

**CITY OF FRANKLIN, KENTUCKY**

**ANNUAL FINANCIAL REPORT**

**Year Ended June 30, 2008**

**CITY OF FRANKLIN, KENTUCKY**

**ANNUAL FINANCIAL REPORT**

**Year Ended June 30, 2008**

**TABLE OF CONTENTS**

	<b>Page No.</b>
<b>INDEPENDENT AUDITORS' REPORT</b>	1 - 2
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	3 - 11
<b>BASIC FINANCIAL STATEMENTS</b>	
Statement of Net Assets	12
Statement of Activities	13
Balance Sheet - Governmental Funds	14
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Statement of Fund Net Assets - Proprietary Funds	17
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds	18
Statement of Cash Flows - Proprietary Funds	19 - 20
Notes to Financial Statements	21 - 49
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Budgetary Comparison Schedule - General Fund	50 - 53
Infrastructure Condition and Maintenance Data	54
<b>SUPPLEMENTARY INFORMATION</b>	
<b>Nonmajor Governmental Funds</b>	
Combining Balance Sheet - Nonmajor Governmental Funds	55
Combining Balance Sheet - Nonmajor Permanent Funds	56
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	57
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Permanent Funds	58
Budgetary Comparison Schedule:	
Greenlawn-Shady Rest Cemetery Special Revenue Fund	59
Community Development Special Revenue Fund	60
Municipal Aid Special Revenue Fund	61
Economic Development Revolving Loan Special Revenue Fund	62
<b>Proprietary Funds - Enterprise Funds</b>	
Budgetary Comparison Schedule:	
Water and Wastewater Fund	63 - 65
Sanitation Fund	66

## INDEPENDENT AUDITORS' REPORT

The Honorable Mayor, Commissioners and City Manager  
City of Franklin, Kentucky

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, Kentucky (City) as of and for the year ended June 30, 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.

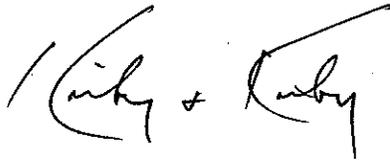
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City as of June 30, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 3, 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 and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Honorable Mayor, Commissioners and City Manager  
City of Franklin, Kentucky  
Page Two

The accompanying management's discussion and analysis, General Fund budgetary comparison schedule and infrastructure condition and maintenance data as listed in the table of contents are not a required part 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.

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 supplementary information, as listed in the table of contents, is presented for purposes of additional analysis 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.

A handwritten signature in black ink, appearing to read "Kirby & Kirby". The signature is written in a cursive, flowing style with a large initial "K" on the left and a smaller "K" on the right, connected by a thin line.

March 3, 2009

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

# City of Franklin, Kentucky

## Management's Discussion and Analysis

Years Ended June 30, 2008 and 2007

As management of the City of Franklin (City) we offer readers of the City's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2008. The information contained in this MD&A should be considered in conjunction with the information contained in the Accountants' Reports and Financial Statements and Supplementary information.

### **Financial Highlights**

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$29,366,103 and \$28,239,462 for the prior fiscal year.
- As of the close of the current fiscal year, the City's governmental activities reported ending net assets of \$14,273,193 which includes unrestricted net assets of \$1,200,728. Respectively for the prior fiscal year \$13,363,789 of net assets and \$1,383,926 of unrestricted net assets.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$1,115,527 with \$1,026,680 for the prior fiscal year.
- For the year ended June 30, 2008, total debt decreased by \$2,176,935 during the year due to principal reductions. For the prior fiscal year, total debt decreased by \$680,233 due to principal reductions of \$1,730,233 partially offset by loan of \$1,050,000 for purchase of new city hall and refinance of Park Improvement Loan.
- The City had total revenues of \$12,337,661 for the year ended June 30, 2008 which includes: program revenues (charges for service) of \$6,640,376, operating grants and contributions of \$408,921, capital grants and contributions of \$194,803 and general revenues of \$4,974,541. The City had total expenses of \$11,211,020 for the year ended June 30, 2008. Comparatively, the City had total revenues of \$12,566,765 for the year ended June 30, 2007 which includes: program revenues (charges for service) of \$6,764,439, operating grants and contributions of \$351,852, capital grants and contributions of \$960,910 and general revenues of \$4,489,564. The City had total expenses of \$11,029,794 for the year ended June 30, 2007.
- The City's total capital outlays were \$609,585 for the current fiscal year and \$2,120,134 for the prior fiscal year. For the Governmental Funds capital outlays of \$250,462 for the current fiscal year and \$983,265 for the prior fiscal year. For the Proprietary Funds capital outlays for the current fiscal year were \$359,123 and the prior fiscal year of \$1,136,869.

### **Overview of the Financial Statements**

The discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components:

- Government-wide financial statements.
- Fund financial statements.
- Notes to the financial statements.

## **Government-wide Financial Statements**

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

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

The government-wide financial statements are divided into two categories, governmental and business-type activities. The governmental activities of the City include general government, administrative services, financial services, police, fire, public works, community development and cemetery. The business-type activities of the City include water, wastewater, sewer collection and rehabilitation, sanitation and related support departments which comprise the Utility Fund. The City does not have any component units, e.g., where the City has control over the income and expenses of the entity.

The government-wide financial statements can be found on pages 12 and 13 of this report.

## **Fund Financial Statements**

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

### **Governmental Funds**

Most of the City's basic services are included in the governmental fund type. These funds use the modified accrual accounting basis, which measures cash and all other financial assets that can readily be converted to cash. The general fund, special revenue funds and permanent funds are all governmental type funds.

### **Proprietary Funds**

Proprietary funds, in general, charge customers for the services that are provided. These funds use a long-term financial accounting approach, full accrual basis and provide additional information in the statement of cash flows.

## **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21 through 49 of this report.

### Government-wide Analysis

The implementation of Governmental Accounting Standards Board (GASB) Statement 34 was implemented in fiscal 2004.

As noted earlier, net assets may serve, over time, as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$29,366,103 for the current fiscal year and \$28,239,462 at the close of the prior fiscal year.

By far the largest portion of the City's net assets (86%) is its investment in capital assets, *e.g.*, land, buildings, machinery and equipment less any related outstanding debt used to acquire those assets. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Only the unrestricted net assets of the City may be used to meet the government's ongoing obligations to citizens and creditors.

	<b>2008</b>		
	<b>Net Assets</b>		
	<b>Governmental</b>	<b>Business-</b>	
	<b>Activities</b>	<b>type</b>	<b>Total</b>
		<b>Activities</b>	
Current and other assets	\$ 2,575,243	\$ 3,451,787	\$ 6,027,030
Capital assets	<u>13,993,118</u>	<u>22,451,477</u>	<u>36,444,595</u>
Total assets	<u>\$ 16,568,361</u>	<u>\$ 25,903,264</u>	<u>\$ 42,471,625</u>
Long-term liabilities outstanding	\$ 1,765,900	\$ 9,726,054	\$ 11,491,954
Other liabilities	<u>529,268</u>	<u>1,084,300</u>	<u>1,613,568</u>
Total liabilities	<u>\$ 2,295,168</u>	<u>\$ 10,810,354</u>	<u>\$ 13,105,522</u>
Net assets			
Invested in capital assets, net of related debt	\$ 12,227,218	\$ 13,218,073	\$ 25,445,291
Restricted	845,193	2,020,163	2,865,356
Unrestricted	<u>1,200,782</u>	<u>(145,326)</u>	<u>1,055,456</u>
Total net assets	<u>\$ 14,273,193</u>	<u>\$ 15,092,910</u>	<u>\$ 29,366,103</u>

	<b>2007 Net Assets</b>		
	<b>Governmental Activities</b>	<b>Business- type Activities</b>	<b>Total</b>
Current and other assets	\$ 2,914,905	\$ 3,684,642	\$ 6,599,547
Capital assets	<u>14,014,070</u>	<u>23,205,328</u>	<u>37,219,398</u>
Total assets	<u>\$ 16,928,975</u>	<u>\$ 26,889,970</u>	<u>\$ 43,818,945</u>
Long-term liabilities outstanding	\$ 2,883,855	\$ 10,790,205	\$ 13,674,060
Other liabilities	<u>681,331</u>	<u>1,224,092</u>	<u>1,905,423</u>
Total liabilities	<u>\$ 3,565,186</u>	<u>\$ 12,014,297</u>	<u>\$ 15,579,483</u>
Net assets			
Invested in capital assets, net of related debt	\$ 11,130,215	\$ 12,819,545	\$ 23,949,760
Restricted	849,648	1,915,992	2,765,640
Unrestricted	<u>1,383,926</u>	<u>140,136</u>	<u>1,524,062</u>
Total net assets	<u>\$ 13,363,789</u>	<u>\$ 14,875,673</u>	<u>\$ 28,239,462</u>

The City's revenues are largely comprised of charges for services through utility revenue, occupational payroll fees and insurance fees.

**2008**  
**Changes in Net Assets**

	<b>Governmental Activities</b>	<b>Business- type Activities</b>	<b>Total</b>
<b>Revenues</b>			
Program revenues			
Charges for services	\$ 867,547	\$ 5,772,829	\$ 6,640,376
Operating grants and contributions	408,921	—	408,921
Capital grants and contributions	14,436	180,367	194,803
General revenues			
Property taxes	717,524	—	717,524
Occupational fees	1,788,097	—	1,788,097
Insurance premium fees	1,078,421	—	1,078,421
Franchise fees	106,007	—	106,007
Business license fees	308,803	—	308,803
Interest income	51,105	109,662	160,767
Miscellaneous income	64,696	99,461	164,157
Gain on sale of capital assets	31,488	738,297	769,785
Transfers	<u>828,400</u>	<u>( 828,400)</u>	<u>—</u>
Total revenues and transfers	<u>6,265,445</u>	<u>6,072,216</u>	<u>12,337,661</u>
<b>Expenses</b>			
General government	1,666,983	—	1,666,983
Public safety	2,006,658	—	2,006,658
Public works	961,210	—	961,210
Community and cultural	559,790	—	559,790
Interest expense on long-term debt	161,400	384,042	545,442
Water and wastewater	—	3,559,025	3,559,025
Sanitation	—	1,890,803	1,890,803
Fiber optic	<u>—</u>	<u>21,109</u>	<u>21,109</u>
Total expenses	<u>5,356,041</u>	<u>5,854,979</u>	<u>11,211,020</u>
<b>Increase in net assets</b>	909,404	217,237	1,126,641
<b>Net assets, beginning of year</b>	<u>13,363,789</u>	<u>14,875,673</u>	<u>28,239,462</u>
<b>Net assets – June 30, 2008</b>	<u>\$ 14,273,193</u>	<u>\$ 15,092,910</u>	<u>\$ 29,366,103</u>

**2007**  
**Changes in Net Assets**

	<b>Governmental Activities</b>	<b>Business- type Activities</b>	<b>Total</b>
<b>Revenues</b>			
Program revenues			
Charges for services	\$ 839,435	\$ 5,925,004	\$ 6,764,439
Operating grants and contributions	351,852	—	351,852
Capital grants and contributions	—	960,910	960,910
General revenues			
Property taxes	725,381	—	725,381
Occupational fees	1,614,367	—	1,614,367
Insurance premium fees	1,356,352	—	1,356,352
Franchise fees	102,594	—	102,594
Business license fees	274,748	—	274,748
Interest income	64,157	108,623	172,780
Miscellaneous income	<u>88,766</u>	<u>154,576</u>	<u>243,342</u>
Total revenues	<u>5,417,652</u>	<u>7,149,113</u>	<u>12,566,765</u>
<b>Expenses</b>			
General government	1,629,475	—	1,629,475
Public safety	2,032,714	—	2,032,714
Public works	933,276	—	933,276
Community and cultural	665,187	—	665,187
Interest expense on long-term debt	101,760	414,510	516,270
Water and wastewater	—	3,524,535	3,524,535
Sanitation	<u>—</u>	<u>1,728,337</u>	<u>1,728,337</u>
Total expenses	<u>5,362,412</u>	<u>5,667,382</u>	<u>11,029,794</u>
<b>Increase in net assets</b>	55,240	1,481,731	1,536,971
<b>Net assets, beginning of year</b>	<u>13,308,549</u>	<u>13,393,942</u>	<u>26,702,491</u>
<b>Net assets – June 30, 2007</b>	<u>\$ 13,363,789</u>	<u>\$ 14,875,673</u>	<u>\$ 28,239,462</u>

## Financial Analysis of the Government's Funds

### **Governmental Funds**

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

As of the end of the current fiscal year, the City's governmental funds reported an ending fund balance of \$1,957,319 compared to \$1,818,851 for the prior fiscal year. The City's major sources of revenues are insurance premium fees, payroll occupational fees and property taxes. The funds balance primarily represents the accumulation of revenues in excess of expenditures not reimbursed by funding sources.

### **General Fund Budgetary Highlights**

Differences between the original budget and the final amended budget were approximately \$34,000 increase in revenue and \$24,000 decrease in appropriations which can be briefly summarized as follows:

- Decrease in intergovernmental grant revenue awarded but delayed to FY2009 and related expenses for streetscape project
- Increase in miscellaneous revenues related to receivable from Franklin-Simpson Industrial Authority paid off during the year and related debt payments to KLC

Total revenues for the year were higher than final budgetary estimates while expenses were lower than final budgetary estimates. There was an increase in fund balance for the year.

### **Proprietary Funds**

Operating revenues of the City's proprietary funds decreased 2.6% from the prior year to \$5,772,829 from lower utility rates charged to newly annexed areas of the City. The operating expenses increased 4.8% to \$5,445,205.

## **Capital Asset and Debt Administration**

### **Capital Assets**

As of June 30, 2008, the City's investment in capital assets net of related debt for its governmental and business-type activities was \$25,445,291 and \$23,949,760 as of June 30, 2007. This investment in capital assets includes land, buildings, improvements, machinery and equipment and streets.

Major capital asset purchases during the current fiscal year include the following:

- Street expansions \$74,259.
- Purchase new police cruisers \$70,940
- Fire Station building improvements \$18,566
- Capital expenditures of \$359,123 for improvements and additions to the City's water and sewer system.

