

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, 2007 to December 31, 2007



FILED
12/31/2008

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Janet P. Alexander	01-01-07 to 12-31-08
Mayor	Brenda G. Jones-Matthews Fred L. Paris	01-01-07 to 12-31-07 01-01-08 to 12-31-08
President of the Town Council	William T. Murphy	01-01-07 to 12-31-08



STATE OF INDIANA
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STATE BOARD OF ACCOUNTS
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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, 2007 to December 31, 2007. 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, 2007, 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

December 10, 2008

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, 2007

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ 4,865,109	\$ 13,891,019	\$ 11,972,199	\$ 6,783,929
Motor Vehicle Highway	1,331,612	1,446,065	1,016,847	1,760,830
Local Road and Street	1,174,037	300,965	648,548	826,454
Local Law Enforcement Continuing Education	53,865	17,283	20	71,128
Park and Recreation	605,294	1,461,535	1,272,640	794,189
Athletic Park Nonreverting Operating	605,829	500,284	486,259	619,854
Park Concessions	423	4,602	4,346	679
Park Gift	77,846	6,785	2,686	81,945
Donation Fund	21,828	3,410	5,846	19,392
Drug Abuse Resistance (DARE)	14,068	5,070	6,683	12,455
Criminal Justice-grants	1,325	13,581	-	14,906
Abandoned Vehicle	530	-	-	530
Fire Medic Service	262,424	200,966	274,490	188,900
Developer's Share - Municipal Improvement	10,150	-	-	10,150
Record Perpetuation	43,028	9,750	9,413	43,365
Park Grant	3,870	8,973	6,386	6,457
Rainy Day Fund	3,000	363,588	-	366,588
Fire Public Education Fund	751	-	-	751
Police Forfeiture	38,141	62,464	2,539	98,066
IDFA Brownfield Grants	10,766	129,901	124,469	16,198
VOCA Grant - Turning Point - Federal	-	13,686	13,686	-
Park District Bond	33,819	300,897	305,150	29,566
Police/City Court Bond	30,626	238,575	242,250	26,951
Redevelopment Debt Service Reserve	367,686	15,758	16,654	366,790
Redevelopment Bond and Interest/Allocation	359,193	1,022,366	520,525	861,034
Redevelopment Special Reserve	49,180	2,120	1,122	50,178
Redevelopment Operation Reserve	39,964	1,703	2,250	39,417
Redevelopment Sinking	153,257	195,589	338,038	10,808
Cumulative Capital Improvement	153,122	218,361	150,000	221,483
Cumulative Capital Development	2,243,538	344,718	21,454	2,566,802
Park Nonreverting Capital	38,575	-	-	38,575
Sidewalk Repair/Maintenance	4,736	5,620	10,006	350
Build Indiana - Branigin Way	82,451	-	-	82,451
Tax Increment Financing	7,195,863	2,581,885	1,569,639	8,208,109
Park and Recreation Infrastructure Improvement	103,759	84,224	-	187,983
Group Insurance	1,160,896	1,744,659	1,308,343	1,597,212
Insurance Reserve	548,588	-	-	548,588
Proprietary Funds:				
Wastewater Utility - Operating	4,457,003	3,642,050	2,153,800	5,945,253
Wastewater Utility - Bond and Interest	2,738,033	82,229	1,213,465	1,606,797
Wastewater Utility - Improvement	891,283	1,147,400	1,179,470	859,213
Fiduciary Funds:				
Police Officers' Pension	845,098	339,602	233,662	951,038
Firefighters' Pension	737,925	578,829	425,541	891,213
Cemetery Trust	31,433	181	-	31,614
Court Deferral	45,899	232,795	224,157	54,537
Paris Estates	2,000	-	-	2,000
Indiana Police Pension	27,464	119,566	115,061	31,969
Indiana Fire Pension	29,995	126,557	124,325	32,227
PERF	27,347	308,759	308,194	27,912
Court Fund	-	94,978	94,978	-
Franklin Cove	84,497	645,482	676,344	53,635
City Court	12,110	1,122,135	1,125,135	9,110
Totals	\$ 31,619,236	\$ 33,636,965	\$ 28,206,620	\$ 37,049,581

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 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

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 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.

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, 2007, 2006, and 2005, were \$861,459, \$792,739, and \$769,577, respectively, equal to the required contributions for each year.

Note 7. Subsequent Event

The weekend of June 7 and 8, 2008, the City of Franklin suffered extensive flooding which resulted in millions of dollars in damages to City buildings, property, and infrastructure. The City has received notification of federal and state assistance to aid in the cost of cleanup and asset repair or replacement.

CITY OF FRANKLIN
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2007

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	\$ 1,055,000	\$ 242,750
Park Bonds of 1998	<u>1,380,000</u>	<u>305,790</u>
Total governmental activities debt	<u>\$ 2,435,000</u>	<u>\$ 548,540</u>
Business-type Activities:		
Wastewater Utility		
Revenue bonds:		
Bonds of 1993	\$ 1,788,000	\$ 262,120
Bonds of 1994A	555,123	43,992
Bonds of 1994B	4,030,000	553,700
Bonds of 2000	2,950,000	113,075
Bonds of 2005	<u>1,285,000</u>	<u>242,625</u>
Total Wastewater Utility	<u>\$ 10,608,123</u>	<u>\$ 1,215,512</u>

CITY OF FRANKLIN
EXIT CONFERENCE

The contents of this report were discussed on December 17, 2008, with Fred L. Paris, Mayor; and Janet P. Alexander, Clerk-Treasurer. Our examination disclosed no material items that warrant comment at this time.