt service, property/liability/health insurance, and retiree health benefits. The remainder is unreserved and undesignated fund balance of \$9,244,815, or 35.7%.



As a measure of the General Fund’s liquidity, it may be useful to compare both unreserved and undesignated fund balance and total fund balance to total fund expenditures (including transfers to other funds) of \$49,030,620. Unreserved and undesignated fund balance represents 18.9% of total General Fund expenditures (including transfers to other funds). Total General Fund balance represents 52.9% of that same amount.

The most significant continuing revenue sources in the General Fund are derived from taxes. Local option sales tax decreased by \$182,733 (from \$21,152,554 to \$20,969,821). Property taxes decreased \$2,542,650 (from \$10,598,592 to \$8,055,942), or 24.0%, due primarily to allocation in 2010 of 11.4 of the 43.4 cents property tax levy to the City’s Debt Service Fund. (The allocation resulted in \$2.9 million in property tax revenue to the Debt Service fund).

The decrease in local option sales tax is attributable largely to fewer sales in the current economy. 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 headquarters, in the area. Also, because of the slowdown in commercial growth, business taxes decreased \$320,401 (from \$2,939,829 to \$2,619,428). It is anticipated that collections may increase in the near future as the State began collection of these taxes in January 2010 and will be able to match business tax returns with other information available to the State.

**Financial Analysis of the Financial Statements (Continued):**

**Budgetary Highlights:**

The original budget included an allocation of \$980,104 from accumulated fund balance for capital acquisitions. It was amended during the year increasing this amount to \$3,177,072, with the primary reason a one-time additional contribution of \$2 million to the City’s pension plan in anticipation of lowering future required contributions. Actual results ended with an allocation of \$2,848,420, for an ending fund balance of \$25,914,373. The primary reason for this lower allocation than budget was actual expenditures (including transfer to other funds) of \$49,030,620 compared to the final budget of \$52,218,081. A review of General Fund expenditures shows: several departments instituted cost containment measures, including temporary assignments in lieu of filling full-time positions. Some governmental funds (State Street Aid, Sanitation, and Transit) are budgeted to be at break-even at fiscal year-end as an operational subsidy from General Fund is received by these funds. Two governmental funds (Road Impact and Facilities Tax) have had budgeted expenditures reduced to allow both funds to recover from deficits that have resulted from less fees in the current economy.

**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, 2010, is \$657,426,187 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery and equipment, park facilities, roads, highways and bridges.

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

- The City received \$11,443,300 in developer-contributed road and drainage assets.
- The City celebrated the opening of The Park at Harlinsdale in July 2009.
- In August 2009, the City’s Board of Mayor and Aldermen ranked its top 10 capital investment projects. The top 3 are improvements to (1) Hillsboro Road from Highway 96W to Mack Hatcher Parkway, (2) Columbia Avenue from Five Points to Fowlkes Street, and (3) McEwen Drive Phase III from Carothers Parkway to Cool Springs Boulevard
- Continued progress on the Mack Hatcher extension (northwest segment) and the Goose Creek interchange.
- The City’s new police headquarters opened on May 15, 2010.
- Received ARRA funding to assist with energy efficient lighting upgrades to Jim Warren Park, improvements to the City’s water reservoir, and expansion of the Intelligent Traffic System (ITS).
- On May 1 and 2, 2010, middle Tennessee including Franklin dealt with flooding caused by more than 17 inches of rain. Costs through June 30, 2010 were slightly over \$855,000. Of this amount, over \$749,000 is estimated to be reimbursable to the City by federal and state sources and at least \$75,000 by insurance.
- Acquired 3 recycling trucks to begin implementation of a curbside recycling program.

City of Franklin’s Capital Assets

	Governmental Activities	Business-Type Activities	Total
Land	47,241,564	5,216,746	52,458,310
Buildings and Improvements	63,316,410	11,291,016	74,607,426
Improvements other than Buildings	21,028,982	-	21,028,982
Machinery & Equipment	50,005,424	4,771,367	54,776,791
Utility Plant in Service	-	175,725,779	175,725,779
Construction in Progress	14,639,918	8,455,983	23,095,901
Infrastructure	429,876,014	-	429,876,014
Total Capital Assets	626,108,312	205,460,890	831,569,202
Less Accumulated Depreciation	(123,555,388)	(50,587,627)	(174,143,015)
Net Capital Assets	502,552,924	154,873,263	657,426,187

**City of Franklin’s Outstanding Debt (Continued):**

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 40.

Long-Term Debt

At the end of the current year, the City of Franklin had bonded debt outstanding of \$174,594,516. Of this amount, \$122,295,000 comprises debt backed by the full faith and credit of the government, with the remainder of the debt secured by both the taxing power of the City and specific revenue sources (i.e., revenue and tax bonds) of the Water & Sewer fund.

**City of Franklin’s Outstanding Debt**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
General Obligation Bonds/Capital Outlay Notes	\$122,295,000	-	122,295,000
Revenue and Tax Bonds	\$ -	52,299,516	52,299,516
Total Outstanding Bonds	<u>\$122,295,000</u>	<u>52,299,516</u>	<u>174,594,516</u>

The City of Franklin’s total debt increased by \$45,601,835 during the current fiscal year. The primary reason for the increase is borrowing of \$44,130,372 of general obligation debt and \$8,276,463 of revenue and tax debt. Also, scheduled repayment of debt of \$6,805,000 occurred during the year.

The City of Franklin maintains an “Aaa” Rating for general obligation debt. This rating was first received by Moody’s in 2000 and last affirmed in June 2010 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 45.

**Economic Factors and Next Year’s Budget and Rates:**

The unemployment rate (not seasonally adjusted) for June 2010 for the City of Franklin was 7.5%, compared to the State of Tennessee’s rate of 10.0% and a national average of 9.6%.

All of these factors were considered in preparing the City’s budget for the 2010-2011 fiscal year. The City appropriated approximately \$669,550 of accumulated fund balance in the General Fund for capital projects in the 2010-2011 fiscal year 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 government’s finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

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

## **BASIC FINANCIAL STATEMENTS**

**CITY OF FRANKLIN, TENNESSEE**  
**STATEMENT OF NET ASSETS**  
 JUNE 30, 2010

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 19,833,075	\$ 2,963,495	\$ 22,796,570
Investments	23,798,592	-	23,798,592
Receivables:			
Accounts, net of uncollectibles	1,741,107	3,153,715	4,894,822
Property taxes, net of uncollectibles	12,340,036	-	12,340,036
Grants	1,081,011	2,789,271	3,870,282
Special assessments	53,762	-	53,762
Intergovernmental	2,508,400	-	2,508,400
Fines	231,906	-	231,906
Local option sales tax	3,648,026	-	3,648,026
Other	2,821,509	-	2,821,509
Inventory	489,453	190,254	679,707
Prepaid items	790	-	790
Unamortized bond issue costs	638,685	261,367	900,052
Restricted assets:			
Cash and cash equivalents	-	11,126,540	11,126,540
Investments	-	2,250,000	2,250,000
Deferred outflow of resources	3,067,953	-	3,067,953
Net investment in joint venture - Conference Center	6,300,033	-	6,300,033
Capital assets not being depreciated:			
Land	47,241,564	5,216,746	52,458,310
Construction in progress	14,639,918	8,455,983	23,095,901
Capital assets net of accumulated depreciation			
Buildings and improvements	56,828,952	3,565,589	60,394,541
Improvements other than buildings	17,831,244	-	17,831,244
Utility plant in service	-	136,549,401	136,549,401
Infrastructure	342,374,384	-	342,374,384
Machinery and equipment	23,636,862	1,085,544	24,722,406
<b>Total assets</b>	<u>\$ 581,107,262</u>	<u>\$ 177,607,905</u>	<u>\$ 758,715,167</u>

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

(Continued)

**CITY OF FRANKLIN, TENNESSEE**  
**STATEMENT OF NET ASSETS (Cont.)**  
 JUNE 30, 2010

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 8,727,663	\$ 2,200,720	\$ 10,928,383
Accrued expenses	2,324,604	-	2,324,604
Accrued interest	689,275	378,255	1,067,530
Unearned revenue	12,532,521	580,075	13,112,596
Long-term liabilities:			
Derivative instrument - interest rate swap	3,067,953	-	3,067,953
Due within one year	7,373,035	3,158,222	10,531,257
Due in more than one year	122,612,966	49,902,882	172,515,848
<b>Total liabilities</b>	<u>157,328,017</u>	<u>56,220,154</u>	<u>213,548,171</u>
<b>NET ASSETS</b>			
Investments in capital assets, net of related debt	378,712,983	102,780,253	481,493,236
Restricted for:			
CDBG use	19,138	-	19,138
Drug fund use	253,229	-	253,229
Unrestricted	44,793,895	18,607,498	63,401,393
<b>Total net assets</b>	<u>\$ 423,779,245</u>	<u>\$ 121,387,751</u>	<u>\$ 545,166,996</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, 2010

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
<b>Primary government</b>							
<b>Governmental activities:</b>							
General government	\$ 3,464,483	\$ (48,242)	\$ 348,943	\$ -	\$ (3,163,782)	\$ -	\$ (3,163,782)
Capital investment planning	193,505	-	-	-	(193,505)	-	(193,505)
Administration	390,182	-	-	-	(390,182)	-	(390,182)
City recorder	395,054	-	-	-	(395,054)	-	(395,054)
Public safety:							
Police	14,744,499	1,245,405	51,371	-	(13,447,723)	-	(13,447,723)
Fire	13,044,366	-	-	-	(13,044,366)	-	(13,044,366)
Highways and streets	15,873,886	-	1,804,278	11,547,000	(2,522,608)	-	(2,522,608)
Street-fleet	662,683	-	-	-	(662,683)	-	(662,683)
Engineering	797,691	-	-	543,806	(253,885)	-	(253,885)
Storm water	1,126,529	2,088,080	70,135	-	1,031,686	-	1,031,686
Sanitation	6,344,279	4,753,448	140,493	-	(1,450,338)	-	(1,450,338)
Transit	1,030,107	61,786	664,032	-	(304,289)	-	(304,289)
Parks	3,306,523	-	252,814	1,376	(3,052,333)	-	(3,052,333)
Project & Facilities Mgmt	523,339	-	-	-	(523,339)	-	(523,339)
Elected officials	193,640	-	-	-	(193,640)	-	(193,640)
Planning	1,372,885	113,948	-	37,062	(1,221,875)	-	(1,221,875)
Codes	2,005,803	767,764	26,026	-	(1,212,013)	-	(1,212,013)
Courts	265,380	-	-	-	(265,380)	-	(265,380)
Human resources	689,024	-	-	-	(689,024)	-	(689,024)
Communications	261,568	-	-	-	(261,568)	-	(261,568)
Finance	793,781	-	-	-	(793,781)	-	(793,781)
Legal	239,619	-	-	-	(239,619)	-	(239,619)
Purchasing	131,633	-	-	-	(131,633)	-	(131,633)
Municipal information and technology	3,354,101	-	-	-	(3,354,101)	-	(3,354,101)
Interest and amortization on long-term debt	1,702,780	-	-	-	(1,702,780)	-	(1,702,780)
	<u>72,907,340</u>	<u>8,982,189</u>	<u>3,358,092</u>	<u>12,129,244</u>	<u>(48,437,815)</u>	<u>-</u>	<u>(48,437,815)</u>
<b>Business-type activities:</b>							
Water and sewer	19,531,608	16,260,341	-	3,881,605	-	610,338	610,338
<b>Total primary government</b>	<u>\$ 92,438,948</u>	<u>\$ 25,242,530</u>	<u>\$ 3,358,092</u>	<u>\$ 16,010,849</u>	<u>(48,437,815)</u>	<u>610,338</u>	<u>(47,827,477)</u>
General revenues:							
Property taxes					11,415,775	-	11,415,775
Sales taxes					20,969,821	-	20,969,821
Other locally assessed taxes					6,516,955	-	6,516,955
Other state shared taxes					5,310,994	-	5,310,994
Access fees and taxes					2,294,439	-	2,294,439
Franchise taxes					2,060,391	-	2,060,391
Unrestricted investment earnings					706,716	54,828	761,544
Other					482,054	14,106	496,160
Total general revenues					<u>49,757,145</u>	<u>68,934</u>	<u>49,826,079</u>
Transfers					(45,000)	45,000	-
Total general revenues and transfers					<u>49,712,145</u>	<u>113,934</u>	<u>49,826,079</u>
Change in net assets					1,274,330	724,272	1,998,602
Net assets - beginning of year					422,882,631	120,663,479	543,546,110
Prior period adjustment					(377,716)	-	(377,716)
Net assets - beginning of year, as restated					<u>422,504,915</u>	<u>120,663,479</u>	<u>543,168,394</u>
Net assets - end of year					<u>\$ 423,779,245</u>	<u>\$ 121,387,751</u>	<u>\$ 545,166,996</u>

**CITY OF FRANKLIN, TENNESSEE**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
JUNE 30, 2010

	<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>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 5,148,695	\$ 13,218,855	\$ 457,770	\$ 1,007,755	\$ 19,833,075
Investments	17,098,592	-	-	6,700,000	23,798,592
Receivables:					
Accounts	808,294	-	-	932,813	1,741,107
Property taxes, net of uncollectibles (\$83,330 and \$2,857)	6,940,019	-	5,400,017	-	12,340,036
Grants	668,801	-	-	412,210	1,081,011
Special assessments	53,762	-	-	-	53,762
Intergovernmental	2,027,468	-	-	480,932	2,508,400
Fines, net of uncollectibles (\$430,684)	231,906	-	-	-	231,906
Local option sales tax	3,648,026	-	-	-	3,648,026
Other	2,491,424	-	-	330,085	2,821,509
Due from other funds	4,106,141	-	-	-	4,106,141
Inventory	489,453	-	-	-	489,453
Prepaid items	790	-	-	-	790
<b>Total assets</b>	<u>\$ 43,713,371</u>	<u>\$ 13,218,855</u>	<u>\$ 5,857,787</u>	<u>\$ 9,863,795</u>	<u>\$ 72,653,808</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 6,770,638	\$ 527,202	\$ -	\$ 1,429,823	\$ 8,727,663
Accrued expenses	2,324,604	-	-	-	2,324,604
Due to other funds	-	-	-	4,106,141	4,106,141
Deferred revenue	8,703,756	-	5,392,597	313,045	14,409,398
<b>Total liabilities</b>	<u>17,798,998</u>	<u>527,202</u>	<u>5,392,597</u>	<u>5,849,009</u>	<u>29,567,806</u>
<b>Fund balances:</b>					
Reserved for:					
Inventory	489,453	-	-	-	489,453
Unreserved reported in:					
Special revenue funds	-	-	-	4,014,786	4,014,786
Capital projects	-	12,691,653	-	-	12,691,653
Debt service	-	-	465,190	-	465,190
Unreserved - designated:					
Designated for contingency	2,451,531	-	-	-	2,451,531
Designated for emergency	2,451,531	-	-	-	2,451,531
Designated for cash flow	6,864,287	-	-	-	6,864,287
Designated for debt service	1,470,919	-	-	-	1,470,919
Designated for property/liability/health insurance	1,961,225	-	-	-	1,961,225
Designated for retiree health benefits	980,612	-	-	-	980,612
Unreserved - undesignated	9,244,815	-	-	-	9,244,815
<b>Total fund balances</b>	<u>25,914,373</u>	<u>12,691,653</u>	<u>465,190</u>	<u>4,014,786</u>	<u>43,086,002</u>
<b>Total liabilities and fund balances</b>	<u>\$ 43,713,371</u>	<u>\$ 13,218,855</u>	<u>\$ 5,857,787</u>	<u>\$ 9,863,795</u>	<u>\$ 72,653,808</u>

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

**CITY OF FRANKLIN, TENNESSEE**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET ASSETS**  
 JUNE 30, 2010

**Amounts reported for the governmental activities in the Statement of Net Assets (Page 13) are different because:**

<b>Fund balance - total governmental funds (Page 15)</b>		\$ 43,086,002
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds		
Capital assets, at cost	\$ 632,408,345	
Less related accumulated depreciation	<u>(123,555,388)</u>	508,852,957
Receivables not available to pay for current expenditures and, therefore, are deferred in the funds		
		1,876,877
Current assets, such as bond issue costs, are expensed in the period in which the bonds are drawn in the governmental funds		
		638,685
Long-term liabilities, including notes, bonds and leases payable, are not due in the current period and, therefore, are not reported in the funds		
Bonds outstanding	(122,295,000)	
Capital lease payable	(1,881,353)	
Bond premiums and deferred refunding amounts	(302,273)	
Compensated absences	<u>(5,507,375)</u>	(129,986,001)
Payables, such as accrued interest payable, are not due and payable in the current period, and therefore are not reported in the funds		
		<u>(689,275)</u>
<b>Net assets - governmental activities (Page 13)</b>		<u><u>\$ 423,779,245</u></u>

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

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<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>
<b>Revenues:</b>					
Taxes	\$ 35,773,748	\$ -	\$ 2,851,481	\$ 2,617,522	\$ 41,242,751
Licenses and permits	2,936,932	-	-	329,194	3,266,126
Fines and fees	1,119,390	-	-	94,253	1,213,643
Charge for services	38,226	-	-	6,903,314	6,941,540
Intergovernmental	5,480,502	-	-	2,674,748	8,155,250
Use of money and property	605,362	580,506	1,438	126,560	1,313,866
Miscellaneous and other	228,040	103,700	-	-	331,740
<b>Total revenues</b>	<u>46,182,200</u>	<u>684,206</u>	<u>2,852,919</u>	<u>12,745,591</u>	<u>62,464,916</u>
<b>Expenditures:</b>					
Current:					
General government	2,064,633	4,114	402,604	756,340	3,227,691
Capital investment planning	193,505	-	-	-	193,505
Administration	379,780	-	-	-	379,780
City recorder	385,355	-	-	-	385,355
Public safety:					
Police	13,359,838	286,926	-	58,182	13,704,946
Fire	12,155,554	-	-	-	12,155,554
Highways and streets	4,336,325	328,554	-	1,976,333	6,641,212
Street - Fleet	662,683	-	-	-	662,683
Engineering	727,311	-	-	-	727,311
Storm water	-	18,078	-	1,030,602	1,048,680
Sanitation	-	-	-	5,636,808	5,636,808
Transit	-	-	-	858,064	858,064
Parks	2,305,066	1,240	-	11,850	2,318,156
Maintenance	511,567	-	-	-	511,567
Elected officials	193,640	-	-	-	193,640
Planning	1,400,790	-	-	-	1,400,790
Codes	1,857,185	-	-	-	1,857,185
Courts	268,352	-	-	-	268,352
Human resources	689,703	-	-	-	689,703
Channel 10	250,304	-	-	-	250,304
Finance	755,271	-	-	-	755,271
Legal	234,653	-	-	-	234,653
Purchasing	129,065	-	-	-	129,065
Municipal information and technology	1,823,791	51,897	-	-	1,875,688
Debt service	-	107,092	5,935,478	2,374	6,044,944
Capital outlay	1,296,571	21,660,738	-	2,132,658	25,089,967
<b>Total expenditures</b>	<u>\$ 45,980,942</u>	<u>\$ 22,458,639</u>	<u>\$ 6,338,082</u>	<u>\$ 12,463,211</u>	<u>\$ 87,240,874</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, 2010

	<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	\$ 201,258	\$ (21,774,433)	\$ (3,485,163)	\$ 282,380	\$ (24,775,958)
<b>Other financing sources (uses):</b>					
Issuance of debt	-	45,881,353	-	-	45,881,353
Premium on debt issued	-	576,902	-	-	576,902
Transfers from other funds	-	-	3,950,353	3,004,677	6,955,030
Transfers to other funds	(3,049,678)	-	-	(3,950,352)	(7,000,030)
<b>Total other financing sources (uses)</b>	<u>(3,049,678)</u>	<u>46,458,255</u>	<u>3,950,353</u>	<u>(945,675)</u>	<u>46,413,255</u>
Net changes in fund balances	(2,848,420)	24,683,822	465,190	(663,295)	21,637,297
<b>Fund balances - beginning</b>	<u>28,762,793</u>	<u>(11,992,169)</u>	<u>-</u>	<u>4,678,081</u>	<u>21,448,705</u>
<b>Fund balances - ending</b>	<u>\$ 25,914,373</u>	<u>\$ 12,691,653</u>	<u>\$ 465,190</u>	<u>\$ 4,014,786</u>	<u>\$ 43,086,002</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, 2010**

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

<b>Net changes in fund balances - total governmental funds (Page 18)</b>		<b>\$ 21,637,297</b>
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense in the current period. Specifically these items are as follows:</p>		
Acquisition of capital assets	\$ 25,089,968	
Loss on disposal of capital assets	(302,171)	
Conference center loss	(120,221)	
Depreciation expense	<u>(14,712,800)</u>	9,954,776
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds for:</p>		
Property tax	98,718	
Franchise fees	(13,641)	
Court fines	12,348	
Grant revenues	646,811	
Contributed capital assets	<u>11,443,300</u>	12,187,536
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Specifically, these items are as follows:</p>		
Debt issuance	(45,881,353)	
Premium on debt issuance	(576,903)	
Debt payments	<u>4,585,000</u>	(41,873,256)
<p>Governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities for:</p>		
Bond issue costs on new debt issuance	285,077	
Amortization of bond issue costs	<u>(58,176)</u>	226,901
<p>Expenses reported in the statement of activities that do not require the use of current financial resources are not reported as expenditures in the governmental funds for:</p>		
Compensated absences	(385,796)	
Accrued interest	<u>(473,128)</u>	(858,924)
<b>Change in net assets of governmental activities (Page 14)</b>		<b><u>\$ 1,274,330</u></b>

