

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

ANNUAL FINANCIAL REPORT

2008

CITY OF FRANKLIN

JOHNSON COUNTY, INDIANA



FILED
02/23/2010

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SCHEDULE OF OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|--|------------------------|----------------------|
| Clerk-Treasurer | Janet P. Alexander | 01-01-08 to 12-31-11 |
| Mayor | Fred L. Paris | 01-01-08 to 12-31-11 |
| President of the Board of Public Works and Safety | Fred L. Paris | 01-01-08 to 12-31-11 |
| President of the Common Council | William Murphy | 01-01-08 to 12-31-10 |
| Superintendent of Wastewater Utility | Charles Littleton, Jr. | 01-01-08 to 12-31-10 |
| Utility Office Manager | Brenda Poe | 01-01-08 to 12-31-10 |



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

TO: THE OFFICIALS OF THE CITY OF FRANKLIN, JOHNSON COUNTY, INDIANA

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 (City), as of and for the year ended December 31, 2008, 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 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.

As discussed in Note I, the City prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2008, and the respective cash receipts and cash disbursements during the year then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated December 2, 2009, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic 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 not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Schedules of Funding Progress and the Schedules of Contributions From the Employer and Other Contributing Entities, as listed in the Table of Contents, are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The City has not presented Management's Discussion and Analysis or Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Combining Schedules, as listed in the Table of Contents, and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the basic financial statements. The Combining Schedules, as listed in the Table of Contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Schedule of Long-Term Debt has not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

December 2, 2009



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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

TO: THE OFFICIALS OF THE CITY OF FRANKLIN, JOHNSON COUNTY, INDIANA

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 (City), as of and for the year ended December 31, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 2, 2009. 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.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

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
(Continued)

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 response to the findings identified in our audit is described in the accompanying section of the report entitled Official Response and Corrective Action Plan. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the City's management, the Board of Public Works and Safety, Common Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

December 2, 2009

CITY OF FRANKLIN
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For The Year Ended December 31, 2008

| Functions/Programs | Program Receipts | | | | Net (Disbursement) Receipt and Changes in Net Assets | | |
|---|------------------|-------------------------|--|--|---|-----------------------------|----------------|
| | Disbursements | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | |
| | | | | | Governmental Activities | Business-Type Activities | Totals |
| Primary government: | | | | | | | |
| Governmental activities: | | | | | | | |
| General government | \$ 8,365,769 | \$ 161,399 | \$ 877,021 | \$ - | \$ (7,327,349) | \$ - | \$ (7,327,349) |
| Public safety | 7,719,836 | 642,734 | - | - | (7,077,102) | - | (7,077,102) |
| Highways and streets | 1,735,423 | 10,956 | 588,370 | 232,467 | (903,630) | - | (903,630) |
| Sanitation | - | 156,025 | - | - | 156,025 | - | 156,025 |
| Health and welfare | - | 660 | - | - | 660 | - | 660 |
| Economic development | 968,687 | - | - | - | (968,687) | - | (968,687) |
| Culture and recreation | 2,398,077 | 572,919 | - | - | (1,825,158) | - | (1,825,158) |
| Urban redevelopment and housing | - | 506,657 | - | - | 506,657 | - | 506,657 |
| Principal and interest on indebtedness | 594,287 | - | - | - | (594,287) | - | (594,287) |
| Total governmental activities | 21,782,079 | 2,051,350 | 1,465,391 | 232,467 | (18,032,871) | - | (18,032,871) |
| Business-type activities: | | | | | | | |
| Franklin sewer bond & interest | 1,216,312 | - | - | - | - | (1,216,312) | (1,216,312) |
| Franklin sewer improvement | 12,000 | 163,000 | - | - | - | 151,000 | 151,000 |
| Franklin Sewer Utility | 1,828,761 | 3,343,243 | - | - | - | 1,514,482 | 1,514,482 |
| Total business-type activities | 3,057,073 | 3,506,243 | - | - | - | 449,170 | 449,170 |
| Total primary government | \$ 24,839,152 | \$ 5,557,593 | \$ 1,465,391 | \$ 232,467 | (18,032,871) | 449,170 | (17,583,701) |
| General receipts: | | | | | | | |
| Property taxes | | | | | 11,988,687 | - | 11,988,687 |
| Intergovernmental | | | | | 6,488,731 | - | 6,488,731 |
| Other local sources | | | | | 2,550,282 | - | 2,550,282 |
| Grants and contributions not restricted to specific programs | | | | | 63,375 | - | 63,375 |
| Investment earnings | | | | | 685,585 | 229,421 | 915,006 |
| Total general receipts | | | | | 21,776,660 | 229,421 | 22,006,081 |
| Change in net assets | | | | | 3,743,789 | 678,591 | 4,422,380 |
| Net assets - beginning | | | | | 25,871,435 | 8,411,263 | 34,282,698 |
| Net assets - ending | | | | | \$ 29,615,224 | \$ 9,089,854 | \$ 38,705,078 |
| Assets | | | | | | | |
| Cash and investments | | | | | \$ 11,247,041 | \$ 5,678,074 | \$ 16,925,115 |
| Restricted assets: | | | | | | | |
| Cash and investments | | | | | 18,368,183 | 3,411,780 | 21,779,963 |
| Total assets | | | | | \$ 29,615,224 | \$ 9,089,854 | \$ 38,705,078 |
| Net Assets | | | | | | | |
| Restricted for: | | | | | | | |
| General government | | | | | \$ 40,464 | \$ - | \$ 40,464 |
| Public safety | | | | | 472,936 | - | 472,936 |
| Highways and streets | | | | | 515,184 | - | 515,184 |
| Economic development | | | | | 22,150 | - | 22,150 |
| Culture and recreation | | | | | 1,148,604 | - | 1,148,604 |
| Debt service | | | | | 10,965,662 | 2,385,582 | 13,351,244 |
| Capital outlay | | | | | 3,222,049 | - | 3,222,049 |
| Other purposes | | | | | 1,981,134 | 1,026,198 | 3,007,332 |
| Unrestricted | | | | | 11,247,041 | 5,678,074 | 16,925,115 |
| Total net assets | | | | | \$ 29,615,224 | \$ 9,089,854 | \$ 38,705,078 |

The notes to the financial statements are an integral part of this statement.

CITY OF FRANKLIN
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2008

| | General | Motor Vehicle Highway | T.I.F. Control | Cumulative Capital Development | Other Governmental Funds | Totals |
|---|---------------------|-----------------------------|----------------------|--------------------------------------|--------------------------------|----------------------|
| Receipts: | | | | | | |
| Taxes | \$ 7,759,236 | \$ 284,214 | \$ 2,054,908 | \$ 313,432 | \$ 2,066,216 | \$ 12,478,006 |
| Licenses and permits | 155,694 | - | - | - | 48,432 | 204,126 |
| Intergovernmental | 5,240,766 | 1,028,975 | 19,747 | 12,894 | 1,927,843 | 8,230,225 |
| Charges for services | 203,685 | 10,956 | - | - | 579,233 | 793,874 |
| Fines and forfeits | 168,430 | - | - | - | 255,136 | 423,566 |
| Other | 939,454 | 4,959 | - | - | 51,301 | 995,714 |
| Total receipts | 14,467,265 | 1,329,104 | 2,074,655 | 326,326 | 4,928,161 | 23,125,511 |
| Disbursements: | | | | | | |
| General government | 5,344,743 | - | - | - | 1,219,441 | 6,564,184 |
| Public safety | 7,025,181 | - | - | - | 208,355 | 7,233,536 |
| Highways and streets | - | 967,637 | - | - | 141,703 | 1,109,340 |
| Economic development | - | - | 820,116 | - | - | 820,116 |
| Culture and recreation | - | - | - | - | 2,282,033 | 2,282,033 |
| Debt service: | | | | | | |
| Principal | - | - | - | - | 215,000 | 215,000 |
| Interest | - | - | - | - | 379,287 | 379,287 |
| Capital outlay: | | | | | | |
| General government | 139,360 | - | - | 60,018 | 48,317 | 247,695 |
| Public safety | 472,719 | - | - | - | 13,581 | 486,300 |
| Highways and streets | - | 177,081 | - | - | 449,002 | 626,083 |
| Economic development | - | - | - | - | 148,571 | 148,571 |
| Culture and recreation | - | - | - | - | 116,044 | 116,044 |
| Total disbursements | 12,982,003 | 1,144,718 | 820,116 | 60,018 | 5,221,334 | 20,228,189 |
| Excess (deficiency) of receipts over disbursements | 1,485,262 | 184,386 | 1,254,539 | 266,308 | (293,173) | 2,897,322 |
| Other financing sources (uses): | | | | | | |
| Transfers in | - | - | 653,954 | - | 850,474 | 1,504,428 |
| Transfers out | (136,264) | - | - | - | (1,368,164) | (1,504,428) |
| Other receipts | 440,097 | 1,209 | - | - | 21,239 | 462,545 |
| Total other financing sources (uses) | 303,833 | 1,209 | 653,954 | - | (496,451) | 462,545 |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | 1,789,095 | 185,595 | 1,908,493 | 266,308 | (789,624) | 3,359,867 |
| Cash and investment fund balance - beginning | 6,783,929 | 1,760,830 | 8,208,110 | 2,566,801 | 4,954,553 | 24,274,223 |
| Cash and investment fund balance - ending | \$ 8,573,024 | \$ 1,946,425 | \$ 10,116,603 | \$ 2,833,109 | \$ 4,164,929 | 27,634,090 |
| Amounts reported for governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis are different because: | | | | | | |
| Internal services funds are used by management to charge the costs of certain services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis. | | | | | | |
| | | | | | | 1,981,134 |
| Net assets of governmental activities | | | | | | \$ 29,615,224 |
| Cash and Investment Assets - Ending | | | | | | |
| Cash and investments | \$ 8,573,024 | \$ 1,946,425 | \$ - | \$ - | \$ 727,592 | \$ 11,247,041 |
| Restricted assets: | | | | | | |
| Cash and investments | - | - | 10,116,603 | 2,833,109 | 3,437,337 | 16,387,049 |
| Total cash and investment assets - ending | \$ 8,573,024 | \$ 1,946,425 | \$ 10,116,603 | \$ 2,833,109 | \$ 4,164,929 | \$ 27,634,090 |
| Cash and Investment Fund Balance - Ending | | | | | | |
| Restricted for: | | | | | | |
| General government | \$ - | \$ - | \$ - | \$ - | \$ 40,464 | \$ 40,464 |
| Public safety | - | - | - | - | 472,936 | 472,936 |
| Highways and streets | - | - | - | - | 515,184 | 515,184 |
| Economic development | - | - | - | - | 22,150 | 22,150 |
| Culture and recreation | - | - | - | - | 1,148,604 | 1,148,604 |
| Debt service | - | - | 10,116,603 | - | 849,059 | 10,965,662 |
| Capital outlay | - | - | - | 2,833,109 | 388,940 | 3,222,049 |
| Unrestricted | 8,573,024 | 1,946,425 | - | - | 727,592 | 11,247,041 |
| Total cash and investment fund balance - ending | \$ 8,573,024 | \$ 1,946,425 | \$ 10,116,603 | \$ 2,833,109 | \$ 4,164,929 | \$ 27,634,090 |