Major capital asset purchases during the prior fiscal year include the following:

- New City Hall and renovations/furniture \$799,027.
- Capital expenditures of \$781,428 for improvements and additions to the City's water and sewer system.

### ***Long-term Debt***

The City had \$11,093,898 in revenue bonds and capital lease obligations outstanding as of June 30, 2008, which is a decrease of \$2,176,935 from the previous year. The City made principal payments of \$2,185,329 during fiscal 2008. The previous year the City had \$13,270,833 in revenue bonds and capital lease obligations outstanding as of June 30, 2007, which is a net decrease of \$671,788 from the previous year. The City borrowed \$1,050,000 to purchase the new City hall building and refinance the park improvement loan. The City made principal payments of \$1,730,234 during fiscal 2007.

### ***Financial Analysis of the City's Funds***

As the City completed the year, its governmental funds reported a combined fund balance of \$1,957,319 excluding capital assets and long-term debt. Included in this year's total change in fund balance, however, is an increase of \$90,149 in the City's General Fund. For the previous year, City's governmental funds reported a combined fund balance of \$1,818,851 excluding capital assets and long-term debt. Included in the prior year total change in fund balance, however, is an increase of \$186,292 in the City's General Fund.

### ***Modified Approach to Infrastructure***

The condition of the City's roads is determined using its Road Management and Inspection Program (RMIP). The road condition is rated from 1 to 100 (OCI), with 100 being new or recently paved.

It is the City's policy to assess the condition of the roads annually for cracks, potholes, misalignment, drainage condition and number of specific safety hazards. There are no roads that are severely deficient in condition at this time.

The City has not changed the measurement scale used to assess and report the condition of its roads for the past 10 years.

The City's goal is to have all roads at 90-100 OCI rating.

When funds become available, the Public Works Department plans to upscale its software to a more recent version.

Eligible infrastructure assets are not depreciated, additions and improvements thereto are capitalized and all other outlays made for such assets are expensed in the period incurred only if requirements regarding asset management system and preservation at condition level are met.

### ***Economic Factors and Next Year's Budgets and Rates***

- The City contracted with a fiber optic design consultant to design a fiber optic loop for business and industry in Franklin and in the two industrial parks. The City was awarded a \$1,000,000 grant from the U.S. Department of Commerce, Economic Development Administration to aid in the costs of the construction. Total cost of construction is projected to be \$2,000,000. Construction of the fiber optic loop is projected to be completed during 2010.

- The Oasis Southwest Grill announced plans to open a 300 seat restaurant at I-65 exit 2. Construction has begun and the restaurant should be open summer 2009. The restaurant is projected to employ approximately 80 to 100.
- ZAP Motor Manufacturing of Kentucky announced plans to construct an electric car manufacturing facility on U.S. 31-W north near the Wilkey North Industrial Park. The company is pursuing a low-interest direct loan from the U.S. Department of Energy and hopes to be in production by late 2009 or early 2010. Although original estimates for employment were estimated to be approximately 4,000 it is more likely to be 500 to 1,000 in the initial phase of the project.
- The City has experienced some layoffs and loss of jobs in the past few months as have many communities. The City adjusted expected occupational fees downward at the mid-year FY2009 to reflect these job reductions. Although there have been reductions, the City has seen continued construction with various enterprises such as CVS Pharmacy, Hibbett Sports, Dollar Tree, Peppers Restaurant, Holiday Inn Express and Comfort Inn and Suites scheduled to be open in 2009 adding additional jobs to our employment base. With these additions, the City now has over 500 hotel rooms and 9 restaurants that serve alcoholic beverages which is an important factor for tourism growth for the community.
- Construction of a Technical College began in the City of Franklin in January 2007. This will benefit the youth in Franklin-Simpson and also employers that need training for their employees. The Technical College opened in the fall of 2008.
- The City annexed south near 31-W to near the state line in August 2007. The annexation should increase commercial growth along I-65 and beyond. This annexation should impact the City positively by expanding payroll occupational and insurance premium fees.
- The widening of I-65 Exit 2 was completed in 2007 and the Exit 6 expansion completed in 2008. With I-65 being expanded to 6 lanes and the reworking of 31-W and Highway 100, the infrastructure for expanded growth is set.

### ***Contacting the City's Financial Management***

The financial report is designed to provide a general overview of the City's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, 117 West Cedar Street, P. O. Box 2805, Franklin, KY 42135.

**BASIC FINANCIAL STATEMENTS**

**CITY OF FRANKLIN, KENTUCKY**

**STATEMENT OF NET ASSETS**

**June 30, 2008**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 879,556	\$ 268,717	\$ 1,148,273
Certificates of deposit	429,206	—	429,206
Receivables (net of allowance for uncollectibles):			
Accounts	14,477	673,871	688,348
Taxes	887,973	—	887,973
Notes	151,595	—	151,595
Intergovernmental	36,327	34,045	70,372
Interest	1,188	—	1,188
Internal balances	101,416	( 101,416)	—
Prepaid items	48,594	46,943	95,537
Restricted assets:			
Cash and cash equivalents	24,911	922,554	947,465
Certificates of deposit	—	1,506,023	1,506,023
Interest receivable	—	5,714	5,714
Capital assets, net of accumulated depreciation:			
Nondepreciable	11,316,176	496,542	11,812,718
Depreciable capital assets	2,676,942	21,687,215	24,364,157
Construction in progress	—	267,720	267,720
Debt issuance costs	—	95,337	95,337
	<u>\$ 16,568,361</u>	<u>\$ 25,903,265</u>	<u>\$ 42,471,626</u>
<b>LIABILITIES AND NET ASSETS</b>			
Liabilities:			
Accounts payable	\$ 372,269	\$ 492,480	\$ 864,749
Other accrued liabilities	81,798	366,345	448,143
Accrued interest payable	—	27,416	27,416
Accrued vacation	62,938	28,904	91,842
Deposit on land contract	—	148,000	148,000
Deferred revenue	12,263	21,156	33,419
Noncurrent liabilities:			
Customer deposits	—	398,056	398,056
Due within one year	190,419	1,116,499	1,306,918
Due in more than one year	1,575,481	8,211,499	9,786,980
	<u>2,295,168</u>	<u>10,810,355</u>	<u>13,105,523</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	12,227,218	13,218,073	25,445,291
Restricted for:			
Highways and streets	191,668	—	191,668
Debt service	—	2,020,163	2,020,163
Economic development	155,316	—	155,316
Perpetual care	450,211	—	450,211
Other purposes	47,998	—	47,998
Unrestricted	1,200,782	( 145,326)	1,055,456
	<u>14,273,193</u>	<u>15,092,910</u>	<u>29,366,103</u>
Total net assets	<u>14,273,193</u>	<u>15,092,910</u>	<u>29,366,103</u>
Total liabilities and net assets	<u>\$ 16,568,361</u>	<u>\$ 25,903,265</u>	<u>\$ 42,471,626</u>

See Notes to Financial Statements

**CITY OF FRANKLIN, KENTUCKY**

**STATEMENT OF ACTIVITIES  
Year Ended June 30, 2008**

Function/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
<b>Primary Government</b>							
Governmental activities:							
General government	\$ 1,666,983	\$ 678,787	\$ —	\$ —	(\$ 988,196)	\$ —	(\$ 988,196)
Public safety	2,006,658	57,650	81,635	9,996	( 1,857,377)	—	( 1,857,377)
Public works	961,210	—	327,286	4,440	( 629,484)	—	( 629,484)
Community and cultural	559,790	131,110	—	—	( 428,680)	—	( 428,680)
Interest on long-term debt	161,400	—	—	—	( 161,400)	—	( 161,400)
<b>Total governmental activities</b>	<b>5,356,041</b>	<b>867,547</b>	<b>408,921</b>	<b>14,436</b>	<b>( 4,065,137)</b>	<b>—</b>	<b>( 4,065,137)</b>
Business-type activities:							
Water and wastewater	3,943,067	3,910,657	—	180,367	—	147,957	147,957
Sanitation	1,890,803	1,862,172	—	—	—	( 28,631)	( 28,631)
Fiber optic	21,109	—	—	—	—	( 21,109)	( 21,109)
<b>Total business-type activities</b>	<b>5,854,979</b>	<b>5,772,829</b>	<b>—</b>	<b>180,367</b>	<b>—</b>	<b>98,217</b>	<b>98,217</b>
<b>Total primary government</b>	<b>\$ 11,211,020</b>	<b>\$ 6,640,376</b>	<b>\$ 408,921</b>	<b>\$ 194,803</b>	<b>( 4,065,137)</b>	<b>98,217</b>	<b>( 3,966,920)</b>
General revenues:							
Property taxes					717,524	—	717,524
Occupational taxes					1,788,097	—	1,788,097
Insurance premium taxes					1,078,421	—	1,078,421
Franchise taxes					106,007	—	106,007
Business license taxes					308,803	—	308,803
Interest income					51,105	109,662	160,767
Miscellaneous					64,696	99,461	164,157
Gain on sale of capital assets					31,488	738,297	769,785
Transfers					828,400	( 828,400)	—
<b>Total general revenues and transfers</b>					<b>4,974,541</b>	<b>119,020</b>	<b>5,093,561</b>
Change in net assets					909,404	217,237	1,126,641
Net assets, beginning of year					13,363,789	14,875,673	28,239,462
Net assets, end of year					<b>\$ 14,273,193</b>	<b>\$ 15,092,910</b>	<b>\$ 29,366,103</b>

See Notes to Financial Statements

**CITY OF FRANKLIN, KENTUCKY**

**BALANCE SHEET - GOVERNMENTAL FUNDS**

**June 30, 2008**

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 551,186	\$ 328,370	\$ 879,556
Certificates of deposit	—	429,206	429,206
Receivables (net of allowance for uncollectibles):			
Accounts	4,427	10,050	14,477
Taxes	887,973	—	887,973
Notes	100,000	51,595	151,595
Intergovernmental	11,900	24,427	36,327
Interest	636	552	1,188
Due from other funds	133,622	51,095	184,717
Prepaid items	48,194	400	48,594
Restricted assets			
Cash and cash equivalents	<u>23,638</u>	<u>1,273</u>	<u>24,911</u>
 Total assets	 <u>\$ 1,761,576</u>	 <u>\$ 896,968</u>	 <u>\$ 2,658,544</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 329,162	\$ 43,106	\$ 372,268
Due to other funds	50,995	32,306	83,301
Accrued expenses	81,798	—	81,798
Deferred revenue	<u>112,263</u>	<u>51,595</u>	<u>163,858</u>
Total liabilities	<u>574,218</u>	<u>127,007</u>	<u>701,225</u>
Fund balances:			
Reserved for:			
Prepaid items	48,194	400	48,594
Drug enforcement	12,206	—	12,206
Retirement benefits	11,431	—	11,431
Perpetual care	—	450,211	450,211
Unreserved	1,115,527	—	1,115,527
Unreserved, reported in nonmajor:			
Special revenue funds	<u>—</u>	<u>319,350</u>	<u>319,350</u>
Total fund balances	<u>1,187,358</u>	<u>769,961</u>	<u>1,957,319</u>
 Total liabilities and fund balances	 <u>\$ 1,761,576</u>	 <u>\$ 896,968</u>	 <u>\$ 2,658,544</u>
 Total fund balances - governmental funds			\$ 1,957,319
Amounts reported for governmental activities in the Statement of Net Assets are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			13,993,118
Long-term obligations are not due and payable in the current period and, therefore, are not reported in the funds.			( 1,765,900)
Accrued compensated absences are not due and payable with current financial resources and, therefore, are not reported in the funds.			( 62,938)
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.			<u>151,595</u>
Net assets of governmental activities			<u>\$ 14,273,194</u>

See Notes to Financial Statements

**CITY OF FRANKLIN, KENTUCKY**

**STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - GOVERNMENTAL FUNDS  
Year Ended June 30, 2008**

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>			
<b>Taxes:</b>			
Property	\$ 717,524	\$ —	\$ 717,524
Occupational	1,788,097	—	1,788,097
Insurance premium	1,078,421	—	1,078,421
Franchise	106,007	—	106,007
Business license	308,803	—	308,803
Intergovernmental	153,360	322,743	476,103
Charges for sales and services	—	74,510	74,510
Interfund charges	651,600	—	651,600
Fines and forfeitures	29,943	—	29,943
Contributions and donations	80	6,600	6,680
Investment income	26,285	24,820	51,105
Miscellaneous	<u>428,872</u>	<u>4,239</u>	<u>433,111</u>
<b>Total revenues</b>	<u>5,288,992</u>	<u>432,912</u>	<u>5,721,904</u>
<b>Expenditures</b>			
<b>Current:</b>			
General government	\$ 1,627,490	\$ —	\$ 1,627,490
Public safety	1,853,890	—	1,853,890
Public works	678,644	207,264	885,908
Community services	308,406	248,813	557,219
Capital outlay	137,351	113,111	250,462
<b>Debt service:</b>			
Principal	1,117,955	—	1,117,955
Interest	133,973	—	133,973
Administrative fees	<u>27,427</u>	<u>—</u>	<u>27,427</u>
<b>Total expenditures</b>	<u>5,885,136</u>	<u>569,188</u>	<u>6,454,324</u>
Deficiency of revenues under expenditures	<u>( 596,144)</u>	<u>( 136,276)</u>	<u>( 732,420)</u>
<b>Other financing sources (uses):</b>			
Transfers in	828,400	164,500	992,900
Transfers out	<u>( 147,000)</u>	<u>( 17,500)</u>	<u>( 164,500)</u>
Sale of capital assets	<u>4,893</u>	<u>37,595</u>	<u>42,488</u>
<b>Total other financing sources (uses)</b>	<u>686,293</u>	<u>184,595</u>	<u>870,888</u>
Net change in fund balances	90,149	48,319	138,468
Fund balances, beginning of year	<u>1,097,209</u>	<u>721,642</u>	<u>1,818,851</u>
Fund balances, end of year	<u>\$ 1,187,358</u>	<u>\$ 769,961</u>	<u>\$ 1,957,319</u>