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

**CITY OF FRANKLIN, TENNESSEE**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

<b>Revenues:</b>	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Over (Under)</b>
	<b>Original</b>	<b>Final</b>		
<b>Taxes:</b>				
Real and personal property taxes	\$ 8,602,709	\$ 8,602,709	\$ 8,055,942	\$ (546,767)
Penalty and interest	40,000	40,000	45,858	5,858
In lieu of tax	138,000	138,000	388,180	250,180
Sales tax	22,383,900	22,383,900	20,969,821	(1,414,079)
Beer tax	1,377,000	1,377,000	1,339,821	(37,179)
Wholesale liquor tax	760,000	760,000	810,970	50,970
Business tax	2,500,000	2,500,000	2,619,428	119,428
Facilities tax	-	-	1,011,027	1,011,027
Mixed drink tax	867,000	867,000	449,269	(417,731)
Liquor privilege tax	60,000	60,000	65,005	5,005
Beer privilege tax	18,000	18,000	18,427	427
<b>Total Taxes</b>	<b>36,746,609</b>	<b>36,746,609</b>	<b>35,773,748</b>	<b>(972,861)</b>
<b>Licenses and permits:</b>				
Franchise taxes	1,579,000	1,579,000	2,074,032	495,032
Mechanical licenses	6,500	6,500	6,800	300
Mechanical permits	122,400	122,400	74,420	(47,980)
Beer permits and licenses	8,000	8,000	-	(8,000)
Building permits	660,000	660,000	430,901	(229,099)
Plumbing permits	76,500	76,500	56,842	(19,658)
Plumbing licenses	7,000	7,000	4,950	(2,050)
Electric permits	204,000	204,000	136,129	(67,871)
Yard sale permits	11,000	11,000	9,755	(1,245)
Miscellaneous permits	8,000	8,000	6,695	(1,305)
Alarm permits	20,000	20,000	22,460	2,460
Site review, rezoning and submittal fees	252,000	252,000	113,948	(138,052)
<b>Total Licenses and permits</b>	<b>2,954,400</b>	<b>2,954,400</b>	<b>2,936,932</b>	<b>(17,468)</b>
<b>Fines and fees:</b>				
Fines - city court	950,000	950,000	986,017	36,017
Fines - general sessions	79,000	79,000	65,833	(13,167)
Business tax fees	26,000	26,000	18,812	(7,188)
Beer board violations	1,500	1,500	-	(1,500)
Parking tickets	51,500	51,500	48,728	(2,772)
<b>Total Fines and fees</b>	<b>\$ 1,108,000</b>	<b>\$ 1,108,000</b>	<b>\$ 1,119,390</b>	<b>\$ 11,390</b>

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

**CITY OF FRANKLIN, TENNESSEE**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL (Cont.)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

<b>Revenues (Cont.):</b>	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Over (Under)</b>
	<b>Original</b>	<b>Final</b>		
<b>Charges for services:</b>				
Offender registry	\$ 1,500	\$ 1,500	\$ 1,635	\$ 135
Fingerprinting fees	1,500	1,500	895	(605)
Maps sold	3,000	3,000	2,170	(830)
Plans sold	5,000	5,000	-	(5,000)
License seizure fees	2,000	2,000	-	(2,000)
Accident reports	40,000	40,000	33,526	(6,474)
<b>Total Charges for services</b>	<b>53,000</b>	<b>53,000</b>	<b>38,226</b>	<b>(14,774)</b>
<b>Intergovernmental:</b>				
State excise tax	150,000	150,000	55,176	(94,824)
State beer tax	25,000	25,000	27,860	2,860
Sales tax	3,765,000	3,765,000	3,600,721	(164,279)
State income tax	1,500,000	1,500,000	559,388	(940,612)
In lieu of tax - TVA	556,000	556,000	618,580	62,580
Federal and state financial assistance programs	1,072,000	1,072,000	618,777	(453,223)
<b>Total Intergovernmental</b>	<b>7,068,000</b>	<b>7,068,000</b>	<b>5,480,502</b>	<b>(1,587,498)</b>
<b>Use of money and property:</b>				
Interest income	840,000	840,000	511,380	(328,620)
Rebates on purchases	25,000	25,000	25,511	511
Park concessions and rentals	24,000	24,000	26,081	2,081
Rent - mall and other	20,000	20,000	21,001	1,001
Sale of fixed assets	100,000	100,000	21,389	(78,611)
<b>Total Use of money and property</b>	<b>1,009,000</b>	<b>1,009,000</b>	<b>605,362</b>	<b>(403,638)</b>
<b>Miscellaneous:</b>				
Miscellaneous income	100,000	100,000	89,308	(10,692)
Other grants	-	-	1,500	1,500
Insurance reimbursements	-	-	75,000	75,000
Regional fire training	-	-	300	300
Citizens police academy	2,000	2,000	1,625	(375)
3rd party OT	-	-	10,005	10,005
Tree bank fees	-	-	50,302	50,302
<b>Total Miscellaneous</b>	<b>102,000</b>	<b>102,000</b>	<b>228,040</b>	<b>126,040</b>
<b>Total revenues</b>	<b>\$ 49,041,009</b>	<b>\$ 49,041,009</b>	<b>\$ 46,182,200</b>	<b>\$ (2,858,809)</b>

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

(Continued)

**CITY OF FRANKLIN, TENNESSEE**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL (Cont.)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

<b>Expenditures:</b>	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Over (Under)</b>
	<b>Original</b>	<b>Final</b>		
General government administration:				
Current:				
Personnel	\$ 336,271	\$ 336,271	311,616	\$ (24,655)
Operations	<u>188,215</u>	<u>188,215</u>	<u>68,164</u>	<u>(120,051)</u>
Total General government administration	<u>524,486</u>	<u>524,486</u>	<u>379,780</u>	<u>(144,706)</u>
Capital investment planning				
Current				
Personnel	182,337	182,337	181,574	(763)
Operations	<u>18,439</u>	<u>18,439</u>	<u>11,931</u>	<u>(6,508)</u>
Total Capital investment planning	<u>200,776</u>	<u>200,776</u>	<u>193,505</u>	<u>(7,271)</u>
City recorder				
Current:				
Personnel	267,309	269,309	280,117	10,808
Operations	<u>116,254</u>	<u>116,254</u>	<u>105,238</u>	<u>(11,016)</u>
Total City recorder	<u>383,563</u>	<u>385,563</u>	<u>385,355</u>	<u>(208)</u>
Police department				
Current				
Personnel	11,819,407	11,267,715	11,295,075	27,360
Operations	<u>2,427,498</u>	<u>2,397,498</u>	<u>2,064,763</u>	<u>(332,735)</u>
Total current	<u>14,246,905</u>	<u>13,665,213</u>	<u>13,359,838</u>	<u>(305,375)</u>
Capital outlay	<u>631,398</u>	<u>631,398</u>	<u>220,549</u>	<u>(410,849)</u>
Total Police department	<u>14,878,303</u>	<u>14,296,611</u>	<u>13,580,387</u>	<u>(716,224)</u>
Fire department:				
Current				
Personnel	10,937,472	10,946,472	11,225,070	278,598
Operations	<u>1,206,039</u>	<u>1,206,039</u>	<u>930,484</u>	<u>(275,555)</u>
Total current	<u>12,143,511</u>	<u>12,152,511</u>	<u>12,155,554</u>	<u>3,043</u>
Capital outlay	<u>45,000</u>	<u>45,000</u>	<u>41,666</u>	<u>(3,334)</u>
Total Fire department	<u>\$ 12,188,511</u>	<u>\$ 12,197,511</u>	<u>\$ 12,197,220</u>	<u>\$ (291)</u>

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

(Continued)

**CITY OF FRANKLIN, TENNESSEE**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL (Cont.)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

<b>Expenditures (Cont.):</b>	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Over (Under)</b>
	<b>Original</b>	<b>Final</b>		
Highway and streets:				
Current				
Personnel	\$ 2,691,347	\$ 2,691,347	\$ 2,727,080	\$ 35,733
Operations	1,846,029	1,846,029	1,609,245	(236,784)
Total current	4,537,376	4,537,376	4,336,325	(201,051)
Capital outlay	325,000	385,000	291,468	(93,532)
Total Highway and streets	4,862,376	4,922,376	4,627,793	(294,583)
Street - Fleet				
Current				
Personnel	-	481,718	390,908	(90,810)
Operations	-	652,905	271,775	(381,130)
Total current	-	1,134,623	662,683	(471,940)
Capital outlay	-	-	60,160	60,160
Total Street - Fleet	-	1,134,623	722,843	(411,780)
Engineering:				
Current				
Personnel	732,902	732,902	709,906	(22,996)
Operations	99,290	99,290	17,405	(81,885)
Total current	832,192	832,192	727,311	(104,881)
Capital outlay	978,000	978,000	532,539	(445,461)
Total Engineering	1,810,192	1,810,192	1,259,850	(550,342)
Parks:				
Current				
Personnel	1,728,638	1,728,638	1,680,151	(48,487)
Operations	628,200	628,200	624,915	(3,285)
Total current	2,356,838	2,356,838	2,305,066	(51,772)
Capital outlay	175,800	175,800	82,689	(93,111)
Total Parks	2,532,638	2,532,638	2,387,755	(144,883)
Maintenance department:				
Current				
Personnel	316,206	316,206	290,375	(25,831)
Operations	353,249	353,249	221,192	(132,057)
Total Current	669,455	669,455	511,567	(157,888)
Capital outlay	10,597	10,597	-	(10,597)
Total Maintenance department	\$ 680,052	\$ 680,052	\$ 511,567	\$ (168,485)

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

(Continued)

**CITY OF FRANKLIN, TENNESSEE**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL (Cont.)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

<b>Expenditures (Cont.):</b>	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Over (Under)</b>
	<b>Original</b>	<b>Final</b>		
Planning:				
Current				
Personnel	\$ 1,374,865	\$ 1,374,865	\$ 1,240,330	\$ (134,535)
Operations	134,120	134,120	160,460	26,340
Total Planning	<u>1,508,985</u>	<u>1,508,985</u>	<u>1,400,790</u>	<u>(108,195)</u>
Codes:				
Current				
Personnel	1,728,136	1,728,136	1,710,000	(18,136)
Operations	179,311	179,311	147,185	(32,126)
Total Codes	<u>1,907,447</u>	<u>1,907,447</u>	<u>1,857,185</u>	<u>(50,262)</u>
Court:				
Current				
Personnel	194,371	194,371	197,116	2,745
Operations	100,560	100,560	71,236	(29,324)
Total Court	<u>294,931</u>	<u>294,931</u>	<u>268,352</u>	<u>(26,579)</u>
Human resources:				
Current				
Personnel	481,754	481,754	502,469	20,715
Operations	244,806	244,806	187,234	(57,572)
Total Human resources	<u>726,560</u>	<u>726,560</u>	<u>689,703</u>	<u>(36,857)</u>
Channel 10:				
Current				
Personnel	201,857	220,857	229,506	8,649
Operations	29,842	29,842	20,798	(9,044)
Total Channel 10	<u>231,699</u>	<u>250,699</u>	<u>250,304</u>	<u>(395)</u>
Finance:				
Current				
Personnel	604,189	648,189	658,401	10,212
Operations	107,760	107,760	96,870	(10,890)
Total current	<u>711,949</u>	<u>755,949</u>	<u>755,271</u>	<u>(678)</u>
Capital outlay	20,000	20,000	20,000	-
Total Finance	<u>\$ 731,949</u>	<u>\$ 775,949</u>	<u>\$ 775,271</u>	<u>\$ (678)</u>

(Continued)

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

**CITY OF FRANKLIN, TENNESSEE**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL (Cont.)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

<b>Expenditures (Cont.):</b>	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Over (Under)</b>
	<b>Original</b>	<b>Final</b>		
Legal:				
Current				
Personnel	\$ 244,528	\$ 244,528	\$ 164,634	\$ (79,894)
Operations	105,563	105,563	70,019	(35,544)
Total Legal	<u>350,091</u>	<u>350,091</u>	<u>234,653</u>	<u>(115,438)</u>
Purchasing:				
Current				
Personnel	118,625	124,625	125,212	587
Operations	5,135	5,135	3,853	(1,282)
Total Purchasing	<u>123,760</u>	<u>129,760</u>	<u>129,065</u>	<u>(695)</u>
Municipal information and technology:				
Current				
Personnel	1,198,294	1,198,294	1,192,504	(5,790)
Operations	658,629	658,629	631,287	(27,342)
Total current	<u>1,856,923</u>	<u>1,856,923</u>	<u>1,823,791</u>	<u>(33,132)</u>
Capital outlay	80,000	80,000	47,500	(32,500)
Total Municipal information and technology	<u>1,936,923</u>	<u>1,936,923</u>	<u>1,871,291</u>	<u>(65,632)</u>
Elected officials				
Current				
Personnel	123,200	126,300	134,188	7,888
Operations	67,387	67,387	59,452	(7,935)
Total Elected officials	<u>190,587</u>	<u>193,687</u>	<u>193,640</u>	<u>(47)</u>
General expenditures:				
Current				
Personnel	23,510	2,023,510	1,400,843	(622,667)
Operations	346,327	351,950	276,409	(75,541)
Total General expenditures	<u>369,837</u>	<u>2,375,460</u>	<u>1,677,252</u>	<u>(698,208)</u>
Contributions:				
Current				
Appropriations to non profit organizations	372,575	387,381	387,381	-
Total Contributions	<u>372,575</u>	<u>387,381</u>	<u>387,381</u>	<u>-</u>
<b>Total expenditures</b>	<b><u>\$ 46,806,241</u></b>	<b><u>\$ 49,522,701</u></b>	<b><u>\$ 45,980,942</u></b>	<b><u>\$ (3,541,759)</u></b>

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

(Continued)

**CITY OF FRANKLIN, TENNESSEE**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL (Cont.)**  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures (Cont.):</b>				
Excess (deficiency) of revenues over expenditures	\$ 2,234,768	\$ (481,692)	\$ 201,258	\$ 682,950
<b>Other financing sources (uses):</b>				
Transfer to other funds	(3,214,872)	(2,695,380)	(3,049,678)	354,298
<b>Total other financing sources (uses)</b>	<u>(3,214,872)</u>	<u>(2,695,380)</u>	<u>(3,049,678)</u>	<u>354,298</u>
<b>Net changes in fund balances</b>	<u>\$ (980,104)</u>	<u>\$ (3,177,072)</u>	(2,848,420)	<u>\$ 328,652</u>
<b>Fund balance - beginning of year</b>			<u>28,762,793</u>	
<b>Fund balance - end of year</b>			<u>\$ 25,914,373</u>	

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

**CITY OF FRANKLIN, TENNESSEE**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUND - WATER AND SEWER FUND**  
JUNE 30, 2010

**ASSETS**

## Current assets:

Cash and cash equivalents - unrestricted	\$ 2,963,495
Accounts receivable, net of allowance for doubtful accounts	3,153,715
Grants receivable	2,789,271
Inventory	190,254

## Restricted assets:

Cash and cash equivalents	11,126,540
Investments	2,250,000
<b>Total restricted assets</b>	<u>13,376,540</u>
<b>Total current assets</b>	<u>22,473,275</u>

## Noncurrent assets:

Unamortized bond issue costs	261,367
Capital assets (net of accumulated depreciation):	
Land	5,216,746
Buildings and improvements	3,565,589
Utility plant in service	136,549,401
Machinery and equipment	1,085,544
Construction in progress	8,455,983
<b>Total capital assets (net of accumulated depreciation):</b>	<u>154,873,263</u>
<b>Total noncurrent assets</b>	<u>155,134,630</u>
<b>Total assets</b>	<u>\$ 177,607,905</u>

**LIABILITIES**

## Current liabilities:

Accounts payable	\$ 2,200,720
Accrued interest	378,255
Deferred revenue - unearned	580,075
Compensated absences payable	274,404
Current maturities of long-term debt	2,883,818
<b>Total current liabilities</b>	<u>6,317,272</u>

## Noncurrent liabilities:

Compensated absences payable	432,323
Long-term debt, net of current maturities	49,470,559
<b>Total noncurrent liabilities</b>	<u>49,902,882</u>
<b>Total liabilities</b>	<u>56,220,154</u>

**NET ASSETS**

Invested in capital assets, net of related debt	102,780,253
Unrestricted	18,607,498
<b>Total net assets</b>	<u>121,387,751</u>
<b>Total liabilities and net assets</b>	<u>\$ 177,607,905</u>

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

**CITY OF FRANKLIN, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUND - WATER AND SEWER FUND**  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<b>Water and Sewer Fund</b>
<b>Operating revenues:</b>	
Metered water sales	\$ 6,893,185
Sewer service charges	8,636,628
Reclaimed water sales	139,365
Other revenues from operations	591,163
<b>Total operating revenues</b>	<b>16,260,341</b>
<b>Operating expenses:</b>	
Water plant expenses	3,752,118
Water distribution expenses	1,432,755
Water administration	1,238,151
Sewer plant expenses	3,162,034
Sewer collection expenses	2,049,054
Sewer administration	554,181
Water & sewer billing expenses	165,421
General administration	715,195
Reclaimed water expenses	134,967
Tap expenses	2,253
Depreciation	4,681,788
<b>Total operating expenses</b>	<b>17,887,917</b>
<b>Operating income (loss)</b>	<b>(1,627,576)</b>
<b>Nonoperating revenues (expenses):</b>	
Interest income	54,828
Gain (loss) on sale of assets	14,106
Amortization expense	(89,801)
Interest expense	(1,553,890)
<b>Total nonoperating revenues (expenses)</b>	<b>(1,574,757)</b>
<b>Net income (loss) before contributions and transfers</b>	<b>(3,202,333)</b>
<b>Contributions and transfers:</b>	
Tap and access fees	1,419,835
Transfer from general fund	45,000
Capital contributions	1,289,755
Developer contributions	1,172,015
<b>Total contributions and transfers</b>	<b>3,926,605</b>
<b>Change in net assets</b>	<b>724,272</b>
<b>Net assets, beginning of year</b>	<b>120,663,479</b>
<b>Net assets, end of year</b>	<b>\$ 121,387,751</b>

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, 2010**

	<u><b>Water and Sewer Fund</b></u>
<b>Cash flows from operating activities:</b>	
Cash received from consumers	\$ 15,663,983
Cash paid to employees for services	(4,778,185)
Cash paid to suppliers of goods and services	(3,134,694)
Transfers from other funds	45,000
Net cash provided (used) by operating activities	<u>7,796,104</u>
<b>Cash flows from capital and related financing activities:</b>	
Purchase of property, plant and equipment	(6,700,005)
Sale of fixed assets	14,106
Interest paid on bonds	(1,584,871)
Issuance of long-term debt	8,276,463
Payments on long-term debt	<u>(2,220,000)</u>
Net cash provided (used) by non-capital financing activities	<u>(2,214,307)</u>
<b>Cash flows from non-capital financing activities:</b>	
Contributions from tap fees and grant funds	<u>2,709,590</u>
Net cash provided (used) by non-capital financing activities	<u>2,709,590</u>
<b>Cash flows from investing activities:</b>	
Purchase of investments	(2,250,000)
Interest received and gains on investments	<u>54,828</u>
Net cash provided (used) by investing activities	<u>(2,195,172)</u>
Net increase (decrease) in cash and restricted cash	<u>6,096,215</u>
<b>Cash and restricted cash - beginning of year</b>	<u>7,993,820</u>
<b>Cash and restricted cash - end of year</b>	<u>\$ 14,090,035</u>
<b>Cash and cash equivalents</b>	
Unrestricted cash and cash equivalents	\$ 2,963,495
Restricted cash and cash equivalents	<u>11,126,540</u>
<b>Total cash and cash equivalents</b>	<u>\$ 14,090,035</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, 2010**

	<u><b>Water and Sewer Fund</b></u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operations:</b>	
Operating income (loss)	\$ (1,627,576)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	4,681,788
Transfers from other funds	45,000
Change in:	
Accounts receivable	(596,358)
Due from other funds	8,165,087
Grants receivable	(2,789,271)
Inventory	32,885
Accounts payable	111,957
Accrued expenses	(115,682)
Deferred revenue	(150,211)
Compensated absences	38,485
Net cash provided (used) by operating activities	<u>\$ 7,796,104</u>
<b>Supplemental schedule of non-cash capital financing activities:</b>	
Capital assets added as developer contributions	<u>\$ 1,172,015</u>

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

**CITY OF FRANKLIN, TENNESSEE**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUND - PENSION FUND**  
DECEMBER 31, 2009

**ASSETS**

Investments at fair value:

Short - term investments	\$ 1,269,396
Mutual fund	<u>40,712,243</u>
Total investments	<u>41,981,639</u>

**Total assets** \$ 41,981,639

**Net assets held in trust for pension benefits** \$ 41,981,639

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

**CITY OF FRANKLIN, TENNESSEE**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**FIDUCIARY FUND - PENSION FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

**Additions:**

## Contributions:

Employer contributions	\$ 9,458,630
Employee contributions	<u>289,054</u>
Total contributions	<u>9,747,684</u>

## Investment income:

Net appreciation in investments	4,947,393
Investment earnings	<u>275,065</u>
Total investment income	<u>5,222,458</u>

<b>Total additions</b>	<u>14,970,142</u>
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**Deductions:**

Pension benefits	1,665,286
Administration expense	<u>171,510</u>

<b>Total deductions</b>	<u>1,836,796</u>
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<b>Net increase</b>	13,133,346
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<b>Net assets held in trust for pension benefits - beginning</b>	28,860,956
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<b>Adjustment to beginning net assets on valuation report</b>	<u>(12,663)</u>
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<b>Net assets held in trust for pension benefits - beginning - restated</b>	<u>28,848,293</u>
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<b>Net assets held in trust for pension benefits - ending</b>	<u>\$ 41,981,639</u>
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The accompanying notes are an integral part of the financial statements.

**CITY OF FRANKLIN, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
 JUNE 30, 2010

**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 generally accepted accounting principles, these financial statements present all funds, which comprise the City.

The accompanying financial statements present the government and component units, if any. Component units are entities for which the government is considered to be financially accountable. Component units, although legally separate entities, are required to be presented in the government's financial statements using either a "blended" or "discrete" presentation.

As of June 30, 2010, the City had no component units which were required to be included in these financial statements.

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

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of the 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 activities demonstrates the degree to which the direct expenses of the given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

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

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

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

**CITY OF FRANKLIN, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
JUNE 30, 2010

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

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

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

The City reports the following major governmental funds:

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

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

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

The City reports the following major proprietary fund:

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

Additionally, the City reports the following fiduciary fund type:

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the various utility funds are charges for sales to customers for sales and

**CITY OF FRANKLIN, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
 JUNE 30, 2010

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

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

services. The Water and Sewer Fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

***Joint Operation of the Conference Center***

In June 1999, the City completed construction of a conference center facility funded jointly by the City and Williamson County (the County) through issuance of a combined total of \$12,000,000 in general obligation debt (one-half each by City and County). An Interlocal Agreement executed between the City and County (the Parties) provides for equal ownership by each of the Parties of a one-half undivided interest in the conference center and further specifies that each of the Parties shall be entitled to one-half of the net revenue and shall be responsible for one-half of all costs and expenses of the operation and maintenance of the Conference Center. The City's undivided interest in the investment in the Conference Center facility which has total net assets of \$12,600,866 at June 30, 2010, is accounted for as a joint venture asset of the City. The City's one-half interest in Conference Center operations, which in 2010 is a \$120,221 decrease, is presented with governmental activities in the statements of net assets and activities. Complete financial statements for the Conference Center may be obtained from the Department of Finance at City Hall.

