

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

EXAMINATION REPORT
OF
CITY OF FRANKLIN
JOHNSON COUNTY, INDIANA
January 1, 2009 to December 31, 2009



FILED
01/04/2011

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Janet P. Alexander	01-01-09 to 12-31-10
Mayor	Fred L. Paris	01-01-09 to 12-31-10
President of the Board of Public Works and Safety	Fred L. Paris	01-01-09 to 12-31-10
President of the Common Council	William Murphy	01-01-09 to 12-31-10
Superintendent of Wastewater Utility	Charles Littleton, Jr.	01-01-09 to 12-31-10
Utility Office Manager	Brenda Poe	01-01-09 to 12-31-10



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the financial information presented herein of the City of Franklin (City), for the period of January 1, 2009 to December 31, 2009. The City's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the City for the year ended December 31, 2009, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Long-Term Debt, as listed in the Table of Contents, is presented for additional analysis and is not a required part of the basic financial information. It has not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

October 13, 2010

CITY OF FRANKLIN
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, PROPRIETARY AND FIDUCIARY FUND TYPES
As Of And For The Year Ended December 31, 2009

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Governmental Funds:				
General	\$ 8,573,022	\$ 14,310,090	\$ 14,330,776	\$ 8,552,336
Motor Vehicle Highway	1,946,425	1,312,262	1,455,409	1,803,278
Local Road and Street	515,184	214,522	213,310	516,396
Parks & Recreation	762,167	1,548,626	1,708,813	601,980
Athletic & Recreation	310,887	640,745	909,932	41,700
D.A.R.E.	9,258	-	8,142	1,116
Donation	16,477	5,725	3,629	18,573
Abandoned Vehicles	530	-	530	-
Grants/Police	23,836	95,816	39,036	80,616
Local Law Enforcement Cont. Ed	76,670	25,045	4,146	97,569
User Fees Control (Court)	253,333	288,620	417,989	123,964
Riverboat Wagering Tax Revenue	-	121,800	-	121,800
CDBG Downtown Revitalization Grant	10,000	-	10,000	-
Record Perpetuation	38,715	17,369	5,337	50,747
Rainy Day	727,592	1,937,223	1,812,383	852,432
PSAP Enhanced 911	27,444	-	-	27,444
US EPA Brownfield Grant - ASAP	151	-	-	151
Unsafe Building Fund	-	40,000	-	40,000
Disaster Relief Fund	-	1,716,128	400,704	1,315,424
Donation / Park and Recreation	68,197	6,874	56,421	18,650
Developer's Share Municipal Improvements	10,150	-	-	10,150
Fire - Public Education	751	-	-	751
Municipal Bond - General	12,226	235,630	246,450	1,406
T.I.F. Control	10,116,603	12,435,473	14,524,716	8,027,360
Park District Bond	11,297	301,513	312,810	-
Cumulative Capital Development - Cigarette Tax	136,206	62,380	41,180	157,406
Cumulative Capital Development	2,833,110	285,385	1,269,989	1,848,506
Sidewalk/Repair Replacement	305	2,960	3,265	-
Park Non Reverting Capital	19,875	-	19,875	-
Park/Recreat Infrastructure Imp.	230,449	16,301	-	246,750
Grants/Park'	7,351	5,000	8,456	3,895
Police Forfeiture	66,236	134	-	66,370
Redevelopment Authority - Allocation Fund	2,105	1,497,090	1,499,195	-
Redevelopment Authority - Debt Service Reserve	361,694	36	361,730	-
Redevelopment Authority - Special Service	48,376	5	48,381	-
Redevelopment Authority - Operation Reserve	37,743	4	37,747	-
Redevelopment Authority - Sinking Fund	377,723	1,527,755	1,905,478	-
Paris Estates Control	2,000	-	2,000	-
Proprietary Funds:				
Sewer Utility	5,678,074	3,346,970	3,279,368	5,745,676
Sewer Bond and Interest	1,116,627	2,262,561	2,281,743	1,097,445
Sewer Improvement	1,026,198	92,546	-	1,118,744
Sewer Debt Service Reserve	1,268,955	-	-	1,268,955
Fiduciary Funds:				
Old Fire Pension	400,322	769,791	533,008	637,105
Old Police Pension	891,145	240,021	230,373	900,793
Insurance Trust	548,588	-	-	548,588
Group Insurance	1,981,134	1,815,765	1,600,984	2,195,915
New Fire Pension 7742-200	41,852	100,648	142,500	-
New Police Pension 7742-100	23,756	89,556	113,058	254
IN Firefighter Pension	-	193,284	161,370	31,914
IN Police Pension	-	160,161	133,903	26,258
Payroll - W/H State	-	126,812	91,799	35,013
Payroll - W/H County	-	36,176	25,880	10,296
Cemetery Trust	31,784	152	-	31,936
Court Agency Fund	-	120,110	100,620	19,490
PERF 1366 (Civilian)	27,182	359,135	352,563	33,754
Fire Medic	362,439	353,901	342,645	373,695
City Court	23,110	1,444,159	1,451,159	16,110
Totals	<u>\$ 41,055,254</u>	<u>\$ 50,162,259</u>	<u>\$ 52,498,802</u>	<u>\$ 38,718,711</u>

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

CITY OF FRANKLIN
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The City was established under the laws of the State of Indiana. The City provides the following services: public safety, health and social services, culture and recreation, and general administrative services.