The notes to the financial statements are an integral part of this statement.

CITY OF FRANKLIN
STATEMENT OF ASSETS AND FUND BALANCES AND
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
PROPRIETARY FUNDS
As Of And For The Year Ended December 31, 2008

| | Wastewater Utility | Internal Service Fund |
|---|-----------------------|-----------------------------|
| Operating receipts: | | |
| Metered/measured | \$ 3,229,713 | \$ - |
| Miscellaneous | <u>276,530</u> | <u>1,937,813</u> |
| Total operating receipts | <u>3,506,243</u> | <u>1,937,813</u> |
| Operating disbursements: | | |
| Salaries and wages | 603,969 | - |
| Employee pensions and benefits | 207,235 | - |
| Material and supplies | 354,934 | - |
| Contractual services | 655,901 | - |
| Insurance claims and expense | - | 1,553,890 |
| Equipment and capital improvements | 9,650 | - |
| Miscellaneous | <u>9,372</u> | <u>-</u> |
| Total operating disbursements | <u>1,841,061</u> | <u>1,553,890</u> |
| Excess (deficiency) of operating receipts over operating disbursements | <u>1,665,182</u> | <u>383,923</u> |
| Nonoperating receipts (disbursements): | | |
| Investment income | 229,421 | - |
| Debt service of principal | (845,000) | - |
| Interest disbursements | <u>(371,012)</u> | <u>-</u> |
| Total nonoperating receipts (disbursements) | <u>(986,591)</u> | <u>-</u> |
| Excess (deficiency) of receipts over disbursements and nonoperating receipts (disbursements) | 678,591 | 383,923 |
| Transfers in | 3,001,121 | - |
| Transfers out | <u>(3,001,121)</u> | <u>-</u> |
| Excess (deficiency) of receipts, contributions and transfers in over disbursements and transfers out | 678,591 | 383,923 |
| Cash and investment fund balance - beginning | <u>8,411,263</u> | <u>1,597,211</u> |
| Cash and investment fund balance - ending | <u>\$ 9,089,854</u> | <u>\$ 1,981,134</u> |
| <u>Cash and Investment Assets - December 31</u> | | |
| Cash and investments | \$ 5,678,074 | \$ - |
| Restricted assets: | | |
| Cash and investments | <u>3,411,780</u> | <u>1,981,134</u> |
| Total cash and investment assets - December 31 | <u>\$ 9,089,854</u> | <u>\$ 1,981,134</u> |
| <u>Cash and Investment Fund Balance - December 31</u> | | |
| Restricted for: | | |
| Debt service | \$ 2,385,582 | \$ - |
| Other purposes | 1,026,198 | 1,981,134 |
| Unrestricted | <u>5,678,074</u> | <u>-</u> |
| Total cash and investment fund balance - December 31 | <u>\$ 9,089,854</u> | <u>\$ 1,981,134</u> |

The notes to the financial statements are an integral part of this statement.

CITY OF FRANKLIN
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For The Year Ended December 31, 2008

| | <u>Pension Trust Funds</u> | <u>Agency Funds</u> |
|--|--------------------------------|-------------------------|
| Additions: | | |
| Contributions: | | |
| Employer | \$ 23,980 | |
| State | <u>360,765</u> | |
| Total contributions | <u>384,745</u> | |
| Investment earnings: | | |
| Interest | <u>37,727</u> | |
| Total investment earnings | <u>37,727</u> | |
| Total additions | <u>422,472</u> | |
| Deductions: | | |
| Benefits | 972,799 | |
| Administrative and general | <u>458</u> | |
| Total deductions | <u>973,257</u> | |
| Deficiency of total additions over total deductions | (550,785) | |
| Cash and investment fund balance - beginning | <u>1,842,252</u> | |
| Cash and investment fund balance - ending | <u>\$ 1,291,467</u> | <u>\$ 1,058,708</u> |

The notes to the financial statements are an integral part of this statement.

CITY OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

The City was established under the laws of the State of Indiana. The City operates under a Council-Mayor Town Council form of government and provides the following services: public safety (police and fire), highways and streets, culture and recreation, public improvements, planning and zoning, general administrative services, wastewater, and urban redevelopment.

The City's financial reporting entity is composed of the following:

Primary Government: City of Franklin
Blended Component Unit: Franklin Redevelopment Authority

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

Jointly Governed Organization

The City has created the Franklin Redevelopment Authority. The City operates the Franklin Redevelopment Authority and maintains the accounting records.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

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

The motor vehicle highway fund is used for the construction, reconstruction, repair and maintenance of the City's highways, roads and streets.

CITY OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
(Continued)

The tax increment financing control fund accounts for all financial resources of the tax increment financing districts.

The cumulative capital development fund is used for capital construction or improvement of any property owned by the City of Franklin including, but not limited to, streets, thoroughfares and sewers and retirement of general obligation bonds of Franklin issued, and the proceeds used, for the purpose of constructing capital improvements.

The City reports the following major proprietary funds:

The wastewater utility fund accounts for the operation of the wastewater treatment plant, pumping stations, and collection systems.

Additionally, the City reports the following fund types:

The internal service fund, group insurance fund, accounts for the group health insurance funds.

The pension trust funds account for the activities of the 1925 police pension and the 1937 fire pension, which accumulate resources for pension benefit payments.

Agency funds account for assets held by the City as an agent for the state and county court fees, employee pension withholdings, insurance trust, the cemetery, and fire medic service.

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, proprietary fund, and fiduciary fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The cash and investment basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash rather than when earned and disbursements are recognized when paid rather than when a liability is incurred. Investment transactions are not presented on the financial statements.

If the City utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the enterprise fund statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

CITY OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
(Continued)

Enterprise funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating receipts of the enterprise funds are charges to customers for sales and services. Operating disbursements for enterprise funds include the cost of sales and services and administrative costs. All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements. Internal service funds are used to account for activities provided to other departments or agencies primarily with the government.

D. Assets and Cash and Investment Balances

1. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as interest receipts in the year of the sale of the investment.

2. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the City in June and in December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed on or prior to December 31 of the year collected.

3. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental or proprietary fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

4. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental and proprietary funds is not reported as liabilities in the basic financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

5. Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.