**D. Assets, Liabilities, and Net Assets or Equity**

***Deposits and Investments***

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

Investments for the City are reported at fair value, securities traded on a national or international exchange are valued at the last reported sales price.

***Receivables and Payables***

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

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

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

**CITY OF FRANKLIN, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
 JUNE 30, 2010

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

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

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

***Inventories and Prepaid Items***

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

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

***Restricted Assets***

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

***Capital Assets***

Capital assets, including property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of three years. Donated capital assets are recorded at estimated fair market 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 (roads, bridges)	50 years
Buildings and improvements	25 - 50 years
Distribution systems	10 - 50 years
Equipment	3-10 years
Furniture and fixtures	3-10 years

***Compensated Absences***

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

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

**CITY OF FRANKLIN, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

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

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

***Property Tax***

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

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

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

Taxes are levied at a rate of \$.434 per \$100 of assessed valuation.

Payments may be made during the period from October 1 through February 28. Current tax collections of \$11,159,220 for the fiscal year ended June 30, 2010 were approximately 97% of the tax levy.

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

At June 30, 2010, property taxes receivable amounted to \$12,426,223, of this amount, property taxes assessed January 1, 2010 and levied October 1, 2010 amounted to \$11,968,066. Property taxes are recognized as revenue if available, if not available, amounts are presented as deferred in the governmental fund financial statements.

***Long-term Obligations***

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

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

***Offset Fee Agreement – Water and Sewer Fund***

The City, under an agreement with the developer of a local residential complex, had agreed to credit the water customers monthly for reclaimed water over a period of time until the original offset was reduced to zero in return for the developer’s installation of specified reclaimed water infrastructure contributed to the City. A credit will be applied against revenues from the sale of water under the agreement. The remaining balance on the agreement amounted to \$580,875 at June 30, 2010 and is presented as deferred revenue until such time as it is earned under terms of the agreement.

**CITY OF FRANKLIN, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
 JUNE 30, 2010

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

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

***Fund Equity***

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and the special revenue funds. The Board of 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 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.

**NOTE 3 - DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

The City is authorized to invest funds in, among other things, financial institutions and direct obligations of the Federal Government. During 2010, the City, except for the Pension Fund, invested in certificates of deposit, interest-bearing checking accounts, and government sponsored agency securities.

***Deposits:***

*Custodial Credit Risk:* The City's policies limit deposits to those instruments allowed by applicable state laws and 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, 2010, all bank deposits were fully collateralized or insured.

***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, 2010, investments of the City had average weighted maturities as noted on following page.

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

**CITY OF FRANKLIN, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
 JUNE 30, 2010

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

**A. Deposits and Investments (Cont.)**

As of June 30, 2010, 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	\$ 13,575,000	1.10
Money Market Accounts	9,569,945	
Treasury Securities	1,253,953	2.64
Municipal Bonds	392,828	2.71
Federal Farm Credit	100,375	2.88
Federal Home Loan Bank	855,385	3.07
Federal Home Loan Mortgage	200,887	3.55
Federal National Mortgage Assn	100,219	2.49
Total Investments at Fair Value	<u>\$ 26,048,592</u>	
Portfolio Weighted Avg. Maturity		.89

All investments are rated Aaa by Moody's and the certificates of deposit are in banks covered by the State collateral pool.

As of June 30, 2010, the only investments that constituted a concentration risk due to the investments exceeding 5% of the portfolio balance where the CD's and the money market accounts.

As of December 31, 2009 the City of Franklin's Pension Fund had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Investments Available for Sale	\$ 40,712,243	
Total Investments at Fair Value	<u>\$ 40,712,243</u>	
Portfolio Weighted Avg. Maturity		n/a

Investments available for sale include short term investments, domestic corporate stock, mutual funds, and other investments.

**B. Receivables**

Receivables as of the year end for the government's individual major, nonmajor, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Water &amp; Sewer Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Receivables:					
Accounts	\$ 808,294	\$ -	\$ 3,162,715	\$ 932,813	\$ 4,903,822
Property taxes	7,023,349	5,402,874	-	-	12,426,223
Grants	668,801	-	2,789,271	412,210	3,870,282
Special assessments	53,762	-	-	-	53,762
Intergovernmental	2,027,468	-	-	480,932	2,508,400
Fines	662,590	-	-	-	662,590
Local option sales tax	3,648,026	-	-	-	3,648,026
Other	2,491,424	-	-	330,085	2,821,509
Gross receivables	17,383,714	5,402,874	5,951,986	2,156,040	30,894,614
Less: Allowance for uncollectibles	(514,014)	(2,857)	(9,000)	-	(525,871)
Net total receivables	<u>\$ 16,869,700</u>	<u>\$ 5,400,017</u>	<u>\$ 5,942,986</u>	<u>\$ 2,156,040</u>	<u>\$ 30,368,743</u>

**CITY OF FRANKLIN, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
 JUNE 30, 2010

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

**B. Receivables (Cont.)**

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

	Unavailable	Unearned
Delinquent property taxes receivable	\$ 323,906	\$ -
Property tax penalties and interest receivable	102,558	-
2010 property tax assessment	-	11,968,066
Special assessments	-	530,903
Confiscated funds	-	25,552
Franchise fees	432,466	-
Court fines receivable	231,907	-
Donations for upcoming grant funded project	-	8,000
Unrequested grant proceeds	786,040	-
Total deferred revenue for fund financial statements	\$ 1,876,877	\$ 12,532,521

**C. Capital Assets**

Capital asset activity for the year ended June 30, 2010 was as follows:

	Balance June 30, 2009	Adjustments	Additions	Disposals	Balance June 30, 2010
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 46,583,213	\$ -	\$ 658,351	\$ -	\$ 47,241,564
Construction in process	35,950,533	(26,657,496)	5,346,881	-	14,639,918
Total capital assets, not being depreciated	82,533,746	(26,657,496)	6,005,232	-	61,881,482
Capital assets, being depreciated:					
Buildings and improvements	35,208,862	18,718,770	9,388,778	-	63,316,410
Improvements other than buildings	18,230,755	2,657,623	140,604	-	21,028,982
Equipment	44,194,122	961,644	5,358,299	508,641	50,005,424
Infrastructure	410,623,480	3,762,179	15,640,355	150,000	429,876,014
Total capital assets, being depreciated	508,257,219	26,100,216	30,528,036	658,641	564,226,830
Accumulated depreciation					
Buildings and improvements	5,459,149	-	1,028,309	-	6,487,458
Improvements other than buildings	2,320,323	-	877,415	-	3,197,738
Equipment	22,644,231	-	4,065,801	341,470	26,368,562
Infrastructure	78,954,919	(179,564)	8,741,275	15,000	87,501,630
Total accumulated depreciation	109,378,622	(179,564)	14,712,800	356,470	123,555,388
Total capital assets being depreciated, net	398,878,597	26,279,780	15,815,236	302,171	440,671,442
Total governmental activities assets, net	\$ 481,412,343	\$ (377,716)	\$ 21,820,468	\$ 302,171	\$ 502,552,924

**CITY OF FRANKLIN, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
 JUNE 30, 2010

**NOTE 4 - DETAILED NOTES ON ALL FUNDS (Cont.)**

**C. Capital Assets (Cont.)**

	Balance June 30, 2009	Adjustments	Additions	Disposals	Balance June 30, 2010
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 5,196,266	\$ -	\$ 20,480	\$ -	\$ 5,216,746
Construction in process	13,693,680	(11,533,985)	6,296,288	-	8,455,983
Total capital assets, not being depreciated	<u>18,889,946</u>	<u>(11,533,985)</u>	<u>6,316,768</u>	<u>-</u>	<u>13,672,729</u>
Capital assets, being depreciated:					
Buildings and improvements	11,291,016	-	-	-	11,291,016
Utility plant in service	162,826,076	11,533,985	1,365,718	-	175,725,779
Machinery and equipment	4,761,914	-	189,534	180,081	4,771,367
Total capital assets, being depreciated	<u>178,879,006</u>	<u>11,533,985</u>	<u>1,555,252</u>	<u>180,081</u>	<u>191,788,162</u>
Accumulated depreciation					1,085,544
Buildings and improvements	7,401,648	-	323,779	-	7,725,427
Utility plant in service	35,177,310	-	3,999,068	-	39,176,378
Machinery and equipment	3,506,963	-	358,941	180,081	3,685,823
Total accumulated depreciation	<u>46,085,921</u>	<u>-</u>	<u>4,681,788</u>	<u>180,081</u>	<u>50,587,628</u>
Total capital assets being depreciated, net	<u>132,793,085</u>	<u>11,533,985</u>	<u>(3,126,536)</u>	<u>-</u>	<u>141,200,534</u>
Business-type activities capital assets, net	<u>151,683,031</u>	<u>-</u>	<u>3,190,232</u>	<u>-</u>	<u>154,873,263</u>
Total capital assets, net	<u>\$ 633,095,374</u>	<u>\$ (377,716)</u>	<u>\$ 25,010,700</u>	<u>\$ 302,171</u>	<u>\$ 657,426,187</u>

**CITY OF FRANKLIN, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
 JUNE 30, 2010

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

**C. Capital Assets (Cont.)**

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 238,622
Administration	10,402
Police department	881,279
Fire department	778,406
Highways and streets	9,215,833
Engineering	55,265
Stormwater	71,222
Sanitation	754,753
Transit	172,043
Parks	973,795
Maintenance	7,039
Planning	7,860
Codes	27,383
Human resources	1,370
Channel 10	4,634
Finance	36,691
Municipal information and technology	<u>1,476,203</u>
Total depreciation expense – governmental activities	<u>\$ 14,712,800</u>
Business-type activities:	
Water and sewer	<u>\$ 4,681,788</u>
Total depreciation expense – business-type activities	<u>\$ 4,681,788</u>

**D. Interfund Receivables, Payables and Transfers**

The following is a summary of transfers during the year ended June 30, 2010:

Transfer from	Transfer to	Amount
General	Sanitation	\$ 2,237,689
General	Transit Authority	457,842
General	State Street Aid	290,015
General	CDBG	19,131
Sanitation Fund	Debt Service	517,954
Road Impact Fee Fund	Debt Service	2,023,514
Hoptel/Motel Tax Fund	Debt Service	1,408,884
General	Water/Sewer	<u>45,000</u>
Total		7,000,029
Governmental fund activities - eliminated		<u>6,955,029</u>
Total government-wide		<u>\$ 45,000</u>

**CITY OF FRANKLIN, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
 JUNE 30, 2010

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

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

The purposes of the transfers are noted below:

- The transfers between the General Fund and the Sanitation Fund are for the purpose of providing the annual operating subsidy.
- The transfers between the General Fund and the Transit Authority Fund are for the purpose of providing the annual operating subsidy.
- The transfers between the General Fund and the State Street Aid Fund are for the purpose of providing an annual operating subsidy
- The transfers between the General Fund and the CDBG Fund are for the purpose of subsidizing part of the payroll not covered by grant funding
- The transfers between the noted funds and the Debt Service Fund are for the purpose of transferring funds to cover annual debt service requirements.
- The transfers between the General Fund and the Water/Sewer Fund are for the purpose repaying the Water and Sewer Fund for property transferred in the prior year.

All interfund balances are expected to be repaid within the next fiscal year and are considered ordinary in nature. The composition of interfund balances as of June 30, 2010, is as follows:

Due from	Due to	Amount
Sanitation	General	\$ 473,376
Transit Authority	General	83,384
Road Impact Fee Fund	General	497,475
Facilities Tax	General	3,027,367
CDBG	General	24,539
Total		4,106,141
Governmental fund activities - eliminated		4,106,141
Total government-wide		\$ -

The purposes of the interfund balances are noted below:

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

**CITY OF FRANKLIN, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
 JUNE 30, 2010

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

**E. Leases**

Capital Leases

The City has entered into two (2) lease agreements, one with SunTrust Leasing for a total of \$2,500,000 and a second with DeLage Leasing for \$360,791, as lessee for financing the acquisition of equipment. 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:

	<u>Governmental Activities</u>
Assets:	
911 Dispatch Equipment	\$ 1,177,611
Disaster Recovery Equipment	360,791
3 Recycling Trucks	230,400
Compost Screener	112,550
	1,881,353
Less: Accumulated Depreciation	(110,187)
Total	\$ 1,771,166

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2010 were as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>
2011	\$ 680,520
2012	680,520
2013	680,520
2014	551,980
2015	551,980
Total minimum lease payments	3,145,520 *
Less: Amount representing interest	(284,729) *
Present value of minimum lease payments	\$ 2,860,791

\* The minimum lease payments and interest schedule assumes the entire SunTrust lease is used. Of the \$2,500,000 original amount, \$1,520,562 has been used with \$979,438 remaining. (The entire DeLage lease of \$360,791 has been used).

**CITY OF FRANKLIN, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
 JUNE 30, 2010

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

**F. Long-term Debt**

Long-term debt at June 30, 2010, is comprised of the following:

Governmental Activities:

General obligation bonds:

City of Clarkville, Pooled Loan Program - 2001 variable rate of interest; final maturity May 25, 2017	\$ 2,789,000
Tennessee Municipal Variable Rate Pooled Loan Program - 2001; variable rate of interest, final maturity May 25, 2018.	1,248,000
Series 2002 - General Improvement Refunding Bonds, 2.00% to 3.625% interest, final maturity October 1, 2014.	4,040,000
Series 2004 - General Public Improvement Bonds, 2.00% to 4.5% interest, final maturity, March 1, 2024	6,820,000
Local Government Public Improvement Bonds - VI-B-1, variable rate of interest, final maturity June 30, 2024	10,825,000
Local Government Public Improvement Bonds - 101-A-1, variable rate of interest, final maturity January 2035	20,000,000
Series 2009 - General Obligation Public Improvement Bonds, 2.50% to 4.4% interest, final maturity, March 1, 2029	44,000,000
Tennessee Municipal Bond Fund Variable Rate Pooled Loan Program, variable rate of interest, final maturity May 25, 2017	3,280,000
General Purpose Public Works Bonds - 2005, variable rate of interest, final maturity July 1, 2020	3,540,000
Tennessee Municipal Bond Fund Variable Rate Pooled Loan Program, variable rate of interest, final maturity May 25, 2029	24,203,000
Series 2000 - General Obligation Public Improvement Bonds, 4.25% to 4.85% interest, final maturity April 1, 2015	<u>1,550,000</u>
Total Governmental Activities Long-Term Debt	<u><u>\$ 122,295,000</u></u>

The aforementioned bonds are secured by the full faith and credit of the City. During 2010, debt service for the aforementioned debt was provided by the Debt Service Fund through property tax collections as well as transfers from the Sanitation Fund, Road Impact Fund and the Hotel/Motel Tax Fund.

**CITY OF FRANKLIN, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
 JUNE 30, 2010

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

**F. Long-term Debt (Cont.)**

Business Type Activities:

Revenue and tax bonds:

Drinking Water SRF Loan provided through ARRA funding, 2.82% interest; final maturity estimated to be June 2030 based on a 20 year term and an approximate closing of June 2011, actual schedule will be provided in future	\$ 1,499,516
Series 1999 - Water and Sewer Revenue and Tax Refunding Bonds: 3.5% to 4.2% interest; final maturity July 1, 2010	390,000
Series 2002A - Sewer and Water Revenue and Tax Refunding Bonds 3% to 4% interest; final maturity June 30, 2013	2,265,000
Series 2002 - Sewer and Water Revenue and Tax Refunding Notes; 3% to 4% interest; final maturity June 30, 2011	175,000
Series 2002B - Sewer and Water Revenue and Tax Bonds: 3% to 5.00% interest; final maturity April 1, 2025	3,300,000
Series 2008 - Tennessee Municipal Bond Fund Variable Rate Pooled Loan Program, variable rate of interest, final maturity May 25, 2030	20,000,000
Series 2005 - Sewer and Water Revenue and Tax Refunding Bonds: 3.0% to 5% interest; final maturity April 1, 2025	<u>24,670,000</u>
Total Business-Type Activities Long-Term Debt	<u>\$ 52,299,516</u>

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 2010, debt service for the aforementioned debt was provided solely by the Water and Sewer Fund.

The annual requirements, by type of issue, to amortize all long-term debt outstanding except accrued annual leave at June 30, 2010, are as follows:

Year Ending June 30,	Revenue and Tax Bonds		General Obligation Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 2,908,000	\$ 1,558,752	\$ 5,833,000	\$ 3,380,243	\$ 8,741,000	\$ 4,938,995
2012	3,017,624	1,478,574	6,271,000	3,257,331	9,288,624	4,735,905
2013	3,184,241	1,380,284	6,533,000	3,127,720	9,717,241	4,508,004
2014	2,797,905	1,289,131	6,230,000	3,001,137	9,027,905	4,290,268
2015	2,851,616	1,184,081	5,912,000	2,890,529	8,763,616	4,074,610
2016 - 2020	15,456,512	4,284,996	26,951,000	12,760,505	42,407,512	17,045,501
2021 - 2025	14,793,251	1,480,019	27,290,000	8,997,505	42,083,251	10,477,524
2026 - 2030	7,193,668	133,912	25,175,000	4,302,483	32,368,668	4,436,395
2031 - 2035	96,699	2,763	8,275,000	1,781,535	8,371,699	1,784,298
2036 - 2037	-	-	3,825,000	230,423	3,825,000	230,423
Totals	<u>\$ 52,299,516</u>	<u>\$ 12,792,512</u>	<u>\$ 122,295,000</u>	<u>\$ 43,729,411</u>	<u>\$ 174,594,516</u>	<u>\$ 56,521,923</u>

**CITY OF FRANKLIN, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
 JUNE 30, 2010

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

**F. Long-term Debt (Cont.)**

Debt expense associated with the bond issues was recorded as other assets and is being amortized on a straight-line basis over the life of the issue.

All significant debt covenants and restrictions as set forth in the bond agreements were complied with.

Long-term liability activity for the year ended June 30, 2010, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
General obligation bonds	\$ 82,749,628	\$ 44,130,372	\$ 4,585,000	\$ 122,295,000	\$ 4,585,000
Capital leases payable	-	1,881,353	-	1,881,353	668,859
Compensated absences	5,121,579	2,477,373	2,091,577	5,507,375	2,091,577
Total	<u>87,871,207</u>	<u>48,489,098</u>	<u>6,676,577</u>	<u>129,683,728</u>	<u>7,345,436</u>
Add unamortized bond premiums	(59,563)	576,903	18,293	499,047	72,809
Less deferred amount arising from refunding	<u>(246,935)</u>	<u>-</u>	<u>(50,161)</u>	<u>(196,774)</u>	<u>(45,210)</u>
Total - net	<u>\$ 87,564,709</u>	<u>\$ 49,066,001</u>	<u>\$ 6,644,709</u>	<u>\$ 129,986,001</u>	<u>\$ 7,373,035</u>
<b>Business-type activities:</b>					
Revenue and tax bonds	\$ 46,243,053	\$ 8,276,463	\$ 2,220,000	\$ 52,299,516	\$ 2,908,000
Compensated absences	668,242	312,889	274,404	706,727	274,404
Total	<u>46,911,295</u>	<u>8,589,352</u>	<u>2,494,404</u>	<u>53,006,243</u>	<u>3,182,404</u>
Add unamortized bond premiums	1,792,968	-	122,612	1,670,356	120,428
Less deferred amount arising from refunding	<u>(1,795,278)</u>	<u>-</u>	<u>(179,783)</u>	<u>(1,615,495)</u>	<u>(144,610)</u>
Total - net	<u>\$ 46,908,985</u>	<u>\$ 8,589,352</u>	<u>\$ 2,437,233</u>	<u>\$ 53,061,104</u>	<u>\$ 3,158,222</u>

*Advance Refunding of Debt*

In prior years, the City defeased certain bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service requirements on the retired bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. As of June 30, 2010, outstanding bonds considered as defeased were as follows:

Sewer and Water Revenue and Tax Bonds - 2001	<u>\$ 5,000,000</u>
Sewer and Water Revenue and Tax Bonds - 2002B	<u>\$ 20,380,000</u>
General Obligation Refunding and Improvement Bonds - 1998	<u>\$ 6,450,000</u>
Sewer and Water Revenue and Tax Bonds - Series 1997	<u>\$ 4,195,000</u>
General Obligation Public Improvement Bonds - 2000	<u>\$ 3,385,000</u>

**CITY OF FRANKLIN, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
 JUNE 30, 2010

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

At the inception of the project, the Industrial 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 2013), and cannot exceed \$5 million at any time during that period. At present, expected development in the area is proceeding as projected in the debt repayment plan.

*Industrial Development Bonds*

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

*Swap Agreements*

*Recently Issued and Adopted Accounting Principles*

In June 2008, the GASB issued Statement 53, Accounting and Financial Reporting for Derivative Instruments (GASB 53). GASB 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2009. The City adopted GASB 53 in Fiscal Year 2010. All derivatives are to be reported on the statement of net assets at fair value, and all hedges must be tested for effectiveness to qualify for hedge accounting. The tests are outlined in GASB 53. Depending on the test results, the changes in fair value are either reported on the statement of net assets as a deferral, or in the statement of activities as investment revenue or loss.

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

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

(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 floating 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

**CITY OF FRANKLIN, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
 JUNE 30, 2010

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

**F. Long-term Debt (Cont.)**

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 floating rate. Interest rates have trended lower since inception of the pay fixed swaps, therefore, the mark-to-market value is generally more negative to the City.