See Notes to Financial Statements

CITY OF FRANKLIN, KENTUCKY

RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2008

	<u>Total Governmental Funds</u>
Net change in fund balances - total governmental funds	\$ 138,468
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	( 20,952)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.	1,117,955
Accrued compensated absences reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	1,281
Principal collections on notes and lease receivables are included in governmental funds. Principal collections reduce long-term notes and lease receivables in the government-wide statement of net assets.	( 316,348)
In the statement of activities, only the gain on the sale of assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus the change in net assets differs from the change in fund balance by the net book value of the assets sold.	( 11,000)
Change in net assets of governmental activities	<u>\$ 909,404</u>

See Notes to Financial Statements

**CITY OF FRANKLIN, KENTUCKY**

**STATEMENT OF FUND NET ASSETS - PROPRIETARY FUNDS**  
**June 30, 2008**

	<u>Enterprise Funds</u>			
	<u>Water and Wastewater</u>	<u>Sanitation</u>	<u>Fiber Optic</u>	
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 66,816	\$ 201,901	\$ —	\$ 268,717
Accounts receivable, net	561,684	112,187	—	673,871
Intergovernmental receivables	34,045	—	—	34,045
Due from other funds	227	358,744	—	358,971
Prepaid items	46,374	569	—	46,943
Restricted assets:				
Cash and cash equivalents	922,554	—	—	922,554
Certificates of deposit	1,506,023	—	—	1,506,023
Interest receivable	<u>5,714</u>	<u>—</u>	<u>—</u>	<u>5,714</u>
Total current assets	<u>3,143,437</u>	<u>673,401</u>	<u>—</u>	<u>3,816,838</u>
Noncurrent assets:				
Capital assets:				
Land	307,228	188,114	1,200	496,542
Depreciable capital assets, net	21,687,215	—	—	21,687,215
Construction in progress	<u>198,501</u>	<u>—</u>	<u>69,219</u>	<u>267,720</u>
Net capital assets	22,192,944	188,114	70,419	22,451,477
Debt issue costs	<u>95,337</u>	<u>—</u>	<u>—</u>	<u>95,337</u>
Total noncurrent assets	<u>22,288,281</u>	<u>188,114</u>	<u>70,419</u>	<u>22,546,814</u>
Total assets	<u>\$ 25,431,718</u>	<u>\$ 861,515</u>	<u>\$ 70,419</u>	<u>\$ 26,363,652</u>

See Notes to Financial Statements

**CITY OF FRANKLIN, KENTUCKY**

**STATEMENT OF FUND NET ASSETS - PROPRIETARY FUNDS**

**June 30, 2008**

	Enterprise Funds			
	Water and Wastewater	Sanitation	Fiber Optic	Total
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	\$ 174,464	\$ 313,853	\$ 4,163	\$ 492,480
Accrued liabilities	36,888	329,457	—	366,345
Accrued interest	27,416	—	—	27,416
Accrued vacation	28,904	—	—	28,904
Due to other funds	373,022	—	87,365	460,387
Deposit on land contract	—	148,000	—	148,000
Current maturities of notes payable	202,608	—	—	202,608
Current maturities of capital lease obligations	253,891	—	—	253,891
Payable from restricted assets:				
Current maturities of revenue bonds payable	660,000	—	—	660,000
Customer deposits	398,056	—	—	398,056
<b>Total current liabilities</b>	<b>2,155,249</b>	<b>791,310</b>	<b>91,528</b>	<b>3,038,087</b>
Noncurrent liabilities:				
Deferred revenue	21,156	—	—	21,156
Notes payable	1,350,755	—	—	1,350,755
Capital lease obligations	1,358,830	—	—	1,358,830
Revenue bonds payable	5,501,914	—	—	5,501,914
<b>Total noncurrent liabilities</b>	<b>8,232,655</b>	<b>—</b>	<b>—</b>	<b>8,232,655</b>
<b>Total liabilities</b>	<b>10,387,904</b>	<b>791,310</b>	<b>91,528</b>	<b>11,270,742</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	12,959,540	188,114	70,419	13,218,073
Restricted for debt service and capital activity	2,020,163	—	—	2,020,163
Unrestricted	64,111	( 117,909)	( 91,528)	( 145,326)
<b>Total net assets</b>	<b>15,043,814</b>	<b>70,205</b>	<b>( 21,109)</b>	<b>15,092,910</b>
<b>Total liabilities and net assets</b>	<b>\$ 25,431,718</b>	<b>\$ 861,515</b>	<b>\$ 70,419</b>	<b>\$ 26,363,652</b>

**CITY OF FRANKLIN, KENTUCKY**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN  
FUND NET ASSETS - PROPRIETARY FUNDS  
Year Ended June 30, 2008**

	Enterprise Funds			Total
	Water and Wastewater	Sanitation	Fiber Optic	
Operating revenues				
Charges for services	\$ 3,808,300	\$ 1,845,489	\$ —	\$ 5,653,789
Fines and forfeitures	102,357	16,683	—	119,040
Total operating revenues	<u>3,910,657</u>	<u>1,862,172</u>	<u>—</u>	<u>5,772,829</u>
Operating expenses				
Salaries, wages and benefits	1,056,659	10,206	—	1,066,865
Maintenance	203,304	1,693,159	17,515	1,913,978
Utilities	301,516	—	—	301,516
Administrative	415,500	186,100	—	601,600
Supplies	503,193	—	—	503,193
Other	25,802	1,338	3,594	30,734
Depreciation	1,027,319	—	—	1,027,319
Total operating expenses	<u>3,533,293</u>	<u>1,890,803</u>	<u>21,109</u>	<u>5,445,205</u>
Operating income	<u>377,364</u>	<u>( 28,631)</u>	<u>( 21,109)</u>	<u>327,624</u>
Nonoperating revenues (expenses):				
Investment income	109,134	528	—	109,662
Intergovernmental revenue	180,367	—	—	180,367
Miscellaneous revenue	71,085	28,376	—	99,461
Gain on sale of capital assets	738,297	—	—	738,297
Interest expense	( 371,496)	—	—	( 371,496)
Amortization expense	( 25,731)	—	—	( 25,731)
Administrative fees	( 12,547)	—	—	( 12,547)
Total nonoperating revenues (expenses)	<u>689,109</u>	<u>28,904</u>	<u>—</u>	<u>718,013</u>
Income (loss) before transfers	1,066,473	273	( 21,109)	1,045,637
Transfers out	( 828,400)	—	—	( 828,400)
Change in net assets	238,073	273	( 21,109)	217,237
Net assets, beginning of year	<u>14,805,741</u>	<u>69,932</u>	<u>—</u>	<u>14,875,673</u>
Net assets, end of year	<u>\$ 15,043,814</u>	<u>\$ 70,205</u>	<u>(\$ 21,109)</u>	<u>\$ 15,092,910</u>

See Notes to Financial Statements

**CITY OF FRANKLIN, KENTUCKY**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
**Year Ended June 30, 2008**

	Enterprise Funds			
	Water and Wastewater	Sanitation	Fiber Optic	Total
<b>Cash flows from operating activities</b>				
Cash received from customers	\$ 4,018,324	\$ 1,900,792	\$ —	\$ 5,919,116
Cash payments to employees and retirees	( 1,067,322)	( 10,206)	—	( 1,077,528)
Cash payments to suppliers	( 1,229,240)	( 1,663,450)	( 16,946)	( 2,909,636)
Payments for administrative overhead	( 415,500)	( 186,100)	—	( 601,600)
Net cash provided by (used in) operating activities	<u>1,306,262</u>	<u>41,036</u>	<u>( 16,946)</u>	<u>1,330,352</u>
<b>Cash flows from noncapital financing activities</b>				
Borrowings from other funds	—	—	87,365	87,365
Transfers out	( 828,400)	—	—	( 828,400)
Net cash provided by (used in) noncapital financing activities	<u>( 828,400)</u>	<u>—</u>	<u>87,365</u>	<u>( 741,035)</u>
<b>Cash flows from capital and related financing activities</b>				
Proceeds from capital grants	324,282	—	—	324,282
Proceeds from sale of capital assets	823,951	—	—	823,951
Purchase of capital assets	( 288,703)	—	( 70,419)	( 359,122)
Principal paid on bonds, notes and lease obligations	( 1,067,374)	—	—	( 1,067,374)
Interest paid on bonds, notes and lease obligations	( 373,967)	—	—	( 373,967)
Administrative fees paid	( 12,547)	—	—	( 12,547)
Net cash used in capital and related financing activities	<u>( 594,358)</u>	<u>—</u>	<u>( 70,419)</u>	<u>( 664,777)</u>
<b>Cash flows from investing activities</b>				
Proceeds from sale and maturities of certificates of deposit	300,000	—	—	300,000
Purchase of certificates of deposit	( 353,991)	—	—	( 353,991)
Interest received	<u>110,198</u>	<u>528</u>	<u>—</u>	<u>110,726</u>
Net cash provided by investing activities	<u>56,207</u>	<u>528</u>	<u>—</u>	<u>56,735</u>
Net increase (decrease) in cash and cash equivalents	( 60,289)	41,564	—	( 18,725)
Cash and cash equivalents, beginning of year	<u>1,049,659</u>	<u>160,337</u>	<u>—</u>	<u>1,209,996</u>
Cash and cash equivalents, end of year	<u>\$ 989,370</u>	<u>\$ 201,901</u>	<u>\$ —</u>	<u>\$ 1,191,271</u>
<b>Reflected in the Statement of Fund Net Assets - Proprietary Funds as:</b>				
Cash and cash equivalents	\$ 66,816	\$ 201,901	\$ —	\$ 268,717
Restricted cash and cash equivalents	<u>922,554</u>	<u>—</u>	<u>—</u>	<u>922,554</u>
Total	<u>\$ 989,370</u>	<u>\$ 201,901</u>	<u>\$ —</u>	<u>\$ 1,191,271</u>

See Notes to Financial Statements

**CITY OF FRANKLIN, KENTUCKY**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
**Year Ended June 30, 2008**

	Enterprise Funds			
	<u>Water and Wastewater</u>	<u>Sanitation</u>	<u>Fiber Optic</u>	<u>Total</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>				
Operating income (loss)	\$ 377,364	(\$ 28,631)	(\$ 21,109)	\$ 327,624
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	1,027,319	—	—	1,027,319
Nonoperating revenues	71,085	28,376	—	99,461
Change in assets and liabilities:				
Decrease in accounts receivable	41,754	10,244	—	51,998
(Increase) decrease in due from other funds	( 227)	905	—	678
Increase in prepaid items	( 32,036)	( 37)	—	( 32,073)
Increase (decrease) in accounts payable	( 159,732)	33,243	4,163	( 122,326)
Decrease in accrued liabilities	( 12,126)	( 3,064)	—	( 15,190)
Increase in accrued vacation	1,463	—	—	1,463
Decrease in customer deposits	( 5,171)	—	—	( 5,171)
Decrease in due to other funds	( 2,164)	—	—	( 2,164)
Decrease in deferred revenue	( 1,267)	—	—	( 1,267)
 Net cash provided by (used in) operating activities	 <u>\$ 1,306,262</u>	 <u>\$ 41,036</u>	 <u>(\$ 16,946)</u>	 <u>\$ 1,330,352</u>

See Notes to Financial Statements

**CITY OF FRANKLIN, KENTUCKY**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2008**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Franklin, Kentucky (City) is a municipal corporation and political subdivision of the Commonwealth of Kentucky. The City operates under a Commission-Manager form of government. The City provides a full range of municipal services including general government services, police and fire protection, public works, parks and recreation, and cemetery operations. In addition, the City owns and operates a water and sewer system.

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City's reporting entity applies all relevant (GASB) pronouncements.

Business-type activities and proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The more significant of the City's accounting policies are described below.

**A. Reporting Entity**

The accompanying government-wide financial statements present the financial statements of the City. There are no component units, legally separate entities for which the City is considered to be financially accountable. Accountability is defined as the City's substantive appointment of the majority of the component unit's governing board. Furthermore, to be financially accountable, the City must be able to impose its will upon the component unit or there must be a possibility that the component unit may provide specific financial benefits to or impose specific financial burdens on the City.

**Related Organizations and Jointly Governed Organizations**

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the Electric Plant Board and the Housing Authority of Franklin are considered related organizations of the City.

A regional government or other multi-governmental arrangement is governed by representatives from each of the governments that created the organization, but is not a joint venture because the participants do not retain an ongoing financial interest or responsibility. Based on these criteria, the Franklin-Simpson Industrial Authority, Franklin-Simpson Planning and Zoning Commission, and Franklin-Simpson Planning and Zoning Adjustment Board are considered jointly governed organizations of the City.

**CITY OF FRANKLIN, KENTUCKY**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2008**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Joint Ventures**

A joint venture is a legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. Based on these criteria, the Franklin-Simpson Parks Board and the Simpson County 911 Advisory Board are considered joint ventures of the City.

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

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements as follows:

**Government-wide Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the City. Fiduciary activities are excluded from the government-wide statements because they cannot be used to support the City's own programs. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. The Statement of Activities demonstrates the degree to which the direct expenses of a given function or identifiable activity is offset by program revenues. Direct expenses are those that are clearly associated with a specific function or identifiable activity. Expenses that can not be specifically identified to a particular function are charged to funds based on time spent for that function and are included in the functional categories. Program revenues include: (a) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or identifiable activity, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program or identifiable activity. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions.

**CITY OF FRANKLIN, KENTUCKY**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2008**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Fund Financial Statements**

The fund financial statements provide information about the City's funds. Separate statements for each fund – governmental and proprietary are presented. The emphasis of fund financial statements is on major governmental and major enterprise funds, each displayed in a separate column. All other governmental and enterprise funds, if any, are aggregated and reported as nonmajor funds.

**Fund Accounting**

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

**Governmental Funds**

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The City has presented the following major governmental fund:

**General Fund**

The General Fund is the general operating fund of the City. All general tax revenues and other receipts that are not allocated by law, ordinance or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

**Special Revenue Funds**

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes. The City's four nonmajor special revenue funds account for specific revenues that are restricted to expenditures for operating the Greenlawn-Shady Rest Cemetery (Greenlawn-Shady Rest Cemetery Fund), governmental housing, community and economic development projects (Community Development Fund), public works (Municipal Aid Fund), and economic development activities (Economic Development Revolving Loan Fund).