CITY OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
(Continued)

- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

It is the City's policy to first use restricted net assets prior to the use of unrestricted net assets when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

E. Receipts and Disbursements

1. Program Receipts

Amounts reported as program receipts 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 receipts rather than as program receipts. Likewise, general receipts include all taxes.

2. Operating Receipts and Disbursements

Operating receipts and disbursements for proprietary funds and the similar discretely presented component unit result from providing services and producing and delivering goods and/or services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

F. Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Activities and Net Assets – Cash and Investment Basis, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

- 1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
- 2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are not reported as reimbursements but as adjustments to disbursements in the respective funds.
- 3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

Government-Wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

CITY OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
(Continued)

Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis.

II. Stewardship, Compliance and Accountability

Budgetary Information

Annual budgets are adopted on the cash basis, which is not consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at calendar year end.

Prior to the first required publication, the fiscal officer of the City submits to the governing board a proposed operating budget for the year commencing the following January 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. In September of each year, the governing board, through the passage of a resolution/ordinance, approves the budget for the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the City receives approval of the Indiana Department of Local Government Finance.

The City's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the governing board. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General Fund. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

III. Detailed Notes on All Funds

A. Deposits and Investments

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The City does not have a deposit policy for custodial credit risk. At December 31, 2008, the City had deposit balances in the amount of \$41,032,144.

The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

CITY OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Interfund Transfers

Interfund transfers for the year ended December 31, 2008, were as follows:

| Transfer From | Transfer To | 2008 |
|--------------------------|--------------------------|------------------|
| General Fund | Other governmental funds | \$ 136,264 |
| Other governmental funds | T.I.F. Control | 653,954 |
| Other governmental funds | Other governmental funds | 714,210 |
| Total | | \$ 1,504,428 |

The City typically uses transfers for cash flow purposes as provided by various statutory provisions.

IV. Other Information

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents (excluding postemployment benefits); and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

Medical Benefits to Employees, Retirees, and Dependents

The City has chosen to establish a risk financing fund for risks associated with medical and dental benefits. The risk financing fund is accounted for in the Self-Insurance Fund, an internal service fund, where assets are set aside for claim settlements. An excess policy through commercial insurance covers individual claims in excess of \$85,000 per year. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years. Amounts are paid into the fund by all funds with payrolls and are available to pay claims, claim reserves, and administrative costs of the program. Interfund premiums are based upon an overall premium percentage which is applied to each fund's gross wages, and are reported as quasi-external interfund transactions.

B. Subsequent Events

Beginning in 2009, the State Pension Relief Fund shall pay to each unit of local government with Pre-1977 Local Police and Fire Fighter Pension obligations, the total amount of pension, disability, and survivor benefit payments. The Pre-1977 funds include the 1925 Police Pension Fund, the 1937 Firefighters' Fund, and the 1953 Police Pension Fund. For property taxes due and payable after December 31, 2008, the Department of Local Government Finance shall reduce the maximum permissible property tax levy of any civil taxing unit and special service district by the amount of the payment to be made in 2009 by the State for the obligations.

CITY OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Rate Structure – Enterprise Funds

Wastewater Utility

The current rate structure was approved by the City Council on January 26, 2004.

D. Pension Plans

1. Agent Multiple-Employer and Single-Employer Defined Benefit Pension Plans

a. Public Employees' Retirement Fund

Plan Description

The City contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in the defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system and give the City authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. The report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The City's annual pension cost and related information, as provided by the actuary, is presented in this note.

b. 1925 Police Officers' Pension Plan

Plan Description

The City contributes to the 1925 Police Officers' Pension Plan, which is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-6). The plan provides retirement, disability, and

CITY OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
(Continued)

death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for the 1925 Police Officers' Pension Plan are established by state statute. The City's annual pension cost and related information as provided by the actuary, is presented in this note.

The use of the pay-as-you-go actuarial cost method by the City results in significant underfunding of the plan. Therefore, the Net Pension Obligation (NPO) is not reflected in the financial statements of the pension trust funds.

c. 1937 Firefighters' Pension Plan

Plan Description

The City contributes to the 1937 Firefighters' Pension Plan, which is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-7). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for the 1937 Firefighters' Pension Plan are established by state statute. The City's annual pension cost and related information, as provided by the actuary, is presented in this note.

The use of the pay-as-you-go actuarial cost method by the City results in significant underfunding of the plan. Therefore, the Net Pension Obligation (NPO) is not reflected in the financial statements of the pension trust funds.

CITY OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
(Continued)

Actuarial Information for the Above Plans

| | PERF | 1925 Police Officers' Pension | 1937 Firefighters' Pension |
|---|-------------|-------------------------------------|----------------------------------|
| Annual required contribution | \$ 214,300 | \$ 336,200 | \$ 500,900 |
| Interest on net pension obligation | (6,018) | 32,000 | 94,000 |
| Adjustment to annual required contribution | 6,858 | (40,400) | (118,600) |
| Annual pension cost | 215,140 | 327,800 | 476,300 |
| Contributions made | 207,451 | 143,315 | 241,431 |
| Increase (decrease) in net pension obligation | 7,689 | 184,485 | 234,869 |
| Net pension obligation, beginning of year | (83,006) | 534,007 | 1,567,347 |
| Net pension obligation, end of year | \$ (75,317) | \$ 718,492 | \$ 1,802,216 |

| | PERF | 1925 Police Officers' Pension | 1937 Firefighters' Pension |
|---------------------------------|---|--|--|
| Contribution rates: | | | |
| City | 7.5% | 649% | 322% |
| Plan members | 3% | 6% | 6% |
| Actuarial valuation date | 07-01-08 | 01-01-08 | 01-01-08 |
| Actuarial cost method | Entry age | Entry age | Entry age |
| Amortization method | Level percentage of projected payroll, closed | Level percentage of projected payroll, closed | Level percentage of projected payroll, closed |
| Amortization period | 30 years | 30 years | 30 years |
| Amortization period (from date) | 07-01-97 | 01-01-05 | 01-01-05 |
| Asset valuation method | 75% of expected actuarial value plus 25% of market value | 4 year phase in of unrealized and realized capital | 4 year phase in of unrealized and realized capital |

| Actuarial Assumptions | PERF | 1925 Police Officers' Pension | 1937 Firefighters' Pension |
|------------------------------------|-------|-------------------------------------|----------------------------------|
| Investment rate of return | 7.25% | 6% | 6% |
| Projected future salary increases: | | | |
| Total | 5% | 4% | 4% |
| Attributed to inflation | 4% | 4% | 4% |
| Attributed to merit/seniority | 1% | 0% | 0% |
| Cost-of-living adjustments | 2% | 2.75/4%* | 2.75/4%* |

*2.75% converted members; 4% nonconverted members

CITY OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
(Continued)

Three Year Trend Information

| | Year Ending | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation |
|---------------------------------------|----------------|---------------------------------|-------------------------------------|------------------------------|
| PERF | 06-30-06 | \$ 216,958 | 81% | \$ (97,508) |
| | 06-30-07 | 203,588 | 93% | (83,006) |
| | 06-30-08 | 215,140 | 96% | (75,317) |
| 1925 Police Officers' Pension Plan | 12-31-06 | 302,800 | 62% | 513,028 |
| | 12-31-07 | 312,200 | 91% | 534,007 |
| | 12-31-08 | 315,100 | 43% | 718,492 |
| 1937 Firefighters' Pension Plan | 12-31-06 | 485,300 | 58% | 1,640,893 |
| | 12-31-07 | 461,700 | 110% | 1,567,347 |
| | 12-31-08 | 457,300 | 48% | 1,802,216 |

Membership in the 1925 Police Officers' Pension Plan and the 1937 Firefighters' Pension Plan at January 1, 2008, was comprised of the following:

| | 1925 Police Officers' Pension | 1937 Firefighters' Pension |
|--|-------------------------------------|----------------------------------|
| Retirees and beneficiaries currently receiving benefits | 9 | 19 |
| Current active employees | 1 | 3 |

2. Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

The City contributes to the 1977 Police Officers' and Firefighters' Pension and Disability Fund, a cost-sharing multiple-employer defined benefit pension plan administered by the Indiana Public Employees' Retirement Plan (PERF) for all police officers and firefighters hired after April 30, 1977.

State statute (IC 36-8-8) regulates the operations of the system, including benefits, vesting and requirements for contributions by employers and by employees. Covered employees may retire at age 55 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 55. The plan also provides for death and disability benefits.

PERF issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

CITY OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
(Continued)

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Costs

Plan members are required to contribute 6% of the first-class police officers' and firefighters' salary and the City is to contribute at an actuarially determined rate. The current rate, which has not changed since the inception of the plan, is 21% of the first-class police officers' and firefighters' salary. The contribution requirements of plan members and the City are established by the Board of Trustees of PERF. The City's contributions to the plan for the years ending December 31, 2008, 2007, and 2006, were \$925,533, \$861,459, and \$792,739, respectively, equal to the required contributions for each year.