(ii) Reduce interest expense from expected benefit resulting from the difference between short and long term rates. This is the function of the swap where the City receives floating amounts based on a longer term index with the expectation of receiving an ongoing net benefit compared to short term rates paid on the variable bonds being hedged. Longer term interest rates, such as the 5 Year Constant Maturity Swap (CMS) Index, are generally higher than shorter term interest rates, such as a weekly rate, which the City pays on the variable bonds. Therefore, when shorter term interest rates came close to, or exceeded longer term rates, the City entered into a swap whose receipts on the receive floating leg are based on a longer term index that is expected to outperform the payments on the City's variable debt. Part of the fair value of this swap is determined by the prevailing level of short term versus long term rates, that is, the steepness of the yield curve. The higher the level of long term rates compared to shorter term rates, the higher the expected benefit to the City, therefore, the higher the mark-to-market value of the swap. The City pays a fixed rate on this swap transaction, therefore the other part of the value of this swap is determined by the prevailing level of interest rates compared to when the City entered into the swap transaction. Since interest rates have trended lower since inception, the mark-to-market value will be more negative to the City, even though the City may be receiving a net benefit from the receipts based on the 5 Year CMS Index. Since the long term index is expected to out-perform the short-term variable rate, the tests under GASB 53 deem such transactions investment instruments.

Detailed Discussion

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 59% of the London Interbank Offering Rate (LIBOR) plus 35 basis points through November 30, 2008. At December 1, 2008, the City has elected to receive 63% of the 5-year 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, 2010, none of the original notional amount has been retired.

Pursuant to GASB 53, this swap transaction was evaluated for hedge effectiveness and was determined to be an investment instrument, and therefore the cumulative change in fair value of the transaction is reported on the statement of activities.

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 London Interbank Offering Rate (LIBOR). The swap has a notional amount of \$4,500,000 and expires on July 1, 2020. Of the original notional amount, \$705,000 has been retired as of June 30, 2009. 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 53, this swap transaction was evaluated for hedge effectiveness and was determined to qualify for hedge accounting, and therefore the cumulative change in fair value of the transaction is offset by a corresponding deferred outflow on the statement of net assets.

**CITY OF FRANKLIN, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
 JUNE 30, 2010

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

**F. Long-term Debt (Cont.)**

Swap Agreement	2007 Swap Agreement with <u>Depfa Bank</u>	2005 Swap Agreement with <u>SunTrust Bank</u>
Original Notional Amount	\$ 20,000,000	\$ 4,500,000
Less Amount Retired	<u>\$ (0)</u>	<u>\$ (705,000)</u>
Current Notional Amount	\$20,000,000	\$ 3,795,000
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	\$ 131,780
City Receives*	63% of 5 Year LIBOR CMS	LIBOR x 75% + 0.18%
Payments received by the City*	\$ 349,858	\$ 13,516
Net receipts/(disbursements)*	\$ (368,142)	\$ (118,264)
Fair Value of Swap Agreement	\$ (2,750,934.86)	\$ (317,018.24)

\* Based on the period July 1, 2009 to June 30, 2010.

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.

**CITY OF FRANKLIN, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
JUNE 30, 2010

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

**F. Long-term Debt (Cont.)**

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 an Interest Rate Agreement prior to its otherwise stated termination date or if the Agreement terminates for some other reason, including the occurrence of an event of default or a termination event in respect of either party to the Agreement.

Credit Risk

The City at June 30, 2010 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 & Poors/Fitch as of June 30, 2010 of A3/BBB/A-, or SunTrust, with ratings of A2/BBB+/BBB+..

**NOTE 4 - OTHER INFORMATION**

**A. Risk Management**

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

**B. Commitments and Contingencies**

*Grants*

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

*Litigation*

The City is a defendant in various lawsuits; however, the outcome of these lawsuits is not presently determinable (except as noted below) although legal counsel does not expect any possible liability (except as noted below) to exceed the City's limits of insurance.

Williamson County Circuit Court ruled the City is liable for \$1,107,955 in damages and legal fees to 2 contractors that worked on the City's Municipal Services Complex, completed in 2004. The judgment was for monies owed due to delays during construction. The City is appealing the ruling to the State Court of Appeals. The amount for the damages has been recorded as a liability at fiscal year end 2008. The liability will be paid in early fiscal year 2011.

**CITY OF FRANKLIN, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
 JUNE 30, 2010

**NOTE 4 - OTHER INFORMATION (Cont.)**

*Water Purchase Contract*

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

<u>Year</u>	<u>Amount</u>
2011	\$ 46,325
2012	46,325
2013	46,325
2014	46,325
2015	46,325
2016-2028	<u>440,083</u>
Total	<u>\$ 671,708</u>

*Construction Contracts*

As of June 30, 2010, construction funds of \$13,376,540 are restricted assets of the Water and Sewer Fund and designated for future capital projects.

During 2010, various street, public works and park improvement projects were in process. At June 30, 2010, there was approximately \$14,639,918 in uncompleted construction projects. These projects are being currently funded by the General, State Street Aid, Solid Waste, Road Impact, Facilities Tax, Storm Water, and Multi-Purpose Capital Project.

**C. 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, 2010. Accordingly, all financial statement information regarding the Plan is as of December 31, 2009 and the year then ended.

Plan Description:

Membership of the Plan consisted of the following at January 1, 2010, the date of the latest actuarial valuation:

Retirees participants and beneficiaries	100
Disabled participants	5
Vested terminated participants	99
Active plan members	<u>609</u>
Total	<u>813</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. Currently, the Police Chief, Parks Director, and MIT Director have opted 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 Alderman. Section 4-204(3)(p) of the City's Charter assigns the Human Resources Director the responsibility to administer the pension program under the direction of the City Administrator. All the benefits and provisions of the Plan are at the discretion of the Board of Aldermen consistent with the laws of Tennessee and the Federal government.

The plan uses the aggregate actuarial cost method to determine the required annual contributions. This method does not identify or separately amortize unfunded actuarial accrued liabilities information about unfunded status and funding progress is presented using the entry age actuarial cost method. The information presented is intended to serve as a surrogate for the funded status and funding progress of the plan.

**CITY OF FRANKLIN, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
 JUNE 30, 2010

**NOTE 4 - OTHER INFORMATION (Cont.)**

**C. Employee Retirement Systems and Pension Plans (Cont.)**

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

Contributions and Reserves (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 voluntarily contribute between 1% and 10% of their annual covered salary. For these plan employees, there is also an optional 457 plan available.

Plan members hired on or after February 15, 2010 are required to contribute 5% of their compensation to participate in the plan. (These employees hired on or after February 15, 2010, may select the City of Franklin 2010 Defined Contribution which also requires a 5% contribution but includes a 5% employer match. An additional 3% may be contributed that would be matched by the City). The plan changes for employees hired on or after February 15, 2010 was due to a freeze on admittance to the prior non-contributory Pension Plan approved in January 2010. This approval was due to actuarial reports that showed 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 actuarial valuation at January 1, 2010 includes the following assumptions: (a) Interest: (Funding rates) Pre-retirement: 7.5% per year, compounded annually, net of expenses; Post-retirement: 7.5% per year, compounded annually, net of expenses, (b) Projected salary increases: Salaries are assumed to increase at 3.5% per year, and (c) Cost of living increase: Post-retirement benefit is assumed to increase at 2.0% per year. The Plan has no long-term contracts for contributions to the Plan and no legally required reserves.

Annual Pension Cost and Net Pension Obligation

The City's annual pension cost and net pension obligation (NPO) to the Plan are as follows:

	2005	2006	2007	2008	2009	2010
Annual Pension Cost	\$ 3,601,512	\$ 3,822,506	\$ 4,534,899	\$ 4,435,383	\$ 4,497,443	\$ 5,589,068
Contributions made	(3,602,700)	(3,823,788)	(4,536,240)	(4,436,828)	(5,923,380)	(6,084,380)
Increase in net pension asset	(1,188)	(1,282)	(1,341)	(1,445)	(1,425,937)	(495,312)
NPO (Asset) at beginning of year	(14,833)	(16,021)	(17,303)	(18,644)	(20,089)	(1,446,026)
NPO (Asset) at end of year	\$ (16,021)	\$ (17,303)	\$ (18,644)	\$ (20,089)	\$ (1,446,026)	\$ (1,941,338)

Trend Information

Fiscal Year Ending	Salary Assumption	Actuarial Method*	Market Value Assets	Annual Required Contribution	Actual Contribution	PBO/Asset	Percentage of ARC Contributed
6/30/2010	3.50%	Aggregate	\$ 41,981,639	\$ 5,589,068	\$ 6,084,380	\$ (1,941,338)	109%
6/30/2009	4.50%	Aggregate	38,122,589	4,497,443	5,923,380	(1,446,026)	132%
6/30/2008	4.75%	Aggregate	32,581,714	4,435,383	4,436,828	(20,089)	100%
6/30/2007	4.75%	Aggregate	26,171,954	4,534,899	4,536,240	(18,644)	100%
6/30/2006	5.00%	Aggregate	21,955,160	3,822,506	3,823,788	(17,303)	100%
6/30/2005	5.00%	Aggregate	17,285,876	3,601,094	3,602,700	(16,021)	100%

\* The aggregate cost method does not identify or separately amortize unfunded actuarial accrued liabilities.

**CITY OF FRANKLIN, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
 JUNE 30, 2010

**NOTE 4 - OTHER INFORMATION (Cont.)**

**D. 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 paid by the Fund of the employee/claimant. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

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

Year Ending	Liability, July 1	Claims and Changes in Estimates	Claims Paid	Liability, June 30
6/30/2010	\$ 826,491	\$ 6,364,356	\$ (6,089,524)	\$ 1,101,323
6/30/2009	704,972	5,506,921	(5,385,402)	826,491

**E. Reserved Fund Balance – General Fund**

The City has a “Fund Balance Policy Statement” specifying the following designations of unreserved fund balance of the General Fund:

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

Contingency	\$ 2,451,531
Emergency	2,451,531
Cash Flow	6,864,287
Debt Service	1,470,919
Property/Casualty/Health Insurance	1,961,225
Retiree Health Benefits	<u>980,612</u>
	<u>\$16,180,105</u>

**CITY OF FRANKLIN, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
 JUNE 30, 2010

**NOTE 4 - OTHER INFORMATION (Cont.)**

**F. Post Employment Benefits**

Plan Description

The City of Franklin self insures its employees for healthcare benefits. 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 \$535.50/month for family coverage or less \$207.75/month for single coverage. (The City pays either the \$535.50 or \$207.75). Retirees age 61 and under with at least 25 years of service are eligible for insurance under Option II (high deductible plan) at the full rate less \$125 per month for single coverage or \$275 per month for family coverage.

Funding Policy

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

Annual OPEB Cost and Net Pension Obligation

The City's annual OPEB cost and net OPEB obligation to the Plan are as follows (2010 actuarial valuation was not available):

	2008	2009
Annual required contribution	\$ 285,800	\$ 257,800
Interest on the obligation	15,700	16,000
Contributions made	(898,100)	(204,800)
Increase in net OPEB (obligation) asset	(596,600)	69,000
NOPEBP (Asset) at beginning of year	-	(596,600)
NOPEBO (Asset) at end of year	<u>\$ (596,600)</u>	<u>\$ (527,600)</u>

Fiscal Year Ending	Annual Required Contribution	Actual Contribution	PBO/Asset	Percentage of ARC Contributed
6/30/2009	\$ 273,800	\$ 204,800	\$ (527,600)	75%
6/30/2008	301,500	898,100	(596,600)	298%

Funded Status and Funding Progress

	2008	2009
Actuarial valuation date	7/1/2007	7/1/2008
Actuarial Accrued Liability (AAL)	\$ 2,556,400	\$ 2,820,700
Actuarial value of assets	-	731,700
Unfunded actuarial accrued liability	<u>\$ 2,556,400</u>	<u>\$ (2,089,000)</u>
Net OPEB obligation (assets) - end of year	<u>\$ (596,600)</u>	<u>\$ (527,600)</u>

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 RSI 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.

**CITY OF FRANKLIN, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
JUNE 30, 2010

**NOTE 4 - OTHER INFORMATION (Cont.)**

**F. Post Employment Benefits (Cont.)**

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.

In the July 1, 2008, actuarial valuation, the entry age actuarial cost funding method was used. The information presented is intended to approximate the funded status and funding progress of the plan. The actuarial assumptions included a 5.5 percent investment rate of return (net of administrative costs) and an annual healthcare cost trend of 9.5 percent initially, reduced by decrements of .25% annually until 3 percent is reached. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30 year period beginning with June 30, 2008.

**G. Prior Period Adjustments**

During 2010, the following prior period adjustment was made to the financials:

- In the governmental activities section of the financial statements, it was determined that infrastructure had been overstated by \$377,716 due to the City recording alleys, private streets, and unaccepted assets in prior years.

**CITY OF FRANKLIN, TENNESSEE**  
**SCHEDULE OF FUNDING PROGRESS - EMPLOYEE RETIREMENT SYSTEM**

**City of Franklin Employees' Pension Plan**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets ( a )</b>	<b>Actuarial Accrued Liability (AAL) ( b )</b>	<b>Unfunded AAL (UAAL) ( b ) - ( a )</b>	<b>Funded Ratio ( a/b )</b>	<b>Covered Payroll ( c )</b>	<b>UAAL as a Percentage of Covered Payroll ((b-a)/c)</b>
1/1/2010	\$ 43,406,019	\$ 51,465,753	\$ 8,059,734	84.3%	\$ 29,389,265	27.4%
1/1/2009	32,235,206	45,852,365	13,617,159	70.3%	26,815,255	50.8%
1/1/2008	38,122,589	43,299,578	5,176,989	88.0%	23,660,124	21.9%
1/1/2007	32,581,714	39,456,058	6,874,344	82.6%	22,014,626	31.2%
1/1/2006	26,171,954	35,045,973	8,874,019	74.7%	20,858,286	42.6%
1/1/2005	21,955,160	28,928,380	6,973,220	75.9%	19,437,814	35.9%

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**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets ( a )</b>	<b>Actuarial Accrued Liability (AAL) ( b )</b>	<b>Unfunded AAL (UAAL) ( b ) - ( a )</b>	<b>Funded Ratio ( a/b )</b>	<b>Covered Payroll ( c )</b>	<b>UAAL as a Percentage of Covered Payroll ((b-a)/c)</b>
7/1/2008	\$ 731,700	\$ 2,820,700	\$ 2,089,000	25.9%	\$ 23,660,124	8.8%
7/1/2007	-	2,556,400	2,556,400	0.0%	22,014,626	11.6%

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. An updated actuarial valuation will be performed fiscal year 2011.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF FRANKLIN, TENNESSEE  
NONMAJOR GOVERNMENTAL FUNDS**

**SPECIAL REVENUE FUNDS:**

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

**Sanitation Fund** – To account for the City’s solid waste collection, fleet maintenance, and disposal operations.

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

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

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

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

**Storm Water Fund** – To account for the City’s storm water operations.

**Transit Authority Fund** – To account for the financial activities of the City’s mass transit operations.

**CDBG Fund** – To account for CDBG grant revenues and expenditures.

**CITY OF FRANKLIN, TENNESSEE**  
**COMBINING BALANCE SHEET**  
**OTHER GOVERNMENTAL FUNDS**  
 JUNE 30, 2010

**Special Revenue Funds**

	<b>State Street Aid Fund</b>	<b>Sanitation Fund</b>	<b>Facilities Tax Fund</b>	<b>Road Impact Fee Fund</b>	<b>Drug Fund</b>	<b>Hotel / Motel Tax Fund</b>	<b>Storm Water Fund</b>	<b>Transit Authority Fund</b>	<b>CDBG Fund</b>	<b>Other Governmental Funds Totals</b>
<b>ASSETS</b>										
Cash and cash equivalents	\$ 455,795	\$ 16,745	\$ -	\$ -	\$ 246,048	\$ 182,496	\$ 106,671	\$ -	\$ -	\$ 1,007,755
Investments	-	-	-	-	-	1,500,000	5,200,000	-	-	6,700,000
Receivables:										
Accounts (net of allowance for uncollectible accounts)	-	655,108	-	-	7,181	23,555	205,149	40,619	1,201	932,813
Intergovernmental	294,480	-	-	-	-	186,452	-	-	-	480,932
Grants	70,135	140,493	-	-	-	-	-	131,314	70,268	412,210
Other	76,397	230,400	-	-	-	3,493	19,795	-	-	330,085
<b>Total assets</b>	<b>\$ 896,807</b>	<b>\$ 1,042,746</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 253,229</b>	<b>\$ 1,895,996</b>	<b>\$ 5,531,615</b>	<b>\$ 171,933</b>	<b>\$ 71,469</b>	<b>\$ 9,863,795</b>
<b>LIABILITIES AND FUND BALANCES</b>										
<b>Liabilities:</b>										
Accounts payable	\$ 826,672	\$ 428,877	\$ 11,850	\$ 24,635	\$ -	\$ -	\$ 123,865	\$ 296	\$ 13,628	\$ 1,429,823
Due to other funds	-	473,376	3,027,367	497,475	-	-	-	83,384	24,539	4,106,141
Deferred revenue	70,135	140,493	-	-	-	-	-	88,253	14,164	313,045
<b>Total liabilities</b>	<b>896,807</b>	<b>1,042,746</b>	<b>3,039,217</b>	<b>522,110</b>	<b>-</b>	<b>-</b>	<b>123,865</b>	<b>171,933</b>	<b>52,331</b>	<b>5,849,009</b>
<b>Fund balances</b>										
Unreserved, undesignated	-	-	(3,039,217)	(522,110)	253,229	1,895,996	5,407,750	-	19,138	4,014,786
<b>Total fund balances</b>	<b>-</b>	<b>-</b>	<b>(3,039,217)</b>	<b>(522,110)</b>	<b>253,229</b>	<b>1,895,996</b>	<b>5,407,750</b>	<b>-</b>	<b>19,138</b>	<b>4,014,786</b>
<b>Total liabilities and fund balances</b>	<b>\$ 896,807</b>	<b>\$ 1,042,746</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 253,229</b>	<b>\$ 1,895,996</b>	<b>\$ 5,531,615</b>	<b>\$ 171,933</b>	<b>\$ 71,469</b>	<b>\$ 9,863,795</b>

See independent auditor's report.

**CITY OF FRANKLIN, TENNESSEE**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES**  
**OTHER GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<b>Special Revenue Funds</b>									<b>Other Governmental Funds Totals</b>
	<b>State Street Aid Fund</b>	<b>Sanitation Fund</b>	<b>Facilities Tax Fund</b>	<b>Road Impact Fee Fund</b>	<b>Drug Fund</b>	<b>Hotel / Motel Tax Fund</b>	<b>Storm Water Fund</b>	<b>Transit Authority Fund</b>	<b>CDBG Fund</b>	
<b>Revenues:</b>										
Taxes										
Hotel / Motel tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,663,304	\$ -	\$ -	\$ -	\$ 1,663,304
Facilities tax	-	-	954,218	-	-	-	-	-	-	954,218
Licenses and permits	-	-	-	329,194	-	-	-	-	-	329,194
Fines and fees	-	-	-	-	94,253	-	-	-	-	94,253
Charges for services	-	4,753,448	-	-	-	-	2,088,080	61,786	-	6,903,314
Intergovernmental	1,613,915	-	-	-	-	-	-	715,008	345,825	2,674,748
Use of money and property	348	112,893	619	229	236	(40,671)	41,179	11,720	7	126,560
<b>Total revenues</b>	<u>1,614,263</u>	<u>4,866,341</u>	<u>954,837</u>	<u>329,423</u>	<u>94,489</u>	<u>1,622,633</u>	<u>2,129,259</u>	<u>788,514</u>	<u>345,832</u>	<u>12,745,591</u>
<b>Expenditures:</b>										
Current:										
General government	-	-	-	-	-	429,646	-	-	326,694	756,340
Police	-	-	-	-	58,182	-	-	-	-	58,182
Highways and streets	1,866,360	-	-	109,973	-	-	-	-	-	1,976,333
Storm water	-	-	-	-	-	-	1,030,602	-	-	1,030,602
Sanitation	-	5,636,808	-	-	-	-	-	-	-	5,636,808
Transit	-	-	-	-	-	-	-	858,064	-	858,064
Parks	-	-	11,850	-	-	-	-	-	-	11,850
Capital outlay	69,735	947,429	223,766	-	118,421	-	445,658	327,649	-	2,132,658
Debt service	-	1,839	-	-	-	535	-	-	-	2,374
<b>Total expenditures</b>	<u>1,936,095</u>	<u>6,586,076</u>	<u>235,616</u>	<u>109,973</u>	<u>176,603</u>	<u>430,181</u>	<u>1,476,260</u>	<u>1,185,713</u>	<u>326,694</u>	<u>12,463,211</u>
Excess (deficiency) of revenues over (under) expenditures	(321,832)	(1,719,735)	719,221	219,450	(82,114)	1,192,452	652,999	(397,199)	19,138	282,380
<b>Other financing sources (uses)</b>										
Operating transfers from other funds	290,015	2,237,689	-	-	-	-	-	457,842	19,131	3,004,677
Operating transfers to other funds	-	(517,954)	-	(2,023,514)	-	(1,408,884)	-	-	-	(3,950,352)
	<u>290,015</u>	<u>1,719,735</u>	<u>-</u>	<u>(2,023,514)</u>	<u>-</u>	<u>(1,408,884)</u>	<u>-</u>	<u>457,842</u>	<u>19,131</u>	<u>(945,675)</u>
<b>Net changes in fund balances</b>	(31,817)	-	719,221	(1,804,064)	(82,114)	(216,432)	652,999	60,643	38,269	(663,295)
<b>Fund balances - beginning</b>	<u>31,817</u>	<u>-</u>	<u>(3,758,438)</u>	<u>1,281,954</u>	<u>335,343</u>	<u>2,112,428</u>	<u>4,754,751</u>	<u>(60,643)</u>	<u>(19,131)</u>	<u>4,678,081</u>
<b>Fund balances - ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,039,217)</u>	<u>\$ (522,110)</u>	<u>\$ 253,229</u>	<u>\$ 1,895,996</u>	<u>\$ 5,407,750</u>	<u>\$ -</u>	<u>\$ 19,138</u>	<u>\$ 4,014,786</u>

**CITY OF FRANKLIN, TENNESSEE**  
**DEBT SERVICE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Taxes:				
Property tax apportionment	\$ 3,052,291	\$ 3,052,291	\$ 2,851,481	\$ (200,810)
Use of money and property:				
Interest earned	<u>5,000</u>	<u>5,000</u>	<u>1,438</u>	<u>(3,562)</u>
<b>Total revenues</b>	<u>3,057,291</u>	<u>3,057,291</u>	<u>2,852,919</u>	<u>(204,372)</u>
<b>Expenditures:</b>				
Principal	7,465,611	7,465,611	4,585,000	(2,880,611)
Interest	-	-	1,350,478	1,350,478
Current:				
Debt service fees	-	-	224,621	224,621
Bond issuance costs	<u>-</u>	<u>-</u>	<u>177,983</u>	<u>177,983</u>
<b>Total expenditures</b>	<u>7,465,611</u>	<u>7,465,611</u>	<u>6,338,082</u>	<u>(1,127,529)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,408,320)</u>	<u>(4,408,320)</u>	<u>(3,485,163)</u>	<u>923,157</u>
<b>Other financing sources (uses)</b>				
Operating transfers from other funds	<u>4,413,320</u>	<u>4,413,320</u>	<u>3,950,353</u>	<u>(462,967)</u>
Net changes in fund balance	<u>\$ 5,000</u>	<u>\$ 5,000</u>	465,190	<u>\$ 460,190</u>
<b>Fund balance - beginning</b>			-	
<b>Fund balance - ending</b>			<u>\$ 465,190</u>	

See independent auditor's report.

