

**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, 2006 to December 31, 2006



**FILED**  
12/31/2007



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Janet P. Alexander	01-01-06 to 12-31-07
Mayor	Brenda G. Jones-Matthews	01-01-06 to 12-31-07
President of the City Council	Stephen D. Houglan William T. Murphy	01-01-06 to 12-31-06 01-01-07 to 12-31-07



**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, 2006 to December 31, 2006. 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, 2006, 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. They have not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

December 13, 2007

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, 2006

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	\$ 2,755,735	\$ 15,296,702	\$ 13,187,328	\$ 4,865,109
Motor Vehicle Highway	899,976	1,407,471	975,835	1,331,612
Local Road and Street	1,057,913	1,481,896	1,365,772	1,174,037
Local Law Enforcement Continuing Education	37,443	16,432	10	53,865
Park and Recreation	523,366	1,179,723	1,097,795	605,294
Athletic Park Nonreverting Operating	526,801	492,493	413,465	605,829
Park Concessions	2,500	2,983	5,060	423
Park Gift	70,906	6,940	-	77,846
Donation Fund	19,978	5,060	3,210	21,828
Riverboat Wagering Tax Revenue Sharing	122,729	-	122,729	-
Drug Abuse Resistance (DARE)	15,919	2,135	3,986	14,068
Criminal Justice	1,325	-	-	1,325
Abandoned Vehicle	530	-	-	530
Fire Medic Service	269,546	245,888	253,010	262,424
Developer's Share - Municipal Improvement	10,150	-	-	10,150
Record Perpetuation	48,082	9,646	14,700	43,028
Park Grant	5,683	6,263	8,076	3,870
Rainy Day Fund	296,393	-	293,393	3,000
Fire Public Education Fund	1,000	-	249	751
Police Forfeiture	42,208	2,148	6,215	38,141
IDFA Brownfield Grants	2,136	75,370	66,740	10,766
VOCA Grant - Turning Point - Federal	-	19,691	19,691	-
Park District Bond	7,864	330,017	304,062	33,819
Police/City Court Bond	10,615	260,591	240,580	30,626
Redevelopment Debt Service Reserve	364,359	15,202	11,875	367,686
Redevelopment Bond and Interest/Allocation	752,764	931,989	1,325,560	359,193
Redevelopment Special Reserve	48,733	2,046	1,599	49,180
Redevelopment Operation Reserve	40,790	1,674	2,500	39,964
Redevelopment Sinking	118,247	357,497	322,487	153,257
Cumulative Capital Improvement	479,262	69,532	395,672	153,122
Cumulative Capital Development	1,911,618	331,920	-	2,243,538
Park Nonreverting Capital	38,575	-	-	38,575
Sidewalk Repair/Maintenance	3,391	6,755	5,410	4,736
Build Indiana - Branigin Way	160,006	-	77,555	82,451
Tax Increment Financing	5,773,958	2,967,326	1,545,421	7,195,863
Park and Recreation Infrastructure Fees	-	103,759	-	103,759
Group Insurance	822,667	1,939,060	1,600,831	1,160,896
Insurance Reserve	548,588	-	-	548,588
Proprietary Funds:				
Wastewater Utility - Operating	3,913,380	3,462,030	2,918,407	4,457,003
Wastewater Utility - Bond and Interest	2,944,646	1,000,603	1,207,216	2,738,033
Wastewater Utility - Improvement	969,337	448,078	526,132	891,283
Fiduciary Funds:				
Police Officers' Pension	868,606	219,778	243,286	845,098
Firefighters' Pension	836,154	318,627	416,856	737,925
Cemetery Trust	31,251	182	-	31,433
Court Deferral	4,171	246,150	204,422	45,899
Paris Estates	2,000	-	-	2,000
Indiana Police Pension	25,772	105,145	103,453	27,464
Indiana Fire Pension	29,506	121,351	120,862	29,995
PERF	26,796	280,366	279,815	27,347
Law Enforcement User	25,288	-	25,288	-
Court Fund	-	93,221	93,221	-
Franklin Cove	85,098	627,164	627,765	84,497
City Court	89,265	1,049,818	1,126,973	12,110
Totals	<u>\$ 27,643,026</u>	<u>\$ 35,540,722</u>	<u>\$ 31,564,512</u>	<u>\$ 31,619,236</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 City 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 City 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 Town 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. Pensions

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

1. 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 Town 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.

2. 1925 Police Officers' and 1937 Firefighters' Pension Plans

Plan Description

The City contributes to the 1925 Police Officers' and 1937 Firefighters' Pension Plans, which are single-employer defined benefit pension plan. The plans are administered by the local pension boards as authorized by state statute (IC 36-8-6 and 36-8-7, respectively). The plans provide retirement, disability, and death benefits to plan members and beneficiaries. The plans were established by the plan administrators, as provided by state statutes. The plan administrators do not issue publicly available financial reports that include 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' and 1937 Firefighters' Pension Plans are established by state statute.

CITY OF FRANKLIN  
NOTES TO SCHEDULES  
(Continued)

The use of the pay-as-you-go actuarial cost method by the City results in significant underfunding of the plan.

B. 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

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, 2006, 2005, and 2004, were \$792,739, \$769,577, and \$743,057, respectively, equal to the required contributions for each year.

CITY OF FRANKLIN  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF LONG-TERM DEBT  
December 31, 2006

The City has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental Activities:		
Capital leases:		
Aerial Fire Apparatus	\$ 142,707	\$ 142,707
Bonds payable:		
General obligation bonds:		
Police and Court Bonds of 1997	1,235,000	180,000
Park Bonds of 1998	<u>1,620,000</u>	<u>240,000</u>
Total governmental activities debt	<u>\$ 2,997,707</u>	<u>\$ 562,707</u>
Business-type Activities:		
Wastewater Utility		
Revenue bonds:		
Bonds of 1993	\$ 1,968,000	\$ 180,000
Bonds of 1994A	580,123	25,000
Bonds of 1994B	4,440,000	410,000
Bonds of 2000	2,535,504	10,000
Bonds of 2005	<u>1,475,000</u>	<u>190,000</u>
Total Wastewater Utility	<u>10,998,627</u>	<u>815,000</u>
Total business-type activities debt:	<u>\$ 10,998,627</u>	<u>\$ 815,000</u>

CITY OF FRANKLIN  
EXAMINATION RESULT AND COMMENT

RECORD INFORMATION - PARK AND RECREATION DEPARTMENT

As stated in the prior Reports B23551, B26886, and B27974, various reports produced from the Park and Recreation Department's RecTrac System indicated differing amounts for numerous revenue categories for the same period of time. Department personnel did not routinely run these reports and were unable to explain the reason for the differences in these reports, which were requested during the examination. Also, in order to verify a detail of receipts for an activity, several different of receipt reports (GL Distribution Reports, Location GL Revenue Reports, POS Sales History Reports, Activity GL Reports, Pass History Analysis Report) needed to be generated. It was not clear why detailed receipt information for an activity could not be located on one summarized subsidiary ledger. Another component to the system is FinTrac which also tracks the financial activity. Reports between FinTrac and RecTrac could not be reconciled. All of the reports indicate they are "Receipt Approved by the State Board of Accounts - 1993". These forms are not receipt forms.

Since the examination period, a new accounting system has been implemented. This new system may alleviate these problems.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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 Cities and Towns, Chapter 7)

CITY OF FRANKLIN  
EXIT CONFERENCE

The contents of this report were discussed on December 14, 2007, with Janet P. Alexander, Clerk-Treasurer; and Sue E. Midkiff, Deputy Clerk-Treasurer. The officials concurred with our findings.