CITY OF FRANKLIN
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF FUNDING PROGRESS

Public Employees' Retirement Fund

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Excess of Assets Over (Unfunded) AAL (a-b) | Funded Ratio (a/b) | Covered Payroll (c) | Excess (Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/c) |
|--------------------------|-------------------------------|---------------------------------------|--|--------------------|---------------------|--|
| 07-01-06 | \$ 2,542,563 | \$ 3,233,649 | \$ (691,086) | 79% | \$ 2,686,247 | (26%) |
| 07-01-07 | 2,970,136 | 3,607,430 | (637,294) | 82% | 2,871,728 | (22%) |
| 07-01-08 | 2,878,564 | 3,387,486 | (508,922) | 85% | 2,679,512 | (19%) |

1925 Police Pension Plan

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Excess of Assets Over (Unfunded) AAL (a-b) | Funded Ratio (a/b) | Covered Payroll (c) | Excess (Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/c) |
|--------------------------|-------------------------------|---------------------------------------|--|--------------------|---------------------|--|
| 01-01-03 | \$ 853,228 | \$ 3,564,000 | \$ (2,710,772) | 24% | \$ 179,500 | (1,510%) |
| 01-01-04 | 848,598 | 3,732,700 | (2,884,102) | 23% | 47,300 | (6,097%) |
| 01-01-05 | 915,435 | 3,811,000 | (2,895,565) | 24% | 48,200 | (6,007%) |
| 01-01-06 | 868,606 | 4,218,600 | (3,349,994) | 21% | 49,700 | (6,740%) |
| 01-01-07 | 844,598 | 4,353,800 | (3,509,202) | 19% | 50,300 | (6,977%) |
| 01-01-08 | 951,039 | 4,363,800 | (3,412,761) | 22% | 51,800 | (6,588%) |

1937 Firefighters Pension Plan

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Excess of Assets Over (Unfunded) AAL (a-b) | Funded Ratio (a/b) | Covered Payroll (c) | Excess (Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/c) |
|--------------------------|-------------------------------|---------------------------------------|--|--------------------|---------------------|--|
| 01-01-03 | \$ 983,213 | \$ 7,787,900 | \$ (6,804,687) | 13% | \$ 538,400 | (1,264%) |
| 01-01-04 | 949,554 | 7,965,500 | (7,015,946) | 12% | 283,600 | (2,474%) |
| 01-01-05 | 962,313 | 6,884,200 | (5,921,887) | 14% | 192,900 | (3,070%) |
| 01-01-06 | 836,154 | 6,608,800 | (5,772,646) | 13% | 149,000 | (3,874%) |
| 01-01-07 | 737,924 | 6,286,200 | (5,548,276) | 12% | 150,800 | (3,679%) |
| 01-01-08 | 891,213 | 6,210,000 | (5,318,787) | 14% | 155,400 | (3,423%) |

CITY OF FRANKLIN
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULES OF CONTRIBUTIONS FROM THE
 EMPLOYER AND OTHER CONTRIBUTING ENTITIES

| | Year Ending | Annual Required Contribution (ARC) | Percentage of ARC Contributed | | City | State |
|---------------------------------------|----------------|---|----------------------------------|-------|------------|------------|
| | | | City | State | | |
| 1925 Police Officers' Pension Plan | 12-31-03 | \$ 416,800 | 26% | 32% | \$ 109,014 | \$ 132,548 |
| | 12-31-04 | 438,400 | 28% | 40% | 121,833 | 173,424 |
| | 12-31-05 | 281,600 | 11% | 56% | 30,639 | 158,962 |
| | 12-31-06 | 314,400 | 9% | 52% | 29,610 | 163,942 |
| | 12-31-07 | 328,600 | 28% | 63% | 91,535 | 208,586 |
| | 12-31-08 | 336,200 | 2% | 40% | 7,452 | 135,863 |
| 1937 Firefighters' Pension Plan | 12-31-03 | 908,100 | 13% | 19% | 120,905 | 175,293 |
| | 12-31-04 | 975,500 | 13% | 25% | 127,336 | 243,099 |
| | 12-31-05 | 541,300 | 6% | 44% | 32,995 | 235,601 |
| | 12-31-06 | 513,600 | 6% | 52% | 29,610 | 267,268 |
| | 12-31-07 | 498,700 | 44% | 66% | 219,760 | 328,586 |
| | 12-31-08 | 500,900 | 3% | 45% | 16,528 | 224,903 |

CITY OF FRANKLIN
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2008

| | Local Road & Street | Athletic & Recreation | Donation | Abandoned Vehicle | Grants/Police | CDBG Dwntwn Rvltztn Grant |
|--|------------------------------|-----------------------------|------------------|----------------------|------------------|------------------------------------|
| Receipts: | | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Licenses and permits | - | - | - | - | - | - |
| Intergovernmental | 270,943 | - | - | - | 33,636 | 10,000 |
| Charges for services | - | 480,525 | - | - | - | - |
| Fines and forfeits | - | - | - | - | - | - |
| Other | 4,546 | - | 2,164 | - | - | - |
| Total receipts | 275,489 | 480,525 | 2,164 | - | 33,636 | 10,000 |
| Disbursements: | | | | | | |
| General government | - | - | 5,079 | - | - | - |
| Public safety | - | - | - | - | 11,125 | - |
| Highways and streets | 137,758 | - | - | - | - | - |
| Culture and recreation | - | 789,492 | - | - | - | - |
| Debt service: | | | | | | |
| Principal | - | - | - | - | - | - |
| Interest | - | - | - | - | - | - |
| Capital outlay: | | | | | | |
| General government | - | - | - | - | - | - |
| Public safety | - | - | - | - | 13,581 | - |
| Highways and streets | 449,002 | - | - | - | - | - |
| Economic development | - | - | - | - | - | - |
| Culture and recreation | - | - | - | - | - | - |
| Urban redevelopment and housing | - | - | - | - | - | - |
| Total disbursements | 586,760 | 789,492 | 5,079 | - | 24,706 | - |
| Excess (deficiency) of receipts over disbursements | (311,271) | (308,967) | (2,915) | - | 8,930 | 10,000 |
| Other financing sources (uses): | | | | | | |
| Transfers in | - | - | - | - | - | - |
| Transfers out | - | - | - | - | - | - |
| Other receipts | - | - | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - | - | - |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | (311,271) | (308,967) | (2,915) | - | 8,930 | 10,000 |
| Cash and investment fund balance - beginning | 826,455 | 619,854 | 19,392 | 530 | 14,906 | - |
| Cash and investment fund balance - ending | \$ 515,184 | \$ 310,887 | \$ 16,477 | \$ 530 | \$ 23,836 | \$ 10,000 |
| <u>Cash and Investment Assets - Ending</u> | | | | | | |
| Cash and investments | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Restricted assets: | | | | | | |
| Cash and investments | 515,184 | 310,887 | 16,477 | 530 | 23,836 | 10,000 |
| Total cash and investment assets - ending | \$ 515,184 | \$ 310,887 | \$ 16,477 | \$ 530 | \$ 23,836 | \$ 10,000 |
| <u>Cash and Investment Fund Balance - Ending</u> | | | | | | |
| Restricted for: | | | | | | |
| General government | \$ - | \$ - | \$ 16,477 | \$ - | \$ 23,836 | \$ - |
| Public safety | - | - | - | 530 | - | - |
| Highways and streets | 515,184 | - | - | - | - | - |
| Culture and recreation | - | 310,887 | - | - | - | - |
| Debt service | - | - | - | - | - | - |
| Capital outlay | - | - | - | - | - | - |
| Unrestricted | - | - | - | - | - | - |
| Total cash and investment fund balance - ending | \$ 515,184 | \$ 310,887 | \$ 16,477 | \$ 530 | \$ 23,836 | \$ 10,000 |