**CITY OF FRANKLIN, TENNESSEE**  
**STATE STREET AID FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Intergovernmental:				
Gasoline tax, State of Tennessee	\$ 1,586,600	\$ 1,586,600	\$ 1,613,915	\$ 27,315
Use of money and property:				
Interest earned	<u>10,000</u>	<u>10,000</u>	<u>348</u>	<u>(9,652)</u>
<b>Total revenues</b>	<u>1,596,600</u>	<u>1,596,600</u>	<u>1,614,263</u>	<u>17,663</u>
<b>Expenditures:</b>				
Current:				
Highways and streets:				
Street maintenance and improvement	2,500,000	1,930,942	1,866,360	(64,582)
Capital outlay	<u>-</u>	<u>-</u>	<u>69,735</u>	<u>69,735</u>
<b>Total expenditures</b>	<u>2,500,000</u>	<u>1,930,942</u>	<u>1,936,095</u>	<u>5,153</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(903,400)</u>	<u>(334,342)</u>	<u>(321,832)</u>	<u>12,510</u>
<b>Other financing sources (uses)</b>				
Operating transfers from other funds	<u>664,525</u>	<u>302,525</u>	<u>290,015</u>	<u>(12,510)</u>
Net changes in fund balance	<u>\$ (238,875)</u>	<u>\$ (31,817)</u>	<u>(31,817)</u>	<u>\$ -</u>
<b>Fund balance - beginning</b>			<u>31,817</u>	
<b>Fund balance - ending</b>			<u>\$ -</u>	

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**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, 2010**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Charges for services:				
Garbage fees	\$ 4,808,000	\$ 4,808,000	\$ 4,679,793	\$ (128,207)
Other revenues	7,188	7,188	3,000	(4,188)
Sale of waste containers	108,000	108,000	70,655	(37,345)
Uses of money and property:				
Interest income	-	-	4,428	4,428
Sale of assets	40,000	40,000	108,465	68,465
<b>Total revenues</b>	<u>4,963,188</u>	<u>4,963,188</u>	<u>4,866,341</u>	<u>(96,847)</u>
<b>Expenditures:</b>				
Current:				
Personnel	3,474,731	3,004,013	3,043,038	39,025
Operations	2,726,660	2,605,968	2,593,770	(12,198)
Debt service	-	-	1,839	1,839
Capital outlay	668,000	946,000	947,429	1,429
<b>Total expenditures</b>	<u>6,869,391</u>	<u>6,555,981</u>	<u>6,586,076</u>	<u>30,095</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,906,203)</u>	<u>(1,592,793)</u>	<u>(1,719,735)</u>	<u>(126,942)</u>
<b>Other financing sources (uses)</b>				
Operating transfers from other funds	2,554,427	2,241,017	2,237,689	3,328
Operating transfers to other funds	(648,224)	(648,224)	(517,954)	(130,270)
<b>Total other financing sources (uses)</b>	<u>1,906,203</u>	<u>1,592,793</u>	<u>1,719,735</u>	<u>(126,942)</u>
Net changes in fund balance	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
<b>Fund balance - beginning</b>			-	
<b>Fund balance - ending</b>			<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, 2010**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Licenses and permits				
Facilities tax	\$ 3,500,000	\$ 3,500,000	\$ 954,218	\$ (2,545,782)
Use of money and property				
Contributions from developers	25,000	25,000	-	(25,000)
Interest earned	120,000	120,000	619	(119,381)
<b>Total revenues</b>	<u>3,645,000</u>	<u>3,645,000</u>	<u>954,837</u>	<u>(2,690,163)</u>
<b>Expenditures:</b>				
Capital outlay	8,223,308	8,268,746	223,766	(8,044,980)
Other costs	40,000	40,000	11,850	(28,150)
<b>Total expenditures</b>	<u>8,263,308</u>	<u>8,308,746</u>	<u>235,616</u>	<u>(8,073,130)</u>
Net changes in fund balance	<u>\$ (4,618,308)</u>	<u>\$ (4,663,746)</u>	719,221	<u>\$ 5,382,967</u>
<b>Fund balance - beginning</b>			<u>(3,758,438)</u>	
<b>Fund balance - ending</b>			<u>\$ (3,039,217)</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, 2010**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Licenses and permits:				
Road impact fee	\$ 2,000,000	\$ 2,000,000	\$ 329,194	\$ (1,670,806)
Use of money and property:				
Interest earned	<u>30,000</u>	<u>30,000</u>	<u>229</u>	<u>(29,771)</u>
<b>Total revenues</b>	<u>2,030,000</u>	<u>2,030,000</u>	<u>329,423</u>	<u>(1,700,577)</u>
<b>Expenditures:</b>				
Other costs	<u>-</u>	<u>30,000</u>	<u>109,973</u>	<u>79,973</u>
<b>Total expenditures</b>	<u>-</u>	<u>30,000</u>	<u>109,973</u>	<u>79,973</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,030,000</u>	<u>2,000,000</u>	<u>219,450</u>	<u>(1,780,550)</u>
<b>Other financing sources (uses):</b>				
Operating transfers to other funds	<u>(2,224,743)</u>	<u>(2,224,743)</u>	<u>(2,023,514)</u>	<u>(201,229)</u>
Net changes in fund balance	<u>\$ (194,743)</u>	<u>\$ (224,743)</u>	<u>(1,804,064)</u>	<u>\$ (1,579,321)</u>
<b>Fund balance - beginning</b>			<u>1,281,954</u>	
<b>Fund balance - ending</b>			<u>\$ (522,110)</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, 2010**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Use of money and property:				
Interest earned	\$ 3,000	\$ 3,000	\$ 236	\$ (2,764)
Fines and fees:				
Seized assets/unclaimed evidence	205,000	205,000	94,253	(110,747)
<b>Total revenues</b>	<u>208,000</u>	<u>208,000</u>	<u>94,489</u>	<u>(113,511)</u>
<b>Expenditures:</b>				
Current:				
Public safety:				
Drug-related	75,210	75,210	58,182	(17,028)
Capital outlay	15,000	133,422	118,421	(15,001)
<b>Total expenditures</b>	<u>90,210</u>	<u>208,632</u>	<u>176,603</u>	<u>(32,029)</u>
Net changes in fund balance	<u>\$ 117,790</u>	<u>\$ (632)</u>	(82,114)	<u>\$ (81,482)</u>
<b>Fund balance - beginning</b>			<u>335,343</u>	
<b>Fund balance - ending</b>			<u>\$ 253,229</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, 2010**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Taxes:				
Hotel / Motel tax	\$ 1,652,400	\$ 1,652,400	\$ 1,663,304	\$ 10,904
Use of money and property:				
Distributions from conference center	-	-	(48,242)	(48,242)
Interest earned	5,000	5,000	7,571	2,571
<b>Total revenues</b>	<u>1,657,400</u>	<u>1,657,400</u>	<u>1,622,633</u>	<u>(34,767)</u>
<b>Expenditures:</b>				
Current:				
Miscellaneous	370,509	370,509	429,646	59,137
Debt service	-	-	535	535
<b>Total expenditures</b>	<u>370,509</u>	<u>370,509</u>	<u>430,181</u>	<u>59,672</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,286,891</u>	<u>1,286,891</u>	<u>1,192,452</u>	<u>(94,439)</u>
<b>Other financing sources (uses):</b>				
Operating transfers to other funds	<u>(1,601,577)</u>	<u>(1,601,577)</u>	<u>(1,408,884)</u>	<u>(192,693)</u>
Net changes in fund balance	<u>\$ (314,686)</u>	<u>\$ (314,686)</u>	<u>(216,432)</u>	<u>\$ 98,254</u>
<b>Fund balance - beginning</b>			<u>2,112,428</u>	
<b>Fund balance - ending</b>			<u>\$ 1,895,996</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, 2010**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Charges for services:				
Customer services	\$ 2,063,680	\$ 2,063,680	\$ 2,088,080	\$ 24,400
Uses of money and property:				
Interest earnings	<u>20,000</u>	<u>20,000</u>	<u>41,179</u>	<u>21,179</u>
<b>Total revenues</b>	<u>2,083,680</u>	<u>2,083,680</u>	<u>2,129,259</u>	<u>45,579</u>
<b>Expenditures:</b>				
Current:				
Storm water costs:				
Personnel	634,673	634,673	647,942	13,269
Operations	449,334	449,334	382,660	(66,674)
Capital outlay	<u>166,000</u>	<u>461,000</u>	<u>445,658</u>	<u>(15,342)</u>
<b>Total expenditures</b>	<u>1,250,007</u>	<u>1,545,007</u>	<u>1,476,260</u>	<u>(68,747)</u>
Net changes in fund balance	<u>\$ 833,673</u>	<u>\$ 538,673</u>	652,999	<u>\$ 114,326</u>
<b>Fund balance - beginning</b>			<u>4,754,751</u>	
<b>Fund balance - ending</b>			<u>\$ 5,407,750</u>	

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**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, 2010**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Intergovernmental:				
Grants	\$ 392,446	\$ 656,090	\$ 715,008	\$ 58,918
Charges for services:				
Transit fares	108,000	108,000	61,786	(46,214)
Uses of money and property:				
Sale of assets	6,680	6,680	-	(6,680)
Rental income	-	-	9,667	9,667
Interest earnings	-	-	2,053	2,053
<b>Total revenues</b>	<u>507,126</u>	<u>770,770</u>	<u>788,514</u>	<u>17,744</u>
 <b>Expenditures:</b>				
Current:				
Operations	1,010,964	1,040,964	858,064	(182,900)
Capital outlay	-	153,000	327,649	174,649
<b>Total expenditures</b>	<u>1,010,964</u>	<u>1,193,964</u>	<u>1,185,713</u>	<u>(8,251)</u>
 Excess (deficiency) of revenues over (under) expenditures	<u>(503,838)</u>	<u>(423,194)</u>	<u>(397,199)</u>	<u>25,995</u>
 <b>Other financing sources (uses):</b>				
Operating transfers from other funds	<u>503,838</u>	<u>503,838</u>	<u>457,842</u>	<u>(45,996)</u>
 Net changes in fund balance	<u>\$ -</u>	<u>\$ 80,644</u>	60,643	<u>\$ (20,001)</u>
 <b>Fund balance - beginning</b>			<u>(60,643)</u>	
<b>Fund balance - ending</b>			<u>\$ -</u>	

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**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, 2010**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Intergovernmental:				
Grants	\$ 275,502	\$ 275,502	\$ 345,825	\$ 70,323
Uses of money and property:				
Interest	-	-	7	7
<b>Total revenues</b>	<u>275,502</u>	<u>275,502</u>	<u>345,832</u>	<u>70,330</u>
<b>Expenditures:</b>				
Current:				
Operations	<u>275,502</u>	<u>349,502</u>	<u>326,694</u>	<u>(22,808)</u>
<b>Total expenditures</b>	<u>275,502</u>	<u>349,502</u>	<u>326,694</u>	<u>(22,808)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(74,000)</u>	<u>19,138</u>	<u>93,138</u>
<b>Other financing sources (uses):</b>				
Operating transfers from other funds	<u>-</u>	<u>19,131</u>	<u>19,131</u>	<u>-</u>
Net changes in fund balance	<u>\$ -</u>	<u>\$ (54,869)</u>	<u>38,269</u>	<u>\$ 93,138</u>
<b>Fund balance - beginning</b>			<u>(19,131)</u>	
<b>Fund balance - ending</b>			<u>\$ 19,138</u>	

See independent auditor's report.

**CITY OF FRANKLIN, TENNESSEE**  
**CAPITAL ASSETS USED IN THE OPERATIONS OF THE GOVERNMENTAL FUNDS**  
**SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY**  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

<b>Function and Activity</b>	<b>Balance June 30, 2009</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfers</b>	<b>Balance June 30, 2010</b>
General government:					
General	\$ 13,060,319	\$ -	\$ -	\$ -	\$ 13,060,319
Telephone system	105,184	-	-	-	105,184
Traffic	591,590	-	-	-	591,590
Parking garage	9,377,160	-	-	-	9,377,160
Fleet management	65,275	-	-	-	65,275
Traffic operation center	1,921,542	532,541	-	-	2,454,083
Transit operations	2,141,256	327,649	-	-	2,468,905
Administration	214,087	-	-	-	214,087
Codes	340,626	-	-	-	340,626
Engineering	392,798	-	-	-	392,798
Finance	354,724	20,000	-	-	374,724
Fire department	18,940,055	41,666	-	-	18,981,721
Management information & technology	15,313,148	507,046	-	-	15,820,194
Parks	41,559,422	203,222	(8,988)	-	41,753,656
Human resources	57,012	-	-	-	57,012
Police department	30,878,292	11,836,573	(60,991)	-	42,653,874
Sanitation	16,349,964	1,453,427	(414,162)	-	17,389,229
Maintenance	70,884	-	-	-	70,884
Channel 10	51,224	-	-	-	51,224
Storm water	1,440,138	105,640	-	-	1,545,778
Streets	15,031,935	968,065	(24,500)	-	15,975,500
Infrastructure - highways, streets and bridges	422,433,896	20,668,851	(838,692)	-	442,264,055
Planning	100,434	-	-	-	100,434
<b>Total</b>	<b>\$ 590,790,965</b>	<b>\$ 36,664,680</b>	<b>\$ (1,347,333)</b>	<b>\$ -</b>	<b>\$ 626,108,312</b>

See independent auditor's report.

**CITY OF FRANKLIN, TENNESSEE**  
**CAPITAL ASSETS USED IN THE OPERATIONS OF THE GOVERNMENTAL FUNDS**  
**SCHEDULE BY FUNCTION AND ACTIVITY**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

<u>Function and Activity</u>	<u>Land</u>	<u>Buildings and Structures</u>	<u>Improvements Other than Buildings</u>	<u>Equipment</u>	<u>Infrastructure</u>	<u>Construction in Process</u>	<u>Total</u>
General government:							
General	\$ 8,893,782	\$ 3,753,388	\$ -	\$ 413,149	\$ -	\$ -	\$ 13,060,319
Telephone system	-	-	-	105,184	-	-	105,184
Traffic	-	-	-	591,590	-	-	591,590
Parking garage	223,879	9,153,281	-	-	-	-	9,377,160
Fleet management	-	-	-	48,425	-	16,850	65,275
Traffic operation center	-	-	-	2,031,990	-	422,093	2,454,083
Transit operations	35,626	918,553	-	1,339,262	-	175,464	2,468,905
Administration	-	-	-	214,087	-	-	214,087
Codes	-	-	-	340,626	-	-	340,626
Engineering	-	-	-	392,798	-	-	392,798
Finance	-	-	-	374,724	-	-	374,724
Fire department	870,123	9,972,598	-	8,139,000	-	-	18,981,721
Management information & technology	-	-	-	15,772,694	-	47,500	15,820,194
Parks	17,627,758	477,162	21,028,982	1,029,784	-	1,589,970	41,753,656
Human resources	-	-	-	57,012	-	-	57,012
Police department	5,688,623	29,008,639	-	7,956,612	-	-	42,653,874
Sanitation	795,014	9,739,128	-	6,855,087	-	-	17,389,229
Maintenance	-	21,514	-	49,370	-	-	70,884
Channel 10	-	-	-	51,224	-	-	51,224
Storm water	650,886	-	-	894,892	-	-	1,545,778
Streets	12,455,873	272,147	-	3,247,480	-	-	15,975,500
Infrastructure - highways, streets and bridges	-	-	-	-	429,876,014	12,388,041	442,264,055
Planning	-	-	-	100,434	-	-	100,434
<b>Total</b>	<u>\$ 47,241,564</u>	<u>\$ 63,316,410</u>	<u>\$ 21,028,982</u>	<u>\$ 50,005,424</u>	<u>\$ 429,876,014</u>	<u>\$ 14,639,918</u>	<u>\$ 626,108,312</u>

**CITY OF FRANKLIN, TENNESSEE**  
**SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE**  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

<u>Year of Levy</u>	<u>Balance June 30, 2009</u>	<u>Taxes Levied</u>	<u>Adjustments and Collections</u>	<u>Balance June 30, 2010</u>
2009	\$ -	\$ 11,468,281	\$ (11,159,220)	\$ 309,061
2008	310,049	-	(236,268)	73,781
2007	57,637	-	(28,273)	29,364
2006	7,005	-	(1,668)	5,337
2005	3,001	-	(330)	2,671
2004	2,525	-	(256)	2,269
2003	3,724	-	(65)	3,659
2002	12,727	-	(77)	12,650
2001	13,401	-	(165)	13,236
2000	6,129	-	-	6,129
1999	5,887	-	(5,887)	-
	<u>\$ 422,085</u>	<u>\$ 11,468,281</u>	<u>\$ (11,432,209)</u>	<u>458,157</u>

Above balances represented as follows:

Considered current revenue	48,064
Allowance for uncollectible accounts	86,187
Deferred revenue	<u>323,906</u>
	458,157
2010 tax levy due October 1, 2010 considered as deferred revenue	<u>11,968,066</u>
Total taxes receivable	<u>\$ 12,426,223</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.

See independent auditor's report.

**CITY OF FRANKLIN, TENNESSEE**  
**SCHEDULE OF PRINCIPAL AND INTEREST REQUIREMENTS**  
**GENERAL OBLIGATION DEBT**  
 JUNE 30, 2010

	<b>City of Clarksville Pooled Loan Program Series 2001</b>		<b>Tennessee Municipal Variable Rate Pooled Loan Program - Series 2001</b>		<b>General Improvement Refunding Bonds Series 2002</b>		<b>General Improvement Refunding Bonds Series 2004</b>		<b>General Obligation Public Improvement Bonds Series 2004</b>		<b>Local Government Public Improvement Bonds Series VI-B-1 2004</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2011	\$ 360,000	\$ 9,520	\$ 140,000	\$ 4,347	\$ 495,000	\$ 56,706	\$ 865,000	\$ 117,925	\$ 320,000	\$ 269,569	\$ 600,000	\$ 39,975
2012	372,000	8,116	144,000	3,795	515,000	35,244	885,000	91,675	355,000	259,569	600,000	37,635
2013	385,000	6,665	149,000	3,233	540,000	12,150	915,000	63,531	390,000	248,031	625,000	35,295
2014	397,000	5,164	153,000	2,652	-	-	945,000	32,125	430,000	234,381	650,000	32,858
2015	411,000	3,615	158,000	2,055	-	-	430,000	7,794	445,000	219,331	675,000	30,323
2016	425,000	2,012	163,000	1,439	-	-	-	-	460,000	203,200	700,000	27,690
2017	439,000	355	168,000	803	-	-	-	-	480,000	185,950	750,000	24,960
2018	-	-	173,000	148	-	-	-	-	495,000	167,350	775,000	22,035
2019	-	-	-	-	-	-	-	-	515,000	147,550	800,000	19,013
2020	-	-	-	-	-	-	-	-	535,000	126,950	850,000	15,893
2021	-	-	-	-	-	-	-	-	560,000	104,881	875,000	12,578
2022	-	-	-	-	-	-	-	-	585,000	81,081	925,000	9,165
2023	-	-	-	-	-	-	-	-	610,000	55,488	975,000	5,558
2024	-	-	-	-	-	-	-	-	640,000	28,800	1,025,000	1,755
2025	-	-	-	-	-	-	-	-	-	-	-	-
2026	-	-	-	-	-	-	-	-	-	-	-	-
2027	-	-	-	-	-	-	-	-	-	-	-	-
2028	-	-	-	-	-	-	-	-	-	-	-	-
2029	-	-	-	-	-	-	-	-	-	-	-	-
2030	-	-	-	-	-	-	-	-	-	-	-	-
2031	-	-	-	-	-	-	-	-	-	-	-	-
2032	-	-	-	-	-	-	-	-	-	-	-	-
2033	-	-	-	-	-	-	-	-	-	-	-	-
2034	-	-	-	-	-	-	-	-	-	-	-	-
2035	-	-	-	-	-	-	-	-	-	-	-	-
2036	-	-	-	-	-	-	-	-	-	-	-	-
2037	-	-	-	-	-	-	-	-	-	-	-	-
	<u>\$ 2,789,000</u>	<u>\$ 35,447</u>	<u>\$ 1,248,000</u>	<u>\$ 18,472</u>	<u>\$ 1,550,000</u>	<u>\$ 104,100</u>	<u>\$ 4,040,000</u>	<u>\$ 313,050</u>	<u>\$ 6,820,000</u>	<u>\$ 2,332,131</u>	<u>\$ 10,825,000</u>	<u>\$ 314,733</u>

(Continued)

**CITY OF FRANKLIN, TENNESSEE**  
**SCHEDULE OF PRINCIPAL AND INTEREST REQUIREMENTS (Cont.)**  
**GENERAL OBLIGATION DEBT**  
 JUNE 30, 2010