Note 2. Fund Accounting

The City uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied or highway use taxes are received are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the Town in June and 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 to the Town on or prior to December 31 of the year collected.

Note 5. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statute (IC 5-13-9) authorizes the City to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

CITY OF FRANKLIN
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 6. 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 this 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 members' 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. That 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 the plan members for PERF are established by the Board of Trustees of PERF.

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 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

The contribution requirements of plan members for the 1925 Police Officers' Pension Plan are established by state statute. The 1925 Police Officers' Pension Plan is funded by the State of Indiana through the Public Employees' Retirement Fund as provided under IC 5-10.3-11.

CITY OF FRANKLIN
NOTES TO FINANCIAL INFORMATION
(Continued)

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

The contribution requirements of plan members for the 1937 Firefighters' Pension Plan are established by state statute. The 1937 Firefighters' Pension Plan is funded by the State of Indiana through the Public Employees' Retirement Fund as provided under IC 5-10.3-11.

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:

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

CITY OF FRANKLIN
NOTES TO FINANCIAL INFORMATION
(Continued)

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, 2009, 2008, and 2007, were \$901,584, \$925,533, and \$861,459, respectively, equal to the required contributions for each year.

Note 7. Subsequent Event

The City issued General Obligation Bonds in 2010 in the original principal amount not to exceed three million five hundred thousand dollars (\$3,500,000) for the purpose of providing for the payment of all or a portion of the costs of the acquisition of an office building and warehouse building, and incidental expenses in connection therewith and on account of the issuance of bonds.

CITY OF FRANKLIN
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2009

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	\$ 665,000	\$ 243,250
Park Bonds of 1998	<u>865,000</u>	<u>310,190</u>
Total governmental activities debt	<u>\$ 1,530,000</u>	<u>\$ 553,440</u>
Business-type activities:		
Wastewater Utility:		
Revenue bonds:		
Bonds of 1993	\$ 1,388,000	\$ 266,220
Bonds of 1994A	505,123	37,329
Bonds of 1994B	3,180,000	548,513
Bonds of 2000	2,930,000	112,375
Bonds of 2005	<u>885,000</u>	<u>247,225</u>
Total Wastewater Utility	<u>8,888,123</u>	<u>1,211,662</u>
Total business-type activities debt	<u>\$ 8,888,123</u>	<u>\$ 1,211,662</u>

CITY OF FRANKLIN
EXAMINATION RESULT AND COMMENT

OUTSTANDING CHECKS NOT RETURNED (Applies to City Court)

Our review of the bank reconcilements as of December 31, 2009, revealed checks outstanding for five or more years.

In order to eliminate old outstanding checks from the records, the court should perform the following:

1. Issue a formal stop payment order to the bank upon which each check is drawn.
2. Enter the amount of each check as a receipt in the cash book. Post the respective amounts to the trust column of the cash book and enter each amount in the name of the payee in the register of trust funds.
3. Since the checks have never cleared the bank, the amount is still on deposit. Therefore, when all such checks are charged to the records and reinstated in the trust register, the original check number will be eliminated as outstanding in the next reconcilment with the bank.
4. If, at the time such checks are restored to the records, the original dates indicate the checks have been outstanding for five or more years, they should be paid over to the Attorney General immediately. The original date should be shown in the register of trust funds. If the checks are not five years old they should be held until the five year period has elapsed.

The entry in the cash book should be:

"Old Outstanding Check No. ___ issued ___ Date ___, to (Name) ," and extend the amounts to the total and trust fund columns.

Since outstanding checks of the court are not included within the meaning of IC 5-11-10.5, city and town courts are to follow the preceding steps in handling old outstanding checks.

(Accounting and Uniform Compliance Guidelines Manual for City and Town Courts, Chapter 4)

CITY OF FRANKLIN
EXIT CONFERENCE

The contents of this report were discussed on October 20, 2010, with Fred L. Paris, Mayor; William Murphy, President of the Common Council, Janet P. Alexander, Clerk-Treasurer; and Sue E. Midkiff, Deputy Clerk-Treasurer. The officials concurred with our finding.