**CITY OF FRANKLIN, KENTUCKY**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2008**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Permanent Funds**

Permanent funds are used to report resources that are legally restricted to allow only the earnings and not the principal to be used for purposes that support the reporting government's programs. The City reports two nonmajor permanent funds (Francis Harris Cemetery Perpetual Fund and Greenlawn-Shady Rest Cemetery Perpetual Fund) which account for assets held in trust for the permanent maintenance and beautification of Greenlawn-Shady Rest cemetery.

**Proprietary Funds**

Proprietary fund reporting focuses on changes in net assets, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service.

**Enterprise Funds**

Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determinations or revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The City reports the following major enterprise funds:

**Water and Wastewater Fund**

The Water and Wastewater Fund accounts for the operations of the City's water and wastewater system.

**Sanitation Fund**

The Sanitation Fund accounts for the operations of the City's sanitation system.

**Fiber Optic Fund**

The Fiber Optic Fund, a nonmajor enterprise fund, accounts for the operations of the City's fiber optic system.

**CITY OF FRANKLIN, KENTUCKY**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2008**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Measurement Focus and Basis of Accounting**

**Government-wide and Proprietary Funds**

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and accrual basis of accounting. With this measurement focus, all assets and all liabilities including long-term assets, as well as long-term debt and obligations, are included in Statement of Net Assets. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows.

In proprietary funds, operating revenues and expenses are distinguished from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the principal ongoing operations of the fund. All revenues and expenses not meeting this definition are reported as nonoperating items. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Nonexchange transactions, in which the City receives (or gives) value without directly giving (or receiving) equal value in exchange, include property taxes, grants, entitlements and similar items and donations. Recognition standards are based on the characteristics and classes of nonexchange transactions. Revenues from property taxes are recognized in the period in which the taxes are levied. Franchise fees, licenses and permits, fines and forfeitures are recognized as revenues, net of estimated refunds and uncollectible amounts, in the accounting period when an enforceable legal claim to the assets arises and the use of resources is required or is first permitted. Grants, entitlements and donations are recognized as revenues, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met.

Amounts received before all eligibility requirements have been met are reported as deferred revenues. Grants and similar aid to other organizations are recognized as expenses as soon as recipients have met all eligibility requirements. Amounts paid before all eligibility requirements have been met are reported as prepaid items.

**CITY OF FRANKLIN, KENTUCKY**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2008**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Governmental Fund Financial Statements**

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and liabilities are generally included on the balance sheet. The statement of revenues, expenditures and changes in fund balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in spendable resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

General capital asset acquisitions are reported as expenditures and proceeds of general long-term debt are reported as other financing sources. Under the modified accrual basis of accounting, revenues are recognized when both measurable and available. The City considers revenues reported in the governmental funds to be available if they are collectible within 60 days after year end. Principal revenue sources considered susceptible to accrual include taxes, licenses and investment earnings. Other revenues are considered to be measurable and available only when cash is received by the City. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, compensated absences and obligations for worker's compensation, which are recognized as expenditures when payment is due. Pension expenditures are recognized when amounts are due to a plan.

The City reports deferred revenue on its combined balance sheet. Deferred revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenue also arises when resources are received by the City before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met or when the City has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

**CITY OF FRANKLIN, KENTUCKY**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2008**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Assets, Liabilities and Fund Equity**

**Cash and Cash Equivalents**

The City considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2008, cash equivalents consisted primarily of certificates of deposit and short-term instruments with local financial institutions.

**Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of an allowance for uncollectibles.

Property taxes attach as an enforceable lien on property as of January 1 each year. Property values are assessed on January 1 of each year, taxes are levied annually by ordinance and are payable on December 31. The City bills and collects its own property taxes. City property tax revenues are recognized when levied to the extent that they are both measurable and available.

**Prepaid Items**

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

**Restricted Assets**

Certain proceeds of bonds, as well as certain resources set aside for their payment, are classified as restricted assets on the balance sheet since their use is limited by applicable bond indentures. Construction fund accounts are used to report proceeds of general obligation and revenue bonds and notes that are restricted for use in construction and capital acquisitions. Depreciation and Maintenance accounts are the resources set aside to provide reasonable reserves for renewals, replacements, improvements, extensions, extraordinary major repairs and contingencies related to bond obligation projects. Sinking Fund accounts are the resources accumulated for debt service payments.

CITY OF FRANKLIN, KENTUCKY

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Investments and Investment Income**

Investments include certificates of deposit or government obligations carried at fair value. Investment income includes interest income and the net change for the year in the fair value of investments carried at fair value.

**Unbilled Revenue**

The City bills customers for water and sewer services after usage based upon meter readings made during the month. The City records a receivable for unbilled revenue at June 30 for usage for which bills have not been sent.

**Capital Assets**

Capital assets, which include property, plant, equipment and infrastructure assets, are reported in the government-wide financial statements and the fund financial statements for proprietary funds. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

The City maintains a capitalization threshold of \$2,000. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets, excluding infrastructure, are depreciated using the straight-line method over their estimated useful lives as follows:

	<u>Years</u>
Utility plant	25 - 50
Building and improvements	25 - 40
Furniture and equipment	10
Vehicles	4

The City utilizes the modified approach for reporting eligible infrastructure assets. Eligible infrastructure assets are not depreciated, additions and improvements thereto are capitalized and all other outlays made for such assets are expensed in the period incurred only if requirements regarding asset management system and preservation at condition level are met.

**CITY OF FRANKLIN, KENTUCKY**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2008**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Depreciation expense is charged directly to the department/function based on the department that utilizes the related asset.

**Compensated Absences**

The City grants vacation and sick pay to all full-time employees based on length of service time. The cost of vacation and sick pay is accrued when earned in the government wide and proprietary fund financial statements and reported as accrued liabilities. In fund financial statements, only amounts that are expected to be liquidated with available financial resources are reported as expenditures and included in accrued liabilities.

**Long-term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the columns for governmental activities and business-type activities. These amounts are also reported as liabilities in the fund financial statements for proprietary funds. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Debt issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

**Deferred Revenue**

The City defers revenue recognition for assets recognized before revenue recognition criteria has been satisfied.

Grants and entitlements received before eligibility requirements are met are deferred. In addition, in governmental fund financial statements, notes and lease receivables at fiscal year end are recorded as deferred revenue because potential revenue does not meet the "available" criteria for recognition in the current period.

**CITY OF FRANKLIN, KENTUCKY**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2008**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Net Assets/Fund Balance**

Invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets.

Net assets are reported as restricted when constraints placed on them are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or are imposed by law through constitutional provisions or enabling legislation. Designation of fund balance in the fund financial statements represent tentative management plans that are subject to change. The City's policy is to first apply restricted resources when an expense is incurred for purposes for which both unrestricted and restricted net assets are available.

**E. Revenues, Expenditures and Expenses**

**Operating Revenues and Expenses**

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, non-capital financing, or investing activities.

**Interfund Activity**

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

**CITY OF FRANKLIN, KENTUCKY**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2008**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

**G. Budgetary Information**

**Budget Policy**

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general, special revenue, and enterprise funds. A budget is not prepared for the City's permanent funds. All annual appropriations lapse at fiscal year end.

**Legal Compliance**

All agencies of the City submit requests for appropriation to the City manager so that a budget may be prepared. The budget is prepared by fund, function and activity, and includes information on the part year, current year estimates, and requested appropriations for the next fiscal year.

Before June 1<sup>st</sup>, the proposed budget is presented to the City Commission for review. The City Commission holds public hearings to obtain taxpayer comments. Prior to July 1, the budget is legally enacted through passage of an ordinance. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Commission. During the year, several supplementary appropriations were necessary.

**CITY OF FRANKLIN, KENTUCKY**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2008**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Excess of Expenditures over Appropriations**

The following funds that have budgets adopted annually had excess expenditures over appropriations for the fiscal year ended June 30, 2008:

Community Development Fund	<u>\$13,529</u>
----------------------------	-----------------

Community Development Fund excess expenditures were funded by greater than anticipated revenues.

**Deficit Fund Equity**

The Fiber Optic enterprise fund had a deficit fund equity of \$21,109 as of June 30, 2008. The fund was established in fiscal year 2008 to account for the future operations of the City's fiber optic system. As of June 30, 2008, preliminary fiber optic line design expenditures have been funded by General Fund advances.

**NOTE 2. DEPOSITS, INVESTMENTS AND INVESTMENT RETURN**

**Deposits**

Custodial credit risk is the risk that in the event of a bank failure a government's deposits may not be returned to it. The City's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of all deposits with federal depository insurance; letters of credit issued by federal home loan banks; bonds, notes, letters of credit or other obligations of the U. S. Treasury, U. S. agencies or instrumentalities or the state of Kentucky; bonds of any city of the first, second, and third classes, county, school district or educational institution of the state of Kentucky; or surety bonds having an aggregate current face value or current quoted market value at least equal to the amount of the deposits in excess of amounts insured by the FDIC or FSLIC.

**CITY OF FRANKLIN, KENTUCKY**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2008**

**NOTE 2. DEPOSITS, INVESTMENTS AND INVESTMENT RETURN (Continued)**

At June 30, 2008, \$2,699,169 of the City's bank balances of \$3,343,036, were exposed to custodial credit risk as follows:

Insured by irrevocable letter of credit from the Federal Home Loan Bank of Cincinnati	\$ 1,814,737
Uninsured and collateral held by pledging financial institution	<u>884,432</u>
	<u>\$ 2,699,169</u>

**Investments**

In accordance with Kentucky Revised Statutes (KRS) 66.480, the City may legally invest in obligations of the U. S. Treasury, U. S. agencies and instrumentalities, including obligations subject to repurchase agreements, bankers' acceptances, commercial paper, obligations of the Commonwealth of Kentucky and its agencies and instrumentalities, shares of mutual funds or interest bearing deposits of insured national or state banks.

At June 30, 2008, the City had the following investments and maturities:

<u>Type</u>	<u>Fair Value</u>	<u>Maturities In Years Less than 1</u>
U. S. obligations	<u>\$ 855,351</u>	<u>\$ 855,351</u>

**Interest Rate Risk** - The City recognizes that some level of risk is inherent in any investment transaction. Losses may be incurred due to issuer default, market price changes, or closing investments prior to maturity due to unanticipated cash flow needs. While the City has adopted an investment policy that recommends controlling interest rate risk through maturity diversification, the policy states that unless matched to a specific cash flow need, the City's funds should not, in general, be invested in securities maturing more than ten years from the date of purchase.

**Credit Risk** - Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. It is the City's policy to limit its investments in securities issued by a state or local government or any U. S. agency or instrumentality to the top three ratings issued by nationally recognized statistical rating organizations (NRSROs). At June 30, 2008, investments in U. S. agency obligations not directly guaranteed by the U. S. government were rated AAA by Standard & Poor's.

CITY OF FRANKLIN, KENTUCKY

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

**NOTE 2. DEPOSITS, INVESTMENTS AND INVESTMENT RETURN (Continued)**

**Concentration of Credit Risk** - The City's funds must be diversified by security type and institution with the exception of fully insured or fully collateralized investments and except for authorized investment pools, no more than 30% of the City's total investment portfolio shall be invested in a single security type or with a single financial institution. At June 30, 2008, 100% of the City's investments were in U. S. Obligation Mutual Funds.

**Summary of Carrying Values**

The carrying values of deposits and investments shown above are included in the balance sheets as follows:

Carrying value:	
Deposits	\$ 3,175,616
Investments	<u>855,351</u>
	<u>\$ 4,030,967</u>

Included in the following balance sheet captions:

<b>Government-wide Statement of Net Assets</b>	
Cash and cash equivalents	\$ 1,148,273
Certificates of deposit	429,206
Restricted assets:	
Cash and cash equivalents	947,465
Certificates of deposit	<u>1,506,023</u>
Total	<u>\$ 4,030,967</u>

**Investment Income**

Investment income for the year ended June 30, 2008 consisted of:

Interest and dividend income	<u>\$ 160,767</u>
------------------------------	-------------------

**CITY OF FRANKLIN, KENTUCKY**

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

**NOTE 3. NOTES RECEIVABLE**

Notes receivable at June 30, 2008 consists of the following:

**General Fund:**

Franklin-Simpson Industrial Authority note receivable; issued pursuant to real estate conveyance; no set repayment terms; receivable from Authority upon sale or transfer of real estate located on Robey Street in City conveyed to Authority for economic development purposes pursuant to Resolution No. G-2006, adopted February 27, 2006. \$ 100,000

**Nonmajor governmental fund:**

JD/Novitec Industries, Inc. note receivable, dated June 10, 2002; receivable in semi-annual installments of \$5,419, including interest at 5%; final installment due January 20, 2013. 51,595

Total notes receivable - governmental funds \$ 151,595

**NOTE 4. RESTRICTED ASSETS**

The City's restricted assets are as follows as of June 30, 2008:

	<u>Cash</u>	<u>Certificates of Deposit</u>	<u>Interest Receivable</u>	<u>Total</u>
<b>Governmental activities:</b>				
General Fund:				
Retiree Life fund	\$ 11,431	\$ —	\$ —	\$ 11,431
Police fund	<u>12,207</u>	<u>—</u>	<u>—</u>	<u>12,207</u>
Total General Fund	23,638	—	—	23,638
Special Revenue Fund				
Cemetery Fund	<u>1,273</u>	<u>—</u>	<u>—</u>	<u>1,273</u>
Total governmental activities	<u>24,911</u>	<u>—</u>	<u>—</u>	<u>24,911</u>
<b>Business-type activities:</b>				
Enterprise Fund				
Water and Wastewater Fund:				
Capital projects	1,000	—	—	1,000
Customer deposits	55,202	352,211	1,621	409,034
Debt service reserve	866,352	688,204	2,442	1,556,998
Depreciation reserve	—	347,645	1,651	349,296
Maintenance and replacement reserve	<u>—</u>	<u>117,963</u>	<u>—</u>	<u>117,963</u>
Total business-type activities	<u>922,554</u>	<u>1,506,023</u>	<u>5,714</u>	<u>2,434,291</u>
Total restricted assets	<u>\$ 947,465</u>	<u>\$ 1,506,023</u>	<u>\$ 5,714</u>	<u>\$ 2,459,202</u>