	<b>Tennessee Municipal</b>		<b>Public Building Authority</b>		<b>Capital Improvement</b>		<b>Capital Improvement</b>		<b>Capital Improvement</b>		<b>Total</b>	
	<b>Bond Fund Variable Rate</b>		<b>of the City of Lawrenceburg,</b>		<b>Bonds</b>		<b>Bonds</b>		<b>Bonds</b>			
	<b>Pool Loan Program 2004</b>		<b>TN Loan Agreement 2005 (1)</b>		<b>Series 2009</b>		<b>Series 2007 (2)</b>		<b>Series 2009</b>		<b>Principal</b>	<b>Interest</b>
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2011	\$ 380,000	\$ 11,427	\$ 265,000	\$ 126,566	\$ 1,575,000	\$ 1,854,925	\$ -	\$ 798,000	\$ 833,000	\$ 91,283	\$ 5,833,000	\$ 3,380,243
2012	410,000	9,945	275,000	116,517	1,845,000	1,808,800	-	798,000	870,000	88,035	6,271,000	3,257,331
2013	440,000	8,346	285,000	106,402	1,895,000	1,761,425	-	798,000	909,000	84,642	6,533,000	3,127,720
2014	470,000	6,630	295,000	95,305	1,940,000	1,712,925	-	798,000	950,000	81,097	6,230,000	3,001,137
2015	500,000	4,797	310,000	84,047	1,990,000	1,663,175	-	798,000	993,000	77,392	5,912,000	2,890,529
2016	530,000	2,847	320,000	72,324	2,040,000	1,612,275	-	798,000	1,038,000	73,519	5,676,000	2,793,306
2017	550,000	780	330,000	60,411	2,090,000	1,559,925	-	798,000	1,085,000	69,471	5,892,000	2,700,655
2018	-	-	345,000	47,669	2,140,000	1,464,695	-	798,000	1,133,000	65,239	5,061,000	2,565,136
2019	-	-	355,000	34,644	2,205,000	1,364,368	-	798,000	1,184,000	60,821	5,059,000	2,424,396
2020	-	-	370,000	21,153	2,270,000	1,258,813	-	798,000	1,238,000	56,203	5,263,000	2,277,012
2021	-	-	390,000	7,143	2,340,000	1,146,493	-	798,000	1,293,000	51,375	5,458,000	2,120,470
2022	-	-	-	-	2,410,000	1,027,198	-	798,000	1,352,000	46,332	5,272,000	1,961,776
2023	-	-	-	-	2,490,000	905,188	-	798,000	1,412,000	41,059	5,487,000	1,805,293
2024	-	-	-	-	2,565,000	776,938	-	798,000	1,476,000	35,552	5,706,000	1,641,045
2025	-	-	-	-	2,650,000	641,125	1,175,000	798,000	1,542,000	29,796	5,367,000	1,468,921
2026	-	-	-	-	2,740,000	493,850	1,225,000	751,117	1,612,000	23,782	5,577,000	1,268,749
2027	-	-	-	-	2,835,000	337,925	1,300,000	702,240	1,684,000	17,495	5,819,000	1,057,660
2028	-	-	-	-	2,935,000	173,562	1,350,000	650,370	1,760,000	10,928	6,045,000	834,860
2029	-	-	-	-	3,045,000	-	1,400,000	596,505	1,839,000	4,064	6,284,000	600,569
2030	-	-	-	-	-	-	1,450,000	540,645	-	-	1,450,000	540,645
2031	-	-	-	-	-	-	1,525,000	482,790	-	-	1,525,000	482,790
2032	-	-	-	-	-	-	1,575,000	421,943	-	-	1,575,000	421,943
2033	-	-	-	-	-	-	1,650,000	359,100	-	-	1,650,000	359,100
2034	-	-	-	-	-	-	1,725,000	293,265	-	-	1,725,000	293,265
2035	-	-	-	-	-	-	1,800,000	224,437	-	-	1,800,000	224,437
2036	-	-	-	-	-	-	1,875,000	152,618	-	-	1,875,000	152,618
2037	-	-	-	-	-	-	1,950,000	77,805	-	-	1,950,000	77,805
	<u>\$ 3,280,000</u>	<u>\$ 44,772</u>	<u>\$ 3,540,000</u>	<u>\$ 772,181</u>	<u>\$ 44,000,000</u>	<u>\$21,563,605</u>	<u>\$ 20,000,000</u>	<u>\$ 17,222,835</u>	<u>\$ 24,203,000</u>	<u>\$1,008,085</u>	<u>\$ 122,295,000</u>	<u>\$ 43,729,411</u>

Notes:

- (1) The City has an interest rate swap (variable to fixed) agreement with SunTrust Bank
- (2) The City has an interest rate swap (variable to fixed) agreement with Depfa Bank

See independent auditor's report.

**CITY OF FRANKLIN, TENNESSEE**  
**SCHEDULE OF PRINCIPAL AND INTEREST REQUIREMENTS**  
**PROPRIETARY FUND DEBT**  
 JUNE 30, 2010

	<b>Water &amp; Sewer Revenue &amp; Tax Refunding Bonds-Series 1999</b>		<b>Water &amp; Sewer Revenue &amp; Tax Refunding Bonds-Series 2002</b>		<b>Water &amp; Sewer Revenue &amp; Tax Refunding Capital Outlay Notes Series 2002A</b>		<b>Water &amp; Sewer Revenue &amp; Tax Refunding Bonds-Series 2002A</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2011	\$ 390,000	\$ 8,190	\$ 700,000	\$ 141,875	\$ 175,000	\$ 3,500	\$ 725,000	\$ 76,100
2012	-	-	1,250,000	113,875	-	-	755,000	46,500
2013	-	-	1,350,000	60,750	-	-	785,000	15,700
2014	-	-	-	-	-	-	-	-
2015	-	-	-	-	-	-	-	-
2016	-	-	-	-	-	-	-	-
2017	-	-	-	-	-	-	-	-
2018	-	-	-	-	-	-	-	-
2019	-	-	-	-	-	-	-	-
2020	-	-	-	-	-	-	-	-
2021	-	-	-	-	-	-	-	-
2022	-	-	-	-	-	-	-	-
2023	-	-	-	-	-	-	-	-
2024	-	-	-	-	-	-	-	-
2025	-	-	-	-	-	-	-	-
2026	-	-	-	-	-	-	-	-
2027	-	-	-	-	-	-	-	-
2028	-	-	-	-	-	-	-	-
2029	-	-	-	-	-	-	-	-
2030	-	-	-	-	-	-	-	-
2031	-	-	-	-	-	-	-	-
	<u>\$ 390,000</u>	<u>\$ 8,190</u>	<u>\$ 3,300,000</u>	<u>\$ 316,500</u>	<u>\$ 175,000</u>	<u>\$ 3,500</u>	<u>\$ 2,265,000</u>	<u>\$ 138,300</u>

(Continued)

**CITY OF FRANKLIN, TENNESSEE**  
**SCHEDULE OF PRINCIPAL AND INTEREST REQUIREMENTS**  
**PROPRIETARY FUND DEBT**  
 JUNE 30, 2010

	<b>Sewer &amp; Water Revenue &amp; Tax refunding Bonds-Series 2005</b>		<b>Sewer &amp; Water Revenue &amp; Tax refunding Bonds-Series 2008</b>		<b>Drinking Water SRF Loan - ARRA funded Approximated*</b>		<b>Totals</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2011	\$ 280,000	\$ 1,208,250	\$ 638,000	\$ 78,000	\$ -	\$ 42,837	\$ 2,908,000	\$ 1,558,752
2012	290,000	1,199,850	666,000	75,512	56,624	42,837	3,017,624	1,478,574
2013	295,000	1,189,700	696,000	72,914	58,241	41,220	3,184,241	1,380,284
2014	2,010,000	1,179,375	728,000	70,200	59,905	39,556	2,797,905	1,289,131
2015	2,030,000	1,078,875	760,000	67,361	61,616	37,845	2,851,616	1,184,081
2016	2,050,000	977,375	794,000	64,397	63,376	36,084	2,907,376	1,077,856
2017	2,115,000	874,875	830,000	61,300	65,187	34,274	3,010,187	970,449
2018	2,150,000	769,125	868,000	58,063	67,049	32,412	3,085,049	859,600
2019	2,220,000	661,625	907,000	54,678	68,965	30,496	3,195,965	746,799
2020	2,240,000	550,625	947,000	51,141	70,935	28,526	3,257,935	630,292
2021	2,255,000	438,625	990,000	47,447	72,961	26,500	3,317,961	512,572
2022	2,280,000	325,875	1,035,000	43,586	75,045	24,415	3,390,045	393,876
2023	1,555,000	211,875	1,081,000	39,550	77,189	22,271	2,713,189	273,696
2024	1,450,000	134,125	1,130,000	35,334	79,394	20,066	2,659,394	189,525
2025	1,450,000	61,625	1,181,000	30,927	81,662	17,798	2,712,662	110,350
2026	-	-	1,234,000	26,321	83,995	15,465	1,317,995	41,786
2027	-	-	1,289,000	21,509	86,395	13,066	1,375,395	34,575
2028	-	-	1,347,000	16,481	88,863	10,598	1,435,863	27,079
2029	-	-	1,408,000	11,228	91,402	8,059	1,499,402	19,287
2030	-	-	1,471,000	5,737	94,013	5,448	1,565,013	11,185
2031	-	-	-	-	96,699	2,763	96,699	2,763
	<u>\$ 24,670,000</u>	<u>\$ 10,861,800</u>	<u>\$ 20,000,000</u>	<u>\$ 931,686</u>	<u>\$ 1,499,516</u>	<u>\$ 532,536</u>	<u>\$ 52,299,516</u>	<u>\$ 12,792,512</u>

\* The amortization schedule for the ARRA project will not be provided until the project is complete. Amortization schedule was created based on a 20 year term at 2.82% with an approximate closing of June 2011.

**CITY OF FRANKLIN, TENNESSEE**  
**SCHEDULE OF INSURANCE COVERAGE**  
 JUNE 30, 2010

<u>Subject of Insurance</u>	<u>Type of Coverage</u>	<u>Amount of Coverage</u>
Buildings and contents	Property damage (replacement cost, with \$25,000 deductible per occurrence)	\$ 162,167,491
Crime Policy	Employee dishonesty	150,000
	Forgery or alteration	150,000
	Theft, disappearance or destruction	150,000
	Computer fraud	150,000
Worker's Compensation		Statutory Limits
Employers Liability Coverage	Bodily injury - by accident - each accident	300,000
	Bodily injury - by disease - policy limit	700,000
	Bodily injury - by disease - each employee	300,000
Automobile Liability - Automobile coverage for all owned vehicles	Per tort liability in policy - deductible per occurrence	10,000
	Comprehensive deductible - per occurrence	10,000
	Collision deductible - per occurrence	10,000
	Limit of liability	2,000,000
Law Enforcement Liability	Limit of liability	2,000,000
	Deductible	10,000
Errors & Omissions	Limit of liability	2,000,000
	Deductible	10,000
Mobile Equipment Coverage	Property damage (replacement cost, with \$250 deductible per occurrence)	4,152,285
Computer Coverage	Blanket - all locations (replacement cost, with \$250 deductible per occurrence)	5,464,225

See independent auditor's report.

**CITY OF FRANKLIN, TENNESSEE**  
**SCHEDULE OF PRINCIPAL OFFICIALS' SALARIES AND SURETY BONDS**  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

<u>Official Title</u>	<u>Monthly Salary</u>	<u>Surety Bond</u>
Mayor	\$ 800 (1)	(3)
City Administrator	\$ 12,500	(3)
Aldermen	\$ 400 (2)	(3)

Notes:

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

**CITY OF FRANKLIN, TENNESSEE**  
**SCHEDULE OF UTILITY RATES, FEES AND OTHER INFORMATION**  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**Utility Services**

<u>Service:</u>	<u>Number of Customers</u>	<u>Fees</u>
Water	16,719	\$ 6,893,185
Sewer	20,062	8,636,628
Reclaimed	38	139,365

**Utility Rates**

**Water Residential Rates:**

<u>Gallons</u>	<u>Inside City Limits</u>	<u>Outside City Limits</u>
First 1,000 Gallons	\$ 7.22	\$ 9.22
Next 9,000 Gallons	3.72	5.80
Next 15,000 Gallons	4.65	6.38
All Additional Usage	5.58	6.96

**Water Commercial Rates:**

<u>Gallons</u>	<u>Inside City Limits</u>	<u>Outside City Limits</u>
First 1,000 Gallons	\$ 10.01	\$ 10.81
Next 9,000 Gallons	3.72	5.80
Next 15,000 Gallons	4.65	6.38
All Additional Usage	5.58	6.96

**Sewer Residential Rates:**

<u>Gallons</u>	<u>Inside City Limits</u>	<u>Outside City Limits</u>
First 1,000 Gallons	\$ 10.05	\$ 11.21
Next 14,000 Gallons	3.61	5.62
Over 15,000 Gallons	2.82	4.47

**Sewer Commercial Rates:**

<u>Gallons</u>	<u>Inside City Limits</u>	<u>Outside City Limits</u>
First 1,000 Gallons	\$ 13.00	\$ 15.00
Next 14,000 Gallons	4.42	6.91
Over 15,000 Gallons	3.43	5.02

Rates above were effective January 1, 2010. A minimum bill of 1,000 gallons per customer is levied.

**Other Utility Fees**

**Tap Fees:**

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

See independent auditor's report.

**CITY OF FRANKLIN, TENNESSEE**  
**SCHEDULE OF UTILITY RATES, FEES AND OTHER INFORMATION (Cont.)**  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**Other Utility Fees (continued)**

**Installation Charges:**

<b>Water Meter Size</b>	<b>Tap Already Made</b>	<b>Tap Not Made</b>
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

<b>Sewer Meter Size</b>	<b>Tap Already Made</b>	<b>Tap Not Made</b>
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

**Access Fees:**

<b>Meter Size</b>	<b>Water Access Fee</b>	<b>Sewer Access Fee</b>
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:**

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

**CITY OF FRANKLIN, TENNESSEE**  
**SCHEDULE OF UNACCOUNTED FOR WATER - UNAUDITED**  
 JUNE 30, 2010

*(All amounts in gallons)*

<b>A</b>	<b>Water Treated and Purchased:</b>		
<b>B</b>	Water pumped (potable)	640,309,000	
<b>C</b>	Water purchased	<u>1,413,115,000</u>	
<b>D</b>	<b>Total Water Treated and Purchased</b> <b>(Sum Lines B and C)</b>		2,053,424,000
<b>E</b>	<b>Accounted for Water:</b>		
<b>F</b>	Water Sold	1,517,951,029	
<b>G</b>	Metered for Consumption (in house usage)	0	
<b>H</b>	Fire Department(s) Usage	2,000,000	
<b>I</b>	Flushing	12,177,013	
<b>J</b>	Tank Cleaning/Filling	100,000	
<b>K</b>	Street Cleaning	600,000	
<b>L</b>	Bulk Sales	0	
<b>M</b>	Water Bill Adjustments / plus or (minus)	<u>3,133,910</u>	
<b>N</b>	<b>Total Accounted for Water</b> <b>(Sum Lines F thru M)</b>		<u>1,535,961,952</u>
<b>O</b>	<b>Unaccounted for Water</b> <b>(Line D minus Line N)</b>		<u>517,462,048</u>
<b>P</b>	<b>Percent Unaccounted for Water</b> <b>(Line O divided by Line D times 100)</b>		25.20%
<b>Q</b>	Other (explain)	See Below	

Explain Other:	Water Leaks	4,477,560
	Sewer Vac Trucks	500,000

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

**CITY OF FRANKLIN, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

<u>Source/Grant Name</u>	<u>Number</u>	<u>Grant Number</u>	<u>Balance 6/30/2009 (Rec) Unearned</u>	<u>Adjustment</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Balance 6/30/2010 (Rec) Unearned</u>
<b>U.S. DEPARTMENT OF JUSTICE</b>							
Bulletproof Vest Program	16.707	N/A	\$ (4,985)	\$ -	\$ 4,985	\$ -	\$ -
Bulletproof Vest Program	16.707	N/A	-	-	-	(5,518)	(5,518)
Total U.S. Department of Justice			(4,985)	-	4,985	(5,518)	(5,518)
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>							
Transit Facilities Purchase Grant Passed through the TN Department of Transportation	20.507	FTA 5307	-	-	177,430	(177,430)	-
Job Access Reverse Commute	20.516	Z-09-215690-00	(3,330)	-	44,413	(97,853)	(56,770)
New Freedom Funds	20.521	Z-09-214607-00	(4,617)	-	24,299	(30,781)	(11,099)
Capital Grant	20.500		-	-	-	(3,725)	(3,725)
ITS Initiative	20.205*		-	-	110,700	(133,782)	(23,082)
TOC Phase III, Infrastructure Upgrades	20.205*		(106,408)	-	346,648	(385,120)	(144,880)
Fighting Impaired Drivers	20.607	Z-09-214607.00	(5,653)	-	24,624	(18,971)	-
Total U.S. Department of Transportation			(120,008)	-	728,114	(847,662)	(239,556)
<b>U.S. DEPARTMENT OF THE INTERIOR</b>							
Passed through the TN Dep of Env and Conservation							
Preservation Education and Resource Guide	15.904	GG-07-12857-00	(20,000)	-	-	-	(20,000)
Capitalization Grants for Drinking Water State RLF	66.468*	DWA 2009-097	-	-	-	(978,562)	(978,562)
Loan (ARRA)	66.468*	DWA 2009-097	-	-	-	(939,423)	(939,423)
Principal Forgiveness	66.468*	DWA 2009-097	-	-	-	(234,856)	(234,856)
Capitalization Grants for Clean Water State RLF	66.458*	DWA 2009-250	-	-	-	(148,023)	(148,023)
Loan (ARRA)	66.458*	DWA 2009-250	-	-	-	(142,103)	(142,103)
Principal Forgiveness	66.458*	DWA 2009-250	-	-	-	(35,526)	(35,526)
Total U.S. Department of the Interior			(20,000)	-	-	(2,478,493)	(2,498,493)
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEV</b>							
Community Development Block Grant	14.218	B-07-MC-47-0014	(116,414)	-	344,563	(272,272)	(44,123)
Community Development Block Grant	14.218	B-10-MC-47-0014	(19,131)	-	19,131	-	-
Community Development Block Grant	14.218	B-09-MY-47-0014	-	-	28,277	(54,422)	(26,145)
Passed through the TN Housing Development Agency							
Emergency Shelter Grant	14.231	ESG-09-25	(7,906)	-	33,850	(26,026)	(82)
Total U.S. Department of Housing and Urban Dev			(143,451)	-	425,821	(352,720)	(70,350)
<b>U.S. DEPARTMENT OF ENERGY</b>							
Energy Efficiency and Conservation Block Grant	81.128	DE-SC0002088	-	-	-	(22,062)	(22,062)
Total Federal Assistance			\$ (288,444)	\$ -	\$ 1,158,920	\$ (3,706,455)	\$ (2,835,979)

\* Major program

\*\* Passed through to The Transportation Management Association Group

There were \$709,828 in FEMA receivables related to the May 2010 flood recorded as receivables that are not recorded on the grant schedule due to the fact that a contract was not in place as of June 30, 2010.

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

See independent auditor's report.

**CITY OF FRANKLIN, TENNESSEE**  
**SCHEDULE OF STATE FINANCIAL ASSISTANCE**  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

<u>Source/Grant Name</u>	<u>State Grant Number</u>	<u>Balance 6/30/2009 (Receivable) Unearned</u>	<u>Adjustments</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>Balance 6/30/2010 (Receivable) Unearned</u>
<b>TENNESSEE DEPARTMENT OF TRANSPORTATION</b>						
Transit Capital Grant	TN 04-0031	\$ -	-	\$ 30,675	\$ (30,675)	\$ -
Transit Capital Grant	TN 90-0028	-	-	92,385	(96,373)	(3,988)
Mass Transit Grant	GG-09-27112-00	(7,529)	-	7,529	-	-
Mass Transit Grant	GG-09-27591-00	(9,222)	-	54,201	(47,027)	(2,048)
Transit Capital Grant	TN-90-0224	-	-	5,340	(5,340)	-
Transit Operating Assistance Grant	GG-10-31294-00	-	-	18,682	(21,466)	(2,784)
Transit Operating Assistance Grant	GG-10-30419-00	-	-	214,524	(214,524)	-
New Freedom Funds	Z-09-215662-00	(2,309)	-	12,150	(15,390)	(5,549)
Job Access Reverse Commute	Z-09-215690-00	(1,665)	-	5,261	(48,946)	(45,350)
Total Tennessee Department of Transportation		<u>(20,725)</u>	<u>-</u>	<u>440,747</u>	<u>(479,741)</u>	<u>(59,719)</u>
<b>TENNESSEE DEPARTMENT OF ECONOMIC &amp; COMMUNITY DEVELOPMENT</b>						
FastTrack Infrastructure Development Program	GG-08-23897-00	(1,415,853)	1,415,853	-	-	-
Capitalization Grants for Drinking Water State RLF	DWA 2009-097	-	-	-	(195,717)	(195,717)
Capitalization Grants for Clean Water State RLF	DWA 2009-250	-	-	-	(29,605)	(29,605)
Total Tennessee Department of Economic and Community Development		<u>(1,415,853)</u>	<u>1,415,853</u>	<u>-</u>	<u>(225,322)</u>	<u>(225,322)</u>
<b>TENNESSEE DEPARTMENT OF AGRICULTURE</b>						
Tree Preservation Grant	Z-09-213678-00	-	-	15,186	(15,186)	-
TN Agriculture Enhancement Program Community Tree		-	-	1,190	(1,190)	-
		<u>-</u>	<u>-</u>	<u>16,376</u>	<u>(16,376)</u>	<u>-</u>
Total State Financial Assistance		<u>\$ (1,436,578)</u>	<u>\$ 1,415,853</u>	<u>\$ 457,123</u>	<u>\$ (721,439)</u>	<u>\$ (285,041)</u>

\*\* Passed through to The Transportation Management Association Group (3,121,020)  
749,262

There were \$39,434 in TEMA receivables related to the May 2010 flood recorded as receivables that are not recorded on the grant schedule due to the fact that a contract was not in place as of June 30, 2010.

## **STATISTICAL SECTION**

**CITY OF FRANKLIN, TENNESSEE  
STATISTICAL SECTION DIVIDER 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 well-being have changed over time. 85

**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. 91

**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 of Franklin, Tennessee’s, comprehensive annual financial reports for the relevant years. The City implemented GASB Statement 34 in 2003: Schedules presenting government-wide information include information beginning that year.