CITY OF FRANKLIN
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2008
 (Continued)

| | Local Law Enf Cont Ed | User Fees Control (Court) | Build Ind Branigin Way | PSAP Enhanced 911 | Record Perpetuation | Park & Recreation |
|--|-----------------------------------|------------------------------------|---------------------------------|-------------------------|------------------------|-------------------------|
| Receipts: | | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,081,074 |
| Licenses and permits | 10,160 | - | - | - | - | - |
| Intergovernmental | - | - | - | - | - | 44,328 |
| Charges for services | 6,314 | - | - | - | - | 92,394 |
| Fines and forfeits | - | 244,828 | - | - | 10,308 | - |
| Other | 8,760 | - | - | - | - | 3,850 |
| Total receipts | 25,234 | 244,828 | - | - | 10,308 | 1,221,646 |
| Disbursements: | | | | | | |
| General government | - | - | 82,450 | - | - | - |
| Public safety | 19,693 | 46,031 | - | 79,815 | 14,958 | - |
| Highways and streets | - | - | - | - | - | - |
| Culture and recreation | - | - | - | - | - | 1,156,323 |
| Debt service: | | | | | | |
| Principal | - | - | - | - | - | - |
| Interest | - | - | - | - | - | - |
| Capital outlay: | | | | | | |
| General government | - | - | - | - | - | - |
| Public safety | - | - | - | - | - | - |
| Highways and streets | - | - | - | - | - | - |
| Economic development | - | - | - | - | - | - |
| Culture and recreation | - | - | - | - | - | 97,344 |
| Urban redevelopment and housing | - | - | - | - | - | - |
| Total disbursements | 19,693 | 46,031 | 82,450 | 79,815 | 14,958 | 1,253,667 |
| Excess (deficiency) of receipts over disbursements | 5,541 | 198,797 | (82,450) | (79,815) | (4,650) | (32,021) |
| Other financing sources (uses): | | | | | | |
| Transfers in | - | - | - | 107,259 | - | - |
| Transfers out | - | - | - | - | - | - |
| Other receipts | - | - | - | - | - | - |
| Total other financing sources (uses) | - | - | - | 107,259 | - | - |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | 5,541 | 198,797 | (82,450) | 27,444 | (4,650) | (32,021) |
| Cash and investment fund balance - beginning | 71,129 | 54,536 | 82,450 | - | 43,365 | 794,190 |
| Cash and investment fund balance - ending | \$ 76,670 | \$ 253,333 | \$ - | \$ 27,444 | \$ 38,715 | \$ 762,169 |
| <u>Cash and Investment Assets - Ending</u> | | | | | | |
| Cash and investments | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Restricted assets: | | | | | | |
| Cash and investments | 76,670 | 253,333 | - | 27,444 | 38,715 | 762,169 |
| Total cash and investment assets - ending | \$ 76,670 | \$ 253,333 | \$ - | \$ 27,444 | \$ 38,715 | \$ 762,169 |
| <u>Cash and Investment Fund Balance - Ending</u> | | | | | | |
| Restricted for: | | | | | | |
| General government | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Public safety | 76,670 | 253,333 | - | 27,444 | 38,715 | - |
| Highways and streets | - | - | - | - | - | - |
| Culture and recreation | - | - | - | - | - | 762,169 |
| Debt service | - | - | - | - | - | - |
| Capital outlay | - | - | - | - | - | - |
| Unrestricted | - | - | - | - | - | - |
| Total cash and investment fund balance - ending | \$ 76,670 | \$ 253,333 | \$ - | \$ 27,444 | \$ 38,715 | \$ 762,169 |

CITY OF FRANKLIN
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2008
 (Continued)

| | Fire - Public Education | Donation/Park & Rec | Devlpr's Share Mun Imprv | Paris Estates Control | Rainy Day | Grants/Park |
|--|----------------------------|---------------------------|-----------------------------------|-----------------------------|-------------------|-----------------|
| Receipts: | | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Licenses and permits | - | - | - | - | - | - |
| Intergovernmental | - | - | - | - | 1,425,385 | - |
| Charges for services | - | - | - | - | - | - |
| Fines and forfeits | - | - | - | - | - | - |
| Other | - | 11,099 | - | - | 14,406 | 6,476 |
| Total receipts | - | 11,099 | - | - | 1,439,791 | 6,476 |
| Disbursements: | | | | | | |
| General government | - | - | - | - | 1,053,579 | - |
| Public safety | - | - | - | - | - | - |
| Highways and streets | - | - | - | - | - | - |
| Culture and recreation | - | 24,847 | - | - | - | 5,581 |
| Debt service: | | | | | | |
| Principal | - | - | - | - | - | - |
| Interest | - | - | - | - | - | - |
| Capital outlay: | | | | | | |
| General government | - | - | - | - | 48,317 | - |
| Public safety | - | - | - | - | - | - |
| Highways and streets | - | - | - | - | - | - |
| Economic development | - | - | - | - | - | - |
| Culture and recreation | - | - | - | - | - | - |
| Urban redevelopment and housing | - | - | - | - | - | - |
| Total disbursements | - | 24,847 | - | - | 1,101,896 | 5,581 |
| Excess (deficiency) of receipts over disbursements | - | (13,748) | - | - | 337,895 | 895 |
| Other financing sources (uses): | | | | | | |
| Transfers in | - | - | - | - | 23,109 | - |
| Transfers out | - | - | - | - | - | - |
| Other receipts | - | - | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - | 23,109 | - |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | - | (13,748) | - | - | 361,004 | 895 |
| Cash and investment fund balance - beginning | 751 | 81,945 | 10,150 | 2,000 | 366,588 | 6,456 |
| Cash and investment fund balance - ending | \$ 751 | \$ 68,197 | \$ 10,150 | \$ 2,000 | \$ 727,592 | \$ 7,351 |
| <u>Cash and Investment Assets - Ending</u> | | | | | | |
| Cash and investments | \$ - | \$ - | \$ - | \$ - | \$ 727,592 | \$ - |
| Restricted assets: | | | | | | |
| Cash and investments | 751 | 68,197 | 10,150 | 2,000 | - | 7,351 |
| Total cash and investment assets - ending | \$ 751 | \$ 68,197 | \$ 10,150 | \$ 2,000 | \$ 727,592 | \$ 7,351 |
| <u>Cash and Investment Fund Balance - Ending</u> | | | | | | |
| Restricted for: | | | | | | |
| General government | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Public safety | 751 | - | - | - | - | - |
| Highways and streets | - | - | - | - | - | - |
| Culture and recreation | - | 68,197 | - | - | - | 7,351 |
| Debt service | - | - | - | - | - | - |
| Capital outlay | - | - | - | - | - | - |
| Unrestricted | - | - | - | - | 727,592 | - |
| Total cash and investment fund balance - ending | \$ 751 | \$ 68,197 | \$ 10,150 | \$ 2,000 | \$ 727,592 | \$ 7,351 |

CITY OF FRANKLIN
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2008
 (Continued)

| | D.A.R.E. | Police Forfeiture | EPA Brownfield Grant - Asap | Municipal Bond - General | Park District Bond |
|---|-----------------|----------------------|-----------------------------------|-----------------------------|--------------------------|
| Receipts: | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ 219,579 | \$ 276,245 |
| Licenses and permits | - | - | - | - | - |
| Intergovernmental | - | - | 60,035 | 8,946 | 11,276 |
| Charges for services | - | - | - | - | - |
| Fines and forfeits | - | - | - | - | - |
| Other | - | - | - | - | - |
| Total receipts | - | - | 60,035 | 228,525 | 287,521 |
| Disbursements: | | | | | |
| General government | - | - | 76,083 | - | - |
| Public safety | 3,197 | 33,536 | - | - | - |
| Highways and streets | - | - | - | - | - |
| Culture and recreation | - | - | - | - | 305,790 |
| Debt service: | | | | | |
| Principal | - | - | - | - | - |
| Interest | - | - | - | 243,250 | - |
| Capital outlay: | | | | | |
| General government | - | - | - | - | - |
| Public safety | - | - | - | - | - |
| Highways and streets | - | - | - | - | - |
| Economic development | - | - | - | - | - |
| Culture and recreation | - | - | - | - | - |
| Urban redevelopment and housing | - | - | - | - | - |
| Total disbursements | 3,197 | 33,536 | 76,083 | 243,250 | 305,790 |
| Excess (deficiency) of receipts over disbursements | (3,197) | (33,536) | (16,048) | (14,725) | (18,269) |
| Other financing sources (uses): | | | | | |
| Transfers in | - | 1,705 | - | - | - |
| Transfers out | - | - | - | - | - |
| Other receipts | - | - | - | - | - |
| Total other financing sources (uses) | - | 1,705 | - | - | - |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | (3,197) | (31,831) | (16,048) | (14,725) | (18,269) |
| Cash and investment fund balance - beginning | 12,455 | 98,066 | 16,199 | 26,951 | 29,566 |
| Cash and investment fund balance - ending | <u>\$ 9,258</u> | <u>\$ 66,235</u> | <u>\$ 151</u> | <u>\$ 12,226</u> | <u>\$ 11,297</u> |
| <u>Cash and Investment Assets - Ending</u> | | | | | |
| Cash and investments | \$ - | \$ - | \$ - | \$ - | \$ - |
| Restricted assets: | | | | | |
| Cash and investments | 9,258 | 66,235 | 151 | 12,226 | 11,297 |
| Total cash and investment assets - ending | <u>\$ 9,258</u> | <u>\$ 66,235</u> | <u>\$ 151</u> | <u>\$ 12,226</u> | <u>\$ 11,297</u> |
| <u>Cash and Investment Fund Balance - Ending</u> | | | | | |
| Restricted for: | | | | | |
| General government | \$ - | \$ - | \$ 151 | \$ - | \$ - |
| Public safety | 9,258 | 66,235 | - | - | - |
| Highways and streets | - | - | - | - | - |
| Culture and recreation | - | - | - | - | - |
| Debt service | - | - | - | 12,226 | 11,297 |
| Capital outlay | - | - | - | - | - |
| Unrestricted | - | - | - | - | - |
| Total cash and investment fund balance - ending | <u>\$ 9,258</u> | <u>\$ 66,235</u> | <u>\$ 151</u> | <u>\$ 12,226</u> | <u>\$ 11,297</u> |