**CITY OF FRANKLIN, KENTUCKY**

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

**NOTE 5. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2008 was as follows:

	Balance <u>June 30, 2007</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>June 30, 2008</u>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 837,523	\$ —	\$ —	\$ 837,523
Streets and sidewalks	<u>10,404,394</u>	<u>74,259</u>	<u>—</u>	<u>10,478,653</u>
Total capital assets, not being depreciated	<u>11,241,917</u>	<u>74,259</u>	<u>—</u>	<u>11,316,176</u>
Capital assets being depreciated:				
Buildings and improvements	2,094,937	32,005	—	2,126,942
Vehicles	1,622,077	70,940	—	1,693,017
Furniture, fixtures and equipment	<u>1,197,689</u>	<u>73,258</u>	<u>—</u>	<u>1,270,947</u>
Total capital assets, being depreciated	<u>4,914,703</u>	<u>176,203</u>	<u>—</u>	<u>5,090,906</u>
Less accumulated depreciation:				
Buildings and improvements	( 299,232)	( 52,440)	—	( 351,672)
Vehicles	( 1,169,036)	( 103,624)	—	( 1,272,660)
Furniture, fixtures and equipment	<u>( 674,282)</u>	<u>( 115,350)</u>	<u>—</u>	<u>( 789,632)</u>
Total accumulated depreciation	<u>( 2,142,550)</u>	<u>( 271,414)</u>	<u>—</u>	<u>( 2,413,964)</u>
Total capital assets, being depreciated, net	<u>2,772,153</u>	<u>( 95,211)</u>	<u>—</u>	<u>2,676,942</u>
Governmental activities capital assets, net	<u>\$14,014,070</u>	<u>(\$ 20,952)</u>	<u>\$ —</u>	<u>\$13,993,118</u>
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 495,342	\$ 1,200	\$ —	\$ 496,542
Construction in progress	<u>114,404</u>	<u>198,898</u>	<u>( 45,582)</u>	<u>267,720</u>
Total capital assets, not being depreciated	<u>609,746</u>	<u>200,098</u>	<u>( 45,582)</u>	<u>764,262</u>
Capital assets being depreciated:				
Utility plant	34,245,578	166,814	—	34,412,392
Buildings	306,651	—	( 212,280)	94,371
Furniture and equipment	2,069,626	37,793	—	2,107,419
Vehicles	<u>482,796</u>	<u>—</u>	<u>—</u>	<u>482,796</u>
Total capital assets being depreciated	<u>37,104,651</u>	<u>204,607</u>	<u>( 212,280)</u>	<u>37,096,978</u>
Less accumulated depreciation:				
Utility plant	( 12,625,892)	( 859,808)	—	( 13,485,700)
Buildings	( 198,708)	( 6,137)	126,625	( 78,220)
Furniture and equipment	( 1,255,838)	( 140,121)	—	( 1,395,959)
Vehicles	<u>( 428,631)</u>	<u>( 21,253)</u>	<u>—</u>	<u>( 449,884)</u>
Total accumulated depreciation	<u>( 14,509,069)</u>	<u>( 1,027,319)</u>	<u>126,625</u>	<u>( 15,409,763)</u>
Total capital assets, being depreciated, net	<u>22,595,582</u>	<u>( 822,712)</u>	<u>( 85,655)</u>	<u>21,687,215</u>
Business-type activities capital assets, net	<u>\$23,205,328</u>	<u>(\$ 622,614)</u>	<u>(\$ 131,237)</u>	<u>\$22,451,477</u>

**CITY OF FRANKLIN, KENTUCKY**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2008**

**NOTE 5. CAPITAL ASSETS (Continued)**

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

<b>Governmental activities:</b>	
General government	\$ 38,473
Public safety	151,656
Public works	78,713
Community and cultural	<u>2,572</u>
 Total depreciation expense - governmental activities	 \$ <u>271,414</u>
 <b>Business-type activities:</b>	
Water and wastewater	\$ <u>1,027,319</u>

**NOTE 6. LONG-TERM LIABILITIES**

Revenue bonds and other directly related long-term liabilities, which are intended to be paid from proprietary funds, are included in the accounts of such funds. All other long-term indebtedness is accounted for in the Governmental column of the Government-wide Statement of Net Assets.

Changes in long-term liabilities for the year ended June 30, 2008 were as follows:

	<u>Balance</u> <u>June 30, 2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2008</u>	<u>Amounts Due</u> <u>in One Year</u>
<b>Governmental activities:</b>					
Lease purchase agreements	\$ 2,774,046	\$ —	(\$ 1,105,326)	\$ 1,668,720	\$ 175,116
Notes payable	<u>109,809</u>	<u>—</u>	<u>(12,629)</u>	<u>97,180</u>	<u>15,303</u>
 Total governmental activities	 \$ <u>2,883,855</u>	 \$ <u>—</u>	 <u>(1,117,955)</u>	 \$ <u>1,765,900</u>	 \$ <u>190,419</u>
 <b>Business-type activities:</b>					
Revenue bonds	\$ 6,900,000	\$ —	(\$ 635,000)	\$ 6,265,000	\$ 660,000
Less: unamortized discount and deferred amount	<u>(111,480)</u>	<u>—</u>	<u>8,394</u>	<u>(103,086)</u>	<u>—</u>
 Bonds payable, net	 6,788,520	 —	 (626,606)	 6,161,914	 660,000
Lease purchase agreements	1,849,465	—	(236,744)	1,612,721	253,891
Notes payable	<u>1,748,993</u>	<u>—</u>	<u>(195,630)</u>	<u>1,553,363</u>	<u>202,608</u>
 Total business-type activities	 \$ <u>10,386,978</u>	 \$ <u>—</u>	 <u>(1,058,980)</u>	 \$ <u>9,327,998</u>	 \$ <u>1,116,499</u>
 Total governmental and business-type activities	 \$ <u>13,270,833</u>	 \$ <u>—</u>	 <u>(2,176,935)</u>	 \$ <u>11,093,898</u>	 \$ <u>1,306,918</u>

CITY OF FRANKLIN, KENTUCKY

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE 6. LONG-TERM LIABILITIES (Continued)

Governmental activities:

The City enters into general obligation lease purchase agreements and notes payable to finance the acquisition and construction of various public projects. These long-term liabilities pledge the full faith and credit of the City.

Governmental activities long-term debt of the City consisted of the following at June 30, 2008:

Lease purchase agreements:

\$656,901 Kentucky League of Cities Funding Trust variable rate lease purchase agreement, dated October 10, 1989; principal and variable interest payable monthly through January, 2019; 3.97% current rate; proceeds used for street improvements.	\$ 375,453
\$550,000 Kentucky League of Cities Funding Trust variable rate lease purchase agreement, dated March 9, 1998; principal payable in semi-annual installments of \$10,000 to \$20,000 on January 15 and July 15 through January, 2018; variable interest payable monthly; 3.92% current rate; proceeds used for fire station project.	340,000
\$350,000 Kentucky League of Cities Funding Trust lease purchase agreement, dated May 27, 1999; principal payable in annual installments of \$11,022 to \$28,363 on July 1 through July, 2018; interest at 5.25% payable semi-annually on January 1 and July 1; proceeds used for fire station bays.	243,267
\$510,000 Kentucky League of Cities Funding Trust variable rate lease purchase agreement, dated December 14, 2001; principal payable in quarterly installments of \$5,000 to \$10,000 on March 15, June 15, September 15 and December 15 through December, 2016; interest payable monthly; 3.99% current rate; proceeds used for sidewalk improvements.	340,000
\$1,050,000 Kentucky Municipal Finance Corporation variable rate lease purchase agreement, dated October 31, 2006; principal payable in monthly installments of \$2,000 through September, 2009; \$825,000 principal amount due October, 2009; thereafter, principal payable in monthly installments of \$2,000 to \$3,000 through June, 2016; variable interest payable monthly; 3.97% current rate; portion of proceeds (\$825,000) used for purchase and renovation of real estate for use as the new City Hall building; remaining proceeds (\$225,000) used for the financing of park improvements.	<u>370,000</u>
Total lease purchase agreements	<u>1,668,720</u>

CITY OF FRANKLIN, KENTUCKY

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

**NOTE 6. LONG-TERM LIABILITIES (Continued)**

**Notes payable:**

\$150,000 Franklin Bank & Trust Company note payable, dated September 22, 2003; principal and interest at 3.8% payable in monthly installments of \$1,400 through September, 2008; proceeds used to finance South Street project; secured by real estate mortgage. \$ 97,180

Total lease purchase agreements and notes payable - governmental activities \$ 1,765,900

**Business-type activities:**

**Lease purchase agreements:**

**Water and Wastewater Fund:**

\$1,133,270 Kentucky League of Cities Funding Trust variable rate lease purchase agreement, dated October 10, 1989; principal and variable interest payable monthly through January, 2019; 3.97% current rate; proceeds used to finance waterline improvements. \$ 647,721

\$1,360,000 Kentucky Municipal Finance Corporation lease purchase agreement, dated May 1, 1999; principal payable on December 1 in annual installments of \$25,000 to \$175,000 through 2018; interest at 5.65% to 6.20% payable semi-annually on June 1 and December 1; issued to advance refund City's outstanding Water and Sewer Revenue Bonds, Series 1982 and Water and Sewer Revenue Refunding Bonds, Series 1983; secured by water and sewer system revenues. 410,000

\$1,570,000 Kentucky Municipal Finance Corporation lease purchase agreement, dated October 10, 2000; principal payable in annual installments of \$125,000 to \$195,000 through 2010; interest at 4.75% to 4.80% payable semi-annually on June 1 and December 1; issued to finance replacement of system water meters and construction of system water lines; secured by water and sewer system revenues. 555,000

Total lease purchase agreements \$ 1,612,721

**CITY OF FRANKLIN, KENTUCKY**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2008**

**NOTE 6. LONG-TERM LIABILITIES (Continued)**

**Notes payable:**

**Water and Wastewater Fund:**

\$669,950 Kentucky Infrastructure Authority assistance agreement note, dated May 3, 1989; principal and variable interest payable in monthly installments through June, 2011; current rate 4.06%; proceeds used to finance dam construction project.	\$ 135,000
\$497,979 Kentucky Infrastructure Authority assistance agreement note, dated November 1, 1993; principal and interest at 1.6% payable semi-annually on June 1 and December 1 through December, 2014; proceeds used to finance improvements to wastewater treatment facility.	180,271
\$2,572,240 Kentucky Infrastructure Authority assistance agreement note, dated July 1, 1996; principal and interest at 1.2% payable semi-annually on June 1 and December 1 through June, 2017; proceeds used to finance upgrades to wastewater treatment plant.	<u>1,238,092</u>
Total notes payable	<u>\$ 1,553,363</u>

**Revenue bonds**

Revenue bonds are comprised of various issues for the purpose of acquiring, constructing, equipping, renovating, expanding and refurbishing additions and improvements to the City's system. The City pledges income derived from the acquired or constructed assets to pay debt service.

**Water and Wastewater Fund:**

Revenue bonds outstanding at June 30, 2008 were as follows:

	<u>Interest Rates</u>	<u>Final Maturity Date</u>	<u>Principal at June 30, 2008</u>
Revenue bonds, Series 2002 (A)	1.25 - 3.25%	December 1, 2011	\$ 2,120,000
Revenue bonds, Series 2004 (B)	2.00 - 4.75%	December 1, 2033	<u>4,145,000</u>
			6,265,000
Less: unamortized discounts			<u>( 103,086)</u>
Total revenue bonds payable - business-type activities			<u>\$ 6,161,914</u>

**CITY OF FRANKLIN, KENTUCKY**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2008**

**NOTE 6. LONG-TERM LIABILITIES (Continued)**

(A) \$4,885,000 City of Franklin Water and Sewer Revenue Refunding Bonds, Series 2002, dated October 1, 2002; fully registered bonds in the denomination of \$5,000 or any integral multiple thereof; maturing on December 1 in annual installments of \$320,000 to \$585,000 through 2011; interest payable semi-annually on June 1 and December 1; issued to advance refund the City's outstanding Water and Sewer Revenue Bonds, Series 1993; secured by water and sewer system revenues.

(B) \$4,495,000 City of Franklin Water and Sewer Revenue Bonds, Series 2004, dated September 1, 2004; fully registered bonds in the denomination of \$5,000 or any integral multiple thereof; maturing on December 1 in annual installments of \$85,000 to \$265,000 through 2033; interest payable semi-annually on June 1 and December 1; issued to fund construction of new water supply dam; secured by water and sewer system revenues.

In prior years, the City defeased certain water and sewer system revenue bonds by placing new debt proceeds in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. On June 30, 2008, \$2,200,000 of bonds outstanding are considered defeased.

**Annual Debt Service Requirements**

The annual requirements to amortize long-term debt outstanding as of June 30, 2008 are as follows:

Year Ending June 30	Governmental Activities		Business-Type Activities		Government-Wide	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 190,419	\$ 65,785	\$ 1,116,499	\$ 319,791	\$ 1,306,918	\$ 385,576
2010	195,445	59,905	1,150,749	284,386	1,346,194	344,291
2011	198,461	52,322	1,100,130	247,810	1,298,591	300,132
2012	201,615	44,854	809,643	216,660	1,011,258	261,514
2013	204,924	27,071	364,296	200,085	569,220	227,156
2014 - 2018	721,009	84,958	1,745,492	860,795	2,466,501	945,753
2019 - 2023	54,027	3,285	819,276	643,127	873,303	646,412
2024 - 2028	—	—	910,000	443,982	910,000	443,982
2029 - 2033	—	—	1,150,000	203,747	1,150,000	203,747
2034 - 2038	—	—	265,000	171,506	265,000	171,506
	<u>\$ 1,765,900</u>	<u>\$ 338,180</u>	<u>\$ 9,431,085</u>	<u>\$ 3,591,889</u>	<u>\$11,196,985</u>	<u>\$ 3,930,069</u>

**CITY OF FRANKLIN, KENTUCKY**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2008**

**NOTE 6. LONG-TERM LIABILITIES (Continued)**

**Project Financing/Sublease Agreement - Franklin-Simpson Industrial Authority**

In January, 2004, the City obtained financing from the Kentucky League of Cities (KLC) Funding Trust Program to provide financial assistance to the Franklin-Simpson Industrial Authority ("Authority") to finance a portion of the costs of the renovation of a warehouse facility to be used for industrial development purposes ("project").