**CITY OF FRANKLIN, TENNESSEE**

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

(Prepared using the accrual basis of accounting)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b>Governmental activities:</b>								
Investments in capital assets, net of related debt	\$ 227,460,958	\$ 254,632,992	\$ 274,575,227	\$ 314,309,351	\$ 354,087,255	\$ 387,399,795	\$ 398,721,876	\$ 378,712,983
Restricted for:								
Street maintenance and improvements	2,127,190	2,533,649	983,107	900,412	1,069,415	1,048,827	31,817	-
Other projects	3,619,122	1,690,759	233,836	295,536	381,491	257,521	335,343	272,367
Capital projects	4,313,516	4,881,853	9,041,671	-	-	-	-	-
Unrestricted	<u>33,778,923</u>	<u>27,146,454</u>	<u>28,382,567</u>	<u>34,680,258</u>	<u>53,444,430</u>	<u>34,055,155</u>	<u>23,793,595</u>	<u>44,793,895</u>
<b>Total net assets</b>	<u>\$ 271,299,709</u>	<u>\$ 290,885,707</u>	<u>\$ 313,216,408</u>	<u>\$ 350,185,557</u>	<u>\$ 408,982,591</u>	<u>\$ 422,761,298</u>	<u>\$ 422,882,631</u>	<u>\$ 423,779,245</u>
<b>Business-type activities:</b>								
Investments in capital assets, net of related debt	\$ 73,729,319	\$ 88,725,684	\$ 85,142,612	\$ 83,019,594	\$ 92,918,459	\$ 105,088,556	\$ 107,235,256	\$ 102,780,253
Unrestricted	<u>14,742,384</u>	<u>2,844,501</u>	<u>11,962,212</u>	<u>13,957,292</u>	<u>15,774,391</u>	<u>9,997,061</u>	<u>13,428,223</u>	<u>18,607,498</u>
<b>Total net assets</b>	<u>\$ 88,471,703</u>	<u>\$ 91,570,185</u>	<u>\$ 97,104,824</u>	<u>\$ 96,976,886</u>	<u>\$ 108,692,850</u>	<u>\$ 115,085,617</u>	<u>\$ 120,663,479</u>	<u>\$ 121,387,751</u>
<b>Primary government:</b>								
Investments in capital assets, net of related debt	\$ 301,190,277	\$ 343,358,676	\$ 359,717,839	\$ 397,328,945	\$ 453,483,827	\$ 492,488,351	\$ 505,957,132	\$ 481,493,236
Restricted for:								
Street maintenance and improvements	2,127,190	2,533,649	983,107	900,412	1,069,415	1,048,827	31,817	-
Other projects	3,619,122	1,690,759	233,836	295,536	381,491	257,521	335,343	272,367
Capital projects	4,313,516	4,881,853	9,041,671	-	-	-	-	-
Unrestricted	<u>48,521,307</u>	<u>29,990,955</u>	<u>40,344,779</u>	<u>48,637,550</u>	<u>62,740,708</u>	<u>44,052,216</u>	<u>37,221,818</u>	<u>63,401,393</u>
<b>Total net assets</b>	<u>\$ 359,771,412</u>	<u>\$ 382,455,892</u>	<u>\$ 410,321,232</u>	<u>\$ 447,162,443</u>	<u>\$ 517,675,441</u>	<u>\$ 537,846,915</u>	<u>\$ 543,546,110</u>	<u>\$ 545,166,996</u>

\* As additional information becomes available it will be added to the above schedule until such time as ten years are presented.

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

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

\* As additional information becomes available it will be added to the above schedule until such time as ten years are presented.

**CITY OF FRANKLIN, TENNESSEE**

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

(Prepared using the accrual basis of accounting)

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

\* As additional information becomes available it will be added to the above schedule until such time as ten years are presented.

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

**CITY OF FRANKLIN, TENNESSEE**

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

(Prepared using the modified accrual basis of accounting)

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b>General Fund</b>										
Reserved	\$ 93,068	\$ 191,674	\$ 307,213	\$ 215,797	\$ 345,620	\$ 308,850	\$ 294,580	\$ 236,942	\$ 513,119	\$ 489,453
Unreserved	<u>26,662,814</u>	<u>27,799,872</u>	<u>33,443,498</u>	<u>26,834,707</u>	<u>24,598,448</u>	<u>27,114,706</u>	<u>30,089,431</u>	<u>30,526,839</u>	<u>28,249,674</u>	<u>25,424,920</u>
Total General Fund	<u>\$ 26,755,882</u>	<u>\$ 27,991,546</u>	<u>\$ 33,750,711</u>	<u>\$ 27,050,504</u>	<u>\$ 24,944,068</u>	<u>\$ 27,423,556</u>	<u>\$ 30,384,011</u>	<u>\$ 30,763,781</u>	<u>\$ 28,762,793</u>	<u>\$ 25,914,373</u>
<b>All Other Governmental Funds</b>										
Unreserved, reported in:										
Special Revenue Funds	8,939,589	7,807,918	6,440,706	7,415,502	8,098,682	13,712,834	13,407,693	12,594,741	4,678,081	4,014,786
Debt Service Fund	-	-	-	-	-	-	-	-	-	465,190
Capital Project Fund	3,955,407	835,974	3,619,122	1,690,759	9,041,671	(1,216,204)	9,120,160	(13,849,061)	(11,992,169)	12,691,653
Permanent Fund	<u>20,487</u>	<u>20,517</u>	<u>20,581</u>	-	-	-	-	-	-	-
Total All Other Governmental Funds	<u>\$ 12,915,483</u>	<u>\$ 8,664,409</u>	<u>\$ 10,080,409</u>	<u>\$ 9,106,261</u>	<u>\$ 17,140,353</u>	<u>\$ 12,496,630</u>	<u>\$ 22,527,853</u>	<u>\$ (1,254,320)</u>	<u>\$ (7,314,088)</u>	<u>\$ 17,171,629</u>
Total Governmental Funds	<u>\$ 39,671,365</u>	<u>\$ 36,655,955</u>	<u>\$ 43,831,120</u>	<u>\$ 36,156,765</u>	<u>\$ 42,084,421</u>	<u>\$ 39,920,186</u>	<u>\$ 52,911,864</u>	<u>\$ 29,509,461</u>	<u>\$ 21,448,705</u>	<u>\$ 43,086,002</u>

**CITY OF FRANKLIN, TENNESSEE**  
**Financial Trends Information -**  
**Changes in Fund Balances, Governmental Funds - Last Ten Fiscal Years**

(Prepared using the modified accrual basis of accounting)

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b>Revenues</b>										
Taxes	\$ 26,478,027	\$ 27,999,376	\$ 30,305,997	\$ 32,989,084	\$ 35,475,678	\$ 40,358,863	\$ 43,954,432	\$ 43,623,109	\$ 40,086,682	\$ 41,242,751
Licenses and permits	3,031,534	2,367,557	2,382,078	3,743,087	4,619,746	6,908,558	6,532,260	6,502,784	3,765,669	3,266,126
Fines and fees	754,332	908,886	907,080	796,601	753,717	1,022,408	985,180	951,314	1,213,327	1,213,643
Charges for services	3,117,258	3,326,682	1,719,520	1,701,830	3,066,290	4,327,217	4,664,553	5,276,826	6,676,550	6,941,540
Intergovernmental	5,435,866	6,670,464	5,410,386	5,154,507	6,268,757	7,039,176	10,246,007	17,980,903	15,100,893	8,155,250
Uses of money and property	1,769,808	965,987	823,467	649,789	1,282,069	4,022,396	2,045,124	2,827,770	1,593,380	1,313,866
Miscellaneous	102,616	113,468	110,648	511,386	1,750,000	352,038	512,774	118,122	387,919	331,740
<b>Total revenues</b>	<u>40,689,441</u>	<u>42,352,420</u>	<u>41,659,176</u>	<u>45,546,284</u>	<u>53,216,257</u>	<u>64,030,656</u>	<u>68,940,330</u>	<u>77,280,828</u>	<u>68,824,420</u>	<u>62,464,916</u>
<b>Expenditures</b>										
General government	7,533,844	6,012,328	2,687,220	6,292,394	4,850,503	5,087,787	(215,294)	1,059,147	713,022	3,227,691
Capital investment planning	-	-	-	-	-	-	-	-	-	193,505
Administration	822,988	961,943	1,204,420	1,336,029	970,733	1,165,433	1,209,609	1,151,644	861,498	379,780
City recorder	-	-	-	-	338,697	302,844	969,927	1,112,775	1,167,045	385,355
Public safety:										-
Police	5,060,189	6,500,586	7,910,616	8,382,149	8,804,570	9,435,821	11,979,814	12,818,426	12,961,061	13,704,946
Fire	4,654,125	5,779,931	7,249,441	7,546,098	8,418,860	8,897,622	11,109,551	12,864,924	12,144,030	12,155,554
Highways and streets	2,180,934	2,740,989	3,607,302	3,230,016	6,173,264	2,441,732	3,175,789	4,861,308	6,863,021	6,641,212
Street-fleet	-	-	-	-	-	-	-	-	-	662,683
Engineering	710,164	885,480	549,049	554,525	567,196	688,975	852,251	1,050,935	1,277,226	727,311
Storm water	-	-	-	529,347	534,935	633,195	1,012,728	573,359	644,762	1,048,680
Sanitation	2,839,967	3,042,271	3,667,979	3,518,543	4,744,880	5,548,426	5,954,751	6,438,933	6,129,249	5,636,808
Transit	404,306	508,346	635,659	883,254	1,030,481	1,240,277	973,234	1,014,582	1,026,204	858,064
Parks	-	-	-	296,571	296,571	276,082	1,708,657	1,947,593	2,155,891	2,318,156
Maintenance	387,508	467,477	664,632	796,193	877,707	987,339	373,350	522,552	581,352	511,567
Elected officials	-	-	-	-	-	-	-	176,746	161,435	193,640
Planning	577,270	706,474	865,683	986,856	1,165,193	1,296,516	1,093,682	1,320,076	1,388,681	1,400,790
Codes	106,415	131,623	244,792	167,095	177,932	194,797	1,709,602	1,827,452	1,952,948	1,857,185
Courts	305,182	402,840	490,641	454,124	481,601	645,668	239,496	239,482	243,246	268,352
Human resources	477,450	-	-	-	86,550	84,048	640,239	645,386	802,800	689,703
Channel 10	-	553,807	635,514	724,989	746,855	737,586	105,768	116,387	110,511	250,304
Finance	-	-	-	-	-	-	845,587	905,888	959,004	755,271
Legal	-	-	-	-	-	-	123,775	355,360	218,523	234,653
Purchasing	-	-	-	-	-	-	164,113	184,052	119,616	129,065
Municipal information and technology	-	-	482,897	565,054	646,097	803,731	1,326,674	1,585,448	1,817,211	1,875,688
Other debt charges	1,541	265	541	147,236	122,055	74,417	243,294	156,521	158,249	109,486
Debt service										
Principal	1,510,000	1,220,000	1,355,000	1,716,946	1,946,000	2,725,000	3,318,000	3,463,000	3,628,000	4,584,980
Interest	698,723	836,401	588,289	539,767	887,477	1,520,878	1,877,869	2,161,712	2,309,437	1,350,478
Capital outlay - noncapital	-	-	552,022	441,368	3,562,508	6,859,583	3,011,051	552,973	718,047	(1)
Capital outlay - capital	9,484,552	14,568,878	8,450,490	15,855,200	24,183,869	18,862,605	22,554,777	41,685,682	41,358,605	25,089,968
<b>Total expenditures</b>	<u>37,755,158</u>	<u>45,319,639</u>	<u>41,842,186</u>	<u>54,667,183</u>	<u>71,614,534</u>	<u>70,510,362</u>	<u>76,358,294</u>	<u>100,792,343</u>	<u>102,470,674</u>	<u>87,240,874</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,934,283</u>	<u>(2,967,219)</u>	<u>(183,010)</u>	<u>(9,120,899)</u>	<u>(18,398,277)</u>	<u>(6,479,706)</u>	<u>(7,417,964)</u>	<u>(23,511,515)</u>	<u>(33,646,254)</u>	<u>(24,775,958)</u>
<b>Other financing sources (uses):</b>										
Proceeds of long-term debt	4,500,000	4,557,476	5,000,000	9,770,000	26,967,194	4,315,468	20,356,658	520,183	25,630,498	45,881,353
Transfer to bond escrow agent	-	(4,612,476)	-	(7,836,391)	(2,504,317)	-	-	-	-	-
Operating transfers in	2,983,316	3,238,996	3,989,881	7,015,766	4,923,254	9,673,897	5,040,755	5,245,176	4,383,016	6,955,030
Operating transfers out	(2,983,316)	(3,238,996)	(3,093,959)	(7,015,766)	(4,923,254)	(9,673,897)	(5,040,755)	(5,470,176)	(4,428,016)	(7,000,030)
<b>Total other financing sources (uses)</b>	<u>4,500,000</u>	<u>(55,000)</u>	<u>5,895,922</u>	<u>1,933,609</u>	<u>24,462,877</u>	<u>4,315,468</u>	<u>20,356,658</u>	<u>295,183</u>	<u>25,585,498</u>	<u>45,836,353</u>
<b>Net changes in fund balances</b>	<u>\$ 7,434,283</u>	<u>\$ (3,022,219)</u>	<u>\$ 5,712,912</u>	<u>\$ (7,187,290)</u>	<u>\$ 6,064,600</u>	<u>\$ (2,164,238)</u>	<u>\$ 12,938,694</u>	<u>\$ (23,216,332)</u>	<u>\$ (8,060,756)</u>	<u>\$ 21,060,395</u>
Debt service as a % of noncapital expenditures	7.81%	6.69%	5.82%	5.81%	5.97%	8.22%	9.66%	9.52%	9.72%	9.55%

**CITY OF FRANKLIN, TENNESSEE**

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

(Prepared using the modified accrual basis of accounting)

<b>FISCAL YEAR</b>	<b>PROPERTY TAX*</b>	<b>SALES TAX**</b>	<b>BUSINESS TAX</b>	<b>ALCOHOLIC BEVERAGE TAXES ***</b>	<b>FACILITIES TAX</b>	<b>HOTEL/MOTEL TAX</b>	<b>OTHER ****</b>	<b>TOTAL</b>
2001	\$ 7,104,574	\$ 13,962,912	\$ 1,341,386	\$ 1,528,846	\$ 1,706,713	\$ 437,678	\$ 395,918	\$ 26,478,027
2002	7,584,062	15,037,556	1,525,414	1,729,646	1,164,425	478,683	479,590	27,999,376
2003	7,861,996	16,318,730	2,011,630	1,923,952	1,169,533	504,278	515,878	30,305,997
2004	8,099,274	18,296,971	2,142,900	2,031,561	1,367,979	530,099	520,300	32,989,084
2005	8,571,710	19,785,941	1,697,570	2,108,144	1,857,164	878,988	576,161	35,475,678
2006	9,395,723	22,005,703	2,363,300	2,310,739	2,415,678	1,293,596	574,125	40,358,864
2007	9,726,100	23,885,264	2,777,563	2,465,375	3,616,202	1,424,754	59,174	43,954,432
2008	10,337,833	23,185,434	2,927,635	2,593,632	2,956,284	1,571,657	50,634	43,623,109
2009	10,598,592	21,152,554	2,939,829	2,574,048	1,115,914	1,518,988	186,757	40,086,682
2010	10,907,423	20,969,821	2,619,428	2,683,492	1,965,245	1,663,304	434,038	41,242,751

\* In fiscal year, 2010, property tax is allocated between General Fund (\$8,055,942) and Debt Service Fund (\$2,851,481) .

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

\*\*\* Includes beer tax, beer privilege tax, wholesale liquor tax, liquor privilege tax, and mixed drink tax

\*\*\*\* Includes penalty and interest on property taxes, in lieu of taxes, and special assessments

CITY OF FRANKLIN, TENNESSEE

Revenue Capacity Information -  
Assessed Value and Estimated Actual Value of Taxable Property, Last Ten Years

<b>TAX YEAR</b>	<b>TOTAL TAXABLE ASSESSED VALUE*</b>	<b>TOTAL DIRECT TAX RATE**</b>	<b>APPRAISED VALUE* ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY</b>	<b>ASSESSED VALUE AS A PERCENTAGE OF ACTUAL VALUE</b>
2000	\$ 1,037,036,295	\$ 0.55	\$ 3,376,602,286	30.71%
2001	1,381,145,006	0.55	4,384,438,372	31.50%
2002	1,433,680,138	0.55	4,580,057,822	31.30%
2003	1,478,940,190	0.55	4,771,408,807	31.00%
2004	1,551,200,437	0.55	5,039,865,136	30.78%
2005	1,696,054,165	0.43	5,583,795,186	30.37%
2006	2,259,868,426	0.43	7,411,814,672	30.49%
2007	2,399,581,643	0.43	7,913,490,764	30.32%
2008	2,516,989,203	0.43	9,637,668,952	26.12%
2009	2,689,334,028	0.43	10,225,661,696	26.30%

\* Appraised and assessed information from the 2009 Tax Aggregate Report of Tennessee

\*\* Per \$100 of assessed valuation

Note: Property of the City is reappraised periodically. For this reason appraised value is considered equal to actual value.

CITY OF FRANKLIN, TENNESSEE

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

<u>Fiscal Year</u>	<u>Direct Rate</u>		<u>Overlapping Rate</u>		<u>Total</u>
		<u>City</u>		<u>County **</u>	
2001	\$	0.69	\$	3.55	\$ 4.24
2002		0.55		3.29	3.84
2003		0.55		3.03	3.58
2004		0.55		3.66	4.21
2005		0.55		3.48	4.03
2006		0.55		3.59	4.14
2007		0.43		3.03	3.46
2008		0.43		3.07	3.50
2009		0.43		3.17	3.60
2010		0.43		3.17	3.60

\* 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:

2001	\$	2.82
2002		2.50
2003		2.50
2004		2.72
2005		2.72
2006		2.72
2007		2.20
2008		2.20
2009		2.20
2010		2.20

CITY OF FRANKLIN, TENNESSEE

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

<u>Taxpayer</u>	<u>2001</u>		<u>2010</u>	
	<u>ASSESSED VALUATION</u>	<u>PERCENT OF TOTAL VALUATION *</u>	<u>ASSESSED VALUATION</u>	<u>PERCENT OF TOTAL VALUATION **</u>
<u>Ad Valorem Tax</u>				
Atmos Energy Corp	\$ 8,802,478	0.64%	\$ 17,932,474	0.67%
Middle TN Electric Membership Corp	4,186,049	0.30%	10,632,632	0.40%
Bell South Telecommunications	\$ 8,580,591	0.62%		
<u>Real and Personal Property Tax</u>				
Galleria Associates	28,780,080	2.08%	44,800,000	1.67%
Carothers Office ACQ LLC			26,064,120	0.97%
Wyndchase LLC	12,600,000	0.91%	20,000,000	0.74%
Williams W. Fred Trust			19,804,760	0.74%
Landings F C LP	13,745,920	1.00%	19,022,465	0.71%
Highwoods/Tennessee Holding			17,170,360	0.68%
Williamson Farms Corp			16,622,960	0.62%
Crescent Resources			15,937,312	0.59%
Boyle Cool Springs Joint Venture			15,194,640	0.60%
Alara Franklin Corp			13,862,320	0.52%
JPI/Gillespie Apt LP	11,913,120	0.86%		
Jefferson at Cool Springs LP	9,116,960	0.66%		
Ambassador VIII LP	8,840,200	0.64%		
Crown Brook Ltd	8,190,000	0.59%		
NWI Warehouse Group	7,493,840	0.54%		
Totals	<u>\$ 122,249,238</u>	<u>8.85%</u>	<u>\$ 237,044,043</u>	<u>8.89%</u>

\* Total assessed valuation in 2001 (tax year 2000) was \$1,037,036,295.

\*\* Total assessed valuation in 2009 (tax year 2008) is \$2,516,989,203.

**CITY OF FRANKLIN, TENNESSEE**

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

<b>FISCAL YEAR</b>	<b>TOTAL TAX LEVY</b>	<b>COLLECTED WITHIN TAX YEAR OF LEVY</b>	<b>PERCENT COLLECTED</b>	<b>COLLECTIONS IN SUBSEQUENT YEARS</b>	<b>TOTAL COLLECTIONS</b>	<b>TOTAL COLLECTIONS AS PERCENT OF TOTAL LEVY</b>	<b>OUTSTANDING DELINQUENT TAXES</b>	<b>OUTSTANDING DELINQUENT TAXES AS PERCENT OF CURRENT LEVY</b>
2001	\$ 7,161,095	\$ 6,944,372	96.97%	\$ 210,594	\$ 7,154,966	99.91%	\$ 278,161	3.88%
2002	7,596,518	7,398,178	97.39%	185,104	7,583,117	99.82%	283,314	3.73%
2003	7,874,904	7,660,107	97.27%	202,147	7,862,177	99.84%	311,709	3.96%
2004	8,134,453	7,970,209	97.98%	160,585	8,130,729	99.95%	269,270	3.31%
2005	8,619,512	8,468,288	98.25%	148,955	8,616,987	99.97%	261,835	3.04%
2006	9,328,587	9,152,371	98.11%	173,545	9,325,586	99.97%	271,362	2.91%
2007	9,611,622	9,435,282	98.17%	171,003	9,604,617	99.93%	276,072	2.87%
2008	10,212,816	10,042,817	98.34%	140,635	10,155,179	99.44%	262,173	2.57%
2009	10,739,928	10,429,879	97.11%	236,268	10,429,879	97.11%	422,085	3.93%
2010	11,468,281	11,159,220	97.31%	-	11,159,220	97.31%	458,157	3.99%

**CITY OF FRANKLIN, TENNESSEE**

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

<b>FISCAL YEAR</b>	<b>POPULATION*</b>	<b>PERSONAL INCOME**</b>	<b>GENERAL OBLIGATION BONDS</b>	<b>PAYABLE FROM WATER &amp; SEWER REVENUE &amp; TAX BONDS</b>	<b>TOTAL PRIMARY GOVERNMENT</b>	<b>DEBT PER CAPITA</b>	<b>PERCENT OF PERSONAL INCOME</b>
2001	41,842	\$ 41,440	\$ 19,240,000	\$ 15,459,057	\$ 34,699,057	\$ 829.29	2.00%
2002	41,842	41,580	18,115,000	20,957,005	39,072,005	933.80	2.25%
2003	41,842	42,468	21,760,000	45,856,640	67,616,640	1,616.00	3.78%
2004	46,416	45,583	22,450,000	44,195,000	66,645,000	1,435.82	3.15%
2005	46,416	48,967	45,016,194	41,315,000	86,331,194	1,859.94	3.90%
2006	49,412	51,841	46,586,662	39,350,000	85,936,662	1,739.19	3.65%
2007	49,412	54,755	63,580,258	37,310,000	100,890,258	2,041.82	3.94%
2008	56,219	55,717	60,117,258	35,200,000	95,317,258	1,695.46	3.27%
2009	56,219	55,717	82,749,628	46,243,053	128,992,681	2,294.47	4.12%
2010	56,219	55,717	122,295,000	52,299,516	174,594,516	3,105.61	5.57%

\* 2001 and forward: Tennessee Certified Populations

\*\* U.S. Bureau of Economic Analysis Statistics for Williamson County. 2008 is most current figure available.