CITY OF FRANKLIN
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2008
 (Continued)

| | Cum Cap Imp - Cig Tax | Park Non Reverting Capital | Sidewalk/Repair Replacmnt | Prk/Rec Infrstructure Imp | Redevelopment Authority Allocation Fund |
|---|-----------------------------------|-------------------------------------|------------------------------|---------------------------------|--|
| Receipts: | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | \$ 489,318 |
| Licenses and permits | - | - | - | 38,272 | - |
| Intergovernmental | 63,294 | - | - | - | - |
| Charges for services | - | - | - | - | - |
| Fines and forfeits | - | - | - | - | - |
| Other | - | - | - | - | - |
| Total receipts | <u>63,294</u> | <u>-</u> | <u>-</u> | <u>38,272</u> | <u>489,318</u> |
| Disbursements: | | | | | |
| General government | - | - | - | - | - |
| Public safety | - | - | - | - | - |
| Highways and streets | - | - | 3,945 | - | - |
| Culture and recreation | - | - | - | - | - |
| Debt service: | | | | | |
| Principal | - | - | - | - | - |
| Interest | - | - | - | - | - |
| Capital outlay: | | | | | |
| General government | - | - | - | - | - |
| Public safety | - | - | - | - | - |
| Highways and streets | - | - | - | - | - |
| Economic development | 148,571 | - | - | - | - |
| Culture and recreation | - | 18,700 | - | - | - |
| Urban redevelopment and housing | - | - | - | - | - |
| Total disbursements | <u>148,571</u> | <u>18,700</u> | <u>3,945</u> | <u>-</u> | <u>-</u> |
| Excess (deficiency) of receipts over disbursements | <u>(85,277)</u> | <u>(18,700)</u> | <u>(3,945)</u> | <u>38,272</u> | <u>489,318</u> |
| Other financing sources (uses): | | | | | |
| Transfers in | - | - | - | 4,193 | - |
| Transfers out | - | - | - | - | (1,354,956) |
| Other receipts | - | - | 3,900 | - | 6,708 |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>3,900</u> | <u>4,193</u> | <u>(1,348,248)</u> |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | <u>(85,277)</u> | <u>(18,700)</u> | <u>(45)</u> | <u>42,465</u> | <u>(858,930)</u> |
| Cash and investment fund balance - beginning | <u>221,483</u> | <u>38,575</u> | <u>350</u> | <u>187,984</u> | <u>861,035</u> |
| Cash and investment fund balance - ending | <u>\$ 136,206</u> | <u>\$ 19,875</u> | <u>\$ 305</u> | <u>\$ 230,449</u> | <u>\$ 2,105</u> |
| <u>Cash and Investment Assets - Ending</u> | | | | | |
| Cash and investments | \$ - | \$ - | \$ - | \$ - | \$ - |
| Restricted assets: | | | | | |
| Cash and investments | <u>136,206</u> | <u>19,875</u> | <u>305</u> | <u>230,449</u> | <u>2,105</u> |
| Total cash and investment assets - ending | <u>\$ 136,206</u> | <u>\$ 19,875</u> | <u>\$ 305</u> | <u>\$ 230,449</u> | <u>\$ 2,105</u> |
| <u>Cash and Investment Fund Balance - Ending</u> | | | | | |
| Restricted for: | | | | | |
| General government | \$ - | \$ - | \$ - | \$ - | \$ - |
| Public safety | - | - | - | - | - |
| Highways and streets | - | - | - | - | - |
| Culture and recreation | - | - | - | - | - |
| Debt service | - | - | - | - | - |
| Capital outlay | 136,206 | 19,875 | 305 | 230,449 | 2,105 |
| Unrestricted | - | - | - | - | - |
| Total cash and investment fund balance - ending | <u>\$ 136,206</u> | <u>\$ 19,875</u> | <u>\$ 305</u> | <u>\$ 230,449</u> | <u>\$ 2,105</u> |

CITY OF FRANKLIN
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2008
 (Continued)

| | Redevelopment Authority Debt Service Reserve | Redevelopment Authority Special Reserve | Redevelopment Authority Operation Reserve | Redevelopment Authority Sinking Fund | Totals |
|---|---|--|--|---|------------------|
| Receipts: | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | \$ 2,066,216 |
| Licenses and permits | - | - | - | - | 48,432 |
| Intergovernmental | - | - | - | - | 1,927,843 |
| Charges for services | - | - | - | - | 579,233 |
| Fines and forfeits | - | - | - | - | 255,136 |
| Other | - | - | - | - | 51,301 |
| Total receipts | - | - | - | - | 4,928,161 |
| Disbursements: | | | | | |
| General government | - | - | 2,250 | - | 1,219,441 |
| Public safety | - | - | - | - | 208,355 |
| Highways and streets | - | - | - | - | 141,703 |
| Culture and recreation | - | - | - | - | 2,282,033 |
| Debt service: | | | | | |
| Principal | - | - | - | 215,000 | 215,000 |
| Interest | - | - | - | 136,037 | 379,287 |
| Capital outlay: | | | | | |
| General government | - | - | - | - | 48,317 |
| Public safety | - | - | - | - | 13,581 |
| Highways and streets | - | - | - | - | 449,002 |
| Economic development | - | - | - | - | 148,571 |
| Culture and recreation | - | - | - | - | 116,044 |
| Urban redevelopment and housing | - | - | - | - | - |
| Total disbursements | - | - | 2,250 | 351,037 | 5,221,334 |
| Excess (deficiency) of receipts over disbursements | - | - | (2,250) | (351,037) | (293,173) |
| Other financing sources (uses): | | | | | |
| Transfers in | - | - | - | 714,208 | 850,474 |
| Transfers out | (10,661) | (2,547) | - | - | (1,368,164) |
| Other receipts | 5,566 | 745 | 577 | 3,743 | 21,239 |
| Total other financing sources (uses) | (5,095) | (1,802) | 577 | 717,951 | (496,451) |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | (5,095) | (1,802) | (1,673) | 366,914 | (789,624) |
| Cash and investment fund balance - beginning | 366,789 | 50,178 | 39,416 | 10,809 | 4,954,553 |
| Cash and investment fund balance - ending | \$ 361,694 | \$ 48,376 | \$ 37,743 | \$ 377,723 | \$ 4,164,929 |
| <u>Cash and Investment Assets - Ending</u> | | | | | |
| Cash and investments | \$ - | \$ - | \$ - | \$ - | \$ 727,592 |
| Restricted assets: | | | | | |
| Cash and investments | 361,694 | 48,376 | 37,743 | 377,723 | 3,437,337 |
| Total cash and investment assets - ending | \$ 361,694 | \$ 48,376 | \$ 37,743 | \$ 377,723 | \$ 4,164,929 |
| <u>Cash and Investment Fund Balance - Ending</u> | | | | | |
| Restricted for: | | | | | |
| General government | \$ - | \$ - | \$ - | \$ - | \$ 40,464 |
| Public safety | - | - | - | - | 472,936 |
| Highways and streets | - | - | - | - | 515,184 |
| Culture and recreation | - | - | - | - | 1,148,604 |
| Debt service | 361,694 | 48,376 | 37,743 | 377,723 | 849,059 |
| Capital outlay | - | - | - | - | 388,940 |
| Unrestricted | - | - | - | - | 727,592 |
| Total cash and investment fund balance - ending | \$ 361,694 | \$ 48,376 | \$ 37,743 | \$ 377,723 | \$ 4,164,929 |

CITY OF FRANKLIN
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 INTERNAL SERVICE FUNDS
 As of and for the Year Ended December 31, 2008

| | |
|---|----------------------------|
| | <u>Group Insurance</u> |
| Operating receipts: | |
| Miscellaneous | \$ 1,937,813 |
| Total operating receipts | <u>1,937,813</u> |
| Operating disbursements: | |
| Insurance claims and expense | <u>1,553,890</u> |
| Total operating disbursements | <u>1,553,890</u> |
| Excess of receipts over disbursements | 383,923 |
| Cash and investment fund balance - beginning | <u>1,597,211</u> |
| Cash and investment fund balance - ending | <u>\$ 1,981,134</u> |
| <u>Cash and Investment Assets - December 31</u> | |
| Restricted assets: | |
| Cash and investments | <u>\$ 1,981,134</u> |
| Total cash and investment assets - December 31 | <u>\$ 1,981,134</u> |
| <u>Cash and Investment Fund Balance - December 31</u> | |
| Restricted for: | |
| Other purposes | <u>\$ 1,981,134</u> |
| Total cash and investment fund balance - December 31 | <u>\$ 1,981,134</u> |