The City and Authority entered into a Series 2004 Sublease Agreement ("sublease") on January 23, 2004 to sublet the project to the Authority for a term commencing January 23, 2004 and ending February 15, 2010. Monthly rental payments made by the Authority to the City are equal to the rental payments payable by the City pursuant to the Kentucky League of Cities lease purchase agreement.

In previous fiscal years, the City recorded a receivable from the Authority and deferred revenue in the General Fund, applicable to future lease revenues to be received pursuant to sublease agreement. The City's KLC obligation was paid off on June 10, 2008, therefore, no receivables or deferred revenues exist as of June 30, 2008.

**NOTE 7. INTERFUND RECEIVABLES AND PAYABLES**

Interfund receivables and payable as of June 30, 2008 are as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Governmental Funds:		
General Fund	\$ 133,622	\$ 50,995
Special Revenue Funds:		
Greenlawn-Shady Rest Cemetery Fund	2	100
Economic Development Revolving Loan Fund	50,993	—
Community Development Fund	—	32,206
Permanent Funds		
Greenlawn-Shady Rest Cemetery Perpetual Fund	<u>100</u>	<u>—</u>
Total governmental funds	<u>184,717</u>	<u>83,301</u>
Proprietary Funds:		
Water and Wastewater Fund	227	373,022
Sanitation Fund	358,744	—
Fiber Optic Fund	<u>—</u>	<u>87,365</u>
Total proprietary funds	<u>358,971</u>	<u>460,387</u>
	<u>\$ 543,688</u>	<u>\$ 543,688</u>

**CITY OF FRANKLIN, KENTUCKY**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2008**

**NOTE 7. INTERFUND RECEIVABLES AND PAYABLES (Continued)**

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

**NOTE 8. INTERFUND TRANSFERS**

Interfund transfers for the year ending June 30, 2008 are summarized as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 828,400	\$ 147,000
Special Revenue Fund		
Greenlawn-Shady Rest Cemetery Fund	164,500	—
Permanent Fund		
Greenlawn-Shady Rest Cemetery Perpetual Fund	—	17,500
Total governmental funds	<u>992,900</u>	<u>164,500</u>
Proprietary Funds:		
Water and Wastewater Fund	—	828,400
	<u>\$ 992,900</u>	<u>\$ 992,900</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**NOTE 9. RETIREMENT PLAN**

**Plan Descriptions and Funding Information**

**County Employees Retirement System**

The County Employees Retirement System (CERS) is a cost sharing multiple-employer defined benefit pension plan created by the Kentucky General Assembly, pursuant to the provisions of Kentucky Revised Statute (KRS) 78.520. CERS is administered by the Board of Trustees of Kentucky Retirement Systems (KRS) and covers substantially

**CITY OF FRANKLIN, KENTUCKY**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2008**

**NOTE 9. RETIREMENT PLAN (Continued)**

all regular full-time City employees (members) employed in nonhazardous and hazardous duty positions. The CERS provides for retirement, disability and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost of living adjustments are provided at the discretion of the state legislature. The KRS issues a publicly available annual report that includes financial statements and required supplementary information for CERS. That report may be obtained by writing to the Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky, 40601.

Plan members with nonhazardous and hazardous duty positions were required to contribute 5% and 8%, respectively, of their annual creditable compensation. Participating employers were required to contribute at an actuarially determined rate. Per KRS Section 61.656(3), normal contributions and past service contribution rates shall be determined by the Board of Trustees on the basis of an annual valuation last proceeding July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of the biennium, if it is determined on the basis of subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. For the year ended June 30, 2008, participating employers contributed 16.17% (nonhazardous) and 33.87% (hazardous) of each employee's creditable compensation. The actuarially determined rates set by the Board for the year ended June 30, 2008, were 16.17% and 33.87% of creditable compensation. Administrative costs of CERS are financed through employer contributions and investment earnings.

The City's employer contributions to CERS for the years ended June 30, 2008, 2007 and 2006, were equal to the required contributions for each year and are as follows:

<u>Fiscal Year Ending</u>	<u>Non-hazardous Duty Positions Contribution</u>	<u>Percent of Compensation</u>	<u>Hazardous Duty Positions Contribution</u>	<u>Percent of Compensation</u>
2008	\$ 271,228	16.17%	\$ 308,831	33.87%
2007	\$ 213,559	13.19%	\$ 262,753	28.21%
2006	\$ 167,254	10.98%	\$ 222,084	25.01%

**CITY OF FRANKLIN, KENTUCKY**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2008**

**NOTE 9. RETIREMENT PLAN (Continued)**

**Other Post-Employment Benefits**

In addition to the pension benefits described above, the City maintains an informal retirement plan authorized by the Mayor/Council whereby City employees who retired prior to May 1, 1988, plus employees/spouses who retired after May 1, 1988 but who elected not to participate in the CERS plan (above), are paid \$100 per month. Twenty-two retired City employees are currently covered under the plan. Expenditures for retirement benefits are recognized on a pay as you go basis. Payments under the plan totaled \$27,500 for the year ended June 30, 2008.

In addition to providing retirement benefits, the City also provides certain health care and life insurance benefits for these retired employees and their spouses. The cost of the retiree health care and life insurance benefits is borne 100% by the City and is recognized on a pay as you go basis. For the year ended June 30, 2008, payments under the plan totaled \$119,522.

**NOTE 10. DEFERRED COMPENSATION PLAN**

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all full-time City employees at their option, permits participants to defer a portion of their salary until future years. The deferred compensation is not available to participants until termination, retirement, death or unforeseeable emergency.

The plan's investments are held in trust by Public Employee Benefit Service Corporation. Participating employees can contribute to the plan based on either a percentage of compensation or a fixed dollar amount per pay period up to 100% of the participant's total includible compensation or \$15,500 for 2008, whichever is less. During the fiscal year ending June 30, 2008, employee contributions totaled \$49,208.

**CITY OF FRANKLIN, KENTUCKY**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2008**

**NOTE 11. SOLID WASTE COLLECTION FRANCHISE AGREEMENT**

On September 27, 1988, the City entered into an exclusive five year franchise agreement with Monarch Environmental, Inc. (Monarch) to collect all nonhazardous solid waste in the City. The agreement gave Monarch the right to extend the contract for three successive five year periods. The contract was renewed for an additional five years in October, 1993, in October, 1998, and again in October, 2003. The contract provides for Monarch to receive the revenues from the solid waste collection service and to pay the City a franchise fee of \$21,156 per month through September, 2007 and \$4,530 per month thereafter, until the contract expires September 30, 2008. The City receives a fee equal to 1.00% of total revenues for the City's billing and collection services.

**NOTE 12. INTERLOCAL AGREEMENT FOR FIRE PROTECTION**

On December 1, 2006, the City and Simpson County Fiscal Court ("County") entered into an Interlocal Agreement for fire protection and related emergency services. The County presently furnishes basic fire protection services within its boundaries and the City desires to contract for essential fire fighting, protection and emergency services for the City.

At onset of Interlocal Agreement, the City and County fire departments merged into the Franklin-Simpson Fire Rescue operated, managed and administered by the County, with the Simpson County Fire Department Chief being the chief officer of the merged department.

**Fire Station and Equipment**

Fire fighting equipment owned by the City and County will be used both within the City and County for automatic response and mutual aid on a non-exclusive basis and will remain the property of the contributing entity. The County shall have full use of fire station owned by City and shall maintain the station and grounds. The City shall retain ownership of the fire station and shall provide for major capital repairs of station required during the term of the agreement including extensions. As partial consideration for such, the County agrees to pay City directly, or by offset from amount City shall pay County for the services

**CITY OF FRANKLIN, KENTUCKY**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2008**

**NOTE 12. INTERLOCAL AGREEMENT FOR FIRE PROTECTION (Continued)**

provided, the amount of \$25,000 per year, payable or offset on a monthly basis, until such time as City retires the existing debt service on the City's fire department building and improvements or until agreement is terminated, whichever is sooner. In addition, City agrees to provide at no charge, water and sewer services at fire department facility.

**Personnel**

Staffing of Franklin-Simpson Fire Rescue will be determined by the Fire Chief, in consultation with the County Judge Executive and the Mayor and City Manager, subject to approval of the Simpson County Fiscal Court.

**Financial Contributions**

City contributions to the County to the cost and expense of Franklin-Simpson Fire Rescue shall be at amounts per City's adopted budget payable monthly, however, not less than \$179,316 annually, without the prior written agreement of the parties. City contributions shall be increased or decreased annually, based upon change in consumer price index or cost of living increases set by Governor's Office of Local Development or comparable governmental office, effective July 1<sup>st</sup> of year increase or decrease is adopted by applicable state office, or the percentage increase in Simpson County's fire department budget, whichever is lower.

Financial contributions to the County for implementation of federal, state or local mandatory regulations shall be determined by negotiation. City shall furnish, without charge, quantities of water and use of fire hydrants as County may require or be able to use in its fire fighting operations within the City or County. City shall provide insurance coverage for the fire station facility, however, vehicles owned or operated by County located within the station, shall be insured by the County. County will also provide insurance coverage for property damage, collision and liability insurance coverage for vehicles, personnel and equipment owned by the City and operated by County.

**Term**

The term of the agreement is for five years, unless extended by mutual agreement or terminated. Twelve months prior to the expiration of the agreement, the County shall provide the City with a proposal for renewal which includes a five year comprehensive plan for services to be provided to City, including costs of providing services. The agreement may be terminated by either party by written notice at least three months prior to intended termination.

**CITY OF FRANKLIN, KENTUCKY**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2008**

**NOTE 13. 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, injuries to employees and natural disasters. The City maintains outside insurance coverage (either commercial or through a pooled insurance program) covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims did not exceed this commercial coverage in the past three fiscal years.

**NOTE 14. CONTINGENCIES**

The City has been named as a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City that resolution of these matters will not have a material adverse effect on the City's financial position. Accordingly, no provision for any liability resulting from such litigation has been made in the accompanying financial statements.

The City participates in numerous State and Federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustments by the grantor agencies; therefore, to the extent that the City complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable at June 30, 2008 may be impaired. In the opinion of the City, there are not significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

During fiscal years 2006 and 2007, the City received checks totaling \$560,726 from an insurance company (Company) for insurance premium taxes collected by the Company attributable to the City. Subsequent to June 30, 2007, the City determined the insurance premium taxes received from the Company may have been intended for another governmental unit in Kentucky. No claim for refund has been made by the Company and the City Attorney believes the City has a justifiable reason for keeping the taxes remitted to the City.

**CITY OF FRANKLIN, KENTUCKY**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2008**

**NOTE 15. SUBSEQUENT EVENTS**

**Solid Waste Collection Franchise Agreement**

On September 30, 2008, the City entered into an exclusive commercial and residential franchise agreement with Waste Management of Kentucky, LLC (franchisee), for the collection of nonhazardous solid waste in the City. Pursuant to franchise agreement, the City shall withhold 10% of the monthly gross receipts (franchise fee) received by the City from utility bill payments attributable to operations conducted by franchisee. In addition, City shall withhold 3% of the monthly gross receipts as a collection fee for its billing and collection services provided. The franchise agreement is for a five year period beginning October 1, 2008 and ending September 30, 2013.

**Grant Award**

On June 11, 2008, the City was awarded a \$1,000,000 grant from the U. S. Department of Commerce, Economic Development Administration to construct a fiber optic cable line. The City estimates total project costs of approximately \$2,000,000 and anticipates project completion in fiscal year 2010.

**Notes Payable**

On September 2, 2008, the City's Franklin Bank & Trust general obligation note payable was extended for five years. The note principal balance of \$94,875 will be paid in monthly principal installments, including variable interest at 3.75%.