**CITY OF FRANKLIN, TENNESSEE**

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

<b>FISCAL YEAR</b>	<b>POPULATION*</b>	<b>APPRAISED VALUE**</b>	<b>GENERAL OBLIGATION BONDS***</b>	<b>RATIO OF GENERAL OBLIGATION DEBT TO APPRAISED</b>	<b>NET GENERAL OBLIGATION DEBT PER CAPITA</b>
2001	41,842	\$ 3,376,602,285	\$ 19,240,000	0.57%	\$ 459.83
2002	41,842	4,384,438,372	18,115,000	0.41%	432.94
2003	41,842	4,580,057,822	21,760,000	0.48%	520.05
2004	46,416	4,771,408,807	22,450,000	0.47%	483.67
2005	46,416	5,039,865,136	45,016,194	0.89%	969.84
2006	49,412	5,583,795,186	46,586,662	0.83%	942.82
2007	49,412	7,411,814,672	63,580,258	0.86%	1,286.74
2008	56,219	7,913,490,764	60,117,258	0.76%	1,069.34
2009	56,219	9,637,668,952	82,749,628	0.86%	1,471.92
2010	56,219	10,225,661,696	122,295,000	1.20%	2,175.33

\* 2001 and forward: Tennessee Certified Populations  
 \*\* State of TN Comptroller Division of Property Assessment  
 \*\*\* Excludes compensated absences.

**CITY OF FRANKLIN, TENNESSEE**

**Debt Capacity Information -  
Direct and Overlapping Governmental Activities Debt  
As of June 30, 2010**

<u>Jurisdiction</u>	<u>Net Bonded Debt Outstanding</u>	<u>Percentage Applicable to City</u>	<u>Estimated Share of Overlapping Debt</u>
City of Franklin	\$ 122,295,000	100.00%	\$ 122,295,000
Williamson County	470,934,000	36.81% *	173,332,759
Franklin Special School District	<u>55,703,386</u>	100.00% **	<u>55,703,386</u>
Total	<u>\$ 648,932,386</u>		<u>\$ 351,331,145</u>

\* Percentage calculated using portion of Assessed Value of Property in City compared to County:

City \$ 2,689,334,028

County \$ 7,306,748,239

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

**CITY OF FRANKLIN, TENNESSEE**

**Debt Capacity Information -  
Legal Debt Margin, Last Ten Years**

<b>Tax Year</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
Assessed Value	\$1,381,145,006	\$1,433,680,138	\$1,478,940,190	\$1,551,200,437	\$1,696,054,165	\$2,259,868,426	\$2,399,581,643	\$2,516,989,203	\$2,689,334,028	\$2,689,334,028
General Obligation Debt	\$ 19,240,000	\$ 18,115,000	\$ 21,760,000	\$ 22,450,000	\$ 45,016,194	\$ 46,586,662	\$ 63,580,258	\$ 60,117,258	\$ 82,749,628	\$ 122,295,000
Debt as % of Assessed Value	1.39%	1.26%	1.47%	1.45%	2.65%	2.06%	2.65%	2.39%	3.08%	4.55%

**Note - The City has no legal debt limit.**

**CITY OF FRANKLIN, TENNESSEE**

**Debt Capacity Information -  
Pledged-Revenue Coverage, Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Gross Revenues*</b>	<b>Contributions, Taps, &amp; Access Fees</b>	<b>Direct Operating Expense**</b>	<b>Net Revenue Available for Debt Service</b>	<b>Debt Service Requirements</b>			<b>Coverage</b>
					<b>Principal</b>	<b>Interest</b>	<b>Total</b>	
2001	\$ 11,384,314	\$ 1,727,362	\$ 7,304,724	\$ 5,806,952	\$ 1,500,000	\$ 746,095	\$ 2,246,095	\$ 2.59
2002	11,611,321	1,631,634	8,088,177	5,154,778	1,500,000	746,095	2,246,095	2.29
2003	12,202,987	1,972,391	9,072,951	5,102,427	1,370,000	822,734	2,192,734	2.33
2004	12,010,756	3,367,954	9,470,639	5,908,071	1,585,000	851,025	2,436,025	2.43
2005	12,964,822	5,617,974	9,738,762	8,844,034	2,201,850	1,302,931	3,504,781	2.52
2006	14,051,415	3,371,583	11,146,363	6,276,635	1,965,000	1,900,607	3,865,607	1.62
2007	14,549,921	6,477,369	11,370,863	9,656,427	2,040,000	1,757,609	3,797,609	2.54
2008	14,683,178	9,909,838	12,586,828	12,006,188	2,110,000	1,652,048	3,762,048	3.19
2009	16,637,366	8,613,893	13,584,035	11,667,224	2,180,000	1,605,445	3,785,445	3.08
2010	16,329,275	3,881,605	13,206,129	7,004,751	2,220,000	1,553,890	3,773,890	1.86

\* Includes nonoperating revenues

\*\* Net of depreciation and amortization

**CITY OF FRANKLIN, TENNESSEE**

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

<b>Year</b>	<b>Population *</b>	<b>Personal Income **</b>	<b>Per Capita Personal Income ***</b>	<b>Education Level in Years of Schooling****</b>	<b>School Enrollment</b>	<b>Unemployment Rate *****</b>
2001	41,842	1,733,932,480	41,440	13.9	8,269	2.90%
2002	41,842	1,739,790,360	41,580	13.9	8,094	3.50%
2003	41,842	1,776,946,056	42,468	13.9	7,816	3.70%
2004	46,416	2,115,780,528	45,583	13.9	8,961	3.70%
2005	46,416	2,272,852,272	48,967	13.9	9,150	2.80%
2006	49,412	2,561,567,492	51,841	13.9	9,667	3.50%
2007	49,412	2,705,554,060	54,755	14.4	10,136	3.80%
2008	56,219	3,132,354,023	55,717	14.4	10,998	4.40%
2009	56,219	3,132,354,023	55,717	14.4	10,950	8.30%
2010	56,219	3,132,354,023	55,717	14.6	11,193	7.50%

\* 2000 and forward: Tennessee Certified Populations  
 \*\* Personal Income is calculation of Population times Per Capita Personal Income  
 \*\*\* U.S. Bureau of Economic Analysis (BEA) for Williamson County: 2008 is most recent year available  
 \*\*\*\* Williamson County Office of Economic Development, for Adults Age 25 or Older  
 \*\*\*\*\* Department of Labor and Workforce Development

**CITY OF FRANKLIN, TENNESSEE**

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

<b>Employer</b>	<b>2001</b>			<b>2010</b>		
	<b>Employees *</b>	<b>Rank</b>	<b>Percentage of Total City Employment</b>	<b>Employees **</b>	<b>Rank</b>	<b>Percentage of Total City Employment</b>
Cool Springs Galleria Mall	3,500	1	6.73%	3,500	1	6.73%
Community Health Systems				1,800	2	3.46%
Williamson Medical Center	330	6	0.63%	1,300	3	2.50%
Nissan North America				1,300	4	2.50%
Verizon				1,000	5	1.92%
AIM Healthcare				815	6	1.57%
Healthways				800	7	1.54%
Mars Petcare US				680	8	1.31%
Progeny Marketing Innovations				550	9	1.06%
Lee Co.				520	10	1.00%
Primus/Ford Motor Credit	1,700	2	3.27%			
CPS Corporation	650	3	1.25%			
Lasko Metal Products, Inc.	430	4	0.83%			
LDM Technologies	400	5	0.77%			
Telco	330	7	0.63%			
Apcom, Inc.	330	8	0.63%			
Georgia Boots	300	9	0.58%			
Precision Tubular	275	10	0.53%			
<b>Total</b>	<b>8,245</b>		<b>15.85%</b>	<b>12,265</b>		<b>23.59%</b>

\* City's 2001 Comprehensive Annual Financial Report

\*\* Williamson County Office of Economic Development

**CITY OF FRANKLIN, TENNESSEE**

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

<b>Function/Program</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
Administration	16	17	17	18	10	11	9	9	9	5
Building and Neighborhood Services	15	16	17	18	20	23	25	27	27	28
Capital Investment Planning	*	*	*	*	*	*	*	*	*	2
Communications	*	*	*	*	1	1	1	1	1	3
Court	2	2	3	3	3	3	3	3	3	3
Engineering	7	9	7	7	8	9	12	14	9	8
Finance	11	10	10	11	11	11	11	11	11	11
Fire	113	116	119	131	138	142	156	158	158	158
HR	5	5	5	5	5	6	6	6	8	8
Law	*	*	*	*	*	*	3	3	3	3
MIT	*	*	9	9	9	10	14	17	17	17
Parks	10	9	11	14	15	18	20	25	29	29
Planning and Sustainability	7	8	9	9	9	11	12	13	17	18
Police	122	130	136	141	151	160	169	176	176	176
Projects and Facilities										
Maintenance	*	*	*	*	5	5	5	5	5	7
Purchasing	*	*	*	*	*	*	2	2	2	2
Revenue Management	*	*	*	*	7	7	11	14	14	14
Solid Waste	41	42	42	46	49	51	53	56	59	51
Stormwater	*	*	5	5	9	9	11	11	11	11
Streets	33	35	34	35	37	37	41	41	43	52
TOC	*	*	*	*	*	3	3	3	3	3
Water & Sewer	64	70	75	75	74	83	79	81	80	81
<b>TOTAL</b>	<b>446</b>	<b>469</b>	<b>499</b>	<b>527</b>	<b>561</b>	<b>600</b>	<b>646</b>	<b>676</b>	<b>685</b>	<b>690</b>

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

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

**CITY OF FRANKLIN, TENNESSEE**

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

<b>Function/Program</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
Police										
Calls for service	51,050	57,460	52,539	52,640	54,560	62,600	55,400	68,758	74,127	76,545
Fire										
Number of alarms	3,512	3,621	3,897	4,245	4,876	4,952	5,200	5,410	5,540	5,878
Sanitation										
Landfill usage	29,700	30,000	32,223	33,437	52,395	76,319	79,121	81,535	70,525	71,589
Recycling (tons)	*	*	*	*	*	*	*	*	5,957	5,233
Codes										
Single family permits	590	682	726	846	903	850	780	668	618	170
Water										
Average daily usage	6,502,092	5,619,549	6,100,548	5,797,010	4,529,169	6,035,953	6,066,378	5,860,000	5,675,000	5,300,000
Water storage capacity (gallons)	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	11,000,000	11,000,000	11,000,000

Source: City of Franklin departments

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

**CITY OF FRANKLIN, TENNESSEE**

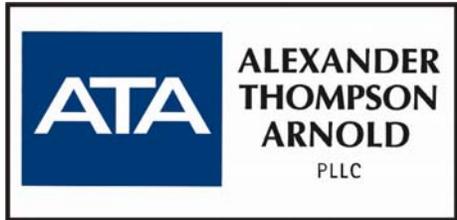
**Operating Information -  
Capital Asset Statistics by Function / Program, Last Ten Fiscal Years**

<b>Function/Program</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
Police										
Police stations	1	1	1	1	1	1	1	1	1	1
Police vehicles (radio equipped)	95	95	113	119	127	139	131	133	149	136
Fire										
Fire stations	5	5	5	5	5	5	5	6	6	6
Fire trucks	12	12	12	12	14	15	17	17	19	19
Fire hydrants	1,826	1,950	1,953	1,975	1,981	1,915 *	1,916 *	1,954*	2,045*	2,074*
Street										
Streets (miles)	207	211	212	235	250	275	290	287 *	283*	283*
Parks										
Number of parks	4	6	6	6	6	6	9	10	15	16
Water										
Water lines (miles)	295	298	298	300	301	275 *	285 *	274 *	272 *	276 *
Sewer lines (miles)	214	218	219	223	227	311 *	328 *	337 *	347 *	350 *

Source: City of Franklin departments

\* Methodology changed to obtain this information from City's GIS system.

**INTERNAL CONTROL AND COMPLIANCE SECTION**



Certified Public Accountants

[www.atacpa.net](http://www.atacpa.net)

227 Oil Well Road  
Jackson, TN 38305

Telephone: (731) 427-8571  
Fax: (731) 424-5701

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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*

Board of Mayor and Aldermen  
City of Franklin, Tennessee

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Franklin, Tennessee (the City), as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 30, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and responses as 10-01, 10-02, 10-03 and 10-04 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of control deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses as 10-05 to be significant deficiencies.

Dyersburg, TN  
Henderson, TN  
Jackson, TN  
Martin, TN  
McKenzie, TN

Milan, TN  
Murray, KY  
Paris, TN  
Trenton, TN  
Union City, TN

Board of Mayor and Aldermen  
City of Franklin, Tennessee

**Compliance and Other Matters**

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

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Mayor and Aldermen, others within the entity, federal awarding agencies and pass-through entities, and the Comptroller of the Treasury, State of Tennessee and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink that reads "Alexander Thompson Arnold PLLC". The signature is written in a cursive, flowing style.

Certified Public Accountants  
Jackson, Tennessee  
November 30, 2010



Certified Public Accountants

[www.atacpa.net](http://www.atacpa.net)

227 Oil Well Road  
Jackson, TN 38305

Telephone: (731) 427-8571  
Fax: (731) 424-5701

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

Board of Mayor and Aldermen  
City of Franklin, Tennessee

**Compliance**

We have audited the City of Franklin, Tennessee (City's) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2010. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

**Internal Control Over Compliance**

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

Dyersburg, TN  
Henderson, TN  
Jackson, TN  
Martin, TN  
McKenzie, TN

Milan, TN  
Murray, KY  
Paris, TN  
Trenton, TN  
Union City, TN

Board of Mayor and Aldermen  
City of Franklin, Tennessee

*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 control deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended for the information of the Board of Mayor and Aldermen, management, federal awarding agencies and pass-through entities and the Comptroller of the Treasury, State of Tennessee and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink that reads "Alexander Thompson Arnold PLLC". The signature is written in a cursive, flowing style.

Certified Public Accountants  
Jackson, TN  
November 30, 2010

**CITY OF FRANKLIN TENNESSEE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
 JUNE 30, 2010

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

Financial Statements

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

Federal Awards

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

Type of auditors' report issued on compliance:  
 for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a)	<u>      </u> yes	<u>  X  </u> no
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Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
20.205	ITS Initiative and Toc Phase III, Infrastructure
66.468	Capitalization Grants for Drinking Water State RLF
66.458	Capitalization Grants for Clean Water State RLF

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	<u>      </u> no
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**CITY OF FRANKLIN, TENNESSEE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Cont.)**  
 JUNE 30, 2010

**SECTION II - FINDINGS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

**Prior Year Findings – City of Franklin, Tennessee**

All prior year findings have been satisfactorily resolved.

**Current Year Findings – City of Franklin, Tennessee**

**10-01                   Accounts Payable Recorded Incorrectly (Material Weakness)**

**Condition:**           Accounts payable totaling \$151,772 were not recorded at year end and accounts payable totaling \$521,097 were recorded incorrectly.

**Criteria:**           All payables of the City should be reviewed and booked at year end, so that expenses are recorded in the proper fiscal year.

**Effect:**             The incorrect recording and recognition of the accounts payables resulted in liabilities and expenses of the City being misstated at year end.

**Recommendation:** The City of Franklin should ensure that all payables are accurately recorded at year end. This will ensure that all expenses are recorded in the proper fiscal year.

**10-02                   Failure to Record Grant Receivables (Material Weakness)**

**Condition:**           Grants receivable totaling \$33,748 related to the transit grants were not recorded at year end. Also \$89,400 in revenue related to the CDBG grant was treated as deferred revenue when it should have been recognized as revenue in the fiscal year.

**Criteria:**           All receivables and revenue of the City should be reviewed and recorded at year end so that revenues are recorded in the proper fiscal year.

**Effect:**             The failure to record the grants receivable resulted in assets, deferred revenue, and revenues of the City being understated at year end. The incorrect recording of the revenue as deferred revenue resulted in deferred revenue being overstated and revenue being understated during the fiscal year.

**Recommendation:** The City of Franklin should ensure that all grant receivables and the related revenue are recorded properly at year end. This will ensure that all revenues are recorded in the proper fiscal year.

**CITY OF FRANKLIN, TENNESSEE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Cont.)**  
 JUNE 30, 2010

**SECTION II - FINDINGS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS – (Cont.)**

**10-03 Capital Assets Incorrectly Recorded as Inventory (Material Weakness)**

**Condition:** While testing the inventory listing in the street department, it was determined that \$190,000 in capital assets were incorrectly recorded as inventory rather than expensed at year end.

**Criteria:** All capital asset purchases should be expensed in the period they are purchased by the department that purchases them.

**Effect:** Expenses were understated in the street department at year end and the expenses may not have been budgeted by the department for the fiscal year.

**Recommendation:** The City of Franklin should ensure that all capital asset purchases are expensed and budgeted in the period they are purchased.

**10-04 Accounts Receivable Improperly Recorded (Material Weakness)**

**Condition:** While testing the accounts receivable for the City, it was noted that receivables were incorrectly recorded for \$864,456 in the general fund.

**Criteria:** All receivables of the City should be reviewed and booked at year end so that revenues are recorded in the proper fiscal year.

**Effect:** Accounts receivable and revenues were overstated for the period based on the improper recording of the receivable.

**Recommendation:** The City of Franklin should ensure that all receivables are accurately recorded at year end. This will ensure that all revenues are recorded in the proper fiscal year.

**10-05 Failure to Record Cash Properly Across the Funds (Significant Deficiency)**

**Condition:** While testing the bank accounts, it was noted that the operating bank account balance was misclassified between the funds. The bank account had been reconciled properly in total, but the balances between six of the funds were misstated individually which caused the balance sheet of each fund to be out of balance.

**Criteria:** Bank account transactions should be charged to the proper balance sheet account in the fund where the income or expense originated.

**Effect:** When bank account transactions are not charged to the proper fund, it causes the cash account for the individual funds to be off and the individual fund balance sheets not to balance even though the City's balance sheet as a whole is in balance.

**Recommendation:** The City of Franklin should ensure that all bank transactions are charged to the proper fund. Also, after reconciling the bank account monthly, City personnel should ensure that all individual fund balance sheets are in balance.

**CITY OF FRANKLIN, TENNESSEE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Cont.)**  
JUNE 30, 2010

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**Prior Year Findings – City of Franklin, Tennessee**

There were no prior year findings related to federal awards.

**Current Year Findings – City of Franklin, Tennessee**

There were no current year findings related to federal awards.

## CORRECTIVE ACTION PLAN

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The City of Franklin, Tennessee respectfully submits the following corrective action plan for the year ended June 30, 2010.

Name and address of independent public accounting firm:

Alexander Thompson Arnold PLLC  
227 Oil Well Road  
Jackson, TN 38305

Audit period:

June 30, 2010

The findings from the June 30, 2010, schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

**10-01                   Accounts Payable Recorded Incorrectly (Material Weakness)**

**Recommendation:** The City of Franklin should ensure that all payables are accurately recorded at year end. This will ensure that all expenses are recorded in the proper fiscal year.

**Action Taken:** The management of the City of Franklin concurs. Additional training and information will be provided before next fiscal year end to ensure personnel involved with vendor payments properly specify the year in which goods or services were received. (Also, an additional step underway in fiscal year 2011 is to simulate year end closing (reconcile all accounts, update all financial schedules, etc.) at the end of each quarter. This will help ensure all activity has been reviewed throughout the year).

**10-02                   Failure to Record Grant Receivables (Material Weakness)**

**Recommendation:** The City of Franklin should ensure that all grant receivables and the related revenue are recorded properly at year end. This will ensure that all revenues are recorded in the proper fiscal year.

**Action Taken:** The management of the City of Franklin concurs. Review of grants on an ongoing basis has been rotated to a new staff member in Finance. In conjunction with the grant coordinator and departments, monitoring of grants has been performed on a monthly basis since the conclusion of audit. (Also, an additional step underway in fiscal year 2011 is to simulate year end closing (reconcile all accounts, update all financial schedules, etc.) at the end of each quarter. This will help ensure all activity has been reviewed throughout the year).

**10-03                   Capital Assets Incorrectly Recorded as Inventory (Material Weakness)**

**Recommendation:** The City of Franklin should ensure that all capital asset purchases are expensed and budgeted in the period they are purchased.

**Action Taken:** The management of the City of Franklin concurs. Additional training and information will be provided before next fiscal year end to ensure personnel involved with inventory properly include parts and unassigned equipment as inventory and classify items of \$10,000 or more as capital assets.

**CORRECTIVE ACTION PLAN****10-04           Accounts Receivable Improperly Recorded (Material Weakness)**

Recommendation: The City of Franklin should ensure that all receivables are accurately recorded at year end. This will ensure that all revenues are recorded in the proper fiscal year.

Action Taken: The management of the City of Franklin concurs. In January 2010, collection of business taxes changed from local receipting to state receipting. A double-counting of the revenue occurred as Finance accrued the revenue (recorded the revenue to prior periods when it was earned similar to other state shared taxes received) and Revenue Management recorded the same revenue on a cash basis (as had been done previously for business taxes). The higher number in the financials that had resulted was believed to be the impact of the state beginning collection where it could compare business tax returns to other information it collects. When the duplication was removed, business tax revenue was essentially equivalent to the previous year even with the change to state collection. Also, additional training and information will be provided to those who collect and reconcile revenue to ensure this duplication does not reoccur.

**10-05           Failure to Record Cash Properly Across the Funds (Significant Deficiency)**

Recommendation: The City of Franklin should ensure that all bank transactions are charged to the proper fund. Also, after reconciling the bank account monthly, City personnel should ensure that all individual fund balance sheets are in balance

Action Taken: The management of the City of Franklin concurs. The City's accounting system in use since 2006 has been set up for all transactions to stay in balance between funds. This is the first occurrence we have seen of an out of balance between funds since Microsoft Great Plains was implemented. A review of what occurred showed just a handful of isolated transactions in October 2009, April 2010, and May 2010 that did not trigger the clearing of cash to the correct fund. We are not aware of any recurrences in the current fiscal year. Due to the occurrence, an out of balance review is occurring monthly during the bank reconciliation process.

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

There were no findings related to federal awards.