CITY OF FRANKLIN
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PENSION TRUST FUNDS
 For The Year Ended December 31, 2008

| | 1925 Police Pension | 1937 Fire Pension | Totals |
|---|---------------------------|-------------------------|---------------------|
| Additions: | | | |
| Contributions: | | | |
| Employer | \$ 7,452 | \$ 16,528 | \$ 23,980 |
| State | 135,862 | 224,903 | 360,765 |
| Total contributions | <u>143,314</u> | <u>241,431</u> | <u>384,745</u> |
| Investment receipts: | | | |
| Interest | <u>23,238</u> | <u>14,489</u> | <u>37,727</u> |
| Total investment receipts | <u>23,238</u> | <u>14,489</u> | <u>37,727</u> |
| Net investment receipts | <u>23,238</u> | <u>14,489</u> | <u>37,727</u> |
| Total additions | <u>166,552</u> | <u>255,920</u> | <u>422,472</u> |
| Deductions: | | | |
| Benefits | 226,319 | 746,480 | 972,799 |
| Administrative and general | <u>128</u> | <u>330</u> | <u>458</u> |
| Total deductions | <u>226,447</u> | <u>746,810</u> | <u>973,257</u> |
| Excess (deficiency) of total additions over total deductions | (59,895) | (490,890) | (550,785) |
| Cash and investment fund balance - beginning | <u>951,039</u> | <u>891,213</u> | <u>1,842,252</u> |
| Cash and investment fund balance - ending | <u>\$ 891,144</u> | <u>\$ 400,323</u> | <u>\$ 1,291,467</u> |

CITY OF FRANKLIN
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For The Year Ended December 31, 2008

| | 1977 Fire Pension | 1977 Police Pension | Court Agency Fund | City Court | Perf 1366 (Civilian) | Insurance Trust | Fire Medic | Cemetery Trust | Totals |
|---|-------------------------|---------------------------|-------------------------|---------------|----------------------------|--------------------|---------------|-------------------|--------------|
| Additions: | | | | | | | | | |
| Agency fund additions | \$ 144,631 | \$ 119,806 | \$ 91,388 | \$ 1,143,781 | \$ 267,995 | \$ - | \$ 310,914 | \$ 170 | \$ 2,078,685 |
| Deductions: | | | | | | | | | |
| Agency fund deductions | 135,007 | 128,020 | 91,388 | 1,129,781 | 268,725 | - | 137,378 | - | 1,890,299 |
| Excess (deficiency) of total additions over total deductions | 9,624 | (8,214) | - | 14,000 | (730) | - | 173,536 | 170 | 188,386 |
| Cash and investment fund balance - beginning | 32,228 | 31,970 | - | 9,110 | 27,912 | 548,588 | 188,900 | 31,614 | 870,322 |
| Cash and investment fund balance - ending | \$ 41,852 | \$ 23,756 | \$ - | \$ 23,110 | \$ 27,182 | \$ 548,588 | \$ 362,436 | \$ 31,784 | \$ 1,058,708 |

CITY OF FRANKLIN
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2008

The City has entered into the following debt:

| Description of Debt | Ending Principal Balance | Principal and Interest Due Within One Year |
|-------------------------------------|--------------------------------|---|
| Governmental activities: | | |
| Bonds payable: | | |
| General obligation bonds: | | |
| Police and Court Bonds of 1997 | \$ 865,000 | \$ 243,250 |
| Park Bonds of 1998 | <u>1,130,000</u> | <u>310,790</u> |
| Total governmental activities debt | <u>\$ 1,995,000</u> | <u>\$ 554,040</u> |
| Business-type activities: | | |
| Wastewater Utility: | | |
| Revenue bonds: | | |
| Bonds of 1993 | \$ 1,593,000 | \$ 264,620 |
| Bonds of 1994A | 530,123 | 43,117 |
| Bonds of 1994B | 3,610,000 | 548,825 |
| Bonds of 2000 | 2,940,000 | 112,275 |
| Bonds of 2005 | <u>1,090,000</u> | <u>245,369</u> |
| Total Wastewater Utility | <u>9,763,123</u> | <u>1,214,206</u> |
| Total business-type activities debt | <u>\$ 9,763,123</u> | <u>\$ 1,214,206</u> |

CITY OF FRANKLIN
AUDIT RESULTS AND COMMENTS

TRUST REGISTER (Applies to Court)

The detailed cash bond register does not agree with the balance in trust as shown by the cash book. The cash book shows \$1,000 less than the trust register. The trust register shows items five or more years old totaling \$4,010.00.

At all times, the manual and computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for City and Town Courts, Chapter 4)

All items that can be legally disbursed should be paid immediately to the person or persons entitled thereto. All fees and funds five or more years old, including old outstanding checks, should be scheduled on forms provided by the Attorney General and paid over to the Attorney General as required by IC 32-34-1-20(c)(6). Items should not be allowed to accumulate beyond the five year anniversary date. (Accounting and Uniform Compliance Guidelines Manual for City and Town Courts, Chapter 4)

INTERNAL CONTROLS (Applies to Parks and Recreation)

Controls over the receipting, disbursing, recording, and accounting for the financial activities were insufficient in that they did not detect posting errors in numerous accounts resulting in the accounting records not agreeing with the Clerk Treasurer's report for the year ending 2008.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

FINANCIAL REPORT (Applies to Park and Recreation)

Revenues, disbursements, and the ending balances for the Park Nonreverting, Park Donation, and Park Grant Funds of the Parks Department, per the accounting records, did not agree with the Clerk-Treasurer's report for the year 2008. The ending balances for the Park Nonreverting and Park Grant Funds were overstated by \$40,386.40 and \$1,919.06, respectively, and the Park Donation Fund was understated by \$2,529.39.

Accounting records and other public records must be maintained in a manner that will support accurate financial statements. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF FRANKLIN
AUDIT RESULTS AND COMMENTS
(Continued)

CONDITION OF RECORDS (Applies to Park and Recreation)

Financial records presented for audit were incomplete and not reflective of the activity of the Park Nonreverting, Park Donation, and Park Grant Funds. The records presented did not provide sufficient information to audit or establish beginning balances, receipts, disbursements, ending balances, or the accuracy or correctness of the transactions. More than half of the over 40 accounts contain errors in either the beginning balances, receipts, disbursements, or ending balances. Also, the cutoff periods for the Parks Department and Clerk-Treasurer's office were not in agreement each month.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. There were a considerable number of posting errors. These errors included deposits not receipted, checks and receipts not recorded in the proper amounts, and overages and shortages not posted. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

FEES (Applies to Park and Recreation)

Fees collected for Community Cafe' Concession were not authorized.

Fees should only be collected as specifically authorized by statute or properly authorized resolutions or ordinances, as applicable, which are not contrary to statutory or Constitutional provisions. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF THE CITY OF FRANKLIN, JOHNSON COUNTY, INDIANA

Compliance

We have audited the compliance of the City of Franklin (City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2008. 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 requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2008.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with 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 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, 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.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

A control deficiency in a City's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in item 2008-01 of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider any of the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to material weaknesses.

The City's response to the findings identified in our audit is described in the accompanying Official Response and Corrective Action Plan. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the City's management, the Board of Public Works and Safety, Common Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

December 2, 2009

CITY OF FRANKLIN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2008

| Federal Grantor Agency/Pass-Through Entity Program Title/Project Title | Federal CFDA Number | Pass-Through Entity (or Other) Identifying Number | Total Federal Awards Expended |
|--|---------------------------|--|-------------------------------------|
| <u>U.S. DEPARTMENT OF JUSTICE</u> | | | |
| Pass-Through Indiana Criminal Justice Bulletproof Vest Partnership Program | 16.607 | None | \$ <u>1,039</u> |
| Total for Bulletproof Vest Partnership Program | | | <u>1,039</u> |
| <u>U.S. DEPARTMENT OF JUSTICE</u> | | | |
| Pass-Through Indiana Criminal Justice Edward Byrne Memorial Justice Assistance Grant Program Justice Assistance Grant | 16.738 | None | <u>13,581</u> |
| Total for Edward Byrne Memorial Justice Assistance Grant Program | | | <u>13,581</u> |
| <u>U.S. DEPARTMENT OF TRANSPORTATION</u> | | | |
| Pass-Through Indiana Department of Natural Resources Recreational Trails Program | | Project #RT-07-007 | <u>9,486</u> |
| Total for Recreational Trails Program | | | <u>9,486</u> |
| <u>U.S. DEPARTMENT OF TRANSPORTATION</u> | | | |
| Pass-Through Indiana Criminal Justice State and Community Highway Safety Fatality Crash Reduction Effort (FCRE) Operation PullOver DUI | 20.600 | None None None | 10,833 25,628 <u>15,029</u> |
| Total for State and Community Highway Safety | | | <u>51,490</u> |
| <u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u> | | | |
| Brownfield Pilots Cooperative Agreement | 66.811 | CA #BF965540-01-0 | <u>76,083</u> |
| Total for Brownfield Pilots Cooperative Agreement | | | <u>76,083</u> |
| <u>DEPARTMENT OF HOMELAND SECURITY</u> | | | |
| Pass-Through Indiana Department of Homeland Security Disaster Grants - Public Assistance (Presidentially Declared Disasters) | | FEMA DR #1766 | <u>608,328</u> |
| Total for Disaster Grants - Public Assistance (Presidentially Declared Disasters) | | | <u>608,328</u> |
| Total federal awards expended | | | <u>\$ <u>760,007</u></u> |

The accompanying note to the financial statements is an integral part of the Schedule of Expenditures of Federal Awards.