**REQUIRED SUPPLEMENTARY INFORMATION**  
**(Other than Management's Discussion and Analysis)**

**CITY OF FRANKLIN, KENTUCKY**

**BUDGETARY COMPARISON SCHEDULE**

**General Fund**

**Year Ended June 30, 2008**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Taxes	\$ 708,115	\$ 716,762	\$ 717,524	\$ 762
Occupational taxes	1,745,425	1,775,593	1,788,097	12,504
Insurance premium taxes	1,162,687	1,085,663	1,078,421	( 7,242)
Business license taxes	291,238	302,543	308,803	6,260
Franchise taxes	100,714	103,406	106,007	2,601
Intergovernmental	294,747	139,656	153,360	13,704
Interfund charges	651,600	651,600	651,600	—
Fines and forfeitures	24,650	27,568	29,943	2,375
Miscellaneous	<u>245,332</u>	<u>456,077</u>	<u>455,237</u>	<u>( 840)</u>
Total revenues	<u>5,224,508</u>	<u>5,258,868</u>	<u>5,288,992</u>	<u>30,124</u>
<b>Expenditures</b>				
General government:				
Legislative:				
Personal services	126,770	128,458	128,565	( 107)
Contractual services	12,175	35,745	33,850	1,895
Materials and supplies	2,300	2,149	1,928	221
Other	<u>20,415</u>	<u>12,813</u>	<u>10,730</u>	<u>2,083</u>
Total legislative	<u>161,660</u>	<u>179,165</u>	<u>175,073</u>	<u>4,092</u>
Administrative:				
Personal services	341,788	316,429	313,927	2,502
Contractual services	3,490	4,616	4,654	( 38)
Materials and supplies	6,390	7,655	5,939	1,716
Other	<u>9,400</u>	<u>9,525</u>	<u>8,484</u>	<u>1,041</u>
Total administrative	<u>361,068</u>	<u>338,225</u>	<u>333,004</u>	<u>5,221</u>
Finance and accounting:				
Personal services	573,935	563,881	562,309	1,572
Contractual services	151,681	161,987	158,846	3,141
Materials and supplies	28,400	27,904	27,359	545
Other	<u>9,900</u>	<u>9,994</u>	<u>9,785</u>	<u>209</u>
Total finance and accounting	<u>763,916</u>	<u>763,766</u>	<u>758,299</u>	<u>5,467</u>
Risk management	<u>325,083</u>	<u>355,584</u>	<u>361,114</u>	<u>( 5,530)</u>
Total general government	<u>1,611,727</u>	<u>1,636,740</u>	<u>1,627,490</u>	<u>9,250</u>

**CITY OF FRANKLIN, KENTUCKY**

**BUDGETARY COMPARISON SCHEDULE**

**General Fund**

**Year Ended June 30, 2008**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Public safety:				
Police department:				
Administration:				
Personal services	\$ 275,849	\$ 258,990	\$ 260,689	(\$ 1,699)
Contractual services	31,519	32,804	29,891	2,913
Materials and supplies	12,250	10,238	9,083	1,155
Other	<u>3,650</u>	<u>3,793</u>	<u>3,743</u>	<u>50</u>
Total administration	<u>323,268</u>	<u>305,825</u>	<u>303,406</u>	<u>2,419</u>
Patrol:				
Personal services	1,230,034	1,195,985	1,207,872	( 11,887)
Contractual services	16,048	15,367	14,178	1,189
Materials and supplies	68,020	78,513	78,201	312
Other	<u>9,772</u>	<u>7,993</u>	<u>7,601</u>	<u>392</u>
Total patrol	<u>1,323,874</u>	<u>1,297,858</u>	<u>1,307,852</u>	<u>( 9,994)</u>
Non-sworn personnel:				
Personal services	54,043	49,925	50,217	( 292)
Contractual services	40,285	38,888	37,313	1,575
Materials and supplies	1,600	507	7	500
Other	<u>325</u>	<u>80</u>	<u>80</u>	<u>—</u>
Total non-sworn personnel	<u>96,253</u>	<u>89,400</u>	<u>87,617</u>	<u>1,783</u>
Total police department	<u>1,743,395</u>	<u>1,693,083</u>	<u>1,698,875</u>	<u>( 5,792)</u>
Fire department:				
Inspection and administration:				
Contractual services	800	601	491	110
Materials and supplies	<u>1,500</u>	<u>390</u>	<u>208</u>	<u>182</u>
Total inspection and administration	<u>2,300</u>	<u>991</u>	<u>699</u>	<u>292</u>

**CITY OF FRANKLIN, KENTUCKY**

**BUDGETARY COMPARISON SCHEDULE**

**General Fund**

**Year Ended June 30, 2008**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Expenditures (continued)				
Fire department (continued)				
Firefighting:				
Contractual services	\$ 154,316	\$ 154,316	\$ 154,316	\$ —
Total fire department	<u>156,616</u>	<u>155,307</u>	<u>155,015</u>	<u>292</u>
Total public safety	<u>1,900,011</u>	<u>1,848,390</u>	<u>1,853,890</u>	<u>( 5,500)</u>
Public works:				
Personal services	474,684	428,986	424,471	4,515
Contractual services	121,273	131,070	128,272	2,798
Materials and supplies	123,143	119,487	120,516	( 1,029)
Other	<u>5,701</u>	<u>6,359</u>	<u>5,385</u>	<u>974</u>
Total public works	<u>724,801</u>	<u>685,902</u>	<u>678,644</u>	<u>7,258</u>
Community services:				
Economic development	380,000	151,846	149,975	1,871
Parks and recreation	<u>155,000</u>	<u>160,700</u>	<u>158,431</u>	<u>2,269</u>
Total community services	<u>535,000</u>	<u>312,546</u>	<u>308,406</u>	<u>4,140</u>
Capital outlay:				
Buildings	16,000	18,566	18,566	—
Equipment	45,000	43,477	34,406	9,071
Vehicles	35,630	70,940	70,940	—
Land and improvements	<u>—</u>	<u>13,392</u>	<u>13,439</u>	<u>( 47)</u>
Total capital outlay	<u>96,630</u>	<u>146,375</u>	<u>137,351</u>	<u>9,024</u>
Debt service:				
Principal	897,607	1,118,098	1,117,955	143
Interest	140,044	134,907	133,973	934
Administrative fees	<u>28,309</u>	<u>27,349</u>	<u>27,427</u>	<u>( 78)</u>
Total debt service	<u>1,065,960</u>	<u>1,280,354</u>	<u>1,279,355</u>	<u>999</u>
Total expenditures	<u>5,934,129</u>	<u>5,910,307</u>	<u>5,885,136</u>	<u>25,171</u>

**CITY OF FRANKLIN, KENTUCKY**

**BUDGETARY COMPARISON SCHEDULE  
General Fund  
Year Ended June 30, 2008**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Deficiency of revenues under expenditures	(\$ 709,621)	(\$ 651,439)	(\$ 596,144)	\$ 55,295
Other financing sources (uses):				
Transfers in:				
Water and Wastewater Fund	—	828,400	828,400	—
Transfers out:				
Greenlawn-Shady Rest Cemetery Fund	( 157,000)	( 147,000)	( 147,000)	—
Sale of capital assets	<u>872,000</u>	<u>2,893</u>	<u>4,893</u>	<u>2,000</u>
Total other financing sources (uses)	<u>715,000</u>	<u>684,293</u>	<u>686,293</u>	<u>2,000</u>
Net change in fund balance	5,379	32,854	90,149	57,295
Fund balances, beginning of year	<u>1,097,209</u>	<u>1,097,209</u>	<u>1,097,209</u>	—
Fund balances, end of year	<u>\$ 1,102,588</u>	<u>\$ 1,130,063</u>	<u>\$ 1,187,358</u>	<u>\$ 57,295</u>

**CITY OF FRANKLIN, KENTUCKY**

**Infrastructure Condition and Maintenance Data  
June 30, 2008**

**Modified Approach to Infrastructure**

The following schedules are presented by the City as supplementary information on infrastructure assets using the modified approach:

	OCI Condition Rating	Square Feet of Road Area					
		2008		2007		2006	
		Square Feet	%	Square Feet	%	Square Feet	%
Acceptable	75 - 100	3,874,018	78.00	3,699,578	74.75	3,467,730	70.04
Marginally deficient	50 - 74	862,861	17.37	828,126	16.73	859,856	17.37
Moderately deficient	25 - 49	230,186	4.63	421,541	8.52	520,393	10.51
Severely deficient	0 - 24	—	—	—	—	102,963	2.08
Total		<u>4,967,065</u>	<u>100.00</u>	<u>4,949,245</u>	<u>100.00</u>	<u>4,950,942</u>	<u>100.00</u>

	Comparison of Estimated-to-Actual Maintenance/Preservation				
	2008	2007	2006	2005	2004
Original estimate	\$ 314,310	\$ 256,852	\$ 192,306	\$ 177,927	\$ 175,500
Actual	\$ 248,637	\$ 258,219	\$ 193,489	\$ 148,404	\$ 180,007

The condition of the City's roads is determined using its Road Management and Inspection Program (RMIP). The road condition is rated from 1 to 100 (OCI), with 100 being new or recently paved.

It is the City's policy to assess the condition of the roads annually for cracks, potholes, misalignment, drainage condition and number of specific safety hazards.

The City has not changed the measurement scale used to assess and report the condition of its roads for the past 10 years.

The City's goal is to have all roads at 90 - 100 OCI rating.

**SUPPLEMENTARY INFORMATION**

## **Nonmajor Governmental Funds**

### **Special Revenue Funds**

Special revenue funds are used to account for specific revenues that are restricted to expenditures for particular purposes.

Greenlawn-Shady Rest Cemetery Fund - This fund is used to account for the activities of the Greenlawn-Shady Rest Cemetery. The cemetery is operated by the City with input from an advisory board.

Community Development Fund - This fund is used to account for the federal community development block grant program and state economic development grant programs restricted for various governmental housing and community development and economic development projects.

Municipal Aid Fund - This fund is used to account for the City's share of liquid fuel tax receipts, mineral and coal severance tax receipts and special municipal road aid bond receipts restricted for public works eligible costs.

Economic Development Revolving Loan Fund - This fund is used to account for economic development incentive loans to local industrial tenants. Loan repayments are restricted to future economic development activities.

### **Permanent Funds**

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

Francis Harris Cemetery Perpetual Care Fund - This fund is used to account for monies held in trust from a memorial from Francis Harris to provide for the future care and maintenance of the Greenlawn Shady Rest Cemetery.

Greenlawn - Shady Rest Cemetery Perpetual Care Fund - This fund is used to account for monies set aside to provide for the future care and maintenance of the Greenlawn Shady Rest Cemetery.

**CITY OF FRANKLIN, KENTUCKY**

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2008**

	Special Revenue				
	<u>Cemetery</u>	<u>Community Development</u>	<u>Municipal Aid</u>	<u>Economic Development</u>	<u>Total</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 12,778	\$ 84,934	\$ 210,305	\$ —	\$ 308,017
Certificates of deposit	—	—	—	—	—
Receivables (net of allowance for uncollectibles):					
Accounts	10,050	—	—	—	10,050
Notes	—	—	—	51,595	51,595
Intergovernmental	—	—	24,427	—	24,427
Interest	—	—	—	—	—
Due from other funds	2	—	—	50,993	50,995
Prepaid items	400	—	—	—	400
Restricted assets:					
Cash and cash equivalents	<u>1,273</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,273</u>
Total assets	<u>\$ 24,503</u>	<u>\$ 84,934</u>	<u>\$ 234,732</u>	<u>\$ 102,588</u>	<u>\$ 446,757</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 42	\$ —	\$ 43,064	\$ —	\$ 43,106
Due to other funds	100	32,206	—	—	32,306
Deferred revenue	<u>—</u>	<u>—</u>	<u>—</u>	<u>51,595</u>	<u>51,595</u>
Total liabilities	<u>142</u>	<u>32,206</u>	<u>43,064</u>	<u>51,595</u>	<u>127,007</u>
Fund balances:					
Reserved for perpetual care	—	—	—	—	—
Unreserved, undesignated	<u>24,361</u>	<u>52,728</u>	<u>191,668</u>	<u>50,993</u>	<u>319,750</u>
Total fund balances	<u>24,361</u>	<u>52,728</u>	<u>191,668</u>	<u>50,993</u>	<u>319,750</u>
Total liabilities and fund balances	<u>\$ 24,503</u>	<u>\$ 84,934</u>	<u>\$ 234,732</u>	<u>\$ 102,588</u>	<u>\$ 446,757</u>

<u>Permanent Funds</u>	
<u>Cemetery Perpetual</u>	<u>Total Nonmajor Governmental Funds</u>

\$ 20,353	\$ 328,370
429,206	429,206
—	10,050
—	51,595
—	24,427
552	552
100	51,095
—	400
<u>—</u>	<u>1,273</u>
<u>\$ 450,211</u>	<u>\$ 896,968</u>

\$ —	\$ 43,106
—	32,306
<u>—</u>	<u>51,595</u>
<u>—</u>	<u>127,007</u>

450,211	450,211
<u>—</u>	<u>319,750</u>
<u>450,211</u>	<u>769,961</u>
<u>\$ 450,211</u>	<u>\$ 896,968</u>

**CITY OF FRANKLIN, KENTUCKY**

**COMBINING BALANCE SHEET  
NONMAJOR PERMANENT FUNDS  
June 30, 2008**

	Francis Harris Cemetery <u>Perpetual</u>	Greenlawn- Shady Rest Cemetery <u>Perpetual</u>	Total Nonmajor Permanent <u>Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 4,350	\$ 16,003	\$ 20,353
Certificates of deposit	50,000	379,206	429,206
Accrued interest receivable	—	552	552
Due from other funds	<u>—</u>	<u>100</u>	<u>100</u>
Total assets	<u>\$ 54,350</u>	<u>\$ 395,861</u>	<u>\$ 450,211</u>
<b>FUND BALANCES</b>			
Reserved for cemetery maintenance	\$ 54,350	\$ —	\$ 54,350
Reserved for perpetual care	<u>—</u>	<u>395,861</u>	<u>395,861</u>
Total fund balances	<u>\$ 54,350</u>	<u>\$ 395,861</u>	<u>\$ 450,211</u>

**CITY OF FRANKLIN, KENTUCKY**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
Year Ended June 30, 2008**

	Special Revenue				
	Cemetery	Community Development	Municipal Aid	Economic Development	Total
Revenues					
Intergovernmental	\$ —	\$ —	\$ 322,743	\$ —	\$ 322,743
Charges for sales and services	74,510	—	—	—	74,510
Contributions	—	—	—	—	—
Investment income	214	—	1,879	1,386	3,479
Miscellaneous	206	—	—	4,033	4,239
	74,930	—	324,622	5,419	404,971
Total revenues					
Expenditures					
Current:					
Public works	—	—	207,264	—	207,264
Community services	233,301	13,529	—	—	246,830
Capital outlay	—	—	113,111	—	113,111
	233,301	13,529	320,375	—	567,205
Total expenditures					
Excess (deficiency) of revenues over (under) expenditures	( 158,371)	( 13,529)	4,247	5,419	( 162,234)
Other financing sources (uses):					
Transfers in	164,500	—	—	—	164,500
Transfers out	—	—	—	—	—
Sale of capital assets	—	37,595	—	—	37,595
	164,500	37,595	—	—	202,095
Total other financing sources (uses)					
Net change in fund balances	6,129	24,066	4,247	5,419	39,861
Fund balances, beginning of year	18,232	28,662	187,421	45,574	279,889
Fund balances, end of year	\$ 24,361	\$ 52,728	\$ 191,668	\$ 50,993	\$ 319,750

<u>Permanent Funds</u>	<u>Total Nonmajor Governmental Funds</u>
Cemetery Perpetual	
\$ —	\$ 322,743
—	74,510
6,600	6,600
21,341	24,820
—	4,239
<u>27,941</u>	<u>432,912</u>
—	207,264
1,983	248,813
—	113,111
<u>1,983</u>	<u>569,188</u>
<u>25,958</u>	<u>( 136,276)</u>
—	164,500
( 17,500)	( 17,500)
—	37,595
<u>( 17,500)</u>	<u>184,595</u>
8,458	48,319
<u>441,753</u>	<u>721,642</u>
<u>\$ 450,211</u>	<u>\$ 769,961</u>