CITY OF FRANKLIN
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Franklin (City) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

CITY OF FRANKLIN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

| | |
|--|---------------|
| Material weaknesses identified? | no |
| Significant deficiencies identified that are not considered to be material weaknesses? | none reported |
| Noncompliance material to financial statements noted? | no |

Federal Awards:

Internal control over major programs:

| | |
|--|-----|
| Material weaknesses identified? | no |
| Significant deficiencies identified that are not considered to be material weaknesses? | yes |

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

| | |
|--|-----|
| Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? | yes |
|--|-----|

Identification of Major Programs:

| CFDA Number | Name of Federal Program or Cluster |
|----------------|--|
| 97.036 | Disaster Grants – Public Assistance (Presidentially Declared Disasters) |

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

| | |
|--|----|
| Auditee qualified as low-risk auditee? | no |
|--|----|

Section II – Financial Statement Findings

No matters are reportable.

CITY OF FRANKLIN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section III – Federal Award Findings and Questioned Costs

FINDING NO. 2008-01, ALLOWABLE COST/COSTS PRINCIPLES

Federal Agency: Department of Homeland Security
Federal Program: Disaster Grants – Public Assistance
CFDA No.: 97.036
Federal Award Number: 1766
Pass-Through Entity: Indiana Department of Homeland Security

Per 44 Code of Federal Regulations, Subpart C, Section 13.20(b)(3), Internal Control:

"Effective control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets. Grantees and subgrantees must adequately safeguard all such property and must assure that it is used solely for authorized purposes."

The City FEMA Administrator did not verify the components, (i.e., pay rate or fringe benefits) relative to the administrative cost calculations prepared by the Indiana FEMA Project Specialist. The City FEMA Administrator did not view this as part of her responsibility and relied upon the Indiana FEMA Project Specialist.

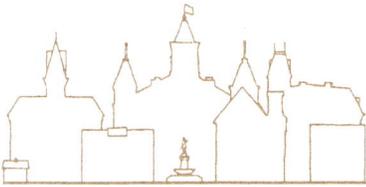
Of 12 claims, related to 7 projects, submitted to the Indiana Department of Homeland Security, there were 5 claims for which the administrative costs were overstated for a total of \$21.16. There were 7 claims for which the administrative costs were understated for a total of \$128.26. The net result of these errors was \$107.10.

As a result, the net amount claimed for reimbursement of administrative costs was understated.

We recommended that the City FEMA Administrator review and verify administrative cost calculations prepared by the State FEMA Project Specialist. City officials should consult the Indiana Department of Homeland Security officials for assistance in correcting the original claims submitted for reimbursement.

CITY OF FRANKLIN
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.



55 W. Madison Street
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Janet P. Alexander
Clerk - Treasurer

Fred L. Paris
Mayor

Robert D. Schafstall
City Judge

CORRECTIVE ACTION PLAN

Finding No. 2008-01 Allowable Cost / Costs Principles

Federal Agency: Corporation for National and Community Service
Federal Program: Disaster Grants – Public Assistance
CFDA No.: 97.036
Federal Award Number: 1766
Pass-Through Entity: Indiana Department of Homeland Security

Corrective Action:

The following actions will be implemented by the City of Franklin to ensure more efficiency in regard to effective control and accountability for grants:

The FEMA Administrator will review and verify administrative cost calculations prepared by FEMA Project Specialist prior to acceptance of the Project Worksheet.

The FEMA Administrator has requested that the Indiana Department of Homeland Security amend the Project Worksheets, which are considered ‘versions’ to the original Project Worksheet, to correct the amounts contributed to direct administrative costs.

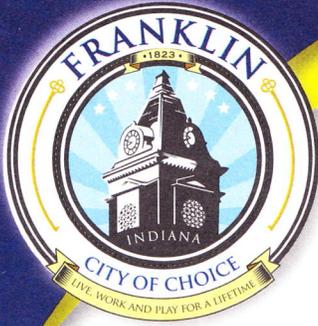
Respectfully,


Janet P. Alexander
City of Franklin
Clerk Treasurer

9-11-09
Date

CITY OF FRANKLIN
EXIT CONFERENCE

The contents of this report were discussed on January 13, 2010, with Fred L. Paris, Mayor; and Janet P. Alexander, Clerk-Treasurer. The official response has been made a part of this report and may be found on pages 47 through 49.



CITY OF FRANKLIN

OFFICE OF THE CLERK TREASURER

Janet P. Alexander
Clerk - Treasurer

Fred L. Paris
Mayor

Robert D. Schafstall
City Judge

Thursday, January 28, 2010

Indiana State Board of Accounts
302 W. Washington Street, Suite E- 418
Indianapolis, IN 46204

Dear Sirs:

The following issues were identified during the City of Franklin audit conducted in 2009 of calendar year 2008. Following the exit conference held January 13, 2010 I shared the Audit Results and Comments with the Parks Superintendent Chip Orner who provided the following responses and his corrective action plans.

INTERNAL CONTROLS Applies to Parks and Recreation

Controls over the receipting, disbursing, recording, and accounting for the financial activities were insufficient in that they did not detect the numerous posting errors in numerous accounts resulting in the accounting records not agreeing with the Clerk Treasurer's report for the year ending 2008.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Action Plan concerning Internal Controls

Franklin Parks and Recreation Department has instituted new procedures that require daily processing and updating of financial reports and a new financial tracking system that addresses this issue.

FINANCIAL REPORT Applies to Parks and Recreation

Revenues, Disbursements, and the ending balance for the non-reverting, park donation and park grant funds of the Parks Department, per their accounting records, did not agree with the Clerk Treasurer's report for the year 2008. The ending balances for non-reverting and park grant was overstated by \$40,386.40 and \$1,919.06 respectively, and park donation was understated by \$2,529.39.

Accounting records and other public records must be maintained in a manner that will support accurate financial statements. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Action plan concerning the Financial Report

Franklin Parks and Recreation Department has worked closely with the Clerk-Treasurer's Office and has implemented daily and monthly reconciliation procedures to address this issue.

CONDITION OF RECORDS (Applies to Parks and Recreation)

Financial records presented for audit were incomplete and not reflective of the activity of the Park Non-Reverting, Park Donation and Park Grant Fund. The records presented did not provide sufficient information to audit or establish beginning balances, receipts, disbursements, ending balances, or the accuracy of correctness of the transactions. More than half of the over 40 accounts contain errors in either the beginning balances, receipts, disbursements or ending balances. Also the cut off period for the Parks Department and Clerk Treasurer's office were not in agreement each month

At all times the manual and or computerized records subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. There were a considerable number of

posting errors. These errors included deposits not receipted, checks and receipts not recorder in the proper amounts and overages and shortages not posted. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Action Plan concerning the Condition of Records

There were numerous posting errors from the Activenet software system to the Access system made by the department's former bookkeeper. All of these posting errors have been identified and corrected. Franklin Parks and Recreation Department has also initiated a transition plan for changing the department's computer software used in the collection and tracking of revenue in the department.

FEES (Applies to Parks and Recreation)

The following unauthorized fees were collected: Community Café Concession.

Fees should only be collected as specifically authorized by stature or properly authorized resolution or ordinances as applicable which are not contrary to statutory or Constitutional provisions (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Action Plan Concerning the collection of unauthorized FEES

Franklin Parks and Recreation Department has added the Community Café concessions to the fees and charges approved by the Park Board each year.

Another issue listed in the audit results and comments referred to the cash bond register maintained by the City Court. The auditor stated that on the day of Court's audit July 6, 2009, the cash book showed \$1,000 less than the trust register and that the trust register shows items five or more years old totaling \$4,010.00. He also stated that the discrepancy was corrected that day by Beth O'Brien a City Court employee.

Respectfully,



Janet P. Alexander