**CITY OF FRANKLIN, KENTUCKY**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR PERMANENT FUNDS  
Year Ended June 30, 2008**

	<u>Francis Harris Cemetery Perpetual</u>	<u>Greenlawn- Shady Rest Cemetery Perpetual</u>	<u>Total Nonmajor Permanent Funds</u>
Revenues			
Investment income	\$ 2,470	\$ 18,871	\$ 21,341
Contributions	<u>—</u>	<u>6,600</u>	<u>6,600</u>
Total revenues	<u>2,470</u>	<u>25,471</u>	<u>27,941</u>
Expenditures			
Current:			
Community services	<u>1,983</u>	<u>—</u>	<u>1,983</u>
Excess of revenues over expenditures	487	25,471	25,958
Other financing uses:			
Transfers out	<u>—</u>	<u>( 17,500)</u>	<u>( 17,500)</u>
Excess of revenues over expenditures and other financing uses	487	7,971	8,458
Fund balance, beginning of year	<u>53,863</u>	<u>387,890</u>	<u>441,753</u>
Fund balance, end of year	<u>\$ 54,350</u>	<u>\$ 395,861</u>	<u>\$ 450,211</u>

**CITY OF FRANKLIN, KENTUCKY**

**BUDGETARY COMPARISON SCHEDULE  
Greenlawn - Shady Rest Cemetery Special Revenue Fund  
Year Ended June 30, 2008**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Charges for sales and services	\$ 58,500	\$ 69,170	\$ 74,510	\$ 5,340
Investment income	250	223	214	( 9)
Miscellaneous	<u>39</u>	<u>100</u>	<u>206</u>	<u>106</u>
Total revenues	<u>58,789</u>	<u>69,493</u>	<u>74,930</u>	<u>5,437</u>
<b>Expenditures</b>				
Current:				
Community services:				
Personal services	8,100	7,030	6,996	34
Contractual services	168,523	168,532	168,668	( 136)
Materials and supplies	1,150	1,117	1,028	89
Administrative overhead	50,000	50,000	50,000	—
Other	<u>5,000</u>	<u>6,810</u>	<u>6,609</u>	<u>201</u>
Total expenditures	<u>232,773</u>	<u>233,489</u>	<u>233,301</u>	<u>188</u>
Deficiency of revenues under expenditures	( 173,984)	( 163,996)	( 158,371)	5,625
Other financing sources:				
Transfers in	<u>174,500</u>	<u>164,500</u>	<u>164,500</u>	—
Excess of revenues and other financing sources over expenditures	516	504	6,129	5,625
Fund balance, beginning of year	<u>18,232</u>	<u>18,232</u>	<u>18,232</u>	—
Fund balance, end of year	<u>\$ 18,748</u>	<u>\$ 18,736</u>	<u>\$ 24,361</u>	<u>\$ 5,625</u>

**CITY OF FRANKLIN, KENTUCKY**

**BUDGETARY COMPARISON SCHEDULE  
Community Development Special Revenue Fund  
Year Ended June 30, 2008**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues	\$ —	\$ —	\$ —	\$ —
Expenditures				
Current:				
Community services:				
Economic development	<u>—</u>	<u>—</u>	<u>13,529</u>	<u>(13,529)</u>
Deficiency of revenues under expenditures	—	—	( 13,529)	( 13,529)
Other financing sources:				
Sale of capital assets	<u>—</u>	<u>—</u>	<u>37,595</u>	<u>37,595</u>
Excess of revenues and other financing sources over expenditures	—	—	24,066	24,066
Fund balance, beginning of year	<u>28,662</u>	<u>28,662</u>	<u>28,662</u>	<u>—</u>
Fund balance, end of year	<u>\$ 28,662</u>	<u>\$ 28,662</u>	<u>\$ 52,728</u>	<u>\$ 24,066</u>

**CITY OF FRANKLIN, KENTUCKY**

**BUDGETARY COMPARISON SCHEDULE  
Municipal Aid Special Revenue Fund  
Year Ended June 30, 2008**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
Intergovernmental:				
Liquid fuel tax	\$ 126,312	\$ 126,312	\$ 137,306	\$ 10,994
Mineral and coal severance tax	7,000	19,141	23,237	4,096
Municipal road aid bond	—	96,200	92,200	( 4,000)
State grant	—	70,000	70,000	—
Investment income	<u>2,000</u>	<u>1,725</u>	<u>1,879</u>	<u>154</u>
Total revenues	<u>135,312</u>	<u>313,378</u>	<u>324,622</u>	<u>11,244</u>
Expenditures				
Current:				
Public works	120,000	275,161	207,264	67,897
Capital outlay:				
Public works	<u>15,000</u>	<u>107,200</u>	<u>113,111</u>	<u>( 5,911)</u>
Total expenditures	<u>135,000</u>	<u>382,361</u>	<u>320,375</u>	<u>61,986</u>
Excess (deficiency) of revenues over(under) expenditures	312	( 68,983)	4,247	73,230
Fund balance, beginning of year	<u>187,421</u>	<u>187,421</u>	<u>187,421</u>	<u>—</u>
Fund balance, end of year	<u>\$ 187,733</u>	<u>\$ 118,438</u>	<u>\$ 191,668</u>	<u>\$ 73,230</u>

**CITY OF FRANKLIN, KENTUCKY**

**BUDGETARY COMPARISON SCHEDULE  
Economic Development Revolving Loan Special Revenue Fund  
Year Ended June 30, 2008**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues				
Investment income	\$ 2,678	\$ 2,678	\$ 1,386	(\$ 1,292)
Revolving loan payments	<u>8,159</u>	<u>8,159</u>	<u>4,033</u>	<u>( 4,126)</u>
Total revenues	10,837	10,837	5,419	( 5,418)
Expenditures	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Excess of revenues over expenditures	10,837	10,837	5,419	( 5,418)
Fund balance, beginning of year	<u>45,574</u>	<u>45,574</u>	<u>45,574</u>	<u>—</u>
Fund balance, end of year	<u>\$ 56,411</u>	<u>\$ 56,411</u>	<u>\$ 50,993</u>	<u>(\$ 5,418)</u>

## **PROPRIETARY FUNDS**

### **Enterprise Funds**

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the City's management is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where the City's management has decided that periodic determination of net income is appropriate for accountability purposes.

Water and Wastewater Fund - This fund is used to account for the activities of the Water and Wastewater operations.

Sanitation Fund - This fund is used to account for the activities of the City's sanitation and landfill operations.

Fiber Optic Fund - This fund is used to account for the activities of the City's fiber optic operations.

**CITY OF FRANKLIN, KENTUCKY**

**BUDGETARY COMPARISON SCHEDULE  
Water and Wastewater Fund  
Year Ended June 30, 2008**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Operating revenues:				
Charges for sales and services:				
Water division	\$ 2,153,258	\$ 2,141,755	\$ 2,101,720	(\$ 40,035)
Wastewater division	<u>1,867,357</u>	<u>1,857,949</u>	<u>1,808,938</u>	<u>( 49,011)</u>
Total operating revenues	<u>4,020,615</u>	<u>3,999,704</u>	<u>3,910,658</u>	<u>( 89,046)</u>
Nonoperating revenues:				
Investment income	343,000	100,237	109,134	8,897
Grant revenue	—	282,186	180,367	( 101,819)
Miscellaneous	99,183	151,889	71,085	( 80,804)
Sale of capital assets	<u>7,276</u>	<u>823,950</u>	<u>738,297</u>	<u>( 85,653)</u>
Total nonoperating revenues	<u>449,459</u>	<u>1,358,262</u>	<u>1,098,883</u>	<u>( 259,379)</u>
Total revenues	<u>4,470,074</u>	<u>5,357,966</u>	<u>5,009,541</u>	<u>( 348,425)</u>
Expenditures				
Water division:				
Production:				
Personal services	291,481	243,457	245,218	( 1,761)
Contractual services	196,180	188,401	180,440	7,961
Materials and supplies	173,575	202,752	206,133	( 3,381)
Other	<u>3,900</u>	<u>3,147</u>	<u>3,327</u>	<u>( 180)</u>
Total water production	<u>665,136</u>	<u>637,757</u>	<u>635,118</u>	<u>2,639</u>
Distribution:				
Personal services	346,945	326,870	328,017	( 1,147)
Contractual services	29,179	42,492	36,876	5,616
Materials and supplies	112,501	81,274	93,723	( 12,449)
Other	<u>11,000</u>	<u>11,692</u>	<u>12,323</u>	<u>( 631)</u>
Total water distribution	<u>499,625</u>	<u>462,328</u>	<u>470,939</u>	<u>( 8,611)</u>

**CITY OF FRANKLIN, KENTUCKY**

**BUDGETARY COMPARISON SCHEDULE**

**Water and Wastewater Fund**

**Year Ended June 30, 2008**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Expenditures (continued)				
Meter reading and maintenance:				
Personal services	\$ 58,016	\$ 51,695	\$ 51,485	\$ 210
Contractual services	7,904	5,508	5,505	3
Materials and supplies	35,368	54,860	53,623	1,237
Other	<u>1,000</u>	<u>50</u>	<u>130</u>	<u>( 80)</u>
Total water meter reading and maintenance	<u>102,288</u>	<u>112,113</u>	<u>110,743</u>	<u>1,370</u>
Total water division	<u>1,267,049</u>	<u>1,212,198</u>	<u>1,216,800</u>	<u>( 4,602)</u>
Wastewater division:				
Treatment:				
Personal services	296,306	277,451	277,435	16
Contractual services	184,870	214,498	219,701	( 5,203)
Materials and supplies	109,093	93,225	94,303	( 1,078)
Other	<u>6,000</u>	<u>5,674</u>	<u>4,705</u>	<u>969</u>
Total wastewater treatment	<u>596,269</u>	<u>590,848</u>	<u>596,144</u>	<u>( 5,296)</u>
Collection and rehabilitation:				
Personal services	159,341	154,947	154,505	442
Contractual services	54,397	65,234	62,951	2,283
Materials and supplies	63,999	60,264	55,361	4,903
Other	<u>7,800</u>	<u>5,616</u>	<u>4,714</u>	<u>902</u>
Total wastewater collection and rehabilitation	<u>285,537</u>	<u>286,061</u>	<u>277,531</u>	<u>8,530</u>
Total wastewater division	<u>881,806</u>	<u>876,909</u>	<u>873,675</u>	<u>3,234</u>
Administrative overhead	<u>475,500</u>	<u>415,500</u>	<u>415,500</u>	<u>—</u>
Debt service:				
Principal	1,081,587	1,067,373	1,067,373	—
Interest	383,204	373,836	371,496	2,340
Administrative fees	<u>10,098</u>	<u>11,326</u>	<u>12,546</u>	<u>( 1,220)</u>
Total debt service	<u>1,474,889</u>	<u>1,452,535</u>	<u>1,451,415</u>	<u>1,120</u>
Capital outlays	<u>365,400</u>	<u>544,445</u>	<u>288,703</u>	<u>255,742</u>
Total expenditures	<u>4,464,644</u>	<u>4,501,587</u>	<u>4,246,093</u>	<u>255,494</u>

**CITY OF FRANKLIN, KENTUCKY**

**BUDGETARY COMPARISON SCHEDULE**

**Water and Wastewater Fund**

**Year Ended June 30, 2008**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Excess of revenues over expenditures	\$ 5,430	\$ 856,379	\$ 763,448	(\$ 92,931)
Other financing uses:				
Transfers out	<u>—</u>	<u>( 828,400)</u>	<u>( 828,400)</u>	<u>—</u>
Excess (deficiency) of revenues over (under) expenditures and other financing uses	<u>\$ 5,430</u>	<u>\$ 27,979</u>	<u>( 64,952)</u>	<u>(\$ 92,931)</u>
Add:				
Principal payments			1,067,373	
Capital outlays			288,703	
Less:				
Depreciation expense			( 1,027,319)	
Amortization expense			<u>( 25,732)</u>	
Change in net assets			238,073	
Net assets, beginning of year			<u>14,805,741</u>	
Net assets, end of year			<u>\$15,043,814</u>	

**CITY OF FRANKLIN, KENTUCKY**

**BUDGETARY COMPARISON SCHEDULE**

**Sanitation Fund**

**Year Ended June 30, 2008**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Operating revenues:				
Charges for services:				
Hand pick-up	\$ 686,973	\$ 692,677	\$ 714,504	\$ 21,827
Industry sanitation	546,115	570,127	567,311	( 2,816)
Commercial dumpster	422,060	442,357	442,725	368
Collection fees	16,264	16,578	16,712	134
Fines and forfeitures	14,064	16,140	16,683	543
Franchise fee	<u>104,237</u>	<u>104,237</u>	<u>104,237</u>	<u>—</u>
Total operating revenues	<u>1,789,713</u>	<u>1,842,116</u>	<u>1,862,172</u>	<u>20,056</u>
Nonoperating revenues:				
Investment income	1,500	520	528	8
Miscellaneous	<u>—</u>	<u>28,376</u>	<u>28,376</u>	<u>—</u>
Total nonoperating revenues	<u>1,500</u>	<u>28,896</u>	<u>28,904</u>	<u>8</u>
Total revenues	<u>1,791,213</u>	<u>1,871,012</u>	<u>1,891,076</u>	<u>20,064</u>
Expenditures				
Sanitation operations:				
Personal services	10,068	10,243	10,206	37
Contractual services	1,629,950	1,672,073	1,693,159	( 21,086)
Administrative overhead	126,100	186,100	186,100	—
Other	<u>3,400</u>	<u>—</u>	<u>1,338</u>	<u>( 1,338)</u>
Total expenditures	<u>1,769,518</u>	<u>1,868,416</u>	<u>1,890,803</u>	<u>( 22,387)</u>
Excess of revenues over expenditures	\$ <u>21,695</u>	\$ <u>2,596</u>	273	(\$ <u>2,323</u> )
Net assets, beginning of year			<u>69,932</u>	
Net assets, end of year			\$ <u>70,205</u>	